

Cloud Computing

# Cheops CEO on why his \$130m-turnover US acquisition fell through, opening a Google-inspired HQ, and why he will never do business with Alibaba

CEO Nicolas Leroy-Fleuriot tells Nima Green about what he's learned from Cheops' first attempt on the US market and why European partners should be wary of Alibaba's EMEA expansion



Nima Green 29 October 2018



Cheops' CEO has opened up on why its nine-month-long negotiations to acquire a \$130m-turnover firm in the US ultimately came to nothing.

Nicolas Leroy-Fleuriot (pictured in his revamped "California-style" Bordeaux HQ) told *Channelnomics Europe* that its long-anticipated debut in the US fell through because one week before the sale contract was due to be signed in March, the firm's owner added a stipulation that he would take all the company's working capital with him.

"That was not discussed in our previous negotiations or in the price I offered him. I was upset and we called off the deal," he said.

"In parallel, I was talking to Equinix to run two datacentres [for us] in California. So the project was really under way for us."

Despite the last minute letdown, Leroy-Fleuriot said the experience has not deterred the **top French VAR's** ambitions to expand into California.

"It was nine months for nothing. But it was a good experience. Now I can say that I know how American businessmen work. A friend had warned me that you have to take care in negotiations until right to the end," he said.

### **If at first you don't succeed...**

Cheops will revive its search for its first M&A move in the US this January.

Leroy-Fleuriot confirmed that the type of company Cheops is looking to acquire remains the same: a specialist in cloud infrastructure, based in Silicon Valley, with a headcount of around 75 and a similar revenue size.

He added that as a private and hybrid cloud specialist, he sees Cheops as being in a "unique proposition for the American market".

"Public cloud is not the only answer, and the US market is now seeing that. And with the nine-hour difference between California and France, there is an opportunity to neutralise latency and pool resources to give a 24-hour datacentre service in both locations during the night in California and in France," he said.

Leroy-Fleuriot has previously told *Channelnomics Europe* that he intends to use a Silicon Valley purchase as a **landing ground for future acquisition drives** in the US.

### **Shunning Chinese hyperscalers**

While Cheops currently works with several of the primary US hyperscalers - Azure, AWS and IBM - Leroy-Fleuriot said that he will not add Chinese giant Alibaba Cloud to that roster.

"No. Never, never. I don't want to work with Chinese firms simply because I don't want to take any risks of being

spied on or of having data violations," he said.

"I have huge respect for [Alibaba co-founder and chairman] Jack Ma but I will not work with Alibaba."

The Chinese behemoth has made inroads this year into several EMEA markets, including **Germany**, France and the **CEE region** and most recently launched in the UK.

### **Trump, and the potential for US commercial espionage**

Leroy-Fleuriot believes the increasing expansion of international hyperscalers in Europe should be met with some caution by all European resellers and distributors.

"I think that for European companies, we cannot put sensitive and critical data into the public cloud, wherever the public cloud is based, in the US or China," he said.

"I think that our sensitive data should stay in local cloud because any government can ask service providers for a copy for all the data in datacentres."

Leroy-Fleuriot went further, envisaging a scenario where US tech firms that get close to the current US administration could gain a competitive advantage over European firms.

"I think that today, if you are a close friend of Donald Trump and you are in an American company and you see a European rival that is more competitive than you and is taking market share from you, if you want to spy on their data, you could ask the US government to protect American interests," he said.

"I think that today, more so than in the past, with Trump leading the US, sensitive and critical data must stay within the European community."

### **An acquisition on home soil**

With Cheops' failure to acquire in the US in the first half of this year, Leroy-Fleuriot turned back to his own continent for his next M&A target.

Cheops snapped up Euro-Sys last month; a €1.8m-revenue firm with an EBIT of €200,000 based in Tours, close to Paris.

"This was a strategic choice for us because it is specialised in IBM iSeries," he said.

"In June we introduced three new cloud offerings and one is dedicated to the IBM iSeries."

He explained that IBM advised him to increase Cheops' datacentre competency with the vendor two years ago, citing there being "16,000 IBM iSeries servers running apps in France".

"There are not many people who specialise on this platform remaining... With our acquisition, and with the two IBM iSeries servers we bought, we can build the right offering for these customers," he added.

### **A Google-inspired HQ revamp**

Also in recent weeks, Cheops posted its FY2018 results that showed it had smashed through its €100m sales

target, logging €104m, up 24 per cent year on year. For the year ending April 2018, its EBIT rocketed by 77 per cent to €6.29m. Cheops now has a headcount of more than 450 staff across its 13 French offices.

The positive results followed the unveiling of Cheops' "Google-inspired" HQ in Bordeaux at the start of this month.

With two huge intertwined slides for employees to descend floors, a Tintin-inspired relaxation cabin bedecked with a giant rocket and night sky ("I'm a massive fan of Tintin!" Leroy-Fleuriot enthused), nap rooms, a Formula One car, free catering and a pets-allowed policy, Leroy-Fleuriot is hoping that emulating a Californian-style start-up atmosphere will attract the best talent to his firm.

"We spent two years visiting Silicon Valley firms and I appreciate that Californians understand that wellbeing at work boosts creativity," he said.

"It can be a struggle in the French market to find enough talent. Our new HQ is a way to tackle this... To continue to grow we have to be attractive to employees, and I think this is what we have done."



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