CenturyLink acquires peer-to-peer CDN specialist Streamroot

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By Craig Matsumoto

The buyer has a CDN that it is trying to expand internationally. P2P technology provided by Streamroot could help by extending the CDN’s reach into the nooks and crannies of user populations, giving CenturyLink a way to broaden its footprint in countries where it isn’t as well established.
Introduction
Peer-to-peer (P2P) content delivery networks have been a curio, a technology that works but that the CDN players haven’t been interested in taking mainstream. Now, CenturyLink is giving P2P a shot at the big time with the acquisition of Streamroot, three months after announcing a partnership with the startup. It’s not about P2P for its own sake – the buyer considers this a way to bolster its CDN presence internationally by extending its reach in certain markets.

451 TAKE
Picking up Streamroot is a low-risk way for CenturyLink to try to expand its CDN coverage. P2P CDNs have proven they can handle large-scale video streaming such as World Cup matches, but major CDN players haven’t yet been convinced that the need for P2P is all that acute. CenturyLink is looking at a slightly different angle: Because P2P technology can extend a CDN’s reach, it’s a way to gain deeper coverage in a region without having to deploy additional infrastructure. We expect Latin America and India to be among CenturyLink’s targets, and Streamroot’s existing customer base could give it a boost in western Europe as well. We suspect that it will take time for the buyer to reap material gains out of this deal, but Streamroot was likely an inexpensive purchase (considering CenturyLink’s overall size), and deployment of its technology is neither complicated nor pricey.

Deal details
Terms of the transaction were not disclosed. We anticipate that Streamroot’s 35 employees will be retained by CenturyLink, as their expertise is specific to the target’s technology and would not overlap with CenturyLink’s CDN team.

Deal rationale
For US-based CenturyLink, this move is all about international markets. P2P technology becomes practical when a lot of people will be accessing the same content via the internet, and it becomes especially useful when those people are in a bandwidth-constrained area. It’s easy to see that description applying to FIFA World Cup matches — or the Cricket World Cup, which (as Akamai reports) keeps setting records for concurrent streaming viewers. CenturyLink believes it can reach more users in those scenarios by augmenting its CDN with P2P. The technology can also enhance CDN performance without deploying any additional hardware. Think of P2P as the CDN’s capillaries, extending reach more deeply into the user population.

Snapshot
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<td>Target</td>
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Target profile
Founded in 2014, Streamroot is based in New York City, with roughly 20 employees in Paris. The company has raised $6m in funding. It does not disclose revenue and has only been selling services since 2017, but it does claim that it tripled revenue in 2018 and is hoping to triple it again in 2019. Customers include seven of France’s top 10 broadcasters as well as Spanish public broadcaster RTVE.

P2P CDN technology is not complicated, involving literally one or two lines of JavaScript and the use of WebRTC, a standard supported by all major browsers. Streamroot’s more important work has been around honing the practical and operational aspects of P2P. For example, its software ensures that P2P sharing doesn’t overwhelm a user’s CPU and even monitors device temperature. CenturyLink says this level of rigor is what attracted it to the vendor.

Acquirer profile
CenturyLink, the third-largest telecom provider in the US behind AT&T and Verizon, obtained a CDN in 2016 via the $24bn purchase of Level 3 Communications, a deal that also handed the acquirer a good chunk of the global internet backbone. In that sense, CenturyLink is now a major global player in fiber networks.

Through a partnership announced in June, CenturyLink already offers Streamroot’s technology commercially under the name CDN Mesh Delivery. By purchasing Streamroot rather than partnering, CenturyLink can help the startup scale more quickly and broaden its scope. Streamroot has focused on video delivery so far, and both companies would like to extend the technology to support major software releases as well.

Competition
Until now, the major CDN players have not seen a need to launch P2P CDN services on a large scale. Akamai has been the most vocal supporter and has experimented with it on multiple occasions, its most recent foray being the acquisition of Octoshape in 2015. That service is live but is not being actively promoted by Akamai.

Streamroot’s direct competition consists of other small startups such as Edgeroot, Peer 5 and Teltoo. In each case, the vendors envision their P2P technology being an adjunct to a larger CDN rather than a stand-alone network. This transaction represents P2P technology’s best shot to date at capturing mainstream attention, so if CenturyLink and Streamroot gain any traction, the other P2P startups could become partner or acquisition candidates for other CDN providers. Possibilities would include AWS CloudFront, Cloudflare, Fastly, Limelight and Verizon Digital Media Services. Akamai would also make sense as a buyer, as the P2P sector has evolved since its Octoshape pickup.