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INTERVIEW-Limelight shakes off Netflix loss; eyes cloud

3:48PM ET on Wednesday Jun 06, 2012 by Thomson Reuters

- * Looking towards cloud storage and SaaS offerings - CEO
- * Sees non-CDN business run rate at \$75-\$80 mln this year
- * Sees non-CDN business to be 50 pct of its rev in a couple of years
- * Shares up 5 pct

By Supantha Mukherjee and Sruthi Ramakrishnan

June 6 (Reuters) - Limelight Networks Inc is not too worried about losing traffic from its largest customer Netflix Inc, as the company takes to the cloud, while attracting smaller yet higher-margin customers to its content delivery network.

Netflix - which accounts for about 11 percent of Limelight's revenue - said on Monday it would slowly shift its video-streaming traffic to its internal network over the next few years.

"This is the exact type of thing we have lived through before. Youtube was a Limelight customer and then Google Inc took them over," Chief Executive Jeffrey Lunsford told Reuters.

After Google bought Youtube in 2006, it switched the video-sharing website to its internal content delivery network (CDN).

Limelight has a multi-year partnership with Netflix till the end of 2013, and the recent development doesn't change that relationship, Lunsford said.

Limelight, which competes with Akamai Technologies Inc and Level 3 Communications Inc, offers content delivery services to customers such as Apple Inc and online video service Hulu using less-congested routes over the Web.

Limelight is now looking at cloud storage and software-as-a-service (SaaS) offerings to lower dependency on its core CDN business.

"Our strategic plan is that within a couple of years, CDN will be about half of our business, and SaaS and cloud-based services will be the other half," Lunsford said.

In the latest first quarter, 31 percent of Limelight's revenue came from non-CDN services.

"It is a \$50 million run rate business, and growing, we believe it will be \$75 million - \$80 million run rate business by the end of the year," Lunsford said.

"That's our target. That's something our investors are right now sort of ignoring but they won't be able to ignore it at that kind of scale," he said.

The company now counts HBO, Swiss Re AG, Eloqua Ltd, the U.S. Army and NASA among its non-CDN customers.

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