



News Release

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Blue Hill Data is knocking it out of the park with mainframe hosting

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Blue Hill Data Services is a full-service IT managed hosting company that is experiencing a surge in growth since July 2011. The company specializes in private cloud management and managed services, including mainframe, midrange and open systems/distributed systems. As mainframe specialists retire from IT departments, companies lack adequate talent to keep their legacy systems running and seek the help of a third-party provider that can assume the responsibility. Mainframe managed services accounted for an overwhelming majority of Blue Hill Data's 2011 revenue, with the rest divided evenly between midrange systems management and open systems management (managed services and private IaaS).

Blue Hill Data was founded in 1994. Its primary datacenter facility is located in a complex in Pearl River, New York, that was built for the New York Stock Exchange (NYSE), which in the end never left Manhattan. The facility is 50,000 gross square feet with 40,000 square feet of raised floor space and the ability to add additional capacity. The company also has a second datacenter with 10,000 square feet in Branchburg, New Jersey, used primarily for disaster-recovery services and that is in the process of expanding. Blue Hill also has an alliance with its sister company, CAPS, datacenter in Shelton, Connecticut, and a partner facility in Atlanta. Blue Hill is PCI compliant, SSAE 16 certified and EU Safe Harbor certified.

All of Blue Hill's offerings are managed services, although collocation services are available for customized requirements. Blue Hill's staff provides managed services for mainframe, midrange and open systems (servers). Services also include technical services, network services, account management, helpdesk and dedicated disaster recovery. As enterprise mainframe systems are phased out, Blue Hill expects private IaaS to play a greater role and assume a larger portion of its services mix. For now, the company receives a significant amount of mainframe business and many customers believe that maintaining their legacy system is more cost-effective than undergoing a technology refresh and switching to midrange or open systems servers. To attract business opportunities, Blue Hill has positioned the company to provide flexibility in both services and contracts, so shorter-term contracts (one year, then month-to-month) are available to meet particular needs. Blue Hill's management sees concentrations in health care, government, media/publishing, manufacturing and technology industries.

The company is looking at possibilities in other markets, but will continue to provide all of its services from the United States. The company plans to establish greater geographic diversity, considering their customers are equally dispersed throughout the Northeast, Midwest, and West Coast. Blue Hill would also consider expanding in new markets and engaging in sale-leaseback agreements.

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Blue Hill's success rides on seeking arbitrage in legacy mainframe business and in reaching companies that need to find low-cost alternatives to building and managing their own datacenter infrastructures. Although some of its clients are investing in new mainframe technologies, the company is prudent for mobilizing its cloud strategy as companies begin to decommission their systems. Blue Hill's rapid growth in mainframe outsourcing illustrates a generational change in the IT industry. We expect the company's revenue will continue to grow in the mainframe space, but the mix will swing heavily to managed services and cloud in short order.

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