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EMC Buys Documentum and Moves beyond Data to Information

By Jim Balderston and AJ Dennis

EMC has announced that it intends to acquire content management software vendor Documentum, in a stock-swap transaction estimated to be worth approximately $1.7 billion, a 29% premium on Documentum's closing stock price Monday. Documentum specializes in managing "unstructured" content, such as images, PDFs, and other content that cannot be stored in relational databases. EMC officials project that 80% of all data is unstructured. EMC indicated that it believes that Documentum, with more than 2,700 customers worldwide, shares the same customer focus as EMC enterprise services and the Global 2000 companies. As second major acquisition for EMC this year (having acquired Legato Systems in July for $1.2 billion), the two acquisitions were promoted as very complementary to EMC's overall strategy of software focusing on storage resource management and software infrastructure, with Legato's software infrastructure products managing data and Documentum software anchoring content management software. Company officials were enthusiastic as to the complementary nature of the customer bases, sales forces, and merged product line potential.

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Last year, EMC announced that it was initiating a major strategic shift to begin offering a host of storage management software and tools that would make its storage products and SANs easier to deploy, manage, repair, and consolidate. The company's logic at the time was, in our mind, sound, as it sought to promote value-add in its products, making them more enticing to customers, and staying ahead of the creeping commoditization of hardware storage products. In short, the company sought to differentiate itself from competitors by offering a stronger portfolio of software products that improved the efficiency of storage deployments but also gave support to EMC's stated direction toward virtualized data storage environments. We believe this acquisition of Documentum takes this effort to the next level. Building on the on-going product rationalization of the EMC and Legato assets, this acquisition points the way to the virtualization of information assets

Virtualization of storage networks allows enterprise IT to more efficiently manage their SANs by enabling enterprises to logically deploy data on the most appropriate piece of hardware within the network. For example, EMC's storage software offerings are giving enterprise IT the ability to place heavily accessed data on the fastest storage hardware in a network, maximizing the return on that hardware while prioritizing that data based on its heavy usage. Virtualization also offers greater flexibility and control in managing data failovers, recovery, and mirroring. However, given that much of the data stored on these enterprise networks is unstructured, the acquisition of Documentum and its content-management schemata have the potential to take EMC's strategic vision that one step further. What EMC is now pursuing, in our opinion, is well beyond the virtualization of the widgets and whatnots, the nuts and bolts of the data center storage management needs. It is taking a meaningful step toward the virtualization of content, potentially providing greater value add through the data context that the proper integration of Documentum's technology provides.

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With Documentum's technology in hand, EMC can now put forward to its customers significant means by which they can craft more granular filters to all forms of content, beyond and complementary to what is stored in relational databases. When one considers the sheer volume of contracts, basic records, medical files, and other such unstructured data in the enterprise, the logic of providing the ability to manage the authenticated access, utilization, replication, and recovery of this information in a storage network seems obvious. As such, we believe this acquisition, along with the Legato transaction, offers concrete proof that EMC's strategic software charge, to deliver significant software value add to its storage offerings, is real and made of stuff much sturdier than most strategic marketing communication campaigns. This acquisition tells us that EMC is pursuing a cogent, well-considered strategic vision that could significantly differentiate the company from most of its current competitors.

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