

NetApp claims victory in bidding for Data Domain

June 4 2009, By JORDAN ROBERTSON , AP Technology Writer

(AP) -- NetApp Inc. has claimed victory over EMC Corp. in a bidding battle for Data Domain Inc., a company whose products help cut unnecessary data storage.

The showdown over a technology that seems an odd fit for both companies might not be over, though.

NetApp and Data Domain said Wednesday they reached a deal for Data Domain to be acquired for \$1.9 billion in cash and stock. The announcement caps a two-week public battle for the maker of "deduplication" machines, but doesn't mean the jostling is done. EMC could come back with another higher offer.

EMC said in a statement that it believes its \$30-per-share offer is "superior" because it is all in cash.

An EMC spokesman didn't immediately return a message seeking further comment.

NetApp defended its offer.

"They seem to be saying that the battleground has moved from the dollar-per-share amount into the specifics of the terms of the offer, and we believe we offer better long-term value in our offer," Jay Kidd, NetApp's chief marketing officer, said in an interview.

Brian Marshall, an analyst with Broadpoint.AmTech, said he expects EMC to put up a higher bid out of a desire to keep Data Domain out of a rival's hands. He said he expects the price for Data Domain to go up to \$33 to \$35 per share.

"If I'm NetApp, I think it's a difficult proposition to win because EMC has substantially larger resources - it's my expectation EMC will probably win this war," he said. "EMC doesn't really need this company. I just think it's a defensive move; they don't want their closest competitor to have it."

EMC had cash and investments of \$9.8 billion at the end of its latest quarter, which ended in March. NetApp had \$2.6 billion in cash and short-term investments at the end of its latest quarter. EMC has a \$25 billion market capitalization; NetApp's is \$6 billion.

Both companies cited Data Domain's fast-growing revenue - the 8-year-old, 825-employee company's sales more than doubled last year to \$274 million - as a reason for their interest.

Data Domain makes machines that flag files that a company has already stored, like copies of e-mails that went to multiple people, and prevents them from being stored again. The technology actually cuts down on the amount of storage a company needs to buy from companies like NetApp or EMC, which makes Santa Clara-based Data Domain a surprising takeover candidate for either company.

What NetApp sees in Data Domain, though, is the opportunity to take market share from EMC by offering the added de-duplication service, which helps companies lower their costs. Sunnyvale-based NetApp controls about 7 percent of the global market for external disk storage systems, while Hopkinton, Mass.-based EMC, the market leader, controls about 23 percent, according to the latest figures from market

research firm IDC.

NetApp had originally offered \$1.5 billion, or \$25 per share in cash and stock, on May 20 before EMC swooped in with a higher offer of \$30 per share. [NetApp](#) matched EMC's offer earlier Wednesday, then later announced that the companies had struck a deal at the higher price.

[Data Domain](#) shares fell 14 cents to \$32.40 in after-hours trading, after the acceptance of NetApp's revised proposal was announced. The stock had gained 96 cents, or 3 percent, to close at \$32.54 during the regular trading session.

NetApp's stock rose 22 cents to \$18.79 after-hours, after falling 77 cents, or 4 percent, to \$18.57 in the regular session. EMC's stock was unchanged.

©2009 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: NetApp claims victory in bidding for Data Domain (2009, June 4) retrieved 26 April 2024 from <https://phys.org/news/2009-06-netapp-victory-domain.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--