

EMC wins bid contest in \$2.1B deal for Data Domain

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EMC offices in Santa Clara, Calif. are shown Tuesday, July 7, 2009. Data Domain Inc. said Wednesday that it has agreed to let EMC buy it for \$33.50 per share, which is nearly double the price Data Domain's shares had when NetApp announced its intent to buy the company in May. (AP Photo/Paul Sakuma)

(AP) -- For the last month and a half, a fierce bidding contest has lit up a staid but increasingly critical part of the computing world. On Wednesday, EMC Corp. walked away with the prize.

After muscling its way into talks it wasn't invited to, EMC outbid rival [NetApp](#) Inc. for a company called Data Domain Inc., whose technology helps companies cut the amount of information that gets stored multiple times. Data Domain had earlier agreed to get acquired by NetApp, but EMC swooped in with a higher price.

Data Domain said Wednesday that it has agreed to let EMC buy it for

\$33.50 per share, which is nearly double the price Data Domain's shares had when NetApp announced its intent to buy the company in May. EMC's offer amounts to \$2.1 billion, when Data Domain's cash is subtracted from the price of the deal.

The offer was apparently too rich for NetApp, which had tried to buy Data Domain with a mixture of cash and stock. NetApp's last offer was \$30 per share.

Analysts say NetApp couldn't match EMC's price and still make a compelling case to its shareholders for the deal, because it would have to issue too many new shares to raise the value of its offer. Issuing lots of new shares reduces the amount of profit per share that a company earns.

NetApp's CEO, Dan Warmenhoven, said in a statement his company pulled out because the bidding had gotten so expensive it would have hurt the company's finances to continue.

EMC offered all cash and a quicker closing for the deal.

EMC has \$7.25 billion in cash and short-term investments - nearly three times as much as NetApp.

That's not to say NetApp walks away empty-handed. Data Domain was forced to pay the company \$57 million for pulling out of the deal early, which was in the terms of the previous takeover agreement between the two companies.

For Hopkinton, Mass.-based EMC, "it was both a defensive and offensive move," said Ashok Kumar, an analyst with Collins Stewart. "If nothing else they wanted to keep Data Domain out of NetApp's hands."

Data Domain might seem a surprising company to inspire a heated

takeover fight, especially in a recession that has companies watching their funds more closely. Also, by cutting out duplicative files, Data Domain's technology reduces the need for companies to buy more [data-storage](#) machines from EMC and NetApp.

Yet both companies wanted Data Domain simply because customers are asking for its technology. EMC and NetApp decided that any loss in sales from Data Domain's technology would be more than offset but the rising amount of data that companies are producing overall.

Based in Santa Clara, Calif., Data Domain has 825 employees and is growing fast, with sales at the 8-year-old company more than doubling last year. Even so, that revenue was just \$274 million - which makes a \$2.1 billion price tag seem steep.

EMC says the acquisition will add to its earnings per share in the 2010 fiscal year.

The recession has dampened acquisition activity. But a few big tech deals have been made in recent months, highlighting the power of wealthy companies to throw their cash around even in a down market, hunting for deals or trying to thwart rivals.

Two recent deals were Oracle Corp.'s \$7.4 billion deal for slumping server maker Sun Microsystems Inc. (IBM Corp. had initially bid for Sun), and chip maker Intel Corp.'s \$884 million takeover of software maker Wind River Systems Inc.

AP Business Writer Deborah Yao in Philadelphia contributed to this report.

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