

Software maker VMware buys Nicira for \$1.26B

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(AP) — Business software maker VMware is buying computer networking specialist Nicira for nearly \$1.3 billion.

The deal announced Monday will expand VMware's product line in the rapidly growing field of computer "virtualization." The term refers to software that lowers the costs of running data centers by enabling a single computer to function like multiple machines.

VMware also reported a 13 percent decline in its second-quarter earnings, but the performance still topped analysts' estimates

Founded in 1998, VMware has parlayed its pioneering role in the virtualization field to build a company that now boasts a market value of \$38 billion.,

Nicira is a 5-year-old company that makes virtualization software for computers working within the same corporate or government network.

VMware will pay \$1.05 billion in cash, plus assume responsibility for \$210 million in stock awards that Nicira had given its employees. Privately held Nicira had raised about \$50 million from a list of early investors that includes venture capital firms Andreessen Horowitz, Lightspeed Venture Partners and New Enterprise Associates

Both companies are based in Palo Alto, California.

Nicira's engineering team includes former employees at prominent Internet companies such as Google Inc. and Yahoo Inc. while its management team is led by former executives at computer networking specialists Cisco Systems Inc. and Juniper Networks Inc.

VMware earned \$191.7 million, or 44 cents per share, during the three months ending in June. That compared to net income of \$220.2 million, or 51 cents per share, at the same time last year.

If not for certain accounting items unrelated to its ongoing business, VMware said it would have earned 68 cents per share. That was two cents per share above the average estimate among analysts polled by FactSet.

Revenue for the period climbed 22 percent from last year to \$1.12 billion to match analyst projections.

VMware already gave investors a general idea last week of how it fared in the second quarter by releasing its preliminary results. At that time, VMware also announced its CEO of the past four years, Paul Maritz, will be replaced by Pat Gelsinger in September.

Gelsinger has been an executive at EMC Corp., a data storage equipment maker that owns a controlling stake in VMware.

VMware expects its revenue for the current quarter to range from \$1.11 billion to \$1.15 billion. The average analyst estimate is \$1.14 billion.

The company's shares fell \$3.53, or 4 percent, to \$85.70 in Monday's extended trading after the Nicira deal was announced.

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