



## Research Note

# EMC Adds Security to its Growing Portfolio

On June 29, 2006, EMC announced a deal to acquire RSA for \$2.1B. At the time of the announced deal, RSA's share price closed near a 52 week high yielding a market capitalization value of \$1.4B. In our view, EMC paid a fair market price for the technology, talent and customer list.

### *What's in this deal for Users?*

Broadening the already string Integration of RSA's security components with the Documentum family and the other recently acquired assets will deliver immediate benefits to customers and EMC. Documentum itself provides robust, processes-oriented functionality in the areas of:

- Content Management
- Workflow
- Real-time Collaboration
- eDiscovery
- Digital Rights Management – via the Authentica acquisition
- Business Process Modeling – via the ProActivity acquisition
- Business Analytics Monitoring - via the ProActivity acquisition
- Business Service Management – via the nLayers acquisition
- Service Directory & Change Management – via the nLayers acquisition

Each of these functions cut horizontally across logical business boundaries and IT operations. Integrating identity, certificate, access, and key management, along with other robust encryption capabilities, provides immediate benefits

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toward securing the information and process environment end-to-end while simplifying end-user access via single sign-on or Federated access management. RSA has enormous market share and incumbent mind-share with customers particularly at the high end of the market.

### ***What's in this deal for EMC?***

As stated above, EMC can now more reasonably tie its Information Lifecycle Management (ILM), Intelligent Information Management (IIM) and emerging IT Service Management capabilities to a proven end-to-end security portfolio. As we have seen, information and security go together like PB&J. RSA's assets will also facilitate easier integration with pervasive tools like Microsoft's Active Directory for Access and Identity Management but also for securing componentized information assets. Consider EMC's Centera product, a solution that integrates directly with applications via API. Adding a layer of identify-centric security plus a proven key and certificate management capability on top of Centera's native object encryption features provides a sophisticated redundancy, leading to a "belt & suspenders" comfort factor for customers.

The end-to-end value of RSA's solutions can not be understated as EMC moves aggressively beyond its heritage as a storage vendor to become one of the three major diversified systems vendors. RSA's assets allow EMC to orient its SMARTs, nLayers and ProActivity acquisitions toward IT Service Management with a robust security value-add that builds on the Documentum assets listed above. In the end, EMC benefits by maturing its diversification, adding a significant and necessary security component to its growing list of management, process and information-centric assets. EMC is now positioned to become a leading provider of a secure, information-driven SOA alternative – distinguishing itself from the platform and interface-oriented SOA vendors.

### ***Does the RSA acquisition put EMC at odds with Symantec in the security market?***

Symantec is a good company with good technology, but was always a consumer and SMB focused player. RSA, like EMC, plays best at the high-end of the market with global enterprises, diversified manufacturers and service providers of all shapes and sizes (including telecoms, broadband cable providers ASPs). The Symantec and VERITAS marriage was logical in wedding information management with security, but complex in that VERITAS was an up market, direct sales company while Symantec was consumer and



SMB focused with an indirect, channel driven sales model. The result has been a mismatch in culture, sales methodologies and experience. In the short term, the new Symantec will not compete with EMC/RSA as a parity solution provider. However, competition can be expected along distinct product lines, such as Data Center Foundations and NetBackup, at the high and particularly in the arena mobile enablement and security.

### ***Will RSA dilute EMC's focus?***

Lately, EMC has done a great job in driving focus and value into its software groups. Its current organizational structure allows for the right orientations to occur internally while it also aligns integration through the development of like-solution families. Dave DeWalt, formerly the CEO of Documentum, has taken on the difficult job of directing EMC's diverse Enterprise Software Group. He has maintained focus on individual product value while clearly articulating a longer term vision of an information-oriented, integrated future.

### ***What challenges lie ahead?***

RSA is a dominant incumbent, but is not seen as a best of breed player today. It has recently made some quality acquisitions itself. The problem is that the security marketplace is in a state of fast and necessary change. Now that EMC and other major, diversified vendors have placed billion dollar security bets (Sun with Waveset and Oracle with Thor and OctetString and others), innovative start-ups may begin to tailor new features to fill perceived holes in vendor portfolios as part of a strategy to make themselves more attractive acquisition targets, while the threats and challenges faced by customers go underserved.

Another concern is that EMC's sales force will now have to become more people heavy with major account leads trailed by an army of experts representing the myriad product offerings as part of an end-to-end story. A robust professional services organization as an extension of EMC's business can help translate technology to solution discussions with customers. Normalizing and simplifying the dialog customers is a must, as the sales process has now become more complex potentially leading to longer engagement cycle.

In the end, this pick-up, or one like it, was a necessary move for EMC as it becomes a truly diversified systems vendor, as well as a storage company.



## ***Bottom Line***

This is a strong, well made and necessary acquisition by EMC. Those who are nay-saying this deal are missing the boat on the vital connections between information, security and real-time intelligence. Wall Street's inability to see the value in this and other recent EMC acquisitions speaks more to that geography's myopia, particularly on the upper floors, than to the reality of the needs at street level. In fact, it is the CIOs, CSIOs, Compliance Officers and the lawyers of major US & International banks and financial institutions who have been loudest in demanding closer technical interoperation between information management and security solutions.

It is important for the market to understand that RSA will not "pop" a la VMware in terms of sales. VMware was a successful start-up and the server virtualization was in its infancy when EMC made that acquisition. Conversely, RSA is a leading incumbent that has driven standards, has broad market share and a rich portfolio of technologies, many of which are already integrated with EMC's Documentum assets. Having RSA as part of the integrated EMC portfolio will drive more EMC sales as in the ILM, ECM, Workflow, process management and potentially SOA arenas. There is also the re-emergent market opportunity for managed services, to include everything from managed intrusion detection and prevention services to back-up reporting – all based on robust end-to-end identity and access control. 