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An acquired taste

At the start of the decade, mergers and acquisitions were rife in networking and telecoms. So what changed, asks **Keith Humphreys**

The decline in the number of mergers and acquisitions in the networking and telecommunications fields continued in 2003. In the heady days of 2001, EuroLAN Research noted 218 deals, compared with 85 last year. None of last year's deals were large, with the notable exception of EMC's purchase of Legato for $1.3bn in July, for its backup software.

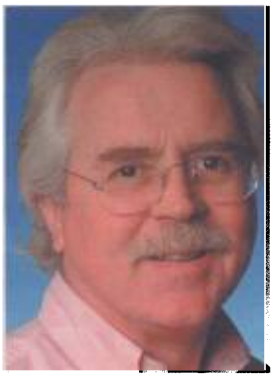
In comparison, in the applications arena, PeopleSoft's bid to acquire JD Edwards for $1.75bn in June was aimed at gaining ground on SAP of Germany, the leader in the ERP space. This was dwarfed four days later when Oracle threw its own hat into the merger ring, but not for JD Edwards. Oracle moved to acquire PeopleSoft in an unsolicited bid that has grown to have a $7.3bn price tag now, with JD Edwards as part of the mix.

Legal wrangles

Oracle said it wanted to give PeopleSoft a leg up against SAP. A struggle ensued, and now the decision rests with the US Department of Justice and the European Commission, which are examining competition issues and are expected to issue decisions in early 2004.

Other interesting moves were made by Novell, which acquired Ximian in August, followed by SuSE for $210m. In a legal and ethical battle as contentious as the Oracle/PeopleSoft brouhaha, SCO Group sued IBM, claiming misuse of a Unix software licence – a licence Novell sold it as part of the divestment of anti-Microsoft acquisitions in 1995. The winners are obvious: the lawyers.

One area where there were a number of acquisitions was Secure Socket Layer virtual private networks (SSL VPN), with F5 Networks acquiring uRoam in July for $25m, and then NetScreen Technologies picking up Neoteris in October for $265m, and finally Symantec buying SafeWeb for $26m later that month. Interestingly, Cisco developed SSL VPN technology in-house in the shape of its VPN 3000 concentrator and SSL VPN client, rather than acquiring it.



Mergers and acquisitions may never return to the heady numbers we saw at the start of the millennium.

Cisco made only four acquisitions last year, compared with more than 20 in 2000. One of the acquisitions was Linksys, which aims to put it squarely in the home networking and small office/home office space. The acquisition also gave Cisco methodology to attack the low-end market using technology from the Far East, and provided a route to market.

Cisco chose not to acquire Brocade Networks, despite Brocade's poor share price making the number-one SAN switch vendor look a bargain. Cisco may have baulked because the majority of Brocade's products are sold on an OEM basis. But it is a route that Cisco will have to take if it is to succeed in the SAN market.

Cisco chose not to acquire Brocade, despite its poor share price making the SAN switch vendor look a bargain.

Heady numbers

Brocade's main rival, McData, made two acquisitions itself last year, snapping up Nishan Systems and Sanera in August.

So in 2003 only $6bn was spent in the networking and telecommunications arena, compared with $187bn in 2000. Mergers and acquisitions may never return to the heady numbers we saw at the start of the millennium, because of the tightening of legislation in the US about 'pooling of interests' – a fiscal mechanism in the treatment of acquisitions that has been outlawed subsequently – and because the market currently seems to favour joint ventures and partnerships.

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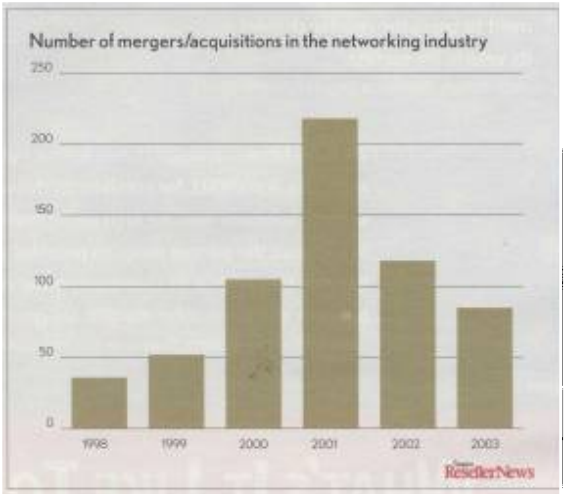

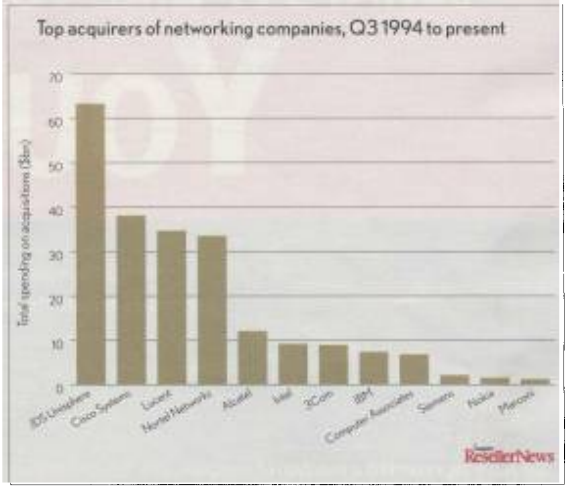

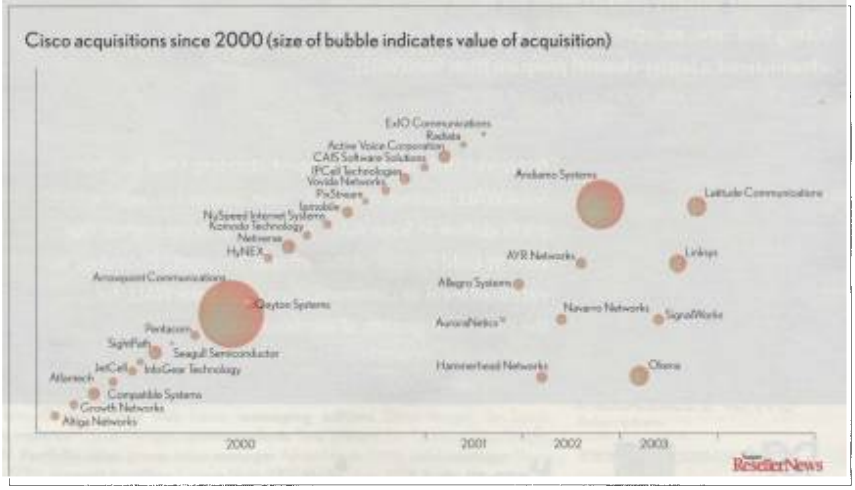

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