

Sun completes StorageTek acquisition

Some analysts frown on deal, saying Sun has blundered with buyouts before. But CEO says buy provides major sales force for storage products.

BY

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Sun Microsystems' \$4.1 billion acquisition of Storage Technology is a done deal, giving the server and software company a source of growing revenue and a major storage sales force. StorageTek shareholders approved the deal Tuesday, and Sun announced Wednesday that the transaction now is closed. The effective price tag for Sun was closer to \$3 billion, though, because StorageTek came with about \$1 billion in cash of its own.

Sun has been on a modest buying spree to try to flesh out its product portfolio and find new sources of revenue. In its most recent quarter, ending July 1, StorageTek reported net income of \$31.2 million on revenue of \$549 million.

Several analysts frowned on the StorageTek acquisition, arguing that Sun has had a bad track record acquiring storage companies. But Sun Chief Executive Scott McNealy justified the move, arguing that it gets Sun a major sales force for its own storage products, trusted relationships with many new customers, a solid product line and a better investment return on Sun's cash than just letting it earn interest.

The StorageTek products will fall under the purview of Sun's Data Management Group, formerly called the Network Storage Group but still led by Executive Vice President Mark Canepa. StorageTek's former CEO, Pat Martin, isn't joining Sun.

Sun's storage group has three business units: the disk business, led by Sun's Kathleen Holmgren; the tape business, led by StorageTek's Nigel Dessau; and the information lifecycle management solutions business, led by StorageTek's Brenda Zawatski. In addition, StorageTek's Michael McLay leads data management sales, and StorageTek's Eula Adams leads data management services

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