

What to Expect from Oracle's Acquisition of Sun

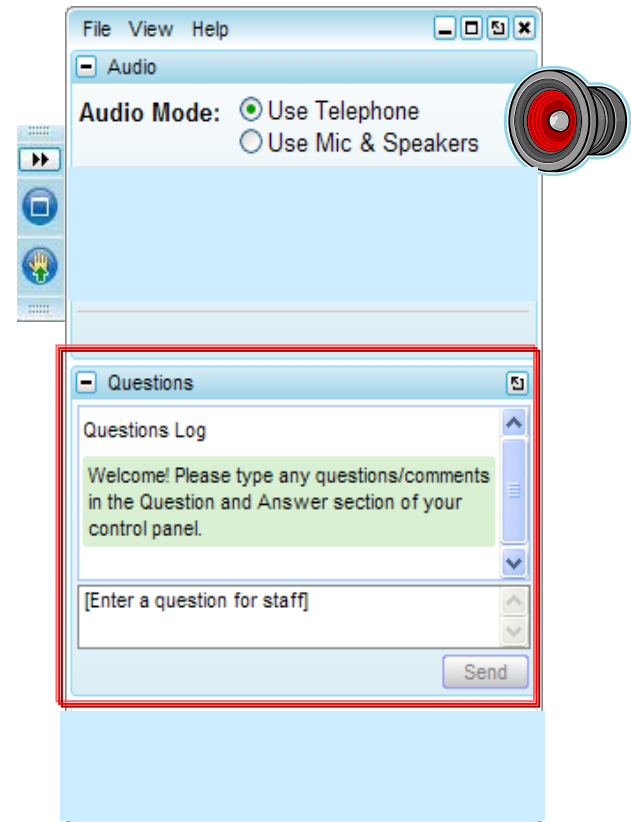
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14 May, 2009

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Audio Announcement

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Announcement on April 20, 2009

Oracle to Buy Sun



ORACLE®

- Approximately \$7.4 billion in equity value; \$5.6 billion net of cash and debt
- Combined company will be \$37B in revenues with 116,500 employees
- Product portfolio of software (business applications, infrastructure & middleware, DBMS, and open source), hardware (servers, storage), and services

Key Issues

- What is the future of Sun's hardware business – server and storage products?
- Will Oracle continue to support Sun's open source software like JAVA and MySQL?
- How should enterprises and IT invest in the Oracle-Sun combination?

Poll - Hardware

Poll 1:

How will the Oracle's future acquisition of Sun impact your interest in considering Sun hardware-SPARC,x86,blades,storage,tape

- Increase
- Decrease
- No Impact

Poll 2:

If you are a decision maker, which of the following statements apply (choose all that apply)?

- a. Oracle will have no impact on my HW purchase decisions
- b. I don't believe that Oracle will sustain Sun's roadmap
- c. I prefer Linux to Solaris
- d. I plan to wait and see more specifics from Oracle

What Can You Expect for Sun's Servers?

- Sun Solaris/SPARC will be unconditionally supported in the near term (1-3 years), but longer term (5 yrs+) risk of support and selective platform viability will likely rise
- Longer term, the SPARC market will likely decline, regardless of Oracle, testing Oracle's strategic and financial commitment to a broad Sun HW roadmap
- Oracle's relationship with IBM and HP will diminish Oracle's competitive instincts as long as SW wins business
- Expect IBM and HP to drive attractive migration programs off SPARC via IBM Global Services and HP EDS, further complicating Oracle's HW challenge
- Oracle will let Linux and Solaris compete on their merits but its new OSS credentials will favor Linux, especially in competing against Red Hat and Microsoft
- Oracle will train its focus on solutions and appliances rather than compete aggressively against IBM, HP and Dell in generic hardware platforms

Recommendations to Sun's server users:

Refresh as usual, but negotiate long-term deals for maintenance and upgrades at current Sun prices. Use the deal to leverage improved financial negotiations.

Avoid new strategic investments with large financial commitments until a strategic roadmap is unveiled by Oracle

What Can You Expect for Sun's Storage?

- Sun's traditional disk storage business are sourced from Dot Hill, Hitachi/Hitachi Data Systems and LSI. Competing vendors, including EMC, Hitachi Data Systems and NetApp, in particular, are already launching competitive replacements.
- Oracle is not likely to sell Sun's tape drive and tape automation businesses. Oracle will strive to retain revenue and accounts for the tape businesses by establishing a separate business unit to manage them.
- Open-storage systems hold more promise. These products will enable Oracle to produce its own platforms to support the recently launched Exadata Storage Server product. They also provide the technology platforms to support the speculated Oracle-based application appliances.

Recommendations to Sun's Storage users:

Users should inventory their Sun storage installed base to understand their reliance and end-of-life strategies for Sun storage products and to plan next steps.

Potential users should use this time to negotiate favorable pricing, terms and conditions as well as service and support commitments.

What Can You Expect for Sun's Middleware?

- Sun's Middleware portfolio (GlassFish Application Server, GlassFish ESB, JCAPS, MDM Suite etc.) largely overlap with the Oracle Fusion Middleware Stack.
- Oracle is busy integrating BEA Systems technology into OFM 11g in 2009.
- Oracle will grant 5-plus years support for Sun's middleware
- Only minor components will be integrated into OFM.
- Oracle will leverage GlassFish AS and ESB, Mural (open source MDM) and MySQL to:
 - Counter JBoss, IBM's WebSphere CE, Progress Fuse and other OSS "stacks"
 - "on ramp" to OFM

Recommendations to Sun's middleware users:

Business as usual, but negotiate long-term deals for maintenance and upgrades at current Sun prices.

Avoid new strategic investments until a strategic roadmap is unveiled by Oracle

Poll - Software

Poll 3:

How will your company's attitude towards Java change because of the acquisition?

- We will invest more on Java
- We will invest less on Java
- We will maintain the current level of Java investments
- Don't know

What Can You Expect for Java?

- Java technology is almost entirely open source
- Oracle will “acquire”:
 - Java trademark and licensing
 - Governance of the Java Community Process (JCP)
- Oracle will get an entry in the consumer/mobile devices via embedded Java
- Oracle will “monetize” Java much more effectively than Sun
- Oracle will not “hijack” Java and try to turn it into a proprietary, Oracle-only technology
 - Java must be an open standard to remain a credible alternative to Microsoft

Oracle challenge:

Maintain loyalty and support from IBM, SAP, Nokia and other major industry players (including OSS communities)

Who Is Impacted, How Much and What are Response options

- IBM – exploits own HW strengths, Oracle's weakness as a HW neophyte
- HP – exploits HW innovations and systems management
- Dell – business as usual, Sunx86 is a non-issue
- Cisco – better architectural approach and financially robust
- Red Hat – a wolf in sheep's clothing
- NetApp – storage strategy on ice
- Fujitsu – more reliable as global supplier
- Storage vendors – other go-to-market channels
- Middleware vendors – target Sun's middleware installed base

Big Decisions by Oracle That Affect All Users

Strategic - Sun



Tactical - Sun

<ul style="list-style-type: none"> • Compete aggressively against IBM and HP in all markets 	<ul style="list-style-type: none"> • Pick the sweet spots and drive new solution market optys
<ul style="list-style-type: none"> • Drive Solaris everywhere 	<ul style="list-style-type: none"> • Gradually wind down Solaris
<ul style="list-style-type: none"> • Become an open source powerhouse 	<ul style="list-style-type: none"> • Use OSS selectively to win new optys otherwise unavailable
<ul style="list-style-type: none"> • Reinforce SPARC growth and rebuild sales organization 	<ul style="list-style-type: none"> • Let SPARC take its natural course via benevolent neglect
<ul style="list-style-type: none"> • Create/acquire a systems integration organization 	<ul style="list-style-type: none"> • Continue and expand existing partner network folding in Sun's
<ul style="list-style-type: none"> • Support Sun's MW: SOA, IAM, AppServer, OpenSSO, etc. 	<ul style="list-style-type: none"> • Map migration paths to Oracle's own MW
<ul style="list-style-type: none"> • Continue Sun blade, CMT, M, storage, tape roadmaps 	<ul style="list-style-type: none"> • Sell, spin off or curb the HW charter to minimize margin impact

What to Do Tomorrow

- Maintenance Contracts – Potential price changes
- Short term projects – Tactically bounded
- Long term projects – Wait for more clarity
- Risk assessments – By product, short/long term
- Bids – Opportunity for negotiations
- Account management – Potential holes
- Vendor management – Megavendor runoffs
- Communicate with Oracle/Sun – Provide feedback

Recommended Research – Special Report

- Oracle/Sun Deal Will Change Competitive Landscape in IT (G00167660)**
- Oracle's Acquisition of Sun Could Change Java's Course (G00167659)**
- Oracle/Sun Deal Is Not About IAM, but IAM Could Be Impacted (G00167665)**
- Sun Middleware Under New Management: What to Expect (G00167748)**
- After Oracle: Deciding Whether to Invest in Sun Servers (G00167842)**
- Sun Microsystems' Storage Business Has Limited Strategic Value for Oracle (G00167902)**

Thank you for Participating!

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