

BladeLogic Buy Will Help Sharpen BMC's Data Center Focus

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BMC's portfolio will be enhanced by BladeLogic's server provisioning and configuration management software. BMC customers will likely benefit from the deal.

NEWS ANALYSIS

Event

On 17 March 2008, BMC announced its intent to acquire BladeLogic, a publicly held provider of server provisioning, configuration and compliance management solutions, for around \$800 million in cash (\$28 per share), or about 11 times trailing 12 months' revenue. BMC intends to integrate BladeLogic into its operations, with sales remaining autonomous during 2008. BMC intends to retain nearly all employees. The deal is expected to close within 45 to 60 days after the announcement.

Analysis

BladeLogic is one of two leaders in market share in the small but fast-growing server provisioning and configuration management (CM) market. The other market leader, Opsware, was acquired by HP in November 2007 for 16 times its revenue (see "HP Concedes Buying Is Easier Than Building With Opsware Bid"). We attribute the high demand for both companies to the important part CM plays in the automation required to reduce labor costs, increase service availability and drive toward the dynamic data center enabled by a real-time infrastructure. BladeLogic will become part of BMC's recently established Service Automation group. We expect former BladeLogic executives to play key roles at BMC in unfolding the product road map and executing on it.

This acquisition is positive for BMC's customers and is needed to execute on its business service management strategy for leadership in CM. As with HP's acquisition of Opsware, the acquisition of BladeLogic represents a concession by BMC that it has been unsuccessful in leveraging its own technology in this market — in this case, from the Marimba acquisition. We believe BladeLogic will be BMC's primary strategy for managing data center server configurations, while Marimba will continue its focus on PCs and distributed servers (such as for branch offices).

BladeLogic offers the full life cycle of server provisioning and CM in its flagship Operations Manager product. It also offers:

- Lower entry point modules (such as provisioning and patching, application release, and compliance) for customers not ready for the full life cycle
- Network Shell, which enables one-to-many ad hoc server administration

Moreover, the acquisition gives BMC a new buying center entry point that had escaped the company until now — the server engineering/administration group.

RECOMMENDATIONS

BladeLogic customers:

- Stay the course. We expect this acquisition to have a positive outcome for BladeLogic technologies because BMC will enable them to deliver more functionality. Ask for detailed integration plans and road maps within three to six months of the deal closing.
- If you are among the small number of customers who bought Alterpoint, Opalis and EMC nLayers through a BladeLogic OEM or partnership, expect BMC to eventually offer upgrade options to try to migrate you to BMC tools. You should immediately transfer any

support over to the OEM/partner vendor and negotiate with BMC for ongoing integration support.

BMC customers:

- Evaluate BladeLogic if you require a solution for multiplatform server provisioning, configuration and compliance.

RECOMMENDED READING

- "Market Dynamics: Server Provisioning and Configuration Management" — Many of the large suppliers of IT operations management tools will renew their investment in server provisioning and CM, especially with the HP acquisition of Opsware. **By Donna Scott and Ronni Colville**
- "IPO Will Keep BladeLogic Competitive in Fast-Growing Market" — Within a consolidating software industry, a potential buyer is likely to be attracted to BladeLogic's focus on configuration for compliance and auditing. **By Donna Scott and Ronni Colville**

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