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 - Health
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 - Tech Blog
 - Technology Policy
 - Forum
 - Gadget Guru
 - Science
 - Media
 - Telecoms
 - Financials
 - By region
 - Columnists
 - Companies A-Z
 - Week Ahead
 - Week in review
- Markets
- Markets Data
- Managed funds
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- Comment
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- Management
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- Wealth
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EMC wins tussle for Data Domain

By David Gelles in San Francisco
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EMC will acquire Data Domain following **NetApp's** withdrawal from the bidding war for it, ending a month-long saga that is set to reshape the data storage industry.

The acquisition will give EMC, already the world's largest maker of data storage systems and software, a fast-growing company with important new technology, while leaving the smaller NetApp exposed.

"EMC is consolidating its position as a market leader," said Juergen Urbanski of TechAlpha, a research firm. "It's not clear what's next for NetApp now."

Data Domain produces "de-duplication" software, which makes large disc-based storage systems more efficient. The company has grown quickly in recent years, as more enterprise and government customers switch from tape-based storage systems, to more powerful disc systems.

Customers including AT&T and the US Army use Data Domain products to reduce their storage costs. Data Domain's revenue more than doubled last year to \$274m. In the first quarter of this year, the company reported \$79m in revenue, a 50 per cent jump from the same period a year earlier.

NetApp was the first to bid for Data Domain, saying it would acquire the company for \$1.5bn in cash and stock in May. But just days later, EMC, NetApp's larger rival, responded with an all-cash offer of \$1.8bn. NetApp then matched that with another hybrid cash and stock offer.

Data Domain surprised Wall Street saying it would **accept the NetApp offer**. Though the cash and stock mix appeared less lucrative than an all-cash deal, analysts said there were valid reasons Data Domain might prefer to be a part of NetApp rather than EMC.

NetApp, like Data Domain, is based in Silicon Valley, while EMC is based in Massachusetts. And at NetApp, Data Domain would have been a bigger fish in a smaller pond, whereas EMC has a large portfolio of companies.

But on Monday, EMC upped the ante once again, offering about \$2.2bn, or \$33.50 a share. This bid put Data Domain out of NetApp's reach.

"NetApp applies a disciplined approach to acquisitions, one focused intently on creating long-term value for our stockholders," said NetApp chief executive Dan Warmenhoven. "We therefore cannot justify engaging in an increasingly expensive and dilutive bidding war that would diminish the deal's strategic and financial benefits."

Data Domain's board of directors approved the sale to EMC, and the company recommended that its stockholders sell EMC their shares.

NetApp said it received a \$57m break-up fee from Data Domain as a result of the broken deal.

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