TANEJA GROUP
TECHNOLOGY ANALYSTS

O P I N I O N

HP Inks Deal with AppIQ

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THE NET NET HP has entered into strategic distribution and development partnership with AppIQ. Through this agreement, AppIQ will license its StorageAuthority Suite to HP which will resell the software through its global sales channel under the HP Storage Essentials brand. In addition, AppIQ and HP will work to tightly integrate HP Storage Essentials with HP Systems Insight Manager and HP OpenView solutions to deliver an integrated end-to-end server, storage and systems management framework.

Implications for HP

By partnering with AppIQ, HP gains a best in class storage and data management platform and immediately puts itself on the map as a key player in this market segment. Despite its strength in systems management, HP has traditionally lagged market leaders such as EMC, AppIQ and Veritas in the development of comprehensive storage management capabilities. We've spoken to HP users who have been somewhat dissatisfied with the level of storage management capabilities provided by the vendor. Now, the dynamics have changed.

HP will be able to offer its massive install base a comprehensive and integrated storage management solution. With management capabilities being an increasingly critical determinant of overall purchasing decision and vendor selection, this agreement should solidify HP's foothold in its existing accounts and give HP a new edge in competitive situations versus EMC and IBM. HP will also have a compelling solution for those customers with heterogeneous storage environments. The integration of HP Storage Essentials with its server and systems management solutions is another important value driver to customers. With software shipments set to start on March 28th, we expect the top line impact to HP to begin to materialize over the next few quarters.

Implication for AppIQ

This is AppIQ's 5th major OEM deal with Engenio, HDS, Sun, and SGI all already licensing the StorageAuthority Suite. Having established an effective partnering model with HDS, AppIQ has now demonstrated its ability to extend this model to other strategic partners. This type of execution in such a relatively short time frame has to be commended. It validates the strength of the AppIQ management team and the product feature set.

Of all of these partnerships, this is perhaps one of the most significant given HP's massive storage install base, second only to EMC. The addressable market opportunity for AppIQ in HP accounts is simply enormous. Effective training and education of HP's field coupled with creative conversion

programs should yield significant upside for AppIQ, HP and ultimately end-users.

By signing the deal, AppIQ also greatly diversified its channel distribution strategy, an important requirement for a software company selling through OEMs. The deal puts AppIQ in a solid position to become a profitable, high growth and independent storage software company.

Marketplace Impact

Successfully executing on these distribution deals will mean that AppIQ has the potential to become essentially the de facto storage management middleware layer in the data center. This would in many ways be analogous to what Veritas did on servers with its Foundation Suite.

Indeed, EMC and IBM are the two remaining Tier 1 OEMs not partnering with AppIQ.

Both of these vendors have their own technology development investments in storage management. IBM has recently gone through a technology refresh on its TotalStorage Management solution. EMC has continued to extend the breadth and depth of its ControlCenter capabilities, but many end-users remain less than pleased with the cumbersome architecture, usability, and lack of 3rd party support. Both vendors should expect to see a stronger and more competitive HP in the marketplace on the heels of this deal.

If HP and other OEM partners can effectively execute, and if AppIQ can continue to innovate on the product side, EMC and IBM may be forced to seriously consider a similar deal with AppIQ or risk the loss of market share in their hardware businesses.