

Technology Spending Showing First Signs of a Recovery, EMC Says  
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By Sam Chambers

June 26 (Bloomberg) -- EMC Corp., the company analysts rank higher than any other technology stock in the Standard & Poor's 500 Index, is seeing early signs of recovery in information technology spending, Chief Financial Officer David Goulden said during a visit to London this month.

The uptick isn't concentrated in any one area, though Goulden said EMC has seen interest in new applications built for cloud technology, mobile devices or the storage and interpretation of the increasing volume of data that companies collect, otherwise known as big data.

"Progressive companies are looking at how they can leverage these new platforms to change the way they do business," he said. "Although no one is declaring a complete global recovery," Goulden said, the "early signs of a pickup" are positive after EMC reported two years of slowing sales growth.

Shares of EMC, the world's biggest maker of storage computers, have underperformed this year as companies and governments curb storage-computer purchases amid a weak economic outlook. EMC, which expects the global IT industry to grow 3 percent a year through 2016, can boost sales at almost triple that rate just by maintaining market share, Goulden said. That assumes growth in big data, a segment that research firm IDC said could grow 40 percent annually to 2015.

EMC is seeking to capitalize on demand for apps aimed at big data through Pivotal, its joint venture with virtualization software maker VMware Inc. -- which is majority-owned by EMC -- and plans to invest about \$400 million into it before taking it public.

### Cross Selling

"I'm confident Pivotal can open up cross-selling opportunities for us and drive new areas of growth," Goulden said. Additional investors would be welcome, if they were a good fit, he added.

There's no firm timing for taking Pivotal public, Goulden said -- uncertainty which may be putting off investors.

The venture "has a lot of promise, but it won't deliver in the short term," Bill Choi, an analyst with Janney Montgomery Scott, said in a phone interview. "We won't even be able to begin assessing its success until sometime next year and that's not in everyone's investable time frame."

EMC isn't planning to do "anything big" in acquisitions with its \$5.5 billion debt sale, secured this month, Goulden said. Historically EMC has preferred smaller targets that can be quickly merged into existing operations, and Goulden said such deals bulk up its smaller research and development budget -- 12 percent of revenue compared with a 14 percent average of other S&P 500 tech companies last year.

## R&D Spending

Goulden said EMC spends "around 10 percent of revenue on acquisitions and think of that as additional R&D spend." That brings such investment to more than \$4 billion a year, he said. For acquisitions, EMC will look to the data-security market, which accounted for just 4.3 percent of its first-quarter revenue, to counter the growing threat posed by devices like smartphones. IDC forecasts global sales of identity-protection products will surge to \$6.43 billion by 2016, from \$4.51 billion last year.

The nature of security threats may mean this proves a difficult task, Choi said.

"Security threats are ever changing and there isn't one solution that can address all concerns," he said.

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