

OpenText + Micro Focus: Our Analysis

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Mark Wahlberg became famous as rapper Marky Mark in the early 1990s, but generations born since then likely know him only as an A-list Hollywood actor. Similarly, IT veterans know OpenText as a highly focused Canadian document management company that emerged in the late 1990s. But today, the firm has little in common with the university spin-off from two decades ago other than still being headquartered in Waterloo. With dozens of acquisitions under its belt, OpenText has transformed itself into one of the top 100 software companies in the world. It is still a significant document management company, but that is only a small part of its overall business today.

Any analysis of OpenText moving forward needs to be seen in that light. The company uses the term “information management” to describe its work, which is pretty accurate. Information assets come in countless forms, from mainframe application calculations to business documents to video. Similarly, countless different systems and applications are used to generate, automate, secure, and govern those assets, from EAI networks through data analytics to digital asset management systems. Indeed, today OpenText is one of the few firms to have a presence in providing products and services across almost all of this technological complexity.

OpenText’s recent acquisition of Micro Focus filled in some of the remaining gaps; it’s an acquisition that we previously [noted](#) makes a lot of sense. But when navigating such technical and corporate complexity, it’s easy to get lost and confused. In this blog, we provide some expert industry guidance to help understand and clarify the rationale behind the deal and how it fundamentally expands and enhances both OpenText “the company” and its massive customer base.

Micro Focus

Micro Focus was founded in 1976 and grew over time into one of the UK's largest software companies, with tens of thousands of customers worldwide and a massive network of over 7,500 partners. However, there is no avoiding that the company struggled over the past decade and needed a dramatic turnaround in fortunes or an exit, which came in the form of OpenText acquiring the company in a deal valued at \$5.8 billion, essentially securing its long-term future. Micro Focus brings a lot of customers, a lot of partners, and a huge technology portfolio. Our focus here is to unravel how the Micro Focus technology portfolio may augment and expand the existing OpenText product portfolio. In particular, we look at three high-value elements of Micro Focus that others appear to have overlooked or misunderstood, namely the COBOL products, the data analytics business Vertica, and cybersecurity.

COBOL

The COBOL programming language has been around since 1959 and is still used a lot today. COBOL applications typically running on mainframes remain essential in many financial services, telecoms, energy, and other businesses. And there is no likelihood of that changing anytime soon. These mission-critical applications are being updated for the digital age, and some are starting to move off the mainframe, typically IBM hardware, and into the cloud. So, COBOL applications are not going away, nor are they simply in maintenance mode; instead, they are being rejuvenated and, in many instances, expanded. This expansion is happening firstly through cloud migration (or at least non-mainframe-based infrastructure), and secondly through adaptation to better leverage newer development frameworks and structures such as Docker, Java, and .Net. That work, and the products to support it such as COBOL technology for Azure and AWS, are an essential but overlooked element of the Micro Focus portfolio and have the potential to provide a great deal of future growth for OpenText.

Vertica

The Vertica analytics platform is another key element that Micro Focus brings. Vertica manages the performance of vast query-intensive data warehouses and, in the future, data lakes. And when we say vast, we mean exabyte scalability. Formerly part of HP, it's one of the few credible options available for extreme Big Data scenarios. Vertica is used across the globe by customers in finance, healthcare, energy, and advertising and is the preferred platform for many. As data volumes and complexity continue to expand rapidly, Vertica has the potential for a lot of growth. It's also a platform that may have lost some market visibility. But it is a part of Micro Focus that has kept pace with the times and recently launched a SaaS offering called Vertica Accelerator that runs on AWS.

Security

The ArcSight, Voltage, Fortify Insight, and NetIQ security products that come with this deal expand OpenText's footprint in this fast-growing market and will sit alongside the Bricata, Zix, and Carbonite products. Just five years ago, OpenText had almost no presence in the cybersecurity market, but that changed when it acquired Carbonite in 2019. Since then, the firm has been building out cybersecurity as a core pillar of its business. ArcSight brings a well-established security, information, and event management (SIEM) platform. Fortify Insight brings security orchestration and application security, and NetIQ brings identity and access management. Together they make OpenText one of the fastest-growing players in the high-growth cybersecurity market.

In Summary

OpenText plus Micro Focus is potentially much more than the sum of its many parts, as the total addressable market for OpenText has expanded exponentially with this deal. In addition to the elements already mentioned, Micro Focus brings AI and DevOps capabilities that could work with and expand OpenText's existing Core Content offering. Just as importantly, this deal can bring OpenText further into faster-growth markets and geographies than it has historically been involved in.

On paper, at least, it all makes sense, but although there is a lot of potential here, pulling it off will be a task. But again, OpenText is no longer a small Canadian document management company. Over the next two years, it is well on track to become a \$10 billion company. And when you are operating a business at that scale, you will have to deal with enormous operational tasks. There is no guarantee that OpenText can succeed at this, but I wouldn't bet against them, and I can certainly see the logic and rationale behind the acquisition. So, as we said last August when the deal was announced, "*unraveling and absorbing this British giant will take time. It's not a deal without risks, but it's a huge one and, on paper at least, a solid one.*"

About Deep Analysis

Deep Analysis was founded in 2017 to provide strategic advisory services, grounded in deep research into technology buying trends and market dynamics.

Deep Analysis differs from other advisory firms in that our research, though informed by technology vendors, is not driven by them. We first and foremost focus our analysis on the real-world business needs and activities of buyers and users of technology. Much of our time is spent talking to buyers and users to ensure that our research and advice reflects real world realities.

Led by Alan Pelz-Sharpe, with over 20 years of strategic advisory experience and co-author of the recently published book “Practical Artificial Intelligence – An Enterprise Playbook,” Deep Analysis provides confidential advice to technology leaders in product strategy, go-to-market, and growth planning.

Deep Analysis researches markets and technologies to provide confidential advice and guidance for our clients to identify, target, and grow their businesses.



About Alan Pelz-Sharpe

Alan has over 25 years of experience in the IT industry, working with various end-user organizations like FedEx, The Mayo Clinic, and Allstate, and vendors from Oracle and IBM to startups worldwide. Alan was formerly a Partner at The Real Story Group, Consulting Director at Indian Services firm Wipro, Research Director at 451, and VP for North America at industry analyst firm Ovum. He is regularly quoted in the press, including the Wall Street Journal and The Guardian, and has appeared on the BBC, CNBC, and ABC as an expert guest. Alan currently serves on the board of the industry association AIIM International.