A News.com report on digital security -- or the lack thereof -- in the corporate world

Enterasys: A diamond in the rough

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In spite of years of network transitions, global competitors, and ongoing cycles of innovation, Cisco still dominates the enterprise networking space. CIOs offer lots of reasons for this but there is always one constant, it's hard to identify an alternative vendor that holds a definitive #2 market position. IT bigwigs know about Juniper, 3Com, Extreme, Foundry, and Nortel, and HP, but who is truly #2? Users truly don't know.

No one would ever consider Enterasys Networks as the #2 enterprise networking vendor but the company is an interesting study.

Enterasys is the lone independent vestige of once mighty (and excessively quirky) Cabletron. As such, it has a long history in networking, an enterprise installed base, and a global distribution channel. Just last week, Enterasys announced a 5% revenue spike in its 3Q results.

Enterasys doesn't get much industry ink, but the company has some strong assets:

Enterasys has a complete portfolio of switching and routing products from edge to core. The company's products are very competitive in terms of feature/function and price/performance.

Enterasys was way in front of the whole secure networks trend and it remains ahead of the pack in terms of today's integration and deliverables.

Ditto for end-point security, aka end-point integrity. Cisco, Microsoft, ISS, and Symantec are all in this developing space but Enterasys stuff really works as promised – today.

Enterasys has had its share of problems over the past few years. The divestment from Cabletron left Enterasys as an unknown brand and the company also suffered through some accounting problems but those are now ancient history.

Enterasys is out there on its own doing about $300 million in revenue, has strong product assets and a paltry market cap of around $220 million. Am I the only person in the industry that believes that Enterasys is an absolute steal?

Here are a couple of possible acquisition scenarios.

First, Juniper. The knock on Juniper is that it needs a line of switching products to truly compete for enterprise business with Cisco. Rumors constantly abound that Juniper will buy Extreme but Enterasys could provide a good switching portfolio for about half the acquisition cost. At that price, Juniper should do this deal on a flyer, it almost can't lose.

Here's a bit of stretch but how about Dell? Enterasys doesn't really fit Dell's model but so what, Dell could come in and "Dellify" high-end networking. Dell is already in networking anyway with "good enough" edge and stackable switches so Enterasys would extend its line into the network core. Enterasys products combined with Dell's sales model and customer base would certainly raise some eyebrows in San Jose (i.e. at Cisco World Headquarters).

This may be even more of a stretch but what about a merger between Enterasys and Check Point Software? Check Point is pushing its security technology from the perimeter to internal networks and butting heads with Cisco in the process. Enterasys would diversify Check Point's offerings, let it back into a direct sales force, and also provide hardware expertise so Check Point could gracefully offer its own enterprise security appliances. This could solve a lot of headaches for the Tel Aviv U. crew.

I know it's really easy for me to sit at my keyboard and brainstorm financial activities and it's almost certain that none of these things happen (author's note: Way back when, I did prognosticate that Compaq would buy Digital). Yet, there seems to be a wasted opportunity here. Users love Cisco but want a second source. At the same time, Enterasys has the right products to fill this void but doesn't have the right size or resources.

Where's the market efficiency when you need it?

Posted by Jon Oltsik