Enterprise Content Management Software

Research Coverage Report

"Market Intelligence for Industry Players" ***Q3 2006***

Capstone Partners
Investment Banking Advisors

BOSTON

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Research Coverage Report

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EXECUTIVE SUMMARY

The complexity of business has increased significantly over the last decade. Global competition, evolving information technology, and increased regulation have contributed to a more challenging management environment. The volume of corporate content output has, at the same time, increased exponentially. To accommodate for this growth, improve operational efficiency, and ensure regulatory compliance, companies are increasingly turning to enterprise content management (ECM) software.

Over the past several years, the ECM software market has evolved from a large universe of vendors offering point solutions to a market dominated by multi-product, suite providers.

Over the past several years the ECM software market has evolved from a large universe of vendors offering point solutions, including web content management, document management, and records management, to a market dominated by multi-product, suite providers. Customers have become more sophisticated in their use of ECM technology and continue to demand more advanced and comprehensive product solutions through which they can structure, distribute, and access different forms of electronic and paper-based content.

The ECM Software Market

Market Opportunity – Capstone Partners estimates that, in 2005, the total ECM software market generated approximately $2.5 billion in sales.

Market Growth – The ECM software market represents a significant growth opportunity, having grown approximately 11% annually since 2003. The market is expected to grow at a CAGR of about 10% over the next three to five years.

Vendor Universe – Although the top fve competitors control significant market share, there are more than 100 companies that market ECM-related software applications. The market has experienced significant consolidation to date, including two major deals in August 2006, but Capstone expects continued robust M&A activity over the next 12 to 24 months.

Growth Drivers – Market demand drivers include 1) increased focus on compliance and regulatory issues; 2) continued drive for efficiency gains; 3) improved IT resource management and spending trends; and 4) increased globalization and M&A activity.

Wider Product Adoption – Departmental and operational group successes associated with content management application implementations have fueled wider adoption within existing customers. The migration of best practices throughout the enterprise will continue to increase product demand.

Platform Consolidation – On average, companies have three or more content management applications. Customers with multiple divisional or departmental content management systems continue to consolidate vendors. Larger clients have also begun to develop corporate-wide content management strategies. Both of these factors benefit ECM platform providers that can provide multiple products and integrate point solution functionality.

Vertical and Horizontal Specialization – Increasingly, providers are incorporating broader industry and function-specific process capabilities and frameworks into system platforms. Capstone expects that the demand for specific process solutions will continue to drive customer adoption.

Intensifying Competitive Landscape – The growth in ECM spending has drawn competitors from other technology sectors and increased product commoditization. Capstone expects providers to seek to differentiate their offerings more aggressively and competition to continue to intensify.

Content & Business Process Management Convergence – The emergence of BPM technology is beginning to have significant effects on how ECM software is implemented by customers. As demand for process orchestration continues to grow, ECM applications will be further integrated within the process architecture. Capstone expects that, over the next few years, there will be greater convergence between content and process management platforms.

Market Consolidation – Over the past three years, there have been more than 30 mergers and acquisitions in the ECM software market, including recent, large acquisitions by two market leading competitors. Capstone expects this trend to continue. The emergence of platform suites and increased demand for multi-product vendors will continue to drive acquisitions by providers seeking to differentiate themselves; fill gaps in their portfolios; increase their presence in new geographic regions; and broaden their customer base.

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