

## MARKET NOTE

# Quantum Purchases Pivot3 Assets, Fortifying Its Leadership Position in Video Surveillance

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## EXECUTIVE SNAPSHOT

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### FIGURE 1

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#### Executive Snapshot: Overview of Quantum's Acquisition of Pivot3's Assets

This IDC Market Note provides an overview and IDC analysis of Quantum Corporation's acquisition of Pivot3's video surveillance products on July 19, 2021.

#### Key Takeaways

- Quantum has a broad solutions portfolio that includes block-, file-, and object-based storage platforms, and its stated mission is to lead the world in video and unstructured data solutions. Quantum's acquisition of Pivot3's surveillance business and products adds significantly to the company's leadership position in the unstructured storage markets.
- An early pioneer of hyperconverged infrastructure (HCI) solutions, Pivot3 products were designed from the very beginning for high-bandwidth and large sequential workloads such as video surveillance, which is where it attained early success. After some successful expansion into datacenter workloads and international markets, Pivot3 was forced to scale back operations considerably during the global pandemic. At the time of the acquisition, Pivot3 was focused solely on video workloads.
- The Pivot3 solution, which will be marketed under the name Quantum VS-HCI Series, provides hyperconverged infrastructure for surveillance recording and management, giving Quantum a formidable solution that can manage video surveillance data across its entire life cycle — from capture to analysis to retention to expiration.
- In addition to core intellectual property (IP) around distributed storage, data placement, erasure coding, and storage quality of service, Quantum gets more than 40 employees from Pivot3 engineering, product, sales, support, and operations teams as well as over 500 new surveillance customers.

Source: IDC, 2021

## IN THIS MARKET NOTE

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On July 19, 2021, Quantum Corporation announced that it was acquiring the surveillance portfolio and assets from Pivot3, a small vendor that has been successfully focusing on that segment of the media and entertainment (M&E) market over the past several years. Quantum has focused very successfully on that same (as well as other) segments with its broad portfolio, and this acquisition signals further commitment to strengthen its capabilities in this area. This IDC Market Note takes a closer look at what the acquisition means for both Quantum and Pivot3 customers.

## IDC'S POINT OF VIEW

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Quantum has a broad solutions portfolio that includes block-, file-, and object-based storage platforms, and its stated mission is to lead the world in video and unstructured data solutions. The company has turned around since Jamie Lerner became the CEO in July 2018. In short order, Lerner put a lingering SEC investigation behind the company (that resulted in its ejection from the New York Stock Exchange), trimmed the organization to make it a more focused and leaner competitor, and began to make strategic acquisitions to bolster the vendor's already strong unstructured storage capabilities. The turnaround was abundantly evident by February 2020 when, in a single week, Quantum announced its first quarterly profit in more than four years, qualified to be listed on Nasdaq, and announced the acquisition of Western Digital's ActiveScale object storage-based archiving business. Later in 2020, Quantum announced the acquisitions of Atavium, a start-up whose solution managed and optimized data as it moved through processing workflows, and SquareBox Systems, a specialist in data cataloging, user collaboration, and digital asset management.

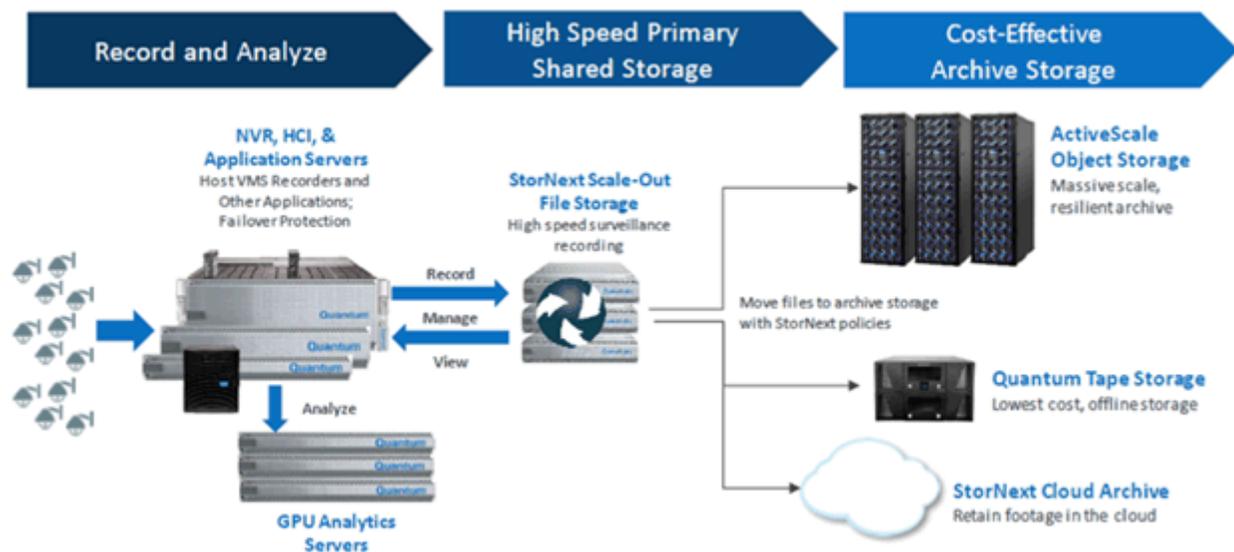
In April 2021, Quantum announced a re-architecture of its core parallel scale-out file system product with the release of StorNext 7. Shifting from a disaggregated architecture toward a more hyperconverged-like architecture where the block, file, and client services are virtualized, the new design opened up more edge and cloud-based opportunities for the vendor and made its solutions more compact, energy efficient, and easier to deploy. This move meshed very well with developments in the M&E space that needed lower-cost, more flexible deployment options. Roughly 50% of Quantum's StorNext product line revenue comes from this market, and these new capabilities made its product portfolio that much more attractive in environments with video workflows. Quantum has always excelled in its ability to deliver extremely high streaming performance for very large files and, in fact, set a new performance record for video workloads in a SPEC SFS benchmark released in March 2021. The vendor has kept abreast of other technology developments, adding support for NVMe technology, including both new all-NVMe systems and remote direct memory access (RDMA) over Converged Ethernet (RoCE) host connections.

Founded in 2003, Pivot3 was an early pioneer of hyperconverged solutions. The company's products were designed from the very beginning for high-bandwidth and large sequential workloads such as video surveillance, which is where it attained early success. Although rooted in video workloads, Pivot3 expanded its go-to-market efforts to capitalize on the rapid growth of hyperconverged infrastructure (HCI) sales within highly virtualized business and datacenter workloads. In 2016, Pivot3 acquired NexGen storage, which helped to ensure that its portfolio of solutions offered valuable enterprise-grade datacenter features such as policy-based management, quality of service (QoS), NVMe support, and data reduction. The company also expanded its international operations to better capitalize on high-growth emerging markets within Asia and Latin America. Although it remained relatively small, these actions helped Pivot3 achieve considerable and sustained growth. Unfortunately, the global pandemic forced Pivot3 to scale back its operations by a very large degree. By the time of this acquisition, Pivot3 had reversed its international expansion and begun focusing solely on video workloads.

Quantum's acquisition of the surveillance business and products from Pivot3 adds significantly to the vendor's leadership position in the unstructured storage markets. Video data represents the biggest single unstructured data subset, and surveillance data – captured by stadiums, healthcare, airports, critical infrastructure, logistics, retail, government and military, banks, Smart Cities, casinos, public transit, and other similar clients – comprises the lion's share of video data. The Pivot3 solution, which will be marketed under the name Quantum VS-HCI Series, provides hyperconverged infrastructure for surveillance recording and management, giving Quantum a formidable solution that can manage video surveillance data across its entire life cycle – from capture to analysis to retention to expiration. Quantum provides solutions for recording and analyzing source data (i.e., its NVR, HCI, application, and GPU analytics servers), high-speed primary shared storage systems for high-speed surveillance recording, and platforms for cost-effective archive storage (i.e., ActiveScale, Quantum Tape Storage, and the StorNext Cloud Archive) (see Figure 2). The vendor's ability to manage video data across its life cycle also includes the ability to tier to both public cloud (using S3) and tape targets (such as Quantum Tape Storage). As the vendor moves in a more "hyperconverged" direction with its other platforms, Pivot3 fits into that strategy very nicely.

**FIGURE 2**

**The Quantum Video Surveillance Portfolio**



Source: Quantum Corporation, 2021

It's interesting to note that, before coming to Quantum in 2018, Lerner was the COO for Pivot3 where he was responsible for operations, global field sales, customer support, professional services, manufacturing, and supply chain management. It's also interesting to note that as part of the turnaround under his leadership, he has significantly remade the executive team, bringing in relevant expertise in sales with John Hurley (chief revenue officer, who held executive positions at both Cisco and Dell, among other vendors), as well as Brian Pawlowski (chief development officer, formerly of NetApp and Pure Storage), Brian Cabrera (chief legal and compliance officer with experience at NVIDIA and Synopsys), and an almost entirely new marketing and product management team from the ground up with deep M&E market experience.

The financial outlook for Quantum is increasingly positive. Although sales had declined 13% to \$349 million when Quantum announced its fiscal year-end results in April, this was less of a revenue hit than what was taken by many of its competitors during the pandemic year. Quantum noted that the company had reduced its long-term debt from \$146 million to \$90 million and gave guidance of 13% sales growth in 2022 and 8% sales growth in 2023. Moreover, the company stock price is up over 100% since May 2020 and the vendor's primary market (global video surveillance storage) is expected to grow at a CAGR of 18% through 2026 when it should crest \$20 billion (becoming a sizable storage market in its own right).

The acquisition brings Quantum much more than just a proven surveillance recording and management platform. In addition to core intellectual property (IP) around distributed storage, data placement, erasure coding, and storage quality of service, Quantum gets more than 40 employees from Pivot3 engineering, product, sales, support, and operations teams as well as over 500 new surveillance customers. In the year before its acquisition, Pivot3 had disinvested in sales and support operations outside of North America. Existing Pivot3 "surveillance" customers in international regions now have worldwide support capabilities from a growing, profitable leader in the video markets, and Quantum is committed to this strategic market focus. The vendor is combining the video surveillance sales assets with its own sales team, which operates as an overlay to Quantum's worldwide sales force.

In the video surveillance market, storage retention times have been on the increase as customers want to retain video data longer to perform analytics. Quantum brings excellent platforms for long-term video archiving with its ActiveScale, Quantum Tape, and StorNext Cloud Archive options. As the Pivot3 IP gets integrated into the product line as the Quantum VS-HCI Series, existing Pivot3 video surveillance customers now have access to archive options, which will be much better integrated into the video data life cycle than ever before.

With the purchase of the video surveillance portfolio and assets of Pivot3, Quantum was very clear about its focus being on growing the surveillance business only. Pivot3 had also sold systems into enterprise datacenters for mixed workloads, competing with the likes of Nutanix and VMware. Quantum will be supporting those customers for the time being but working with them to help them determine their best future direction (which may not include Quantum). Pivot3 customers with these types of systems should think about moving away from the use of Pivot3 HCI platforms over time, but the vendor plans to give these customers ample time to make that move (all the while supporting them).

All in all, this was an excellent move for the company, particularly at the \$8.9 million acquisition price. It is a good outcome for Quantum, which gains a strong video surveillance recording management platform, additional employee expertise in this space, and hundreds of additional customers to whom it can sell its other video data life-cycle management platforms. It's also a good outcome for Pivot3 surveillance customers, who enjoy a very capable surveillance recording and management platform but were understandably concerned about Pivot3's future. And it appears to be part of a larger trend of acquisitions in the video surveillance market in just the past year, as Teledyne acquired FLIR Systems and StorMagic acquired SoleraTec.

## LEARN MORE

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### Related Research

- *StorMagic Acquires SoleraTec Technology: Simplifying Video Surveillance Through Intelligent Archival and Retrieval* (IDC #lCUS47581521, April 2021)
- *Teledyne Acquiring FLIR Technologies Presages Consolidation in the Video Surveillance Market* (IDC #lCUS47279521, January 2021)

### Synopsis

This IDC Market Note provides an overview and IDC analysis of Quantum Corporation's acquisition of Pivot3's video surveillance products on July 19, 2021.

"This was an excellent acquisition for Quantum," said Eric Burgener, research VP, Infrastructure Systems, Platforms, and Technologies. "The company has gained a strong video surveillance recording management platform, additional employee expertise in this space, and hundreds of additional customers to whom it can sell its other video data life-cycle management platforms."

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