Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

4003 Wood Street ● Erie, PA 16509 ● PH (814) 866-2247 ● FX (800) 507-8981 ● http://www.documentimagingreport.com

June 16, 2006

THIS JUST IN!

NEW DIGS REQUIRED FOR GROWING EVENT

On Demand has outgrown the **Pennsylvania Convention Center** and will be moving to the **Boston Convention and Exposition Center** (BCEC) next spring. AIIM On Demand 2007 will be held April 17-19. This year's event, which was held May 16-18, drew almost 25,000 people to Philadelphia.

Christina Condos, group director of technology events, Questex Media Group.

"Philadelphia was a good facility in a lot of ways, but having our show spread out over two levels was not ideal," said Christina Condos, group director of technology events for show owner **Questex Media Group**. "The event went well enough that we would have considered staying in Philadelphia another year, but we were running out of exhibitor space. In addition, we were running out of meeting rooms and found ourselves in the awkward position of asking people to share."

The BCEC was opened in 2004 and is advertised as the "largest exhibition center in the Northeast Mid-Atlantic United States, with some 516,000 square feet of contiguous exhibition space." According to Condos, AIIM On Demand 2006 used 275,000 square feet. "We will even have some room to grow in Boston," she told *DIR*.

Questex reported a total of 24,990 attendees for AIIM On Demand 2006. Based on historical data, which shows that 17% of that total represents exhibitor personnel, there were approximately 20,000 attendees at the show, or a decline of less than 5% from 2005. The breakdown of attendees

Continued On Page 7

EMC, Captiva Marriage Off To Solid Start

Bish says farewell, preparing for sabbatical

With founding father Reynolds Bish ready to move on, **Captiva Software** is now fully immersed in its new role as a contributor to EMC's $2 billion-plus software business. At the recent **AIIM On Demand Conference and Expo** in Philadelphia, Bish revealed to *DIR* that starting in July, he will be taking a 6-18 month sabbatical from business altogether, before considering a return to a company other than Captiva. Rob Tarkoff, who is currently a senior VP and the Chief Strategy Officer for EMC Software, will assume Bish's duties as general manager of Captiva.

"Rob's extensive knowledge of EMC and how it works will be very important when integrating a company the size of Captiva into EMC Software," Bish told *DIR*. "Overall, the transition following the acquisition [of Captiva, which was announced in Oct. and closed in Dec.] has gone very smoothly. Certainly, there have been some bumps along the way, but Captiva's business has been growing at a faster rate over the first part of the year than we would have expected it to on its own."

Captiva was on pace for some $80 million in revenue in 2005. "Captiva's sales force, prior to the acquisition, was about 25 quota-carrying reps," said Bish. "EMC has about 200 content management sales reps and about twice that many in its enterprise software group. That's not even counting the 2,500 EMC 'classic' storage sales reps.

"EMC has tremendous presence in larger organizations. I used to say that once a year, we'd get an enterprise deal worth seven figures. Now, I think we are getting one per quarter. Because of EMC's relationships, we have been able to gain access into organizations at a much higher level."

Whitney Tidmarsh, VP, strategic marketing for EMC Software, explained that EMC is only now beginning to fully leverage the Documentum technology it acquired in 2003. “After working with content management software for the past two-and-a-half years, the core EMC sales force has a better understanding of ECM’s value proposition, and Captiva is going to benefit from that. Imaging, because of its close ties to storage, and because of the IT support it requires, is especially important to EMC’s business.”

"I used to say that once a year we'd get an enterprise deal worth seven figures. Now, I think we are getting one per quarter."

--Reynolds Bish, Captiva

Tidmarsh added that elevating Captiva from a partner to a part of the EMC organization has accelerated sales of capture software in conjunction with Documentum installations. “End users are simply more comfortable buying from one vendor that can stand behind a tightly integrated end-to-end offering,” she said. “Also, even though we were partners before, I’m not sure the entire Documentum team fully understood the value proposition that a combined scanning and imaging solution brings to an ECM solution. The acquisition, along with a more meaningful compensation model, has greatly accelerated that understanding.”

According to Tidmarsh, Captiva’s sales related to installations of Documentum competitors like **IBM** and **FileNet** have not been reduced as a result of the acquisition. “While those sales haven’t accelerated at the rate of sales related to Documentum installations, they have not gone down. Just like our software business remains open to working with EMC’s hardware competitors, Captiva wants to remain open to working with Documentum competitors. And quite frankly, Documentum maintains a good relationship with [Captiva competitor] **Kofax**. We don’t want to cut off any aspects of our business.”

At AIIM, we did hear from one Documentum competitor who feels Kofax has been working more closely with his company now that Captiva is owned by EMC. “Our relationship with Kofax has become a lot stronger,” said Paul Lord, president and CEO of **Westbrook Technologies**. “Kofax is starting to share a lot more leads with our resellers that I think formerly had been reserved for resellers of Documentum’s *ApplicationXtender* product line.”

Where’s Captiva headed?

At the show, Captiva introduced an EOB (explanation of benefit) processing application aimed at the healthcare provider market. “That market has come on strong for us over the past couple years,” said Bish. “HIPAA compliance has been a driver in the area of electronic patient records,

Document Imaging Report

Business Trends On Converting Paper Processes To Electronic Format

DIR is the leading executive report on managing documents for e-business. Areas we cover include:

1. Document Capture
2. Image Processing
3. Forms Processing/OCR/ICR
4. Enterprise Content Management
5. Records Management
6. Document Output
7. Storage

DIR brings you the inside story behind the deals and decisions that affect your business.

Vol. 16, No. 12

Editor: Ralph Gammon
4003 Wood Street
Erie, PA 16509
PH (814) 866-2247
FX (800) 507-8981
ralphg@documentimagingreport.com

Managing Editor:
Rick Morgan
PH (814) 866-1146
rickm@scandcr.com

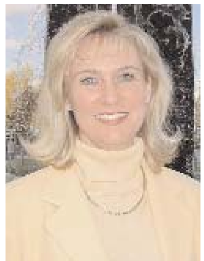
Publisher and Circulation Manager
Larry Roberts
RMG Enterprises, Inc.
5905 Beacon Hill Lane
Erie, PA 16509
PH (412) 480-5116
FX (412) 291-1352
larry@rmgenterprises.com

DIR is published 24x per year, on the 1st & 3rd Fridays of the month, by:
RMG Enterprises, Inc.
5905 Beacon Hill Lane
Erie, PA 16509
PH (412) 480-5116
http://www.documentimagingreport.com

Subscriptions: $597 (electronic) or $670 (paper) per year.

but providers have also been under a lot of pressure to reduce costs. Automating EOB processing represents a clear cut avenue for accomplishing this."

Similar to invoice processing, in which Captiva has had some success in recent years, EOB processing involves variably structured forms. However, EOBs, because of their length, can be even more complex than invoices. **AnyDoc** and **CereSoft** are two vendors we are of aware of that have successfully installed automated EOB processing solutions. **Datacap**, **Paradatic**, and a company called **Easy EOB** also advertise solutions in this area.



Whitney Tidmarsh, VP, strategic marketing, EMC Software.

Also, at AIIM, EMC announced its *Documentum Archive Services for Imaging* software, which is an integrated Captiva/Documentum platform for users with high-volume document storage, retrieval, and retention requirements. "We are working on taking Captiva's technology in new directions," Tidmarsh told *DIR*. "We are looking at deeper and tighter integration between our product lines. This includes adding features like in-process re-scans and defined audit trails. We want to provide users with all the features they might expect in a truly unified ECM solution.

"We want to leverage Captiva's technology in any way we can to drive revenue. We currently have 24 people spending time, energy, and money focused on fully leveraging the assets of Captiva. We want to fully determine what Captiva can bring to other aspects of EMC outside of the ECM group."

Bish added that EMC is investing in expanding Captiva's international reach. "EMC is investing some R&D dollars in localizing our product for sales in more geographical regions," said Bish. "EMC has the chance to sell our software in markets we just didn't have the budget to reach on our own.

"In addition, EMC has been very aggressive with acquisitions in recent years, especially within its Software Group. EMC has embraced a lot of Captiva's strategic direction and will continue to execute on the M&A activity Captiva had been planning."

Bish indicated that, following his sabbatical, he will likely return to work in another industry.

Software is EMC's future

Tidmarsh concluded by commenting on the vision of EMC Chair, President, and CEO Joe Tucci. Tucci, of course, is the former president and CEO of **Wang Global** who orchestrated that company's $260 million sale of its document imaging software business to **Eastman Kodak** back in 1997. One of Tucci's main charters since taking over as CEO of EMC in 2001, has been to increase its revenue generated from software sales.

"Mr. Tucci recognizes that software is the turnaround factor for EMC," said Tidmarsh. "The margins on storage hardware are small, and the market is not growing substantially. The Legato and Documentum [in 2002 and 2003, respectively] acquisitions represented a huge move toward software, and last year Captiva was our largest software acquisition. We've also acquired several smaller software companies to round out our portfolio. Bringing all those acquisitions together is critical in our evolution as a software vendor. We plan to pursue further software acquisitions, while also growing our software business organically. "

For more information:
http://www.captivasoftware.com/; http://www.emc.com

Bish Soon To Be Gone, But Certainly Not Forgotten

Love him or hate him, Reynolds Bish has been a significant force in the document imaging industry for at least the past 10 years [*or as long as this editor has been covering the market*]. Bish has always been outspoken and willing to share his opinions. This has often irked his competitors. But, to his credit, Bish made himself accessible to the press both in good times and bad. And yes, Bish has had some ups and downs over the years.

One thing we are pretty sure of, however, is that Bish never lost confidence in his vision. This vision paid off in spades this past fall, when he orchestrated the sale of **Captiva Software** for some $275 million in cash to storage giant **EMC**. This sale took place slightly more than three years after Captiva's market cap was hovering somewhere south of $20 million. Bish's tireless work with the investment community, along with his ability to take two floundering businesses and prove that sometimes one and one *can* make three, helped make some people in this industry some money. And about that, almost everyone seems happy.

Reynolds, thanks for the memories.

What follows is a timeline of some of Reynolds Bish's significant activities (and related events) in the image capture and forms processing industries, as covered in the pages of *DIR*.

Bish Timeline:

1989: Bish founds **TextWare Corporation** in Park City, Utah. The company focuses on assisted data entry technology, and according to at least one report, also offers full-text indexing and retrieval software.

September 1997: TextWare merges with automatic-recognition application specialist **Symbus** of Waltham, MA. The combined entity becomes known as **FormWare**, also based in Park City. Bish predicts the forms processing market will "take off like a rocket."

January 1998: Bish first discusses the potential convergence of the forms processing and image capture markets.

May 1998: Cornerstone Imaging sells its hardware business and changes its name to **Input Software**.

July 1998: Input announces OEM agreement with **Documentum**

August 1998: FormWare announces a merger with competitor **Wheb Systems** that reportedly creates a $25 million entity, which becomes known as **Captiva Software**, with headquarters in San Diego. Bish assumes control of the company, which struggles with the merger. When Captiva merges with ActionPoint more than 3 ½ years later, its revenue is listed at $24 million.

August 1999: Bish criticizes Input for keeping too much money on its balance sheet. Captiva also begins posturing for an IPO.

March 2000: Buoyed by talk of online bidding technology, Input's stock hits almost $40 per share, after trading at less than $4 a year earlier.

April 2000: Input changes name to **ActionPoint**.

May 2001: With its stock price having fallen back to below $4 per share, ActionPoint sells off its Web-centric product line for $7 million.

July 2001: As Vice Chair of AIIM, Bish oversees drastic cost-cutting measures to help keep the organization afloat.

January 2002: Bish helps AIIM sell its annual trade show to **Advanstar**

March 2002: Bish appointed Chair of AIIM.

March 2002: Bish orchestrates Captiva's merger with ActionPoint. It creates a $50 million capture entity, provides Captiva with financial stability, and gains Captiva a public listing on the NASDAQ.

July 2002: Captiva's stock dips below $1 per share.

August 2002: Documentum strengthens OEM agreement with Captiva.

February 2003: Captiva reports 2002 year-end revenue of $48 million with a $1.5 million net income. Stock closes the month trading just above $2 per share.

July 2003: After half-year financials are reported, Captiva stock closes month at more than $5 per share.

October 2003: EMC acquires Documentum for $1.5 billion in stock.

December 2003: Captiva closes year trading at more than $12 per share.

February 2004: Captiva reports 2003 annual revenue of $57.1 million, with a pro forma income of $2.6 million. Captiva also acquires healthcare provider software specialist **ADP Context** for $5.2 million.

March 2004: Captiva showcases controversial *Digital Mailroom* technology at AIIM 2004. It also introduces a revamped invoice processing application, leveraging technology from partner **Océ ODT**.

June 2004: Captiva reveals it is partnering closely with French recognition specialist **SWT** on *Digital Mailroom*.

October 2004: For the first time since Captiva began trading publicly, it has a shortfall. Third-quarter revenue comes in about $1.5 million short.

November 2004: Captiva rebounds nicely with a $2 million sale of invoice processing software to a retail giant – believed to be **Wal-Mart**.

February 2005: Captiva reports 2004 revenue of $68 million, with net income of $4 million.

May 2005: Captiva announces plans to acquire SWT for $18 million. Investment community reacts favorably. Captiva closes month at over $13 per share. Captiva also closes former Symbus offices in Waltham.

July 2005: Captiva stock climbs over $15 per share during annual conference in San Diego.

September 2005: Captiva stock climbs to more than $20 per share.

October 2005: Captiva announces acquisition by partner EMC for $275 million in cash.

December 2005: EMC deal closes.

Early 2006: Bish announces he will be leaving the company in July to take a sabbatical. EMC Software Senior VP and Chief Strategy Officer Rob Tarkoff will assume duties as general manager of Captiva.

Adobe Chooses I.R.I.S. As OCR Partner

Adobe has signed a contract to incorporate tools from Belgium recognition specialist **I.R.I.S.** within its PDF Scan Library SDK. Adobe licenses the Scan Library to hardware vendors who want to incorporate PDF output in their devices. "Previously we did not offer an OCR option within the SDK," said Dan Baum, VP of new business initiatives for Adobe. "We offered an API for integrating OCR, but we were in search of a more well-founded solution."

"**PFU** [which manufacturers scanners for **Fujitsu Computer Products of America**] is an example of a partner that has leveraged our API to integrate **ABBYY's** OCR with our Scan Library for its ScanSnap product [*see DIR 4/7/06*]," said John Hoye, Adobe's senior manager of business development for paper to digital solutions. "A lot of our partners have already made an investment in OCR technology or have existing relationships they want to leverage. That's why we opened up the API. At the same time, many of our customers came to us with requests for a complete solution for creating image-plus-text PDF files."

Adobe tested several products before deciding on I.R.I.S. as its vendor. "We looked at all the major players," said Hoye. "We like I.R.I.S.' accuracy and speed. We also like its technology's small footprint. Finally, I.R.I.S. supports all platforms with its current technology. At Adobe, we believe it's important to have consistent cross-platform coverage."