

Oracle's Bid for PeopleSoft: Update 12 June

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With its tender offer for PeopleSoft, Oracle is attempting to gain more control over broader markets. Gartner advises how this offer could affect you.

NEWS ANALYSIS

Event

As of 12 June 2003, the latest developments in Oracle's unsolicited bid to acquire PeopleSoft for \$5.1 billion in cash include:

- PeopleSoft's board of directors rejected Oracle's offer as too low. The company also said the deal would face burdensome antitrust and regulatory scrutiny and would restrict customers' choices.
- Filings with the U.S. Securities and Exchange Commission indicate that J.D. Edwards would have to pay a \$57 million penalty under certain circumstances to terminate its \$1.7 billion merger agreement with PeopleSoft.

Analysis

Oracle's offer for PeopleSoft has much greater impact than appears on the surface. Gartner believes the deal has already disrupted the businesses of PeopleSoft and J.D. Edwards. But the deal also touches many markets beyond business applications. In addition, this move could affect the businesses and strategies of major software vendors in addition to the three principals Oracle, PeopleSoft and J.D. Edwards:

- IBM, which has a close partnership with PeopleSoft
- Microsoft — PeopleSoft pulls through many sales of SQL databases
- SAP and Siebel Systems, which become the leading alternatives to Oracle in large-enterprise CRM suites if the deal goes through

Gartner advice: The PeopleSoft board's rejection of Oracle's unsolicited offer is not a surprise and does not change our advice to PeopleSoft and J.D. Edwards customers and prospects ("How Oracle's Bid for PeopleSoft Affects Customers"). We do not believe that the Oracle/PeopleSoft episode is over. But we recognize that clients may be under pressure to execute planning and deployment schedules. Therefore, Gartner will deliver research that examines more detailed client situations. We will also examine how the Oracle/PeopleSoft episode affects larger market dynamics.

Gartner continues to work on research related to the individual markets affected and the impact on customers of other vendors. We encourage clients to review our current research, and if you have specific questions, talk with your Gartner analyst — by phone (U.S. +1 203 316 1266, Europe +44 1784 267770) or e-mail (bizapps@gartner.com, euro.inquiry@gartner.com). Gartner offers the following research:

- "Oracle/PeopleSoft Deal Would Greatly Affect ERP Market" — If Oracle's bid succeeds, PeopleSoft customers would have to undertake a disruptive migration at some point, and J.D. Edwards' customers may not see any major new functions. **By Karen Peterson, Yvonne Genovese, Lee Geishecker and Betsy Burton**
- "Oracle's Bid for PeopleSoft Won't Alter Its CRM Position" — Even if Oracle accomplished a seamless acquisition, the deal would not allow Oracle to overtake Siebel Systems or SAP in the CRM market. **By Robert DeSisto and Michael Maoz**

- "How Oracle's Bid for PeopleSoft Affects Customers" — If you're in the middle of a J.D. Edwards or PeopleSoft deployment, you should proceed. If you're considering a purchase of J.D. Edwards or PeopleSoft products, don't sign a deal until it becomes clear whether Oracle's plans to acquire PeopleSoft are serious. **By Betsy Burton and others**
- "PeopleSoft and J.D. Edwards Fit, but Merger Will Be Complex" — Customers will likely not feel an impact from this acquisition until at least mid-2004. **By Lee Geishecker and Jeff Comport**

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