

## Oracle's Bid for PeopleSoft: Update 19 June

**Betsy Burton, Bruce A. Bond, Jeff Comport, Simon Hayward, Robert P. Desisto, Karen Peterson, Lee Geishecker**

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

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### Event

As of 19 June 2003, the latest developments in Oracle's unsolicited bid to acquire PeopleSoft include:

- On 16 June 2003, PeopleSoft altered its offer to acquire J.D. Edwards from an all-stock offer to a combination of stock and cash.
- On 18 June 2003, Oracle raised its offer for PeopleSoft from \$16 per share to \$19.50 per share, or \$6.3 billion in cash.
- On 18 June 2003, the state of Connecticut said it would sue to stop Oracle's takeover of PeopleSoft.
- On 18 June 2003, Oracle filed suit against PeopleSoft, its board of directors, and J.D. Edwards. Oracle alleges various breaches of their fiduciary duty to give due consideration to Oracle's unsolicited bid for 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. This move could affect the businesses and strategies of major software vendors in addition to the three principals Oracle, PeopleSoft and J.D. Edwards (see "The Deeper Implication of Oracle's Bid for PeopleSoft").

**Gartner advice:** By increasing its offer price, Oracle indicates to the market that it is serious about completing its proposed acquisition of PeopleSoft. However, PeopleSoft's altered bid for J.D. Edwards accelerates its merger timetable with the intent to complicate Oracle's bid. Moreover, the Connecticut lawsuit shows Oracle will face challenges to the deal from customers and regulators. That action, Oracle's suit against PeopleSoft, and the suits by PeopleSoft and J.D. Edwards against Oracle suggest more legal maneuvers will come. The latest developments have not changed Gartner's positions. Since the outcomes of the various lawsuits and shareholder votes are extremely difficult to predict, carefully consider all possible outcomes of the two proposed deals when reviewing your application software strategy.

Gartner recognizes that many clients are under pressure to execute planning and deployment schedules. We are therefore delivering research that provides advice for a range of client situations based on where they are in the application life cycle, their risk tolerance and their own assessment of the likelihood that Oracle will complete the acquisition of PeopleSoft (see "Short-Term Advice for PeopleSoft Customers and Prospects"). We see some evidence of PeopleSoft trying to calm customers' concerns by offering to add contingency clauses to contracts that take into consideration a potential change in ownership (for Gartner's advice, see "Frequently Asked Questions on the Oracle/PeopleSoft Deal").

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 (United States +1 203 316 1266, Europe +44 1784 267770) or e-mail (bizapps@gartner.com, euro.inquiry@gartner.com). Gartner offers the following research:

- "Frequently Asked Questions on the Oracle/PeopleSoft Deal" — We answer some of the most common questions our clients are asking about Oracle's unsolicited bid for PeopleSoft. **By Betsy Burton and others**
- "Oracle Could Change PeopleSoft BI and CPM Product Plans" — If the proposed acquisition of PeopleSoft by Oracle takes place, and if you use PeopleSoft business intelligence and corporate performance management products, you should formulate the terms under which the impact and cost of migration might be justified. **By Bill Hostmann, Brian Wood and Frank Buytendijk**
- "Short-Term Advice for PeopleSoft Customers and Prospects" — Gartner provides a framework to help clients make decisions. **By Brian Zrimsek and Jeff Comport**
- "The Deeper Implication of Oracle's Bid for PeopleSoft" — The battle for market control rewards vendors that own both applications and infrastructure but can limit customer application choices. **By Simon Hayward, Betsy Burton and Jeff Comport**
- "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**
- "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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