

Oracle's Bid for PeopleSoft: Update 26 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 26 June 2003, the latest developments in Oracle's unsolicited bid to acquire PeopleSoft include:

- On 20 June 2003, Oracle attempted to reassure PeopleSoft customers by saying that Oracle "will continue to develop and improve PeopleSoft's products for at least the next ten years."
- On 19 June 2003, PeopleSoft's board of directors rejected Oracle's revised offer to buy the company for \$19.50 per share, or \$6.3 billion in cash.
- On 19 June 2003, PeopleSoft began executing its tender offer to buy J.D. Edwards for \$1.7 billion in cash and stock. PeopleSoft will trade cash and its own stock to acquire shares from J.D. Edwards stockholders. The offer expires on 17 July 2003.

Analysis

The vendors continue to entrench their positions. PeopleSoft has accelerated its efforts to acquire J.D. Edwards as a way to thwart the Oracle bid. PeopleSoft has again asserted that the deal would never pass antitrust scrutiny. Meanwhile, Oracle continues to woo PeopleSoft's shareholders and customers — we reflect on the prospects for PeopleSoft customers in "What PeopleSoft Customers Can Expect if Oracle Succeeds". Legal activity will increase because the vendors and some of their customers and shareholders will use the courts to further their ends. *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 (see "Short-Term Advice for J.D. Edwards Customers, Prospects" and "Short-Term Advice for PeopleSoft Customers and Prospects").

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. 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 "Contractual Protections for PeopleSoft Customers").

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:

- "Contractual Protections for PeopleSoft Customers" — PeopleSoft customers and prospects should *immediately* audit contracts and seek specialized legal advice to ensure they have sufficient protection if the company is acquired. **By Alexa Bona and Jane Disbrow**
- "What PeopleSoft Customers Can Expect if Oracle Succeeds"— We believe that during the first two years, Oracle would work very actively to satisfy and thus retain PeopleSoft

customers. This focus would begin to wane in subsequent years. **By Simon Hayward, Betsy Burton, Lee Geishecker and Kristian Steenstrup**

- "Short-Term Advice for J.D. Edwards Customers, Prospects" — While uncertainty lingers, don't stop all J. D. Edwards deployments. Assess your risk tolerance and acceptance of the product "as is," coupled with your assessment of how J. D. Edwards will emerge from this event and how its condition will affect its product enhancement. **By Brian Zrimsek, Jeff Comport, Yvonne Genovese, Tony Humphries and Kristian Steenstrup**
- "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**
- "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**
- "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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