

## Oracle's Bid for PeopleSoft: Update 4 November

**Betsy Burton, Jeff Comport, Yvonne Genovese, Simon Hayward, Brian Zrimsek, 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

---

### Event

As of 4 November 2003, the latest developments in Oracle's unsolicited bid to acquire PeopleSoft include:

- On 23 October 2003, PeopleSoft announced its 3Q03 financial results. Excluding the impact of purchase accounting from the company's acquisition of J.D. Edwards, PeopleSoft posted a profit of \$0.17 per share, 6 cents above analyst expectations. With costs of the J.D. Edwards acquisition included, PeopleSoft posted a net loss of 2 cents per share.
- On 14 October 2003, IT industry media reported that Oracle extended the deadline for its bid to buy PeopleSoft for \$19.50 per share from 17 October 2003 to 31 December 2003.
- On 28 July 2003, Oracle said it would delay its legal attack on PeopleSoft's "poison pill" provisions, pending an outcome from the ongoing Department of Justice inquiry. No new trial date has been set, but it will likely start in September 2003.

### Analysis

Oracle's bid for PeopleSoft is in limbo until the U.S. Department of Justice rules on its antitrust inquiry into the deal. Gartner anticipates no developments that will substantially alter the situation before this ruling. When the Justice Department will conclude its inquiry is unknown, but it could possibly stretch months beyond September 2003. Meanwhile, we expect PeopleSoft and Oracle will continue with legal, marketing and financial moves to advance their respective positions. Oracle will likely reiterate that it is pursuing the bid and that success is just a matter of time; PeopleSoft will likely insist that Oracle's bid has failed and that PeopleSoft has moved on. PeopleSoft's 3Q03 financial performance shows that the company has been able to focus on business as usual, but at this time, the 3Q03 numbers will not directly affect Oracle's bid.

PeopleSoft will continue business as usual, with joint PeopleSoft and J.D. Edwards teams working on product road maps (see "PeopleSoft's New Strategy Depends on Cross-Selling, Service Goals"). Oracle will continue to synchronize its moves on the legal and financial fronts as it demonstrated most recently by extending its offer and postponing until September any legal action to remove the obstacle of PeopleSoft's poison pill.

As we indicated during our analysis of the news of the original Oracle bid, we believe that Oracle faces significant hurdles. Among these are the Justice Department ruling, the PeopleSoft poison pill, and the expanded (and staggered-term) PeopleSoft board. We see nothing on the immediate horizon to indicate a lessening of these hurdles. Until the Justice Department rules on this case, Gartner continues to advise clients considering PeopleSoft and J.D. Edwards offerings to use Gartner's decision frameworks to determine their strategy. The frameworks yield different advice, depending on each client's view of whether the Oracle deal will be completed and whether product delivery will be disrupted, balanced with the client's risk tolerance (see "Short-Term Advice for PeopleSoft Customers and Prospects" and "Short-Term Advice for J.D. Edwards Clients: Update 18 July"). Clients aiming to sign strategic software agreements with these vendors (and in general) should include best-in-class terms, conditions and policies that protect their software investments, particularly in areas such as support, upgrades, migration and service (see "Contractual Protections for PeopleSoft Customers").

### For Further Information and Research

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:

- "PeopleSoft Meets Financial Targets, but Key Challenges Await" — Two hurdles remain to achieving PeopleSoft's incremental revenue goals: making the current high-level product road map a reality and creating a sales organization that can sell the right products to the right customers. **By Lee Geishecker, Esteban Kolsky and Yvonne Genovese**
- "PeopleSoft's New Strategy Depends on Cross-Selling, Service Goals" — As with any product-centric vendor, achieving its revenue goal for services depends on achieving its targets for growth in license sales as well as newly identified cross-selling opportunities. **By Lee Geishecker, Frances Karamouzis, Jeff Comport, Joel Wecksell and Chad Eschinger**
- "Eight Best-in-Class Services Contract Terms and Conditions" — Write all service agreements to account for the possibility that the service provider may be acquired or affected by an acquisition. **By Brian Zrimsek, Jane B. Disbrow and Beth Eisenfeld**
- "Survey: Impact on Spending of Oracle's Bid for PeopleSoft" — Gartner's IT Watch survey of IT buyers shows that overall software demand and vendor preference have not been significantly affected by Oracle's tender offer for PeopleSoft. **By Betsy Burton, Thomas Hoover, Martin Reynolds and Scott Evans**
- "Short-Term Advice for J.D. Edwards Clients: Update 18 July" — While waiting for PeopleSoft-J.D. Edwards product road maps to emerge, those seeking advice on how to proceed can use our decision-making framework. **By Brian Zrimsek, Jeff Comport, Kristian Steenstrup, Yvonne Genovese, Tony Humphries and Lee Geishecker**
- "EAS Market Share Scenarios Based on Acquisitions" — Should the Oracle bid for PeopleSoft or the PeopleSoft bid for J.D. Edwards go through, the list of the top four enterprise application software vendors would almost certainly change. **By Thomas Topolinsky and Chad Eschinger**
- "'White Knight' Candidates for PeopleSoft" — The position of other vendors in the infrastructure and application markets makes it unlikely that a company will emerge to offer a friendly takeover of PeopleSoft. **By Simon Hayward and others**
- "Business Applications and Infrastructure Entwined" — The "megavendors" are creating an entwined application and infrastructure stack; this trend makes it difficult to create a sustainable business in best-of breed applications without control of the underlying software infrastructure. **By Simon Hayward and others**
- "Comparing Oracle and PeopleSoft CRM Functionality" — If Oracle does acquire PeopleSoft, PeopleSoft CRM customer should not migrate to Oracle CRM with any expectation of recouping the migration costs within 24 months. **By Robert DeSisto and Michael Maoz**
- "Consolidation: A Reality That's Not Always Good for Users" — To be safest with a smaller independent vendor's products, build strategies based on how those products complement or compete with those vendors best positioned to survive consolidation. **By Betsy Burton and Jeff Comport**

- "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**

## REGIONAL HEADQUARTERS

---

Corporate Headquarters  
56 Top Gallant Road  
Stamford, CT 06902-7700  
U.S.A.  
+1 203 964 0096

European Headquarters  
Tamesis  
The Glanty  
Egham  
Surrey, TW20 9AW  
UNITED KINGDOM  
+44 1784 431611

Asia/Pacific Headquarters  
Level 7, 40 Miller Street  
North Sydney  
New South Wales 2060  
AUSTRALIA  
+61 2 9459 4600

Latin America Headquarters  
Av. das Nações Unidas 12.551  
9 andar—WTC  
04578-903 São Paulo SP  
BRAZIL  
+55 11 3443 1509