

## Oracle's Bid for PeopleSoft: Update 13 January 2004

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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

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### Event

As of 13 January 2004, the latest developments in Oracle's unsolicited bid to acquire PeopleSoft include:

- On 12 January 2004, Oracle announced that CFO Jeff Henley will become chairman of the board, replacing Larry Ellison. Henley will step down as CFO when a replacement is found. Ellison will remain CEO. Safra Catz and Charles Phillips will become co-presidents to oversee daily operations; they will report to Ellison.
- On 12 January 2004, the European Commission announced that it has suspended its detailed investigation of the proposed deal. The announcement postpones a final decision on whether the Commission would allow or oppose the deal, which it previously had to make by March 2004.
- On 30 December 2003, Oracle reduced the credit line it had opened to fund its planned acquisition of PeopleSoft from \$5 billion to \$1.5 billion. Oracle said it has enough cash to pay for the deal.
- On 19 December 2003, Oracle announced that it has extended its offer until 13 February 2004.

### Analysis

Oracle's bid is in limbo until the U.S. Department of Justice rules on its antitrust inquiry into the deal. The ruling will likely come by February 2004. Gartner anticipates no developments that will substantially alter the situation before the Justice Department's ruling. Although the European Commission can't block the acquisition completely, it can determine how the parties will have to operate in Europe. The suspension of the investigation simply gives the Commission more time to make a decision that will stand up to any challenge in court. Gartner believes that neither the management changes at Oracle nor the reduction in the credit line have any immediate bearing on the PeopleSoft bid.

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. Joint PeopleSoft and J.D. Edwards teams will continue working on product road maps (see "PeopleSoft's New Strategy Depends on Cross-Selling, Service Goals"). As it pushes out its latest release of its e-business suite, Oracle will continue legal and financial maneuvers to remove the significant hurdles it faces in completing the deal. We see nothing on the immediate horizon to indicate a lessening of these hurdles. To develop an opinion on the potential effects of Oracle's bid, consider all the elements that could affect the outcome of this action (see "Pivotal Factors Affecting Oracle's Bid for PeopleSoft").

### Advice to Clients

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. We have updated these frameworks to reflect recent developments. The frameworks yield different advice, depending on a combination of risk tolerance, your opinion on the outcome

of Oracle's bid and your company's position in the application life cycle (see "Updated Advice for PeopleSoft Enterprise Clients" and "Updated Advice for PeopleSoft EnterpriseOne Clients").

### **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:

- "Pivotal Factors Affecting Oracle's Bid for PeopleSoft" — As you seek to evaluate the current status of the deal and develop an opinion on the potential effects of Oracle's bid, you should consider all the elements that could affect the outcome. **By Brian Zrimsek**
- "Updated Advice for PeopleSoft Enterprise Clients" — Assess your risk tolerance and how likely you think it is that Oracle will complete the PeopleSoft acquisition. Then act based on where you are in the application life cycle. **By Brian Zrimsek and Jeff Comport**
- "Updated Advice for PeopleSoft EnterpriseOne Clients" — An updated framework to help firms using PeopleSoft EnterpriseOne and World make decisions in light of Oracle's bid for PeopleSoft. **By Brian Zrimsek, Jeff Comport, Yvonne Genovese, Kristian Steenstrup and Lee Geishecker**
- "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**

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