

Symphony Takeover Keeps MSC Customers Safe for Now

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MSC Software and Symphony Technology Group outlined terms and conditions to privatize MSC in a proxy statement filed 31 August 2009. Existing customers are safe for now, but investing in new applications could be risky.

NEWS ANALYSIS

Event

On 31 August 2009, MSC Software and Symphony Technology Group filed a proxy statement (<http://ir.mscsoftware.com/sec.cfm>) for Symphony to acquire MSC for \$7.63 a share in an all-cash deal. A consolidated shareholder suit seeks to block the transaction, which will be voted on 30 September 2009.

Analysis

Existing MSC customers are safe for now. Symphony is prioritizing support for existing customers. Gartner networking in the computer-aided-engineering (CAE) community suggests that there are available CAE experts for hire given the economic downturn. Therefore, Symphony can recruit qualified resources.

Symphony's purchase would be a mixed blessing for MSC and the CAE software market.

- As the key positives, Symphony's acquisition would increase confidence in MSC's corporate viability, given the erosion of financial performance and stock valuation since 2006. This financial support, combined with the challenges of moving from MSC's software to alternatives, increases the likelihood that customers will continue to use MSC's flagship MSC Nastran and MSC Patran products. This would buy Symphony time to re-establish MSC's momentum.
- As a concern, the synergies between MSC and other Symphony companies are not obvious. For example, Symphony owns companies delivering software for supply chain, financial services and enterprise business applications. Therefore, Symphony ownership would not obviously create more opportunities for MSC since the core competencies are far afield.

Therefore, Symphony's ability to increase MSC's forward momentum would face risks. CAE and product life cycle management (PLM) competitors are likely to gain market share at MSC's expense, at least during the transition period. Although the proxy would compensate MSC's senior management well, there is no apparent "lock in" for key technical people. The shareholder suit can be disruptive to forward momentum, although the acquisition is likely to proceed.

RECOMMENDATIONS

Existing MSC customers:

- Since MSC will still provide support if the transaction is completed, do not panic. If CAE is vital to business operations, consider hiring qualified MSC support personnel.
- Make additional investments with caution until Symphony's road map and ability to execute are clearer.

Prospective customers:

- Invest cautiously in new MSC software offerings at this time unless those applications are vital to operations. Consider alternatives for new initiatives until Symphony completes this transaction and can demonstrate its ability to get MSC moving forward again.

RECOMMENDED READING

- “Product Simulation and Test Content Management Requirements to Accelerate Product Design” — As discrete manufacturers depend more on simulation to guide and validate product design, managing simulation and test content becomes more important. **By Marc Halpern**
- “Hype Cycle for Manufacturing Product Life Cycle Management and Production, 2009” — As PLM and production become increasingly connected, this Hype Cycle examines how the enabling technologies are evolving. **By Marc Halpern, Andrew Hughes, Dan Miklovic and Andrew White**

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