

Siemens to Acquire CD-adapco

CIMdata Commentary

Key takeaways:

- *Siemens' intent to acquire CD-adapco reinforces their commitment to the Simulation & Analysis (S&A) market and will expand and strengthen Siemens PLM Software's portfolio and position in this market*
- *CD-adapco's world-class and widely used capabilities in computational fluid dynamics and coupled flow/multi-physics applications are complementary to Siemens PLM Software's existing 3D simulation capabilities in their NX and LMS portfolios*
- *The previous acquisition of Red Cedar (HEEDS) by CD-adapco is an asset that further fills in Siemens PLM Software's simulation and analysis portfolio and adds management talent*

In one of the biggest deals of its kind, Siemens announced that they have agreed to acquire CD-adapco in a stock purchase valued at \$970 million. CD-adapco is a leading global engineering simulation company with solutions covering a wide range of engineering disciplines, including Computational Fluid Dynamics (CFD), Solid Mechanics (SM), heat transfer, particle dynamics, reactant flow, electrochemistry, acoustics, and rheology. Their flagship product, STAR-CCM+ and its predecessor STAR-CD, are widely used across many industries and dominate in some, e.g., in automotive powertrain businesses.

"As part of its Vision 2020, Siemens is acquiring CD-adapco and sharpening its focus on growth in digital business and expanding its portfolio in the area of industry software. Simulation software is key to enabling customers to bring better products to the market faster and at less cost. With CD-adapco, we're acquiring an established technology leader that will allow us to supplement our world-class industry software portfolio and deliver on our strategy to further expand our digital enterprise portfolio," said Mr. Klaus Helmrich, member of the Managing Board of Siemens. Siemens stated that CD-adapco will be integrated into the Product Lifecycle Management (PLM) software business of Siemens' Digital Factory (DF) Division.

CIMdata believes that this is a very smart acquisition by Siemens. It fills some gaps in Siemens PLM Software's S&A solution portfolio providing them with additional capabilities for aerodynamics, electromagnetics, and chemistry. It also addresses the competitive risk that CD-adapco, its technology, and customer base, might be acquired by a rival company. The purchase price clearly demonstrates *their* continuing commitment to S&A, and their view of its importance in helping companies develop innovative products faster and more efficiently.

For the past several years, S&A has consistently ranked in the top two or three fastest growing segments of PLM, with an average growth rate in the double digits. The CD-adapco acquisition when added to Siemens' current S&A revenues will improve Siemens PLM Software's position as a leading provider of engineering S&A software (see Figure 1).

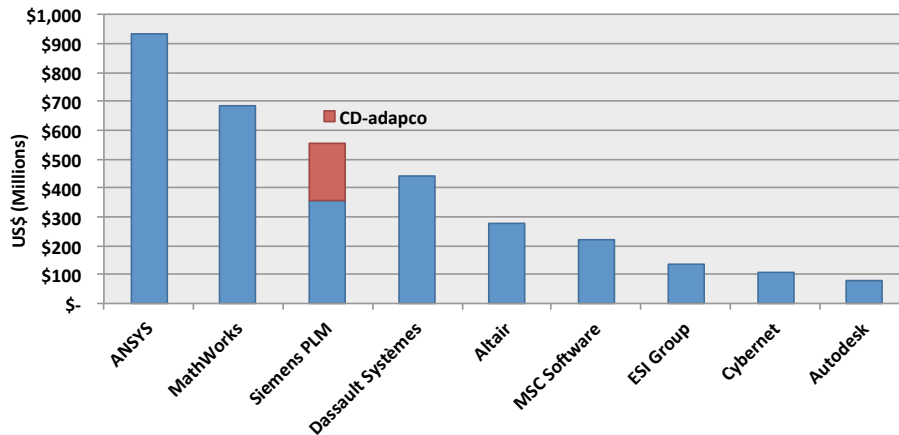


Figure 1—Leading S&A Solution Providers 2014 Revenues

Note that when the revenues of Siemens PLM Software and CD-adapco are combined, that entity is one of the largest in the S&A solution provider market.

Mr. Peter S. (Steve) MacDonald founded adapco in 1980 as a consultancy to provide structural engineering services to the nuclear power industry. After that market collapsed in the wake of the Three-Mile Island incident, Mr. MacDonald entered into an agreement with Professor Dr. David Gosman of Imperial College, London, to use Dr. Gosman's code, STAR, as a vehicle for consulting in the emerging field of computational fluid dynamics (CFD). That code was commercialized as Star-CD. Early successes for Star-CD included application to the cooling system of the GM Northstar engine in the 1980s, and numerous projects at Ford. What followed was a series of "firsts" in powertrain applications involving moving components: torque converters, centrifugal and gear pumps, and in-cylinder combustion with reciprocating pistons and valves that established CD-adapco as a leading provider of S&A solutions particularly in the automotive industry.

CIMdata believes that this acquisition reinforces Siemens PLM Software's strategy to be a formidable force in S&A and while it will expand and strengthen their portfolio of S&A solutions, it will have to be integrated with other Siemens PLM Software technology and solutions including Teamcenter as well as LMS and NX CAE. Historically, Siemens PLM Software has taken a considered approach to such acquisitions and has brought together the best of each application to create new, more capable solutions. For example, they have completed the integration of SDRC I-DEAS and their acquisition of NASTRAN into the NX CAE framework, and are well on their way to assimilating the technology acquired when they bought LMS. CIMdata expects that Siemens PLM Software will do the same with CD-adapco's comprehensive solution set.

About CIMdata

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