

PLM Consolidation Continues—Dassault Systèmes to Acquire IBM PLM

CIMdata Commentary

ANN ARBOR, Michigan, October 27, 2009—Dassault Systèmes (DS) has announced their intent to acquire IBM's PLM sales and client support operations responsible for DS' Product Lifecycle Management (PLM) software application portfolio, as well as DS product-related customer contracts and related assets for US \$600 million. The transition is expected to be completed in the first half of 2010, subject to the execution of local agreements and completion of regulatory processes and applicable labor relations requirements in various countries.

PLM is a mission-critical, extended enterprise business platform that helps companies innovate and grow by enabling them to digitally create, build, support, and manage their products across their lifecycles. DS is one of the worldwide leaders in PLM software and services and is a supplier to customers in a variety of industries around the world, including automotive, aerospace and defense, consumer goods, high-tech electronics, and machinery industries. This acquisition is the next evolution in the 25-plus-year strategic relationship between IBM and DS.

"The planned integration of the IBM sales force and related business operations represents the largest investment in our corporate history. We are putting customers first, creating a globally-efficient sales organization to bring the value of V6 PLM applications to every enterprise in every industry," said Bernard Charlès, President and CEO of Dassault Systèmes.

DS' software portfolio covers a wide array of collaborative Product Definition management (cPDM), computer-aided design/computer-aided manufacturing/computer-aided engineering (CAD/CAM/CAE), and Digital Manufacturing solutions. DS holds strong revenue and market share positions globally in all of these major segments of the PLM market. For calendar 2008, CIMdata estimated DS' direct PLM revenue at US \$1.97 billion and its market presence (overall market impact/footprint) at approximately US \$3.5 billion. IBM has been a significant contributor to DS' direct revenues. However, as DS has evolved its business and sales model over the past decade, IBM's contribution to DS' direct revenue has declined from more than 80% to less than 40%. Additionally, IBM has been the major contributor to DS' PLM market presence and a majority of that contribution will shift to become part of DS' direct PLM revenue.

This acquisition will enhance DS' position as the leading PLM direct revenue company in the industry and in 2010, may result in their having direct PLM revenues that exceed US \$2.5 billion. While the IBM partner contribution to its market presence will decrease, DS' overall market presence and footprint should remain stable.

CIMdata is positive on this acquisition and believes that it has the potential to be an excellent move for both DS and IBM. However, there are significant challenges that must be addressed in order for success to be achieved.

This acquisition should give DS more direct interaction with its larger customers and, indeed, most of its customer base, especially the large accounts. It will also simplify how those customers work directly with DS as their PLM solution supplier rather than through IBM. IBM historically has been the leading CATIA sales organization and this role will now reside within DS. IBM was also selling ENOVIA (VPM) both in conjunction with CATIA and as a standalone solution (ENOVIA-MatrixOne). Management of more than 1,000 large accounts will be

transferred to DS as part of this acquisition. With the acquisition, DS will now have a global sales and support organization that spans and manages all its major customers. This capability, in conjunction with management of the partner channel (which DS has transitioned from IBM over the past few years), should enable DS to better understand its customers' needs and respond more quickly to their requests.

As part of the new relationship, DS will be able to work directly with other IBM organizations without working through the IBM PLM group. This should enable them to better adjust to the needs of individual customers on a case-by-case basis and to better leverage other IBM solutions such as middleware and cloud computing as needed. Additionally, by integrating DS and the to-be-acquired IBM sales and support organizations, DS should be able to better leverage those personnel for expanded and more effective sale coverage globally. The future directions for the two groups are being developed and will be disclosed as they are completed.

In describing IBM's perspective on this move, Tom Hawk, General Manager of the IBM Global Industrial Sector said, "This transaction also helps fuel IBM's focus on PLM integration through middleware, business transformation and application services, and dynamic infrastructure." IBM has been expanding its ability to deliver a PLM IT platform and associated services, and CIMdata believes that this move will improve its ability to respond to the needs of their customers regardless of the PLM-enabling technologies in which those customers chose to invest. The PLM activities of IBM's Global Business Services (GBS) organization is not part of this acquisition and GBS will continue to deliver PLM services and solutions to all IBM customers.

However, DS' acquisition of IBM's sales and client support organizations faces some significant challenges. The foremost challenge will be to define and execute on a business integration plan that will enable DS to fully achieve the potential benefits from the acquisition. On the business side of the equation, DS will need to expand their internal sales organization to accommodate a significant increase in personnel and operations. This means that keeping and not minimizing IBM personnel will be a critical task and one that must be visible, especially between now and the conclusion of any transition period. They must also manage a culture change for the IBM personnel transferred to DS.

As stated earlier in this commentary, CIMdata is positive about this announcement, and believes that it has the potential to be an excellent move for DS and their customers. As mentioned, there will be challenges, but DS has already shown that it can successfully integrate IBM operations into DS. The successful integration of the partner network previously managed by IBM into its operations is one such example.

About CIMdata

CIMdata, a leading independent worldwide firm, provides strategic consulting to maximize an enterprise's ability to design and deliver innovative products and services through the application of Product Lifecycle Management (PLM) solutions. Since its founding more than 25 years ago, CIMdata has delivered world-class knowledge, expertise, and best-practice methods on PLM solutions. These solutions incorporate both business processes and a wide-ranging set of PLM enabling technologies. CIMdata also offers research, subscription-based services, publications, and educational services.

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