

## PLM Consolidation Continues—Oracle to Acquire Agile Software Corporation

### CIMdata Commentary

On 15 May, Oracle announced their intent to acquire Agile Software Corporation for a total of \$495 million. They expect to finalize the acquisition in mid to late-July of this year. CIMdata is positive on this acquisition and believes that it reflects a continuation of the consolidation activities that have been changing the PLM market landscape and reinforces the trend toward increased PLM focus from the major suppliers of ERP solutions.

Agile also announced that they expect their FY07 revenues (ended in April 2007) to be around \$134 million. They are one of the leaders in providing lifecycle management-focused PLM solutions, and CIMdata recognizes them as one of the five key “PLM Mindshare Leaders.”

Agile has consistently been recognized in the PLM market for their solid focus on solutions for high-tech based businesses. In recent years, they have expanded their suite of offerings to include solutions focused on some other industry sectors, especially the food and beverage industries through their acquisition of Prodika in 2006. Agile has been known for their attention to supporting specific processes within their targeted industries, and have been very competitive in these industries.

However, Agile has not been a profitable operating business and as the pace of PLM industry consolidation has accelerated, they have increasingly been considered a prime acquisition target. In CIMdata’s PLM market analysis of 2006, Agile was clearly the smallest of the PLM Mindshare Leaders and rumors of their acquisition by one major company or another have circulated regularly. So the acquisition of Agile by Oracle is not a shock, or even a major surprise. Rather, it is a market event that has been anticipated for some time. Now, a new chapter in Agile’s development and Oracle’s presence in PLM is about to begin.

For Agile and for Agile’s customers this move should be positive. It should result in the availability of considerably more resources that can be applied to development of Agile’s solutions and result in a stable business environment for customers going forward. Oracle’s worldwide industry and market presence, and their industry domain expertise in multiple industries provide a foundation that can be used to substantially increase Agile’s ability to expand their business and compete in a PLM market that is increasingly being dominated by very substantial corporations. Oracle’s customer base by itself provides an enormous market opportunity that Agile can leverage.

For the PLM industry, this move transforms one of the major PLM Mindshare Leaders from a small company operating among giants into a relatively small, but focused, PLM program backed by a giant. The PLM landscape has changed in the timeframe of one year from six Mindshare Leaders, with two of them being companies with slightly over \$100 million in annual revenues, to five Mindshare Leaders with the smallest one being a company approaching \$1 billion in annual revenues. This change reflects the growing visibility, criticality, and demand for PLM solutions in industry and the corresponding increased interest this has created among the world’s largest enterprise solutions suppliers. A clear trend has been the increasing presence and impact of major ERP-based suppliers in the

PLM market. SAP's role has continued to grow, and Oracle's position now becomes much stronger. With this acquisition, two of the top five PLM Mindshare Leaders will be from the ERP community - quite a change in market dynamics from a few years ago when mechanical CAD-based suppliers dominated the PLM landscape.

For Oracle and its customers, this move should be especially valuable. To date, Oracle has been noticeable by their absence from the top tier of PLM suppliers. While they certainly have been present in PLM, and have launched PLM-focused programs a couple of times over the past few years, they have not previously established themselves as market leaders in terms of either thought leadership or market share achievement. Their acquisition of Agile provides a clear statement that they are serious about PLM, and are putting their investment behind a group that has already established a good position.

But success for the Oracle-Agile team is not guaranteed. There are serious questions about how the Agile software solutions will be melded into the Oracles suite of solutions. Oracle has stated that Agile will become the foundation for their PLM offering, but what about the components of Oracle's previous PLM offerings? Agile has multiple product suites, based on different underlying architectures, some from Oracle competitors. How are these to be treated in the new Oracle organization? And what will they do with the Cimmetry product line from Agile that is developed and sold under quite a different strategy than are Oracle's other products? The roadmap for this transition has not yet been described or communicated to the market; this should happen over the coming months as the acquisition is finalized and the teams begin to work through the details. But this will be no easy task.

An additional challenge will be for Oracle to execute this acquisition without Agile disappearing into the Oracle ship without a trace. The Agile organization brings with it a solid base of knowledge and domain expertise in PLM that will be new to Oracle. Equally important, the Oracle field organization has not previously shown much inclination to focus on PLM. While the Agile field organization's expertise can be a major strength, if it is not managed effectively, it could disappear quickly as well. Oracle's success in PLM will be dependent on their successful execution of this melding process. Oracle is a major enterprise software solutions organization with the experiences of several acquisitions behind them as well. So this process is not new to Oracle. But it will still be a challenge - one that we hope they will execute successfully.

As stated earlier in this commentary, CIMdata is positive about this announcement, and believe that it has the potential to be an excellent move for Agile, Oracle, and the industry - a major enterprise software supplier has expanded their suite of offerings to address PLM, and the technology suite from one of the leading independent suppliers has been given longer-term stability and a greatly expanded market opportunity. If successfully executed, this acquisition should put additional competitive pressure on Oracle's major competitors and help educate industry about the value of PLM. We look forward to seeing this acquisition proceed over the coming months and hope that the potential benefits become reality.

#### **About CIMdata**

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