

Dassault Systèmes Acquires Majority Stake in Centric Software

CIMdata Highlight

On June 14, 2018, Dassault Systèmes, a leader in the global PLM market, announced they had signed a definitive agreement to acquire a majority stake in Centric Software (Centric), an independent provider of data and process management solutions primarily for the retail, footwear, and apparel (RFA) markets. The announcement provided some interesting details about the notoriously quiet Centric, specifically their 2017 revenues of \$61 million, which they claimed was 60% growth over the previous year. Centric has been rumored to be up for sale for the last three years, a common occurrence at private equity funded companies, so their sale was not a complete surprise.

Dassault Systèmes has competed in the RFA space for a number of years. Despite some high-profile wins, their offering has struggled to gain traction. In contrast, Centric has been very aggressive in growing their impressive global team of RFA subject matter experts (SMEs) and building their business. It seems the old expression “if you can’t beat ’em, join ’em” applies here with the DS investment joining Centric’s business to their own. The exact terms of this acquisition will depend on continued revenue and profitability growth over the next two years, with an expected multiple of four to six times revenues.

CIMdata believes this is a good move for Dassault Systèmes. They include this segment as one of their 12 core industries (the Consumer Goods & Retail segment to be specific), so growth is crucial. Adding Centric to the fold should go a long way in providing that growth. A 4 to 6 times multiple is reasonable for the PLM space, which has seen companies pay 10x revenues or more in the recent past. In addition, Centric has been winning customers outside the RFA space, which only adds to their potential value to Dassault Systèmes.

For Centric Software, this acquisition validates their strategy and results, and could provide capital for their continued expansion. At present, the software solutions are duplicative, but Dassault Systèmes stated they will continue to operate Centric as a stand-alone business, much as they did with SOLIDWORKS and their market leading mechanical CAD solution (which has now expanded to a much broader portfolio under Dassault Systèmes). It will create even more pressure within Centric to expand sales to maximize the final price tag for 100% of the company. As with most acquisitions, there is the risk that key SMEs will leave Centric, but assuredly the mergers and acquisitions savvy team at Dassault Systèmes has built in steps to minimize this during the two-year timeline before they can fully acquire the company. We wish the Centric team luck in maximizing their revenues until then.

About CIMdata

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