

BEA Waited And Reaped

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Sometimes, it pays to hold out for more.

BEA Systems agreed to be bought by Oracle on Wednesday, a move the business-software maker had rebuffed last October. Patience proved profitable: In total, BEA Systems reaped \$18 million a day for each of the 98 days between Oracle's last offer and this one. That payoff amounted to more than BEA racked up in sales during the previous 12 months.

The final price from the Redwood City, Calif.-based Oracle was \$19.38 per share, or \$8.5 billion in total. This compares with Oracle's first offer of \$17, or about \$6.7 billion.

BEA had hoped for more. After snubbing Oracle last autumn, San Jose, Calif.-based BEA said it wouldn't sell for less than \$21 per share. Neither BEA nor Oracle would comment on the acquisition price, but analysts said Oracle didn't necessarily overpay.

JMP Securities analyst Patrick Walravens calculates that Oracle will end up paying more for BEA on a total revenue basis than it paid for Hyperion, Siebel Systems or PeopleSoft. But on a maintenance-revenue basis, the price tag is in line with Oracle's other acquisitions. Walravens says more than 50% of BEA's revenues come from maintaining existing accounts and Oracle will inherit a steady revenue stream of \$870 million annually from that.

The deal surprised no one. Technology Business Research analyst Stuart Williams says BEA likely saw this as a good time to sell, even though it didn't get the price it wanted. "It was just a matter of going back and forth" with Oracle, he says. "The stock market went down, and the softening economy puts pressure on all the firms."

Walravens says BEA didn't have much of a choice but to sell. "BEA was becoming less and less relevant" to customers, he says. "It was getting marginalized. It was just a matter of time" before Oracle acquired it.

In terms of other big deals for Oracle, Williams speculates that the company could make a run at Tibco, a Palo Alto, Calif., middleware company, and even open-source software maker Red Hat .

Tibco, he says, is the "last remaining middleware kid on the block," and Oracle would acquire the company so that rivals IBM and SAP don't snap it up.

Williams says Red Hat is attractive for its JBoss middleware software. If it bought Red Hat, Oracle "could take the wind out of Sun Microsystem's middleware effort," he says, and weaken **Microsoft's** position in the enterprise space. Oracle "could take Red Hat code and clean it up and repackage it as Oracle Linux."

Of course, there are scads of small software makers, and Oracle, which has acquired 41 companies in the last four years, will likely buy more. As Oracle President Charles Phillips Charles Phillips said at the company's annual expo, "Anyone remotely thinking about selling their company is going to come to us. We've become the IPO market for the enterprise software industry."



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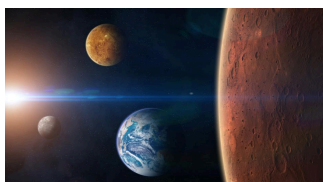
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