
Oracle to acquire Hyperion

Good news for whom?

By Tony Lock, March 2007

There are some things in the world that are just facts of life. In the IT world one of the themes that recurs the most concerns big companies buying small companies. However, in the highly competitive software space it has increasingly come to be that frequently it's the case of big companies being bought by one of a relatively small number of industry giants. Last week Oracle, certainly one of the giants, announced that it has agreed to buy Hyperion Solutions Corporation, by no means a small ISV, for \$52.00 per share thereby valuing the acquisition at approximately \$3.3 billion.

Hyperion is a supplier of specialist performance management software solutions, a space that is growing in importance as organisations seek to make ever better use of the vast volumes of data that they habitually acquire as part of their daily operation. It is fair to say that extracting valuable business information from stored data is now a prime objective. In many respects the addition of the Hyperion software solutions makes perfect sense. Hyperion's software is already well integrated with much of the growing portfolio of applications that now constitutes a sizeable fraction of the offerings available from Oracle. Hyperion has solutions that operate in a number of environments and has built speciality offerings that explicitly interoperate with SAP, Microsoft, IBM, HP and Teradata systems as well as with Oracle deployments.

So who really wins from the acquisition? Well clearly the shareholders of Hyperion will be happy. The \$52 per share offer is well ahead of the market value enjoyed by the stock over most of the last 5 years. But this is only to be expected; after all no one with any sense would sell their stock for less than the market value. Clearly Oracle expects to gain advantages from the acquisition and the direct financial benefits are possibly not the most valuable in the medium and long term pictures. It maybe that the leap forward supplied by the new BI analytics will prove to deliver great benefits to Oracle, especially as it looks to extend its deliverables to organisations utilising SAP as their main business management solution.

The major test for many current customers of Hyperion will lie in how well Oracle maintains Hyperion's ability to operate across a broad portfolio of offerings. Hyperion has gained much benefit from its ability to extract valuable business performance information in many environments and Oracle will face a major challenge to keep these relationships functioning, especially as it is also a direct competitor with many of these vendors. But that is increasingly the way of the world. Competition and co-operation stand side by side in many ISV relationships. Oracle has considerable experience here but as it becomes established as a competitor rather than as a base partner it will need to enhance its corporate equivalent of key interpersonal skills in order to keep Hyperion's development on an even keel going forward, essential if it is to retain existing customers and garner new ones. The company will also need to learn how to communicate with some new target audiences, especially CFOs and other financial managers.

My colleague Dale Vile has pointed out that the investment and banging of drums in relation to embedded analytics is today a key part of the Oracle fusion platform and proposition. This means that the company now has a customer base that is almost guaranteed to face some serious challenges in the future as they resolve the differences between code-lines. From an Oracle perspective, the acquisition is tactically important as part of its "SAP surround" strategy to coral and constrain SAP's activities to its core ERP domain. Oracle wants to win all of the middleware, portal, and BI "white space" between applications and to prevent SAP's Netweaver, Enterprise Portal and

BW from gathering momentum. It will be interesting to see how SAP and the other players in these areas respond.

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