

US Department of Justice

VS.

ORACLE

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Overview

Oracle Corporation (Oracle) is an enterprise software company that is based out of Redwood City, CA. The Company develops, manufactures, markets, distributes and services database software, as well as applications software that help organizations to manage their businesses. Oracle is organized into two businesses: software and services.

Fundamental Data

Debt/Equity Ratio	0.36
Gross Margin	76.50%
Net Profit Margin	23.32%
Total Shares Outstanding	5.1 Bil
Market Capitalization	97.4 Bil
Earnings/Share	0.75

Stock Activity

52 Week High	19.75
52 Week Low	13.07

Financials

	Last 12 Months	5 Year Growth
Sales	17.0 Billion	5.6%
Income	4.0 Billion	5.7%
Dividend Rate	0.00	NA
Dividend Yield	0.00%	0.00%

3 Basic Principles

Oracle's Principles of the Information-Driven Enterprise:

1. **Simplify:** Speed information delivery with integrated systems and a single database.
2. **Standardize:** Reduce cost and maintenance cycles with open, easy, available components.
3. **Automate:** Improve operational efficiency with technology and best practices.

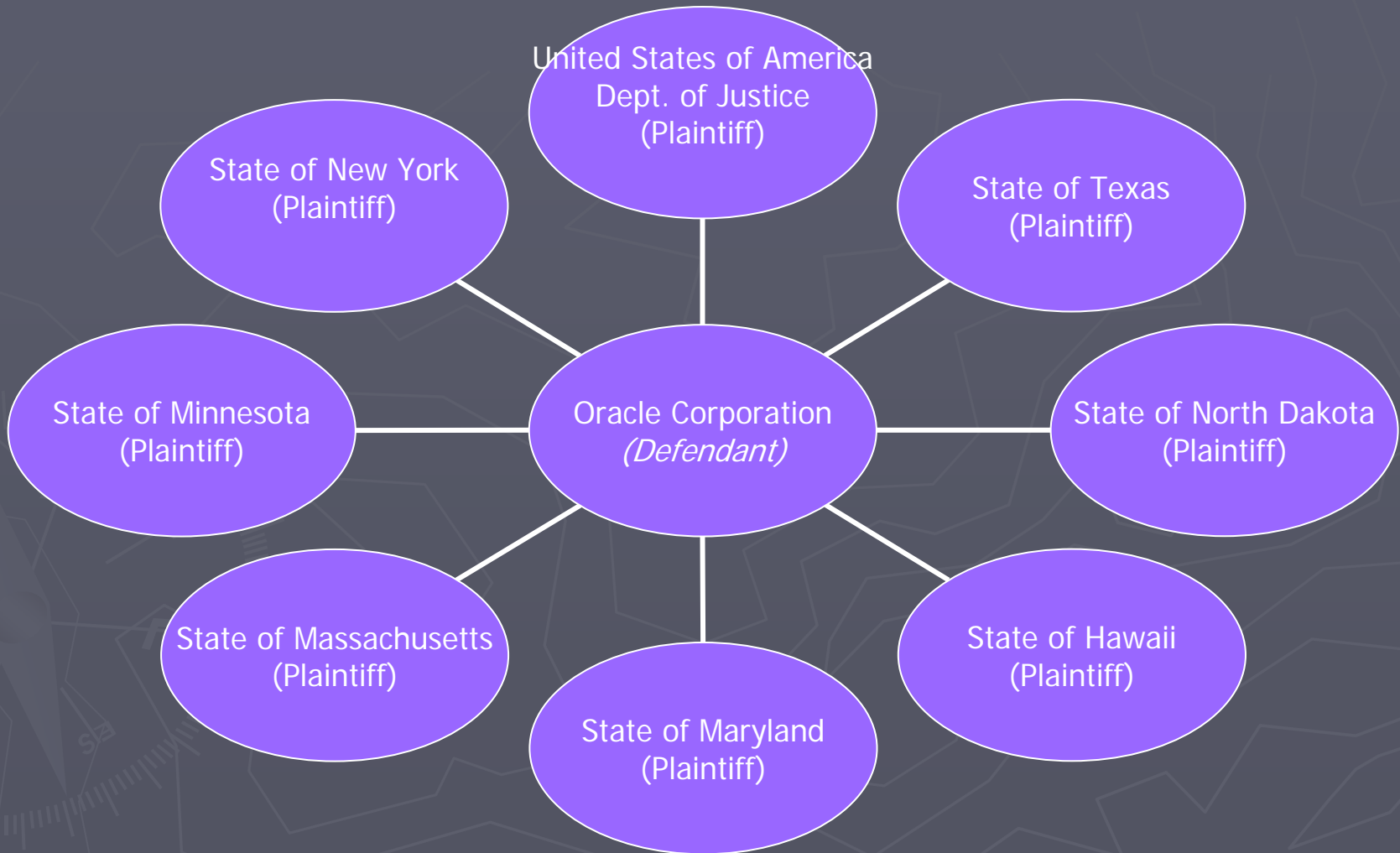
28 Recent Acquisitions

- ▶ Oracle and People Soft (January 2005)
- ▶ Oracle and Retek (April 2005)
- ▶ Oracle and TimesTen (June 2005)
- ▶ Oracle and Context Media (July 2005)
- ▶ Oracle and G-Log (September 2005)
- ▶ Oracle And Thor Technologies (November 2005)
- ▶ Oracle and TempoSoft (December 2005)
- ▶ Oracle and Siebel Soft (January 2006)
- ▶ Oracle and HotSip (February 2006)
- ▶ Oracle and Net4Call (April 2006)
- ▶ Oracle and Telephony@Work (June 2006)
- ▶ Oracle and Sunopsis (October 2006)
- ▶ Oracle and Stellent (November 2006)
- ▶ Oracle and Hyperion (March 2007)
- ▶ Oracle and Oblix (March 2005)
- ▶ Oracle and TripleHop (June 2005)
- ▶ Oracle and ProfitLogic (July 2005)
- ▶ Oracle and i-Flex (August 2005)
- ▶ Oracle and Innobase (October 2005)
- ▶ Oracle and OctetString (Nov. 2005)
- ▶ Oracle and 360 Commerce (Jan. 2006)
- ▶ Oracle and SleepyCat (Feb. 2006)
- ▶ Oracle and Portal Software (April 2006)
- ▶ Oracle and Demantra (June 2006)
- ▶ Oracle and SigmaDynamics (Aug. 2006)
- ▶ Oracle and MetaSolv (October 2006)
- ▶ Oracle and SPL WorldGroup (Nov. 06)
- ▶ Oracle and Tangosol (March 2007)

PeopleSoft Overview

- ▶ PeopleSoft is a Delaware Corporation, with 8300 employees, stationed in Pleasanton, California.
- ▶ PeopleSoft provides organizations with enterprise software applications and offers related consulting services in the United States and abroad.
- ▶ PeopleSoft earned over \$2 billion in revenues in 2003, comprised entirely of enterprise software applications-related revenues.

Overview of the Case



The Allegations

The acquisition
Of PeopleSoft will
Result in:

The Elimination of
Competition

An increase in prices

Lessen Innovation

The proposed acquisition will be in
violation of Section 7, Clayton Act.

Anti-Trust Laws (Clayton Act)

- ▶ Violation of Section 7, Clayton Act
 - What is the Clayton Act?
 - ▶ A 1914 federal antitrust law designed to promote competition by prohibiting or severely restricting practices such as the acquisition of competitors, price discrimination, secret rebates, and interlocking directorates.



Oracle's Defense

1. The merger will help Oracle survive the competition from IBM, Microsoft, SAP, and other entering competitors.
2. The merger wouldn't allow Oracle to raise prices with Germany's SAP and other rivals competing with Oracle in the same market.
3. The merger will bring greater innovation to the software industry by allowing Oracle to expand its research and development activities and keep its prices down.

The Ruling

*A federal judge handed Oracle a key victory, ruling that the company's acquisition of software rival, PeopleSoft, would pose no threat to competition in the corporate software market.

*The Ruling stated the main points:

- "Plaintiffs have not proved that a post-merger Oracle would have sufficient market share in the product and geographic markets" to be anticompetitive.
- "Plaintiffs have not proved that the product market they allege, high-function (business software), exists as a separate and distinct line of commerce," Walker added.
- The Justice Department did not prove that the business software of "numerous other vendors," including Lawson Software, American Management Systems and Microsoft, does not compete with the similar products of Oracle, PeopleSoft and SAP.

*In summing up the verdict, the ruling concluded that the plaintiffs did not show enough evidence that that acquisition would substantially lessen competition in a relevant product and geographic market in violation of antitrust laws.

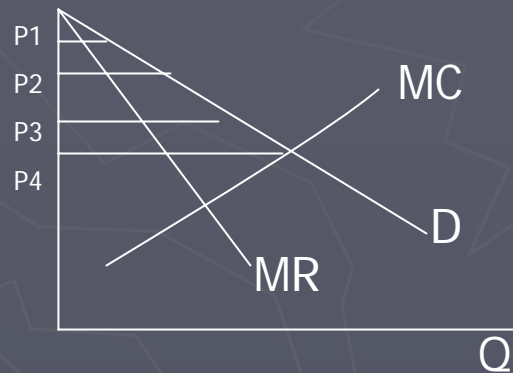
Oracle acquires PeopleSoft for \$7.7 Billion



In Re-Cap: The Concern over Market Power

- ▶ The major fears behind the acquisition revolve around price discrimination, Oligopolies, and the fear of collusion between few firms:

(1) 1st Degree P.D.



(2) Oligopoly– Market in which only a few firms compete with one another, and entry by new firms is impeded.

(3) The Act of Collusion-act of rival firms cooperating to gain mutual benefit

5 Year Growth

In partnership with
MarketWatch



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