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Geac exploring its options in wake of shareholder tiff; Ontario software company studies outsourcing, acquisitions, even own sale

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After weathering attacks from a dissident stockholder, Geac Computer Corp. is exploring outsourcing and a possible sale of the software company while hunting for acquisitions, chief executive officer Charles Jones told the company's annual meeting yesterday.

His comments came on the heels of a tense battle with a prominent shareholder who claimed that Geac was about to overpay for acquisitions.

“We're not changing our view that without acquisitions the size of this business is likely to decline,” Mr. Jones told shareholders, who affirmed Geac's slate of directors at the meeting.

There is widespread consolidation in the industry, Mr. Jones said, adding that the software industry ranks No. 1 for merger and acquisition activity.

“This is the single biggest trend by a gargantuan margin in the industry,” he said. “The players are big . . . This is a very challenging environment.”

On Thursday, Geac announced that Eric Rosenfeld — president of New York-based Crescendo Partners, which holds 5.1 per cent of the company's shares — had withdrawn his proxy battle to have himself and another nominee voted onto Geac's board.

The software company, based in Markham, Ont., struck a deal with Mr. Rosenfeld, promising to evaluate his potential as a director by Nov. 30.

In an interview yesterday, Mr. Jones said the company had already said it would do the evaluation before Mr. Rosenfeld's proxy battle. “The company's delivering on its earlier word to him,” he said.

The two men hammed it up for reporters, wrapping their arms around each other to pose for a photograph. “Are you gonna hit me again? This is unbelievable,” Mr. Jones quipped.

“We realized that we agree on a lot more than we disagree on,” Mr. Rosenfeld said. But he added that Geac needs to explore all options for delivering value to shareholders, and that “we're in an environment of high prices for software acquisitions.”

Last week, Geac announced that its cash balance at July 31 was $192.1-million (U.S.), up from $116.1-million a year earlier.

Mr. Jones said Geac has embarked on a sale process. “There are people who've expressed an interest in the company,” he said. “And we have no idea what, at the end of the day, their interest will be.” The CEO declined to elaborate or put a timeline on the sales process.

He said one way to deal with the high price of acquisitions is through cost reductions, citing Geac's 2003 acquisition of Comshare Inc. “We reduced the risk of acquisition by cost reductions, both at the target company and in the enterprise itself,” he said.

Mr. Jones added that Geac will walk away from opportunities that aren't priced right, such as Atlanta-based Mapics Inc.

“There was great integration opportunity, because our largest business, being based in Atlanta, could have integrated with theirs,” he said. “Unfortunately, the bidding got to a level where we had to drop out, because we are fiscally disciplined about acquisitions.”

Mr. Jones is also favouring another means of growth — outsourcing overseas. “Unlike a lot of competitors, we have not engaged in some of the offshoring activities,” the CEO told shareholders.

But Geac has been experimenting in that area, he added in an interview, using two vendors in India.

“In Czechoslovakia, we have our own operation, and the results there have been stunningly convincing,” he said. “So that's a real opportunity for us to deliver better-quality products at prices that our customers will find attractive, by holding our costs down.”

Shares of Geac were down 3 cents yesterday at $10.87 on the Toronto Stock Exchange.