

Geac looking to sell all or part of its units

By SHOWWEI CHU

9 May 2000

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Takeover artist Geac Computer Corp. Ltd. is itself on the auction block as it weighs two offers for all or part of its ailing software business.

Geac of Toronto hasn't said if the offers were for all or parts of its divisions, but analysts said it's unlikely anyone would be interested in bidding for the entire firm.

"I don't think there's a buyer for the whole company because it's such a hodgepodge of different businesses," said an analyst who declined to be named.

The analyst pointed to the eclectic mix of Geac units, which include hotel management systems, real estate software and enterprise resource planning (ERP) software, which automates and manages a company's administrative systems.

Analysts said the most likely scenario is that Geac's real estate business-to-business division - which Geac said in March it planned to spin off - would be sold, as well as its software unit that caters to the hospitality industry.

In a news release, Geac said Tuesday that it has hired CIBC World Markets Inc. as a financial adviser to consider "transactions involving part or all of its businesses," and that two "parties" have approached the firm to discuss possible deals.

Further details weren't available from the company after Douglas Bergeron, Geac's chief executive officer, declined to be interviewed on the matter.

"The company's not prepared to comment beyond the news release," a company spokeswoman said on Mr. Bergeron's behalf. Geac is expected to release fiscal first-quarter results at the close of trading next Monday and will hold its annual general meeting a day later in Toronto.

The announcement drove the stock up 23 per cent to \$12.75 on the Toronto Stock Exchange Tuesday on trading of 4.9 million shares. The stock was at its highest price in seven weeks.

Some analysts said investors have been unhappy with Geac's strategy of trying to consolidate the middle part of the ERP market - typically a business with annual revenue of about \$500-million (U.S.) - which was one reason the stock has been in the doldrums lately. It further eroded recently after Geac reported disappointing fourth-quarter earnings and warned that revenue and earnings would be lower in the first two quarters of fiscal 2001.

Some potential buyers for Geac could be other ERP software companies such as SAP AG, PeopleSoft Inc., J.D. Edwards & Co., Computer Associates International Inc. and International Business Machines

Corp., analysts said. IBM may be interested because it needs software for the 80,000 new AS/400 mainframe computers it sells each year, and Geac has software for that platform.

Ralph Garcea, a technology analyst at Credit Suisse First Boston, said Geac could fetch a price between 1½ and 2½ times revenue, which was \$990.1-million (Canadian) in fiscal 2000. With a spinoff of assets, Geac could realize a price of between 1½ and three times revenue, Mr. Garcea said.

Before Tuesday's announcement, Geac was trading at about 0.7 times trailing revenue, Mr. Garcea said.

"For the whole company at a minimum, I can't see it going for less than one times revenue," Mr. Garcea said. "That's \$15 a share."

David Wright, a software and services analyst at BMO Nesbitt Burns Inc., said he doesn't think a buyer for the entire company is likely because the potential suitors mentioned haven't typically grown through acquisitions. But he did speculate that Invensys Plc, which recently acquired struggling Dutch software firm Baan Co. NV, may be looking for more businesses to buy.

However, Invensys spokeswoman Victoria Scarth said the company hasn't publicly expressed an interest in Geac. "Even if we had, the company would never comment on that kind of thing," she said.

Mr. Garcea and other analysts said it's more likely Geac will spin off several business units, including Interealty.com, which supplies services to about one-third of the real estate boards in North America, and the hospitality systems unit. Revenue from each unit is about \$100-million a year.

Last month, the company agreed to sell its SmartStream Banking Systems business for about \$160-million in cash - about 3.2 times its annual revenue of about \$50-million - to a European venture capital group led by 3i Group PLC.

Geac has a shareholder rights plan in place, but it must be approved by shareholders at the annual general meeting Sept. 12.