Oracle Corporation et al v. SAP AG et al
Doc. 738 Att. 1

EXHIBIT A

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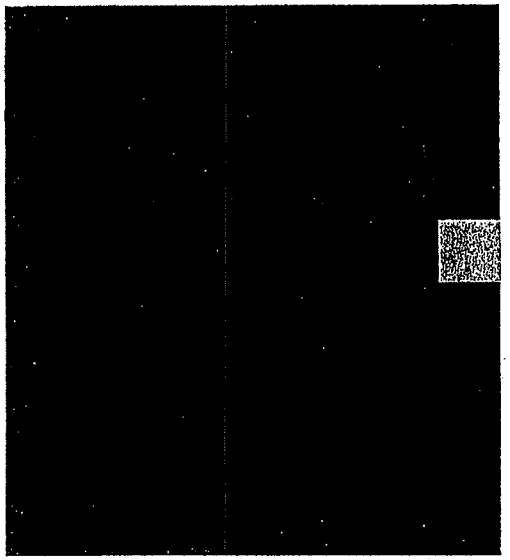

Business Case

TomorrowNow, Inc.

LOI - Presentation

January 7, 2005

DEPOSITION EXHIBIT
513
11/13/08
JACK FINZ, CSR

THE BEST-RUN BUSINESSES RUN SAP

Business Case

January 7, 2005

THE BEST-RUN BUSINESSES RUN SAP

Executive Summary

Actions Taken

- **Corporate Finance was directed by the Executive Board to contact TomorrowNow, Inc. a third party maintenance provider of PeopleSoft and JDE maintenance and support.**
- **We met with the CEO, President and CFO of TomorrowNow last week to gain an understanding of the TomorrowNow operations.**
- **We have held preliminary negotiations with the Company and believe an offer of $8 - $10 million would be accepted.**

Conclusions

- **Our market research shows that TomorrowNow is the only meaningful North American provider of third party PeopleSoft maintenance services**
  - **A TomorrowNow acquisition brings a short time to market advantage and a public relations win.**
  - **TomorrowNow is a leader in a very small and new field.**
  - **The TomorrowNow management team is not sophisticated and we do not recommend they operate a full service PSFT/JDE service organization. In the near term, the TomorrowNow model and organization should be utilized to create a 2nd tier level service PSFT/JDE support organization.**
  - **An acquisition by SAP would create a good level of market disruption and may force a reaction by Oracle (including likely legal action).**
  - **It is unclear how support fits into SAP's overall plan to drive Peoplesoft customers to SAP applications, (we have made recommendations on Slide 8 as to how the TomorrowNow skill sets, support model and customer base may fit into a full service SAP maintenance, support and migration organization).**

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TomorrowNow, Inc. : Company Overview

Company Facts

Headquarters:	**Bryan, Texas**
Status:	**Private**
Website:	**www.tomorrownow.com**
Chairman:	**Andrew Nelson**
Number of Employees:	**33**
2004 Revenue:	**$2.65 million**
Operating Income:	**$95,400**
2004 Operating Margin:	**3.5%**

Business Description

TomorrowNow, Inc. is a professional services firm that provides critical support services to organizations using PeopleSoft Enterprise application software for Human Capital Management, Financials and Supply Chain Management, and Student Administration.

TomorrowNow Support Services provides tax and regulatory updates, 24x7 around-the-clock product support, and product fixes to organizations using PeopleSoft Inc.'s products.

TomorrowNow serves the support needs of 54 organizations operating in the United States and Canada.

Founded in 1999.

Customers

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Operations

Support Model

- TomorrowNow offers a limited support policy covering legislative/regulatory updates and “critical issue” fixes to small end user bases in less complex environments
- Support fees are 50% of the PeopleSoft support price (9 to 10% of license fees)
- TomorrowNow’s sales model focuses on identifying customers with mature and stable systems, primarily PSFT 7.x customers, with a very limited history with PSFT 8.x customers (a much more complex solution)
- Pitched as "insurance policy" support - provide the basic support to keep existing systems current, low level of interaction, depth of knowledge of customers when engagement occurs (which is not frequent)
- Leading edge customers (i.e. Schwab) are not the type of customer TomorrowNow can service, average deal sizes are $50,000, (reflecting initial customer license fees of approximately $1 million)

Method of Delivery

- Access to Peoplesoft system is based on a DEMO system non-production copy (install with environment characteristics like customer) which works for stable environments (will not work for newer version or recently implemented modules)
- TomorrowNow functions as an independent contractor under the customer license agreement, the liability of providing system access is pushed onto the Peoplesoft customer

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Valuation Overview

Negotiation Status

- TomorrowNow initially requested $24 million
- After ongoing negotiation, we believe an offer of **$8 - $10 million** will be accepted by the Company

Valuation Summary

Market Value of Equity of TomorrowNow in kUSD	9,417.2
Market Value of Equity of TomorrowNow in kEUR	7,080.6

TomorrowNow, Inc. DCF-Valuation	Actuals 2002 kUSD	Actuals 2003 kUSD	Actuals 2004 kUSD	Forecast 2005 kUSD	Forecast 2006 kUSD	Forecast 2007 kUSD	Forecast 2008 kUSD	Forecast 2009 kUSD	Forecast 2010 kUSD	Forecast 2011 kUSD	Forecast 2012 kUSD
Profit and Loss-Statement											
Consulting Revenue	461.5	1,513.0	2,647.1	5,029.5	8,550.1	12,825.2	15,390.2	18,468.3	20,315.1	22,346.6	23,240.5
Total Revenue	**461.5**	**1,513.0**	**2,647.1**	**5,029.5**	**8,550.1**	**12,825.2**	**15,390.2**	**18,468.3**	**20,315.1**	**22,346.6**	**23,240.5**
Direct Wages and related Costs	-272.6	-917.6	-1,250.4								
Indirect Costs	-58.1	-105.8									
Total Cost of Services	**-330.8**	**-1,023.4**	**-1,250.4**	**-2,514.7**	**-4,275.1**	**-6,412.6**	**-7,387.3**	**-8,680.1**	**-9,345.0**	**-10,056.0**	**-10,458.2**
Gross Profit	**130.7**	**489.5**	**1,396.7**	**2,514.7**	**4,275.1**	**6,412.6**	**8,002.9**	**9,788.2**	**10,970.2**	**12,290.6**	**12,782.3**
Sales and Marketing	-214.6	-496.2	-838.1	-1,609.4	-2,736.0	-3,975.8	-4,617.1	-5,540.5	-6,094.5	-6,704.0	-4,648.1
Depreciation and Amortization	-4.4	-13.5	-65.2	-165.0	-355.7	-611.7	-790.9	-793.9	-714.1	-657.0	-620.8
Other operating Expenses	-70.7	-136.3	-398.0	-754.4	-1,282.5	-1,795.5	-2,000.7	-2,216.2	-2,437.8	-2,458.1	-2,324.0
Operating Expenses	**-289.7**	**-646.0**	**-1,301.3**	**-2,528.9**	**-4,374.2**	**-6,383.1**	**-7,408.7**	**-8,550.6**	**-9,246.5**	**-9,819.1**	**-7,593.0**
Operating Income	**-159.0**	**-156.4**	**95.4**	**-14.1**	**-99.2**	**29.5**	**594.2**	**1,237.6**	**1,723.7**	**2,471.5**	**5,189.3**
Interest Income	0.5	0.0	15.7	10.1	17.0	23.9	32.5	44.9	59.1	74.2	63.9
Interest Expense	-2.1	-18.0	-23.4								
Income before Income Tax	**-160.7**	**-174.4**	**87.7**	**-4.1**	**-82.1**	**53.5**	**626.7**	**1,282.6**	**1,782.8**	**2,545.7**	**5,253.2**
Income Taxes	0.0	0.0	-35.1	1.6	32.9	-21.4	-250.7	-513.0	-713.1	-1,018.3	-2,101.3
Net Income	**-160.7**	**-174.4**	**52.6**	**-2.4**	**-49.3**	**32.1**	**376.0**	**769.5**	**1,069.7**	**1,527.4**	**3,151.9**

Financial Information Provided by TomorrowNow Management

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SWOT Acquisition Analysis

Strengths

- Very short time to market for offering and announcing service offering
- "No frills" model makes sense for a segment of customers
- This company has two years of experience building a maintenance and support model
- Targeting stable and mature PSFT releases and limiting the complexity of the service, appears to be a successful model

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Weaknesses

- Management is not sophisticated
- Customers have been offered 10 year support terms, discouraging upgrade
- Solely focused on U.S./Canada market
- JD Edwards support practice is just starting
- TomorrowNow has limited experience supporting PSFT 8.x customers
- The bulk of TomorrowNow personnel are outside Austin, Texas
- The TomorrowNow model is not unique - a similar model could be replicated by another company

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Opportunities

- Oracle's deal assumptions are challenged by this support model - losing support revenue stream forces actions or reactions and is a distraction
- Oracle's legal challenges to TomorrowNow's ability to provide derivative works/support will require Oracle to also sue its customers - a difficult situation for Oracle
- There is a level of critical mass with expertise delivering a no frill support model, but scaling is heavily reliant of adding new headcount

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Threats

- The access rights to the Peoplesoft software is very likely to be challenged by Oracle and past operating issues may be a serious liability if Oracle challenges (i.e., offsite production copies and the form of delivery of regulatory updates may be subject to Oracle challenge)
- The "no frills"/lower cost model is at odds with SAP's maintenance model - this conflict will create issues among PSFT and SAP customers
- Its unclear if a "no frills" model is appealing to the broad PSFT customer base or the PSFT customer base that are most successfully converted to SAP

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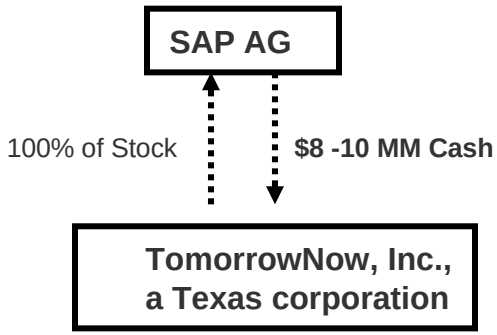
Acquisition Structure, Due Diligence and Indemnities

Acquisition Structure



SAP AG, or a wholly-owned affiliate, acquires 100% of the stock of TomorrowNow, Inc., for cash, subject to representations and warranties of the stockholders and appropriate indemnities

SAP will leave Texas corporation in existence as a liability shield for any potential claims

Due Diligence

All offers would be non-binding and subject to complete due diligence, areas of primary concern and focus include:

Legal
A full and complete assessment of the legality of the service model and the method of delivery by internal and external counsel.

Financial
A full assessment of the financial results, accounting practices and internal controls, including an financial integration assessment and Sarbanes-Oxley internal control and reporting issues.

HR
A full assessment of the skills, salaries and benefits offered by the Company.

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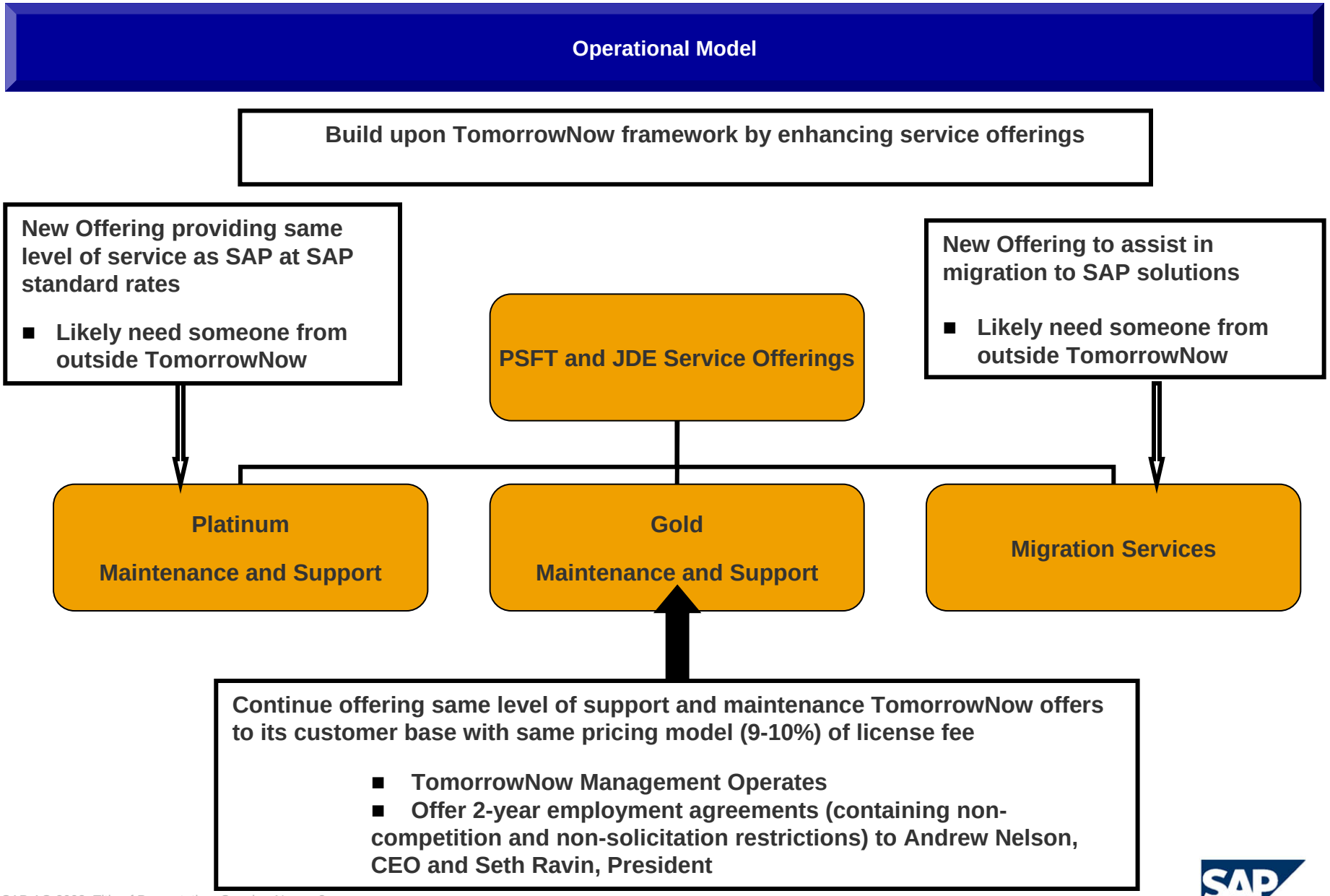
Potential Operational Structure



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Conclusions

- **TomorrowNow is a leader in a very new and small field**
- **TomorrowNow brings a short time to market advantage and a PR win**
- **The TomorrowNow management team is not sophisticated and we do not recommend they operate a full service PSFT/JDE service organization. In the near term the TomorrowNow model and organization should be utilized to create a 2nd tier level service PSFT/JDE support organization.**
- **An acquisition by SAP would create a good level of market disruption and force a reaction by Oracle**
- **Should further consider:**
  - **The issues of legal liability, the public relations impact of any litigation, and the likely cost around defending the right to provide PeopleSoft support.**

Authorization Request

- ***Extend a Non-Binding Offer, subject to complete due diligence, to acquire TomorrowNow, Inc. for between USD$8 - $10 million***
- ***Engage external legal and financial advisors to begin due diligence process***

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