

CIMdata, Inc. Position Paper

EDS Acquires SDRC, Purchases the Remaining Shares of UGS

The recently announced proposed acquisition/merger of UGS and SDRC by EDS is clearly the biggest potential acquisition/merger event to occur in this industry, and should it be completed later this year, will have a huge impact on the industry in general. This investment is a major commitment by EDS, a very positive indicator of the growing importance of this industry to the industrial community, and provides a significant validation of the market's critical role. Further, this announcement potentially impacts the professional services companies that are implementing cPDM solutions as it aligns a major service provider with the potential market leader in cPDM technology suppliers.

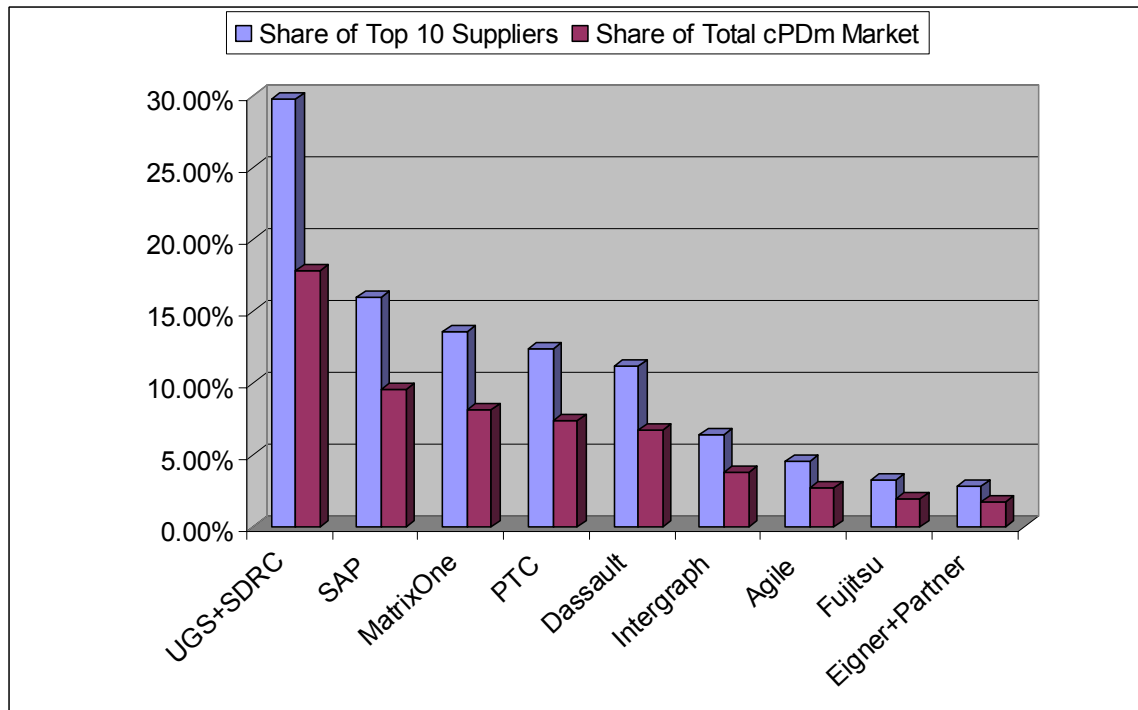
CAD/CAM Impact

In the CAD/CAM industry, the combined operation yields an organization that would have had a significantly increased CAD/CAM market share given their combined overall revenue in 2000. Based on CIMdata and DaraTech 2000 revenue numbers for the leading CAD/CAM vendors, Dassault would maintain its position as the leading CAD/CAM technology supplier with PTC and the combined UGS and SDRC essentially tied for second place. This represents a major increase in market position for a "new" UGS.

cPDM Market Impact

In the cPDM industry (SDRC's Metaphase product suite and UGS's i-Man and EAI visualization suites), SDRC was already the market presence leader and UGS was another of the top suppliers. The combined UGS and SDRC organization would significantly lead the cPDM market in overall market presence based on CIMdata's estimated 2000 revenue numbers with almost a 30% share of the top 10 comprehensive cPDM technology suppliers market, as shown in Figure.

Figure 1 Market Share of Leading cPDM Technology Suppliers



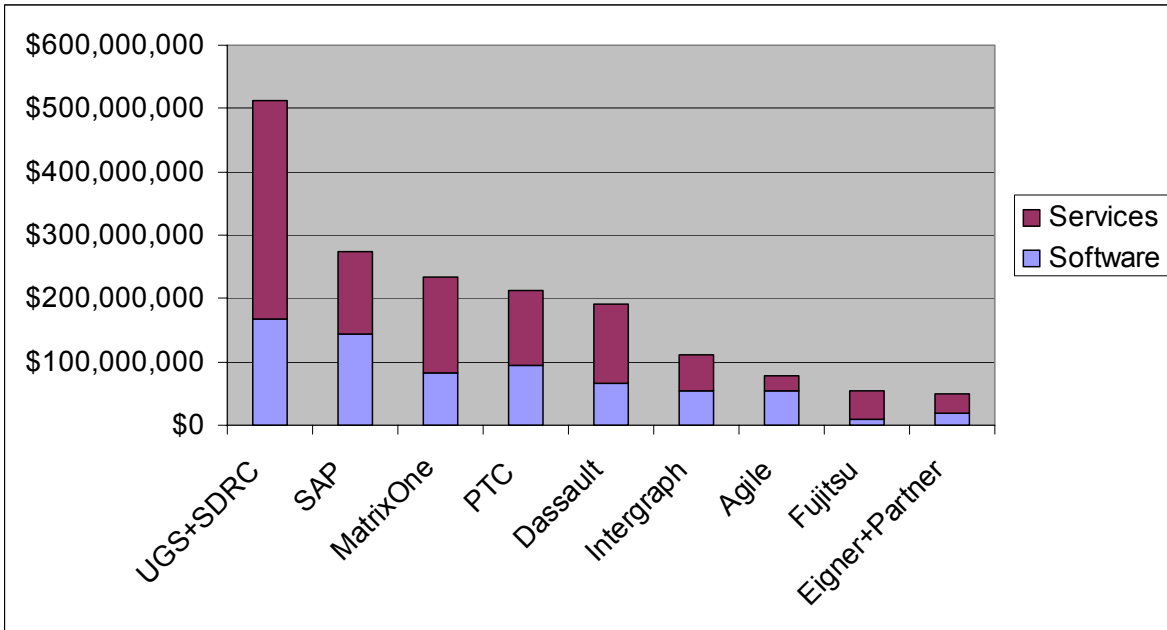
The blue bar represents the percentage share of the top 10 comprehensive cPDM technology suppliers (\$1.716 billion market) and the burgundy bar represents the percentage share of the total cPDM market (\$2.86 billion market).

Note: In the figures, Dassault includes ENOVIA, SmartSolutions/SmartTeam, and other cPDM technology vendors and products owned and developed by Dassault

The market presence of the proposed combination would also be significantly increased. In combination with their services and reseller partners, the proposed "new" UGS would have, based on CIMData 2000 revenue estimates, a very strong market presence as indicated in Figure 2.

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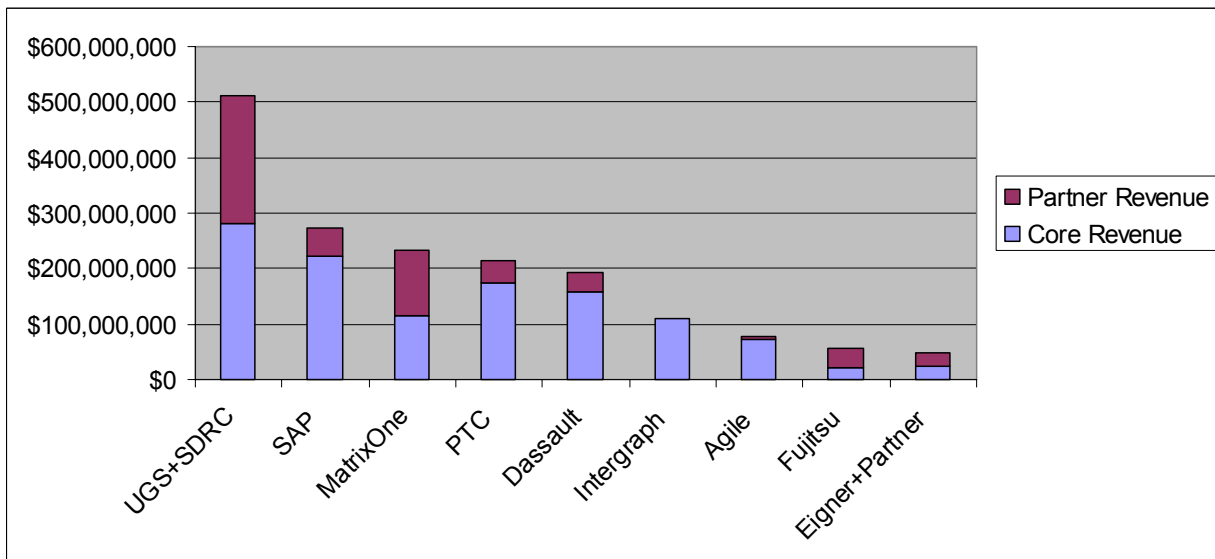
Figure 2 Market Presence (Revenue) of leading cPDM Technology Suppliers



The numbers are staggering; the cPDM market presence (shown in Figures 2 and 3) of the proposed new UGS line of business within EDS approaches \$530 million (including the total EDS cPDM services component). This is over twice the market presence of the next largest supplier.

Interestingly, EDS, the second largest cPDM service provider in 2000, was heavily focused on delivering implementations based on SDRC's Metaphase. During 2000 EDS contributed approximately three quarters of EDS's cPDM revenue (\$60,000,000) was via delivering Metaphase-based services. In Figures 2 and 3, the UGS+SDRC number includes EDS's Metaphase implementation related revenues, which are part of SDRC's market presence and UGS's EAI visualization products.

Figure 3 Market Presence by Core + Partner Revenue



A combined EDS/UGS/SDRC operation would yield a group that is clearly the cPDM market revenue leader (based on CIMdata's 2000 numbers) in core revenues and services as well as overall market presence. Their combined direct core revenues (revenues directly achieved by UGS' and SDRC's own businesses) were 27% higher than the

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next largest supplier (see Figure 4). This move has clearly created a huge player in the industry by any measure, with 21% of the 2000 overall cPDM market.

Figure 4 cPDM Technology Suppliers Core Revenues for 2000

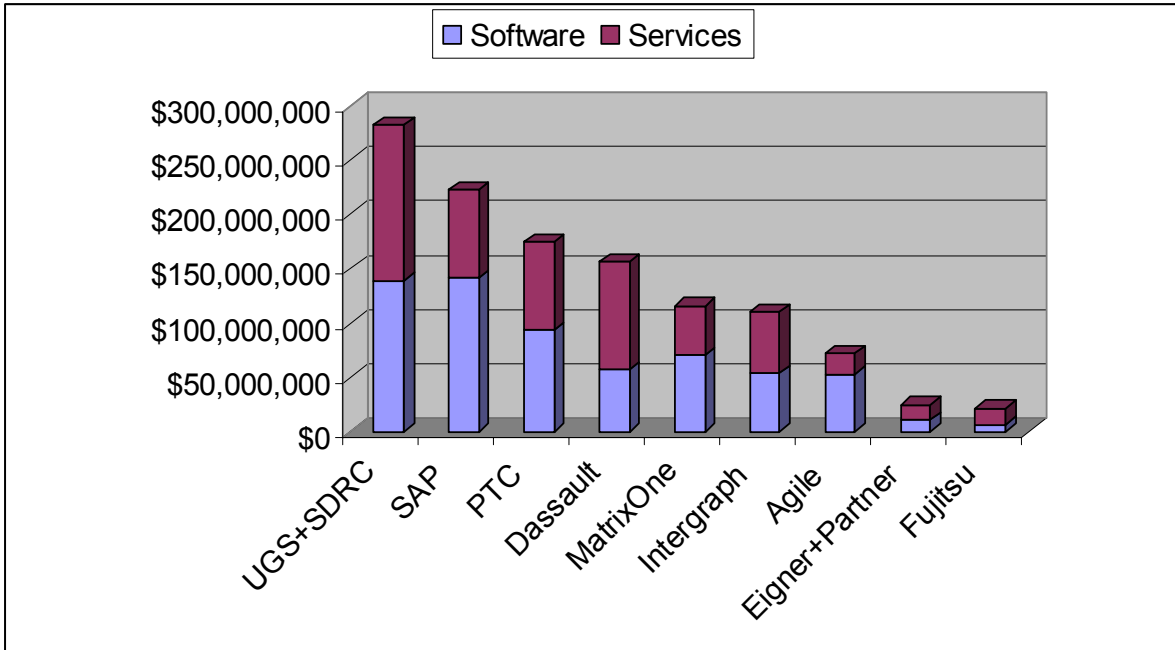
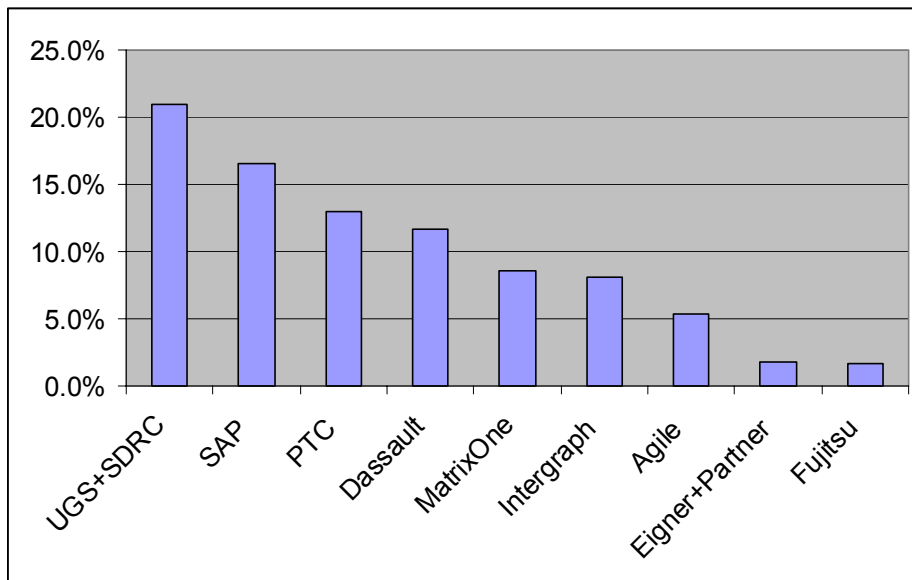


Figure 5 presents the percentage of market share for the leading comprehensive cPDM providers based on their direct (core) revenues.

Figure 5 Market Share of cPDM Technology Suppliers (Core Revenue only)



CIMdata Analysis

Aside from the market revenue achievements and market share statistics, creation of this new entity makes good sense for those involved. The merger would dramatically expand the combined user base and there is little overlap of their customer bases. The combined customer base is both substantial (they claim 24,000 customers) and impressive, with some of the largest implementations in the industry. This move will have a major impact on some

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key industries such as automotive. UGS states that they currently have over 85,000 seats (including EAI) in the automotive industry (among the top 30 OEMs). SDRC also has a significant automotive presence.

With complementary product strengths, their product lines and technologies also yield some excellent opportunities for synergistic strengthening of their overall portfolio of offerings. Both groups utilize EAI visualization and collaboration tools, and there have been other cross-licensing activities between the two groups, e.g., SDRC had already begun investigating the use of UGS's Parasolid technology within the I-DEAS design suite. The biggest challenge will be to successfully merge their respective offerings into single a consolidated program. Merging the CAD technologies will be the more difficult challenge, but using the Parasolid base can facilitate that integration. The e-factory program will be easiest to merge and should be brought to the market quickest.

Further, the combined group will have considerable R&D resources and expertise to focus on product and solution development as well as a large group of partners who add significant solutions and implementation support. If the new organization effectively leverages their combined R&D resources and technology, with each group contributing complementary strengths, it should maintain a very competitive position in both the cPDM and CAD/CAM markets.

Metaphase continues to be well positioned as a high-end enterprise program while i-Man has been very successful in engineering design driven implementations. Both have just announced new core cPDM technology product releases - UGS with i-Man V7 and SDRC with Team Center. Each of these new releases focus on improving product definition collaboration across the extended supply chain and both are built on architectures using compatible underlying technologies, e.g., J2EE. This should reduce the effort to integrate the strengths of each product suite. Their respective suites of mechanical design, CAM, and manufacturing support tools are complementary in their areas of strength. Clearly, there will be much effort, and probably many sleepless nights, getting this large suite of technologies working well together. However, the opportunity to take a big step forward by integrating two market leaders is there and the synergies should be sufficient to help them achieve their objectives.

The combination of the two companies will create a new EDS line of business with a leadership position in the cPDM market with a deep product portfolio spanning all segments of the cPDM market: collaborative business tools and integration, product data management, e-manufacturing and mechanical computer aided design. The combined organizations also have a strong market position in collaborative product offerings for the key automotive and aerospace industries. The potential of this combination will provide strong competition in these key industries and will be a barrier to entry for other vendors who wish to establish significant positions within automotive and aerospace companies.

The organizational issues and product transition plans and roadmaps have yet to be communicated, and we cannot speculate on this aspect of the emerging organization. However, the cultures of these two groups do not seem radically opposed, and their integration should result in a stronger operation as a result of the merger. Within EDS, the new group will be one of only five major business units and we expect that it will receive significant EDS management focus and resources. How EDS organizes and manages the proposed new business unit will impact its ability to integrate the products suites and technology and to how it addresses the market. While some of their strengths (even organizationally) are quite complementary, it will take time to fully integrate their operations.

How EDS utilizes and complements the "new" UGS with its other services business may also impact the cPDM market. EDS has an opportunity to cross leverage services and technology in new ways and provide a wide range of offerings that other competitors can deliver only through teaming with multiple partners. The proposed UGS business unit will have a substantial services group but EDS will also have cPDM solution implementation capability in other business units. EDS, while a major SDRC partner, may continue to also implement competing vendor products. Other services providers, such as the Big 5, will probably re-evaluate their cPDM partnerships to determine their go-to-market strategy in light of a major competitor owning the major technology provider. Again, it will be some time before we know how EDS will proceed and what, if any, impact this will have on customers and competitors.

The "new" UGS will retain its neutrality, working with EDS consulting but also continuing to work with other major consultative firms for deployment of cPDM solutions as well as other related activities. UGS will continue to provide technology to competitors, e.g., Parasolid; EAI/visualization; e-factory, Metaphase/i-Man and other products. UGS is working to establish both EAI and Parasolid as standards, particularly the JT file format.

According to the management of UGS, current customers of both SDRC and UGS will continue to have access to the products they rely upon today for some time to come. There should not be any need for customers to panic, and immediately rush to reevaluate their needs until the combined product strategy and organizational structure are clarified. The architectural direction of both UGS and SDRC have been toward using common technology and this will reduce both the time to integrate their offerings and the transition to those integrated products. Both UGS and

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SDRC will continue to support and enhance their current product lines and users should be able to plan orderly transitions to the integrated products as they become available.

This announcement has certainly created excitement in the industry, and, once the merger is completed, a huge “new” supplier to both the cPDM and CAD/CAM markets. We now must wait and see how well the “new UGS” takes advantage of the opportunity and performs over the coming months and years.