

UGS

UGS: Private Equity Vision Leads UGS to Greater Success



Based in Plano, Texas, UGS is a global computer software company with 7,300 employees specializing in 3D and Product Lifecycle Management (PLM) software. The company works with clients to drive innovation and value through the phases of a product's lifecycle, from the original idea to the product's retirement. For nearly four decades, the UGS technology had been deployed successfully across a broad array of industries and applications by 47,000 clients in 62 countries.

By 2004, UGS was a market leader in a growth industry, but still faced challenges in realizing the full potential of the company.

Tremendous Potential Recognized by Private Equity Firms

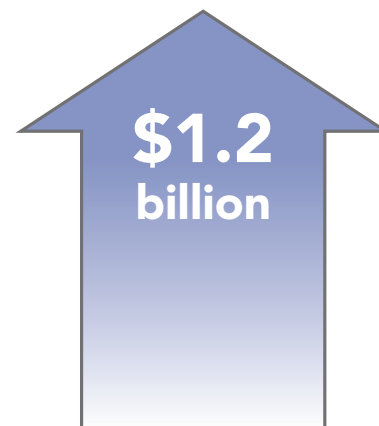
Private equity firms looking at UGS saw an ideal company for an investment, focusing on its strengths in:

- **Market and technology leadership** — UGS was the top global provider of product lifecycle management software and services
- **Stable business model** — more than 65 percent of UGS revenues were recurring
- **Sufficient free cash flows** — would allow the new owners to pay down the debt raised in purchasing the company and modernizing its operations
- **Growth potential** — potential partnerships and an appropriate incentive structure could expedite UGS growth well beyond past performance.

In March 2004, Bain Capital, Silver Lake Partners, and Warburg Pincus Private Equity Group acquired UGS from EDS for \$2.05 billion. At that time, the acquisition was the largest technology buyout ever. The new owners saw an opportunity to add value to the company through their knowledge of technology, expertise in financial structuring and broad network of contacts.

“We look for these types of opportunities — to invest in market leading businesses that create sustainable value. From its established position of global strength in the core design and engineering software market, UGS was at the forefront of innovative software vendors that are creating real business value,” Joseph P. Landy, co-president of Warburg Pincus, said when the deal was announced.

Total Revenue
6% increase over 2005





UGS Soars to Number One in the Industry

By purchasing UGS from a public company, the new owners and managers were able to undertake improvements that would have been difficult to achieve with the short-term earnings focus of public markets. From March 2004 through January 2007, when private equity firms owned the company, UGS expanded and improved its product lines and its customer confidence. Total headcount grew from 4,700 at the end of 2004 to 6,265 at the end of 2006 for a compound growth rate of 15% and R&D headcount grew at a 20% compound growth rate.

Costs were reduced by improving the company's global infrastructure and through better coordination and higher performance. UGS diversified and better targeted its product line, expanding the number of options available to existing and new customers around the world. The new owners also strengthened internal management, to ensure the highest levels of efficiency and responsiveness.

UGS began providing services to 19 of the Global 50 and *Fortune* 100 companies, managing and creating more than 40 percent of the world's 3D data. The company also developed a software grant program to assist academic, institutional, and community development projects.

License revenue grew at a compound rate of 10% between 2004 and 2006. The company's 2006 EBITDA (earnings before interest, taxes, depreciation and amortization) was \$297.1 million, a 23 percent increase over the same period one year earlier. UGS was the first company in its industry to report \$1 billion in revenue.

Outlook: Siemens Acquires UGS Bringing the Business into a New Dimension

In May 2007, the German electronics giant Siemens AG acquired UGS for \$3.5 billion. UGS became part of Siemens Automation & Drives group as the UGS PLM Software division. "This combination makes our customers' processes faster, better, and more cost efficient," said Klaus Kleinfeld, president and CEO of Siemens AG. "With the unique combination, we underscore our position as a trendsetter in automation systems and bring this business into a new dimension."

Existing customers will benefit as well. UGS is "able to provide added value to Siemens' customers by virtue of being the most practiced PLM provider in open systems, which eases integration with the Siemens technology already in place in all of our key markets," according to Tony Affuso, CEO of UGS.

The merger of the two companies increased the growth possibilities for both entities. Building on the successes of the private equity investment, UGS is now better positioned to further expand its customer base, as well as its product and service offerings.