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Corel vows aggressive acquisition campaign

Newly-public firm remains tight-lipped on financial projections

Bert Hill

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Corel Corp. said yesterday that it plans to aggressively buy promising small companies as it builds the new public company as a low-cost alternative to giants like Microsoft and Adobe. But in its first public performance it behaved more like the private company of the last three years, it did not provide sales guidance or take questions from analysts.

The reason, it said, is that it is still bound by restrictions of the recent initial public offering of stock. Corel stock dipped two cents below the IPO price to close at \$15.98 in after-hours U.S. trading.

Corel said sales rose 11 per cent in the February quarter to \$44.3 million U.S. as most products gained. It lost \$1.64 million, down 27 per cent from a year earlier.

It had already disclosed these results in the IPO.

Corel said that about \$6 million in interest, tax and restructuring expenses will be paid off from funds raised in the \$69-million IPO.

Chief executive officer David Dobson said "acquisitions remain a very important part of our long-term growth plan."

He said there are a number of potential small targets which can improve Corel offerings and benefit from Corel sales and marketing operations.

As a private company, Corel added digital-imaging and file-compression technology through takeovers.

Fresh from big gains on the Corel IPO, Vector Capital, the San Francisco-based majority owner, continues to show why private equity investors are a major power today.

Since the Corel IPO last week, it has announced three more deals involving other bargain-basement projects that it spruced up and sold.

It owned 45 per cent of LANdesk Group, a Salt Lake City software company, which was sold for \$476 million U.S. in cash and stock. Vector made a 10-fold increase on the investment in less than four years. Yesterday, it sold Savi Technology to Lockheed Martin and part of Register.com for undisclosed prices.

Certainly, Vector has done much better with Corel than long-suffering shareholders in the '90s. Vector used \$70 million in Corel cash to finance the \$98 million Corel takeover in 2003, received \$120 million in special dividends, made more on the IPO sale and today sits on a 72-per-cent Corel stake worth more than \$270 million.

Corel went private in 2003 after Vector took over, slashing staff and advanced product development.

New Corel management is refining the strategy of former CEO Michael Cowpland to build a successful future in the shadow of giants like Microsoft. Corel packages stripped-down suites of WordPerfect, CorelDraw and other software on low-end personal computers sold by Dell, HP and Lenovo.

With the price of personal computers falling rapidly, Corel is betting that this time value-conscious consumers and businesses around the world will upgrade the Corel software to more profitable versions.

Corel said sales to the Asia-Pacific region rose 38 per cent in the last quarter and generated only six per cent of all sales. Sales in the Americas rose seven per cent to generate 61 per cent of revenues.

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