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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

In re TIBCO SOFTWARE, INC. SECURITIES
LITIGATION

This Document Relates To:
All Actions

Master File No. C 05-02146 SBA

EXHIBITS TO
DECLARATION OF REGINALD S.
THOMPSON IN SUPPORT OF
DEFENDANTS’ MOTION TO
DISMISS CONSOLIDATED
AMENDED COMPLAINT

Date: May 23, 2006
Time: 1:00 p.m.
Place: Courtroom 3
Judge: Hon. Saundra B. Armstrong
EXHIBIT L
Good afternoon, ladies and gentlemen. I'm Jennifer Bray. Welcome to TIBCO's fourth quarter and fiscal 2004 conference call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. You can also listen to this call via the internet at www.tibco.com. Today's call is being recorded and will be available for playback from TIBCO Software's website at www.tibco.com. In addition, replay will be available through Premier Conferencing for the same period by calling 888-203-1112 from the U.S., or 719-457-0820 internationally. The confirmation code is 393178.

The following conference call includes forward-looking statements which represent TIBCO Software's outlook and guidance only as of today, and which are subject to risks and uncertainties. These forward-looking statements include, but are not limited to, forecasts of revenues, operating margins and earnings per share for future periods, statements regarding the expansion of the integration market, the opportunity to expand sales in the investment banking, insurance and retail banking markets, the continued expansion of TIBCO's deal pipeline and TIBCO's gross projections. Our actual results could differ materially from those projected in such forward-looking statements. The factors that could cause actual results to differ are discussed in the factors that may affect operating results section of TIBCO's most recent reports on Forms 10-K and 10-Q filed with the Securities and Exchange Commission. TIBCO assumes no obligation to update the forward-looking statements included in this call whether as a result of new developments or otherwise. This conference call also includes certain financial information that has not been prepared in accordance with generally accepted accounting principles, as we believe such information is useful for understanding our financial condition and results of operations. For a presentation of the most directly comparable financial measures calculated in accordance with GAAP and a reconciliation of the differences between the non-GAAP and GAAP financial information, please see our website at www.tibco.com. The participants on the call are Vivek Ranadive, TIBCO's Chairman and CEO; and Chief Financial Officer, Chris O'Meara. I'd now like to turn the call over to Vivek.

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Thanks, Jennifer, and hello, everyone. Thank you for joining us on our Q4 conference call. On today's call I'd like to cover 3 things. First, a summary of our Q4 and fiscal 2004 results; second, factors that contributed to our success in 2004; and third, the secular growth opportunity in the integration market. With respect to Q4, we reported another solid quarter with total revenues growing 19 percent sequentially and 72 percent year-over-year to 125.7 million. Licenses grew 23 percent sequentially, and 76 percent...
non-GAAP earnings per share for the quarter were 9 cents, up over 100 percent year-over-year and a penny better than our original guidance. As further evidence that our market has hit the tipping point, we closed 87 deals over 100,000 during Q4, up from 75 in Q3. In addition, we closed a record 16 deals over a million, up from 10 deals last quarter. We also generated roughly 30 million in cash from operations. We added over 100 new customers, including companies such as Bear Stearns, UBS Warburg, [indiscernible] Company, and EDS, among others. In addition, we increased and successfully expanded our business with market leaders such as Telecom Italia, Procter & Gamble, Lehman Brothers, Associated Newspapers, Lockheed Martin, and Vodafone.

Once again, existing customers represented over 60 percent of total revenue. For fiscal 2004 as a whole, revenues totaled $387.2 million, up 48 percent year-over-year. License revenue was $214 million, up 52.4 percent year-over-year. Operating income in 2004 rose almost 700 percent, from $11.4 million to $87.3 million. Looking back over 2004, there were a variety of reasons we were successful, and I'd like to share with you the factors that contributed to our success. First, as I said on last quarter's conference call, the integration market has gone from a nice-to-have to a must-have. The last decade saw massive investments in CRM, ERP, and other systems. But as time and investment have gone by, companies have come to understand that having an integration platform as its central nervous system is an essential element of competitive flexibility in today's world. Second, the viable market participants narrowed considerably during the year. This resulted in more stable pricing dynamics and less confusion for customers, as evidenced by our growing ASPs and expanding customer base.

Third, because of the renegotiation of our orders Reuters relationship, we were able to sell directly into the financial services market. This change opened up what we believe to be a significant opportunity over the next several years, and we were able to benefit quickly, especially the securities and investment banking customers. We've only just scratched the surface in the investment banking opportunity and are now just entering the largely untapped opportunity in insurance and retail banking for fiscal 2005 and beyond. And finally, we continued our track record of redefining the notion of integration by significantly expanding our solution range and adjustable market to new products such as business events released in Q4, and through our merger with Staffware, we've solidified our position as the leader in business process management and further increased our market footprint worldwide. We believe all of these events give us significant momentum as we head into 2005 and beyond. While I predicted long before it was popular that enterprise applications would be replaced and commoditized by a business-process-centric infrastructure, my expectation is now the majority view. Even SAP now believes, as recently stated in their NetWeaver For Dummies book, that applications have been supplanted by business processes as the new focal point of the enterprise. This secular shift away from applications towards a business process infrastructure is just beginning. Companies are relying more and more extensively on their integration backbone as a means for modelling, automating, and integrating their business processes. Thereby achieving application-like functionality.

Let me expand further on this secular shift that is happening in the integration market. Secular to me is a market that is never ending and ever expanding. And we have some good recent examples of secular trends -- search, there's more information every day, and the need for search continues to go up and up. Similarly, security, it's another secular market. We've had a never-ending proliferation of viruses that continue to drive ongoing demand for security solutions. It is, therefore, no coincidence that the 2 markets that CIOs rank as their number 1 needs are security and integration, and we believe that integration is the next great secular market. There are 4 factors that are driving this. The first is, N, the number of nodes. The number of nodes keeps increasing every single day. The second is, D, or the diversity of those nodes. And so nodes could be applications, they could be RFID tags, they could be sensors, they could be wireless devices. The third factor is, C, or the complexity of interaction. So it might be that they have simple messages going back and forth, or they could be sophisticated transactions. So you take the number of nodes, the diversity of those nodes, and the complexity of the interaction, and you superimpose on that, F, or the frequency of interaction. And as we move towards realtime businesses, that frequency is going up dramatically.

In fact, our head of engineering Tom Laffey, who was also the Chairman of the RFID Standards Committee, recently told me that just the RFID mandates by Wal-Mart and the Department of Defense alone will cause a number doubling every 6 months in the number of events that need to be integrated. Now we refer to this vast and growing flow of business events as the event clock that every company must harness through integration. Managing and exploiting the event clock is driving customers to buy and implement a package integration backbone rather than trying to solve the problem through custom development. It is this large-scale shift in enterprise software from applications to business-process automation and application assembly that is, I believe, the single largest opportunity in software. And it is TIBCO's opportunity. We are in a very good position to capitalize on the secular growth opportunity ahead of us for the rest of this decade. This is what has me so very excited about TIBCO's growth potential.

In summary, I want to leave you with 4 points. First, the integration market is arguably the largest opportunity in software over the next decade, and is now showing strong secular trends. Second, we are the leader in this market and better positioned today than any time in our history. Third, we have shown that we can grow revenues while also significantly expanding operating
margins. We've been able to expand operating margins without sacrificing R&D investment and making sure we take care of our employees. In fact, I firmly believe that TIBCO not only has the best, most productive employees in the industry, but they're also among the best compensated. And fourth, although we are the leader today, we are not taking anything for granted, and we plan to work even harder to expand our leadership position in 2003 and beyond. With that, I would now turn the call over to Chris for more details on the financials. Chris?

Chris O'Meara - TIBCO Software Inc. - EVP & CFO

Thank you, Vivek. And hello, everyone. A quick recap of the fourth quarter. First, we had record total revenues of $125.7 million, up over 72 percent from the prior year and 19 percent sequential growth. License revenues were $70.6 million, up 76 percent year-over-year, and overall, about 56 percent of revenue. Geographically during the quarter, the U.S. grew 106 percent year-over-year, and represented 61 percent of revenues during the quarter. Europe grew 42 percent year-over-year, and represented 31 percent of total revenues in Q4. And finally, Asia grew 147 percent year-over-year, and resulting in approximately 8 percent of revenue in Q4.

Revenue by vertical was financial services at approximately 22 percent of revenue; telecom at 12 percent; manufacturing, 11 percent; energy, 11 percent; and consumer packaged goods at 6 percent. All-in-all the industry represented more than 5 percent of revenue. We did see solid improvement in our newly targeted verticals such as insurance and life sciences. Gross margins were 77.2 percent, and non-GAAP operating income was $32.4 million, resulting in strong pro forma operating margins of 25.8 percent. On a GAAP basis, we reported net income of $18.2 million, with operating margins of 14.5 percent. Top-10 customers represented 28 percent of revenue, and we had 16 deals over 1 million dollars, up from 10 deals last quarter. We have 87 deals over 100K, up from 75 deals in the third quarter. And for deals over 100K, average deal size was just over $700,000, up slightly from last quarter. Deferred revenue rose slightly from last quarter to $60.6 million. Growth in TIBCO's deferred revenue balance was offset by the timing of Staffware's renewal of maintenance contracts with their install base. We ended the quarter with $473 million in cash. And DSOs came in at 79 days, up from 71 days last quarter.

Before I provide forward-looking guidance, I'd like to provide an update on Sarbanes-Oxley. Given our November year-end, we'll be one of the first companies to assess the effectiveness of our internal controls as required by Section 404 of the Sarbanes-Oxley Act. Although we are still in the process of completing our assessment, at this point management has not identified any control deficiencies that will result in material weakness. And we continue to remain very focused on making sure we complete this obligation successfully.

Now I'd like to provide some forward-looking guidance. We entered Q1 at fiscal 2005 with a strong pipeline, coming off another very solid quarter in Q4. We feel positive about the secular trends we are seeing across our business heading into FY '05. With that said, we have learned over the past few years it is prudent to be conservative around Q1, because of the holidays in December and the budget-setting process that usually takes place during January with our customers. For Q1, we expect revenues in the range of $116 to $129 million, which represents year-over-year growth of between 56 and 60 percent. We expect non-GAAP net income per diluted share to be 8 cents. For fiscal 2005, we expect revenues in the range of $515 to $525 million, resulting in 33 to 36 percent year-over-year growth. We also expect non-GAAP net income per fully-diluted share to be in the range of 36 to 38 cents. And with that, Vivek and I will be happy to take your questions.
QUESTION AND ANSWER

Operator

Thank you. Today's question-and-answer session will be conducted electronically. If you would like to signal for a question, you may do so by pressing the star key, followed by the digit 1 on your touch-tone telephone. As a reminder, if you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, that is star, 1 on your touch-tone phone. We'll pause for a moment to assemble our roster. Once again, ladies and gentlemen, that is star, 1 on your touch-tone phone if you do have any questions. Our first question comes from John DiFucci of Bear Stearns.

John DiFucci - Bear Stearns - Analyst

Yes, thanks. And congratulations, guys. This looks -- this looks pretty good. Looks better than pretty good. Quickly, a couple. I guess, on some of your newer products just -- on -- just want to understand how they're developing. One, Staffware, how the cross-selling's doing. Is it -- it's still early, but are you having any traction trying to cross-sell into your current customer base or traditional customer base with the Staffware products? And even business events, which, I think, went GA just went recently. I just was wondering what the activity around that, and I'm assuming it's not much revenue at all, at least at this time.

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Yes, John, we fully integrated Staffware into -- into the product set and into our sales organization. So we actually had good success with cross-selling. It's still early, and I think we just barely scratched the surface on that. Business events, we -- I think the product actually became available on the 17th of November. So we had about 2 weeks. And I am telling you, we are just very, very excited about this. Even in that 2-week time frame, we had 3 deals in 3 different vertical markets -- 1 in telecom, 1 in financial services; and 1 in transportation. And they were -- they totaled, probably, a couple of million. So we're very, very excited about both opportunities -- the cross-selling of Staffware, as well as business events.

John DiFucci - Bear Stearns - Analyst

Okay. And one for Chris, Chris, what were the restructuring charges for the quarter?

Chris O'Meara - TIBCO Software Inc. - EVP & CFO

The restructuring charges related to our buildings we had leased about 4 years ago, 5 years ago at the peak of the market. We're subletting them. And we -- I've made certain assumptions regarding our ability to [indiscernible] if that doesn't renew. And we still have some vacant space there, so that reflects that adjustment to the assumptions.

John DiFucci - Bear Stearns - Analyst

And should we expect that this would be the last restructuring charge associated with that? Or is it possible -- I mean, anything's possible, but --?

Chris O'Meara - TIBCO Software Inc. - EVP & CFO

I think that should be the last one. It will not be significant to the extent there's any a year from now or 2 years from now. We have most of the space leased. And we're working -- we have some interest on the remaining stakes we have there.

John DiFucci - Bear Stearns - Analyst

And just finally on that point, was -- when will the cash hit from that happen? Did part of it happen this quarter or is that going to happen over time?

Chris O'Meara - TIBCO Software Inc. - EVP & CFO

It's over the next 7 years.

John DiFucci - Bear Stearns - Analyst

Okay. Thank you, very much.

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Thanks, John.

Operator

And we'll next go to Tim Klasell of Thomas Weisel Partners.

Tim Klasell - Thomas Weisel Partners - Analyst

Good afternoon, everybody, and congratulations on the great quarter. Just wanted to jump into 2 questions. One, sales force headcount going into 2005, can you walk us through what you plan on doing there, as far as additions and buildouts?
Well, currently we're at around 125 sales reps in the field. We will stage hiring throughout the year to make sure we've got the right number of folks focused in the right verticals and geographies. You know, we're still looking at exactly the overall incremental hiring. But I think we'd like to add a significant number throughout the course of the year, and get up well into the -- the 160 range by year end, maybe even higher, again, as we assess the market opportunity.

We had a couple right around 5 million. And then we had very good distribution in the 2 to 3 million range. So very pleased by really the -- the distribution of the deals, both large and then a number of -- and then that middle size.

I think in line with our objectives. You know, they closed a number of opportunities. There was a good deal of cross-selling, in the sense that we did several deals that had their products and our products. It was a little hard to attribute the revenue. Luckily they were involved in a number of opportunities that have weak laws (ph).

Okay. Good. And then, is the entire Staffware sales force on the November plan? Are there still some on the December plan?

They are all on the November plan, as of now.

Okay. And then, the one final question, Staffware, how did that product set in that -- the sales staff from Staffware perform relative to expectations this quarter?

I think in line with our objectives. You know, they closed a number of opportunities. There was a good deal of cross-selling, in the sense that we did several deals that had their products and our products. It was a little hard to attribute the revenue. Luckily they were involved in a number of opportunities that have weak laws (ph).
Okay. Sarah, reverse order. You know, our projections right now would have an average composite rate of 34 percent for the year, as it will reflect in the first quarter, second quarter, thereafter. And then going to 30 percent in FY '06, as we get the full benefit of the international structuring.

Sarah Friar - Goldman Sachs - Analyst

Okay.

Chris O'Meara - TIBCO Software Inc. - EVP & CFO

In terms of operating margins, we had a -- you know, a very good quarter this quarter. They will drop somewhat next quarter, clearly, as revenue comes down. Some expenses will come down as well, because we had year-end incentive and bonus accruals this past quarter, given the overall Company's performance.

Sarah Friar - Goldman Sachs - Analyst

Sure.

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Yes, I think one of the things I want to say is that, you know, we did these margins while making a significant ongoing investments in R&D and just in incentive programs. I believe we have the best compensated people in the industry right now. And also, just the infrastructure of Sarbanes-Oxley and beyond.

Sarah Friar - Goldman Sachs - Analyst

Okay. Great. And then maybe just finally, a quick question around DSOs, which were up. And it's more a question around what you saw in the quarter. Did you see customers, maybe, wait until the end of the quarter to spend? And any indication how that's looking as you go towards the end of the year?

Chris O'Meara - TIBCO Software Inc. - EVP & CFO

I think that customers are well-trained to wait. Fortunately, they don't all wait until the last day, but they do tend to like to wait until the last month, last couple of weeks. So the DSO increase is really a reflection, more of a mathematical calculation, which is we grew nicely. And because we had more revenue in the last month, which you really can't collect, you had DSOs step up a little bit. The specific aging remains very, very strong.

Sarah Friar - Goldman Sachs - Analyst

Got it. Okay. Great. Well, thanks a lot.

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Thanks, Sarah.

Operator

We'll go next to Gary Abbott of Merriman Curhan Ford.

Gary Abbott - Merriman Curhan Ford - Analyst

Congratulations. A couple of questions. First, Chris, I noticed the share count actually jumped a little more than I would have thought. Can you tell -- and, actually, the G&A expense. So can you give us some insight into those? And then I have a follow up question.

Chris O'Meara - TIBCO Software Inc. - EVP & CFO

Sure. Share count is really a reflection of the weighted average calculation. So the average stock price was higher throughout the quarter. And as a result, when you do the calculation for options that are in the money, you -- you can buy back fewer of those in the calculations. So your share count goes up somewhat. There's also a smaller impact from having the shares related to the Staffware acquisition in the whole quarter. Because in -- in Q3, they were not in for the entire quarter, a couple weeks were out. Secondly, in terms of G&A expenses, 2 elements really relating to the increase. I was some additional accruals from an incentive compensation standpoint, again, because of the strength of the quarter and the year. And also, a significant increase, close to $800,000 in what we're spending for Sarbanes-Oxley. I mean, this is a major initiative both from the internal resource standpoint, as well as the fees we have to pay externally to PWC.

Gary Abbott - Merriman Curhan Ford - Analyst

Okay. On the share count. We've -- just given where the stock is today, we've probably seen the bulk of the really big jumps. Would it be fair to say that?

Chris O'Meara - TIBCO Software Inc. - EVP & CFO

Yes, I mean, as the stock price moves up, you will still see some growth in the weighted average share count.

Gary Abbott - Merriman Curhan Ford - Analyst

Yes, but is it going to jump 15 million shares or something?
Chris O’Meara - TIBCO Software Inc. - EVP & CFO

No, no.

Gary Abbott - Merriman Curran Ford - Analyst

Okay. Next question. Competitively, I’ve heard from the field more talk about SAP as a competitor in this space, I’d say in the last 1 quarter than I’ve heard, probably, in my lifetime. Just sort of wondering if you’re seeing more SAP out there, hearing more, or, sort of, what your sense is in competition with them.

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Well, the place I saw SAP is when I went to Sarah’s conference in New York, the Goldman Sachs investor conference. So yes, I see their at investor conferences, but not - it’s really IBM that we see. And in some ways, you know, if you look at some of SAP’s largest customers, like Pepsi, they’re going with TIBCO. So, it’s good for us because they’re educating the market by saying how important, and how secular a trend is, in terms of the integration market. But I know of no instance where we’ve actually lost a deal to SAP.

Gary Abbott - Merriman Curran Ford - Analyst

Vivek, do you think SAP eventually will get this somewhat right and it will be a little bit like competing with IBM? You know, there will just be deals that you never see that you’re just sort of shut out of because it’s a SAP shop?

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

We don’t see that. You know, we’re working with the largest SAP customers. And, again, the nature of integration is that people want it to be separate. And we saw this with databases. There was a time when the application companies tried to get into the database business, and never really succeeded. And it became IBM and Oracle. And the same thing is true here. It’s us and IBM. The application guys have a different value proposition, which is being eroded, and that’s why they’re trying to do other things.

Gary Abbott - Merriman Curran Ford - Analyst

Okay. Fair enough. Thank you, very much, and good quarter.

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Thank you, Gary.

Operator

We’ll now take a question from Ken Kiarash of Buckingham Research Group.

Ken Kiarash - Buckingham Research Group - Analyst

Hi, guys. Let me throw in my congratulations as well. Just wanted to ask a quick question. Chris, you mentioned about the life sciences and the insurance verticals having done well in this quarter. Can you quantify that for us a little and also give us the stats for the rest of the verticals, how did they do?

Chris O’Meara - TIBCO Software Inc. - EVP & CFO

I think that the -- both life sciences and insurance was still below 5 percent. We’re starting to get some traction in both markets because our products meet the requirements. Particularly with insurance, from an integration and BPM standpoint, I think we now have a lot offer, and we’re very focused on that. So these are markets that we are putting focus on for 05 and beyond. In terms of the verticals, finance came in at approximately 12 percent. And then manufacturing and energy were both around 10 percent, with consumer products coming in at approximately 6 percent. And then the balance all under 5 percent.

Ken Kiarash - Buckingham Research Group - Analyst

Okay. Fair enough. Thank you, very much, and good quarter.

Vivek Ranadive - TIBCO Software Inc - Chairman & CEO

Thank you, Gary.

Ken Kiarash - Buckingham Research Group - Analyst

Okay. And I got to the call a little late. I don’t know if you talked about business events or not. Vivek, did you have any deals in the quarter? And how is that product progressing so far?

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Yes, no. We’re very, very excited about it. We released the product on the 17th of November, so we had roughly 2 weeks. And during that time we closed 3 deals in 3 different vertical markets, and they were just over 2 million in total.

Ken Kiarash - Buckingham Research Group - Analyst

Okay. And average selling price for the product is very similar to the rest of the products as well?

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Yes. You can -- you know, I said we did about 3 deals.

Ken Kiarash - Buckingham Research Group - Analyst

So, it was 3 deals for 2 million?
Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Yes. It was over 2. So, you know, your average selling price about 700K.

Ken Kiarash - Buckingham Research Group - Analyst

Okay. Sounds good. Thank you.

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Thanks.

Operator

Well now go to Seihun Kong of Thinkequity Partners

Seihun Kong - Thinkequity Partners - Analyst

Hi. Good afternoon. Vivek, I was wondering if we could talk a little bit about the business events product line. Is this something that you view as a product line that could, you know, essentially rival the core Rendezvous business? Or is this something that you view as strictly a plug-in-type of product into the core messaging backbone?

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Well, it's interesting because people are coming at it from both ends, and so 1 of the deals that we closed in the financial market, what got them really excited was business events. And they ended up buying other parts of stack in conjunction with business events. And then we have other situations where they already have our infrastructure, and they already have business process management, and they want to move to being predictive, and they get very, very excited about what they can do with it. This is, in many ways, you know, this is kind of a killer app for the whole infrastructure stack. Because you have this event plug with all these events, and how do you make sense out of it, and what do you do, and how do you start leveraging that? And so it's -- you know, it's very exciting for us. It takes us into areas that -- of discussion that we -- we're really not in in the past.

Seihun Kong - Thinkequity Partners - Analyst

I'm wondering, this product went into, I believe what's called a limited release, and you're going to have a general release, I believe, in Q2. Is that correct?

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Yes.

Seihun Kong - Thinkequity Partners - Analyst

Is there potential to still sell some of the limited release, you know, customers in, let's say, Q1 before the actual general release? Or was everything, sort of, limited to Q4?

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

No, no. We hope -- we'd be disappointed if we didn't make many more sales in Q1.

Seihun Kong - Thinkequity Partners - Analyst

Okay. And you mentioned EDS. I was wondering if you could talk about, you know, what their buying? Is this an internal-use product, you know, which products they were buying, and was this, you know, done on a product-specific type of ELA?

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Yes, it's -- it was one of our larger deals. It wasn't the largest, but it was one of the larger ones. And what they have is a development license with limited internal-use rights. And so, again, you know, we see great opportunity because EDS has the option to go to an enterprise option. Again, just for internal use, so that significant opportunity within EDS, but also with their customers. And this is the first step in that direction.

Seihun Kong - Thinkequity Partners - Analyst

Got you. And one last question is, you know, you hinted at the integration backbone as being critical to the next wave of applications. And, you know, you acquired General Interface this quarter. I was wondering if you could talk more about what are your grand plans for this particular market? Are you going to, you know, dive in here a little bit deeper, or are you going to -- are your solutions really going to revolve around the current messaging and BPM software that you already have?

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Well, we see the whole things as being additive. And so, you know, we've always said that everyone needs a nervous system and that's the messaging backbone. And then, people need to be able to do business processes and work flow, and that's the second layer. And then, the third layer is, you know, how do you actually leverage the information? How do you create composite
applications? And how do you make sense of the events? And so that's where the BAM products, the GI products, and all the predictive modelling products come in. And you have the nervous system, you have the muscles, you have the brains, and it all works together.

Seihun Kong - Thinkequity Partners - Analyst

Was there anything out of General Interface this past quarter?

Vivek Ranadive - TIBCO Software Inc - Chairman & CEO

Well, we -- you know, there were a couple of deals where we included some General Interface licenses as well. It was a small, but there were a couple of customers that signed on to use it.

Seihun Kong - Thinkequity Partners - Analyst

Got you. Thanks, so much.

Vivek Ranadive - TIBCO Software Inc - Chairman & CEO

Well, thank you.

Operator

And we'll now go to Dino Diana of UBS.

Dino Diana - UBS - Analyst

Hi. You ended out the year with a strong operating margin. I'm just looking -- to get to the next leg, to get to that, you know, that 30 percent mark, how important is the indirect sales strategy for you? What have you guys done recently there to, kind of, improve traction?

Vivek Ranadive - TIBCO Software Inc - Chairman & CEO

Well, we have events on multiple fronts. And so I is, clearly, partners, like EDS, will fuel that type of activity for us. We also have OEM activity happening. You know, we had a deal this quarter with EMC, where they can embed our products in all of their storage products. And, you know, so that kind of OEM and alliance activity is going to be important to us. So we're -- but I don't want to say that, you know, we're dependent on any of this in order to achieve the kinds of margins this business should be at. We think there's a lot of low-hanging fruit for the Company, you know, be it in indirect sales, be it in the government sector, be it in, you know, financial services, you know, be it in improving our margins and services. So I don't want to say that, you know, we have to do this in order to hit 30 percent. I think we should be able to hit 30 percent even if we do a mediocre job in indirect.

Dino Diana - UBS - Analyst

Okay. And it sounds like, from the comments, it's more of a bar and OEM strategy, rather than, really, the SIs at this point.

Vivek Ranadive - TIBCO Software Inc - Chairman & CEO

It's both, you know, it's both. You know, we hope to work with people like Arios in Europe, and we continue to work with Accenture and KPMG and many of the offshore people. So it's both.

Dino Diana - UBS - Analyst

Okay. And, I guess last year at this time, I think was a seeding time for the government business. I didn't really hear much said about that now. Just wondering how traction's going, and if it's been, kind of, slow to take off?

Vivek Ranadive - TIBCO Software Inc - Chairman & CEO

Well, we've had some success, but I -- you know, frankly, I'm not very happy with the level of success we've had. I think in 2005, you know, we hope to do much better. And so we did -- we did well this quarter, we did well this year, but there were a lot of -- many areas where we could have done a lot better, and government is certainly one of them.

Dino Diana - UBS - Analyst

Is there something, you know, special about government that makes it hard -- you know, more difficult besides the whole, you know, the -- their budget process -- ?

Vivek Ranadive - TIBCO Software Inc - Chairman & CEO

I think it's a combination of factors, Dino. You know, I is that there was other lower-hanging fruit, like financial services that we got very focused on. The second thing is, you know, we continued to seed this area. We continue to grow and hire new people in this area. And, you know, we think that that will start paying off in 2005. So in 2004 we didn't have to depend on success in this area to -- to grow the business. And in 2005 we hope to have more success.

Dino Diana - UBS - Analyst
Okay. And just lastly, in terms of Staffware renewal rates, when should we start to see them really kicking in, in terms of getting deferred revenue back?

Chris O'Meara - TIBCO Software Inc. - EVP & CFO

I think you'll see that -- they, historically, had business cycles that led to a lot of license deals closing in the June and December time frame. So I think you'll see a lot of renewal activity in Q1 -- December, January time frame. They have their underlying license revenue weighted, due to a couple of specific periods during the year.

Dino Diana - UBS - Analyst

Thanks.

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Well, thanks, Dino.

Operator

Our next question comes from Gregg Moskowitz of Susquehanna Financial Group.

Gregg Moskowitz - Susquehanna Financial Group - Analyst

Okay. Thank you, very much. And congratulations, guys. One question I wanted to ask was just on R&D. You had a fairly healthy uptick. And, you know, although on a percentage basis I believe it's now down to about 14 percent, or so, of revenue. You know, Chris, and, I guess, what are your thoughts around R&D spend going forward? And, specifically, what should we expect to see there in '05?

Chris O'Meara - TIBCO Software Inc. - EVP & CFO

I think we've continued to really get a lot of leverage out of engineering resources. This quarter's up tick was, again, due, largely, to the incentive plans we have in place to reward folks, as Vivek has talked about. We continue to -- to expand our operations in India, so we look to leverage our overall cost structure that way, as well. So I think, on a percentage basis, they're going to be in this range as they show a little bit of leverage throughout '05.

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Yes. We're -- you know, we think we have the critical mass of R&D, and, you know, we can start leveraging it, so --
Chris O'Meara - TIBCO Software Inc. - EVP & CFO

Yes. We repurchased about half a million shares.

Phillip Dionisia - Friedman, Billings, Ramsey & Company - Analyst

And the value?

Chris O'Meara - TIBCO Software Inc. - EVP & CFO

 Came in at right around $5 million.

Phillip Dionisia - Friedman, Billings, Ramsey & Company - Analyst

All right. Thanks.

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Thank you.

Operator

And our next question comes from Sterling Auty of J.P. Morgan.

Sterling Auty - J.P. Morgan - Analyst

Hi, thanks. Chris, can you give us a sense of the breakdown between what percentage of revenue came from messaging versus some of the other categories?

Chris O'Meara - TIBCO Software Inc. - EVP & CFO

I think messaging overall, and again this is a little bit of an art versus the science because of the allocation and enterprise deal, came in at about 30 percent. And then we had our -- our integration and BPM revenue came in at roughly 60 percent. And then optimization, which includes such things as portal and business events was under 10 percent.

Sterling Auty - J.P. Morgan - Analyst

Okay. And as you look at the 100 new customers that you brought in the door, kind of following on the last question, is there a trend, or is there, kind of, one area that new customers tend to flock to? Is it integration and BPM first? Is it messaging first? Is there something that customers start with and then, kind of, build off of?

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

Well, it used to be that, you know, everyone had the same problem, which is they bought all these assets and how do you make them work together? So that was a combination of BPM and messaging. But early indications from the business events area is that we have customers jumping all over that now. So, in fact, 1 of the 3 deals we closed, it was really business events that was the motivating factor behind that.

Sterling Auty - J.P. Morgan - Analyst

Okay. And then at the beginning of the Q&A session, I think somebody had asked your success level in possibly bringing the Staffware solution set to North America. Is that what's driving some of the growth in the -- in the insurance sector? What is the opportunity to bring Staffware to North America.

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO

It's huge. It's huge, and we barely scratched the surface. And so, as you mentioned insurance, you know, that's an area that's totally untapped for us right now. And huge opportunities there for us. We did things and -- with a few clients and were very successful. So we've just barely scratched the surface on this. And we hope in Q1 to report much greater success in new areas with the Staffware product set.

Sterling Auty - J.P. Morgan - Analyst

Okay. And then last question. Chris, can you give us any sense for the magnitude of the improvement in deferred revenue for TIBCO in the quarter?

Chris O'Meara - TIBCO Software Inc. - EVP & CFO

For TIBCO itself, it was up a few million dollars --

Sterling Auty - J.P. Morgan - Analyst

Okay.

Chris O'Meara - TIBCO Software Inc. - EVP & CFO

-- in Q4. And that was offset, again, by the fact that the nonlinear path in and around the underlying Staffware revenue.

Sterling Auty - J.P. Morgan - Analyst

All right. Great. Thank you, guys.
Chris O'Meara - TIBCO Software Inc. - EVP & CFO
Okay.

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO
Thanks.

Operator
And due to time constraints, I'll now turn the call back over to Mr. Ranadive for any closing comments.

Vivek Ranadive - TIBCO Software Inc. - Chairman & CEO
Okay. Well, thanks. We will now conclude this call. I'd like to close by thanking you all for joining us. We wish you a happy holiday season, and look forward to speaking with you again in the new year. Thanks, Jennifer. And goodbye, everyone.

Operator
Thank you for joining us. We will now conclude TIBCO's Q4 and fiscal 2004 earnings conference.
EXHIBIT M
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FORM 8-K
TIBCO SOFTWARE INC - TIBX

Filed: March 01, 2005 (period: March 01, 2005)

Report of unscheduled material events or corporate changes.
<table>
<thead>
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<th>Item 2.02</th>
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<td>Item 9.01</td>
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SIGNATURES
EXHIBIT INDEX
EX-99.1 (Exhibits not specifically designated by another number and by investment companies)
TIBCO Software Inc.
(Exact name of registrant as specified in its charter)

3303 Hillview Avenue
Palo Alto, California 94304-1213
(Address of principal executive offices, including zip code)

(650) 846-1000
(Registrant’s telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
Item 2.02. Results of Operations and Financial Condition
On March 1, 2005, the Registrant issued a press release regarding its expected financial results for its first fiscal quarter ended February 27, 2005, the text of which is furnished herewith as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits
(c) Exhibits.

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The information in this Current Report is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities of that Section. The information in this Current Report shall not be incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.
SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

TIBCO Software Inc.

By: /s/ Christopher G. O’Meara

Christopher G. O’Meara
Executive Vice President, Finance
and Chief Financial Officer

Date: March 1, 2005
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FOR IMMEDIATE RELEASE

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TIBCO SOFTWARE REPORTS PRELIMINARY FIRST QUARTER FINANCIAL RESULTS

Palo Alto, Calif., March 1, 2005 — TIBCO Software Inc. (Nasdaq TIBX), a leading enabler of real-time business and the world's largest independent business integration software company, today announced preliminary financial results for the quarter ended February 27, 2005.

Preliminary first quarter results indicate revenue is expected to be in a range of $100 to $102 million. The Company expects its license revenues for the quarter to be approximately $47 to $49 million. These disappointing results were primarily due to lack of execution in certain geographic areas, particularly in Europe. The Company plans to address this issue by, among other things, making changes in the leadership in Europe as well as sales process and procedural changes. In addition, several transactions were delayed near the end of the quarter. “Given the strength we were seeing in our business and pipeline coming into Q1, and as late as the first part of last week, I did not expect us to produce such disappointing results,” said Vivek Ranadivé, TIBCO Chairman and CEO. “I believe the issues that led to the shortfall can be corrected and I plan to move swiftly to do just that.”

Earnings per share for the first fiscal quarter calculated in accordance with GAAP are expected to be between 3 and 4 cents. TIBCO’s non-GAAP EPS for the first fiscal quarter is expected to be between 4 and 5 cents. Non-GAAP results exclude amortization of acquired intangibles and assume a pro forma effective tax rate of 38%.

TIBCO will provide more detailed guidance on the regularly scheduled conference call on March 24, 2005.
TIBCO Software has scheduled a conference call for 5:00 p.m. EDT today to discuss its preliminary first quarter results. The conference call will be hosted by CCBN and may be accessed over the Internet at www.tibco.com. To listen to the live call, please go to the website at least 15 minutes early to register, download and install any necessary audio software. For those who cannot listen to the live broadcast of the call, a replay will be available through TIBCO Software Inc.'s website at www.tibco.com shortly after the live call ends.

About TIBCO Software
TIBCO Software Inc. (NASDAQ:TIBX) is the leading independent business integration software company in the world, demonstrated by market share and analyst reports. In addition, TIBCO is a leading enabler of Real-Time Business, helping companies become more cost-effective, more agile and more efficient. TIBCO has delivered the value of Real-Time Business, what TIBCO calls The Power of Now®, to over 2,000 customers around the world and in a wide variety of industries. For more information on TIBCO's proven enterprise backbone, business integration, business process management, and business optimization solutions, TIBCO can be reached at +1 650-846-1000 or on the Web at www.tibco.com. TIBCO is headquartered in Palo Alto, CA.

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Use of Non-GAAP Financial Information
TIBCO provides non-GAAP operating income and net income per share data as additional measures of its operating results. TIBCO believes that financial measures of income provide useful information to management and investors regarding certain additional financial and business trends relating to the company's financial condition and results of operations. For example, the non-GAAP results are an indication of TIBCO's baseline performance before gains, losses or other charges that are considered by management to be outside the company's core business operational results. In addition, these non-GAAP results are among the primary indicators management uses as a basis for planning for and forecasting of future periods. These measures are not in accordance with, or an alternative for, accounting principles generally accepted in the United States and may be different from non-GAAP measures used by other companies.

Legal Notice Regarding Forward-Looking Statements:
This release contains forward-looking statements within the meaning of the “safe harbor” provisions of the federal securities laws. The final results for the first quarter of 2005 may differ from the preliminary results discussed above due to factors that include, but are not limited to, risks associated with final review of the results and preparation of quarterly financial statements. TIBCO’s future operating results may differ from that forecasted in the forward-looking statements due to factors that include, without limitation, fluctuations in demand for TIBCO’s products and services or economic conditions affecting the market for TIBCO’s products and services, TIBCO’s inability to correct the reasons for the shortfall and if TIBCO cannot successfully execute its growth plans. Additional information regarding potential risks is provided in TIBCO’s filings with the SEC, including its most recent Annual Report on Form 10-K for the year ended November 30, 2004. TIBCO assumes no obligation to update the forward-looking statements included in this release.

Created by 1OKWizard  www.1OKWizard.com
EXHIBIT N
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TIBCO Software - Chairman, President, CEO
Chris O'Meara
TIBCO Software - CFO

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Tim Klasell
Thomas Weisel Partners - Analyst
Katherine Egbert
Jefferies & Co. - Analyst
Dino Diana
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Kash Rangan
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Sagib Friar
Goldman Sachs - Analyst
Sterling Auty
J.P. Morgan - Analyst
Yun Kim
A.G. Edwards & Sons - Analyst
David Hilal
Friedman, Billings, Ramsey & Co. - Analyst

PRESENTATION

Operator

Good afternoon, ladies and gentlemen. I'm Sheila. Welcome to TIBCO's first-quarter fiscal 2005 preliminary conference call.

At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. You can also listen to this call via the Internet at www.TIBCO.com. Today's call is being recorded and will be available for playback from TIBCO Software Web site at www.TIBCO.com. In addition, a replay will be available through Premier Conferencing for the same period by calling 888-203-1112 from the U.S. or 719-457-0820 internationally. The confirmation code is 1451747.

The following conference call includes forward-looking statements which represent TIBCO Software's outlook and guidance only as of today and which are subject to risks and uncertainties. These forward-looking statements include but are not limited to TIBCO's updated estimate of revenue and earnings per share for the first quarter of 2005, our ability to close the deals in the pipeline, and the opportunity to expand sales in the financial-services industry, specifically in the retail banking and insurance markets. Our actual results could differ materially from those projected in such forward-looking statements. The factors that could cause actual results to differ are discussed in the factors that may affect operating results section of TIBCO's most recent report on Form 10-K filed with the Securities and Exchange Commission. TIBCO assumes no obligation to update the forward-looking statements included in this call whether as a result of new developments or otherwise.

The participants on the call are Vivek Ranadive, TIBCO's Chairman and CEO, and CFO Chris O'Meara. I'd now like to turn the call over to Vivek. Please go ahead, sir.

Vivek Ranadive - TIBCO Software - Chairman, President, CEO

Yes, thanks, Sheila. Hello, everyone, and thank you for joining us today. We're here to discuss preliminary financial results for Q1. We will defer any comments around guidance until the regular conference call scheduled for March 24. In addition, given the late notice of this conference call, we are limited to only discussing information that was included in our preliminary financial results press release issued at 1:05 PM Pacific Standard Time. Thanks for your understanding.

Let me begin by saying that, given the strength we were seeing in our business and pipeline coming into Q1 and as late as the first part of last week, I did not expect us to produce such disappointing results.
Before I get into what transpired in Q1, let me first discuss our preliminary financial results. Our preliminary Q1 results show revenues in the range of 100 to 102 million. This compares to our original Q1 guidance of 116 to 120 million. We expect license revenue to be between 47 and 49 million. Non-GAAP EPS is expected to be in the range of 4 to 5 cents per share, compared to our original guidance of 8 cents per share. On a GAAP basis, EPS is expected to be in the range of 3 to 4 cents per share.

Although we’re still in the process of fully analyzing Q1, let me discuss with you what I do know today. First, we believe, at this point, the shortfall was primarily due to a lack of execution in certain geographic areas, most specifically Europe. In fact, every region throughout Europe came in significantly under forecast. As a consequence, we will be making leadership changes in Europe as well as some sales, process and procedural changes, especially as they relate to forecast management. Unfortunately, the fundamental issue was that the extent of the shortfall emerged only very late in the quarter, giving us little time to pursue other less-developed opportunities in our broader pipeline. We are addressing this issue and will talk more specifically about our action plan on our conference call on March 24.

Secondly, we have several deals in both Europe and North America that were pushed out and did not close as planned. Fortunately, we did not lose these deals to competitors; they’re still in our pipeline, and we still expect to close them over the coming quarters.

Finally, although hard to quantify, I must also cite my personal focus on achieving 404 compliance as part of the problem. As many CEOs would appreciate, my intense focus during the quarter on making sure we successfully achieved 404 compliance took some of my attention away from sales activities. Many people here put time and effort into ensuring we complied, and I was pleased to announce our success with this several weeks ago, but I let myself get too distracted by this and was not as involved as I usually am in various key deals until later in the quarter. This was entirely my mistake.

All this said, I believe the issues that led to the shortfall can be corrected and I plan to move swiftly to do just that. Although the news we are sharing with you today is not what we planned, we did see several positive things during the quarter, which included continued growth in the financial services vertical, specifically in retail banking and insurance; positive traction without new ETL (ph) product just released very recently. In addition, we had strong OEM business in the quarter. Finally, if I use our new preliminary numbers for Q1 of between 100 and 102 million in revenue, this still results in year-over-year growth of between 34 and 37 percent.

We also strengthened our relationship with Reuters by entering into a nonexclusive distribution arrangement with them that enables Reuters to sell TIBCO’s products alongside their market data solutions. We believe this will enable us to penetrate further into the financial services market. Reuters will pay TIBCO minimal annual license and maintenance fees of 11 million.

I understand we have some work cut out for us over the near term to prove to many of you we are capable of capturing the long-term market opportunity. The good news is that we do have a solid foundation of over 2,000 customers from which to build upon. I believe it’s clear we are the leader in our space and provide solutions to our customers that are key to their business and fundamentals to improving their financial results.

That concludes my remarks for today. With that, Chris and I will be happy to take your questions but again, please understand that we are limited in what we can say.
QUESTION AND ANSWER

Operator

Thank you. We will now begin the question-and-answer session. (OPERATOR INSTRUCTIONS) John Difucci, Bear Stearns.

John Difucci - Bear Stearns & Co. - Analyst

Yes, guys, the way I understand it anyway, most of your country managers in Europe were previous Staffware people. Staffware, as I understand it, was on a calendar year previously. Now they are on a TIBCO quarter year, ending a quarter in February versus March. Everybody knows what the beginning of the year is like and how things start to ramp up, not really even in January but not until February. I mean, do you think -- I guess I'm trying to get a feel for how much of the miss is still there and how much of it could likely come into the next quarter. Obviously, you may not be able to answer that but if you could, that would be great. But I'm just kind of wondering -- because it sounds like Europe was the issue in every region in Europe, and again these were run by pretty much the Staffware organization that was used to a March quarter versus a February quarter. I was wondering how much of an impact you think that had on finishing this quarter.

Vivek Ranadive - TIBCO Software - Chairman, President, CEO

Yes, we think this is a blip. We think, at this point, that we understand what happened, and you are absolutely right; we did have mingled management, and quite honestly, that led to some paralysis. There was an old TIBCO and a new TIBCO, and we had poor leadership. We're going to fix that; we're going to fix that very quickly, and we think that we will get this back on track.

John Difucci - Bear Stearns & Co. - Analyst

I guess, Vivek, you use words like 'quickly', but you mean like right now you think this is something that's fix this quarter?

Vivek Ranadive - TIBCO Software - Chairman, President, CEO

Yes. Yes, what you said is absolutely true, John. We had some Staffware guys in many of the countries, and then we had old TIBCO guys and you're right; there were differences in terms of the calendar year versus the quarter pressures, just in terms of even the process we apply to contracts, you know, the U.S. GAAP process being much more stringent, so there was a learning curve. You know, it just -- they were paralyzed during that time. We came in at a fraction of the number that we were expected to come in at, and so we are fixing that. We've already made some changes and we expect to fix that very quickly.

John Difucci - Bear Stearns & Co. - Analyst

It sounds like Europe was the main issue but is it fair to say that the U.S. was sort of in-line?

Vivek Ranadive - TIBCO Software - Chairman, President, CEO

The U.S. was all right. There were trends in some areas and it was okay in some areas and you know, financial services was very, very strong but the issue that we had was -- if Europe have been -- had met the forecast that we started with, then we would have not just an acceptable but even a good quarter.

John Difucci - Bear Stearns & Co. - Analyst

Okay. I'm sorry, just one more quick one. On the Reuters deal here, or relationship, I was just curious a little bit how that's going to work. How is it different than now? Because the way I understand it anyway, I mean Reuters is selling information or data and they need to deliver that data with technology, TIBCO-like technology, so it makes sense that even though their relationship was starting to unwind, that they were going to be sort of still partnering with you anyway.

Vivek Ranadive - TIBCO Software - Chairman, President, CEO

Yes. From our perspective, what was happening is we see just an incredible opportunity over the next few years in financial services, and we see it both on trading floors as well as in -- on the consumer retail bank side and in insurance companies. So the agreement that we have with Reuters -- and frankly, we need to have more such agreements with more people -- is a great agreement because it's nonexclusive. They already have many, many feet on the street. Many of those people already understand how to sell this kind of technology, so we think it's a great agreement and we're excited about it. It's been in the works for some time, so we've spent the last 9 months working on it.

John Difucci - Bear Stearns & Co. - Analyst

I guess for -- in the past, if Reuters sold -- I don't know, use round numbers -- $1 million of TIBCO product -- you, TIBCO, would get about half that. What's the -- I mean, some of the formal arrangements -- (multiple speakers)?
Vivek Ranadive - TIBCO Software - Chairman, President, CEO

Yes, it's similar, you know. We get about 50 percent but the difference here is that it's nonexclusive, so you know, we continue to sell where we are (indiscernible) and that's a huge difference. (multiple speakers) -- what we do, it's not -- it doesn't cannibalize us; it actually adds.

Operator

Tim Klasell, Thomas Weisel Partners.

Tim Klasell - Thomas Weisel Partners - Analyst

Good afternoon, everybody. First, Chris, maybe you could help me on some of the numbers here. Can you give us an idea of what DSOs and cash flows for the quarter may turn out to be?

Chris O'Meara - TIBCO Software - CFO

It's still very, very preliminary. I think DSOs will (inaudible) in the last quarter in the upper -- (technical difficulty) -- range. Cash flow will be (inaudible) - (technical difficulty)-- the numbers. We just wanted to communicate the -- (technical difficulty).

Tim Klasell - Thomas Weisel Partners - Analyst

Okay, good. And on -- dipping into the Reuters agreement, Vivek, you mentioned it won't be cannibalizing your existing sales and granted Reuters guys did not do a lot of TIBCO business in the past, selling it as pure infrastructure. What gives you comfort that maybe they may not take a run at some of the projects that maybe you would have already in your pipeline?

Vivek Ranadive - TIBCO Software - Chairman, President, CEO

Well, this is a very different agreement that we've had in the past. We see them -- there are many places where we just can't be and in order for us to fully exploit debating floor (ph) opportunities, we would have to grow our organization not just twofold but tenfold. So, we think that the market is huge and we have a very cooperative relationship with them and so -- and besides even, if you look at what happened last quarter, a lot of the biggest deals in financial services actually came in for us on the retail side and the insurance side and so, you know, we -- as we hire people, we need to continue to focus and develop those markets. So, we see this being an additive thing; you know, we don't see it as being (inaudible) cannibalize. In fact the guidance -- the 2 people that architected the relationship at the time were responsible for the financial services (inaudible).
Yes, we will provide more clarity at the conference call but we saw continued momentum with (inaudible) events. Then we also were really excited. You know, we bought out our ETL (ph) offering just in the last few days of the quarter, and I think we already made a couple of sales. Literally days after we announced it, we closed a couple of deals. One of them is actually in competition with Informatica (ph), so people are excited about the Real-Timing deal that we offer.

Operator

Katherine Egbert, Jefferies & Company.

Katherine Egbert - Jefferies & Co. - Analyst

Thank you. The question I have regards to your reference to changes in sales processes and procedures. Is there anything you can tell us sort of preliminarily what you're going to do different in the future to help better reflect the European pipeline in guidance?

Vivek Ranadive - TIBCO Software - Chairman, President, CEO

Yes. You know, (indiscernible) on the March 22nd conference call, but you know, we have announced that we are making some of the initial changes and we are putting in processes that we use in the United States in terms of just the drill that we go through in looking at deals and pipeline and forecast. So you know, we're going to take everything that we will find in the U.S. and apply it to Europe. So there's a whole range of things. We're going to consolidate to fewer regions. You know, we have 5, 6 regions and we're going to take it down to 3, so there's a number of changes that we might make, but it's -- we will talk at more length about this in a few weeks.

Katherine Egbert - Jefferies & Co. - Analyst

Okay. How much of the weakness in Europe was organic TIBCO versus Staffware would you say?

Vivek Ranadive - TIBCO Software - Chairman, President, CEO

Well, the weakness had to do with just poor execution.

Katherine Egbert - Jefferies & Co. - Analyst

So it was across the board -- (multiple speakers)?

Vivek Ranadive - TIBCO Software - Chairman, President, CEO

Oh, yes. Yes, you know, we are coming in at a fraction of what the forecast said.

Katherine Egbert - Jefferies & Co. - Analyst

Do you think there is any component of demand in Europe being weak, or is it just simply execution on your part?

Vivek Ranadive - TIBCO Software - Chairman, President, CEO

We believe it's execution, Katherine. I don't think Europe has been particularly strong over the course of the last year, but we still managed to do okay over there. We don't think it got any worse, so we believe that the fault is ours; it was execution.

Katherine Egbert - Jefferies & Co. - Analyst

Okay, that's helpful. Thank you.

Operator

Dino Diana, UBS.

Dino Diana - UBS Warburg - Analyst

I joined in late so sorry if you touched on this already but can you just touch on Staffware's performance in Europe had it been stand-alone versus your remaining business? I think I just heard you say that it was across the board but -- (multiple speakers).

Vivek Ranadive - TIBCO Software - Chairman, President, CEO

You know -- (Multiple Speakers) -- did integrate the businesses, Dino, and so the point that we made earlier that I believe John Difucci asked was -- he was aware of the fact that, in many of the regions, the management that we had was Staffware management and you know if that had been an issue. What I said is yes, we had some paralytic in our sales organization. We had some issues with leadership; you know, there was the old TIBCO and the new TIBCO. There were changes in terms of how we felt (indiscernible) how we recognized revenue, so all of that came to a head.

So we're going to fix all of that; we are going to fix it this quarter and we're going to make leadership changes, but we don't -- the
BPM sales in the United States were actually quite good, so it wasn’t the product, it was more our sales execution.

**Dino Diana - UBS Warburg - Analyst**

So when you look at -- my understanding was that, in July or so, that sales head in Europe changed from -- to a Staffware employee, right, so he’s only been on board for, what, I guess whatever, 2 quarters? Is this going to the third sales change in management?

**Vivek Ranadive - TIBCO Software - Chairman, President, CEO**

No, no, no.

**Dino Diana - UBS Warburg - Analyst**

Or am I -- is that --?

**Chris O’Meara - TIBCO Software - CFO**

No, we had -- the current head of Europe has been there for about a year. We made some regional changes when we combined the companies in the August/September timeframe at the country level (technical difficulty).

**Dino Diana - UBS Warburg - Analyst**

Okay, thanks.

**Operator**

Kash Rangan, Wachovia Securities.

**Kash Rangan - Wachovia Securities - Analyst**

Thank you very much. I’m calling you from an airport, so I apologize for the background noise here. Vivek, it looks like you’re going to make some management changes in Europe. Are we talking about reassignment of existing executives/indiscernible) managers within the TIBCO organization, or are you at the point where you have to bring in new talent from the outside and the latter is the situation? Is 1 quarter a realistic timeframe to expect you just to (indiscernible) by way of better European execution?

**Vivek Ranadive - TIBCO Software - Chairman, President, CEO**

Yes, Kash, what we want to do in (indiscernible) scenario is take homegrown talent and have that person be responsible. So we have 2 or 3 different alternative in terms of how Europe gets run. We believe they are all very good options and if none of those options are viable, then we will have an interim option while we make one of them viable. So, we have -- you know, in the last 24 hours, we have looked at this at some length and by the time we have our conference call 2 weeks from now, all of this will be behind us and put to bed.

**Kash Rangan - Wachovia Securities - Analyst**

Vivek, in retrospect, maybe it’s a little bit too early to diagnose, but could you have experienced perhaps a greater than expected acceleration of European business, especially the software part, in Q4 that may have actually taken away from some of that Q1 strength? Usually with software -- (technical difficulty) -- (indiscernible) you seem to find that salespeople want to -- (multiple speakers).

**Vivek Ranadive - TIBCO Software - Chairman, President, CEO**

No, Kash, that is not the case. You know, we had a very strong forecast going into Q1 and it was just very, very poor execution. It wasn’t that we took deals in Q4 that made it difficult to do deals in Q1; that was not the case.

**Kash Rangan - Wachovia Securities - Analyst**

Okay, so you did have a strong forecast -- (technical difficulty) -- the market ((technical difficulty) -- (multiple speakers)?

**Vivek Ranadive - TIBCO Software - Chairman, President, CEO**

Yes, it came in at a fraction of what our forecast was.

**Kash Rangan - Wachovia Securities - Analyst**

Finally, is it possible at all to say -- to look at -- (technical difficulty) -- the large deals -- (technical difficulty)? Did you have a higher volume of smaller ASP deals?

**Vivek Ranadive - TIBCO Software - Chairman, President, CEO**

No, no, we didn’t see that. It was really, you know, primarily a geographic issue.

**Kash Rangan - Wachovia Securities - Analyst**

Thank you very much.
TIBX - TIBCO Software Reports Preliminary First Quarter Financial Results

Operator
Brent Williams, KeyBanc Capital Markets.

Brent Williams - KeyBanc Capital Markets - Analyst
If I looked at -- you made reference to a forecasting problem. If I look at that, there are a couple of variables in forecasting. One is how well-qualified the deals are, particularly in the later stages. Another is whether the deals get downsized at signing. Another is an estimation of the kill rate. Where do you -- I mean, do you have a sense of which one of these variables might be sort of more of a factor?

Vivek Ranadive - TIBCO Software - Chairman, President, CEO
You know, we're going to have to defer until the March 22nd call to give you more clarity on that. I think a lot of it had to do with just with inaction and paralysis. You know, there were 2 armies and they were both old army/new army, and it was just paralysis and so that's the primary issue we had.

Brent Williams - KeyBanc Capital Markets - Analyst
Okay. Then onto -- you have made a comment about something about European versus U.S. GAAP rev. rec. Were there deals that were signed but couldn't be booked? Is that -- (multiple speakers)?

Vivek Ranadive - TIBCO Software - Chairman, President, CEO
No, no absolutely not, absolutely not. Understand that they were a European company and what they consider to be revenue -- they run on a yearly basis and we are on a quarterly basis, the way that they looked at revenue under U.S. GAAP we wouldn't consider revenue. The point I'm making is, look, there were some cultural differences, there is some training to be done, and all of that combined with just 2 sets of people caused paralysis.

Brent Williams - KeyBanc Capital Markets - Analyst
Okay. Lastly, of the deals that you mentioned -- (Multiple Speakers).

Vivek Ranadive - TIBCO Software - Chairman, President, CEO
You know, in that context -- just to again clarify -- when you put these new things in place, you know, the kinds of processes and procedures we have in the U.S., then people are not used to that, then that can slow things down for some time.

Brent Williams - KeyBanc Capital Markets - Analyst
Okay. Then of the deals that you mentioned that slipped, were there like 1 or 2 blockbusters or some handfuls of healthy but not blockbuster deals?

Vivek Ranadive - TIBCO Software - Chairman, President, CEO
Well, handfuls -- it was the latter. It is the latter. It wasn't like there was a huge big deal that we were hoping to close that didn't close. That wasn't the case.

Sarah Friar, Goldman Sachs.

Sarah Friar - Goldman Sachs - Analyst
Vivek, just you've talked a lot about Europe. Did you see any deals (indiscernible) in the U.S.? I wonder if you could just speak a little bit to the software spending environment here in the United States.

Vivek Ranadive - TIBCO Software - Chairman, President, CEO
Yes, we think it's good. We didn't see -- you know, every quarter, there's always deals that fall in and some deals that get pushed out, but we didn't see any difference in the spending environment from the previous quarter.

Sarah Friar - Goldman Sachs - Analyst
Okay. Then also deals that slipped from Europe, do you have a sense of, as they close, are they getting downsized or is it just true taking X out of one quarter and moving it over into the next?

Vivek Ranadive - TIBCO Software - Chairman, President, CEO
Well, it's more the latter, Sarah, so it's not like -- it's not that the deals run away, it's not that we lost them to a competitor. We believe it's more of the latter.
So you don’t think it’s — (technical difficulty) — customers trying to push you on price, for example, to make — (multiple speakers)?

Vivek Ranadive - TIBCO Software - Chairman, President, CEO

We did not see that, Sarah! We did not see that.

Sarah Friar - Goldman Sachs - Analyst

Okay. Then just finally, Q1 is your kickoff for your sales folks (indiscernible) I think when you could club (ph) for your salespeople. Do you have any sense of because they were out-of-pocket maybe for a week or two that maybe you lost some focus on the sales side — (multiple speakers)?

Vivek Ranadive - TIBCO Software - Chairman, President, CEO

You know, I think those are all very good points. You know, we have our kickoff for our salespeople and that ties them up; we have clubs for the superachievers and then on top of that, you know, this was also the first time that we had to deal with 404. You know, so you add all that up and there were 2 sets of salespeople in Europe and I think it was almost a Perfect Storm that did us in.

One point I do want to make to you guys though about 404 is we’re starting to see customers insist that the companies they do business with guaranteed 404 compliance. You know we, to our knowledge, I think we were like the third company for our auditors to pass 404. So you know, I don’t know how other CEOs are looking at this but from my perspective, this was a big nut to crack.

Sarah Friar - Goldman Sachs - Analyst

Fair enough. Okay, thanks a lot.

Operator

Sterling Auty, JP Morgan.

Sterling Auty - J.P. Morgan - Analyst

Just a couple of questions — Chris, just to clarify, because I wasn’t able to hear your answer from background noise, the 11 million minimum payment from Reuters, is that net to you or is that a gross amount?

Chris O’Meara - TIBCO Software - CFO

That is net to us.
Yun Kim, A.G. Edwards


With management changes that are expected in Europe, would it be prudent to assume that there will be some transition period before the region can ramp up to the level where it was before? Maybe the current May quarter could be a transitional period for Europe?

Vivek Ranadive - TIBCO Software - Chairman, President, CEO

You know, we will give guidance on our call on the 22nd – 24th, I'm sorry, on the 24th. But you know, we're moving very rapidly on all of this and we think, fundamentally, we have some very, very good people over there and we think it's a great team and we just need to put the right processes and the right leadership in place. You know, we do have some fantastic people in Europe.


Okay, that's all I had. Thank you.

Operator

David Hilal, Friedman, Billings, Ramsey.

David Hilal - Friedman, Billings, Ramsey & Co. - Analyst

Thank you, a few follow-up questions -- first on the Reuters, is that a multiyear deal?

Chris O'Meara - TIBCO Software - CFO

It is a 1-year deal with annual renewal provisions.

Chris O'Meara - TIBCO Software - CFO

It is a minimum payment, so to the extent they exceed those minimums, then we get additional payments from them.

David Hilal - Friedman, Billings, Ramsey & Co. - Analyst

Chris, is that 11 million -- is that a threshold, so anything they sell under 11 million for the year, you don't get the 50 percent royalty and everything above that you do get 50 percent? Is that how it works?

Chris O'Meara - TIBCO Software - CFO

I got it. Then on the large deals, were there any deals north of 10 million or at least north of 5 million in the quarter other than this Reuters deal?

Chris O'Meara - TIBCO Software - CFO

No.

Operator

Katherine Egbert, Jefferies & Company.

Katherine Egbert - Jefferies & Co. - Analyst

Hi. I just had a quick follow-up. I'm just wondering why this is basically your third quarter of integration with Staffware. What is it about the management complex that showed up in the February quarter that wasn't there previously? Did it have anything to do with the end of the year?

Vivek Ranadive - TIBCO Software - Chairman, President, CEO

Well, you know, there were a variety of factors, Katherine, but Q1 is seasonally the tough quarter for us always, and we did have a number of changes that we had made that really -- something during this quarter. So we had Staffware people running many of the regions. So you know basically it all came to a head this quarter and what we saw there was complete paralysis, which -- you know before things were still a different, you know, before, they were still new and we were still very involved in it; I was involved, you know, I spent a lot of time in Europe and other senior members were involved, so you know, they were -- this was the first quarter that we actually had the combined management fully functional.

Katherine Egbert - Jefferies & Co. - Analyst

Okay, that helps. Thanks.

Vivek Ranadive - TIBCO Software - Chairman, President, CEO

Okay, I think that concludes this call. I'd like to close by thanking you all for joining us, and we will talk you again on the 24 of March regarding more detailed results for the quarter. Thank you.
Thank you for joining us. We will now conclude TIBCO's Quarter One Preliminary Conference Call. You may disconnect at this time.

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EXHIBIT 0
TIBCO SAYS STAFFWARE PERSONNEL INTEGRATION COMPLETE
163 words
21 January 2005
ComputerWire News
5098
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Tibco Software Inc said that it has completed the integration of the acquired Staffware personnel into its own sales and engineering organizations, and it also said that the founder, former chairman and CEO of Staffware, John O'Connell, is leaving Tibco's management team.

Tibco said O'Connell will still act as a strategic consultant to the company, but he is said to be pursuing other non-executive director roles outside of Tibco. O'Connell is thought to have had a big hand in promoting the initial approach for business process management (BPM) company Staffware by Tibco in April 2004.

Tibco said in its latest quarterly report that it has made a number of headcount reductions related to the acquisition of Staffware - it set aside $3.2m to cover the liability incurred as a result of workforce reductions and the cancellation of marketing programs, but has thus far not said what the total headcount reduction came to.

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