

SERENA SOFTWARE INC
Form DEFA14A
November 14, 2005

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

SERENA SOFTWARE, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

This filing consists of (1) an email from Mark Woodward, the Company's President and CEO, to the Company's employees regarding the proposed merger (2) a press release announcing the proposed merger and (3) a Q&A for the Company's employees regarding the proposed merger.

From: Mark Woodward

Sent: Friday, November 11, 2005 5:06 AM

To: All users

Subject: Important Announcement

Importance: High

To all employees

Today marks the beginning of a new chapter in the evolution of Serena Software. This morning we announced that Serena and Silver Lake Partners have entered into a definitive agreement under which Serena will be acquired by Silver Lake. The value of the transaction is approximately \$1.2 billion, the details of which are outlined in the attached press release. The transaction is expected to close in Serena's first quarter of calendar year 2006, subject to the receipt of stockholder approval and customary regulatory approvals.

Members of Serena management are expected to retain minority equity stakes in the resulting private company upon completion of the transaction. Silver Lake and Serena management will work together and we'll jointly have the responsibility of full company ownership. As a privately held company, we can devote more of our focus on working through the implementation of our Change Governance vision.

While this is a big step for the company, many things will not change. We expect that we will maintain our dedicated management team, outstanding culture and commitment to our employees and customers. We will also strive to continue to serve our customers, deliver value, and earn loyalty by providing excellent products and services. In addition, day-to-day operations for most employees should not change. There are no organizational changes planned as a result of this transaction. Silver Lake Partners and the Serena management team are committed to providing employees with long term opportunities for growth and advancement.

Salary, bonuses and major benefits are also expected to remain unchanged (other than those changes already in progress at this time). However, since Serena stock will no longer be publicly traded, bonus and incentive programs that were stock based will be modified to reflect this new reality. Going forward, we are committed to providing a compelling performance-based incentive program to replace the current stock plan. Under the terms of the agreement, Serena stockholders will receive \$24.00 per share in cash in exchange for their shares. Serena options currently held by employees will vest in full immediately prior to the completion of the transaction and employees holding such options shall receive \$24.00 per share in cash, less the applicable exercise price for such option.

Silver Lake is the leading private equity firm focused exclusively on large-scale investments in technology and related growth industries. Silver Lake's mission is to function as a value-added partner to the management teams of the world's leading technology franchises. They bring a breadth of knowledge and an extensive network of industry relationships to Serena. Some of their current portfolio companies include market leaders like SunGard Data Systems, Seagate Technologies, Business Objects, Ameritrade, Nasdaq, and Gartner.

I will discuss all of this and will share more information about today's announcement during an all-employee meeting held today in San Mateo and via Webcast at 10:00 am (PST). The meeting will provide an opportunity for you to ask questions. We will also be scheduling a call on Monday for the team in APAC.

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Attached you will find a number of documents including a Q&A for employee related questions, a Q&A for customer related issues, a copy of the press release as well as the details for today's company wide conference call. The customer Q&A document will also be posted on our web site for customers to view, and the employee Q&A document will be posted on our intranet site and will be updated as new questions may arise.

If you have any questions in the meantime please call the marketing hotline x72491 (503-617-2491) or Marketing Helpdesk on the Serena Intranet.

Sincerely,

Mark Woodward

President and CEO

Additional Information and Where to Find It

In connection with the proposed merger, Serena will file a proxy statement with the Securities and Exchange Commission. INVESTORS AND SECURITY HOLDERS ARE STRONGLY ADVISED TO READ THE PROXY STATEMENT WHEN IT BECOMES AVAILABLE BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders may obtain a free copy of the proxy statement (when available) and other documents filed by Serena at the Securities and Exchange Commission's Web site at <http://www.sec.gov>. The proxy statement and other relevant documents may also be obtained for free from Serena by directing such request to Serena Investor Relations, 2755 Campus Drive, 3rd Floor, San Mateo, California 94403-2538, USA, telephone: (650) 522-6600.

Serena and its directors, executive officers and certain other members of its management and employees may be deemed to be participants in the solicitation of proxies from its stockholders in connection with the proposed merger. Information regarding the interests of such directors and executive officers is included in Serena's Proxy Statement for its 2005 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on May 24, 2005, and information concerning all of Serena's participants in the solicitation will be included in the proxy statement relating to the proposed merger when it becomes available. Each of these documents is, or will be, available free of charge at the Securities and Exchange Commission's Web site at <http://www.sec.gov> and from Serena Investor Relations, 2755 Campus Drive, 3rd Floor, San Mateo, California 94403-2538, USA, telephone: (650) 522-6600.

**SERENA SOFTWARE TO BE ACQUIRED BY SILVER LAKE PARTNERS IN A
TRANSACTION VALUED AT APPROXIMATELY \$1.2 BILLION**

Shareholders to Receive \$24.00 per Share in Cash

Company Announces Preliminary Third Quarter Results

San Mateo, CA, Menlo Park, CA, and New York, NY November 11, 2005 Serena Software, Inc. (NASDAQ:SRNA), the leader in Change Governance, and Silver Lake Partners, the leading private equity firm focused exclusively on large-scale investing in technology and related growth industries, today announced that they have entered into a definitive agreement under which Serena will be acquired by Silver Lake in a transaction valued at approximately \$1.2 billion.

Under the terms of the agreement, Serena stockholders will receive \$24.00 in cash in exchange for each share of stock. Any of Serena's existing \$220 million of convertible notes that are not converted to Serena common stock prior to completion of the proposed transaction will be exchanged for cash in an amount of \$24.00 for each share of Serena common stock into which the notes were convertible. Douglas D. Troxel, founder of Serena and currently its chairman and largest shareholder, will receive \$24.00 per share in cash in exchange for one-third of his shares and will exchange the balance of his equity interest in Serena for shares in the resulting privately held company. Serena president and chief executive officer Mark Woodward, chief financial officer Robert Pender, and possibly other senior executives will also exchange a portion of their Serena equity interests for equity interests in the resulting privately held company.

Both the board of directors of Serena and a special committee of the board comprised of independent directors have approved the merger agreement and have recommended to Serena's stockholders that they vote in favor of the transaction. In addition, Mr. Troxel has agreed to vote his shares in favor of the transaction.

Mark Woodward, president and chief executive of Serena, said, "Today's announcement is great news for Serena and its shareholders. Our decision to partner with Silver Lake to take the company private represents the culmination of a thorough review of our standalone plan and strategic alternatives and we believe this is the best value proposition for our shareholders."

David Roux, a co-founder and managing member of Silver Lake Partners, said, "Serena is a great company. We have complete confidence in Mark Woodward and the rest of the Serena management team and look forward to working with them to enhance and extend their successful track record as the leader in Change Governance, providing comprehensive solutions to customers across the corporate and public sector spectrum. We believe our interests are aligned with the long-term interests of Serena's customers and employees."

The transaction is expected to be completed in the first quarter of calendar year 2006, subject to receipt of stockholder approval and customary regulatory approvals as well as satisfaction of other customary closing conditions, including receipt of debt financing pursuant to customary commitment letters.

Preliminary Third Quarter Results

Serena today also announced preliminary results for the third quarter ending October 31, 2005. Based on preliminary estimates, the company expects license revenues to be in the range of \$21.5 million to \$22.5 million and total revenues in the range of \$64 million to \$65 million. GAAP net income per fully diluted share is expected to be \$0.20 to \$0.21 and non-GAAP net income per fully diluted share is expected to be \$0.35 to \$0.36. These preliminary results include a one-time tax benefit of \$1.4 million.

The company cautioned that these results are preliminary and actual results could vary materially when the company reports final earnings for the third quarter of fiscal 2006 on November 17, 2005, after the market close. Further details on the company's expectations going forward will be provided in the third quarter fiscal earnings conference call.

Advisors

Morgan Stanley acted as financial advisor to the special committee of the board of directors of Serena and provided a fairness opinion to it in connection with the transaction. Wilson Sonsini Goodrich & Rosati P.C. acted as legal advisor to the special committee of the board of directors of Serena in connection with the transaction. Gibson Dunn & Crutcher LLP acted as legal advisor to Serena's management in connection with the transaction.

Upon closing, the transaction is expected to be financed through a combination of equity contributed by Silver Lake and debt financing provided by Merrill Lynch & Co., Lehman Brothers, and UBS. Merrill Lynch & Co. and Lehman Brothers acted as financial advisors to Silver Lake in connection with the transaction. Simpson Thacher & Bartlett LLP acted as legal advisors to Silver Lake in connection with the transaction.

Webcast

Serena will host a conference call to discuss this announcement today, Friday, November 11, 2005, at 8:30 a.m. EST. The conference call can be accessed live by dialing (866) 322-0547 (toll free) or (706) 758-0596 (international), or you may listen to the call live at www.serena.com. An audio replay of the call will be available from noon today through Friday, November 25, 2005 at www.serena.com and at (800) 642-1687 (toll free) or (706) 645-9291 (international), Conference ID# 2335682. A copy of this press release can be found at www.serena.com. All statements made by Serena officers on the conference call and the information posted on the Serena Web site are the copyrighted property of Serena. Recording of the conference call is prohibited without the express prior written consent of Serena.

About Serena Software, Inc.

With more than 25 years of experience in managing change throughout the IT environment, Serena Software (Nasdaq:SRNA) is the leader in Change Governance, providing software to help global 2000 organizations visualize, orchestrate and enforce effective business processes throughout the IT lifecycle. More than 15,000 organizations around the world, including 98 of the Fortune 100, leverage Serena's integrated framework to manage costs, ensure consistent quality of service, mitigate business risks and ultimately profit from change. Serena is headquartered in San Mateo, California, with offices throughout the U.S., Europe, and Asia Pacific. For more information, please visit www.serena.com.

About Silver Lake Partners

Silver Lake Partners is the leading private equity firm focused exclusively on large-scale investing in technology and related growth industries. Silver Lake seeks to achieve superior returns by investing with the strategic insight of an experienced industry participant, the operating skill of a world-class manager, and the financial expertise of a disciplined private equity investor. Specifically, Silver Lake's mission is to function as a value-added partner to the management teams of the world's leading technology franchises. Its portfolio companies include technology industry leaders such as Ameritrade, Business Objects, Flextronics, Gartner, Nasdaq, Network General, Seagate Technology, SunGard Data Systems, Thomson and UGS. Silver Lake also recently announced the acquisitions of Agilent's Semiconductor Products Group (now known as Avago Technologies) and Instinet's Institutional Broker division. For more information, please visit www.silverlake.com.

Additional Information and Where to Find It

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AVAILABLE, BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION. Investors and security holders may obtain a free copy of the proxy statement (when available) and other documents filed by Serena at the Securities and Exchange Commission's Web site at <http://www.sec.gov>. The proxy statement and such other documents may also be obtained for free by directing such request to Serena Software Investor Relations, 2755 Campus Drive, 3rd Floor, San Mateo, California 94403-2538, USA, telephone: (650) 522-6600.

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This press release contains forward-looking statements under the Private Securities Reform Act of 1995. There can be no assurance that future results will be achieved, and actual results could differ materially from forecasts and estimates. Factors that could cause or contribute to such differences include, but are not limited to, the percentage of license revenue typically closed at the end of each quarter making estimation of operating results prior to the end of the quarter extremely uncertain; weak economic conditions worldwide which may continue to affect the overall demand for software and services, which has resulted in and could continue to result in decreased revenues or lower revenue growth rates; our ability to successfully integrate our acquisition of Merant plc.; changes in revenue mix and seasonality; dependence on revenues from our installed base; the expansion of our international organizations; continued demand for additional mainframe

MIPS capacity; our ability to complete the assessment of internal controls over financial reporting as of January 31, 2006, as required by Section 404 of the Sarbanes-Oxley Act, which may impact market perception of the reliability of our internal controls over financial reporting and thus adversely affect the market price of our common stock; and our ability to manage our growth. We may not be able to complete the proposed transaction on the terms summarized above or other acceptable terms, or at all, due to a number of factors, including the failure to obtain approval of our stockholders, regulatory approvals or to satisfy other customary closing conditions. Information about potential factors that could affect the Company's financial results is included in the Company's Form 10-K filed on April 8, 2005 and Form 10-Q filed on September 9, 2005, each as filed with the Securities and Exchange Commission. Serena assumes no obligation to update the forward-looking information contained in this press release.

GAAP to non-GAAP Reconciliation

Serena management evaluates and makes operating decisions using various operating measures. These measures are generally based on the revenues of its product, maintenance and services operations and certain costs of these operations, such as cost of revenues, research and development, sales and marketing and general and administrative expenses. Such measures include non-GAAP net income and non-GAAP net income per share. We have discussed below the type and scope of the amounts excluded in calculating these non-GAAP measures and the limitations on the use of these non-GAAP measures as a result of these exclusions. These non-GAAP measures are not an alternative to measures calculated in accordance with GAAP. Investors and potential investors in our securities should not rely on the use of these non-GAAP measures as a substitute for any GAAP financial measure. In addition, our calculation of these non-GAAP measures may or may not be consistent with that of other companies. We strongly urge investors not to rely on any single financial measure to evaluate our business.

Serena views non-GAAP net income and non-GAAP earnings per share as operating performance measures, and as such it believes that the GAAP financial measures most

directly comparable to them are net income and net income per share, respectively. Non-GAAP net income and net income per share differ from comparable GAAP measures in that they exclude the amortization of intangible assets and charges relating to the purchase accounting adjustments for the acquisition of Merant, amortization of acquired technology and intangible assets, stock based compensation, restructuring, acquisition and other charges.

Management believes it is useful in measuring Serena's operations to exclude amortization of intangible assets and charges relating to the purchase accounting adjustments for the acquisition of Merant because these costs are primarily fixed at the time of the acquisition and generally cannot be changed by management in the short term, or represent significant costs not related to current operations. Non-GAAP net income is helpful in more clearly highlighting trends in its core business that may not otherwise be apparent when relying solely on GAAP financial measures, because these non-GAAP measures eliminate financial items that have less bearing on Serena's operating performance. Serena believes it is useful to investors to see how management separates initial acquisition costs from its view of Serena's current and future continuing operations. Management also believes that these non GAAP measures facilitate comparison of the current operating performance of the combined Serena and Merant operations to the past performance of Serena and Merant as separate companies, as it permits the comparison of operating results of the separate companies, viewed together, to Serena's current operating results without the impact of charges relating to the acquisition process rather than the underlying operations of the two companies.

Serena's management uses these non-GAAP measures as supplemental financial measures to evaluate the performance of Serena's business that, viewed with Serena's GAAP results and the accompanying reconciliations, it believes provide a more complete understanding of factors and trends affecting its business than GAAP results alone. Serena uses these measures to make forecasting, budgeting and operating decisions such as establishment of operating targets, budgets and bonus compensation.

Serena communicates these non-GAAP measures to the public through its earnings releases because we understand that they are financial measures commonly used by analysts that cover our industry and our investor base to evaluate our performance. For example, based on communications with analysts and investors, Serena understands that some analysts and investors may value companies based on a measure of discounted future cash flows and that Serena's non-GAAP financial measures can be useful to such analysts in performing such valuations. Management believes that presenting these non-GAAP measures provides investors and analysts with an additional base line for assessing the future earnings potential of Serena. Serena prefers to allow investors to have these supplemental measures since, with reconciliation to GAAP, they may provide additional insight into its financial results.

Non-GAAP measures should not be considered a substitute for measures of financial performance prepared in accordance with GAAP. Investors are encouraged to look at GAAP results as the best measure of financial performance. For example, amortization of acquired technology and intangible assets are important to consider because they may represent initial expenditures that under GAAP are reported across future fiscal periods. Stock based compensation and restructuring and acquisition related charges are important because they may represent obligations of Serena that should be considered. All of these metrics are important to financial performance generally. Investors and potential investors are encouraged to review the reconciliation of non-GAAP financial measures contained within this press release with their most directly comparable GAAP financial results.

Though Serena management finds its non-GAAP measures useful in evaluating the performance of its business, its reliance on these measures is limited because items excluded from such measures often have a material effect on its revenue, net income and net income per share calculated in accordance with GAAP. Management compensates for the above-described limitations of using a non-GAAP measure by using these non-GAAP measures to supplement Serena's GAAP results to provide a more complete understanding of the factors and trends affecting our business.

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Contacts:

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Employee Q&A

Q1. What is Serena announcing today?

Today we announced that Serena Software has entered into a definitive agreement under which Serena will be acquired by Silver Lake Partners in a transaction valued at approximately \$1.2 billion.

This announcement is the first step of a process that will conclude with the transaction expected to close in Q1 FY07, subject to receipt of stockholder approval, customary regulatory approvals, receipt of debt financing under customary commitment letters and other customary closing conditions.

Q2. Why is Serena becoming private again?

After a thorough review of strategic alternatives and a careful due diligence process, both the board of directors of Serena and a special committee of the board comprised of independent directors have concluded it is in the best interest of Serena's stockholders to accept the \$24 per share offer for the company and have recommended to Serena's stockholders that they vote in favor of the transaction.

We expect that under private ownership we will have far greater flexibility to focus on meeting your needs more effectively and efficiently. Being a private company should also allow us to make long-term investments in our product and service offerings and ultimately become a more valuable partner to you.

Q3. What does this mean to Serena's customers and business partners?

We expect that current customer agreements will remain in force and Serena will be gaining the support of world-class investors, increasing our capacity to service more of our customers' needs more rapidly. As a privately held entity, Serena expects to remain focused on the success of our customers and partners.

Q4. What does this mean for Serena shareholders?

Under the terms of the agreement, Serena stockholders will receive \$24.00 per share in cash in exchange for their shares. Any of Serena's existing \$220 million of convertible notes that are not converted to Serena common stock prior to completion of the proposed transaction will be exchanged for cash in an amount of \$24.00 for each share of Serena common stock into which the notes were convertible.

Q5. What does this mean for Serena employees?

Day-to-day operations for most employees should not change and we expect the current Serena management team will remain in place. There are no organizational changes, such as a reduction in force, planned as a result of this transaction. Silver Lake Partners and the Serena management team are committed to providing employees with long term opportunities for growth and advancement.

Q6. How will this affect my salary, bonus, and benefits?

No changes to salary, bonuses and major benefits are planned (other than those changes already in progress at this time). However, since Serena stock will no longer be publicly traded, bonus and incentive programs that were stock based will be modified to reflect this new reality.

Once the ESPP purchase occurs on December 1, 2005, the ESPP program will be suspended. Options and restricted shares currently held by employees will vest in full immediately prior to the completion of the transaction and employees holding such options or restricted shares shall receive \$24.00 per share in cash, less the applicable exercise price for such option or restricted share. Detailed instructions for exchanging shares for cash will be provided at that time.

Going forward, we are committed to providing a compelling performance-based incentive program to replace the current stock plan. Details of the new program will be announced as soon as possible.

Q7. When is the transaction expected to be completed?

The transaction is expected to be completed in Q1 FY07 timeframe, subject to receipt of stockholder approval, customary regulatory approvals and debt financing as well as customary closing conditions.

Q8. Why are we doing this now?

The timing of the decision was based on the board's judgment of what was in the best interests of the shareholders. This transaction represents a 17% premium to the average share price over the last 30 days and a 21% premium to the average share price over the last 60 days. It is also important to note that our stock has not closed above \$24.00 since February of 2002.

Q9. Can you tell me about Silver Lake Partners?

Silver Lake Partners is the leading private equity firm focused exclusively on large-scale investing in technology and related growth industries. Silver Lake seeks to achieve superior returns by investing with the strategic insight of an experienced industry participant, the operating skill of a world-class manager, and the financial expertise of a disciplined private equity investor.

Silver Lake's mission is to function as a value-adding partner to the management teams of the world's leading technology franchises. Its portfolio companies include technology industry leaders such as Ameritrade, Business Objects, Flextronics, Gartner, Nasdaq, Network General, Seagate Technology, SunGard Data Systems, Thomson and UGS. For more information: www.silverlake.com.

Q10. How will Silver Lake help Serena?

Silver Lake Partners has an outstanding track record of helping build value in its portfolio companies and delivering returns to investors. They bring a breadth of knowledge and an extensive network of industry relationships to Serena, which will add significant value to our company.

Q11. What will not change?

Day-to-day activities for most employees will not change.

Serena will continue to keep its dedicated management team, outstanding culture and commitment to its employees and customers. Serena will continue to serving our customers, delivering value, and earning loyalty by providing excellent products and services.

We remain committed to profitable growth and will value the same commitment to performance standards as we did as a public entity.

Q12. What will change?

Serena stock will no longer be publicly traded and the composition of our Board of Directors will change. Mark Woodward will remain on the Board, as will Doug Troxel, who will retain a significant ownership stake in the resulting private company if the transaction is completed. Current outside board members will depart following the close of the transaction and new board members from Silver Lake Partners will join Serena's board.

Serena will not be impacted by the day-to-day demands of Wall Street as it will no longer be a public company. As a privately held company, we believe that we will be able to devote our entire focus to the long-term success of the company and will not be impacted by the day-to-day demands of a public company. Additionally, Serena will have greater operational flexibility than was possible as a public entity.

Q13. What is a definitive agreement?

A definitive agreement or a purchase agreement is the document that defines the final terms between the parties in the deal, which in this case is a merger agreement.

Q14. Is there any reason this transaction will not happen?

The definitive agreement requires both regulatory and shareholder approval as well as the receipt of necessary debt financing.

Q15. How is a leveraged buyout different than a merger or acquisition?

In this transaction, Silver Lake is purchasing the company and members of management are participating as minority stockholders. The result will be that Serena shares will no longer be publicly traded.

Q17. How did this transaction occur, who approached whom?

We will be filing our proxy over the coming weeks which will provide context around how this transaction came to fruition. You can learn additional history and details of the transaction at that time.

Additional Information and Where to Find It

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