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DEALS

SAP to Buy Market-Analytics Startup Qualtrics for \$8 Billion

Business-software vendor plans to use firm's tech to guide product design



SAP's planned acquisition of Qualtrics is a sign it "is willing to pull out all the stops" to compete with Salesforce.com in its field of business software, an analyst said. PHOTO: RONALD WITTEK/EPA-EFE/REX/SHUTTERSTOCK

By Jay Greene and Rolfe Winkler

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SAP SE, [SAP 0.65% ▲](#) the German business-software vendor, agreed Sunday to buy Qualtrics International Inc. for \$8 billion, taking the market-analytics startup off the market just days before it planned to sell shares to the public.

SAP is counting on the deal to bolster it in the customer-relationship management software business, or CRM, where Salesforce.com Inc. has the lead. The company intends to weave in the analytics capabilities of Qualtrics—which offers surveys that companies can use to gauge customer feedback—to help future product design as well as marketing efforts, SAP Chief Executive Bill McDermott said in an interview.

Right now, Salesforce is two to three times as large as SAP in the CRM market, said Stifel Nicolaus & Co. analyst Brad Reback.

The acquisition, which would be SAP's second largest, after its \$8.3 billion deal to buy expense-management services company Concur Technologies Inc. in 2014, shows the company "is willing to pull out all the stops" to catch up to Salesforce, Mr. Reback said.

But given Salesforce's significant lead, he added, "we don't think it will be enough."

Qualtrics announced plans to sell shares to the public last month, and was set to do so this Thursday, its CEO Ryan Smith said in an interview Sunday. The company expected a valuation of "well north of \$5 billion," Mr. Smith said. According to Mr. McDermott, the offering was 13 times oversubscribed.

"It's not where we thought we'd end up," Mr. Smith said of the acquisition. But joining SAP augments Qualtrics' offerings and dramatically expands its market, he said.

The all-cash deal, which includes unvested employee incentive compensation and cash Qualtrics holds, has been approved by both company's boards and should close in the first half of 2019, SAP said in a statement.

For the first nine months of 2018, Qualtrics generated \$289.57 million in revenue, up 40% from a year earlier. It posted a \$2.3 million operating profit in the same period, nearly double its year-earlier operating profit.

The deal is a win for three venture-capital firms that made earlier investments in the company. Accel and Sequoia Capital first invested in Provo, Utah-based Qualtrics in 2012, pumping in \$35 million each at a \$350 million valuation, said a person familiar with the figures. The two firms own 16% and 9% of Qualtrics, respectively. Insight Venture Partners owns 15% after investing in a subsequent round of financing.

Qualtrics had a \$2.5 billion valuation in April 2017, after raising \$180 million.

The Qualtrics founders previously declined an offer to sell the business at a roughly \$500 million valuation, when they instead chose to take financing from Accel and Sequoia.

The deal is the latest multibillion-dollar software acquisition. Two weeks ago, International Business Machines Corp. agreed to buy software-and-services company Red Hat Inc. for about \$33 billion. In June, Microsoft agreed to buy coding-collaboration site GitHub Inc. for \$7.5 billion. And Salesforce made a deal too, in March agreeing to buy MuleSoft Inc. for \$6.5 billion to help customers tap data from older computer systems as they move to the cloud.

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