



SAS has ample cash, Davis said.

## **SAS plans to expand, add workers as rivals merge**

Frank Norton, Staff Writer

A top SAS official predicts that the Cary software company will continue to grow stronger, despite competition from rivals that keep getting bigger by joining forces.

Analysts say the proposed \$6 billion takeover of Business Objects of France by SAP of Germany, announced Sunday, will intensify pressure on SAS to either join the consolidation wave reshaping the industry or find new ways to distinguish itself.

But industry mergers could help SAS by creating short-term confusion in the market for the software that businesses use to crunch huge amounts of information about customer preferences and other trends, SAS marketing officer Jim Davis said Tuesday.

Davis said he expects SAS's annual revenue this year to top \$2 billion for the first time. And the company expects to hit \$3 billion by 2010 as SAS increases sales to banks, government agencies, retailers and other big customers, he said. To support that expansion, SAS will need to increase its work force by about 2,000 people, or 20 percent, to about 12,000 workers by that time, he said.

"This is a very healthy growth phase for us," Davis said.

SAS grew out N.C. State University research in 1976. The company has since become the largest private software maker in the world and one of the Triangle's largest employers, with more than 4,000 people at its Cary headquarters.

The privately held company does not disclose financial results beyond revenue, but Davis said SAS has abundant cash, no debt and 31 years of uninterrupted profit growth. Its software revenue beats that of rivals Business Objects and Cognos, he said.

"That puts us in a very good spot," Davis said.

The SAP-Business Objects deal does not represent a near-term threat to SAS, Davis said.

SAS makes software that helps organizations compile, store and gain access to substantial volumes of data. Increasingly, the company is developing processes that help managers use that data to make business decisions. SAS has a substantial edge in that analytics market, which will increasingly help set it apart from rivals, Davis said.

The SAP deal should hand the German company a major position in the business-intelligence market, Davis said. However, SAS draws only about a 10th of its revenue from that market, with the rest coming from businesses such as analytics that have built around that market, he said.

Still, the deal gives SAP a powerful combination of data processing and business automation capabilities.

"That's broad sweep to compete against," said Daniel Sholler, a vice president for research firm Gartner. "SAP's existing customer base is a potentially huge market for business intelligence."

Sholler said all competitors, including SAS, will have to respond.

Further consolidation is expected in the industry. The SAP proposal follows other deals in the business-intelligence market, most notably Oracle's \$3.3 billion acquisition of Hyperion this year.

SAS would be a highly coveted target for larger companies such as IBM and Hewlett-Packard. But it is privately held, so analysts think that it's more likely to be a buyer.

SAS's Canadian rival, Cognos, is expected to be the next data company to be bought, a prospect Davis said could help SAS further consolidate market share. He declined to say how SAS might get involved in the consolidation trend.

SAS this week announced an alliance with former rival Teradata in which the data-storage company agreed to embed its products with SAS technology. The deal streamlines processes for companies that use both SAS and Teradata software and should significantly boost sales, Davis said.

SAP's proposed deal is its first ever of this scale and could take years to integrate.

"They're flying a little bit in the dark as far as how to approach the situation," said analyst Derrick Wood with Pacific Growth Equities in San Francisco. "There are a lot of things that would need to be worked out, such as what products to keep and what products to throw away. This will take a long time."

<http://www.newsobserver.com/business/story/731799.html>