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### NetSuite's Sweet Ride Takes Another Turn

*After what one analyst called a "painfully long" anticipation, the on-demand CRM vendor finally goes public*

by [Jessica Tsai](#)

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The wait was finally over, but the moves kept coming: Years after its first steps to become a public company, on-demand CRM vendor NetSuite raised its offer price twice during an initial public offering (IPO) built around a Dutch auction. Then the price tag still moved nearly \$10 per share higher on December 20, its first day of trading on the New York Stock Exchange, where it had landed a prestigious single-letter trading symbol (N). By its second day, the stock had nearly reached \$46. And while some of the early headiness has dissipated--at press time, the stock had tumbled back to the neighborhood of its debut price, in the mid-\$20s--the marketplace's response continues to fortify NetSuite's position as a key player in the software-as-a-service (SaaS) industry and, in turn, gives credibility to the still-emerging market of SaaS solutions.

According to Scott Sweet, senior managing partner at stock research firm IPO Boutique, the delay was partly attributable to concerns regarding a conflict of interest for NetSuite's majority shareholder, Oracle Chief Executive Officer Larry Ellison. "It's very rare that a person is the majority shareholder in more than one company," Sweet says; only after Ellison agreed to put his shares in a "lockbox" for several years could NetSuite finally proceed with its IPO.

As the last IPO of 2007, NetSuite's success was even more impressive because the market "has been very challenging and very difficult," Sweet says, adding that several other firms due to go public the same week had postponed their IPOs.

Some analysts were quick to note that, despite exponential growth in revenue, NetSuite has yet to claim a profit. As SaaS continues to gain momentum (see "SaaS X.0?" page 20), and as NetSuite caters to the "very fertile market" of small and midsize companies once left out of the game, Sweet and others anticipate a tremendous opportunity for growth. "It's my expectation that they will be profitable in mid-to-late 2008," Sweet says. "NetSuite also has the enormous benefit of having Larry Ellison, who can--and has--worked very well with debt and can make the acquisitions that will enhance NetSuite's niche."

NetSuite's not the only SaaS vendor to hit Wall Street lately. Within the past six months, Constant Contact and SuccessFactors also went public, in October and November, respectively. Sweet says he wasn't impressed with SuccessFactors--which was selling below its offering price as of press time--and, though he's more positive about Constant Contact, he still sees NetSuite leading the pack of newly public SaaS vendors.

For the time being, the company most often viewed as NetSuite's main competitor is Salesforce.com, another on-demand CRM vendor that counts Ellison as an early investor and Oracle veterans among its founders. "NetSuite, along with its likely acquisitions, will give Salesforce.com a big challenge," Sweet says. "A very big challenge."

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