

NEW RISK ALERT: (CTXS)

Citrix Systems Appears to Ditch SAP for Microsoft and Google

New language in latest 10-K suggests the decade long relationship may be fraying & that its cloud transition is not progressing as promised.

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This alert compares the language used in the company's latest filing with the period before. [Research](#) suggests changes in language, particularly in the risk factor section, is a powerful indicator of future performance. Companies that change filing language, according to research, underperform those that don't by 30-50 basis points per month for the following year.

Citrix Appears to Cut Ties With SAP, Will Now Compete Against Ex-Partner

Citrix Systems no longer devotes a special section near the top of its annual report to SAP like it has in the past and as it does for other partners like Microsoft and Google. In its 2019 10-K, Citrix prominently highlighted its partnership with SAP:

"Citrix has been partnering with SAP for more than a decade to provide virtualization, management, networking and cloud services to our joint customers. Together, SAP products and Citrix technologies enable the mobile workspace to run better. SAP solutions empower people to work together more efficiently and use business insight more effectively to stay ahead of the competition. Citrix Workspace offers integrations from leading SAP applications including Ariba, Concur and SuccessFactors."

The SAP section has been omitted from Citrix's 2020 [10-K](#). The company mentions SAP just twice in its latest annual report— saying only that it integrates with certain SAP applications— down from eight mentions the prior year.

Evidence of a split is even stronger when you compare language in a section highlighting Citrix's strategic partnerships. Last year, Citrix mentioned SAP alongside Google and Microsoft:

"We have several strategic and technology relationships with large and complex organizations, such as Microsoft, Google, **SAP** and other companies with which we work to offer complementary solutions and services."

In its latest annual report, Citrix once again omits SAP:

*“We have several strategic and technology relationships with large and complex organizations, such as **Microsoft, Google** and other companies with which we work to offer complementary solutions and services.”*

The omission is intentional and likely the result of Citrix’s recent \$2.25 billion acquisition of Wrike, which positions Citrix as an even more formidable competitor in the hybrid-cloud work management space in which SAP competes. In what may be perceived as confirmation, Citrix warns that strategic partners may also double as frenemies:

*“However, such relationships carry an element of risk because, in most cases, **we must compete in some business areas with a company with which we have a strategic relationship** and, at the same time, cooperate with that company in other business areas.”*

In SAP’s case, it appears as if Citrix is finding it increasingly difficult to cooperate while still expecting a return on the partnership. Citrix’s executive leadership and board of directors are littered with former SAP managers. One distributor has accounted for 17%, 15%, and 14% of Citrix’s sales over the past three years. It’s not clear from the filings what percent of Citrix’s revenue was as a result of its SAP partnership.

Citrix Warns Transition to Cloud Not Going According to Plan

In its latest 10-K, Citrix warns it may not meet financial and strategic objectives as fast as originally forecast. The company’s customers are migrating to Citrix’s cloud-based solutions slower than expected:

*“For instance, the transition of customers from our on-premises subscriptions to cloud-based offerings **did not progress during the first half of 2020 at the rate we had anticipated at the beginning of the year**, as many of our customers chose our on-premises subscriptions rather than migrating their Citrix Workspace deployments to our cloud-based offerings.”*

Despite the development of new features and a simplified cloud migration process, Citrix warns customers may still resist:

“There can be no assurance, however, that these initiatives will result in an increase in the transition of our customers from on-premises to our cloud-based solutions. If we are unable to transition our customers to cloud-based solutions at the pace we expect, we may experience a negative impact on our overall financial performance.”