

# SAP Debt Investor Presentation

## First Quarter 2014 Update Call

Walldorf, Germany

April 28, 2014



# Safe Harbor Statement

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# Agenda

## **SAP Strategy**

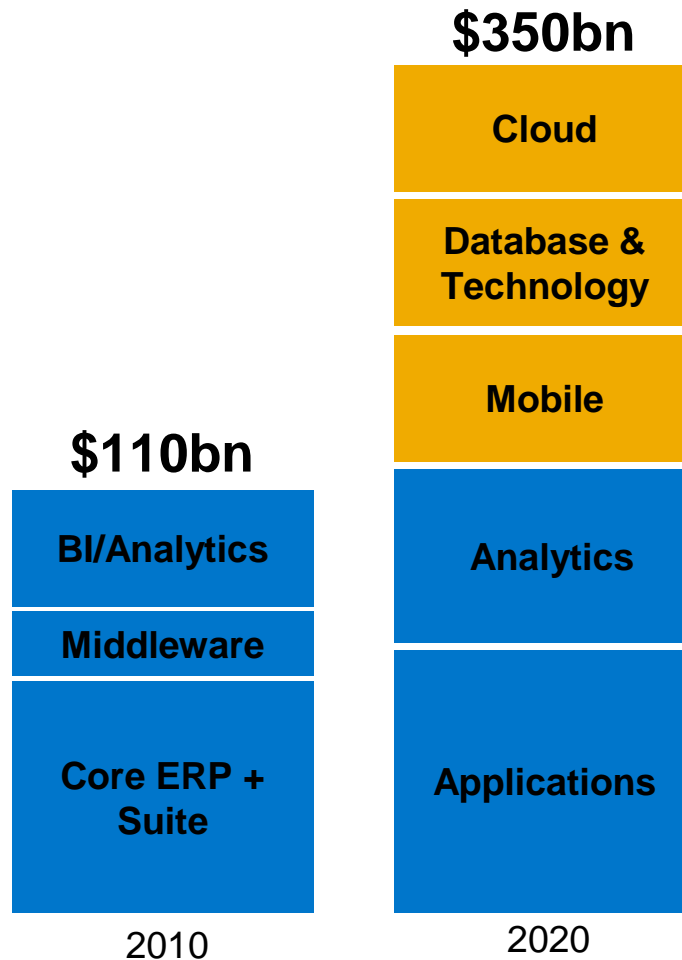
Mid-term and 2014 Outlook

2014-Q1 Performance Update

Financing Strategy & Credit Profile

# Foundation of a winning strategy

## Addressable market (\$ billion)



## SAP position

**1bn**  
EUR Revenue

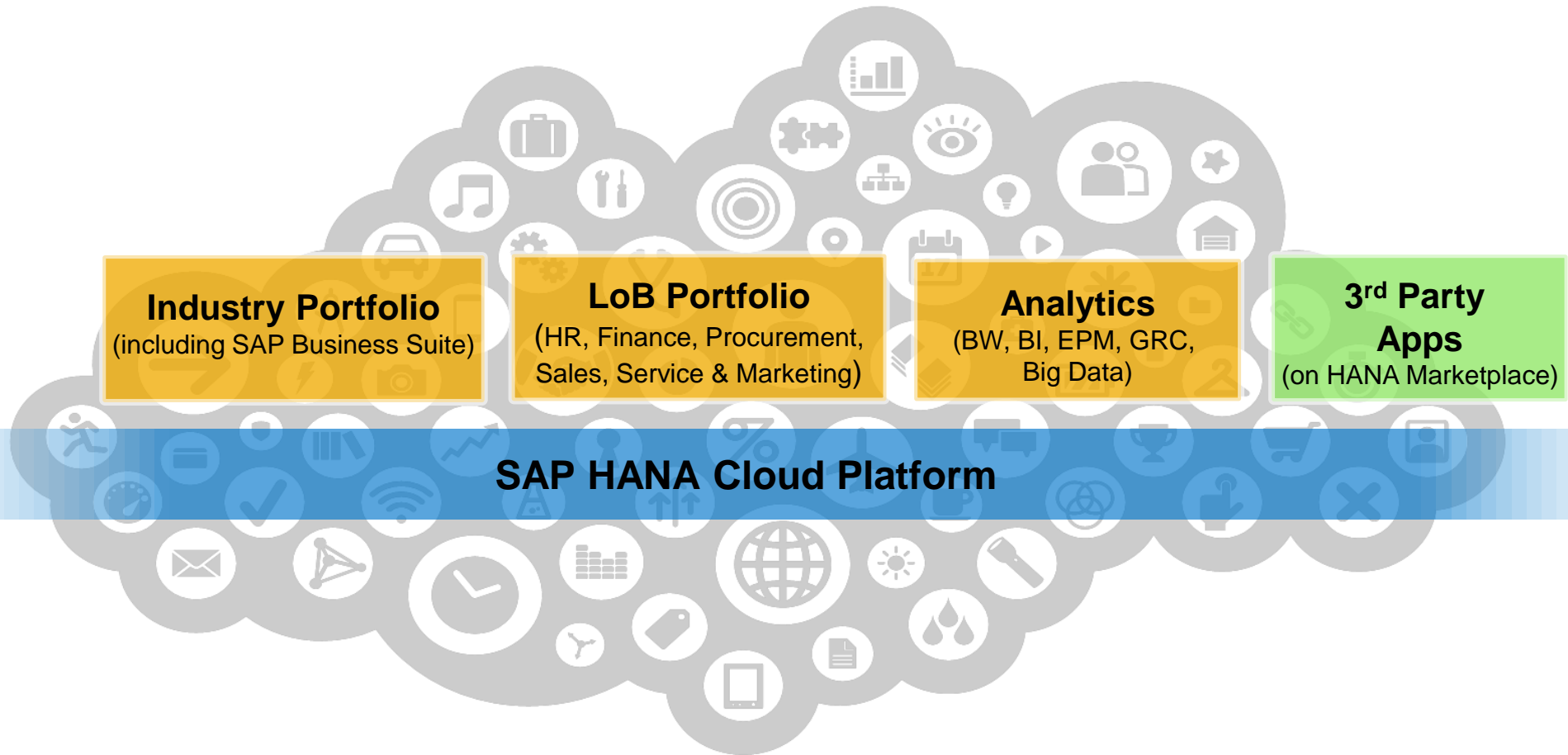
**Fastest**  
Growing Database

**#1**  
in Mobility

**#1**  
in Analytics

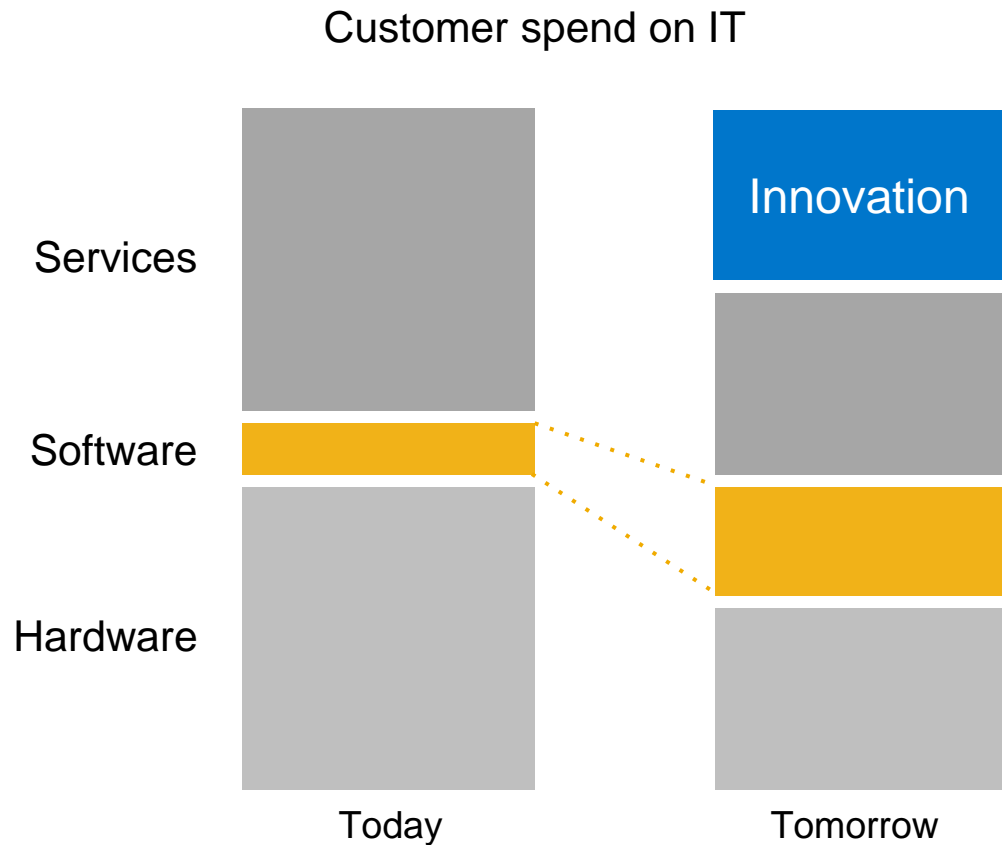
**#1**  
in Applications

# Our cloud vision – SAP Cloud powered by SAP HANA



# Strategy for top-line growth

Increase share of wallet through cloud



Focus on new growth areas in the core

- Big data
- HANA platform monetization
- Customer's customer / B2B2C
- Industries - Financial Services, Retail, Public Sector & Healthcare
- Fast growth markets

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SAP Strategy

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# Midterm outlook (unchanged from outlook provided Jan 21, 2014)

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## Financial Objectives

- Transition to the Cloud while growing our stable core
- Commitment to 2015 top-line aspirations; extend outlook to 2017
- Continued margin expansion

## 2017 Outlook

- **€22B+** in total revenue
- **€3.0B - €3.5B** in Cloud revenue
- **35%** operating margin



# SAP reiterated its outlook for the full year 2014 (unchanged from outlook provided Jan 21, 2014)

	<b>SAP's Outlook FY 2014</b>	<b>Basis for Comparison 2013</b>
Cloud subscription and support revenue (Non-IFRS at cc)	€950m – €1bn	€758m
Software and Software-related Service Revenue (Non-IFRS at cc)	+ 6% – 8%	€14.03bn
Operating Profit (Non-IFRS at cc)	€5.8bn to €6bn	€5.51bn

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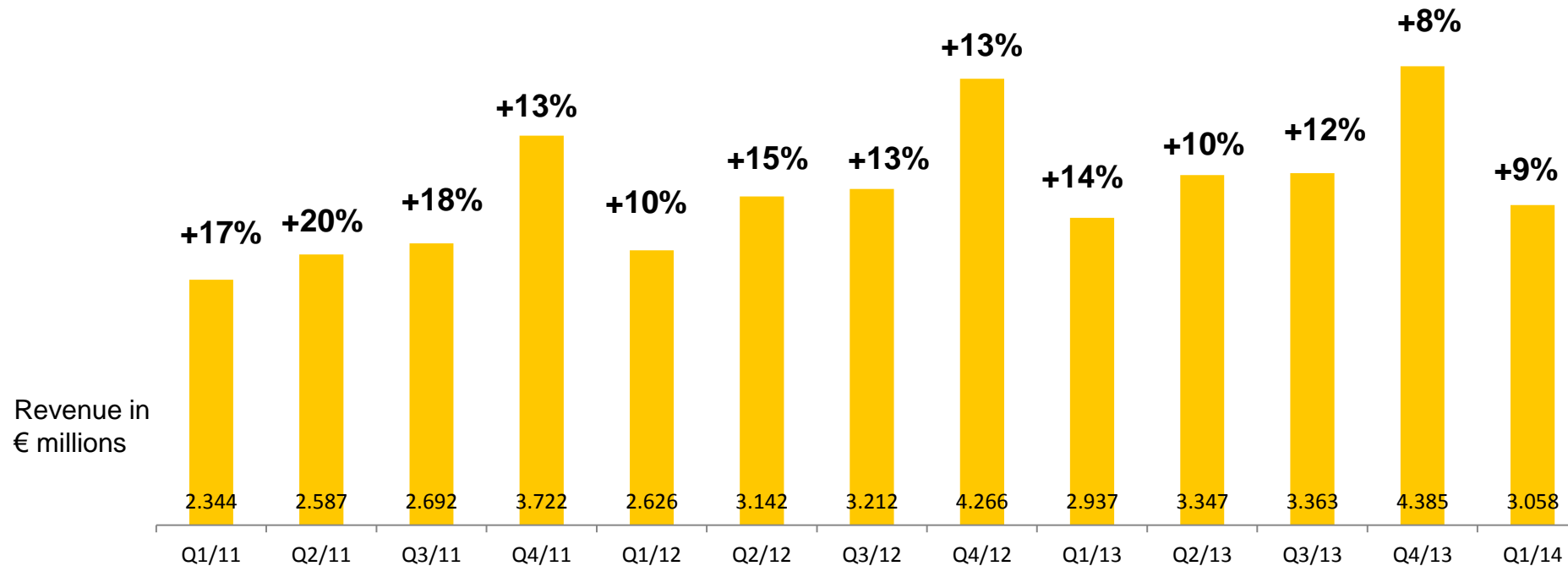
# Our 9% growth in non-IFRS software and software-related service revenue puts us ahead of our annual outlook growth range

## Non-IFRS SSRS revenue : +9% at cc

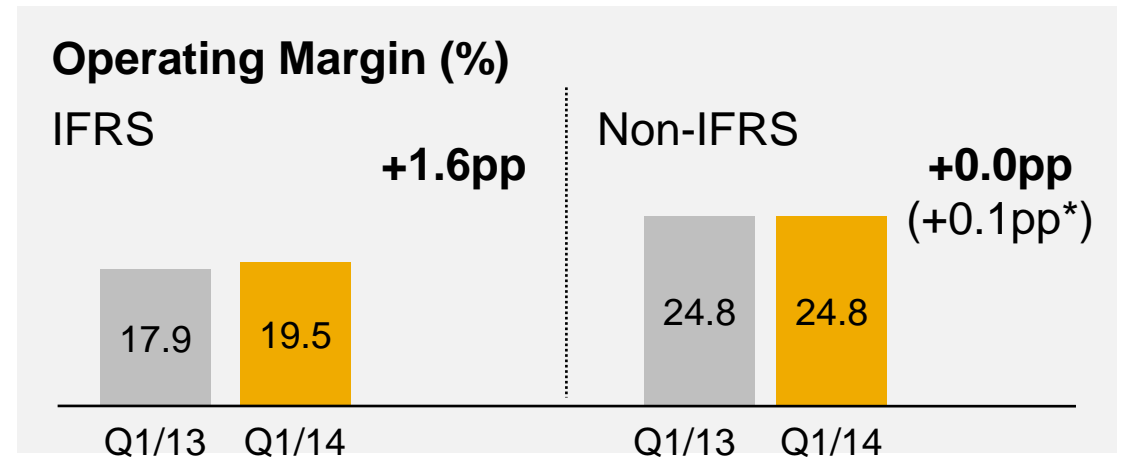
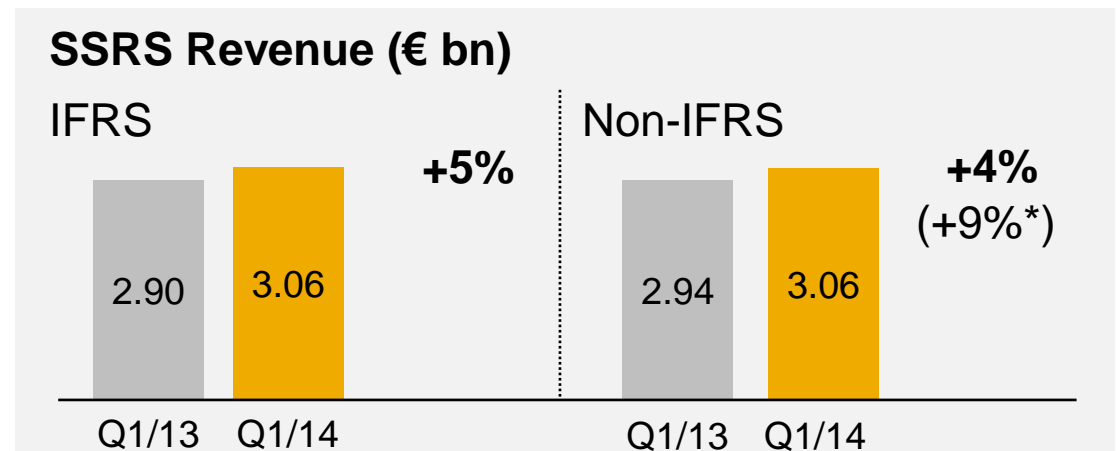
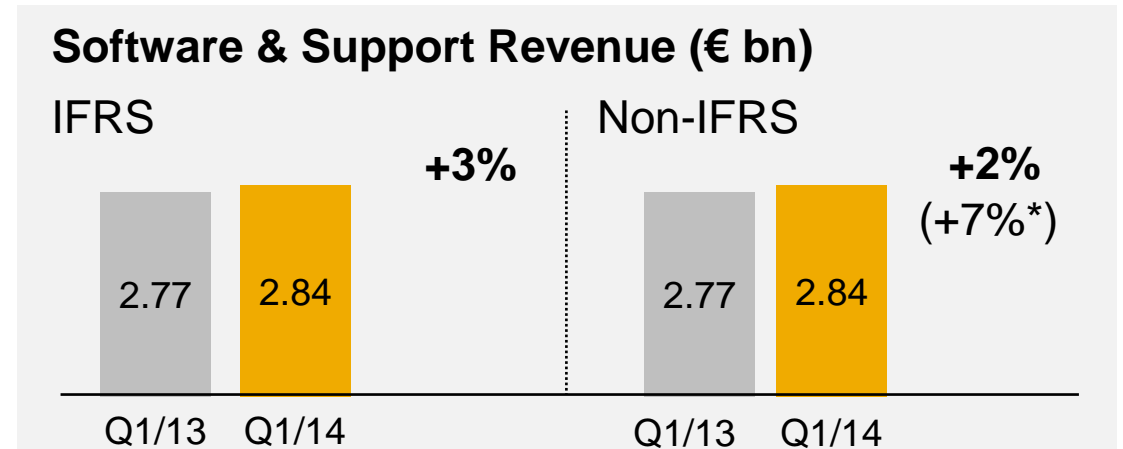
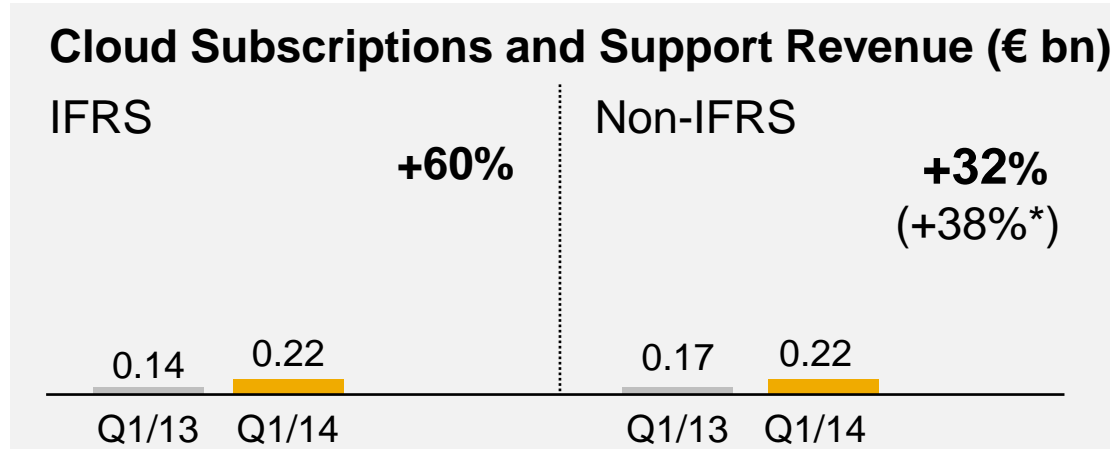
Year on year growth rates in % at cc

**Non-IFRS software and software-related service revenue increased 9% at constant currencies**

- 4% at actual currencies to €3.06 bn impacted by strong currency headwinds



# Key performance metrics Q1 2014



\* At constant currencies

# Q1 2014: Successfully transitioning to the cloud demonstrated by fast growth in cloud and a solid performance in the core business

€ millions, unless otherwise stated	IFRS			Non-IFRS			
<b>Revenue Numbers</b>	Q1/14	Q1/13	Δ%	Q1/14	Q1/13	Δ%	Δ% at cc
Cloud subscriptions and support	219	137	60	221	167	32	38
Software	623	657	-5	623	657	-5	1
Support	2.213	2.109	5	2.214	2.113	5	9
Software & Support	2.836	2.765	3	2.838	2.770	2	7
<b>SSRS revenue</b>	<b>3.055</b>	<b>2.903</b>	<b>5</b>	<b>3.058</b>	<b>2.937</b>	<b>4</b>	<b>9</b>
<b>PSOS revenue</b>	<b>643</b>	<b>698</b>	<b>-8</b>	<b>643</b>	<b>698</b>	<b>-8</b>	<b>-4</b>
thereof cloud	43	43	0	43	43	0	5
<b>Total revenue</b>	<b>3.698</b>	<b>3.601</b>	<b>3</b>	<b>3.701</b>	<b>3.636</b>	<b>2</b>	<b>6</b>
<b>Operating Expense Numbers</b>							
<b>Total operating expenses</b>	<b>-2.975</b>	<b>-2.955</b>	<b>1</b>	<b>-2.782</b>	<b>-2.734</b>	<b>2</b>	<b>6</b>
<b>Profit Numbers</b>							
<b>Operating profit</b>	<b>723</b>	<b>646</b>	<b>12</b>	<b>919</b>	<b>901</b>	<b>2</b>	<b>7</b>
Finance income, net	-9	-15	-41	-9	-15	-41	
<b>Profit before tax</b>	<b>704</b>	<b>621</b>	<b>13</b>	<b>900</b>	<b>877</b>	<b>3</b>	
Income tax expense	-170	-101	68	-233	-188	24	
<b>Profit after tax</b>	<b>534</b>	<b>520</b>	<b>3</b>	<b>667</b>	<b>689</b>	<b>-3</b>	
<b>Operating margin in %</b>	<b>19,5</b>	<b>17,9</b>	<b>+1,6pp</b>	<b>24,8</b>	<b>24,8</b>	<b>0,0pp</b>	<b>+0,1pp</b>
<b>Basic earnings per share, in €</b>	<b>0,45</b>	<b>0,44</b>	<b>3</b>	<b>0,56</b>	<b>0,58</b>	<b>-3</b>	

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**Financing Strategy & Credit Profile**

# Balance sheet, condensed

## March 31, 2014, IFRS

<b>Assets</b> € millions	03/31/14	12/31/13
Cash, cash equivalents and other financial assets	5,218	2,999
Trade and other receivables	3,867	3,865
Other non-financial assets and tax assets	579	488
<b>Total current assets</b>	<b>9,664</b>	<b>7,352</b>
Goodwill	13,694	13,688
Intangible assets	2,824	2,956
Property, plant, and equipment	1,832	1,820
Other non-current assets	1,334	1,277
<b>Total non-current assets</b>	<b>19,685</b>	<b>19,742</b>
<b>Total assets</b>	<b>29,349</b>	<b>27,094</b>

<b>Equity and liabilities</b> € millions	03/31/14	12/31/13
Trade and other payables	818	850
Deferred income	4,118	1,408
Provisions	489	645
Other liabilities	2,565	3,444
<b>Current liabilities</b>	<b>7,990</b>	<b>6,347</b>
Financial liabilities	3,766	3,758
Provisions	320	278
Deferred income	67	74
Other non-current liabilities	590	588
<b>Non current liabilities</b>	<b>4,744</b>	<b>4,699</b>
<b>Total liabilities</b>	<b>12,734</b>	<b>11,046</b>
<b>Total equity</b>	<b>16,616</b>	<b>16,048</b>
<b>Equity and liabilities</b>	<b>29,349</b>	<b>27,094</b>

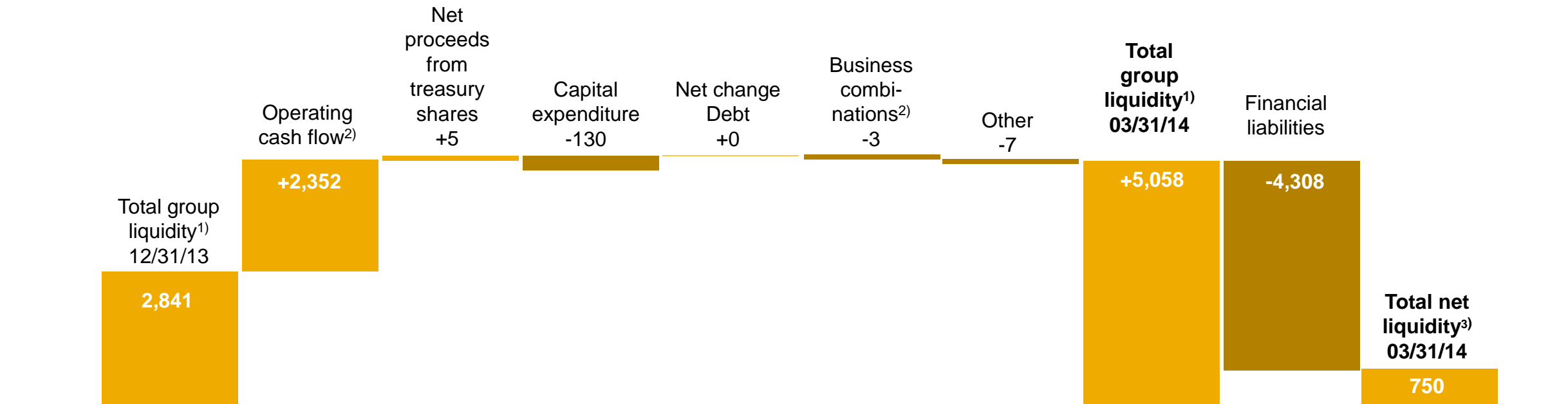
# Strongest operating cash flow ever in a first quarter – increase by 9% to €2.35bn

€ millions, unless otherwise stated	01/01/14 - 03/31/14	01/01/13 - 03/31/13	Δ
Operating cash flow	2,352	2,162	+9%
- Capital expenditure	-130	-113	+15%
<b>Free cash flow</b>	<b>2,222</b>	<b>2,049</b>	<b>+8%</b>
Free cash flow as a percentage of total revenue	60%	57%	+3pp
Cash conversion rate	4.40	4.16	+6%
Days sales outstanding (DSO in days)	63	61	+2



# Due to strong operating cash flow, back to positive net liquidity in a relatively short time frame after sizable acquisitions in past 2 years

€ millions



1) Cash and cash equivalents + restricted cash + current investments

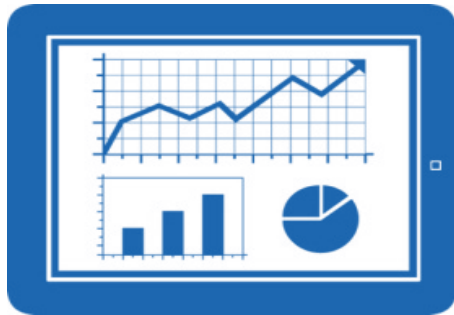
2) Business combinations, net of cash and cash equivalents acquired amounted to -€3m

3) Total Group Liquidity less financial liabilities (=bank loans, private placement transactions and bonds); corresponds with net liquidity 2 – for more details see first quarter 2014 Interim Report

# Three Pillar Financing Strategy

Liquidity Protection – Ensure Maximum Financial Stability & Flexibility

## Minimum Operating Group Liquidity



**€ 2bn**

SAP's Minimum Operating Group Liquidity is ensured by stable cash flows driven by recurring revenue streams

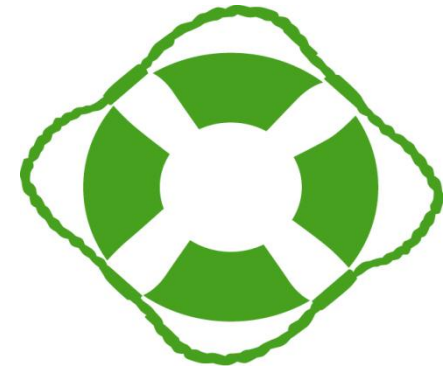
## M&A Driven External Debt Financing



M&A activities since 2007 to optimally position SAP in the current industry transformation, especially towards cloud business

Latest acquisition Fieldglass complements SAP's portfolio of managing the workforce

## Revolving Credit Facility



**€ 2bn**

SAP's Revolving Credit Facility serves as back-up credit facility

Facility was successfully refinanced and increased to € 2bn in November 2013 to enhance financial flexibility

# SAP's Credit Story

## Debt Serving Track Record – Fast Repayments





### M&A @ SAP – Consistent Financing Strategy

On March 26<sup>th</sup>, SAP announced to acquire Fieldglass, the Global Cloud Technology Leader in Contingent Workforce Management

SAP has negotiated a Term Loan to partly finance the acquisition of Fieldglass

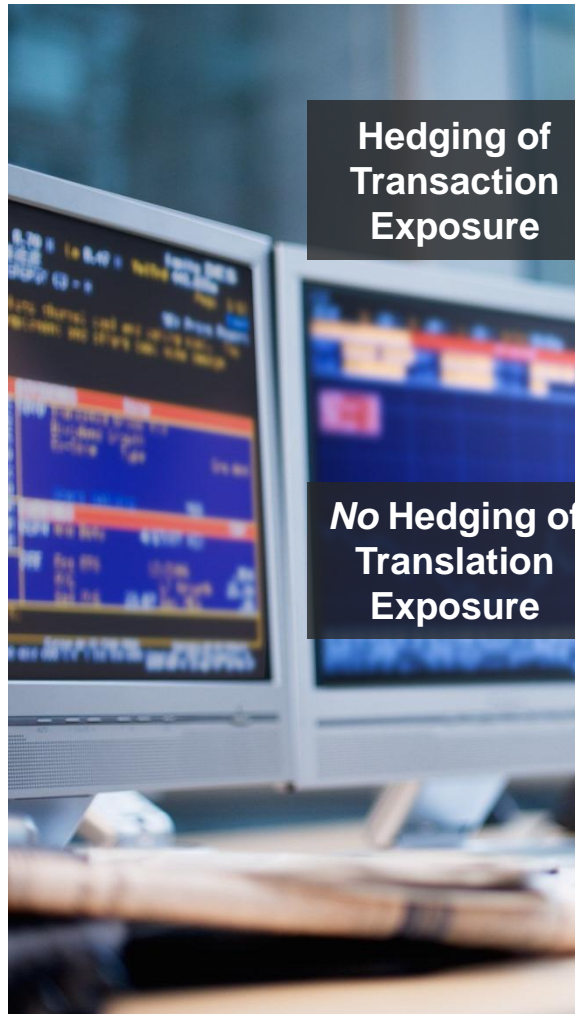
Consistent with past acquisitions of this size, SAP commits to fast repayment of the acquisition term loan

With the acquisition of Fieldglass, SAP now offers a solution to manage the entire workforce of a company in the cloud

Acquisition <i>SuccessFactors</i>	Acquisition <i>Ariba</i>	Acquisition <i>hybris</i>	Acquisition <i>Fieldglass</i>
			
2011	2012	2013	2014
<i>Term Loan</i> €1.0bn Dec 15, 2011	<i>Term Loan</i> €2.4bn May 22, 2012	<i>Term Loan</i> €1.0bn June 05, 2013	<i>Term Loan</i> Deal unclosed
<i>Full Repayment</i> Nov 12, 2012	<i>Full Repayment</i> Dec 05, 2012	<i>Full Repayment</i> Dec 6, 2013	<i>Fast Repayment envisaged</i>
		<b>Debt Capital Market Issuance</b>	
		<i>Issue of Eurobonds</i> €1.3bn Nov 13, 2012	<i>Issue of US Private Placement</i> \$1.4bn Nov. 15, 2012
			<b>Acquisition not closed yet</b>

# SAP's Hedging Strategy

## Effect of Macroeconomic Development of FX



Hedging of  
Transaction  
Exposure

No Hedging of  
Translation  
Exposure

### FX Hedging Strategy at SAP

#### **SAP hedges both balance sheet and forecasted FX exposures:**

- Balance sheet exposure is hedged on both SAP AG and subsidiary level. Currencies with significant exposure positions are hedged.
- In addition, SAP AG hedges expected licenses of its subsidiaries in currencies in which significant revenue volumes are realized.
- The effect of hedging is reflected in the position “Other non-operating income/ expense, net” and with that it does not influence the operating profit result.

#### **SAP does not hedge translation exposure:**

- Exchange differences on translation of group companies financial statements into the consolidated statements are shown in equity. As SAP disposes of a very strong equity position impact is not significant.
- While translation exposure effects are not cash-relevant, a potential hedging of those exposures could cause actual cash in- and outflows, increasing volatility in our liquidity position.
- For potential translation hedges there would be no full hedge accounting achievable – therefore hedging translation risk could actually increase earnings volatility.

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As a large portion of SAP's revenue is realized in currencies other than Euro, SAP experienced strong headwinds due to appreciation of Euro

# Debt Issuance Programme

## Successful renewal of SAP's Debt Issuance Programme

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**SAP AG**

(a stock corporation incorporated under the laws of the Federal Republic of Germany  
having its corporate seat in Walldorf, Federal Republic of Germany)

EUR 6,000,000,000

Programme for the Issuance of Debt Instruments (the "Programme")



Signed and dated April 8, 2014

### SAP's Debt Issuance Programme (DIP)

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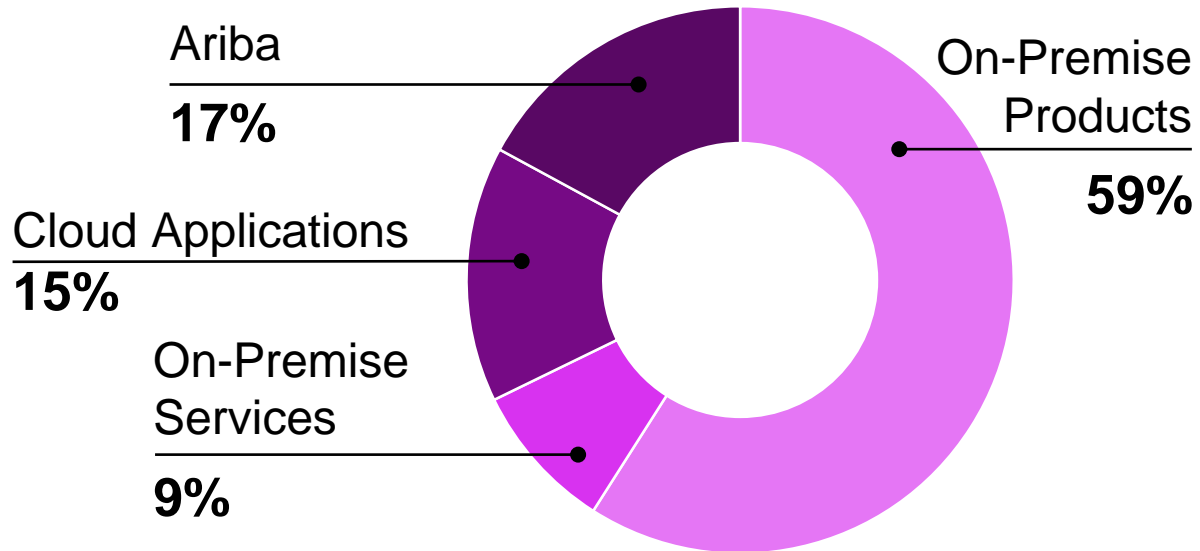
#### Key facts:

- Issuer: SAP AG
- Programme volume was increased to € 6bn
- Currencies: no restrictions
- Unsecured and unsubordinated, pari passu, negative pledge, cross default, no financial covenants
- Listing: Luxembourg Stock Exchange
- Successful issuance of € 1.3bn Eurobonds in 2012 under the Debt Issuance Programme

# Balance Sheet Stability - Goodwill

## Profitability of Reported Segments

Goodwill by Segment in 2013



### Goodwill mainly based on highly profitable segments

Profitability of On-Premise Products amounted to 59% in 2013. On Premise Services delivered a profitability of 21% in 2013.

Goodwill added in 2013: € 840m, thereof € 780m due to the acquisition of hybris.

**68%** of Goodwill is mapped to highly profitable On-Premise segment

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