

# Third quarter and first nine months 2016 Results Release

Friday, October 21, 2016



# Safe Harbor Statement

Any statements contained in this document that are not historical facts are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “may,” “plan,” “project,” “predict,” “should” and “will” and similar expressions as they relate to SAP are intended to identify such forward-looking statements. SAP undertakes no obligation to publicly update or revise any forward-looking statements. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect SAP’s future financial results are discussed more fully in SAP’s filings with the U.S. Securities and Exchange Commission (“SEC”), including SAP’s most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates.

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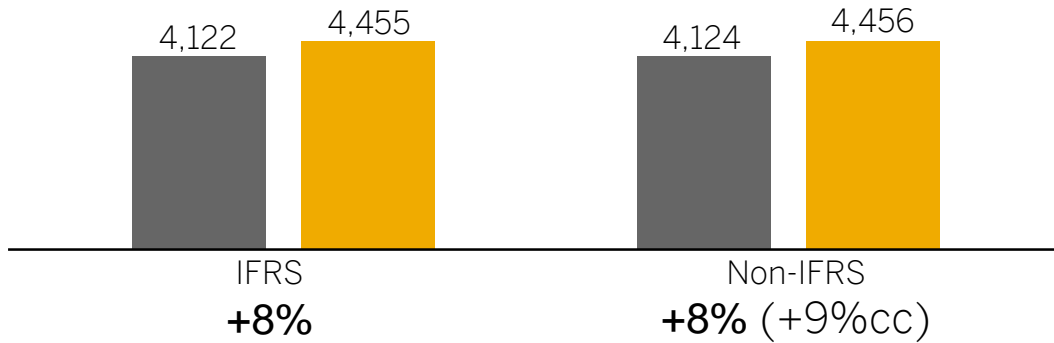
Appendix

# Key performance metrics Q3 2016

## Cloud & Software Revenue

in € millions

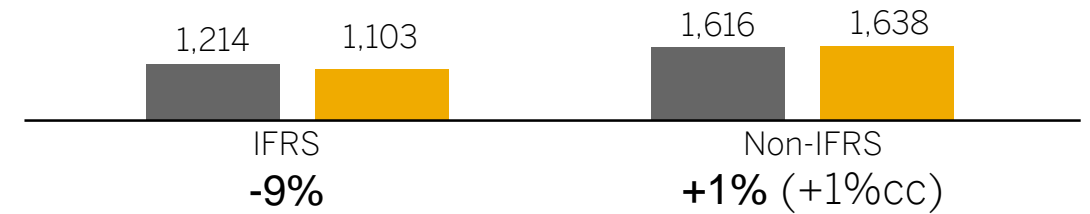
■ Q3/15 ■ Q3/16



## Operating Profit

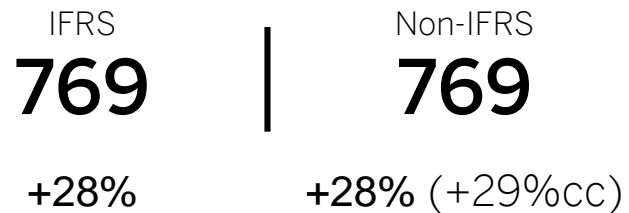
in € millions

■ Q3/15 ■ Q3/16



## Cloud Subscriptions & Support Revenue

in € millions



## Share of Predictable Revenue

in percent



## Total Revenue

in € millions

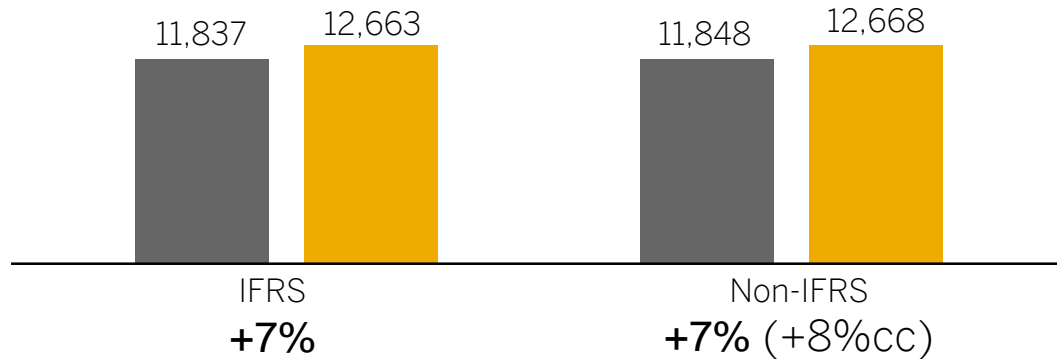


# Key performance metrics 9M 2016

## Cloud & Software Revenue

in € millions

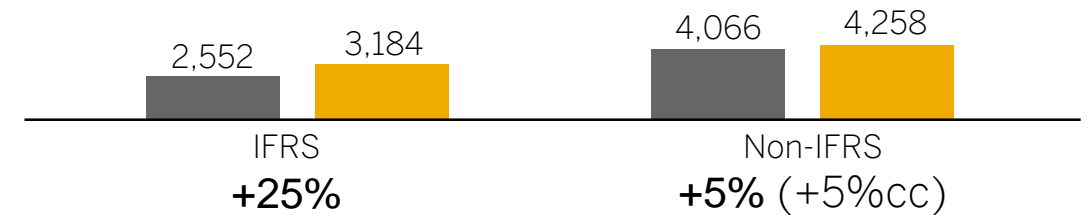
■ 9M/15 ■ 9M/16



## Operating Profit

in € millions

■ 9M/15 ■ 9M/16



## Cloud Subscriptions & Support Revenue

in € millions



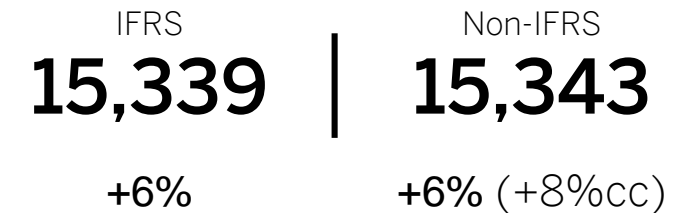
## Share of Predictable Revenue

in percent



## Total Revenue

in € millions



# Regional performance\* Q3 2016

## Americas

↑ **9%** (+9% cc)  
cloud and software revenue

↑ **23%** (+24% cc)  
cloud subscriptions  
and support revenue

- In Latin America, despite continued macroeconomic headwinds, SAP had solid double-digit growth in software licenses revenue in Brazil and Mexico

## EMEA

↑ **6%** (+8% cc)  
cloud and software revenue

↑ **34%** (+38% cc)  
cloud subscriptions  
and support revenue

- EMEA with strong performance
- Double-digit software licenses revenue growth in Germany, France, UK and South Africa

## APJ

↑ **13%** (+8% cc)  
cloud and software revenue

↑ **50%** (+46% cc)  
cloud subscriptions  
and support revenue

- Double-digit software licenses revenue growth in Japan, Malaysia and Singapore and solid software licenses revenue growth in SAP's Greater China\*\* region

\* Revenues calculated based on customer location; All numbers are non-IFRS if not otherwise stated

\*\* SAP's Greater China region includes China, Hong Kong and Taiwan

# Fast growing cloud business

Cloud subscriptions and support revenue, non-IFRS

(+29% at cc)

**+28%**  
yoy to €769m

New cloud bookings<sup>1)</sup>

(+24%)

**+24%** at cc  
to €265m

Cloud subscriptions and support backlog<sup>2)</sup>

**€3.7bn**  
+45% yoy

Cloud applications total subscribers

**~120m**

SAP Business network – Total segment revenue

(€404m | +17% at cc\*)

**€485m**  
yoy +18%

~2.4m connected companies trade on Ariba network

**>\$840bn**  
of commerce<sup>3)</sup>

Number of end users processing travel & expenses with Concur

**>44m**

Flexible workers managed with Fieldglass platform

**>2.8m**  
annually

- 1) New cloud bookings – key measure for SAP’s sales success in the cloud – consist of order entry of a given period that is expected to be classified as cloud subscription and support revenue and results from purchases by new customers and from incremental purchases by existing customers. Consequently, orders to renew existing contracts are not included. The order amount must be committed. Consequently, due to their pay-per-use nature, business network transaction fees which do not include a committed minimum consumption are not reflected in the bookings metric (e.g. SAP Ariba and SAP Fieldglass transaction-based fees). Amounts included in the measures are generally annualized.
- 2) Cloud subscriptions and support backlog represents expected future cloud subscriptions and support revenue that is contracted but not yet invoiced and thus not recorded in deferred revenue (as of Dec 31, 2015)
- 3) Network spend volume is the total value of purchase orders transacted on the Ariba Networks in the trailing 12 months.

\* Cloud subscriptions and support revenue

# Q3 2016 – Strong operating profit performance while investing in fast growth areas

€ millions, unless otherwise stated	IFRS			Non-IFRS			
Revenue Numbers	Q3/16	Q3/15	Δ%	Q3/16	Q3/15	Δ%	Δ% at cc
Cloud subscriptions and support	769	599	28	769	600	28	29
Software licenses	1,034	1,014	2	1,034	1,015	2	2
Software support	2,653	2,509	6	2,653	2,509	6	6
Software licenses and support	3,686	3,523	5	3,687	3,524	5	5
Cloud and software	4,455	4,122	8	4,456	4,124	8	9
Services	920	863	7	920	863	7	7
<b>Total revenue</b>	<b>5,375</b>	<b>4,985</b>	<b>8</b>	<b>5,375</b>	<b>4,987</b>	<b>8</b>	<b>8</b>
<b>Operating Expense Numbers</b>							
Total operating expenses	-4,272	-3,771	13	-3,738	-3,372	11	12
<b>Profit Numbers</b>							
Operating profit	1,103	1,214	-9	1,638	1,616	1	1
Finance income, net	-46	42	n.a.	-46	42	n.a.	
<b>Profit before tax</b>	<b>1,013</b>	<b>1,229</b>	<b>-18</b>	<b>1,548</b>	<b>1,631</b>	<b>-5</b>	
Income tax expense	-288	-333	-14	-459	-457	0	
<b>Profit after tax</b>	<b>725</b>	<b>895</b>	<b>-19</b>	<b>1,089</b>	<b>1,173</b>	<b>-7</b>	
Operating margin in %	20.5	24.3	-3.8pp	30.5	32.4	-1.9pp	-2.3pp
Basic earnings per share, in €	0.61	0.75	-19	0.91	0.98	-7	



# 9M 2016 – Strong top line and bottom line performance

€ millions, unless otherwise stated	IFRS			Non-IFRS			
Revenue Numbers	9M/16	9M/15	Δ%	9M/16	9M/15	Δ%	Δ% at cc
Cloud subscriptions and support	2,166	1,654	31	2,168	1,664	30	32
Software licenses	2,682	2,689	0	2,685	2,690	0	2
Software support	7,815	7,494	4	7,815	7,494	4	6
Software licenses and support	10,497	10,183	3	10,500	10,184	3	5
Cloud and software	12,663	11,837	7	12,668	11,848	7	8
Services	2,675	2,614	2	2,675	2,614	2	4
<b>Total revenue</b>	<b>15,339</b>	<b>14,451</b>	<b>6</b>	<b>15,343</b>	<b>14,462</b>	<b>6</b>	<b>8</b>
<b>Operating Expense Numbers</b>							
Total operating expenses	-12,154	-11,899	2	-11,085	-10,396	7	9
<b>Profit Numbers</b>							
Operating profit	3,184	2,552	25	4,258	4,066	5	5
Finance income, net	-105	20	n.a.	-105	20	n.a.	
Profit before tax	2,900	2,344	24	3,973	3,858	3	
Income tax expense	-792	-567	40	-1,142	-1,027	11	
Profit after tax	2,108	1,778	19	2,832	2,831	0	
Operating margin in %	20.8	17.7	+3.1pp	27.8	28.1	-0.4pp	-0.7pp
Basic earnings per share, in €	1.77	1.49	19	2.37	2.37	0	

# Continued non-IFRS operating profit expansion in Q3/16 on top of exceptionally strong performance in Q3/15

## Non-IFRS, Q3

### Total operating expenses | Operating profit



### Total revenue

€5.0bn

€5.4bn

### Non-IFRS operating profit

+1% to €1.6bn (Q3/15: €1.6bn)

+1% to €1.6bn at cc

### Non-IFRS operating margin

-1.9pp to 30.5% (Q3/15: 32.4%)

-2.3pp to 30.1% at cc

## IFRS, Q3

### Total operating expenses | Operating profit



### Total revenue

€5.0bn

€5.4bn

### IFRS operating profit

-9% to €1.1bn (Q3/15: €1.2bn)

### IFRS operating margin

-3.8pp to 20.5% (Q3/15: 24.3%)

# Non-IFRS operating profit increased by 5% at cc in 9M 2016

## Non-IFRS, 9M

### Total operating expenses | Operating profit



### Total revenue

€14.5bn

€15.3bn

### Non-IFRS operating profit

+5% to €4.3bn (9M/15: €4.1bn)

+5% to €4.3bn at cc

### Non-IFRS operating margin

-0.4pp to 27.8% (9M/15: 28.1%)

-0.7pp to 27.4% at cc

## IFRS, 9M

### Total operating expenses | Operating profit



### Total revenue

€14.5bn

€15.3bn

### IFRS operating profit

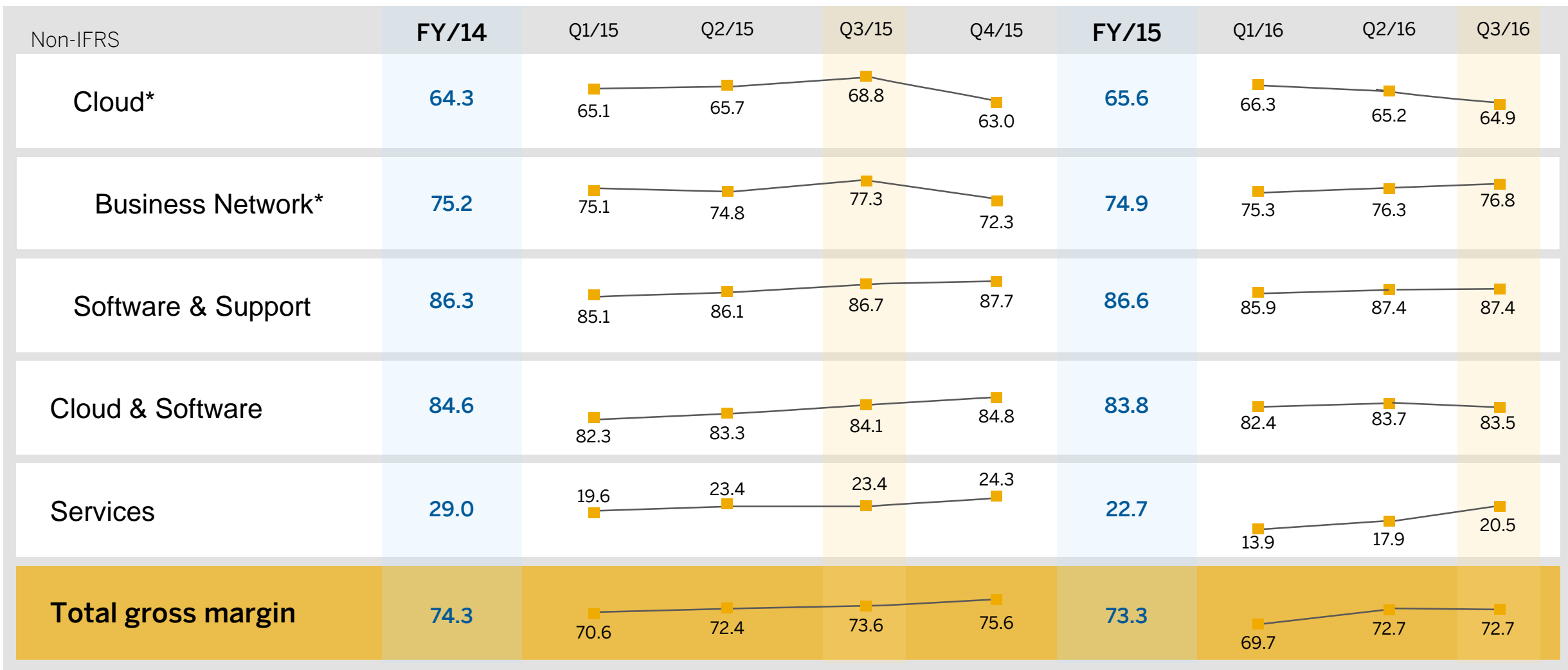
+25% to €3.2bn (9M/15: €2.6bn)

### IFRS operating margin

+3.1pp to 20.8% (9M/15: 17.7%)

# Gross margin development

## Q3 2016



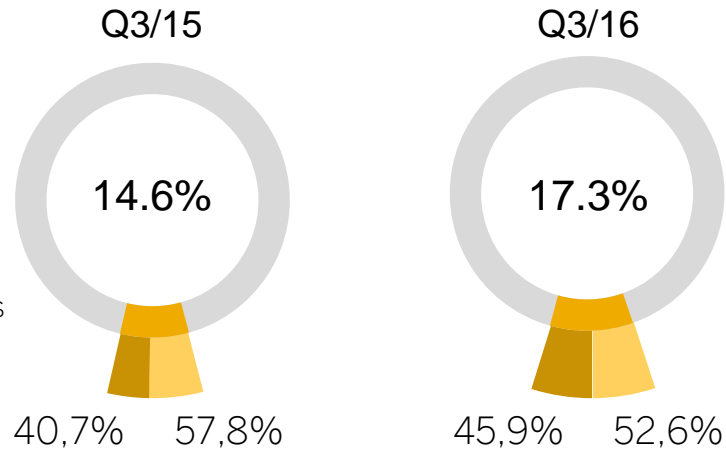
\* subscriptions and support

# Revenue mix shift weighs on ATS and cloud gross margins

Non-IFRS

## Share of Cloud subscriptions revenue\*

- App., Tech. & Services
- Business Network



<b>ATS margin</b>	55.9	51.4
<b>Business Network margin</b>	77.3	76.8
<b>Cloud margin</b>	68.8	64.9

- Q3/16: Cloud subscriptions gross margin of 64.9%, decreased 3.9 pp yoy – primary reason can be explained by two revenue mix shift effects
- For entire cloud operations – we are still investing heavily in personnel and are also incurring costs to converge our acquired cloud applications onto SAP HANA, which will provide massive benefits for customers
- Cloud margin – business network cloud margin further increased sequentially, but decreased yoy to 76.8%; ATS cloud margin was stable qoq, but declined to 51.4% yoy
  - (1) Revenue mix shift effect within ATS: accelerated growth, and consequently higher share, of private cloud business, which broke even in Q3 as expected.
  - (2) Revenue mix shift effect within cloud business: higher share of ATS segment of total cloud business weighs on cloud margin as well.
- Overall we continue to expect the FY/16 cloud gross margin to be around the same level as in 2015.

\* Cloud subscriptions revenue share of cloud and software revenue

# Cost ratios

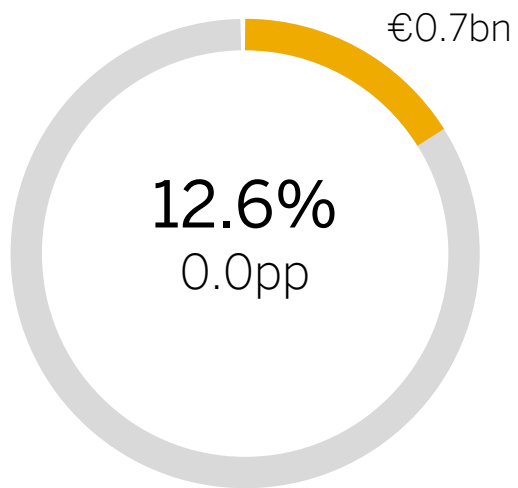
## Q3 2016

€5.4bn total revenue

Non-IFRS

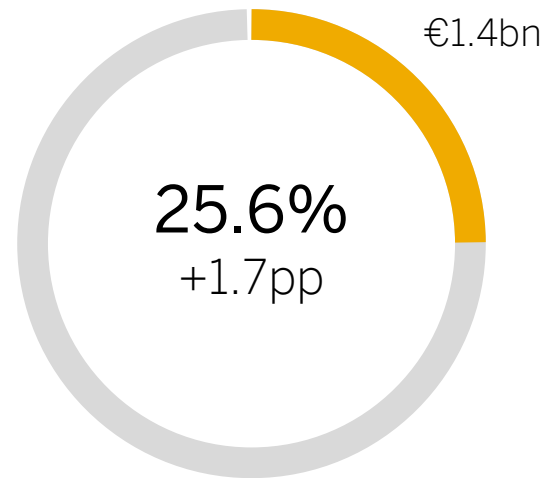
### R&D

as a % of total revenue



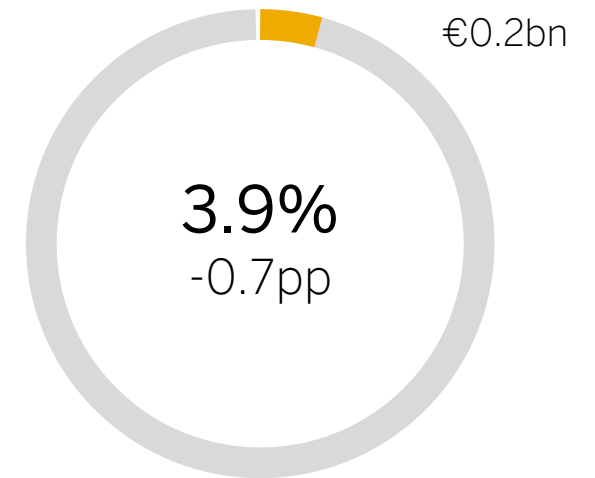
### S&M

as a % of total revenue



### G&A

as a % of total revenue



# Cost ratios

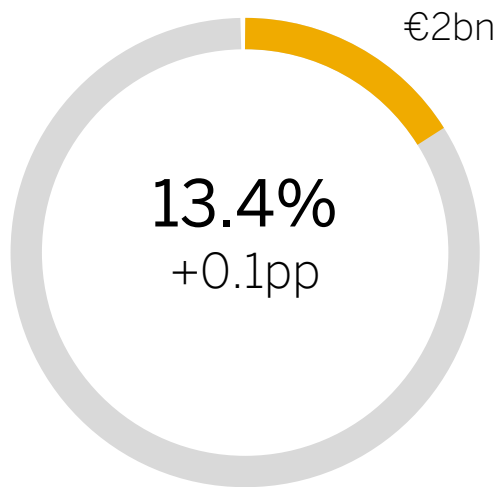
9M 2016

€15.3bn total revenue

Non-IFRS

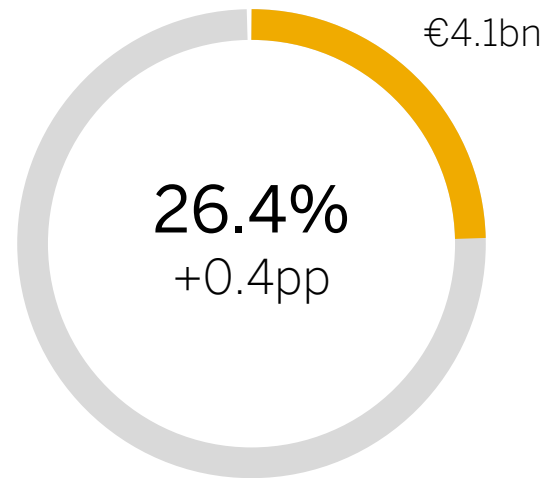
## R&D

as a % of total revenue



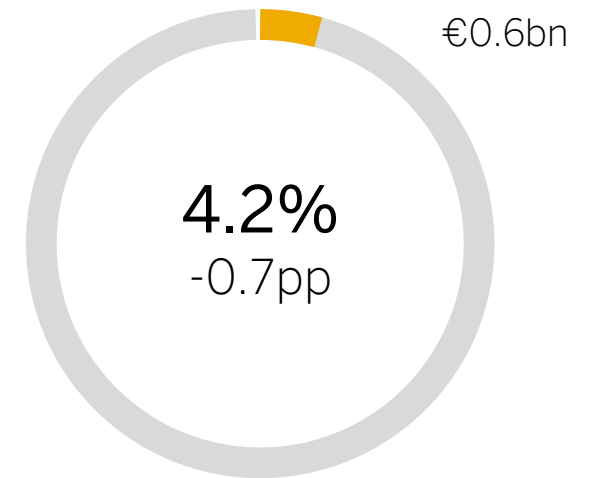
## S&M

as a % of total revenue



## G&A

as a % of total revenue



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# Balance sheet, condensed

## September 30, 2016, IFRS

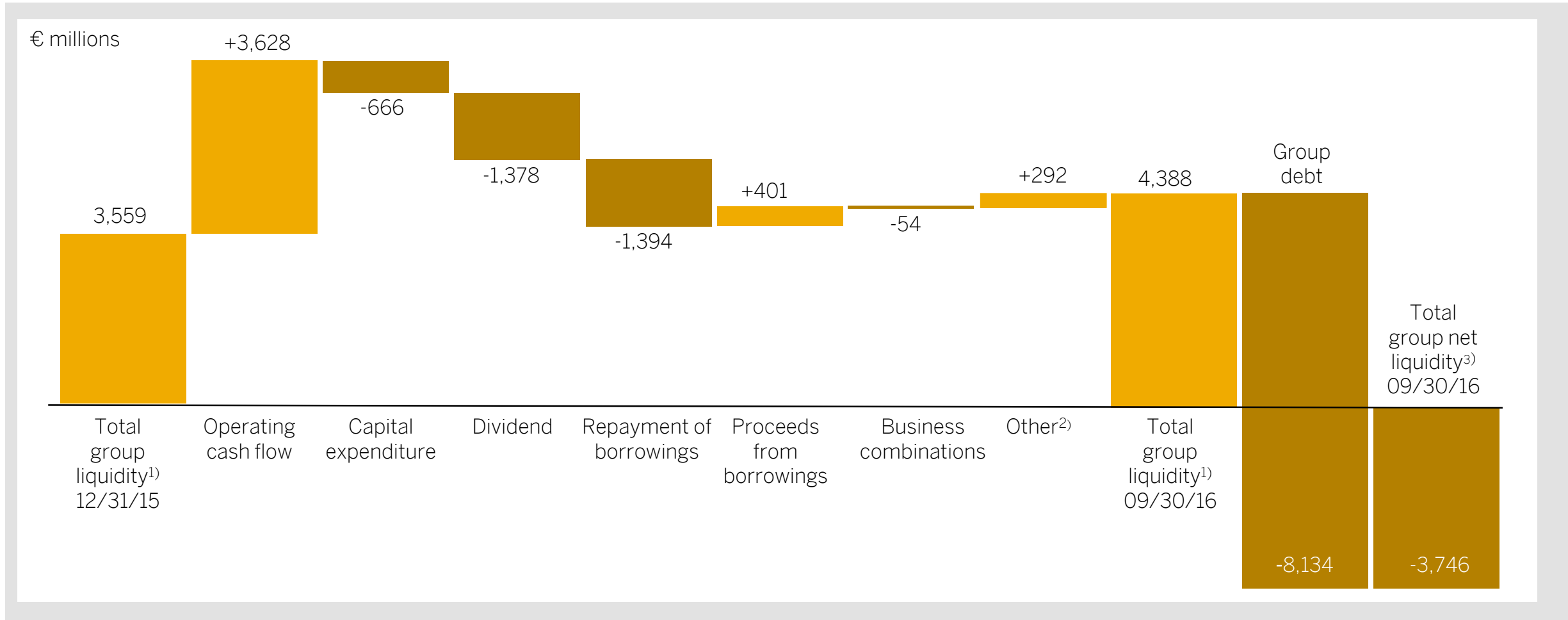
<b>Assets</b> € millions	<b>09/30/16</b>	<b>12/31/15</b>
Cash, cash equivalents and other financial assets	4,613	3,762
Trade and other receivables	4,824	5,274
Other non-financial assets	936	703
<b>Total current assets</b>	<b>10,374</b>	<b>9,739</b>
Goodwill	22,276	22,689
Intangible assets	3,730	4,280
Property, plant, and equipment	2,373	2,192
Other non-current assets	2,848	2,490
<b>Total non-current assets</b>	<b>31,227</b>	<b>31,651</b>
<b>Total assets</b>	<b>41,601</b>	<b>41,390</b>

<b>Equity and liabilities</b> € millions	<b>09/30/16</b>	<b>12/31/15</b>
Trade and other payables	1,114	1,088
Provisions	192	299
Other liabilities	4,270	4,478
Deferred income, current	3,373	2,001
<b>Total current liabilities</b>	<b>8,949</b>	<b>7,867</b>
Financial liabilities	7,248	8,681
Provisions	191	180
Deferred income, non-current	90	106
Other non-current liabilities	1,359	1,262
<b>Total non-current liabilities</b>	<b>8,888</b>	<b>10,228</b>
<b>Total liabilities</b>	<b>17,837</b>	<b>18,095</b>
<b>Total equity</b>	<b>23,764</b>	<b>23,295</b>
<b>Total equity and liabilities</b>	<b>41,601</b>	<b>41,390</b>

# Operating cash flow increased by 12% to €3.6 billion in 9M 2016 and by 52% to €0.7 billion in Q3 2016 year-over-year

€ millions, unless otherwise stated	01/01/16 – 09/30/16	01/01/15 – 09/30/15	Δ
Operating cash flow	3,628	3,241	+12%
- Capital expenditure	-666	-424	+57%
<b>Free cash flow</b>	<b>2,962</b>	<b>2,817</b>	<b>+5%</b>
Free cash flow as a percentage of total revenue	19%	19%	+/-0pp
Cash conversion rate	1.72	1.82	-6%
Days sales outstanding (DSO in days, Sep. 30)	74	69	+5

# Total group liquidity improved by almost €2.0bn or 33% in the first nine months



1) Cash and cash equivalents + current investments

2) Includes purchase and sales of equity or debt instruments of other entities and effects of FX rates on cash and cash equivalents

3) Group Net Liquidity defined as Total Group Liquidity minus Group debt – for more details see 2015 annual report

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# Raised outlook for FY 2016

	Cloud subscriptions and support revenue (Non-IFRS at cc)	Cloud and software revenue (Non-IFRS at cc)	Operating profit (Non-IFRS at cc)
SAP's outlook FY 2016	<b>€3.00bn to €3.05bn</b> upper end +33% [2015: €2.30bn]	<b>+6.5% to 8.5%</b> [2015: €17.23bn]	<b>€6.5bn to €6.7bn</b> [2015: €6.35bn]
Actual performance 9M/16	<b>€2.2bn</b>  +32%	<b>+8%</b>	<b>€4.3bn</b>  +5%

While the Company's full-year 2016 business outlook is at constant currencies, actual currency reported figures are expected to continue to be impacted by exchange rate fluctuations. If exchange rates remain at the end of September 2016 levels for the rest of the year, the Company expects a -3 to -1pp currency impact on cloud and software growth for Q4 as well as full-year and a currency impact of -2 to 0pp respectively on operating profit growth for Q4 as well as full-year 2016.

# Additional outlook information and non-IFRS adjustments

The company now expects a full-year 2016 effective tax rate (IFRS) between 27.0% to 28.0% (2015: 23.4%) and an effective tax rate (non-IFRS) between 28.0% to 29.0% (2015: 26.1%).

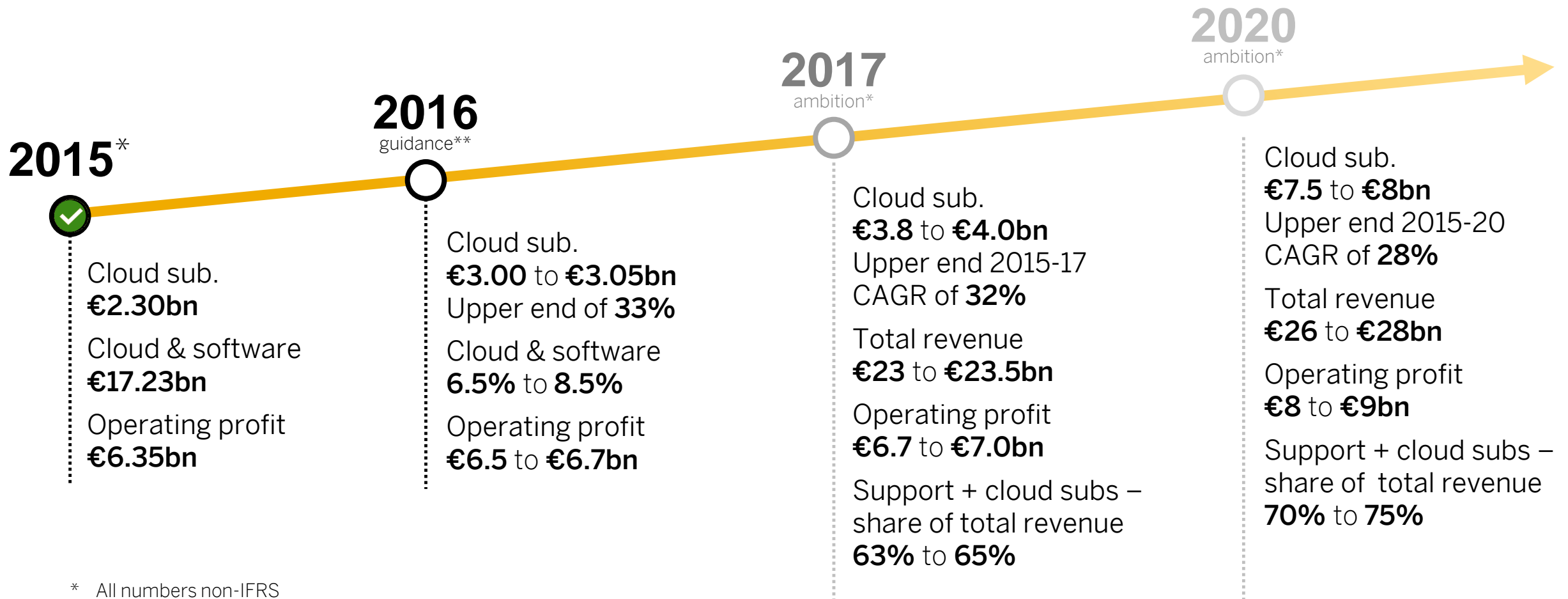
<b>Non-IFRS adjustments</b>	<b>Actual Amounts 9M/15</b>	<b>Actual Amounts 9M/16</b>	<b>Est. Amounts for FY 2016</b>
Revenue adjustments	€11m	€4m	<€20m
Share-based payment expenses	€386m	€545m	€770m to €840m
Acquisition-related charges	€554m	€504m	€670m to €720m
Restructuring charges	€563m	€20m	€30m to €50m
<b>Sum of all adjustments</b>	<b>€1,514m</b>	<b>€1,073m</b>	<b>€1,490m to €1,630m</b>

# Explanation of non-IFRS measures

SAP has provided its non-IFRS estimates for the full-year 2016. For a more detailed description of all of SAP's non-IFRS measures and their limitations as well as our constant currency and free cash flow figures see [Non-IFRS Measures and Estimates](#) online.

Constant currency revenue figures are calculated by translating revenue of the current period using the average exchange rates from the previous year's respective period instead of the current period. Constant currency period-over-period changes are calculated by comparing the current year's non-IFRS constant currency numbers with the non-IFRS number of the previous year's respective period.

# SAP's midterm ambition



\* All numbers non-IFRS

\*\* All numbers non-IFRS and at constant currency



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# How to look at cloud subscription deals?

## Simplified business example

