

Fourth-Quarter and Full-Year 2016 Preliminary Results Release

Walldorf, Germany
Tuesday, January 24, 2017



SAP

SAP

Bill McDermott

CEO



SAP: Fast-Growth Company

Since 2009

>2x

Total revenue

>2x

Operating profit
(non-IFRS @cc)

>2.5x

Market value

>125M
>5,400

Cloud users/
SAP S/4HANA
customers

2016

+31%

Cloud subscriptions and
support revenue
(IFRS and non-IFRS @cc)

+8%

Cloud and software
revenue
(non-IFRS @cc)

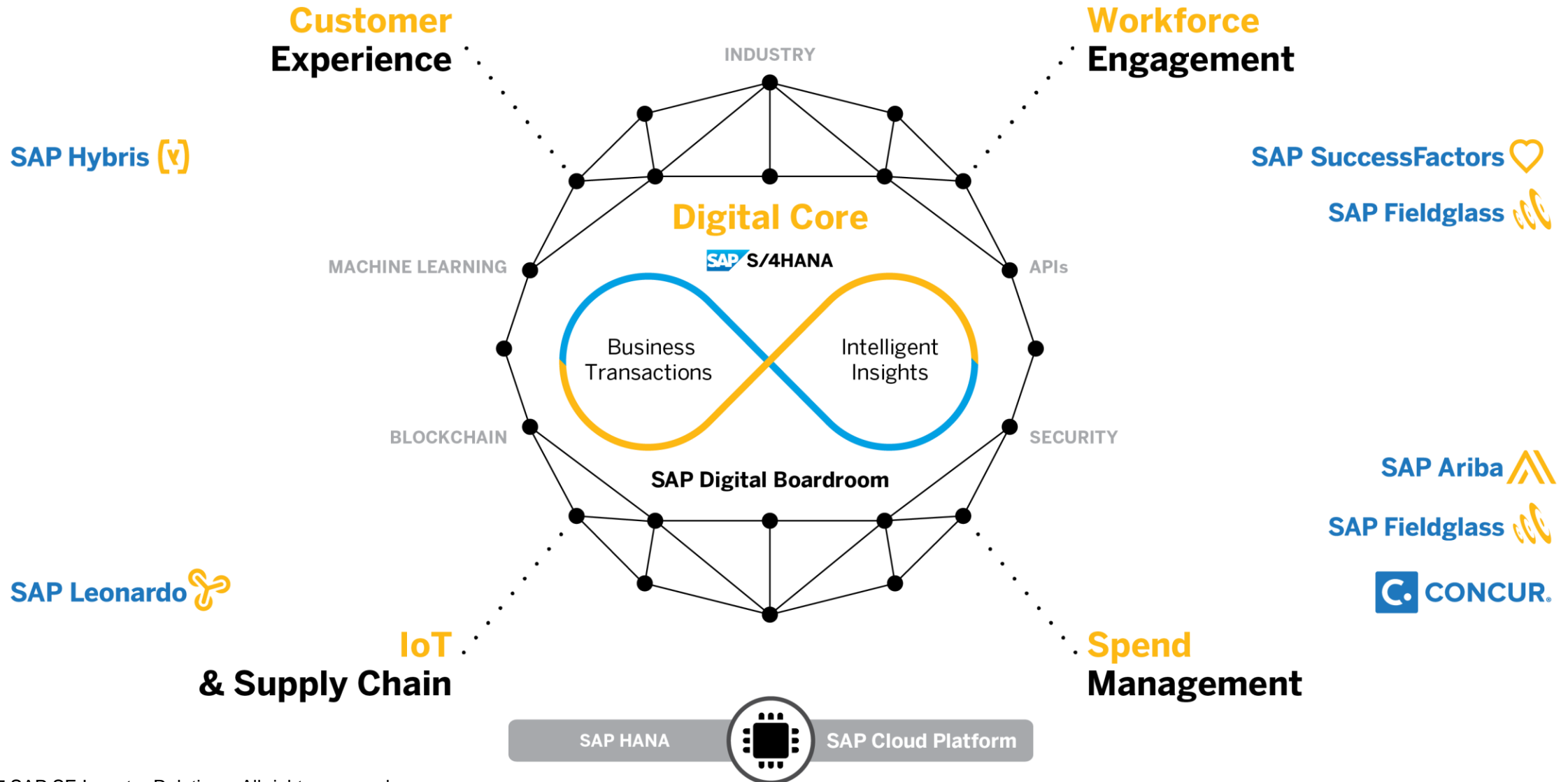
+20%

Operating profit
(IFRS)

+4%

Operating profit
(non-IFRS)

SAP Digital Business Framework



Customer-Driven Innovations

SAP Leonardo 

Artificial Intelligence

Cloud Portfolio

SAP S/4 HANA

Machine Learning

Business Networks

Blockchain

SAP: Helping the world run better and improving people's lives

Best Places to Work 2016



First EDGE Certified



Most Sustainable Software Company



Dow Jones Sustainability Indexes

Luka Mucic

CFO



Strong results & higher share of more predictable revenue

Cloud subscriptions & support revenue

in € billions



IFRS
2.99

Non-IFRS
3.01

3.00 – 3.05
guidance

Cloud and software revenue

in € billions



IFRS
18.42 +7%

Non-IFRS
18.43* +8%

6.5% – 8.5%
guidance

Operating profit

in € billions



IFRS
5.12

Non-IFRS
6.60

6.5 – 6.7
guidance

- Operating cash flow stellar: Up 152% to €1bn in Q4 and up 27% to €4.6bn in FY
- Growing share of more predictable revenue by 2pp to 61%

Non-IFRS at constant currencies unless otherwise stated; *Non-IFRS

Strong 2016: Cloud and software above midpoint of raised guidance

Cloud

- Cloud subscriptions and support:
€2.99bn in FY; +31% @cc to €3.01bn @cc
- New cloud bookings:
+40% in Q4; +31% in FY
- Cloud backlog:
€5.4bn; +47%

Core

Software license
+1% @cc on back
of strong 2015



Resilient support growth
+6% @cc with continued
very high renewal rates

Unique combination of software and support
growth of +4% @cc

Cloud and software revenue

+7% to €18.43bn (+8% @cc) in FY



All revenue figures are non-IFRS

Regional performance* Q4 2016

Americas

Q4/16	FY/16
26% (+24% cc)	26% (+26% cc)
Cloud subscriptions and support revenue	
5% (+2% cc)	6% (+6% cc)
Cloud and software revenue	

SAP had strong double-digit growth in software licenses revenue in Mexico

EMEA

Q4/16	FY/16
35% (+37% cc)	38% (+41% cc)
Cloud subscriptions and support revenue	
9% (+10% cc)	7% (+10% cc)
Cloud and software revenue	

Double-digit software licenses revenue growth in Germany and UK

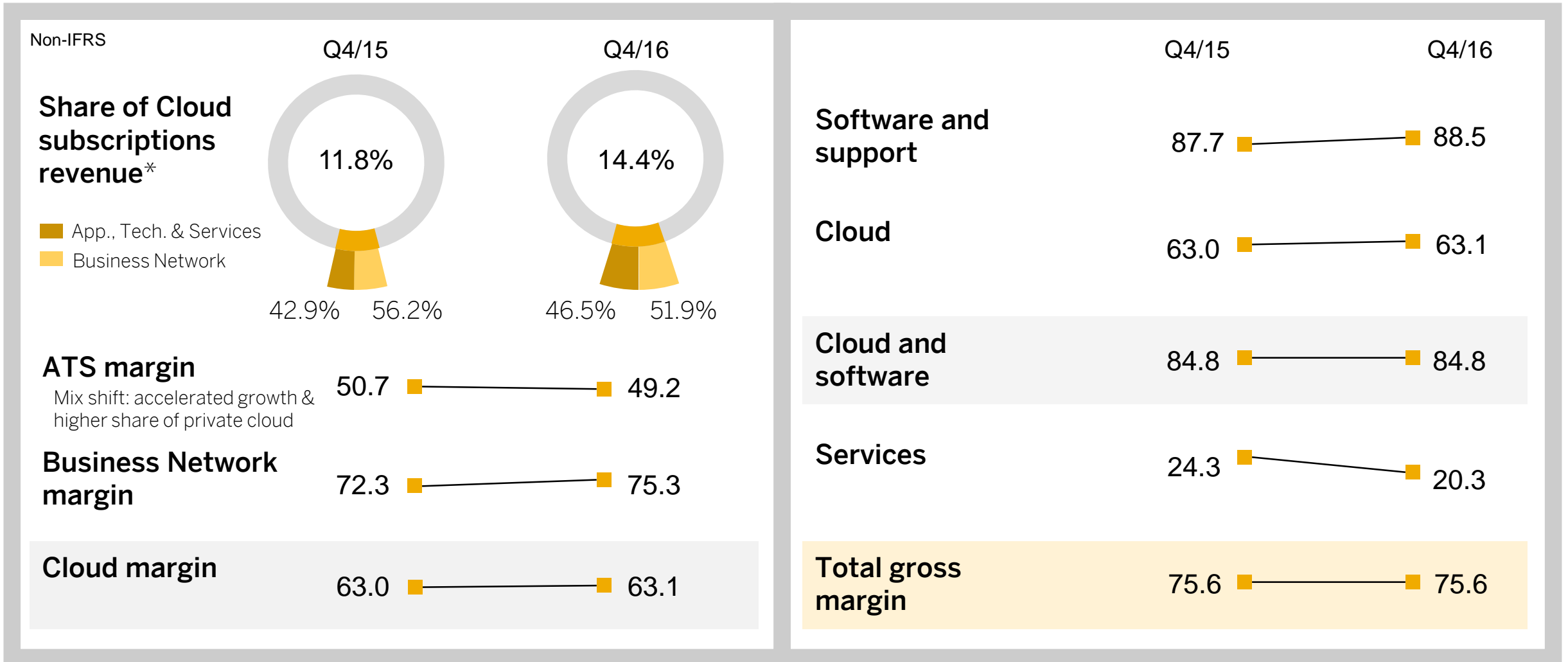
APJ

Q4/16	FY/16
54% (+48% cc)	44% (+43% cc)
Cloud subscriptions and support revenue	
9% (+5% cc)	8% (+6% cc)
Cloud and software revenue	

Double-digit software licenses revenue growth in China, India and Japan

* Revenues calculated based on customer location; All numbers are non-IFRS unless otherwise stated

Revenue mix shift weighs on gross margin

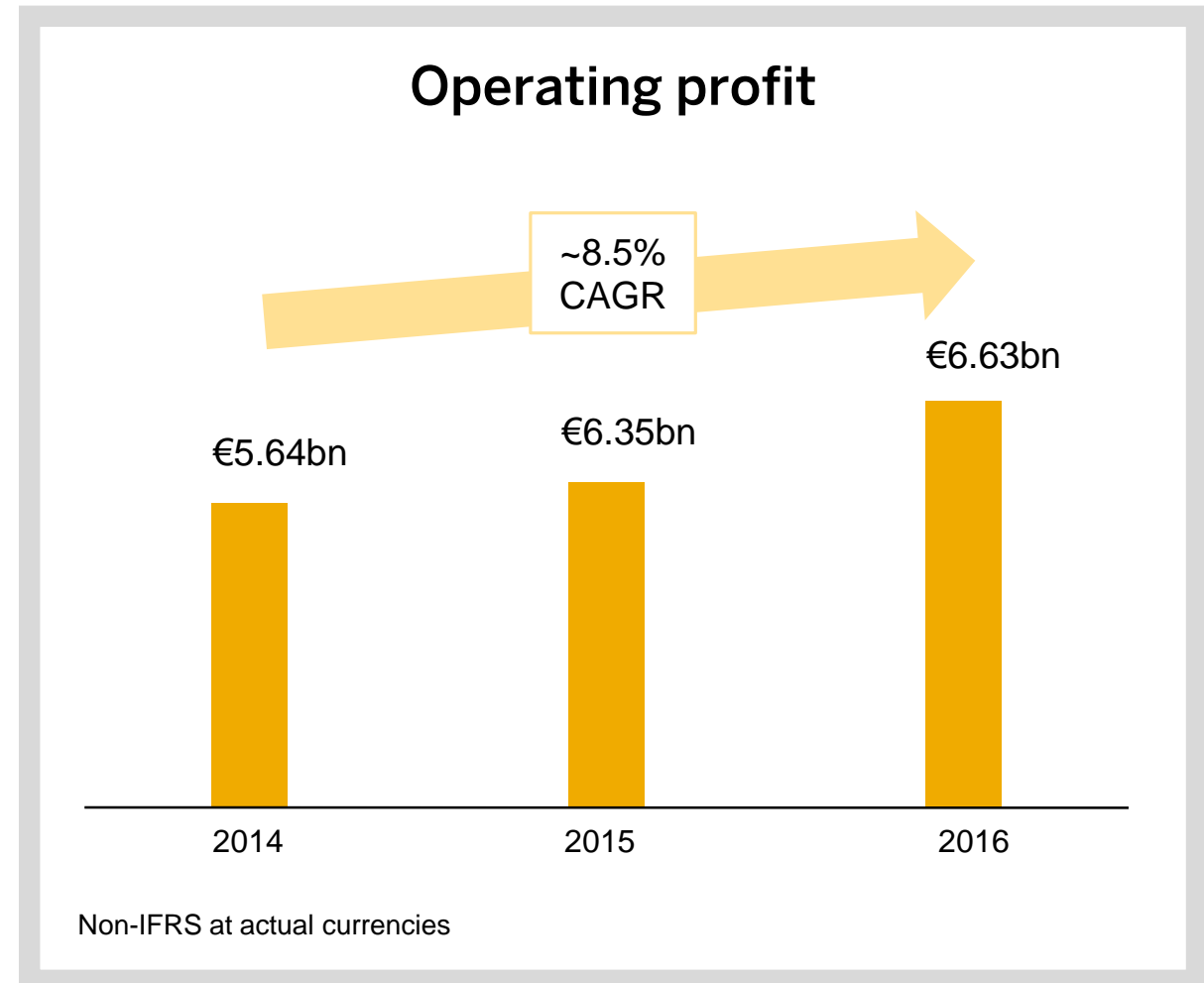


* Cloud subscriptions revenue share of cloud and software revenue

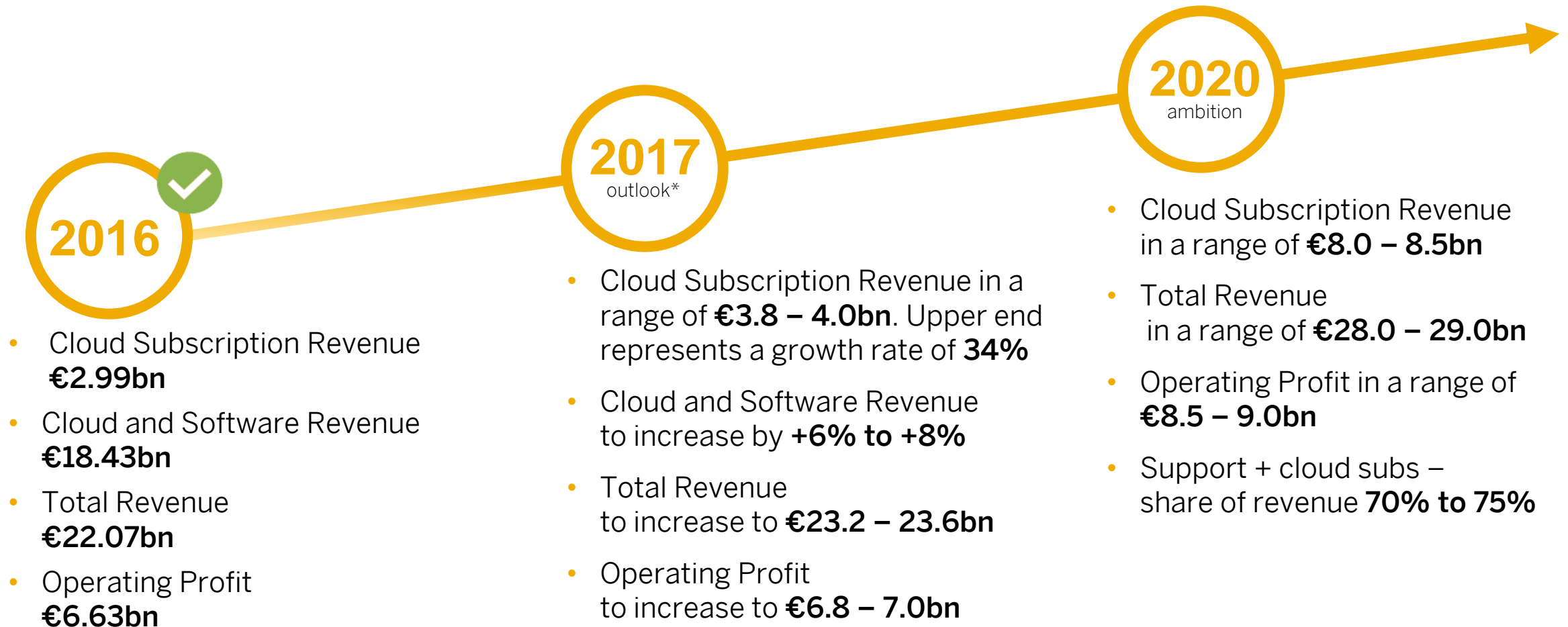
Expanding operating profit which drives operating cash flow

- Operating profit was up 4% to €6.6bn or at the midpoint of our raised guidance range – on top of a significant growth in the previous year
- Continued operating profit expansion despite continuous investments in innovation and high-growth areas for our transformation which already pay off
- Operating margin (29.7%/-80bps) – revenue mix shift effect as well as decrease in services margin weighs on our group profitability in the near term
- Strong operating cash flow of €1bn in Q4 led to strong 2016 – growing by 27% to €4.6bn

All numbers non-IFRS at constant currencies unless otherwise stated



Continued strong momentum reflected in 2017 outlook and increased 2020 ambition



Non-IFRS; *Non-IFRS at constant currencies

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Q & A



Fourth-Quarter and Full-Year 2016 Preliminary Results Release Appendix



Fast growing cloud business

Q4/16 unless otherwise stated

Cloud subscriptions and support revenue, non-IFRS

(+29% at cc)

+31%
yoy to €827m

New cloud bookings¹⁾

(+37% at cc)

+40%
to €483m

Cloud subscriptions and support backlog²⁾

€5.4bn
+47% yoy

Cloud applications total subscribers

~125m

SAP Business network – Segment revenue*

(€419m | +18% at cc)

€429m
yoy +21%

~2.5m connected companies trade on Ariba network

>\$885bn
of commerce³⁾

Number of end users processing travel & expenses with Concur

>45m

Flexible workers managed with Fieldglass platform

>3.1m
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, 2016)

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

Gross margin development

Q4 2016

Non-IFRS	FY/14	Q1/15	Q2/15	Q3/15	Q4/15	FY/15	Q1/16	Q2/16	Q3/16	Q4/16	FY/16
Cloud*	64.3	65.1	65.7	68.8	63.0	65.6	66.3	65.2	64.9	63.1	64.8
Business Network*	75.2	75.1	74.8	77.3	72.3	74.9	75.3	76.3	76.8	75.3	75.9
Software & Support	86.3	85.1	86.1	86.7	87.7	86.6	85.9	87.4	87.4	88.5	87.4
Cloud & Software	84.6	82.3	83.3	84.1	84.8	83.8	82.4	83.7	83.5	84.8	83.7
Services	29.0	19.6	23.4	23.4	24.3	22.7	13.9	17.9	20.5	20.3	18.2
Total gross margin	74.3	70.6	72.4	73.6	75.6	73.3	69.7	72.7	72.7	75.6	72.9

* Subscriptions and support

Q4/16 – Continued operating profit expansion despite ongoing investments in innovation and high-growth areas

€ millions, unless otherwise stated	IFRS			Non-IFRS			
Revenue Numbers	Q4/16	Q4/15	Δ%	Q4/16	Q4/15	Δ%	Δ% at cc
Cloud subscriptions and support	827	631	31	827	632	31	29
Software licenses	2,177	2,146	1	2,177	2,146	1	0
Software support	2,756	2,600	6	2,756	2,600	6	5
Software licenses and support	4,933	4,745	4	4,934	4,745	4	3
Cloud and software	5,760	5,377	7	5,761	5,378	7	6
Services	963	965	0	963	965	0	-1
Total revenue	6,724	6,342	6	6,724	6,343	6	5
Operating Expense Numbers							
Total operating expenses	-4,787	-4,642	3	-4,353	-4,061	7	7
Profit Numbers							
Operating profit	1,936	1,700	14	2,371	2,282	4	2
Finance income, net	67	-24	<-100	67	-24	<-100	
Profit before tax	1,949	1,647	18	2,384	2,229	7	
Income tax expense	-438	-369	19	-565	-559	1	
Profit after tax	1,510	1,278	18	1,818	1,670	9	
Operating margin in %	28.8	26.8	2pp	35.3	36.0	-0,7pp	-0,9pp
Basic earnings per share, in €	1.26	1.07	18	1.52	1.4	9	

FY/16 operating profit at midpoint of raised guidance – up 4% on top of significant 2015 growth and continued investments in 2016

€ millions, unless otherwise stated	IFRS			Non-IFRS			
Revenue Numbers	FY/16	FY/15	Δ%	FY/16	FY/15	Δ%	Δ% at cc
Cloud subscriptions and support	2,993	2,286	31	2,995	2,296	30	31
Software licenses	4,860	4,835	1	4,862	4,836	1	1
Software support	10,571	10,093	5	10,572	10,094	5	6
Software licenses and support	15,431	14,928	3	15,434	14,930	3	4
Cloud and software	18,424	17,214	7	18,428	17,226	7	8
Services	3,638	3,579	2	3,638	3,579	2	3
Total revenue	22,062	20,793	6	22,067	20,805	6	7
Operating Expense Numbers							
Total operating expenses	-16,942	-16,541	2	-15,438	-14,457	7	8
Profit Numbers							
Operating profit	5,121	4,252	20	6,629	6,348	4	4
Finance income, net	-38	-5	>100	-38	-5	>100	
Profit before tax	4,849	3,991	21	6,357	6,087	4	
Income tax expense	-1,230	-935	32	-1,707	-1,586	8	
Profit after tax	3,618	3,056	18	4,650	4,501	3	
Operating margin in %	23.2	20.5	2,8pp	30.0	30.5	-0,5pp	-0,8pp
Basic earnings per share, in €	3,03	2.56	18	3.89	3.77	3	

Balance sheet, condensed

December 31, 2016, IFRS

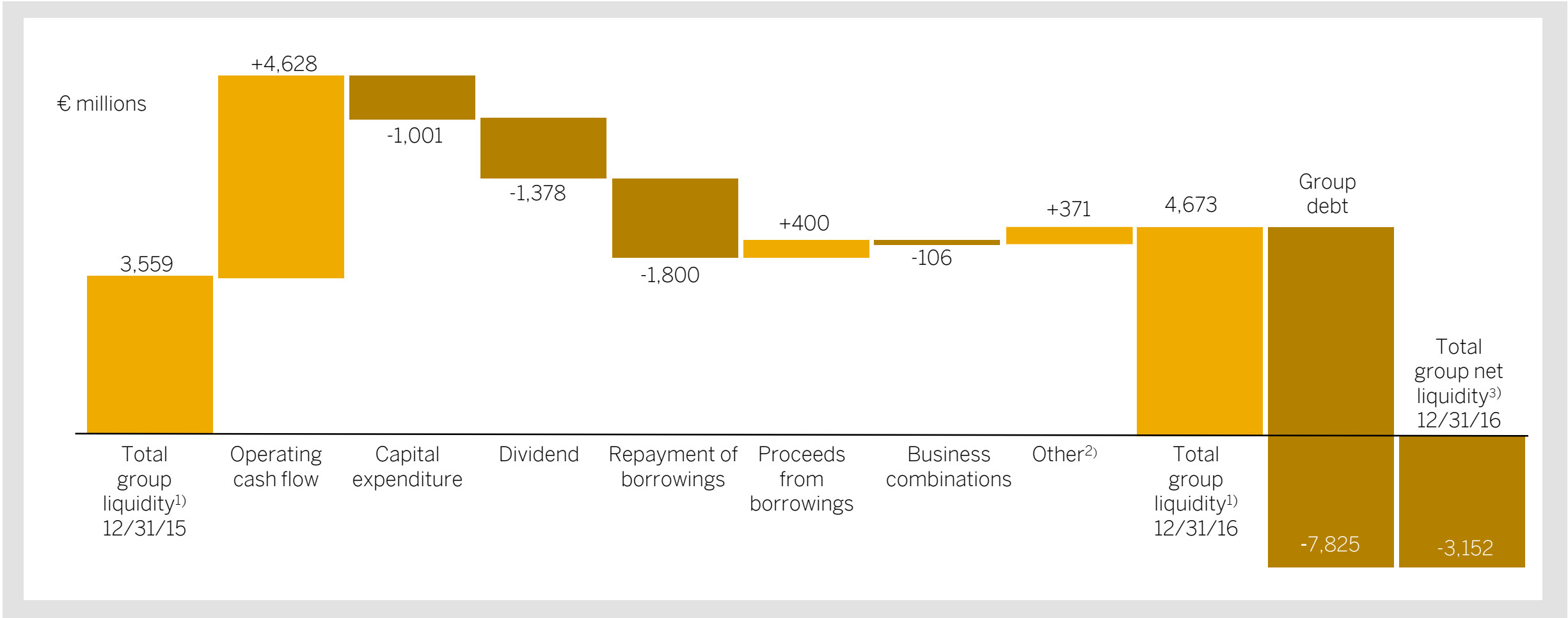
Assets € millions	12/31/16	12/31/15
Cash, cash equivalents and other financial assets	4,826	3,762
Trade and other receivables	5,975	5,274
Other non-financial assets	825	703
Total current assets	11,626	9,739
Goodwill	23,311	22,689
Intangible assets	3,786	4,280
Property, plant, and equipment	2,580	2,192
Other non-current assets	3,051	2,490
Total non-current assets	32,728	31,651
Total assets	44,354	41,390

Equity and liabilities € millions	12/31/16	12/31/15
Trade and other payables	1,290	1,088
Provisions	183	299
Other liabilities	5,829	4,478
Deferred income, current	2,433	2,001
Total current liabilities	9,734	7,867
Financial liabilities	6,481	8,681
Provisions	217	180
Deferred income, non-current	143	106
Other non-current liabilities	1,397	1,262
Total non-current liabilities	8,238	10,228
Total liabilities	17,972	18,095
Total equity	26,382	23,295
Total equity and liabilities	44,354	41,390

Operating cash flow of €1.0 billion in Q4 led to strong operating cash flow for the year – growing by 27% to €4.6 billion

€ millions, unless otherwise stated	01/01/16 – 12/31/16	01/01/15 – 12/31/15	Δ
Operating cash flow	4,628	3,638	+27%
- Capital expenditure	-1,001	-636	+57%
Free cash flow	3,627	3,001	+21%
Free cash flow as a percentage of total revenue	16%	14%	+2pp
Cash conversion rate	1.28	1.19	+7%
Days sales outstanding (DSO in days, Sep. 30)	74	71	+3

Net liquidity improved by almost €2.5 billion or 44% in 2016



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 2016 integrated report published end of Feb

Agenda

Income Statement

Balance Sheet and Cash Flow Analysis

Outlook and Additional Information

Appendix

Additional outlook information and non-IFRS adjustments

The company reported a full-year 2016 effective tax rate (IFRS) of 25.4% (2015: 23.4%) and an effective tax rate (non-IFRS) of 26.9% (2015: 26.1%).

Non-IFRS adjustments	Actual Amounts FY/15	Actual Amounts FY/16	Est. Amounts for FY 2016
Revenue adjustments	€11m	€5m	<€20m
Share-based payment expenses	€724m	€795m	€770m to €840m
Acquisition-related charges	€738m	€680m	€670m to €720m
Restructuring charges	€621m	€28m	€30m to €50m
Sum of all adjustments	€2,084m	€1,504m	€1,490m to €1,630m

FY 2017 – Additional outlook information and non-IFRS adjustments

The company expects a full-year 2017 effective tax rate (IFRS) between 26.0% to 27.0% (2016: 25.4%) and an effective tax rate (non-IFRS) between 27.0% to 28.0% (2016: 26.9%).

IFRS Profit Measure	Actual Amounts FY/2016	Est. Amounts for FY/2017
Revenue adjustments	€5m	<€20m
Share-based payment expenses	€795m	€770m to €1,020m
Acquisition-related charges	€680m	€620m to €650m
Restructuring charges	€28m	€30-50m
Sum of all adjustments	€1,504m	€1,440m to €1,740m

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