

Buy-Side Days:

An Alternative for Small & Mid Cap Companies?

Stefan Gruber
Head of Investor Relations



SAP runs an active and global IR program

Regular and direct interaction with the buy-side

Key Investor Relations events

- Quarterly earnings announcements
- Capital Markets Day New York, February 9th 2017
- CEBIT Financial Analyst Conference March 20th, 2017
- SAPPHIRE NOW Orlando Financial Analyst Conference, May 17th, 2017
- Presentations at broker conferences
- Investor roadshows with senior executives and IR only
- **Buy-side days at company headquarters in Walldorf**
 - Alternatively U.S. locations (New York, NY; Newtown Square, PA; Palo Alto, CA)
- Events for socially responsible investors (with sustainability team)
- Regular presentations to retail investors
- Annual General Meeting, May 10th, 2017
- Regular update calls for debt investors (with Treasury)

Investor & Financial Analyst Call Script Fourth Quarter and Fiscal Year 2016 Earnings Announcement

January 24, 2017 – 2 PM CET / 8 AM EDT

Bill McDermott
Luka Mucic

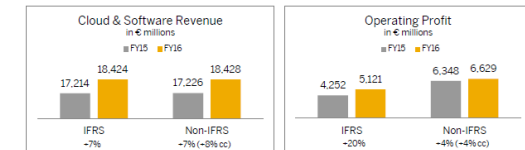
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SAP Q4 2016 Quarterly Statement

SAP Hits Increased 2016 Guidance – Raises 2020 Targets

- New Cloud Bookings Soar 40% in Q4; Cloud Backlog Surges 47% to €5.4 Billion at Year-End
- Full Year Cloud Subscription and Support Revenue Up 31% to €2.99 Billion (IFRS) and Up 31% to €3.01 Billion (Non-IFRS at Constant Currencies)
- Full Year Cloud and Software Revenue Up 7% (IFRS) and Up 8% (Non-IFRS at Constant Currencies)
- Full Year Operating Profit Up 20% to €5.12 Billion (IFRS) and Up 4% to €6.60 Billion (Non-IFRS at Constant Currencies)
- Full Year EPS Up 18% to €3.03 (IFRS) and Up 3% to €3.89 (Non-IFRS)
- Targeting More Than 2.6x in Cloud to Reach up to €29 Billion Total Revenue in 2020



Cloud Subscriptions & Support Revenue in € millions		Share of Predictable Revenue in percent FY 2016		Total Revenue in € millions	
IFRS	Non-IFRS			IFRS	Non-IFRS
2,993	2,995	61%	+2 p.p.	22,062	22,067
+31%	+30% (+31% cc)			+6%	+6% (+7% cc)

"SAP's outstanding 2016 performance is the latest in our seven year run of profitable growth. We expanded our addressable market, acquired best in class assets and innovated a new generation of ERP with SAP S/4HANA. We are the leader in the business software industry with a consistent trifecta of strong software sales, fast cloud growth and operating income expansion. Our innovation agenda is accelerating in Machine Learning, the Internet of Things and Blockchain. SAP is winning big and we have enormous confidence in our accelerated 2020 ambition!"

Bill McDermott, CEO

"SAP is consistently delivering on its promise and achieved all raised guidance metrics for the full year. Furthermore, operating cash flow was strong with a 27% increase in 2016. New cloud bookings growth of 40% for the fourth quarter was exceptional. Our strong backlog paired with our robust pipeline position us for yet another year of profitable growth in 2017 and allow us to confidently raise our high level 2020 ambition."

Luka Mucic, CFO

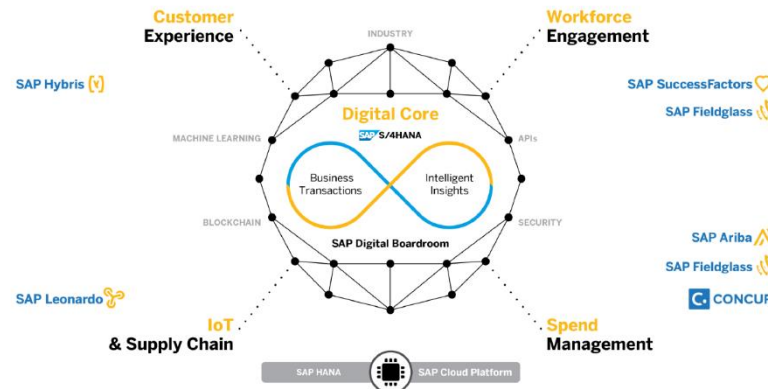
SAP's business has broadened – regular education of buy-side (both U.S. and Europe) is even more critical

Business model transition



- A shift from license to cloud subscription revenue
- Change in competitive landscape to include pure play cloud niche vendors

Broader and more sophisticated portfolio of products



- Broad range of multi-faceted solutions

Large scale acquisitions



SAP® BusinessObjects™ SYBASE®

SAP Ariba SAP SuccessFactors

SAP Fieldglass SAP Hybris

- Top 7 acquisitions worth approx. \$30 billion

Buy-side days provide a deeper dive on the story in a more personal and intimate setting



By touching and feeling the products, the investors can understand them better



Buy-Side Days provide investors with access to executive board members, senior managers and young talent alike



Companies can save the time of the executive board and other senior management by having all investors in one place



Discussing the company's strategy with top executives is critical for the investment decision

Multiplier effects of the buy-side days

Buy-Side Days: should they be webcast?



The social aspect: a unique opportunity for an intimate social event

Buy-Side Day Agenda, September 2016

Friday, September 16 | Walldorf, Building WDF21

09:30 – 10:00 a.m. **Coffee Reception**

10:00 – 10:05 a.m. **Welcome**
Stefan Gruber, Head of Investor Relations

10:05 – 11:00 a.m. **SAP's Products and Innovations – Strategic Outlook**
Bernd Leukert, Executive Board Member, Products & Innovation

11:00 – 12:00 p.m. **Digital Enterprise Platform**
Irfan Khan, General Manager, Global Database and Data Management

12:00 – 01:00 p.m. **Theme Lunch: SAP's Industry Strategy in the Digital Economy**
Peter Maier, General Manager, Energy & Natural Resources

01:00 – 02:00 p.m. **Q&A**
Luka Mucic, Executive Board Member, Chief Financial Officer

02:00 – 03:00 p.m. **Intelligent Commerce in the Digital Economy**
Alex Atzberger, President SAP Ariba (via telepresence from New York)

03:15 – 04:00 p.m. **SAP HANA Cloud Platform: Enabling Digital Transformation**
Björn Goerke, Executive Vice President, Product & Innovation Technology (via telepresence from Palo Alto)

SAP Buy-Side Day

Walldorf – September 16, 2016



**Digitize Commerce like
Never Before with SAP Ariba**

SAP Ariba Vision

Connect the World and Simplify Global Business Commerce

Mission

Be the Innovation Leader for our Customers to Build, Manage and Deepen their B2B Relationships in the Digital Economy

Strategy

- 1. Be Best-in-Class Cloud Procurement Solution
- 2. Grow Network Value for all Participants
- 3. Introduce New Business Models

Operating Principle

Run Simple

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SAP Ariba Today

2.2M
companies on network, the largest
digital marketplace

\$1T
in procurement spend, more than 50%
using SAP Ariba SaaS

Open
partner ecosystem platform

#MAKEPROCUREMENTAWESOME



How to prepare a successful Buy-Side Day

- Invite priority target accounts, **defined by the company** – large holders/potential buyers with long term views and peer group company holders
- Book the best and most interesting speakers (if necessary, train and prepare them for the event)
- Timing: the event should take place outside of the busy earnings season / avoid clashes with major industry events
- “Social part” – dinner or informal reception
- Possibly leverage a top sell side analyst/broker who understands the story well (rotate brokers)
- Collect feedback after the event / mini perception study

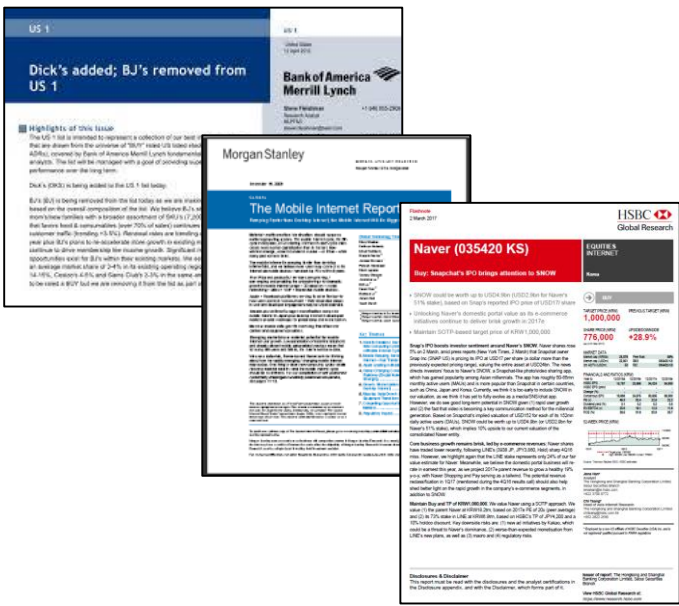


Feedback from perception studies conducted by SAP

- “In terms of IR, SAP provides more **access** to a broader array of management than any other company.”
- “At events, SAP is better than other companies in providing good **access** to layers of management.”
- “The availability to senior management is great. The 2-3 meetings a year are typically informative, all of which are better than their peers. I would like to see them maintain the SAPPHIRE event, and other access programs offered at its capital markets days.”
- “They provide more **access** to more heads of business units than any other company and appreciate the exposure beyond the C-suite.”
- “The SAP team does a good job providing **access** to management, very good at SAPPHIRE”
- “SAP does a very credible job of making the management team **accessible** through its 3 major analyst events per year”

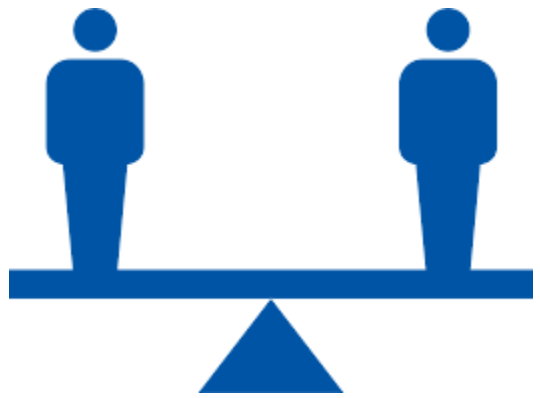
Special challenges – Investor Relations at SMEs

Less coverage



A challenge to attract attention of the investors

Limited IR resources



IR teams comprised of 1-2 members or IR not a separate function

Less magnetic pull



Difficult to convince the investors to travel, particularly for remote locations

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Head of Investor Relations

SAP Digital Boardroom



Innovative methods used by other companies to make their analyst days more engaging

Location and Event Structure: Company Examples



Idea – Held the analyst day at Manila and Singapore and took the attendees to consumer homes.

Approach:

- Took around 70 buy- and sell-side analysts on a field trip to Manila and Singapore. NOTE: The company does Emerging Market events every 2-3 years, and attendance is by invitation only (priority investors those with large holdings and time horizons).
- Day 1 – Kick-off the event with management presentations
- Day 2 – Split attendees in smaller groups to visit consumer homes to learn about their needs/uses of company products.

Rationale:

Most of the company's investors did not work in the consumer goods business, so they held the event to help them better understand Unilever and its customers, as opposed to them simply reading papers by the side.



Idea – Took the attendees on a guided tour of the R&D facility.

Approach:

- Their recent analyst day featured a site tour of the Innovation and R&D center in Pittsburgh.
- As investors observed product exhibits.

Rationale:

Provide investors with site visits because they can observe its operations.



Idea – The company made the event more engaging by taking attendees to three separate site-visits and included simulated games that pitted attendees against each other for cool prizes.

Approach:

- They held a day and a half investor day at their HQ in Switzerland where roughly 50 attendees (US and non-US) participated.
- The company took the attendees to visit three different showrooms to showcase their new products.
- The site visits were complimented by simulation games (the company sponsors the Ferrari Formula 1 team) wherein the attendees competed against each other and winners were awarded cool prizes (e.g. signed helmets from Ferrari's F1 drivers).

Rationale:

Increase the fun quotient of the day so that the attendees don't feel cooped-up in the company HQ and also provide an avenue for attendees to interact and network.

Location and Event Structure: Company Examples (Contd.)



Idea – Held their analyst day at an unconventional location where the attendees had unrestricted access to senior management.

Approach:

- Rather than inviting attendees to meet on the East Coast or at their HQ in Evansville, Indiana for a traditional presentation by senior management, they held the event in Ann Arbor, Michigan (a new market the company entered).
- They invited attendees to two iconic Ann Arbor locations: Zingerman's Deli and The Big House
- To encourage dialogue, attendees had unfettered access not only to senior leaders, but also to regional leaders and members of the board.

Rationale:

Overall, the structure created a more natural, intimate, and interactive atmosphere – the company felt that it promoted trust and partnerships through candid conversations in a neutral environment.



Idea – Their analyst day included a panel discussion with customers and detailed product demonstrations.

Approach:

- Four customers were involved in a panel discussion along with a member of CEB's Leadership Team wherein they discussed specific questions that the customers had regarding the company's strategy and products. The audience also had opportunities to ask questions to CEB's representative as well as the customers.
- During breaks, the audience were split into two groups and each group were given demonstrations led by an expert and had the opportunity to test CEB's products hands-on.

Rationale:

CEB's products are technology-based and difficult to demonstrate or experience. The panel discussion and hands-on demonstrations provided an opportunity to ask product-related questions directly to the customers.

Source: CEB Global