

SAP's Credit Rating - Rationale and Process

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Agenda



Overview SAP

M&A and debt history

Credit rating: Rationale and process

SAP is the world's leading business software company

Facts & figures*

- **75,600** employees
- **Over 296,000** customers
- **In over 190** countries
- **25** industries
- **74 %** of all transactions worldwide

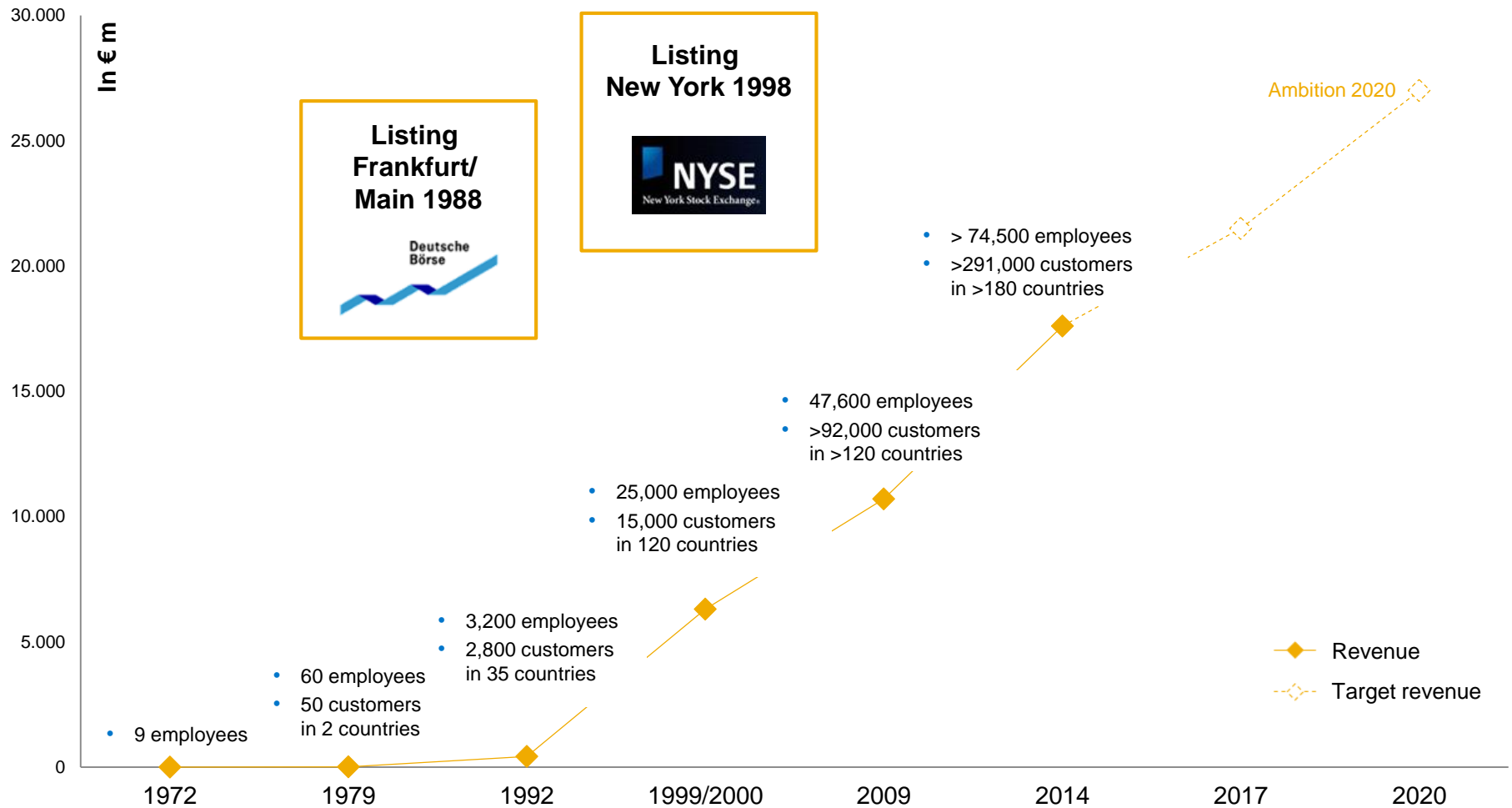
Financial figures 2014

- **€17.6bn** revenue
- **€4.3bn** operating result
- **€2.8bn** free cash flow



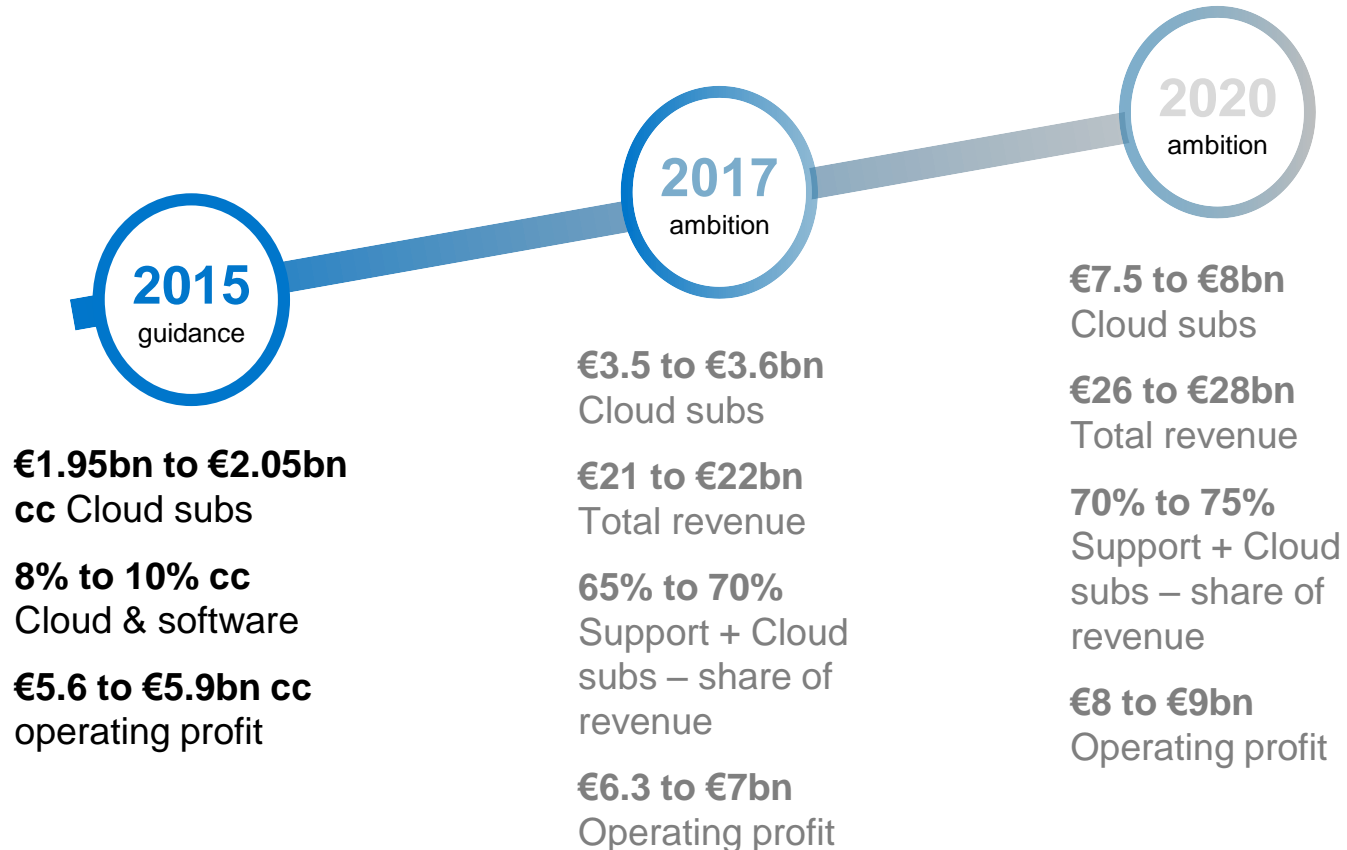
* per end of Q3 2015

Milestones of SAP's financial history



SAP at a glance

2015 outlook and path to 2020



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M&A driven external debt financing

	until 2007	2008	2010	2012	2013	2014	2015	
<i>No major acquisitions</i>								
Acquisition price		€4.2bn	\$5.8bn	\$3.4bn	\$4.3bn	~ €1.0bn	< €1.0bn	\$8.3bn
Debt capital markets instruments issued		Schuldschein €0.7bn	Eurobonds €2.2bn USPPs \$1.25bn	---	Eurobonds €1.3bn USPPs \$1.4bn	---	---	Eurobonds €4.5bn
Time to full repayment of term loan*		21 months	11 months	9 months	2 months	4 months	7 months	ongoing
Debt issuance programme		---	---	---	€2.4bn	€4.0bn	€6.0bn	€8.0bn**

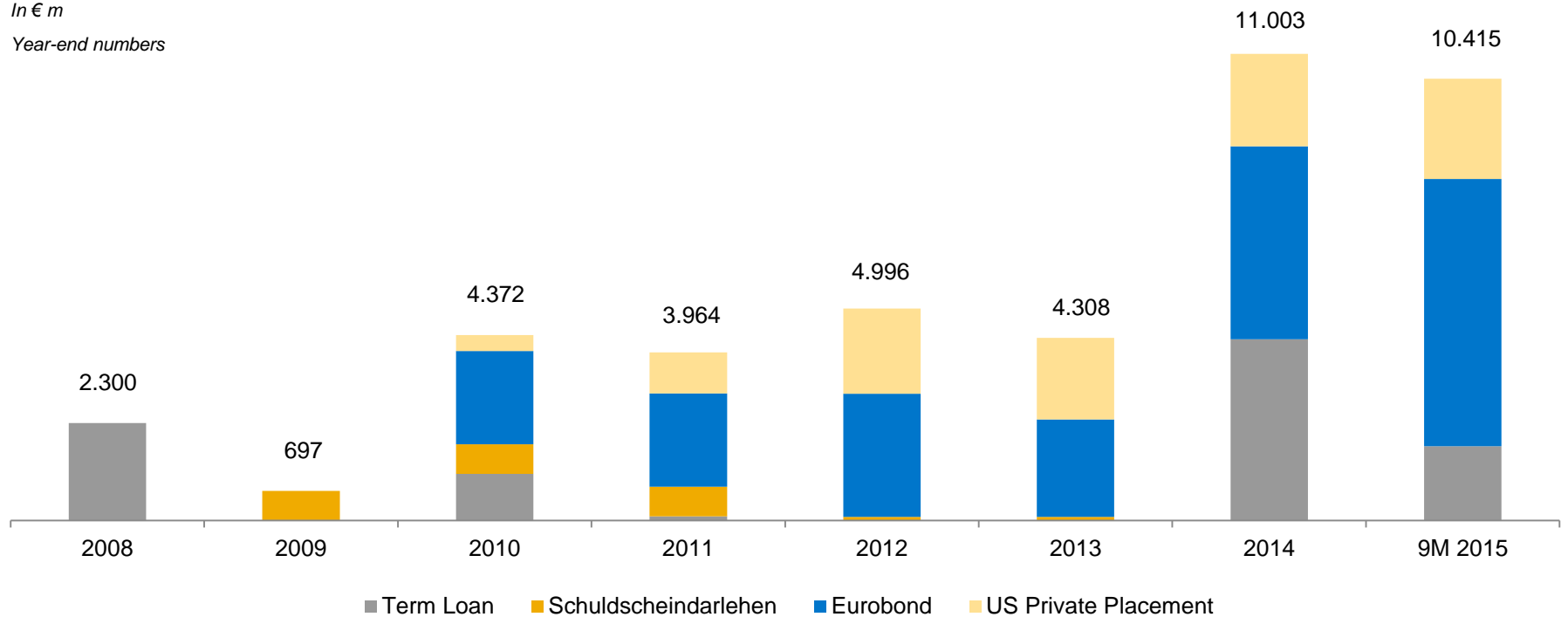
* Via Free Cash Flow and/or capital markets transactions ** As of update of the Debt issuance program in March 2015

History of external financing

Financing mix @ SAP

In € m

Year-end numbers



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How SAP came to the rating decision

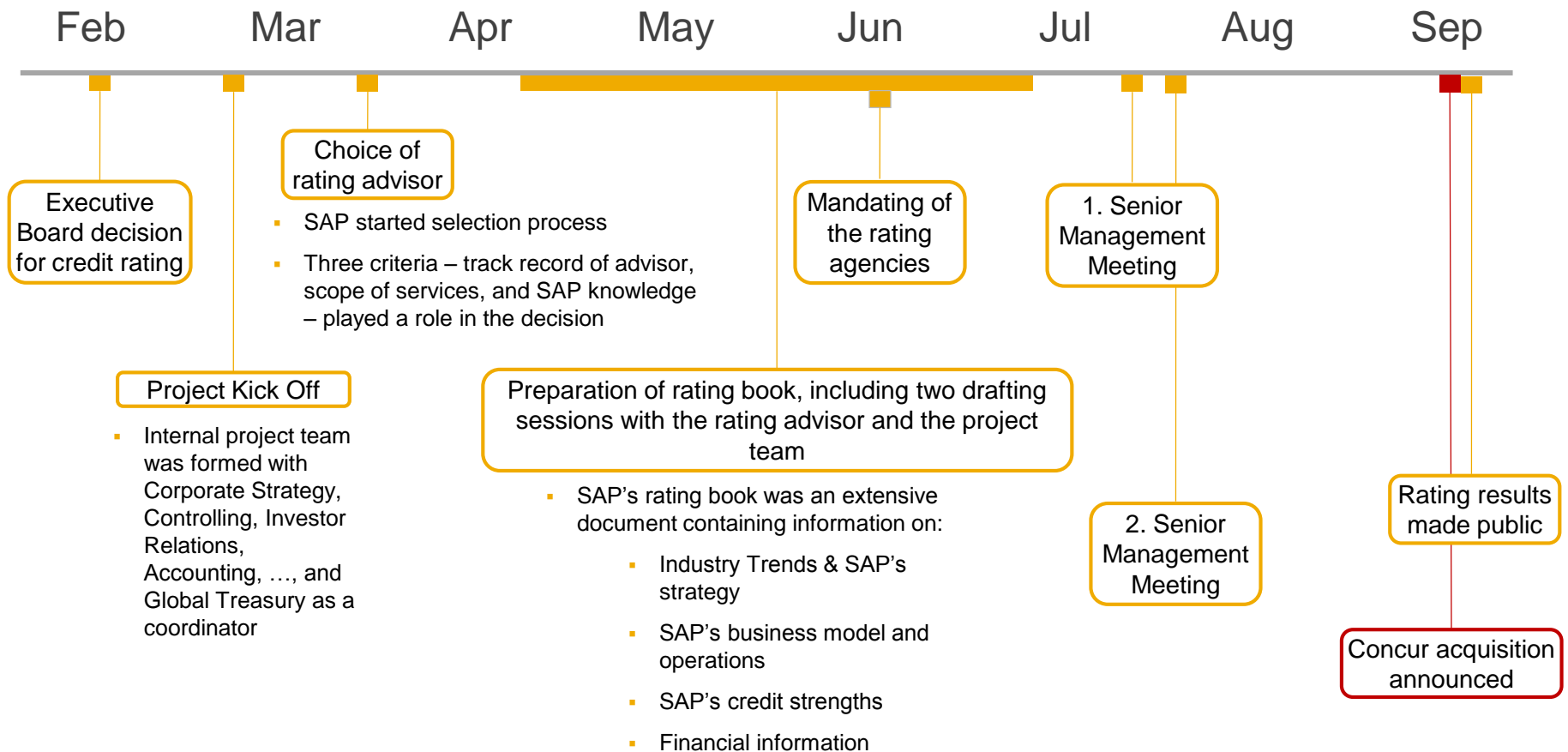
Why hadn't SAP obtained a rating for a long time?

- Conservative financial policy:
 - Primarily equity-financed
 - Very low debt levels
- Organic growth rather than through acquisitions
- Easy access to bank loans and attractive conditions through strong brand name and high creditworthiness
- Costs of credit rating, increased internal effort and additional reporting obligations

Why did a credit rating become more relevant for SAP?

- SAP has been following a strategy of intensive growth through acquisitions, which resulted into:
 - Significantly higher leverage
 - Increasing presence in the debt capital markets
- Increased costs through the “unrated” premium
- Potential volumes becoming more limited for an unrated issuer
- All peer companies have an official rating

Rating project timeline 2014



Publishing the credit rating

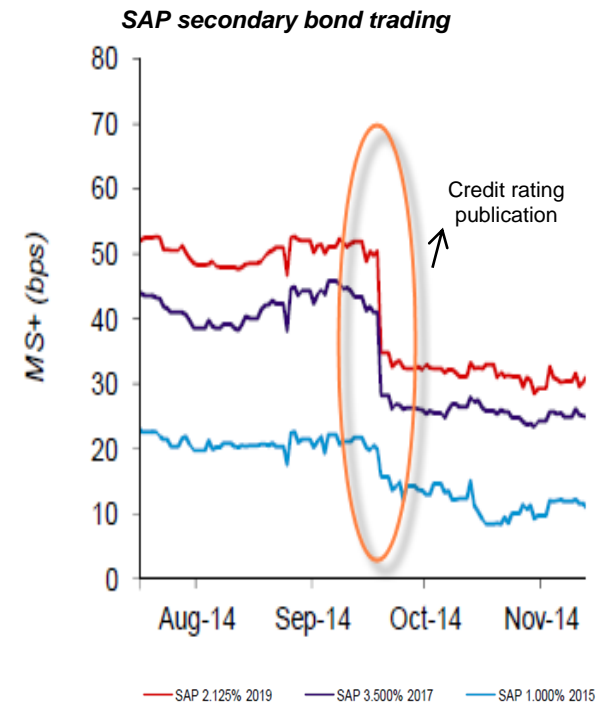
Publication of the credit rating on Sep. 19, 2014, coincided with the announcement of the Concur acquisition.

Benefits for SAP

- ❑ Financial flexibility – access to the U.S. bond market, as well as more depth on the Eurobond market
- ❑ Reduced borrowing costs – no “unrated” premium of ca. 15-20 bps
- ❑ Enhanced secondary market liquidity
- ❑ External stakeholders (investors, customers, suppliers) are provided with a neutral indication of SAP’s stability and creditworthiness
- ❑ Increased comparability to key competitors in the U.S.

Challenges

- ❑ Additional stakeholder
- ❑ Rating costs



Expected increase in financial flexibility

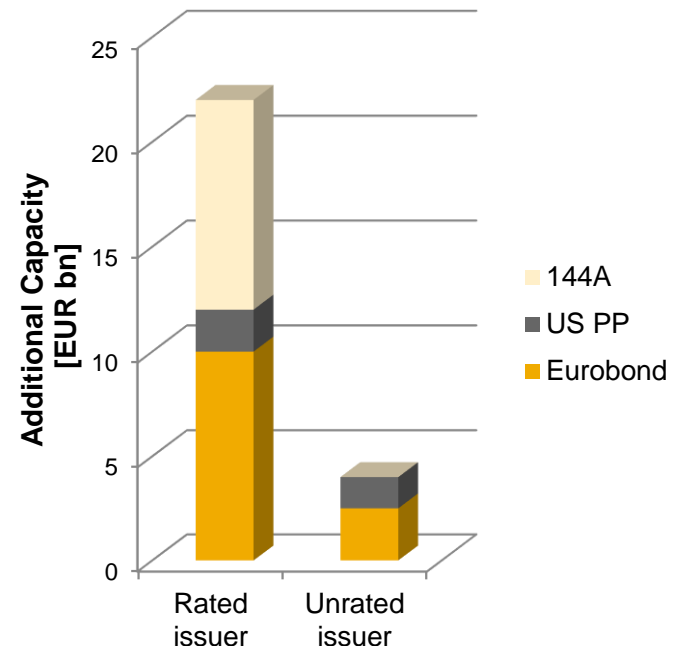
Additional **financial flexibility** was an important factor for SAP in the rating decision.

A credit rating can provide:

- Significantly higher volumes on the Eurobond market
- Access to the deep and more stable U.S. bond market
- U.S. PP market not really rating-driven, but SAP has already tapped much of the possible volumes there

Total additional market capacity: (bank indications)

€ equivalent	Rated	Unrated
Senior unsecured Eurobond market	7.0–10.0bn	1.5–2.5bn
Senior unsecured US\$ US PP market	1.5–2.0bn	1.0–1.5bn
Senior unsecured US\$ 144A	>10.0bn	-



Bridge loans and takeout volumes in comparison

Borrower	Date and Deal Size (mm)	Tenor	Bridge Split	Take-out Products	Signing To 1 st Takeout Date
 SOLVAY	Aug-15 // USD Total: 5,800 Bridge: 5,800	12 months (12-month EO)	100%	Rights Issue Euro €/ \$ Bond Hybrid issue	N/A
 Capgemini CONSULTING. TECHNOLOGY. OUTSOURCING	Mar-15 // USD Total: 3,800 Bridge: 3,800	12 months (12-month EO)	100%	Euro \$ Bond Rights Issue	1 month
 PUBLICIS GROUPE	Nov-14 // USD Total: 3,500 Bridge: 3,500	13 months (6-month EO)	100%	Euro \$ Bond Term Loan	1.5 months
 BRITISH AMERICAN TOBACCO	Sep-14 // USD Total: 4,700 Bridge: 4,700	12 months (2 6-month EO)	100%	US \$ Bond Euro \$ Bond	9 months
 SAP	Sep-14 // EUR Total: 7,000 Bridge: 4,000	A: Earlier of 18 months or 364 days from utilisation (2 6-month EO) B: Earlier of 3 years or 6 months from utilisation	57% 43%	Euro € Bond	2 months
 MERCK	Sep-14 // USD Total: 15,600 Bridge: 11,600	A: 364 days B: 3 years	74% 26%	Hybrid US \$ Bond Euro \$ Bond	2.5 months
 ZF	Sep-14 // EUR equiv Total: 12,500 Bridge: 7,500	A: 1 year (2-6 month EO) B: 3 years C & D: 5 years	60% 40%	Schuldschein US \$ Bond Euro € Bond	4 months
 BAYER	Jun-14 // USD Total: 14,200 Bridge: 12,200	A: 364 days (2 6-month EO) B: 4 years	86% 14%	Hybrid US \$ Bond Euro \$ Bond	0.5 months

Legend Bridge Component Remaining Facility



Thank you!

