

Bloomberg	SAP GR
Reuters	SAPG.DE
12-month High / Low (EUR)	74.9 / 54.5
Market Cap (EURm)	87,285
Ev (BG Estimates) (EURm)	91,957
Avg. 6m daily volume (000)	3 043
3y EPS CAGR	8.9%

This morning SAP pre-announced FY15 results slightly above our forecasts and the consensus' average and at the high-end of company guidance - yet the non-IFRS operating margin, at 30.5%, is slightly below our 31% forecast (consensus: 30.9%). Q4 15 was helped by an intense licence sales activity (+11% at cc) thanks to a strong flow for renewals and S/4HANA. FY16 guidance is encouraging on Cloud & Software revenues, but our forecast and the consensus are slightly above the high-end of the non-IFRS op. margin guidance. We expect a slightly positive reaction in the near term.

	1 M	3 M	6 M	31/12/14
Absolute perf.	-1.9%	19.5%	13.9%	22.0%
Softw. & Comp.	-4.3%	10.4%	9.1%	21.7%
DJ Stoxx 600	-6.7%	-5.6%	-8.5%	-0.3%

YEnd Dec. (€m)	2014	2015e	2016e	2017e
Sales	17,560	20,543	21,574	22,903
% change		17.0%	5.0%	6.2%
EBITDA	6,061	6,914	7,348	7,892
EBIT	4,330	4,474	5,679	6,228
% change		3.3%	26.9%	9.7%
Net income	4,304	4,582	5,203	5,553
% change		6.5%	13.5%	6.7%

	2014	2015e	2016e	2017e
Operating margin	32.0	31.0	31.4	31.8
Net margin	18.6	15.1	19.5	20.0
ROE	16.7	14.5	17.4	16.9
ROCE	16.7	20.2	21.2	23.1
Gearing	38.5	21.8	4.8	-9.6

(€)	2014	2015e	2016e	2017e
EPS	3.41	3.63	4.12	4.40
% change		6.5%	13.5%	6.7%
P/E	20.8x	19.6x	17.2x	16.1x
FCF yield (%)	3.2%	5.2%	5.7%	6.2%
Dividends (€)	1.10	1.20	1.30	1.40
Div yield (%)	1.5%	1.7%	1.8%	2.0%
EV/Sales	5.4x	4.5x	4.1x	3.7x
EV/EBITDA	15.6x	13.3x	12.0x	10.7x
EV/EBIT	16.9x	14.4x	13.0x	11.6x

ANALYSIS

- FY15 results slightly above expectations, at the high-end of company guidance.** For FY15, on a non-IFRS basis, SAP pre-announced sales up 10% at cc to EUR20.81bn (BG est.: EUR20.55bn; consensus: EUR20.53bn), Cloud & Software revenues up 12% at cc to EUR17.23bn (BG est.: EUR17n; consensus: EUR16.98bn or +10.5% at cc; company guidance: +8%/+10% at cc), cloud subscriptions revenues up 82% at cc to EUR2.3bn (BG est.: EUR2.31bn or +86% at cc; consensus: EUR2.31bn or +85.3% at cc; company guidance: +77%/+86% at cc), licence sales up 4% at cc to EUR4.84bn (BG est.: EUR4.62bn; consensus: EUR4.59bn), and an op. profit of EUR6.35bn (30.5% of sales vs. 32.1% in FY14) vs. BG est. of EUR6.37bn (31% of sales) and consensus EUR6.34bn (30.9%). At cc, non-IFRS op. profit was EUR5.902bn, or at the high-end of company guidance (EUR5.6-5.9bn). IFRS op. profit was down 2% to EUR4.25bn, while we expected EUR4.47bn (consensus: EUR4.46bn).
- Strong licence renewal activity in Q4 15.** SAP benefited from a strong licence sales activity in Q4 15, up 11% at cc, thanks to an intense level of renewals. Customer adoption of SAP S/4HANA accelerated sharply in the quarter, with more than 2,700 customers at the end of 2015 (vs. only 1,300 at the end of Q3). This also coincides with the end of the promotion period for the S/4HANA foundation, which allows customers to transition to S/4HANA. On cloud subscriptions, revenues stay at a strong level of growth, but we estimate they were "only" at +28% lfl (i.e. excl. Concur) in Q4 15 – vs. est. +35% in Q3, +34% in Q2 and +29% in Q1. That said, new cloud bookings were up 103% for FY15 (to EUR890m) and up 75% for Q4 15 (to EUR350m).
- FY16 guidance: in line on revenues, slightly below expectations for the margin.** For 2016, SAP anticipates, on a non-IFRS basis, Cloud & Software revenues up 6-8% at cc, Cloud subscriptions up 28-33% at cc to EUR2.95-3.05bn, and a non-IFRS op. profit of EUR6.4-6.7bn at cc (est. 29.5-31% of sales). On revenues, company guidance is in line with with consensus, which was heading for Cloud & Software sales up 6.6% at cc (BG est.: +7.1%), Cloud subscriptions up 30.9% at cc to EUR2.98bn (BG est.: +30.9% at cc to EUR2.99bn). On the non-IFRS op. margin, it is slightly below consensus (EUR6.72bn or 31.2% of sales), and our ests. (EUR6.78.bn or 31.4% of sales).

VALUATION

- SAP's shares are trading at est. 13.0x 2016 and 11.6x 2017 EV/EBIT multiples.
- Net debt on 30th September 2015 was EUR6,094m (net gearing: 28%).

NEXT CATALYSTS

Final FY15 results on 22nd January before markets open.

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