

# SAP Initiates Comprehensive Review to Accelerate Operational Excellence

- Hosting Special Capital Markets Day on November 12th, 2019
- Targeting non-IFRS Cloud Gross Margin of 75% and Approximately 500 Basis Points of non-IFRS Operating Margin Improvement by 2023

**WALLDORF, Germany — April 24, 2019** — [SAP SE](#) (NYSE: SAP) today announced it will host an operationally focused Special Capital Markets Day on November 12th, 2019 to lay out the details of several new initiatives to accelerate operational excellence and value creation. These initiatives are the result of a process that began over the last year and build on the recently announced restructuring program to simplify organizational structures and processes.

SAP is forming a Special Executive Board Committee which will oversee the operational review and identify, evaluate and execute on operational levers across all functional areas of SAP's business. The goal of the review is to accelerate operational excellence across all functional areas of SAP with a focus on growth, innovation and efficiency. Over the next five years, SAP will significantly increase its investment in core product areas and empower its leadership team to drive faster development cycles and speed of execution. A key component of the operational review is to position SAP as a best-in-class provider of cloud applications across any type of cloud delivery model. SAP intends to announce the results of the operational review and will set definitive project milestone targets at the Special Capital Markets Day in November. It is not envisaged that any of these initiatives trigger additional restructuring plans.

At the Special Capital Markets Day, SAP will also detail the path to 75% non-IFRS cloud gross margin in 2023 and average 1 percentage point of non-IFRS operating margin expansion per year from 2018 through 2023, representing total margin expansion of approximately 500 basis points during the period.

SAP's 2023 ambition will be driven by an organic growth strategy and the company commits to a disciplined capital allocation approach:

- **Annual Dividends:** An annual dividend payout ratio of 40% or more of the prior year's profit after tax, consistent with SAP's current dividend policy.
- **Share Repurchase:** The Company will evaluate a multi-year share repurchase program and will provide an update of its assessment at the Special Capital Markets Day.
- **Acquisitions:** SAP's strategy will focus on tuck-in acquisitions that are complementary to SAP's existing portfolio while maintaining a strong balance sheet.

SAP CEO Bill McDermott stated: "Since 2010, SAP has fundamentally transformed through organic innovation and acquisition. We have an incredibly strong core business and a high-growth cloud portfolio with years of runway for continued growth. Today's announcement is a recognition of the success of our strategy and initiates the next phase of value creation and innovation for SAP and all its stakeholders. We are committed to executing on this plan and look forward to updating investors at a Special Capital Markets Day."

SAP CFO Luka Mucic stated: "We have high confidence in the operational targets announced today and believe this comprehensive review will improve our business processes and yield significant efficiency benefits. The achievement of our new cloud gross margin target is critical for our long-term success and supported by the successful completion of our multi-year program to converge our cloud solutions on SAP HANA. Our commitment to the operating margin expansion target is an indication of the importance of this initiative both for our business and for long-term value creation for our shareholders."

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