

The Commercial Case Strengthened More Than the Case for Immediate Earnings Acceleration

1 | KEY RESULTS VS. CONSENSUS

Metric	Reported	Consensus	vs. Cons.
Revenue (EUR)	EUR10.270B	EUR10.13B	+1.4%
Operating Profit (EUR, non-IFRS)	EUR3.030B	EUR2.98B	+1.7%
Diluted EPS (EUR, non-IFRS)	EUR1.89	EUR1.81	+4.4%
SEGMENT REVENUE			
Cloud revenue (EUR)	EUR6.668B	EUR6.57B	+1.5%
Cloud and software revenue (EUR)	EUR9.249B	EUR9.07B	+2.0%

2 | GUIDANCE AND OUTLOOK

SAP expects cloud revenue toward the upper end of its EUR25.8 billion to EUR26.2 billion range and cloud and software revenue toward the upper end of EUR36.3 billion to EUR36.8 billion, both at constant currencies. The non-IFRS operating profit range of EUR11.8 billion to EUR12.2 billion was reaffirmed, as was free cash flow of approximately EUR10 billion; the profit range is the one reduced in July for acquisition dilution. This implies approximately 23% constant-currency cloud growth in Q4, and management retained its 2027 revenue acceleration ambition.

3 | EARNINGS ANALYSIS

THE BEAT WAS CLOUD-LED. Revenue of EUR10.270 billion beat consensus by 1.4%, non-IFRS operating profit of EUR3.030 billion by 1.7%, and non-IFRS EPS of EUR1.89 by 4.4%, with a favorable tax rate contributing to the EPS strength. Cloud revenue of EUR6.668 billion was 64.9% of total revenue and generated approximately 115% of the group's net revenue growth, while aggregate non-cloud revenue declined approximately 4.9%. Services sat approximately EUR39 million below the consensus residual, support revenue fell 6% at constant currencies, and license revenue fell 9%.

HEADLINE QUALITY NEEDS ADJUSTMENT. Approximately 1 percentage point of the 25% constant-currency cloud growth came from revenue catch-up from customers returning from financial distress, approximately EUR53 million, more than half of the EUR98 million cloud revenue beat. Prior-year charges of approximately EUR100 million each for tax litigation and transformation flatter the 18% operating profit growth; against a normalized base, growth is approximately 9.5%. The 25.8% tax rate also flattered EPS: at the approximately 29% full-year rate, EPS would be approximately EUR1.81.

CLOUD MARGINS MOVED THE WRONG WAY. Cloud gross margin fell to 74.3%, down approximately 80 basis points year over year and below the 74.6% estimate, while group gross margin of 73.4% also missed the 73.5% estimate; the gross profit beat was volume-driven, not margin-driven. Infrastructure, sovereign cloud, resale structures and acquisitions pressure delivery costs, and efficiency measures are needed just to keep cloud gross margin stable. The dependable commitment is the 2027 expense framework, growing at 80% to 90% of revenue growth, not the up to EUR3 billion efficiency opportunity.

CASH CONVERSION IS THE OPEN TEST. Free cash flow of EUR1.718 billion rose 36% year over year but missed consensus by 7.6% on higher-than-desired receivables. Nine-month free cash flow of EUR7.968 billion leaves EUR2.032 billion to find in Q4, approximately 96% above the prior-year quarter. Backlog of EUR24.144 billion grew 26% at constant currencies, beating the 24.5% estimate, yet management still expects slight deceleration, when approximately 50% of annual bookings occur. The quarter strengthened the commercial case for SAP's cloud, data and AI strategy more than the case for immediate earnings acceleration.

4 | KEY READ-THROUGHS

AUTOMATION IS REDUCING THE REVENUE INTENSITY OF SAP IMPLEMENTATION AND MANAGED SERVICES

Accenture (ACN), Capgemini (CAP), Infosys (INFY), Tata Consultancy Services (TCS) | Negative | High structural importance for exposed service lines

SAP's services revenue fell 5% at constant currencies, and management warned of downward pressure on billable hours and services revenue next year, while AI migration tools and automation reduce the labor per implementation. SAP also identified an opportunity to cut third-party contractors in cloud delivery. Activity can grow while services revenue per migration falls.

SNOWFLAKE GAINS A DISTRIBUTION CHANNEL, NOT JUST ANOTHER DATA CONNECTOR

Snowflake (SNOW) | Positive | Moderate fundamental opportunity

Approximately 90% of SAP's 50 largest deals included AI and business data, and RISE contracts grow richer as customers add a harmonized data layer. New customers can purchase SAP Snowflake, a Snowflake offering sold and supported by SAP, turning SAP's ERP transformation budgets into a distribution channel for Snowflake workloads.

SAP'S MASTER-DATA EXPANSION INCREASES COMPETITION FOR SALESFORCE'S INFORMATICA PLATFORM

Salesforce (CRM) | Negative | Moderate strategic pressure in overlapping accounts

Dremio and Reltio extend SAP's context layer beyond SAP data, with automated non-SAP data products and AI-assisted matching of customer, supplier and material records. Those functions overlap Informatica's master data, integration and governance platform, giving a customer funding an SAP transformation an in-program alternative that can constrain Informatica's pricing and expansion scope.

ERP MIGRATION SUPPORTS HYPERSCALER WORKLOADS, WITHOUT PROVING A PROPORTIONATE GPU SPENDING CYCLE

Amazon (AMZN), Microsoft (MSFT), Alphabet (GOOGL) | Positive | Moderate within SAP-related workloads, modest at the parent level

Cloud revenue grew 25% at constant currencies and cloud backlog 26%, with customers going live, moving systems and data into cloud environments that consume compute, storage and networking across AWS, Azure and Google Cloud. The call supports the direction of infrastructure demand, not a proportionate growth forecast for any supplier's SAP business.