ACATIS GANÉ Value Event Fonds (WKN A0X754)

Investment Report November 2020 **Aschaffenburg, 5th December 2020**

We invest in winners. This means we invest in strong companies that create value for their shareholders with sustainable business models, solid balance sheets and high margins. We keep the risks low and invest when our position is fuelled by a positive event. We refer to that as the combination of value and event.

SAP SE

SAP was founded in 1972 by five lateral thinkers employed by IBM. Their vision was to create something new. Working together, they rewrote the history of enterprise software and changed the way companies do business. Today, SAP is the world's leading provider of business process management software. The entrepreneurial spirit still drives the culture of innovation. As a "cloud company powered by SAP HANA" SAP supports 440,000 customers with 101,000 employees and 21,000 partner companies. 77% of worldwide transaction revenues are processed through SAP systems. Machine learning technologies, the Internet of Things and advanced analytics help customers achieve their goals and become smarter businesses. But the success story took a battering in October. After CEO Christian Klein was forced to revise its mid-term targets, SAP lost a quarter of its stock market value. US subsidiary Concur is creating problems. The USD 8 billion acquisition of the cloud-based travel expense manager was the most expensive takeover by former boss Bill McDermott. However, due to the pandemic, business travel is virtually non-existent. SAP is also finding it difficult to migrate its historical customer base, which is dominated by license purchases, to the new cloud model. This means that the harmonisation of SAP cloud operations must be accelerated. This will entail additional costs in the coming years. Although the switch will at first result in the loss of high licence revenues SAP will earn significantly more over the useful life of the software with a usage-based payment model or a subscription-based model. As a result, SAP initially expects licence revenues to decline, followed by accelerated growth. By 2025, sales are projected to grow by 6% annually and adjusted operating income by 7% annually (table, in billion euros).

	2025e	2020e	2019	2018	2017
Sales revenues	36.0	27.5	27.6	24.7	23.5
of which cloud revenue	61%	29%	25%	20%	16%
Operating results	11.5	8.3	8.2	7.2	6.8
Operating margin	32%	30%	30%	29%	29%

In the same period from 2020 to 2025, the share of more predictable revenues is expected to increase from 74% to 85% and the cloud gross margin is projected to rise from 72% to 80%. On balance, SAP is targeting an operating margin of 32%. Accordingly, we consider the collapse in the share price to be excessive. SAP is not taking its dominant and highly profitable competitive position for granted. The company, with its registered office in Walldorf, Germany, has traditionally had virtually no financial debt, and at the current share price level SAP is valued at only 15 times its operating profit. So it is no wonder that co-founder Hasso Plattner invested a quarter of a billion euros to buy back SAP shares. We did the same thing and doubled the number of shares in the fund to 2.2 million.

Sincerely yours

J. Henrik Muhle Dr. Uwe Rathausky