

SAP Brings Good Q1 News to Sapphire

April 22 2007

SAP reported its first quarter 2007 earnings April 20, highlighting a jump in profits. Net income for the quarter was \$413 million, up from \$282 million a year ago, and total revenue jumped 6 percent to \$295 billion, in what turns out to be an auspicious start following a tumultuous period for the giant software company.

Not only did SAP's earnings come in below expectations in its second and fourth quarters of 2006, but the company's CEO heir apparent and resident visionary Shai Agassi resigned last month (effective April 1), about the same time that its biggest competitor, Oracle, slapped the company with a lawsuit.

Henning Kagermann, SAP's CEO and new head of products in Agassi's stead, set the record straight during the April 20 earnings call with analysts and press, particularly regarding SAP's ongoing battle with Oracle.

"We have no intention to settle; why should we?" Kagermann said. "We don't think anything is wrong in our company. We have a long legacy at the company, with an unparalleled reputation as a trusted advisor and a trusted partner."

Oracle is suing SAP for what it deems thievery on a grand scale, contending that SAP's subsidiary TomorrowNow improperly accessed thousands of support documents from Oracle.com, using customer log-ins. TomorrowNow provides third-party support for Oracle's Siebel, PeopleSoft and JD Edwards applications.

"We believe in the importance of intellectual property rights and we will aggressively defend against the claims made in the lawsuit," Kagermann said. "However, this lawsuit is still in its early stages and we will formally respond to these claims within the next weeks."

The earnings report leaves SAP, headquartered in Walldorf, Germany, in a good position for its annual Sapphire user event, to be held in Atlanta April 22-25. While it's unclear what SAP will be announcing at the event, one thing is certain, according to Bill Wohl, SAP's vice president and head of Product Technology Group Communications: "We're not going to spend a lot of time talking about Oracle," he said. "They spend a lot of time talking about us. We're talking to customers."

Three key themes are expected to be stressed at the event: SAP's Enterprise Services Architecture road map; the level of activity and co-innovation from SAP's partner community; and an evolution of the chief financial officer's role in an organization, which has led to the need for corporate performance management software, according to Wohl.

Of those three, the biggest news is likely that SAP's ESA road map, begun in 2003, is largely complete - a message Kagermann will likely drive home in his keynote address.

It's also rumored that SAP will announce one or two smaller technology acquisitions.

Wohl said SAP will also not spend a lot of time talking about Agassi's departure, given the company's initial and frank discussion of why Agassi decided to leave in the first place (he didn't want to wait two years to be named CEO and then invest another five years in a co-leader role, which SAP officers had proposed).

Rod Masney, president of ASUG (Americas' SAP Users' Group), said

there is a hole to fill given Agassi's departure.

"Our user community saw Shai as a great visionary for technology. The technology group ... that was his crowd; he could talk technology. God is the wrong word, but certainly he was looked on as a sage," Masney said. "The audience was always mesmerized by what he had to say."

But, Masney said, Agassi built a great team, with at least four members stepping up to fill different aspects of Agassi's role.

"Those guys are still there," Masney said.

Speaking for ASUG's users, Masney said they have one overriding concern: upgrades, upgrades, upgrades.

Masney said ASUG's members want to hear from SAP about MySAP ERP 2005, its latest - and core - release for SOA (service-oriented architecture)-enabled ERP (enterprise resource planning). "They want to hear what the features, functions and enhanced upgrade process are. What they want to hear from other companies is that they have lived through the upgrade process, and what their best practices are - - and - what are the stupid things they've done and wished they would never make that mistake to do again."

Masney said ASUG members plan to share that information at its conference, which is also to be held April 22-25, co-located for the second year with Sapphire.

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