

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

SAP AG Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). We will now take our first question from Raimo Lenschow from Bank of America. Please go ahead.

Raimo Lenschow - Bank of America/Merrill Lynch

A question for Werner, first of all, well done on the cost savings so far. I just was wondering, if you look at the cost OpEx run rate in Q1, does that already include any benefits from employees that have left already the organization or is that just pure non-personnel related savings?

A question for Bill and Leo. If you look into Q2, obviously, the year-over-year growth rate will probably look a lot worse than Q1. If I look into the second half of the year, has there been any change in terms of visibility, do you feel slightly better because customer behavior becomes slightly more rational? Is there something going on in terms of pipeline building?

Werner Brandt

If you look through the operating expenses, the reduction in personnel expenses contributed the least to the reduction in operating expenses if you exclude the restructuring charge. If you exclude the restructuring charge, then you see a decrease of our operating expenses quarter-over-quarter by nearly 9%. I think we have some expenses, if you looked at it from a standalone perspective, quarter-over-quarter only reduced by roughly 3%.

So the majority is coming from the other cost containment measures like reduction in third-party expenses, subscriptions and reduction on travel expenses and other areas.

Bill McDermott

On Q2, you're absolutely right. The comparison on a year-over-year is tough for Q2 in '09, especially considering the very large Q2 '08 that we had. As Leo pointed out, the environment is difficult out there. Having said that, as we look into the future, into the second half, the pipeline does continue to build in the company quite strongly.

We are looking at coverage comparisons that look similar on a year-over-year basis to what they looked like in '08, which is encouraging. We're also managing the business not only at a revenue coverage level, but at a deal and a volume coverage level because we understand that we have to substantially increase the number of transactions given the economic cycle we're in.

Operator

The next question is from Michael Briest from UBS. Please go ahead.

Michael Briest - UBS

Werner, a question for you on the provisions you mentioned, the sales allowances of \$87 million obviously is quite a large number relative to prior quarters. Could you say perhaps how much of that was taken against licenses and how much against maintenance, perhaps also how much of it is specific as opposed to a general allowance?

Copyright © 2009 CBS Interactive, Inc. All Rights Reserved.