

# Fourth Quarter and Fiscal Year 2006

Earnings Conference Call  
February 6, 2007



# Safe Harbor: Forward Looking Statements

During the course of today's presentation, our executives will make forward-looking statements including statements regarding the company's expected financial performance for the first quarter and full year 2007; expected growth and profitability; product and business strategies; strategic relationships; licensing and adoption of its BusinessObjects XI products; core BI growth; the anticipated release of the XI Productivity Suite; the introduction of Mobile BI; on-demand business intelligence solutions; and mid-market initiative. We wish to caution you that such statements are just predictions based on management's current expectations or beliefs, and that actual events or results may differ materially.

We refer you to documents we file with the Securities and Exchange Commission, including form 10-K for the year ended December 31, 2005 and form 10-Q for the quarter ended September 30, 2006. These documents identify important risk factors that could cause actual results to differ materially from those contained in our forward-looking statements. These potential risks and uncertainties include, but are not limited to, fluctuations in our quarterly and yearly operating results; our ability to estimate and sustain or increase our profitability; our ability to attract and retain customers, including for BusinessObjects XI; our ability to successfully integrate the companies we acquire; changes to our current accounting policies; our ability to preserve our key strategic relationships; completion of our 2006 audit by our independent auditors; and our reliance upon selling products only in the Business Intelligence software market.

We assume no duty to confirm, update or revise the financial forecast for the year, or any other forward looking information in this call as a result of new developments or otherwise.


# Use of Non-GAAP Financial Measures

Today we will be discussing our results on a US GAAP as well as a non-GAAP basis. These non-GAAP results, also sometimes called pro forma results, exclude write-off of in process research and development charges, amortization of purchase intangibles and stock based compensation expense. We use these additional non-GAAP measures as we believe they give useful operating information in addition to the US GAAP results. A reconciliation of US GAAP to non-GAAP financial statements is available in our press release and on our investor relations webpage at [www.businessobjects.com/company/investors](http://www.businessobjects.com/company/investors).

# Financial Results

*Jim Tolonen, CFO*

# Fourth Quarter and Fiscal 2006 Highlights

<b><u>Total revenue</u> growth continues at double-digit pace</b>		<b>+22% for Q4 +16% for Fiscal 2006</b>
<b>Strong <u>license revenue</u> growth driven by new products</b>		<b>+16% for Q4 +9% for Fiscal 2006</b>
<b>Improving margins also drive <u>non-GAAP EPS</u> higher</b>		<b>+43% for Q4 +27% for Fiscal 2006</b>
<b><u>US GAAP EPS</u> negatively impacted by FAS 123(R)</b>		<b>+0% for Q4 -21% for Fiscal 2006</b>

- ▶ All geographies produced double-digit total revenue growth in Q4
- ▶ Operating margins reached new highs in Q4
- ▶ Revenues and EPS exceeded expectations for Q4 and Fiscal 2006
- ▶ Balance sheet and cash flow from operations remain strong

# Fourth Quarter and Fiscal 2006 Financial Results

	Y-to-Y Change					Y-to-Y Change				
	Q406	Q405	As Rptd.	Const. Curr.	Oct-06 Guidance	FY06	FY05	As Rptd.	Const. Curr.	Oct-06 Guidance
<b>Total Revenues</b>	\$ 371	\$ 305	22%	16%	\$348 - 356	\$ 1,254	\$1,077	16%	16%	\$1,231 - 1,239
License	180	155	16%	10%		560	516	9%	7%	
Maintenance	137	108	27%	22%		497	412	21%	20%	
Global Services	54	42	30%	20%		196	149	32%	30%	
<b>US GAAP Results</b>										
Tax Rate	41%	30%			43%	43%	37%			43%
Net Income *	\$ 36	\$ 35	2%			\$ 75	\$ 93	-19%		
Fully Diluted EPS	\$0.37	\$ 0.37	0%		\$0.29 - 0.34	\$ 0.79	\$ 1.00	-21%		\$0.71 - 0.76
<b>Non-GAAP Results</b>										
Tax Rate	34%	36%			33%	32%	37%			33%
Net Income #	\$ 58	\$ 40	43%			\$ 156	\$ 120	30%		
Fully Diluted EPS	\$0.60	\$ 0.42	43%		\$0.53 - 0.58	\$ 1.64	\$ 1.29	27%		\$1.57 - 1.62

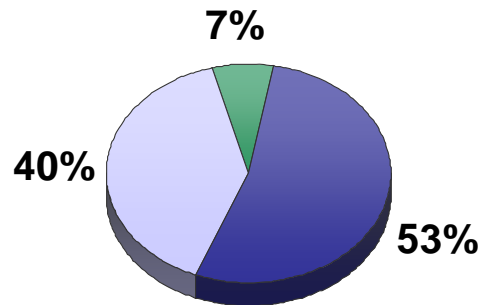
*Note: Dollars in millions, except per share data.*

*\* US GAAP results include additional stock based compensation expense under FAS 123(R) of \$8M in the fourth quarter and \$42M for fiscal year 2006.*

*# Non-GAAP results exclude stock based compensation and amortization of intangible assets.*

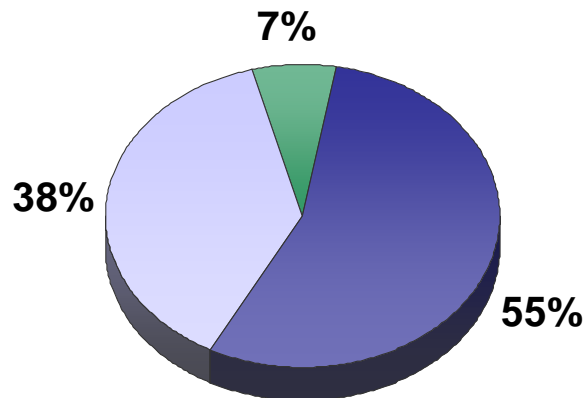
# Double-Digit Growth in All Geographies in Q4

## Q406 Revenue Mix



■ Americas ■ EMEA ■ APJ

## FY 2006 Revenue Mix



### ▶ Americas (Total Revenues)

- \$198M in Q406 (+19%)
- \$688M in FY06 (+26%)

### ▶ EMEA (Total Revenues)

- \$147M in Q406 (+25%; +14% CC\*)
- \$479M in FY06 (+6%; +5% CC\*)

### ▶ APJ (Total Revenues)

- \$25M in Q406 (+26%)
- \$87M in FY06 (+8%)

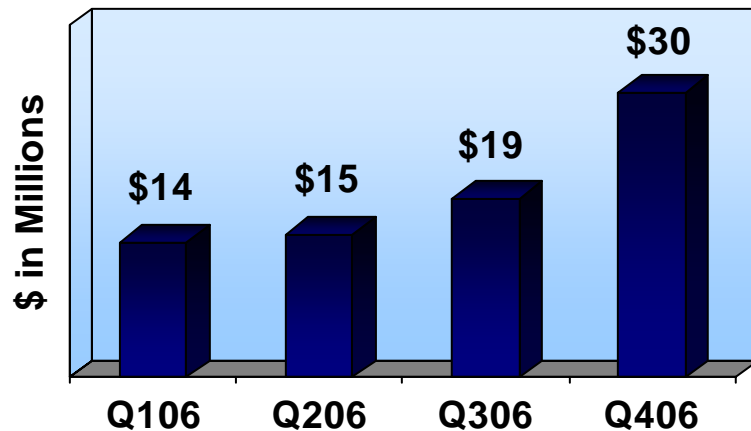
### ▶ Total Revenues

- \$371M in Q406 (+22%; +16% CC\*)
- \$1,254M in FY06 (+16%; +16% CC\*)

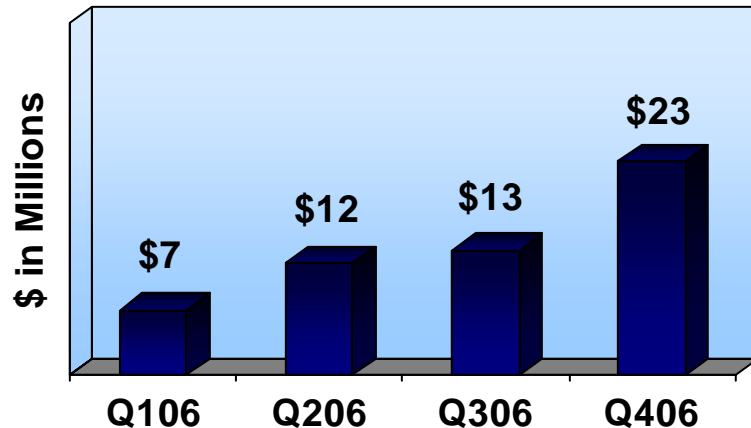
*\*Note: Growth in constant currencies.*

# New Products Drive License Growth of 16% in Q4

## EPM License Revenue

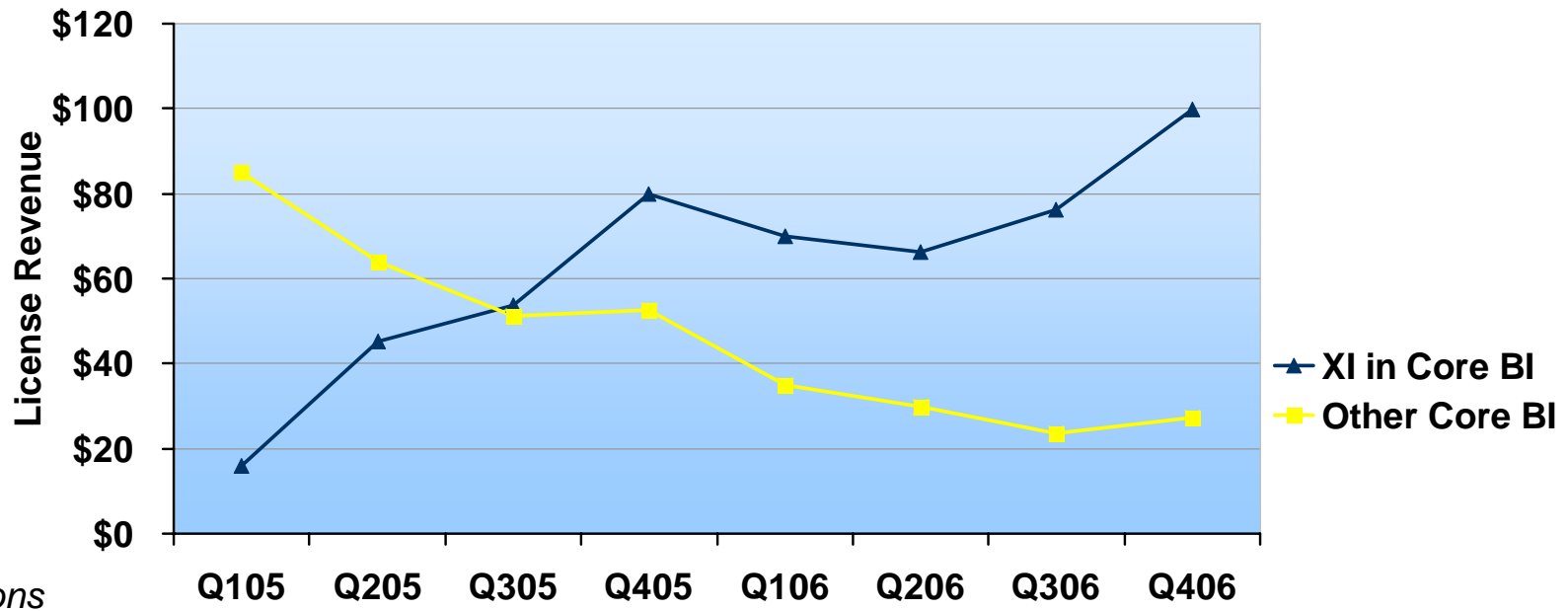


## EIM License Revenue



- ▶ EPM license revenue up 91% in Q4 and up 92% in FY06
- ▶ EIM license revenue up 214% in Q4 and up 98% in FY06
- ▶ Rapid penetration of new market segments through internal development and strategic acquisitions
- ▶ Sales leverage from market-leading position in Core BI

# Growth of BusinessObjects XI in Core BI



- ▶ License revenues from BusinessObjects XI included in Core BI up 25% in Q4 and up 60% in FY 2006
- ▶ BusinessObjects XI is supplanting all other versions
- ▶ As customers complete migrations to BusinessObjects XI, we expect Core BI to return to growth
- ▶ Maintenance end-of-life for older versions expected to accelerate transition

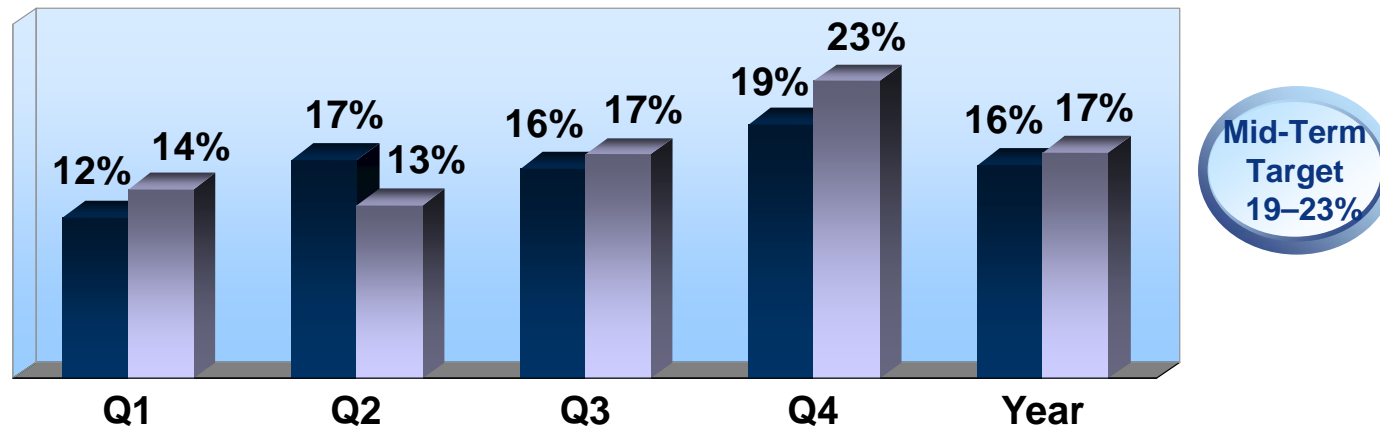
# Fourth Quarter 2006 Expense Analysis

\$ Dollars in Millions	US GAAP				Non-GAAP			
	Q406 \$M	% of Revenue	Q405 \$M	% of Revenue	Q406 \$M	% of Revenue	Q405 \$M	% of Revenue
Total Revenues	\$ 371		\$ 305		\$ 371		\$ 305	
Cost of License Fees	12	3.2%	8	2.7%	3	0.8%	2	0.7%
Cost of Services	70	18.8%	58	18.9%	66	17.7%	55	18.0%
Gross Profit	\$ 289	78.0%	\$ 239	78.4%	\$ 302	81.5%	\$ 248	81.3%
Sales & Marketing	144	38.7%	122	40.2%	139	37.5%	122	40.0%
Research & Development	52	13.9%	43	14.0%	50	13.5%	41	13.5%
General & Administrative	33	9.0%	28	9.2%	29	7.8%	26	8.5%
Other	3	1.0%	0	0.1%	-	0.0%	-	0.0%
Operating Income	\$ 57	15.4%	\$ 46	15.0%	\$ 84	22.6%	\$ 59	19.3%
Headcount	<u>Q406</u> 5,208		<u>Q306</u> 5,141		<u>Q405</u> 4,418			

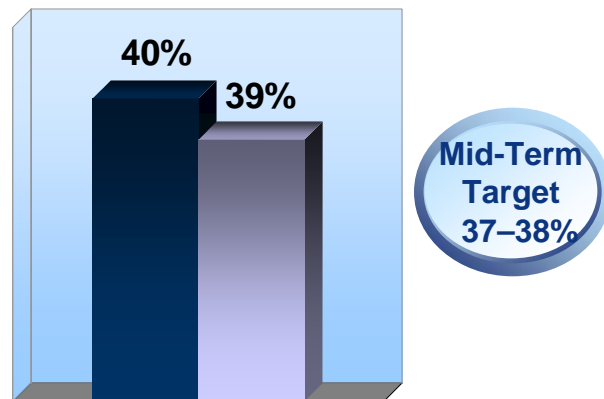
- ▶ Operating margin improvement on both a US GAAP and non-GAAP basis
- ▶ Sales & marketing, R&D, and G&A all decreasing as a percentage of sales
- ▶ Headcount increase from Q306 to Q406 primarily from ALG
- ▶ Non-GAAP results exclude stock-based compensation expense and amortization of intangible assets

# Improving Non-GAAP Operating Metrics

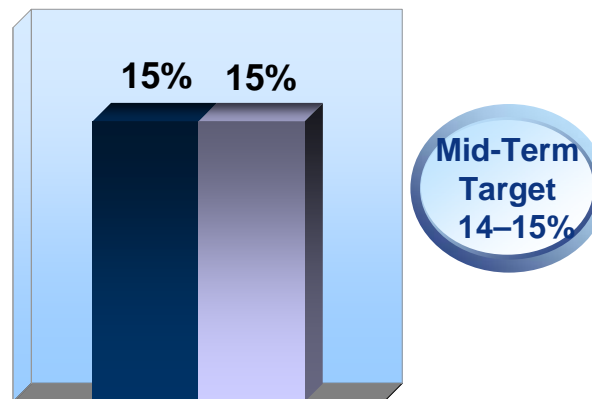
## Non-GAAP Operating Margin



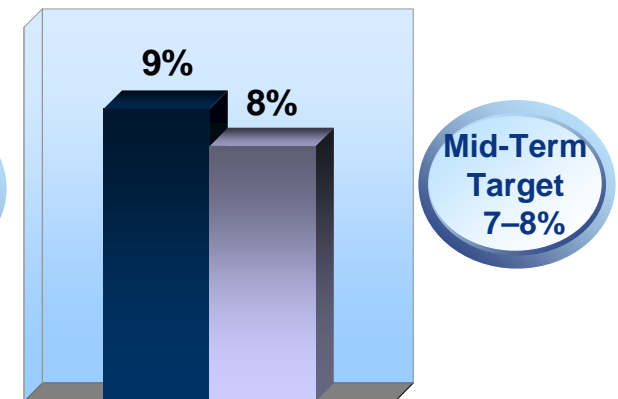
## S&M as a % of Revenue



## R&D as a % of Revenue



## G&A as a % of Revenue



■ FY05 ■ FY06

# Strong Balance Sheet

*As of December 31, 2006*

<b>Total Cash and Investments</b>	<b>\$513M</b>
<b>Deferred Revenues</b>	<b>\$293M</b>
<b>Total Assets</b>	<b>\$2.5B</b>
<b>DSO</b>	<b>81 days</b>

- ▶ **Total cash and investments grew to \$513 million, up \$175 million from the prior year end, after using \$125 million for acquisitions**
- ▶ **Deferred revenues grew to \$293 million, up \$85 million from the prior year-end**
- ▶ **DSOs remained consistent with seasonal patterns at 81 days**

# Fiscal 2007 Financial Guidance

## FY 2007 Guidance

<b>Total Revenue range</b>	<b>\$1.410B – \$1.435B</b>
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<b>US GAAP Diluted EPS range</b>	<b>\$1.02 – \$1.14</b>
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<b>Non-GAAP Diluted EPS range</b>	<b>\$1.90 – \$2.02</b>
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### FY 2007 Guidance Assumptions:

- ▶ US GAAP diluted EPS are expected to include approximately \$51 million of stock based compensation expense and approximately \$48 million of amortization of intangible assets, which would impact EPS by approximately \$0.88 per share, after tax effect.
- ▶ US Dollar to Euro exchange rate of \$1.30 per €1.00 & U.S. Dollar to Canadian Dollar exchange rate of \$0.86
- ▶ US GAAP tax rate of 43% and a non-GAAP tax rate of 33%

# First Quarter 2007 Financial Guidance

## Q1 2007 Guidance

Total Revenue range	\$328M – \$334M
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US GAAP Diluted EPS range	\$0.14 – \$0.18
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Non-GAAP Diluted EPS range	\$0.35 – \$0.39
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### Q1 2007 Guidance Assumptions:

- ▶ US GAAP diluted EPS are expected to include approximately \$13 million of stock based compensation expense and approximately \$12 million of amortization of intangible assets, which would impact EPS by approximately \$0.21, after tax effect.
- ▶ US Dollar to Euro exchange rate of \$1.30 per €1.00 & U.S. Dollar to Canadian Dollar exchange rate of \$0.86
- ▶ US GAAP tax rate of 43% and a non-GAAP tax rate of 33%



# **Strategic Outlook**

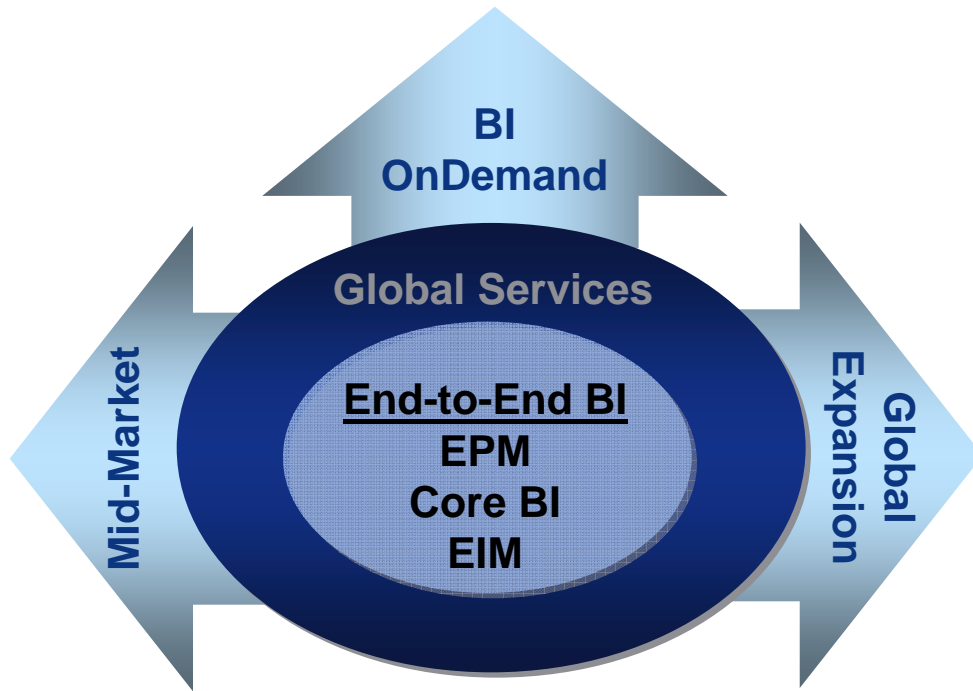
*John Schwarz, CEO*

# 2006 Business Highlights

- ▶ All geographies performed well
- ▶ BusinessObjects XI is the industry standard
- ▶ Very rapid growth and record results for EPM and EIM
- ▶ Launched the industry's first on demand solution for BI
- ▶ Improved solution selling
  - Large deals are getting larger
  - Grew global services and improved margins
  - Expanded partner ecosystem
- ▶ Added over 7,000 new customers during the year
- ▶ Successfully integrating recent acquisitions
- ▶ Strengthened management team and internal systems

***Exceeded 15% revenue growth target for 2006  
and improved margins***

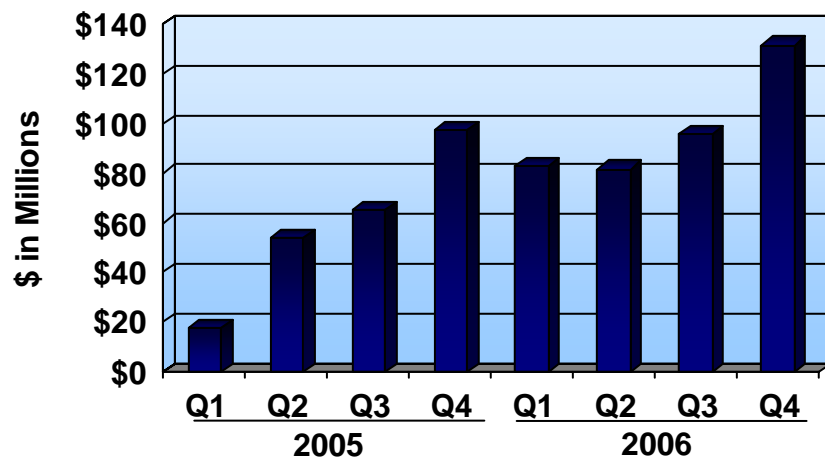
# Growth Strategies for 2007 and Beyond



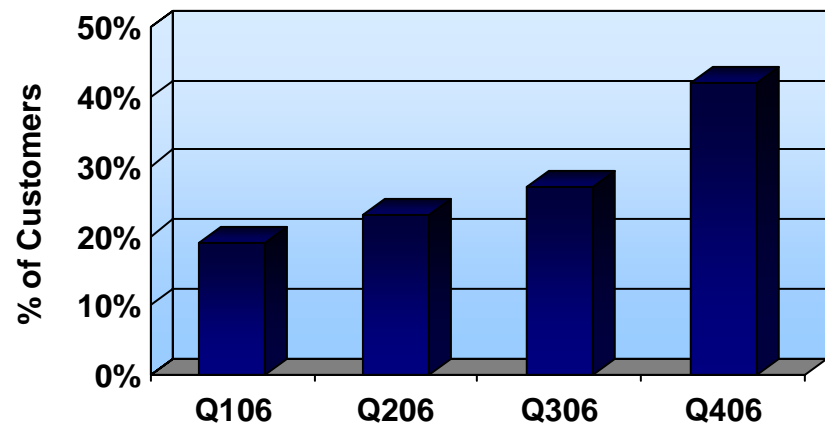
- ▶ **Lead in End-to-End BI**
  - Enterprise Performance Management (EPM)
  - Core BI
  - Enterprise Information Management (EIM)
- ▶ **Expand Global Services**
- ▶ **Gain Share in the Mid-Market**
- ▶ **Further Extend Global Sales**
- ▶ **Innovate with New Business Offerings**
  - Additional BI OnDemand Offerings

# Leading the Market with BusinessObjects XI

## Total XI (R1 & R2) License Revenue



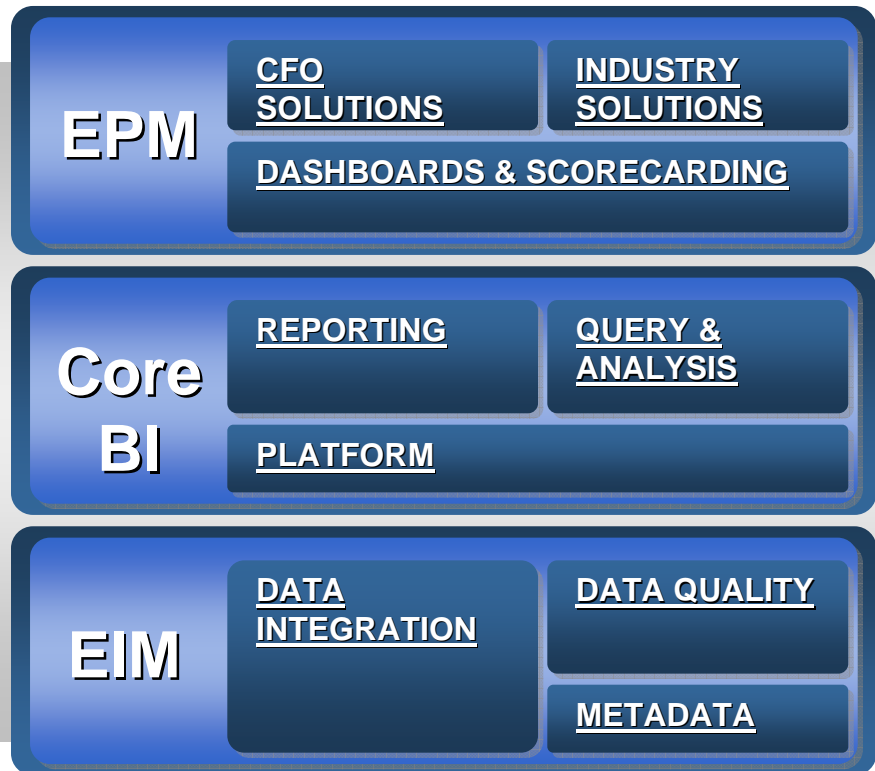
## BusinessObjects XI Migrations



- ▶ Total BusinessObjects XI license revenue since introduction exceeds \$600M
- ▶ Total XI license revenue up
  - 37% in Q4 (25% in core BI)
  - 68% in FY06 (60% in core BI)
- ▶ Pace of migrations accelerated in Q4
- ▶ More than 40% of customers now converting to XI platform
- ▶ Strong installed base for deeper penetration and cross-selling EPM & EIM in 2007

# 2007 Product Strategy

## Lead in End-to-End BI



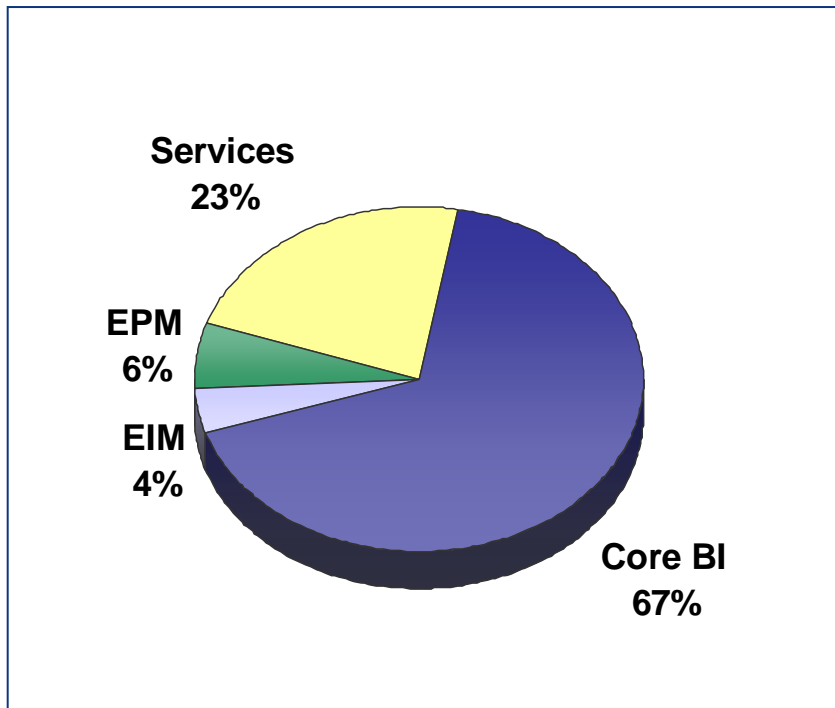
## Coming in 2007:

- ▶ **XI Productivity Suite**
  - New search features
  - New OLAP
  - New Live Office
  - Query as a Web Service
- ▶ **Mobile BI**
- ▶ **Mid-market Products**
- ▶ **BI On Demand**

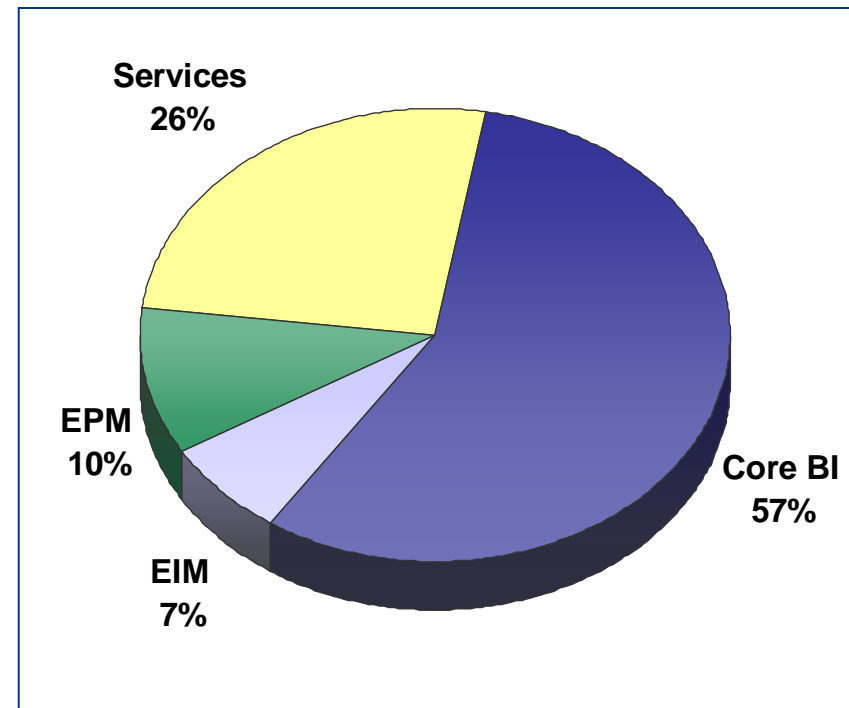
# Shift Toward Solution Selling

## Revenue Mix, Excluding Maintenance

FY 2005 Revenue Mix



FY 2006 Revenue Mix



# Win the Mid-Market—An Untapped BI Opportunity

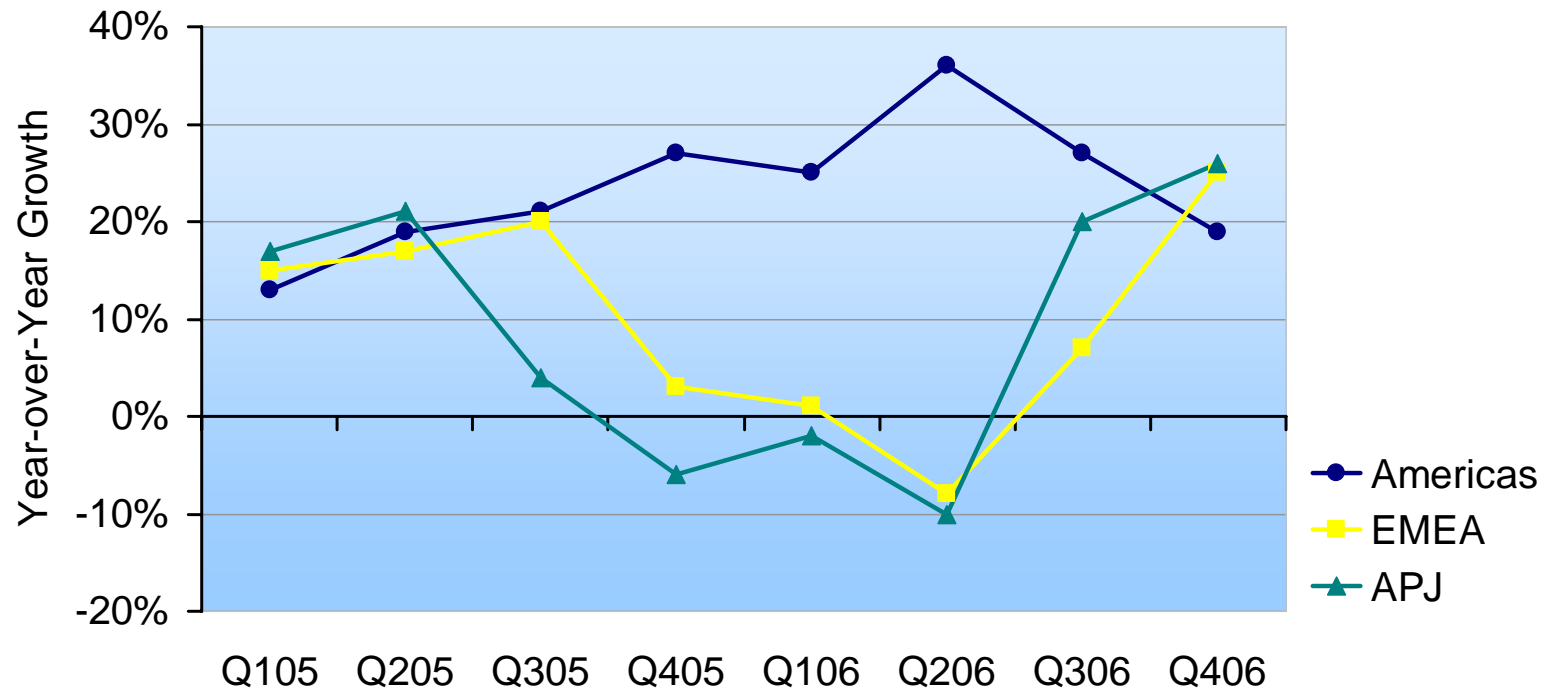
## ▶ **Dynamic Market**

- \$5–6B potential market
- 12.5% annual growth rate
- No clear leader yet in BI Mid-Market

## ▶ **Our Mid-Market Launch**

- Tailor-made products for mid-market customers
- Strong partner ecosystem for distribution

# All Geographies Executing Well



- ▶ **Americas continued strong double-digit growth**
- ▶ **EMEA returned to double-digit growth**
- ▶ **APJ continued to show a strong turnaround**
  - More investment in 2007 to broaden reach
- ▶ **All geographies executing well entering 2007**

# BI OnDemand

“I was Up And Running In Ten Minutes”

Business Objects  
**crystalreports.com**

Reports Users Settings

Sally's Fuselage

Publisher Privileges

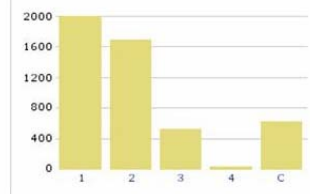
Notify Users:

Name

- All
- 
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## Call Center Summary

### CALL VOLUME BY SEVERITY



### CSAT SURVEY RESULTS



### OVERALL CSAT RATING

5 of 6 categories are unacceptable.  
Overall satisfaction rate is 37%.

>> DISPLAY MORE DETAILS

### AVG. RESOLVE VS. MAX. RESOLVE TIME



### CUSTOMER SEARCH

>> VIEW ENTIRE CUSTOMER LIST

SEARCH FOR A CUSTOMER

Search

Send Send & upload more reports Preview e-mail Cancel

BusinessObjects™



- ▶ Nsite acquisition
- ▶ 38,000 subscribers
- ▶ Salesforce.com live data connection

# Confidence in Business Performance

- ▶ **Upside in Q4 brings a strong finish to 2006**
- ▶ **Team improved execution throughout the year and delivered on the goals we established**
- ▶ **Customers support our strategic direction**
  - Delivering end-to-end BI
  - Providing an open, heterogeneous platform for BI
  - Bringing industry specific knowledge and resources
  - Integrating diverse operations and architectures
- ▶ **We have solid strategies in place for continued growth and margin improvement in 2007**

# Questions & Answers

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