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Global Software and European Technology/Software

Global Software: The next ERP supercycle: The race to control enterprise execution



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ERP is entering a once-in-a-generation transition that could prove as significant as the shift from on-premise software to the cloud. These platform resets occur only every 20-30 years and often reshape industry leadership, business models and valuation frameworks. We believe AI is pushing ERP from a system of record toward a system of execution, creating a new investment debate: not who owns enterprise data, but who controls enterprise work. To help investors navigate this shift, we introduce a framework that measures and ranks ERP vendors based on their ability to become the trusted execution layer of the AI-enabled enterprise. While Oracle appears best positioned today, we see SAP and Microsoft as the most strategically compelling names over the next three years.

ERP is moving beyond transaction processing toward enterprise execution. Agentic AI, real-time data and cloud-native architectures are enabling ERP platforms to coordinate, orchestrate and eventually execute workflows across the enterprise. The key investment question is not who has the best AI demo, but who can safely automate mission-critical processes while maintaining governance, trust and auditability.

Our framework suggests Oracle leads today, but SAP and Microsoft offer the greatest strategic upside. Oracle benefits from the strongest integrated-stack story, combining applications, database, infrastructure and ERP within a coherent environment. SAP owns the deepest process semantics across finance, procurement, manufacturing and supply chain, giving it the strongest claim to becoming the governed enterprise execution layer. Microsoft, meanwhile, may become the agentic front door to enterprise work through Copilot, Microsoft 365, Teams, Azure and Power Platform.

The battle between incumbents and AI-native vendors is likely to be evolutionary rather than disruptive. AI-native companies should drive innovation in high-friction workflows, but incumbents retain powerful advantages in trusted data, governance, compliance and enterprise relationships. The real risk is not losing the system of record, but losing control of the workflow and orchestration layer where future value may be created.

The bottom line: AI should widen the gap between true execution platforms and traditional application vendors. The next ERP cycle will reward companies that can turn intelligence into trusted execution, measurable customer value and sustainable monetization. In our view, Oracle has the strongest current position, but SAP and Microsoft are best placed to benefit as ERP evolves into the enterprise execution layer.

See the Disclosure Appendix of this report for required disclosures, analyst certifications and other important information. Alternatively, visit our Global Research Disclosure Website.

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INVESTMENT IMPLICATIONS

We reiterate our ratings and price targets.

Outperform:
Microsoft (PT $660)
Oracle (PT $325)
SAP (PT €273 / $319)
Workday (PT $238)

Market-Perform:
Sage (PT 1,050p)

List of recent sector reports:

- Scaling Intelligence: The Generative AI Handbook
- Software: Does "Token Shock" hurt AI adoption?
- European Software and Services: The AI tide won't lift all boats
- Global software: Mid-market ERP at the AI inflection point
- Future of Tech: Does the software world as we know it end?
- When Anthropic and OpenAI Meet IT Services
- Artificial Intelligence... Sooner or Later: AI is already here - The structural reset of IT Services & Software
- Forward Deployed Engineering (FDE): Where AI software meets the real world
- Forward Deployed Engineering: Force Multiplier - or False Comfort - for enterprise AI
- Global Software: Putting the SaaS Apocalypse in Context
- Disrupted or supercharged? Mapping AI risks in Services and Software
- AI disruption radar - Want to try it yourself?
- IT Services: The irresistible rise of Services-as-Software
- Global Software: The coming AI supercycle in Supply Chain Software

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DETAILS

INVESTMENT SUMMARY

The ERP market is entering a once-in-a-generation transition that could prove as significant as the shift from on-premise software to the cloud. These platform resets occur only every 20-30 years and often reshape industry leadership, business models and valuation frameworks. We believe AI is pushing ERP from a system of record toward a system of execution, creating a new investment debate: not who owns enterprise data, but who controls enterprise work. We propose in this note a framework to assess vendors on their ability to become the trusted execution layer for the AI-enabled enterprise. While Oracle appears best positioned today, we see SAP and Microsoft as the most strategically compelling names over the next three years.

ERP is reaching a structural inflection point as value shifts from transaction digitization to coordination digitization. Previous ERP generations standardized processes, centralized data and improved control. The next opportunity is much larger: reducing the coordination burden across people, functions and systems. Agentic AI, real-time data and modern cloud architectures are enabling ERP platforms to move beyond recording activity toward coordinating, orchestrating and eventually executing it. This is a fundamental shift in software economics, not just another product cycle.

The central investment question is who becomes the enterprise execution layer. AI does not reduce the importance of ERP; if anything, it increases it. Autonomous agents require trusted data, process rules, permissions, governance and auditability before they can act safely. ERP systems already own many of these assets. The likely winners will therefore be vendors that can translate AI into controlled execution within mission-critical workflows, rather than those with the most impressive AI demonstrations. Investors should focus less on AI visibility and more on AI value.

Oracle currently has the strongest integrated-stack story. Our scorecard ranks Oracle first because of the tight integration between its applications, database, cloud infrastructure and ERP platforms. This architectural coherence simplifies governed automation and creates one of the clearest closed-loop execution stories in enterprise software today. The trade-off is that Oracle's strength is greatest within Oracle-centric environments and may prove less compelling in heterogeneous enterprise estates.

SAP has the strongest claim to becoming the governed enterprise execution platform. SAP combines deep process ownership across finance, procurement, manufacturing and supply chain with one of the richest sets of enterprise process semantics in the industry. If customers continue progressing toward S/4, clean-core architectures, Business Technology Platform, Business Data Cloud and Joule, SAP could emerge as the safest platform for enterprise-scale autonomous workflows. In our framework, it carries the highest long-term score because enterprise autonomy ultimately requires trust, governance and process depth - not just AI capability. The main risk is execution, as customers must first modernize their ERP estates.

Microsoft may be the most disruptive challenger because it increasingly controls the interface where enterprise work happens. Through Copilot, Microsoft 365, Teams, Power Platform, Azure and Dynamics, Microsoft is embedded in the daily workflow of hundreds of millions of users. Its opportunity is not necessarily to replace ERP systems, but to become the orchestration and interaction layer sitting above them. If enterprise work is increasingly initiated, approved and supervised through AI agents, Microsoft's strategic position becomes exceptionally powerful.

The competition between incumbents and AI-native companies is likely to be more evolutionary than disruptive. The bigger risk is not that enterprises abandon SAP, Oracle or Microsoft, but that AI-native vendors and neutral orchestration platforms capture the workflow and execution layers above traditional ERP systems. AI-native companies benefit from cleaner architectures and faster innovation, particularly in workflows such as accounts payable, procurement and HR. Yet incumbents retain advantages in trusted data, governance, compliance and process depth. Our base case is coexistence: AI-native firms drive innovation at the edges while incumbents retain the transactional core. The real risk for incumbents is not losing the ledger, but losing control of the workflow layer where future value is created.

The broader implication is that ERP may be undergoing a business-model transition similar to the shift from perpetual licenses to cloud subscriptions. Vendors are increasingly trying to monetize workflow execution rather than software access, creating new opportunities around automation, orchestration and governance. However, investors should remain disciplined. Many customers are likely to remain in the phase of copilots, recommendations and supervised workflows for several years. The ultimate winners will be those that can demonstrate production adoption, measurable workflow automation and clear monetization. In our view, Oracle has the strongest position today, but SAP and Microsoft offer the greatest strategic upside as the industry moves toward enterprise execution. **The next ERP cycle will not reward every vendor equally; it will reward those that can turn intelligence into trusted execution.**

WHY ERP IS AT AN INFLECTION POINT

We think that ERP is reaching an inflection point because its role is expanding from recording and standardizing enterprise activity to helping organizations coordinate, recommend, and increasingly execute business actions.

For the past three decades, Enterprise Resource Planning (ERP) has been the operational backbone of large organizations. Its historical role was clear: bring order to fragmented business operations, standardize critical processes, enforce control, and create a single trusted source of business information. ERP became the system through which companies recorded transactions, managed workflows, monitored performance, and governed mission-critical activities across finance, procurement, supply chain, manufacturing, human resources, and other enterprise functions.

That role remains essential. ERP is not being displaced as the system of record. On the contrary, its importance is increasing because the next wave of enterprise software builds on the same foundations that made ERP critical in the first place: reliable data, embedded business rules, process governance, compliance, and auditability.

What is expanding is the source of value. Historically, ERP helped enterprises understand what had happened. The next generation of ERP is increasingly expected to help determine what should happen next and, in selected cases, trigger or coordinate the actions required. This marks a shift from ERP as a passive system of record toward ERP as a more active system of intelligence, orchestration, and execution.

This evolution is being enabled by three major technology shifts: agentic AI, real-time data connectivity, and modern cloud-native architectures. Together, these capabilities allow ERP platforms to move beyond reporting and workflow automation. They enable enterprise systems to observe business events, interpret operational signals, recommend responses, coordinate actions across functions, and progressively automate execution within defined governance controls.

The importance of this shift is not only technological. It also reflects a deeper business need. Large organizations are under pressure to become more productive, more agile, and faster in execution. Traditional ERP improved efficiency inside departments and standardized end-to-end processes, but many enterprise activities still depend heavily on human coordination through meetings, spreadsheets, approvals, manual reconciliations, and institutional knowledge. The next phase of ERP targets this coordination layer directly.

In that sense, the ERP inflection is not simply about adding AI features to existing applications. It is about redefining the role of enterprise software. The market is moving from transaction digitization toward coordination digitization; from systems that record enterprise activity toward systems that can help orchestrate enterprise activity.

ERP'S HISTORICAL ROLE: FROM SYSTEM OF RECORD TO ENTERPRISE BACKBONE

ERP 1.0 - The system of record

ERP was originally designed to solve the problem of fragmented business information by creating one trusted system of record.

Before ERP adoption became widespread, large organizations typically relied on disconnected systems, departmental databases, spreadsheets, and manual processes. Finance, procurement, inventory management, manufacturing, and human resources often operated with separate datasets and separate workflows. This fragmentation made it difficult to obtain a consistent view of the business. It also created duplication of work, reconciliation issues, weak process control, and limited management visibility.

ERP emerged as a response to this complexity. Its original purpose was to centralize critical business transactions into a single platform. Orders, invoices, payroll, inventory movements, purchase requests, and financial postings could be captured and processed within one integrated environment. This created a common data foundation and a single source of truth for the enterprise.

The value proposition of this first generation of ERP was not intelligence. It was control. ERP helped companies standardize processes, improve data integrity, enforce compliance, and scale operations with greater discipline. It became the place where critical business events were documented, governed, and reconciled.

At this stage, ERP was essentially a transactional engine. Its role was to ensure that the enterprise could trust its data and that core processes could be executed consistently.

ERP 2.0 - The system of process

As organizations became more complex, ERP evolved from recording transactions to managing end-to-end business processes.

Once ERP had established itself as the system of record, the next stage of value came from process integration. Organizations no longer wanted only a centralized database. They wanted ERP to coordinate workflows across business functions.

Processes such as procure-to-pay, order-to-cash, hire-to-retire, and record-to-report became embedded within ERP systems. This allowed organizations to reduce manual handoffs, enforce standardized procedures, and connect activities across finance, procurement, supply chain, sales, manufacturing, and HR.

This was an important expansion of ERP's role. ERP was no longer merely a financial ledger or a transaction repository. It became the operational backbone of the enterprise. It connected functions, standardized execution, and enabled companies to manage complex operations at scale.

However, execution remained largely human-led. ERP could structure the workflow, enforce the rules, and capture the output, but people still interpreted information, made decisions, handled exceptions, and initiated the next actions. In practice, ERP improved process efficiency but did not eliminate the coordination burden across departments.

This distinction matters. Traditional ERP digitized transactions and standardized workflows, but much of the real work of coordination still happened outside the system.

ERP 3.0 - The system of insight

Cloud computing, analytics, and improved data integration transformed ERP into a stronger source of business insight, but not yet into an execution platform.

The next phase of ERP was shaped by cloud architectures, modern analytics, machine learning, APIs, extensibility frameworks, and improved integration with surrounding enterprise applications. These capabilities allowed ERP systems to become more connected, more scalable, and more useful for decision-making.

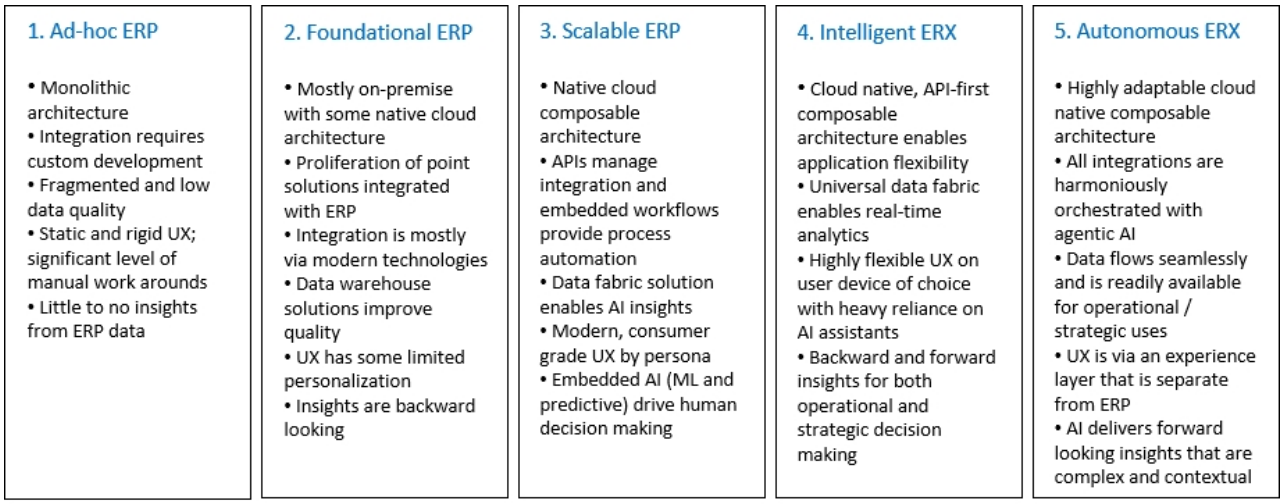
ERP platforms increasingly provided dashboards, forecasts, predictive indicators, anomaly detection, and embedded recommendations. Users could monitor trends, identify risks, and make better-informed decisions directly within business workflows. Cloud delivery also helped reduce some of the technical friction associated with older, more monolithic ERP environments.

This phase marked a meaningful improvement. ERP could now do more than capture transactions and manage workflows. It could surface insights and help users understand what was happening across the business.

Yet a key limitation remained. Even when ERP generated valuable insights, the system still relied on users to interpret those insights, decide what to do, and trigger the required actions. ERP could inform decision-making, but it did not fundamentally change the execution model. It reduced technical complexity, but not necessarily decision complexity or coordination complexity.

This is why the transition now underway is more significant than a normal product upgrade. The next phase is not only about better analytics. It is about moving from insight to action.

EXHIBIT 1: **Evolution from ERP to ERX**



Source: Gartner Group, Bernstein analysis

ERP 4.0: THE EMERGENCE OF ENTERPRISE RESOURCE EXECUTION

From ERP to ERX

The current ERP transition is different because it extends the platform's role from insight into execution.

The concept of Enterprise Resource Execution (ERX) is emerging as the next stage in ERP's evolution. In this framework, ERP combines its traditional strengths in transactional reliability, process governance, and enterprise data with new capabilities in intelligence, orchestration, extensibility, experience, and execution.

The distinction between ERP and ERX is important. Traditional ERP has primarily been retrospective and process-oriented. It records transactions, structures workflows, and generates reports that help users understand past and current operations. ERX extends this role. It aims to help the enterprise sense what is happening, reason about what should happen next, coordinate activities across systems, and increasingly execute actions within defined rules and controls.

EXHIBIT 2: **ERX: The next generation of intelligent and autonomous ERP**

	Traditional ERP - Passive	Enterprise Resource Execution (ERX) - Active
Nature	System of record	System of continuous execution
Function	Track past events and enforces historical discipline	Orchestration real-time, future actions
Structure	Rigid, monolithic and siloed	Headless, composable, event-driven mesh of capabilities
Pace	Human-mediated, periodic planning with high operational latency	AI-driven, autonomous, zero-latency response

Source: Bernstein analysis

This does not mean ERP becomes fully autonomous overnight. The transition is likely to be gradual. Most organizations still operate foundational or scalable ERP environments, while intelligent and autonomous capabilities are just emerging. The near-term path is more likely to involve copilots, predictive capabilities, supervised AI agents, and bounded automation before broader autonomous execution becomes possible.

The key point is that ERP's direction of travel has changed. The system is no longer evolving only toward better reporting or more efficient workflows. It is evolving toward enterprise-wide orchestration.

Agentic AI changes the role of ERP

Agentic AI is the key technology that allows ERP to move from supporting decisions to participating in execution.

Previous waves of AI mainly improved ERP through analytics, forecasting, anomaly detection, recommendations, and user interface improvements. These capabilities made ERP easier to use and improved decision quality, but they did not fundamentally

alter how enterprise work was executed.

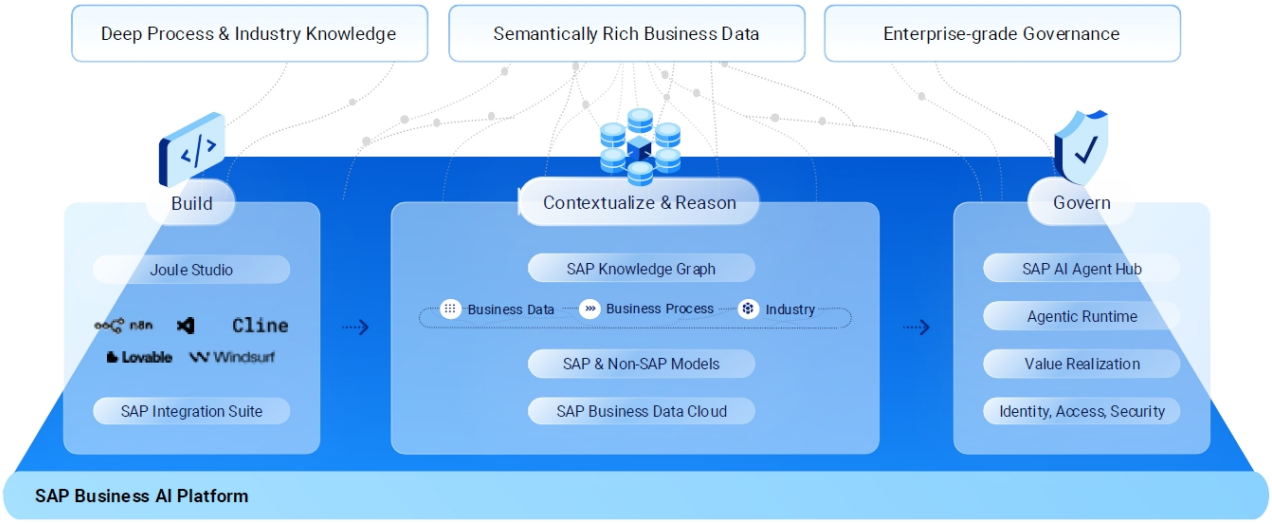
Agentic AI introduces a different paradigm. AI agents can observe business events, reason across datasets, coordinate tasks, and perform selected actions within predefined policies and controls. Instead of simply surfacing information to users, ERP systems can increasingly recommend next steps, trigger workflows, manage exceptions, and coordinate activities across business functions.

This is the core of the transition from system of record to system of action. ERP no longer only documents what happened. It can increasingly help determine what should happen next and support the steps required to make it happen.

However, we need to be clear on one important point: AI is not replacing ERP. AI is being layered on top of ERP's transactional foundation. ERP continues to provide governance, data integrity, compliance, and auditability. AI expands the intelligence and execution capabilities around that core.

This distinction is critical for investors. The disruption is not necessarily that ERP disappears. The disruption is that the basis of differentiation within ERP changes. The winners are unlikely to be vendors that merely attach AI features to existing workflows. They are more likely to be vendors that can use AI to evolve ERP into a trusted system of action while preserving the reliability that enterprise customers require. In our opinion, SAP provides a useful illustration of how incumbent ERP vendors are attempting to combine enterprise data, process knowledge and governance into an AI-enabled execution platform.

EXHIBIT 3: **SAP: Business AI platform**



Source: SAP

Real-time data makes continuous execution possible

Real-time data connectivity allows ERP to move from periodic monitoring toward continuous interpretation and response.

Earlier generations of ERP largely relied on historical data, scheduled reporting cycles, and periodic updates. This limited the system's ability to support fast operational responses. Companies could analyze what had happened, but the process of identifying issues, deciding on actions, and coordinating responses often remained slow and manual.

Modern ERP architectures are increasingly built around APIs, event-driven workflows, and real-time data connectivity. This allows systems to ingest operational signals continuously and react more quickly to changing business conditions.

The significance of this change is substantial. A platform that can continuously interpret business events ca
responses to supply chain disruptions, demand changes, operational bottlenecks, or financial exceptions. ERP the
more involved in coordinating responses rather than simply documenting outcomes.

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This is a necessary condition for the move toward ERX. Execution cannot become more intelligent if the system only sees the enterprise through delayed reports. Continuous execution requires a more continuous view of business state.

Modern architectures enable intelligence at scale

Cloud-native, modular, and composable architectures make it easier to embed intelligence directly into business processes.

Traditional ERP platforms were often monolithic and difficult to adapt. This limited the speed at which organizations could integrate new applications, connect external data sources, or embed advanced analytics and automation into core processes.

Modern ERP environments are increasingly modular, API-driven, and designed to integrate with a broader ecosystem of applications, services, and AI capabilities. This enables ERP to become less of a standalone application and more of a coordination layer across the enterprise technology stack.

This architectural shift matters because agentic AI and real-time orchestration require access to data, rules, workflows, and actions across multiple systems. A closed or rigid ERP architecture limits the ability to coordinate across functions. A more composable architecture creates the conditions for ERP to connect systems, interpret context, and orchestrate agents across end-to-end business processes.

In this model, ERP's strategic value does not come only from owning data. It also comes from owning embedded business logic and process rules. This supports the idea that the next phase of ERP is not just about "data as an asset," but also about "rules as an asset." ERP vendors sit on top of decades of encoded enterprise process logic. If that logic can be combined with AI and real-time orchestration, it becomes a powerful foundation for enterprise execution.

THE REAL SHIFT: FROM TRANSACTION DIGITIZATION TO COORDINATION DIGITIZATION

Why traditional ERP did not fully solve enterprise coordination

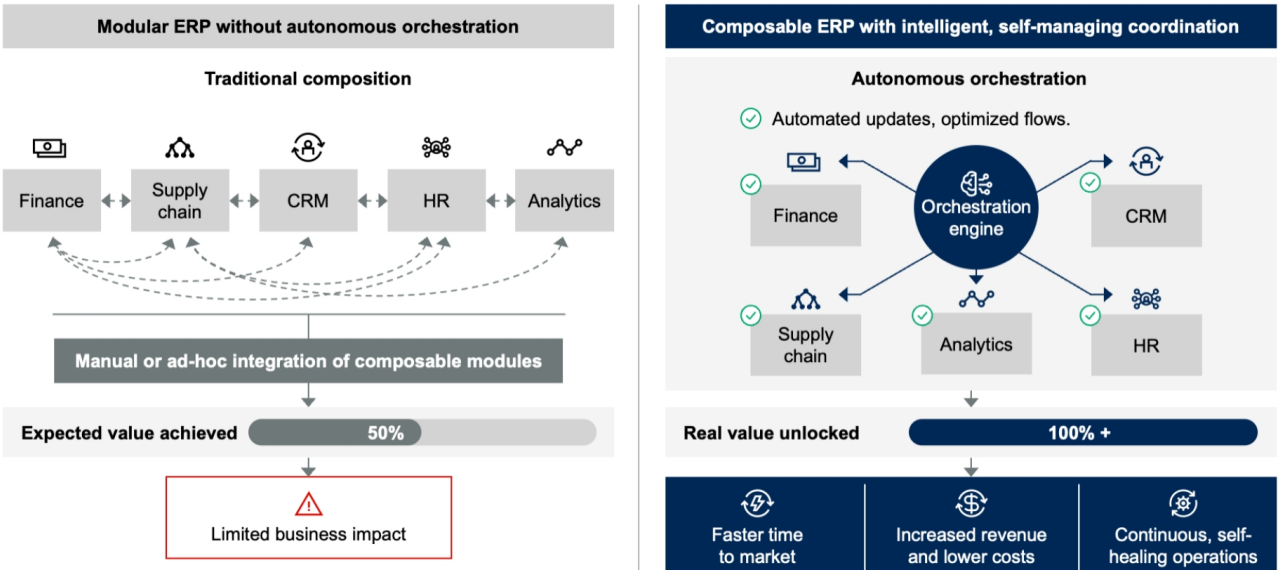
ERP digitized transactions and standardized processes, but many enterprise coordination costs remained outside the system.

Previous ERP generations brought major improvements in control, consistency, and process efficiency. They helped organizations replace fragmented systems with shared data models and standardized workflows. However, they did not fully eliminate the coordination burden inside large enterprises.

Many end-to-end processes still require extensive human intervention. Business context, exception handling, approvals, trade-offs, and cross-functional decisions often sit outside the system. Finance, procurement, supply chain, sales, HR, and operations may all use ERP, but they still rely on people to interpret information, reconcile competing priorities, and coordinate decisions across organizational silos.

This is why the next ERP transition is strategically important. The opportunity is not simply to automate more tasks inside an application. The opportunity is to reduce the coordination costs that arise when people, processes, and applications operate across fragmented organizational boundaries.

EXHIBIT 4: **ERP orchestration is a key enabler of autonomous business**



Source: Gartner Group

In other words, the next generation of ERP is not merely a better system of record. It is an attempt to become a system that coordinates enterprise-wide decisions and actions.

The three core ideas behind next-generation ERP

The most compelling way to explain the ERP inflection is through three shifts: transaction digitization to coordination digitization, system of record to system of intelligence, and data as an asset to rules as an asset.

The first shift is from transaction digitization to coordination digitization. Traditional ERP digitized orders, invoices, inventory movements, payroll entries, and financial postings. The next phase aims to digitize the coordination work that happens between functions, systems, and people. This is probably the clearest explanation of why ERP must evolve.

The second shift is from system of record to system of intelligence. ERP will still need to preserve the trusted transactional core, but value increasingly comes from the platform's ability to interpret business state, generate recommendations, and support execution. This provides the architectural bridge between traditional ERP and agentic ERP or ERX.

The third shift is from data as an asset to rules as an asset. Data remains essential, but ERP's strategic value also lies in embedded business logic, process rules, compliance structures, and control frameworks. These rules define how enterprises operate. If AI agents are to execute safely, they need to operate within these rules. This strengthens the strategic importance of ERP because ERP platforms already sit at the center of enterprise process governance.

Together, these three shifts provide a more compelling narrative than simply saying that ERP is becoming more intelligent. The deeper point is that ERP is moving closer to the execution layer of the enterprise.

WHY THE INFLECTION IS HAPPENING NOW

Technology and business needs are converging

The current ERP inflection is happening because the technology required for intelligent execution is emerging at the same time as enterprises need faster decisions and greater productivity.

The shift now underway is not just another incremental ERP upgrade. It reflects a convergence of technology and business pressure.

On the technology side, agentic AI enables systems to reason, recommend, coordinate, and execute selected actions. Real-time data connectivity allows ERP platforms to continuously interpret operational signals. Cloud-native and composable architectures

make it easier to integrate AI, data, and workflows across enterprise systems.

On the business side, companies face increasing operational complexity, volatile demand, supply chain disruptions, competitive pressure, and ongoing productivity requirements. Traditional processes can be too slow when decisions need to be made quickly and coordinated across functions. Enterprises therefore need systems that can automate routine work, manage exceptions faster, and accelerate the implementation of decisions.

This creates a new objective for ERP. Previous ERP cycles focused mainly on improving efficiency within processes or departments. The current wave focuses on improving coordination and execution across the enterprise. The goal is not only to process transactions more efficiently, but to help the organization respond more quickly and effectively to change.

Governance remains the constraint and the differentiator

Greater automation makes governance more important, not less important.

The vision of intelligent and increasingly autonomous ERP is compelling, but enterprise adoption will be constrained by the need for trust, control, transparency, and accountability. Financial processes, compliance obligations, procurement controls, supply chain execution, and mission-critical operations require auditability and human oversight.

This is why the transition is likely to be gradual. Autonomous execution will probably start with bounded, supervised, and well-defined use cases. Broader autonomy will depend on the ability of ERP vendors and customers to define guardrails, maintain compliance, preserve audit trails, and ensure accountability.

It is also why autonomous ERP needs to be built within the ERP system and not via discrete agents external to the ERP system.

This point is central to the investment debate. The companies best positioned for the next ERP cycle will not necessarily be those with the most ambitious AI messaging. They will be those that can combine intelligence with trust. In enterprise software, execution without governance is not enough.

BULL AND BEAR ARGUMENTS

Bull case: ERP's role expands, increasing strategic value

The bull case is that ERP becomes more valuable because AI expands its role from recording enterprise activity to orchestrating enterprise execution.

The strongest bull argument is that ERP sits at the center of the enterprise's most critical data, processes, and rules. If the next phase of software value comes from coordinating decisions and actions across the organization, ERP vendors are well positioned because they already manage the transactional backbone of the enterprise.

Agentic AI could therefore increase the strategic relevance of ERP rather than reduce it. AI needs reliable data, process context, governance rules, and execution rights to act safely. ERP provides many of these foundations. This suggests that AI may reinforce the value of existing ERP platforms, especially if vendors can successfully embed AI agents into core workflows while maintaining auditability and control.

A second bull argument is that the addressable value of ERP expands. Traditional ERP value was linked mainly to transaction processing, process standardization, compliance, and cost efficiency. ERX extends the value proposition toward decision speed, execution speed, and enterprise agility. If ERP can reduce coordination costs across functions, the platform becomes more deeply embedded in how the organization operates.

A third bull argument is that governance could favor incumbent ERP vendors. Enterprise customers are unlikely to allow AI agents to execute mission-critical processes without strong controls. Vendors that already provide trusted systems of record, compliance structures, and process governance may therefore have an advantage over new entrants that offer intelligence but lack enterprise execution foundations.

The rationale behind the bull case is straightforward: the AI era increases the value of trusted enterprise context. ERP vendors that own the process layer, the data model, and the business rules may be best placed to turn AI from a productivity feature into

an enterprise execution capability.

Bear case: The transition is slow, complex, and potentially overestimated

The bear case is that the vision of autonomous ERP is compelling, but adoption may be gradual, limited, and harder to monetize than expected.

The first bear argument is that most organizations are still at earlier stages of ERP modernization. We note that many companies operate foundational or scalable ERP environments, while intelligent and autonomous ERX remain emerging states. This means the market may be discussing a future destination before the customer base is ready to adopt it at scale.

A second bear argument is that governance requirements could slow automation. ERP manages financial reporting, compliance-sensitive workflows, procurement controls, and mission-critical operations. These areas require transparency, auditability, and accountability. As a result, enterprises may limit autonomous execution to narrow use cases for a long period. This could make the revenue impact slower and less transformational in the near term.

Note that while both bear arguments would delay monetization, it does not shift where the monetization is captured.

A third bear argument is that adding AI features does not automatically create differentiation. If many vendors offer copilots, recommendations, and workflow automation, customers may treat these capabilities as incremental product enhancements rather than as a reason to change platforms or pay materially more. The winners will need to prove that their AI capabilities reduce decision latency and execution latency in measurable ways (while meeting legal, regulatory and governance requirements), not just improve user experience.

A fourth bear argument is architectural complexity. ERP environments are rarely clean or simple. They often sit alongside many other enterprise applications, customized workflows, legacy integrations, and fragmented data sources. Even if the technology exists, implementing real-time, agentic, cross-functional orchestration may be difficult in practice.

The rationale behind the bear case is that ERP's centrality is both an advantage and a constraint. Because ERP is mission-critical, enterprises will be cautious. The more important the process, the higher the threshold for automation. This means the path from intelligent recommendations to autonomous execution may be long and uneven.

INVESTMENT IMPLICATIONS

What the ERP inflection changes for investors

The ERP market is moving from a cloud migration story toward an intelligence and execution story.

For investors, ERP should no longer be assessed solely through the traditional lenses of digitization, cloud migration, process standardization, and back-office modernization. While these drivers remain important, they do not fully capture the next phase of value creation. The emerging question is whether ERP platforms can evolve from systems of record into trusted systems of action.

This transition requires far more than the addition of AI features or copilots. It demands an architecture capable of integrating real-time data, orchestrating workflows across enterprise systems, embedding agentic AI into core business processes, and maintaining the governance, auditability, and compliance that have historically made ERP systems mission-critical. As a result, the investment debate is shifting from *"Who owns the system of record?"* to *"Who can transform the system of record into a trusted execution layer?"*

This shift fundamentally changes how ERP vendors should be evaluated. The key questions are no longer whether a vendor has migrated customers to the cloud or launched AI assistants. More important is whether the platform can coordinate work across organizational silos, encode and enforce business rules, support supervised and eventually autonomous agents, and earn sufficient customer trust to execute actions within controlled workflows.

If this transition is successful, it could materially increase ERP's strategic value. By enabling agents to automate activities across finance, procurement, supply chain, HR, and operations, ERP platforms could reduce manual intervention, accelerate cycle times, eliminate bottlenecks, and improve control execution. The opportunity extends beyond labor productivity. The larger prize is compressing the time between detection, decision, and action. A platform that identifies an exception, recommends the optimal

response, and triggers the next workflow step is inherently more valuable than one that simply reports the issue after the fact.

However, adoption may prove slower and more limited than the current narratives imply. Many organizations may stop at copilots, recommendation engines, or partially automated workflows rather than permitting true autonomous execution. This distinction matters because AI-assisted ERP can improve productivity, but its economic value may be considerably lower than ERP capable of safely executing multistep processes under supervision. Consequently, the critical diligence question for investors is not whether a vendor has AI capabilities, but how much work its AI can reliably and safely execute within governed business processes.

Ultimately, the likely winners will be vendors that combine four capabilities: a trusted transactional core, strong process governance, a modern composable architecture, and credible AI-driven orchestration. Vendors that remain primarily systems of record - or that treat AI as little more than an interface enhancement - risk capturing only a fraction of the value created by the next generation of ERP. In this context, the central investment debate is no longer about digitizing processes, but about determining which platforms can become the trusted operating layer through which enterprise work is increasingly executed.

Business model implication: From software access to software-executed work

As ERP systems become capable of executing work rather than simply supporting it, the key investment question shifts from software adoption to how much enterprise labor and workflow value can ultimately be captured by software.

A further investment implication is that ERP monetization may gradually shift from software access toward software-executed work. Traditional ERP economics have been linked to users, modules, subscriptions, implementation work, and support. Agentic ERP could expand the monetization surface if software begins to perform tasks that were historically handled by employees, consultants, implementation teams, support teams, or BPO-like processes. This connects ERP to the broader Services-as-Software debate: if agents execute work, vendors may be able to monetize execution capacity, workflow automation, or business outcomes rather than only seats and modules.

The bull case is that this can expand the software revenue pool and improve long-term margin potential. Customers may pay more for agents that reduce manual workload, accelerate financial close, improve procurement efficiency, improve planning responsiveness, or lower administrative effort. If these capabilities are delivered as subscriptions, usage-based services, value based pricing, or premium workflow automation, ERP vendors could capture a larger share of enterprise automation spend.

The bear case is that margin benefits may be delayed. Vendors will need to invest in R&D, domain-specific agents, security, governance, observability, model integration, customer enablement, and change management. These costs may appear before the revenue uplift is visible. There is also possible tension with services ecosystems if agentic automation reduces demand for some traditional consulting, implementation, support, or BPO tasks. For investors, the key point is that margin expansion depends on proven workflow execution at scale and within the governance framework, not simply on AI visibility.

Conclusion: ERP's next phase is execution

ERP is reaching an inflection point because the technology now exists to expand enterprise systems from passive record keepers into active orchestration platforms.

The historical evolution of ERP follows a clear sequence. ERP first recorded transactions. It then standardized processes. It later embedded analytics and insight into workflows. The next stage extends this progression into execution.

This is why the current shift is more important than a normal ERP upgrade cycle. Agentic AI, real-time data, and modern architectures allow ERP platforms to move closer to the point of action. They enable systems to sense events, interpret business context, recommend responses, coordinate workflows, and, in selected cases, execute actions within defined controls.

At the same time, the transformation should not be overstated. ERP will not become fully autonomous overnight, and AI is not replacing the ERP core. The future is more likely to be AI-augmented ERP than AI-native replacement. ERP remains essential because enterprise execution requires deterministic processes, reliable data, compliance, auditability, and governance.

The most compelling interpretation is therefore not that ERP is being disrupted away. It is that ERP's role is expanding. The market is shifting from transaction digitization to coordination digitization; from system of record to system of intelligence and action; and from data as an asset to rules as an asset.

For investors, this creates a new ERP debate. The question is no longer simply who can migrate customers to the cloud. The question is who can turn ERP into a trusted execution layer for the AI-enabled enterprise.

FROM AI-AUGMENTED ERP TO AUTONOMOUS ERP

THE EVOLUTION FROM SYSTEM OF RECORD TO SYSTEM OF ACTION

The next generation of ERP is not simply adding AI to existing workflows; it represents a fundamental shift from recording business activity to orchestrating and executing business outcomes.

Historically, ERP systems emerged to create a single source of truth for enterprise data and processes. Over time they evolved from transaction systems into process management platforms and later into systems capable of generating insights. The next stage extends this evolution further: ERP becomes an active participant in enterprise operations, capable of understanding context, recommending decisions, coordinating actions across applications, and increasingly executing tasks autonomously within predefined guardrails.

Importantly, this transformation should not be viewed as a sudden leap from traditional ERP to fully autonomous operations. Rather, it is an evolutionary journey characterized by multiple stages of maturity, each delivering incremental value while progressively increasing the degree of automation and intelligence embedded in the system.

The ERP maturity model: From records to autonomous execution

The path toward autonomous ERP is best understood as a maturity journey in which ERP progressively moves from recording transactions to governing autonomous business processes.

- **Traditional ERP: The system of record**

The first generation of ERP was designed to standardize business processes, centralize data, and create control. Its primary role was to record transactions, enforce workflows, and provide auditability and compliance. ERP became the operational backbone of organizations because it created a trusted and consistent representation of business reality across finance, procurement, manufacturing, supply chain, and human resources. However, these systems remained largely passive. They recorded what had already happened rather than helping determine what should happen next. Human users remained responsible for analysis, decision-making, and action.

- **AI-augmented ERP: The system of insight**

The emergence of cloud platforms, analytics, APIs, and machine learning expanded ERP's role beyond transaction processing. At this stage, ERP begins to generate recommendations, forecasts, anomaly detections, and natural-language insights through copilots and embedded AI capabilities. The system becomes capable of helping users understand what is happening and what may happen next. Nevertheless, AI remains primarily advisory. Humans still evaluate recommendations, approve decisions, and execute actions. ERP becomes a system of insight rather than a system of execution.

- **Agentic ERP: The system of supervised execution**

The next step introduces AI agents capable of performing bounded tasks. These agents can monitor workflows, identify exceptions, generate recommendations, trigger actions, and complete specific operational tasks under human supervision. Rather than merely providing insights, ERP begins participating in execution. The emphasis remains on supervision, transparency, and clear audit trails. Human approval remains central, especially for decisions carrying financial, operational, or regulatory risk.

- **Semi-autonomous ERP: The orchestration layer**

As multiple agents emerge across different domains, ERP increasingly evolves into an orchestration platform. It coordinates actions across finance, procurement, supply chain, manufacturing, and external systems. Instead of automating isolated tasks, ERP manages entire workflows, dynamically assigning responsibilities between humans and agents. At this point, the strategic value shifts away from individual AI capabilities toward the ability to coordinate and govern interactions across the enterprise application landscape.

- **Autonomous ERP (ERX): The governed system of action**

The final stage is the emergence of Autonomous ERX. Here, ERP becomes capable of executing predefined business processes independently within enterprise-defined guardrails. Human users no longer spend most of their time processing transactions

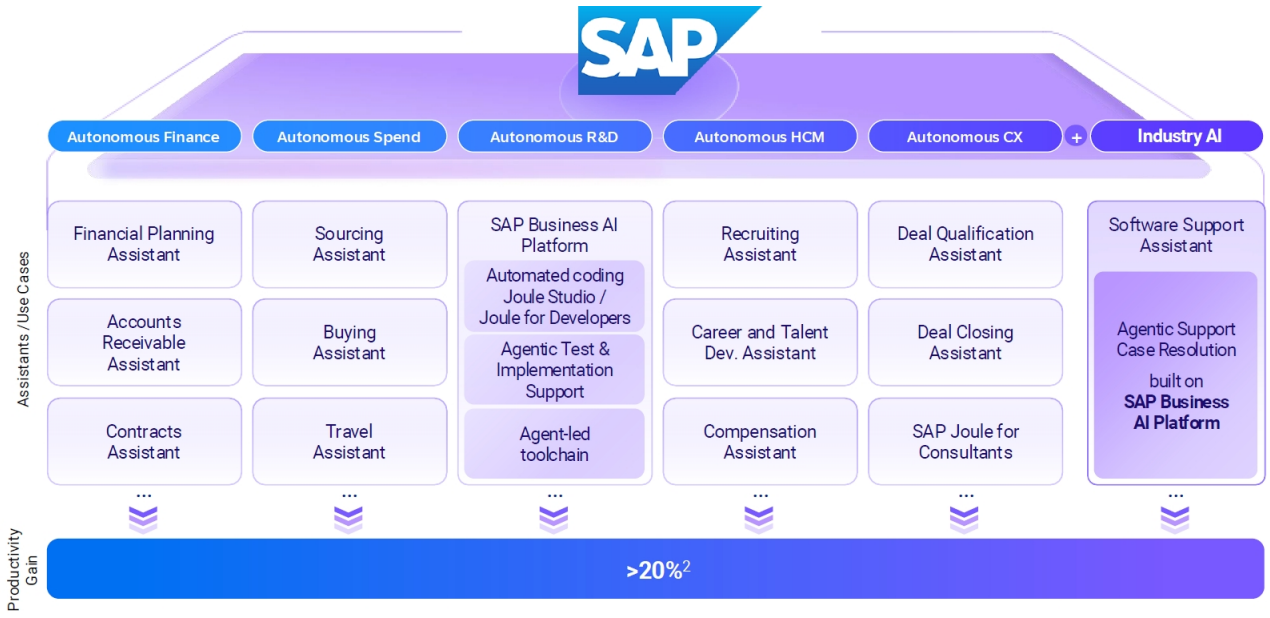
or approving routine activities; instead, they govern policies, supervise outcomes, and manage exceptions. ERP evolves from supporting decisions to executing decisions. Yet even at this stage, governance, oversight, and accountability remain fundamental. Autonomy is constrained by policy rather than replacing human control altogether.

EXHIBIT 5: **A practical maturity model**

Stage	ERP role	AI role	Human role	Example
Traditional ERP	System of records	Limited or none	Executes and decides	User manually reviews invoices and posts entries
AI-enabled ERP	System of insight	Predicts, recommends, and summarizes	Reviews and acts	System flags invoice anomalies and suggests corrections
Agentic ERP	System of delegated action	Plans and executes tasks	Supervises and approves	Agent investigates discrepancy, drafts resolution, routes for approval
Autonomous ERP	System of governed orchestration	Runs and optimizes process loops	Oversees exceptions and policy	System continuously manages payables workflow within thresholds

Source: Bernstein analysis

EXHIBIT 6: **SAP: Autonomous Enterprise Suite**



>20% ² Productivity gains and AI addressable costs are internal management metrics only, including cost avoidance. Not financial guidance.
Source: SAP

From enterprise application to enterprise AI control plane

The strategic opportunity for ERP is not simply to add AI capabilities, but to become the control plane through which enterprise AI is governed and executed.

As AI adoption accelerates across enterprises, the question is no longer which application contains the most features. The more important question is which platform owns the context, rules, and workflows that AI agents require in order to act safely and productively.

Historically, enterprise software was organized around applications. ERP managed transactions. CRM managed customer relationships. HCM managed employees. Each system delivered functionality within a defined domain. AI changes this model because intelligence increasingly operates across application boundaries. Agents need access to data, workflows, permissions, and business rules spanning multiple systems.

This creates a new strategic layer within enterprise software: the AI control plane. The control plane provides the context that allows agents to reason, coordinate, and execute work across the enterprise. It governs permissions, enforces policies, maintains auditability, and orchestrates interactions between users, applications, and autonomous systems.

ERP is uniquely positioned to become this control plane. Unlike standalone AI applications, ERP already sits at the center of enterprise operations. It owns transactional records, process definitions, approval structures, compliance controls, and many of the rules that determine how organizations operate. In a world of agentic software, these assets become increasingly important because autonomy requires governance as much as intelligence.

The implication is significant. The future value of ERP may not primarily come from transaction processing or workflow management. Instead, value may increasingly come from owning the orchestration layer that connects agents, applications, data, and business processes. In this scenario, ERP evolves from a system of record into the enterprise's trusted AI operating layer.

This shift provides the architectural rationale for the transition from ERP to Enterprise Resource Execution (ERX). If traditional ERP digitized transactions, and AI-augmented ERP improved decision support, then ERX seeks to provide the control plane through which intelligent enterprise execution can occur.

ERP as the brain of the enterprise application stack

The transformation toward autonomous ERP occurs because ERP is uniquely positioned to become the operational brain of the enterprise.

ERP already controls many of the assets required for intelligent enterprise execution: business processes, master data, transactional records, permission structures, governance frameworks, and domain-specific business rules. This foundation gives ERP vendors a natural opportunity to expand beyond systems of record toward systems of orchestration and action.

The future architecture can be understood as a stack composed of six increasingly strategic layers.

- **Layer 1: System of record**

The bottom layer continues to hold transactional data, master data, financial records, and process histories. It remains the definitive source of operational truth and provides the trust, compliance, and data integrity required by higher layers. Without a strong system of record, no autonomous capability can be trusted.

- **Layer 2: Data integration and semantic layer**

The second layer connects ERP to external applications, cloud services, partner systems, and data platforms through APIs and event-driven architectures. More importantly, this layer creates semantic consistency across the enterprise. Rather than simply moving data, it provides meaning and context, allowing agents to understand relationships between customers, products, suppliers, contracts, and business events. This semantic layer effectively becomes the knowledge foundation for enterprise reasoning.

- **Layer 3: Agent layer**

On top of the semantic layer sits a growing population of specialized AI agents. Some agents analyze invoices, others forecast demand, monitor inventory risks, optimize procurement decisions, or identify compliance exceptions. Each agent performs a narrowly defined activity using enterprise context and business rules. Individually, these agents create productivity gains. Collectively, they become the building blocks of intelligent enterprise execution.

- **Layer 4: Orchestration layer**

The orchestration layer is arguably the most strategically important element of the future ERP architecture. Its role is to coordinate agents, workflows, applications, and human participants. It determines which agent should perform which task, when human intervention is required, and how information flows across processes. Ownership of orchestration increasingly represents ownership of the enterprise control plane.

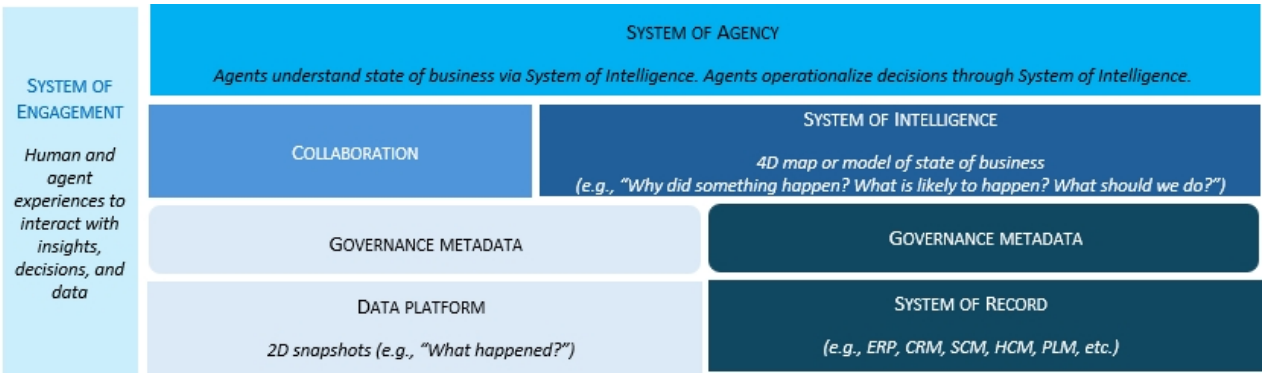
- **Layer 5: Action layer**

The action layer executes decisions inside operational systems. This includes initiating transactions, triggering workflows, routing approvals, generating purchase orders, updating planning assumptions, or coordinating downstream activities across applications. At this stage, ERP becomes the enterprise execution platform rather than merely the enterprise information platform.

- **Layer 6: Governance and oversight layer**

This architecture creates a fundamental investment question: ***will ERP become the orchestration and governance layer of enterprise automation, or will that value migrate to vendor-neutral platforms above the application stack?***

EXHIBIT 7: **The emerging AI-powered software stack**



Source: Bernstein analysis

The bull case for ERP vendors is compelling. Effective orchestration requires trusted data, process context, permission structures, business rules, approval workflows, and auditability. ERP systems already own many of these assets and sit closest to the enterprise's financial truth, master data, and operational processes. If agentic automation ultimately requires a trusted control plane, ERP incumbents are well positioned to become that layer because they already govern the core transactions that autonomous agents must access and execute.

The bear case is that orchestration may not reside within ERP itself. Most large enterprises operate highly heterogeneous technology environments spanning ERP, CRM, HCM, supply chain applications, workflow platforms, data layers, and numerous external systems. In such environments, customers may prefer a neutral orchestration layer capable of coordinating actions across the entire landscape rather than relying on the control plane of a single ERP vendor. ERP would remain the system of record and a critical execution endpoint, but a significant share of the incremental value creation could migrate to the cross-platform orchestration layer.

This debate matters because orchestration is not merely another product feature; it is the potential control point of the future enterprise software stack. If ERP vendors own orchestration, they can defend and potentially expand their strategic relevance. If orchestration moves elsewhere, ERP remains mission-critical, but the highest-value layer of intelligence, coordination, and decision-making may sit above it.

Above both orchestration and execution sits governance. Autonomous systems can only be adopted at scale if their actions remain explainable, auditable, observable, and compliant with enterprise policies. Governance defines the boundaries of autonomy, establishes approval thresholds, monitors risk, and enforces accountability. As enterprises increase the level of automation, governance becomes more - not less - important. Ultimately, governance may prove to be the most critical differentiator, determining which autonomous systems can be trusted in production and which introduce unacceptable operational risk.

The design principles of Autonomous ERP

Autonomous ERP is not primarily an AI challenge; it is an architectural and governance challenge.

Several design principles emerge consistently across the transition toward autonomous enterprise systems.

- **Clean core and stable foundations.** Autonomy requires a reliable operational foundation. Highly customized ERP environments, fragmented integrations, and excessive technical debt make automation difficult to scale. A clean, upgradeable core is therefore a prerequisite rather than an optional modernization initiative.

- **Connected and semantic data.** AI agents are only as effective as the information they consume. Autonomous ERP requires unified, high-quality, real-time, business-contextualized data. The objective is not just integration but shared understanding across the enterprise.

- **Composable architecture.** Future ERP environments must be modular, API-driven, and event-based. Composability allows enterprises to add new agents, workflows, and capabilities without disrupting the core transactional platform. Innovation occurs continuously at the edge while stability remains protected at the core.

- **Rules, policies and governance as first-class assets.** Business logic, governance policies, compliance rules, and approval thresholds must be explicitly managed rather than buried within custom code. Autonomous execution depends on clear and transparent rules that agents can interpret and follow.

- **Observability and auditability.** Every recommendation, decision, and action must remain traceable. Autonomous systems require immutable audit trails, explanations, confidence levels, and operational transparency. Trust ultimately determines adoption.

- **Human-in-the-loop governance.** Despite advances in AI, enterprise processes contain exceptions, judgment calls, and regulatory responsibilities. Autonomous ERP therefore evolves toward "governed autonomy" rather than uncontrolled automation. Humans increasingly move from operators to supervisors, policy owners, and exception managers.

For investors, these design principles create a practical test of product differentiation: agentic depth. A basic AI assistant can summarize information, answer questions, or draft recommendations. That improves usability, but it does not necessarily change the operating model of ERP. True agentic depth requires the system to reason over business context, plan a sequence of steps, act through controlled system interfaces, handle exceptions, and remain observable, auditable, and controllable throughout the process.

The bull case is that vendors with deeper agentic capabilities can address higher-value workflows. In finance, this could include exception handling, reconciliation support, payment prioritization, or close-process automation. In supply chain and procurement, it could include planning recommendations, supplier rerouting, inventory adjustments, guided sourcing, contract checks, or purchase-order workflows. The more complex and multistep the workflow, the more valuable the agentic layer becomes, provided that governance is strong enough.

The bear case is that agentic depth is difficult to scale safely. ERP workflows affect cash, compliance, suppliers, customers, employees, and operational continuity. Generic AI is not enough. Vendors need domain-specific rules, permissions, observability, audit trails, exception handling, and human-in-the-loop controls. Investors should therefore distinguish between vendors that add AI at the user-interface layer and vendors that can prove controlled execution inside business-critical workflows. Note that this bear case likely would lead to ERP as the center of autonomous ERP rather than an external system, but monetization takes time and is not as large as potentially.

WHY THE PATH TO AUTONOMOUS ERP WILL DIVERGE BETWEEN PRODUCT-CENTRIC AND SERVICE-CENTRIC ENVIRONMENTS

The pace toward autonomous ERP will not be uniform because autonomy depends less on AI capability alone and more on the structure of the underlying processes, the quality of available data, the level of standardization, and the degree of trust organizations are willing to place in automated decisions. Product-centric ERP has a structural advantage in repeatable, data-rich workflows, while service-centric ERP faces a harder challenge because its core activities are more variable, people-driven, and judgment-intensive.

Autonomy is not just an AI question

The speed and extent of ERP autonomy will depend as much on process design, governance, and organizational readiness as on the capabilities of the underlying AI technology.

Autonomous ERP refers to an ERP system that can use AI, machine learning, and advanced automation to execute large parts of enterprise operations with minimal human intervention. Examples include self-optimizing planning, touchless financial close, autonomous procurement, intelligent resource scheduling, automated billing checks, and exception-based workflow management.

The key point is that autonomy does not emerge simply because AI models become more powerful. It emerges when business processes can be standardized, governed, monitored, and safely executed within predefined rules and guardrails. For an ERP system to act autonomously, it needs structured data, clear decision rights, measurable objectives, reliable feedback loops, and organizational trust.

This is why the journey toward autonomous ERP can differ materially between product-centric and service-centric environments. Product-centric ERP usually serves manufacturing, distribution, inventory-heavy, and supply-chain-oriented businesses. These companies rely on processes such as procure-to-pay, order-to-cash, material requirements planning, production scheduling, inventory costing, logistics, and maintenance. These workflows are often structured, repeatable, and governed by explicit rules.

Service-centric ERP serves organizations where revenue is generated primarily through people's time, expertise, and project delivery. This includes consulting, IT services, legal services, facilities management, business process outsourcing, staffing, and other project- or workforce-driven businesses. These environments rely more heavily on professional services automation, human capital management, complex billing, project accounting, resource allocation, time sheets, and client-specific contract management. These workflows are often more variable and more dependent on human judgment.

Why product-centric ERP has a structural advantage

Product-centric ERP starts with a structural advantage because its core processes are already highly standardized, data-rich, and governed by explicit rules.

Manufacturing, procurement, production, inventory management, logistics, and order fulfillment typically follow well-defined workflows, creating a clear chain of causality from demand planning through procurement and production to delivery and financial settlement. These processes generate large volumes of structured transactional data, including bills of materials, routings, purchase orders, inventory movements, production orders, supplier lead times, and capacity utilization metrics.

This matters because autonomous systems perform best when inputs, outputs, constraints, and objectives are clearly defined. Product-centric environments provide exactly this foundation. They operate around measurable goals such as improving service levels, reducing inventory, optimizing working capital, increasing throughput, and lowering operating costs. Because both the decision variables and desired outcomes are observable, AI models can more easily forecast, optimize, and automate decision-making.

As a result, many of the prerequisites for autonomy are already present: standardized workflows, abundant structured data, established governance, and a long history of operational automation.

Bull case: These solutions could reach autonomous execution faster.

The bull case is straightforward: product-centric ERP is naturally suited to autonomous execution. Its processes are repeatable, its data is highly structured, and its decision logic can often be formalized into explicit business rules and optimization frameworks.

This creates an ideal environment for deploying AI agents in bounded operational workflows such as demand forecasting, autonomous replenishment, inventory optimization, production planning, supplier risk management, and exception-based order processing. These use cases combine high transaction volumes with clear success metrics, allowing organizations to measure value and build trust in autonomous decision-making.

The economic benefits are also tangible. Better inventory planning can reduce working capital, improved production scheduling can increase throughput, and procurement automation can lower administrative costs. Because these outcomes are quantifiable, adoption incentives are strong.

Consequently, product-centric ERP is likely to be one of the first areas where autonomous execution moves beyond decision support and into real operational workflows.

Bear case: Product-centric ERP may be slower than it appears.

The bear case is that technology is only one part of the equation. Many manufacturing and distribution companies operate highly customized ERP landscapes connected to manufacturing execution systems, warehouse management systems, transportation platforms, supplier networks, and plant-level infrastructure.

True autonomy therefore requires more than AI. It requires clean data, integrated architectures, real-time visibility, explainability, auditability, and robust governance. In many enterprises, fragmented system landscapes and years of customization remain significant barriers to end-to-end orchestration.

There is also a lower tolerance threshold for errors because ERP decisions can directly affect physical operations. Changes to production schedules, inventory allocation, maintenance plans, or supplier orders can impact safety, compliance, customer deliveries, and working capital. As a result, organizations may be reluctant to remove humans from the decision loop, even when AI recommendations are reliable.

The key constraint is therefore not necessarily AI capability but organizational trust. Product-centric ERP may lead in AI-driven optimization, yet the transition to fully autonomous execution is likely to be gradual, constrained by integration complexity, operational risk, and governance requirements.

Why service-centric ERP faces a more complex path

Service-centric ERP faces a more difficult path to autonomy because its core workflows are less standardized, more dependent on human judgment, and supported by less structured data than product-centric environments.

In service businesses, value creation revolves around people, skills, client relationships, project execution, and expertise. Decisions such as staffing, resource allocation, pricing, or project management rarely follow a simple set of rules. They often require balancing technical skills, availability, seniority, client familiarity, delivery risk, cost, and team dynamics. Unlike manufacturing workflows, these decisions are highly contextual and difficult to codify into repeatable autonomous processes.

While service workflows can be digitized, they are often harder to standardize. Project scopes evolve, client requirements change, and contracts vary across time-and-materials, fixed-price, outcome-based, and hybrid models. At the same time, critical data such as skills inventories, time sheets, project status, and client satisfaction can be incomplete, subjective, or distributed across multiple applications.

As a result, service-centric ERP often serves primarily as a financial and HR backbone while many operational activities remain managed through project management, collaboration, ticketing, or delivery platforms. This fragmentation limits the amount of context available to AI systems and makes end-to-end autonomous execution more challenging.

This does not mean service-centric ERP cannot become more autonomous. Functions such as payroll, expense management, billing validation, recruiting, compliance, and workforce planning are well positioned for automation. However, achieving autonomy across the full service delivery lifecycle remains more difficult because many workflows are coordination-intensive and exception-driven.

Bull case: Service-centric ERP could leapfrog in selected domains.

The bull case is that service-centric ERP may adopt agentic capabilities rapidly in specific domains. Unlike manufacturing organizations, many service businesses operate on modern cloud platforms and are not constrained by complex shop-floor systems or physical production infrastructure. This creates a more flexible environment for deploying AI capabilities.

The opportunity lies in areas where processes are already relatively standardized. Human capital management, payroll, recruiting, expense management, time tracking, billing validation, compliance monitoring, and workforce planning are natural candidates for early autonomy. AI agents can validate time sheets, identify billing anomalies, recommend staffing options, monitor compliance, and automate administrative workflows.

Importantly, autonomy does not need to emerge across the entire ERP suite simultaneously. Service-centric ERP can develop "autonomous islands" where processes are structured, data quality is sufficient, and decisions can operate within clearly defined guardrails. In these domains, adoption may be faster because AI can materially reduce coordination costs while carrying limited

operational risk.

Bear case: These solutions may remain human-supervised for longer.

The bear case is that the most valuable service workflows are also the hardest to automate. Resource allocation, project recovery, contract interpretation, pricing decisions, client engagement, and workforce management often depend on judgment, experience, and contextual knowledge that cannot easily be reduced to predefined rules.

The fundamental challenge is that service businesses are people-centric. Employees are both the primary asset and the primary source of value creation. Decisions about staffing, workload, utilization, and project assignments affect employee engagement, client satisfaction, delivery quality, and retention. As a result, organizations may be reluctant to delegate these decisions entirely to algorithms, regardless of technological progress.

Data quality is another constraint. Critical inputs such as skill profiles, time sheets, project health indicators, and client feedback are often incomplete, subjective, or lagging. This creates a weaker foundation for autonomous decision-making than the highly structured transactional data found in manufacturing environments.

Finally, many service organizations operate fragmented technology landscapes, relying on separate tools for project delivery, collaboration, knowledge management, workflow tracking, and client interactions. Without deep integration across these systems, ERP lacks the full operational context required for reliable autonomy.

As a result, service-centric ERP may experience rapid AI augmentation while progressing more slowly toward true autonomous execution. AI is likely to become a powerful co-pilot for managers, consultants, recruiters, and finance teams, but human oversight may remain essential for the most consequential decisions.

Two different autonomy curves

While both product-centric and service-centric ERP are moving toward greater autonomy, the pace and scope of that transformation will differ because the underlying processes, data structures, and decision requirements are fundamentally different.

Product-centric ERP is likely to move faster in bounded operational workflows because the processes are more structured, the data is more transactional, and the optimization objectives are clearer. This creates a better foundation for autonomous planning, procurement, inventory management, production scheduling, and supply-chain orchestration.

Service-centric ERP is likely to move faster in selected administrative and people-related workflows where automation can reduce manual effort without taking over complex judgment. However, broader autonomy will probably be slower because service delivery depends more heavily on context, relationships, skills, exceptions, and human oversight.

The most balanced conclusion is that product-centric ERP has a stronger technical foundation for autonomy, while service-centric ERP may show faster visible AI adoption in discrete workflow areas. Product-centric ERP may lead in autonomous execution. Service-centric ERP may lead in AI-assisted coordination. But neither path is automatic. In both cases, the pace will depend on data quality, process standardization, system integration, governance, and organizational trust.

In summary, product-centric ERP should generally progress faster toward autonomous execution because it is built around structured workflows, codified rules, and measurable operational outcomes. Service-centric ERP will probably evolve more gradually because a larger share of value creation depends on human judgment, client context, and coordination across people. However, service-centric ERP can still move quickly in selected domains such as HCM, billing validation, payroll, time tracking, and workforce planning, where processes are sufficiently standardized and risk can be controlled.

ARCHITECTURE BECOMES A COMPETITIVE DEFAULT LINE

The next phase of ERP competition is likely to be defined less by who owns the transactional core and more by who controls the intelligence, orchestration, and user interaction layers built around it.

Architecture becomes the second major investment fault line. The key question is whether incumbent ERP vendors can modernize their installed platforms fast enough, or whether AI-native challengers can attack high-friction workflows above or around the ERP core. Incumbents have important advantages: they already own the trusted system of record, deep process coverage, industry

content, compliance capabilities, partner ecosystems, and enterprise trust. In many large companies, the likely outcome is not a full replacement of ERP, but a hybrid model where the stable transactional core remains in place and agentic layers are added progressively

The transition to next-generation ERP will not start from a clean sheet of paper. The leading incumbents enter this transition with very different strengths, weaknesses, and architectural starting points. The exhibit below provides a framework for assessing how the major ERP vendors are positioned as the market evolves from transaction processing toward orchestration and enterprise execution.

The challenge for incumbents is execution. Legacy architectures, historical customizations, and installed-base complexity can slow product velocity. If customers increasingly access ERP through agents, APIs, data platforms, or external orchestration layers, incumbent vendors could lose control over the user experience and parts of the value pool. The debate is therefore not whether ERP remains relevant, but whether ERP vendors can extend their role from transaction processing into enterprise-wide orchestration and governed execution.

EXHIBIT 8: **Positioning of major ERP vendors for the transition from system of record to enterprise execution**

Company	Bernstein's view
SAP (Cloud ERP Suite, S/4, ByDesign, Business One)	
Positioning	Global Tier-1 ERP vendor targeting the market for large organizations and upper- and mid-sized SMBs through GROW/RISE with SAP and industry cloud packages.
Strengths	SAP benefits from a powerful global brand, deep industry and regulatory coverage, and strong capabilities in manufacturing, supply chain, and complex operations. It is trusted by multinational mid-market groups, supported by an extensive services ecosystem and real-time analytics.
Weaknesses	Total cost of ownership and implementation complexity remain high relative to mid-market-focused competitors, with longer deployment cycles, heavy partner dependence, and risk of over-engineering for smaller buyers - particularly amid ongoing consulting talent constraints.
AI development	SAP is embedding AI across S/4, SuccessFactors, and supply-chain modules (forecasting, anomaly detection, automation, Joule copilot), with GenAI capabilities gradually rolling down from enterprise to mid-market deployments.
Other considerations	The shift toward cloud subscriptions and RISE deals improves renewal and expansion economics but pressures near-term margins and extends sales cycles. Investors focus on cloud mix, GROW/RISE adoption, and SAP's ability to scale more templated, repeatable mid-market offerings profitably, while the ECC-to-S/4 transition and manufacturing demand provide structural tailwinds.
Oracle (NetSuite, Fusion ERP)	
Positioning	A dual-track ERP strategy, with Fusion Cloud ERP positioned at the upper mid-market and enterprise, and NetSuite serving as a cloud-native mid-market standard - particularly for high-growth, SaaS, and multi-subsidiary businesses.
Strengths	Oracle combines exceptional suite breadth (finance, supply chain, HCM, analytics) with strong capabilities in complex finance, EPM, and multi-entity operations. NetSuite dominates greenfield mid-market cloud ERP deployments, supported by 36k+ clients, and is widely adopted among software, wholesale, services, and light-manufacturing companies. Oracle's scale, R&D budget, and tightly integrated platform model underpin strong retention and expansion.
Weaknesses	Oracle's enterprise-heavy heritage and perceived implementation complexity can deter more traditional mid-market buyers, who may gravitate toward lighter cloud alternatives (e.g., Dynamics, Acumatica). NetSuite is often viewed as premium-priced, with relatively high TCO, reliance on partners for customization, contract rigidity, and occasional gaps in localized functionality - making it less attractive for smaller or cost-sensitive mid-market firms.
AI development	Oracle is embedding AI across both Fusion and NetSuite, including forecasting, anomaly detection, automated procurement and AP, predictive cash collections, and demand planning. Generative and agentic AI are positioned as key differentiators, anchored to Oracle Cloud Infrastructure; Fusion Cloud ERP now includes AI Agent Studio to enable custom, workflow-embedded AI agents.
Other considerations	Oracle continues to post strong cloud growth, with investors focused on NetSuite attach within Oracle's broader base, cross-sell across the Oracle cloud stack, and margin mix between high-margin software and services-heavy implementations. The shift toward integrated platforms over point solutions structurally benefits Oracle, provided it can sustain mid-market growth while managing implementation intensity.
Microsoft (Dynamics 365 Business Central and Finance)	
Positioning	Address the mid-market through Dynamics 365 Business Central, with Finance & Operations positioned for the upper mid-market, both tightly embedded within the broader Microsoft ecosystem (Microsoft 365, Azure, Power Platform).
Strengths	Microsoft's ERP offering benefits from deep integration with Microsoft 365, Teams, Excel, Power BI, Azure, and Entra ID - making Dynamics a natural choice for Microsoft-standardized mid-market firms and supporting a compelling TCO and cross-sell story. Business Central has emerged as a cloud-native, all-in-one ERP for SMBs and mid-market companies (finance, supply chain, projects, light manufacturing), increasingly viewed as "good enough" ERP. Microsoft's strong growth is driven by its vast installed base and broad partner ecosystem enabling verticalized solutions.
Weaknesses	Dynamics implementations remain highly partner-driven, leading to variable execution quality and risks of over-customization. Business Central's breadth can present a learning curve for firms upgrading from basic accounting, while advanced capabilities often require higher-tier licenses and partner customization. Product and roadmap complexity (Business Central vs Finance & Operations vs legacy NAV/AX/GP) can also lengthen decision cycles for buyers.
AI development	Microsoft is a clear AI leader, embedding Copilot across Dynamics 365 (Finance, Supply Chain, Sales, Service) with natural-language queries, AI-generated insights, predictive recommendations, and automation. Combined with Microsoft 365 Copilot and tools such as Copilot Studio, Azure OpenAI, and Fabric, Microsoft offers an unmatched AI surface area and strong support for custom, workflow-embedded AI agents - an important differentiator versus stand-alone mid-market ERPs.
Other considerations	Dynamics ERP is part of a broader cloud growth engine, with investor focus less on ERP share and more on Azure and Microsoft 365 ARPU expansion, attach rates, and ecosystem pull-through. Growth in the mid-market is primarily driven by share gains and cross-sell into the existing Microsoft base, with key risks centered on partner scalability and quality control as deployments accelerate.
Workday (Financial Management, HCM)	
Positioning	A cloud-native HCM and financial management vendor focused on the upper mid-market and large enterprises, particularly in people-intensive and services-led sectors such as public sector, education, and professional services.
Strengths	Workday has a best-in-class HCM brand and growing credibility in financial management, underpinned by a unified data model that links people and finance for analytics and planning. Its pure SaaS model delivers strong net retention, standardized deployments, and predictable operations, supported by a focused consulting ecosystem centered on best-practice processes. The platform is attractive to mid-market organizations seeking Tier-1 cloud finance and HR without legacy on-premise complexity.
Weaknesses	Workday skews toward the upper mid-market and enterprise, with total cost of ownership and implementation effort often too high for classic mid-market manufacturers or smaller regional firms. It lacks depth in traditional manufacturing, logistics, and industrial ERP compared with SAP, Oracle, or Microsoft, reflecting its focus on people- and finance-centric operations rather than end-to-end operational ERP.
AI development	Workday is embedding AI and machine learning broadly across its platform, including digital co-workers, real-time insights, anomaly detection in finance, and predictive tools for HR and planning. The current product roadmap introduces hundreds of AI-enhanced features - such as automated reconciliations, spend anomaly detection, and predictive forecasting - reinforcing the positioning of AI as a production-grade capability deeply embedded in workflows.
Other considerations	Financial Management is a key long-term growth vector alongside core HCM. Revenue is entirely subscription-based, with strong expansion economics; AI-driven upsell opportunities within Workday's large installed HCM base.

Source: Company data, Bernstein analysis

The key investor debate: Who will control enterprise execution?

The central investment question is no longer who owns the system of record, but who becomes the control layer for enterprise execution.

The bull case for ERP vendors is compelling. ERP platforms already sit at the intersection of business processes, transactional records, permission structures, compliance controls, and business rules. As organizations adopt AI agents, those agents will need trusted data, process context, governance frameworks, and execution rights to operate safely. ERP systems already own many of these foundational assets. In this scenario, AI increases rather than diminishes ERP's strategic importance. ERP evolves from a system that records enterprise activity into a platform that coordinates and increasingly executes enterprise activity.

Importantly, value creation does not require immediate full autonomy. Significant benefits can emerge well before organizations reach autonomous execution. Productivity improvements, workflow automation, faster decision-making, lower coordination costs, and improved process consistency can all create measurable value during the transition from AI-assisted ERP to agentic ERP. The addressable market therefore expands beyond transaction processing toward decision support, orchestration, and execution.

The bear case is that the orchestration layer may not ultimately belong to ERP vendors. Most enterprises operate heterogeneous environments spanning ERP, CRM, supply chain software, workflow platforms, collaboration tools, data platforms, and industry-specific applications. In such environments, customers may prefer a neutral orchestration layer capable of coordinating actions across the entire technology stack rather than relying on the control plane of a single ERP vendor. ERP would remain mission-critical, but a significant share of the new value pool could migrate above the ERP layer.

There is also a risk that the transition proves slower than current market narratives imply. Many organizations continue to struggle with fragmented data, customized workflows, legacy integrations, and inconsistent process governance. AI capabilities may improve rapidly, but enterprise adoption depends on trust, auditability, explainability, and organizational readiness. Financial processes, procurement controls, compliance-sensitive workflows, and mission-critical operations are unlikely to become fully autonomous overnight. As a result, many customers may remain at the stage of copilots, recommendations, supervised automation, and bounded agentic workflows for an extended period.

A further risk is that vendors overstate the maturity of their products. The market is increasingly exposed to the risk of "agent washing," where assistive AI features are marketed as autonomous capabilities. Investors should therefore distinguish between vendors that add AI at the user-interface layer and vendors that can demonstrate controlled execution inside business-critical workflows. The key question is not whether the software can generate recommendations, but whether it can safely execute meaningful work within enterprise-defined guardrails.

Ultimately, the winners are likely to be those platforms that combine four capabilities: a trusted transactional core, strong governance, modern composable architecture, and credible orchestration of AI-driven workflows. The strategic battleground is moving from data management toward the coordination of agents, applications, and business processes. The highest-value position in the software stack may therefore belong not to the platform that stores the most enterprise data, but to the platform that most effectively translates intelligence into trusted execution.

A practical way to evaluate this transition is to assess vendors along four dimensions: AI integration depth, relevance to target customers, monetization readiness, and execution credibility.

EXHIBIT 9: **Bernstein's AI directional assessment for selected ERP vendors**

Vendor	AI integration depth	Mid-market relevance	Monetization readiness	Execution credibility
Sage	High	High	Medium-High	High
SAP	High	Low-Medium	Medium	High
Oracle Fusion ERP	High	Low	Medium	High
Oracle NetSuite	High	High	Medium	High
Microsot Dynamics	Medium	Medium	Medium	Very high
Workday	High	Low-Medium	High	High
Intuit	Medium-High	High	High	High
Inor	Medium	Medium	Medium	Medium
Visma	Medium	High (regional)	Medium	Medium-High

High: clear strength and structural advantage; Medium: credible but mixed, dependent on execution; Low: poorly aligned with market needs
Source: Bernstein analysis

EXHIBIT 10: **Bernstein's AI directional assessment for selected ERP vendors**

Sage	
AI integration depth	AI is embedded through task-specific agents across Intacct and X3, rather than generic assistants.
Mid-market relevance	Strong alignment with finance-led mid-market workflows, compliance needs and accountant-influenced buying.
Monetization readiness	Clear path via premium modules and retention uplift, but still proving willingness to pay beyond core subscription.
Execution credibility	Clear roadmap, disciplined scope, and strong governance underpin credibility.
Directional view	Embedded mid-market AI optimiser; strongest relative positioning in finance-centric ERP.
SAP	
AI integration depth	Broad AI across finance, supply chain and analytics via BTP and embedded copilots.
Mid-market relevance	AI depth is enterprise-oriented; mid-market customers often face complexity and long implementation cycles.
Monetization readiness	Strong ability to bundle AI into large contracts.
Execution credibility	Scale, data and ecosystem are unmatched.
Directional view	AI powerhouse, but over-engineered for much of the mid-market
Oracle (Fusion ERP, NetSuite ERP)	
AI integration depth	Strong AI across finance and operations.
Mid-market relevance	Strong functional fit for mid-market ERP buyers.
Monetization readiness	AI mainly bundled today rather than explicitly priced.
Execution credibility	Benefits from Oracle infrastructure and roadmap discipline.
Directional view	Strong horizontal mid-market ERP; AI increasingly necessary but not yet a sharp differentiator.
Microsoft (Dynamics 365)	
AI integration depth	Powerful AI via Copilot, but often horizontal.
Mid-market relevance	Broad reach, but ERP outcomes depend heavily on partners.
Monetization readiness	AI drives ecosystem stickiness more than direct ERP ARPU.
Execution credibility	Hyperscaler AI strength and delivery capability are best-in-class.
Directional view	AI platform leader; mid-market ERP value depends on partner execution.
Workday	
AI integration depth	Deep AI across finance and HR, with strong data models.
Mid-market relevance	Optimised for large-enterprise operating models; mid-market often over-served.
Monetization readiness	Strong success in pricing AI as part of premium enterprise offerings.
Execution credibility	Consistent innovation and customer trust.
Directional view	Very strong AI finance, but largely outside true mid-market sweet spot.
Intuit	
AI integration depth	AI deeply integrated in workflows (QuickBooks, tax, cash).
Mid-market relevance	Excellent SMB → lower-mid-market fit; stretching upward.
Monetization readiness	Proven ability to upsell AI-driven services.
Execution credibility	Strong data, product velocity and distribution.
Directional view	AI leader in SMB finance; long-term threat moving up-market.
Infor	
AI integration depth	AI focused on industry templates rather than horizontal agents.
Mid-market relevance	Works best in specific verticals (manufacturing, distribution).
Monetization readiness	AI often bundled as part of vertical ERP.
Execution credibility	Improved focus under private ownership, but uneven delivery.
Directional view	Vertical AI specialist; less systematic across the mid-market.
Visma	
AI integration depth	Practical AI in payroll, accounting and compliance.
Mid-market relevance	Very strong fit in Nordic/European SMB-to-mid-market segments.
Monetization readiness	AI supports retention more than premium pricing.
Execution credibility	Strong regional execution, limited global scale.
Directional view	Regional mid-market AI compounder; limited global threat but locally strong.

Source: Bernstein analysis

CONCLUSION: FROM INTELLIGENCE TO TRUSTED EXECUTION

The defining shift in next-generation ERP is not the addition of AI but the transition from intelligence to trusted execution.

As ERP evolves beyond system of record and decision support, value creation is increasingly shifting toward execution, orchestration, and governance. The strategic battleground is therefore likely to move beyond data management and analytics toward the coordination of agents, applications, workflows, and business decisions. In this future architecture, the most valuable platform may not be the one that stores the most data, but the one that can most effectively translate intelligence into action while preserving trust, auditability, and accountability. Ultimately, the winners are likely to be the ERP platforms that become the enterprise control layer for governed autonomy.

FROM ERP TO ENTERPRISE EXECUTION PLATFORMS: THE NEW ECONOMICS

FROM SOFTWARE ACCESS TO WORKFLOW EXECUTION

The central implication for software providers is that ERP value may shift from selling access to software toward managing execution across enterprise workflows. Traditional ERP monetized users, modules, maintenance, upgrades and cloud subscriptions. Next-generation ERP adds a new layer: software that can interpret business context, coordinate workflows, recommend actions, trigger execution and enforce governance across finance, HR, procurement, supply chain and adjacent systems. In simple terms, ERP moves from being a system that records work to a system that increasingly helps run work.

This is not a story about adding AI features to an existing product. It is a deeper business model transition. If ERP vendors can embed agents and orchestration into mission-critical workflows, they may capture value from the execution of business processes, not just from user access to applications. The strategic question for investors is therefore not "which vendor has a copilot?" but "which vendor controls the workflow layer where AI creates economic value?"

The investment debate is becoming sharper because the control point in enterprise software may change. ERP vendors have a strong claim to this control point because they sit close to trusted data, process logic, permissions, audit trails and system-of-record execution. But they are not the only contenders. Hyperscalers, AI model providers, data platforms, neutral orchestration layers, services firms and AI-native entrants may also try to capture the new intelligence and orchestration layer. The upside case is that ERP vendors become the AI operating layer of the enterprise. The downside case is that ERP remains essential, but part of the incremental AI value migrates elsewhere.

EXHIBIT 11: **ERP value creation increasingly depends on AI leverage rather than ERP exposure alone**

	Current position (2026)					Early-2030s potential scenario				
Company	Business model	Revenue growth	Margin impact	Cash flow	Capex/AI-opex	Business model	Revenue growth	Margin impact	Cash flow	Capex/AI-opex
Microsoft	●	●	●	●	●	●	●	●	●	●
Oracle	●	●	●	●	●	●	●	●	●	●
SAP	●	●	●	●	●	●	●	●	●	●
Workday	●	●	●	●	●	●	●	●	●	●
Sage	●	●	●	●	●	●	●	●	●	●
Intuit	●	●	●	●	●	●	●	●	●	●
Infor	●	●	●	●	●	●	●	●	●	●
Visma	●	●	●	●	●	●	●	●	●	●

● High AI leverage ● Moderate / emerging AI leverage ● Limited / uncertain AI leverage

Source: Bernstein analysis and estimates

EXHIBIT 12: **Bernstein's threshold criteria for AI leverage**

● **High AI leverage**	
	- Business model: AI materially changes the business model (platform-, agent-, or outcome-led)
	- Revenue growth: Clear evidence (or strong line of sight) of AI-driven revenue expansion
	- Margin impact: Productivity gains are priced or retained, not rebated
	- Cash flow impact: AI improves recurrence, predictability, and FCF durability
	- Capex/AI-opex: AI investment burden scales efficiently over time
● **Moderate / emerging AI leverage**	
	- Business model: AI embedded mainly as an enabler, not yet the core value layer
	- Revenue growth:Growth uplift present but partially diluted or indirect
	- Margin impact: Impact depends on execution and pricing discipline
	- Cash flow impact: Neutral-to-positive
	- Capex/AI-opex: Meaningful but manageable
● **Limited / uncertain AI leverage**	
	- Business model: AI largely commoditized or defensive
	- Revenue growth: Limited ability to monetize beyond cost savings
	- Margin impact: Productivity gains mostly passed through to clients
	- Cash flow impact: Margins or cash flows structurally constrained
	- Capex/AI-opex: High AI cost burden relative to scale

Source: Bernstein analysis and estimates

EXHIBIT 13: **The economics of enterprise software are moving from access to execution**

Feature	Software-as-a-Service	Services	Services-as-Software
Delivery model	Static software	People-driven	AI-driven, autonomous
Scalability	Limited	Labor-intensive	Infinite (AI-led)
Pricing	Per seat, feature based	Billable hours, FTE-based	Outcome-based, consumption-driven
Adaptability	Pre-set workflows	Custom consulting	Adaptable, real-time

Source: Bernstein analysis

THE BUSINESS MODEL MOVES UP THE VALUE STACK: FROM MODULES TO WORKFLOW OWNERSHIP

Next-generation ERP expands the vendor business model from selling modules to owning workflow outcomes. The old model sold systems of record. The new model may sell systems that detect issues, recommend decisions, coordinate tasks and execute bounded workflows under governance. This creates new monetization layers, including premium AI editions, copilot access, agent entitlements, orchestration services, governance modules, API usage, data services and potentially outcome-linked fees.

The strongest business model shift is from "software used by people" to "software that performs work with people supervising it." This distinction matters because user access and workflow execution are priced differently. A user seat prices the right to use software. A workflow agent can price the automation, acceleration or improvement of work. If customers believe the software is reducing manual effort, improving cycle times or lowering operational risk, the vendor has a stronger basis for premium pricing.

The bull case is that ERP vendors expand their monetization surface. They can charge for high-value automation in areas such as financial close, procurement exception handling, forecasting, compliance workflows, workforce planning, inventory optimization and governance. The rationale is straightforward: customers may accept higher spending when the value is tied to measurable productivity, risk reduction, better working capital or faster decision-making.

The bear case is that AI becomes a cost of staying relevant rather than a new profit pool. If customers view AI as standard functionality, vendors may have to bundle it into existing subscriptions while absorbing higher R&D, compute and support costs. In that scenario, AI improves the product but not necessarily the financial model. The risk is that "smart ERP" becomes commoditized before vendors can charge enough to offset the cost of building and running it.

THE ECOSYSTEM BECOMES THE NEW COMPETITIVE MOAT

Next-generation ERP is not a standalone product story; it is an ecosystem story. ERP vendors increasingly need deep partnerships with hyperscalers for infrastructure, AI model providers for frontier capabilities, services firms for implementation and change management, ISVs (Independent Software Vendors) for industry extensions, data platforms for integration, and implementation partners for repeatable deployment. The vendor that wins is unlikely to be the one that builds everything alone. The winner is more likely to be the one that orchestrates the stack while keeping control of the workflow and governance layer.

Hyperscaler partnerships are strategically necessary, but they are also a source of strategic tension. ERP vendors need scalable cloud infrastructure, access to advanced models, security tooling and distribution reach. However, if the customer's AI experience, agent routing and orchestration logic are controlled mainly by the hyperscaler, the ERP vendor may lose pricing power over the layer where AI value is created. The partnership is therefore both an enabler and a possible disintermediation risk.

ISVs and implementation partners become more important as ERP becomes more vertical and workflow-specific. AI value is unlikely to come only from generic assistants. It is more likely to come from repeatable industry workflows, pre-configured templates, domain-specific automation and marketplace extensions. This favors vendors with strong partner ecosystems, because they can serve long-tail industry demand without building every workflow internally.

Services providers remain critical because agentic ERP is an operating-model change, not just a software upgrade. Enterprises need help with clean core, data quality, governance, integration, process redesign, testing, change management and user adoption. Even if AI automates part of the implementation effort, it also creates demand for higher-value transformation work. The services layer therefore does not disappear; it shifts toward modernization, orchestration, governance and AI-enabled managed services.

The bull case is that ecosystem depth strengthens scaled ERP platforms. Vendors with broad installed bases, strong partner networks, hyperscaler relationships and governance capabilities can turn ecosystem activity into cross-sell, retention and marketplace revenue. Scale matters because AI requires investment, integration depth and trust.

The bear case is that the ecosystem fragments value capture. If hyperscalers, AI model providers, data platforms, ISVs and services firms each control part of the stack, ERP vendors may struggle to capture the full economics of AI-enabled workflows. In this scenario, ERP remains critical infrastructure, but the incremental value may accrue to whoever controls the AI front end, orchestration layer or data context.

PRICING SHIFTS FROM ACCESS TO VALUE DELIVERED

ERP pricing is likely to evolve gradually rather than change overnight. The base subscription remains important, but vendors are likely to add new AI pricing layers on top. These may include premium product editions, AI copilots, agent bundles, usage credits, module-specific AI add-ons, workflow automation fees and selective outcome-linked pricing.

The likely end state is hybrid pricing. Most ERP vendors are unlikely to move entirely away from subscriptions or seats. A more realistic model combines a base subscription, premium AI tiers, a consumption layer for AI usage and outcome-linked elements in selected workflows where value can be identified and measured. This matters because the transition needs to preserve recurring revenue visibility while creating room for AI monetization.

Outcome-based pricing is attractive, but investors should not overstate its near-term impact. Vendors can frame AI around faster closes, lower inventory, better forecasts, improved cash flow or lower manual effort. However, true outcome contracts require measurement, attribution and risk-sharing. In practice, the near-term pricing model is more likely to be premium bundles and consumption-based add-ons than broad outcome contracts across the full ERP estate.

The bull case is that AI improves pricing power because it makes value more visible. If vendors can demonstrate productivity uplift, faster processes, lower risk or better working-capital outcomes, customers may accept premium AI tiers, usage credits and workflow fees. The rationale is that pricing power improves when the vendor can link software spend to measurable business impact.

The bear case is pricing backlash and cost opacity. Customers may resist paying again for AI capabilities on top of already expensive ERP subscriptions. Consumption pricing can also create budget uncertainty if AI usage scales unpredictably. This creates a risk that customers cap usage, delay adoption or push back during renewals.

EXHIBIT 14: **Why outcome-based pricing expands the ERP monetization surface**

	Software providers	Services providers	Outcome-based providers
Value proposition	Provide tools and features for users to improve productivity	Delivers services and expertise to build and manage IT operations and business processes	Delivers AI-driven outcomes at a lower cost than human-driven engagement
Delivery model	Software delivered on-premises or via cloud subscriptions with minimal service integration	Labor-intensive service delivery with some automation	Managed service combining software and AI agents that perform discrete tasks
Pricing model	Subscription-based (per user, per seat) or usage-based models	Project-based or recurring service fees, often time and material-based	Hybrid pricing models aligned with delivered value
Outcome responsibility	Customers manage workflows and are responsible for outcomes	Services providers assist with execution, but accountability for outcomes may vary	Provider assumes accountability for work execution with agreed upon output
Scalability	Scales through additional software deployment and infrastructure	Scales through expanding service teams and infrastructure	Scales through additional AI agent deployment and infrastructure
Technology foundation	On-premises or cloud-native applications with standard automation and integration APIs	Custom and prebuilt systems with manual processes and limited automation	AI-native platforms with autonomous agents that adapt and optimize workflows
Customer effort	High effort required for integration, customization, and user training	Moderate to high effort due to coordination, customization, and manual processes	Low effort for customers as AI automates execution with minimal setup and oversight

Source: Bernstein analysis

REVENUE GROWTH COMES FROM DEEPER MONETIZATION OF THE INSTALLED BASE

The biggest near-term revenue opportunity is likely to come from the installed base, not only from new logos. The Cloud migration has already created a recurring-revenue foundation. AI adds another monetization layer through premium bundles, agents, workflow automation, analytics, governance and consumption. The growth opportunity is therefore less about replacing ERP systems and more about expanding revenue per customer.

This matters because ERP vendors already sit inside mission-critical workflows. If vendors can attach AI to finance, procurement, HR and supply-chain processes, they can expand wallet share without waiting for a full vendor replacement cycle. This is especially important as the cloud migration process matures and the easiest migration cohorts have already moved. AI becomes the next lever for growth acceleration.

The broader ERP market still provides a supportive backdrop, but AI must increasingly drive the next leg of growth. Gartner expects continued ERP market growth through 2030, with SaaS ERP growing faster than on-premise ERP and small and mid-sized companies representing an important growth pool. However, the investment conclusion is that cloud provides stability, while AI must provide the next layer of upside.

The growth mix changes as AI adoption rises. Vendors may not always generate growth through more seats. In some workflows, automation could reduce the need for human users. But vendors may offset this through premium AI features, usage credits, workflow automation, governance modules, ecosystem marketplaces and higher retention. The quality of growth may improve if revenue becomes more recurring, more usage-based and more tied to high-value workflows.

The bull case is that AI creates a new product cycle within ERP. AI can re-accelerate mature vendors by creating new modules, improving attach rates, lifting ARPU and increasing retention. The rationale is that ERP has a large installed base and many high-value workflows where automation can be attached progressively. Vendors do not need full autonomous ERP to monetize the transition; they can monetize copilots, agents, governance and orchestration step by step.

The bear case is that AI may cannibalize parts of the existing model before it creates enough new revenue. Automation can reduce manual effort, shrink some services work and pressure seat-based pricing. If AI capabilities commoditize quickly, vendors may face higher R&D and compute costs without sufficient ARPU uplift. In that scenario, ERP remains durable but behaves more like mission-critical utility software than a growth compounder.

GROSS MARGIN: TURNING ERP COMPLEXITY INTO SCALABLE SOFTWARE ECONOMICS

For ERP vendors, the gross margin question is not simply whether AI lowers costs; it is whether next-generation ERP can turn historically complex, services-heavy workflows into more repeatable software-led delivery. ERP has always carried a margin tension: the software itself is high margin, but deployment, customization, support, integration and upgrades can be complex. Next-generation ERP can improve this equation if AI helps standardize configuration, automate testing, reduce manual support, guide users inside workflows and make implementation more template-driven. In that sense, AI matters because it can make ERP delivery more scalable, not because AI is valuable in isolation.

The positive gross-margin case is that ERP vendors use AI to reduce the cost-to-serve across the full ERP lifecycle. In implementation, AI can help automate documentation, configuration support, testing and migration assistance. In live operations, AI can reduce support tickets, guide users through complex processes and automate routine exception handling. In upgrades, cleaner architectures and embedded intelligence can reduce the manual effort historically associated with ERP change cycles. The margin benefit comes from reducing the amount of human effort needed to deploy, run and expand ERP, while increasing the share of revenue captured through software subscriptions, premium modules and usage-based AI capabilities.

This is particularly important because ERP gross margins are affected by customer complexity. A clean, cloud-based ERP customer with standardized processes should be easier to support and expand than a heavily customized legacy customer. Next-generation ERP can therefore improve margins most where vendors combine cloud architecture, clean-core discipline, pre-configured industry templates, embedded AI and strong partner execution. The point is not that AI automatically raises margins. The point is that AI can help ERP vendors reduce the complexity tax that has historically surrounded ERP deployment and support.

The revenue mix also matters for gross margins. If AI-enabled ERP is monetized through premium editions, automation modules, agent entitlements, governance tools and consumption credits, the incremental revenue should be more software-like than services-like. That can lift blended gross margins, especially for vendors that attach AI to existing cloud ERP subscriptions.

This is why installed-base monetization is so important: the vendor is not rebuilding the customer relationship from scratch; it is adding higher-value software layers on top of workflows it already supports.

The offsetting risk is that next-generation ERP also introduces new cost lines. AI-enabled ERP requires investment in product engineering, model access, compute, inference optimization, data infrastructure, governance tooling, support and ecosystem enablement. These costs are not generic AI costs; they are ERP-specific because agents must operate in controlled, auditable and mission-critical environments. Finance, procurement, HR and supply-chain workflows require reliability, permissions, traceability and exception handling. That raises the cost of deploying AI inside ERP compared with simpler productivity tools.

The key investor question is whether ERP vendors can reduce the ERP complexity curve faster than the AI cost curve rises. Gross margin expands if AI lowers implementation and support intensity, increases premium software mix and is priced explicitly. Gross margin is pressured if AI becomes bundled functionality, compute costs scale faster than monetization, and customer complexity remains high. In practical terms, the best margin profile should belong to vendors that combine standardized cloud ERP, strong process templates, scalable AI pricing and disciplined control of inference costs.

The bull case is that next-generation ERP turns complexity into pricing power and operating scale. ERP vendors with strong workflow ownership can use AI to simplify deployment, reduce support burden and sell premium automation into mission-critical processes. The rationale is that customers may pay more when ERP helps them close books faster, reduce procurement exceptions, improve forecasting, automate compliance or lower working-capital friction. In this scenario, AI does not just reduce vendor costs; it increases the value of ERP itself for the customer.

The bear case is that AI increases ERP costs before it reduces ERP complexity. Vendors may have to invest heavily in AI, governance and compute while customers still require long implementations, custom integrations and extensive support. If basic AI features become table stakes, vendors may absorb these costs without enough incremental pricing. In this scenario, AI becomes an ERP margin tax rather than an ERP margin lever.

OPERATING MARGIN: THE ERP REINVESTMENT J-CURVE

Operating margins in next-generation ERP are likely to follow a J-curve because vendors must invest first before workflow automation scales. ERP vendors cannot simply add AI at the interface and expect immediate operating leverage. They need to rebuild product architecture, deepen data integration, strengthen governance, train sales teams, enable partners, support customer adoption and prove production use cases. This means operating margins may face near-term pressure even if the long-term margin opportunity is attractive.

The first phase of the J-curve is the ERP reinvestment phase. Vendors need to invest in an AI-native product roadmaps, clean-core migration tools, workflow agents, process orchestration, role-based permissions, auditability, monitoring, model partnerships and customer enablement. They also need to help their ecosystems adapt, because ERP adoption depends heavily on implementation partners, ISVs and services providers. These costs sit in R&D, sales and marketing, customer success and partner enablement. The operating margin pressure is therefore not only an AI cost issue; it is the cost of repositioning ERP from a system of record to a system of governed execution.

The second phase is the proof phase, where vendors must show that AI-enabled ERP creates measurable customer value. This is critical because ERP buyers are unlikely to pay materially more for agentic capabilities without evidence of productivity, cycle-time reduction, risk reduction or better process outcomes. The operating leverage only emerges if vendors can convert product investment into premium packaging, attach rates, consumption revenue and renewal uplift. This is where ERP differs from simpler software categories: customer trust, process control and auditability are central to monetization.

The third phase is the scaling phase, where repeatable ERP workflows can become a source of operating leverage. Once vendors have reusable agents, workflow templates, governance modules and pre-configured industry processes, each additional customer deployment should require less incremental effort. Sales motions can become more repeatable, support intensity can decline, and partner delivery can become more standardized. This is the real ERP margin opportunity: not AI experimentation, but productized workflow automation sold repeatedly across a large installed base.

The operating margin upside is strongest when AI increases ERP ARPU without increasing cost-to-serve at the same rate. Premium AI modules, usage credits, automation agents, governance layers and orchestration tools can lift revenue per customer. At the same time, AI can reduce support, automate parts of testing and configuration, and make implementations more repeatable. If both happen together, ERP vendors can move from reinvestment to operating leverage. If only the cost side happens,

margins may remain under pressure.

This makes the installed-base quality a key margin variable. Vendors with a large cloud ERP installed base, standardized data models, strong workflow ownership and clear AI packaging should have a better path to operating leverage. Vendors with fragmented architectures, a high share of legacy deployments, weak partner execution or unclear pricing may struggle to scale AI profitably. The ERP-specific point is that operating leverage depends not only on AI capability, but on the readiness of the ERP estate to absorb AI at scale.

The bull case is that ERP leaders exit the J-curve with structurally higher operating margins. They use AI to increase ARPU, reduce support intensity, shorten deployments, standardize upgrades and automate repeatable workflows. The rationale is that ERP vendors already control high-value processes; once AI is embedded into those processes and priced explicitly, incremental revenue can scale faster than operating costs.

The bear case is that some ERP vendors remain trapped in the investment phase. They may keep spending on AI roadmaps, model access, governance and customer enablement without achieving broad production adoption or pricing power. Customer readiness may also slow adoption if data quality, process standardization and legacy customization remain constraints. In that scenario, operating margins remain pressured because the vendor carries the cost of next-generation ERP without capturing the economics of workflow automation.

The practical investor test is simple: is the vendor turning ERP complexity into repeatable product economics? If the answer is yes, operating margins should improve over time as AI-enabled ERP scales. If the answer is no, AI may only add another layer of cost to an already complex ERP model. The winners should be vendors that can show production adoption, attach rates, ARPU uplift, lower support intensity, faster implementation cycles and improving free cash flow. The laggards may still have durable ERP revenue, but without the operating leverage needed to justify a premium valuation.

CASH FLOW: WHEN SUBSCRIPTION PLUS CONSUMPTION IMPROVES EARNING QUALITY

The cash-flow opportunity is a higher-quality recurring revenue. ERP already benefits from subscription visibility. AI can add usage credits, premium modules, governance subscriptions and recurring automation fees. If priced well, this can improve revenue predictability, collections and free cash flow durability.

The cash-flow risk is that AI adds cost before it adds cash. Vendors may face upfront product investment, cloud infrastructure spending, compute costs, partner payments and customer-support costs before consumption revenue scales. This makes free cash flow an important test of whether AI monetization is real or only narrative.

Investors should distinguish recurring AI revenue from bundled AI cost absorption. Revenue that is priced, recurring, scalable and cash-generative should support higher quality earnings. Revenue that is bundled, heavily discounted or offset by high compute costs should not. The key is whether AI improves recurrence, predictability and free cash flow durability while the AI investment burden scales efficiently over time.

The bull case is stronger free cash flow conversion for vendors that price AI explicitly. If premium AI features and usage credits attach to existing subscriptions, incremental revenue can be of a high quality. In the best case, AI strengthens the subscription model rather than replacing it: the base subscription provides visibility, while usage and premium modules add upside.

The bear case is that consumption revenue creates customer friction rather than cash-flow quality. If AI bills are unpredictable, customers may cap usage, negotiate discounts or resist renewal increases. Cost opacity can therefore slow adoption and reduce the durability of AI-driven revenue.

VALUATION: PREMIUM MULTIPLES FOLLOW WORKFLOW CONTROL

Valuation dispersion should increase as AI separates workflow-control platforms from ordinary application vendors. The highest multiples should accrue to vendors that can prove they own mission-critical workflows, monetize AI, control governance, protect margins and convert recurring revenue into durable free cash flow. Headline growth alone is unlikely to be enough.

In the bull case, ERP leaders are valued more like strategic workflow infrastructure than cyclical application vendors. Vendors that own data semantics, process logic, agent orchestration and governance can justify premium multiples if they also show sustained installed-base expansion, ARPU uplift, margin expansion and cash-flow durability. The strategic value comes from

being embedded in how the enterprise operates, not simply from selling another software module.

In the bear case, valuation discounts apply to vendors that fail to price AI or lose control of the interaction layer. If AI is bundled without monetization, if compute costs are poorly managed, or if the customer relationship shifts toward hyperscalers and neutral AI platforms, the vendor may be treated as a lower-growth, lower-return infrastructure component. Mission-critical software can still be durable, but durability alone does not guarantee premium valuation.

The practical valuation framework should focus on five tests. First, does the vendor own mission-critical workflows? Second, does it control data semantics and governance? Third, is AI pricing visible and scalable? Fourth, are AI costs controlled? Fifth, is free cash flow improving? Vendors that pass these tests can justify premium multiples. Vendors that fail them may face de-rating even if they remain important in the enterprise stack.

INVESTMENT SCENARIOS: COMPOUNDERS, UTILITIES AND DISINTERMEDIATED PLATFORMS

Bull case: ERP vendors become AI-enabled compounders

The bull case is that next-generation ERP creates a multi-year growth, margin and valuation cycle. ERP vendors already sit close to trusted data, permissions, workflows, compliance logic and execution systems. If they add agents and orchestration on top, they can monetize more of the work performed inside the enterprise.

The rationale is that AI expands the monetization surface of an already mission-critical category. Vendors can charge for premium AI modules, usage credits, workflow agents, governance tools and outcome-linked automation. They can also improve retention by becoming more embedded in daily operations.

In this scenario, valuation upside comes from higher-quality growth. Revenue becomes more recurring, the mix shifts toward premium software, gross margins improve as automation reduces cost-to-serve, and free cash flow becomes more durable. The strongest vendors are not simply those with AI features. They are those that convert AI capability into workflow ownership, monetization and operating leverage.

Bear case: AI become commoditized and value migrates away

The bear case is that AI raises the cost of competition without creating enough pricing power. Vendors may need to invest heavily in AI simply to remain relevant. If customers expect AI to be included, incremental revenue may be limited while R&D, compute and partner costs rise.

The second bear risk is disintermediation. If hyperscalers, model providers, data platforms or neutral orchestration layers control the AI front end, ERP vendors may lose some ability to monetize the new workflow intelligence layer. ERP may remain the system of record and action endpoint, but the economic upside could shift to whoever controls orchestration and user interaction.

The third bear risk is customer readiness. Agentic ERP requires clean data, integration depth, governance, auditability, process redesign and trust. If these conditions are missing, adoption may remain in pilots or narrow use cases. This would slow revenue uplift and make AI monetization more gradual than vendor narratives suggest.

Base case: Phased monetization and widening dispersion

The most balanced base case is not immediate autonomous ERP, but phased monetization of AI-augmented and supervised agentic workflows. ERP vendors should first monetize copilots, analytics, process assistance and narrow agents. Over time, they may monetize orchestration, governance and semi-autonomous workflows where data, controls and customer trust are sufficient.

This base case implies stock-picking rather than a sector-wide re-rating. The winners should be vendors that embed AI into workflows, prove production adoption, price AI explicitly, control inference costs and convert productivity into margin and cash flow. The laggards may still grow with the ERP market, but with less pricing power, weaker operating leverage and lower valuation support.

Conclusion

Next-generation ERP should be treated as a financial model transition, not only a product transition. The product story is about AI, agents and orchestration. The investment story is about pricing, installed-base monetization, gross margin, operating leverage, cash-flow quality and valuation dispersion. ERP vendors that control workflow execution and price AI explicitly can become more valuable platforms. Vendors that bundle AI defensively, lose the interaction layer or fail to control compute costs may become mission-critical but lower-return software utilities.

The most useful investor framing is therefore clear: AI will not lift all ERP vendors equally. The market should reward those that turn AI into workflow ownership, measurable customer outcomes, scalable monetization and durable free cash flow. It should be more skeptical of vendors that market agents without production evidence, price AI opaquely, rely too heavily on partners for the control layer, or absorb AI costs without clear ARPU uplift. The next ERP cycle is not just about who has the most advanced AI roadmap. It is about who can convert that roadmap into controlled execution, disciplined monetization and better financial outcomes.

THE RACE TO CONTROL ENTERPRISE EXECUTION

THE INVESTMENT DEBATE: WHO BECOMES THE ENTERPRISE EXECUTION LAYER?

The next phase of ERP competition is no longer about who has the largest system of record; it is about who can turn that system of record into a trusted execution layer. That distinction matters. Traditional ERP value came from owning critical transactions, standardizing business processes, and creating a reliable operational backbone. The next stage is more ambitious. ERP platforms are now being judged on whether they can use AI agents, enterprise data, business rules, workflow orchestration, and governance controls to help companies execute work more intelligently and safely.

This is why market positioning should be assessed differently from a normal ERP share-gain debate. A vendor may have a large installed base, but that does not automatically make it a leader in Autonomous ERP. The relevant question is whether the platform has the right combination of agentic capability, trusted data, governance, workflow breadth, ecosystem openness, and monetization credibility. In other words, investors should ask a simple question: can the vendor move from assisting users to safely executing meaningful work inside mission-critical processes?

Our scorecard is designed to separate AI visibility from AI value. We use six dimensions. Agentic capability carries the highest weight at 25%, because the core test is whether the system can perform useful work rather than merely assist the user. Data and semantic foundation carries 20%, because agents need trusted transactional data, process context, business rules, metadata, and clean-core architecture before they can act. Governance and trust also carries 20%, because ERP touches financial, operational, HR, procurement, and compliance-sensitive workflows where enterprises will not accept autonomy without permissions, audit trails, approval checkpoints, explainability, and human control.

The remaining dimensions capture the commercial and strategic reach of the platform. Workflow breadth carries 15%, because a broader footprint across finance, procurement, supply chain, HR, manufacturing, projects, and service workflows makes the platform more credible as an enterprise execution layer. Ecosystem and extensibility carry 10%, because most large enterprises operate mixed software estates and need APIs, developer tools, partners, third-party agents, and cross-platform integration. Monetization and adoption credibility also carries 10%, because AI capability only matters financially if it drives usage, retention, ARPU, premium bundles, workflow pricing, or customer adoption.

The ranking should be read directionally, not as a precise forecast. Our assessment combines qualitative judgment and quantitative scoring. It should therefore be read as a directional framework, not as a precise measurement of future market share, product maturity, or financial upside. Several inputs rely on subjective assumptions, particularly around agentic depth, governance maturity, ecosystem openness, and adoption credibility. Small changes to these assumptions can meaningfully change the ranking. The approach is intentionally hybrid because this market is still early, but it remains imperfect. It does not yet fully capture the scale, pace, or effectiveness of each company's ongoing AI investments, nor does it fully account for how quickly customers can translate those investments into production use cases.

It is still early days, so points can and will change. AI maturating and adoption is relatively early and especially in enterprise application software therefore the numbers and the ranking can and will change and therefore this really should be considered as a directional indicator.

EXHIBIT 15: **Scoring methodology for the ERP vendors**

Dimension	Weight	What it measures	Why it matters
Agentic capability	25%	Combines agent breadth and autonomy depth: "Can the system do useful work, or does it mainly assist the user?".	This is the core test for Autonomous ERP. Breadth alone is not enough if the agents cannot act safely.
Data and semantic foundation	20%	Quality of transaction data, process context, business rules, metadata and clean-core architecture.	Agents need trusted context before they can make or execute decisions.
Governance and trust	20%	Permissions, audit trails, approval checkpoints, explainability, autonomy ceilings and human control.	ERP touches mission-critical workflows. Enterprises will not allow autonomy without control.
Workflow breadth	15%	Coverage across finance, procurement, supply chain, HR, manufacturing, projects and service workflows.	The broader the workflow coverage, the more credible the platform becomes as an enterprise execution layer.
Ecosystem and extensibility	10%	APIs, developer tools, partner ecosystem, third-party agents and ability to work across mixed software estates.	Most enterprises are multi-vendor. The winning platform needs to operate beyond its own walled garden.
Monetization and adoption credibility	10%	Evidence that AI can drive usage, retention, ARPU, premium bundles, workflow pricing or customer adoption.	AI visibility is not the same as AI value. Investors need a path from product capability to economic capture.

Source: Bernstein analysis

The scoring framework deliberately rewards balanced execution rather than single-point strength. A score above 80 indicates a potential control-plane leader. A score between 65 and 79 indicates a strong incumbent or specialist with important gaps. A score between 50 and 64 indicates a credible participant with narrower scope. A score below 50 suggests a more exposed, defensive, or mostly assistive position. This distinction is important because the ERP transition will not be won by the vendor with the best AI demo. It is more likely to be won by the vendor that can combine AI depth, process control, governance, and adoption at scale.

EXHIBIT 16: **Score interpretation**

Weighted score	Interpretation
80-100	Potential control-plane leader
65-79	Strong incumbent or specialist, but with gaps
50-64	Credible participant, narrower scope
Below 50	Exposed, defensive or mostly assistive

Source: Bernstein analysis

CURRENT POSITIONING: ORACLE LEADS TODAY, BUT THE FIELD IS TIGHT

The current positioning scorecard looks at where the major ERP vendors stand today, based on visible product maturity, existing platform breadth, architectural coherence, ecosystem reach, and the credibility of near-term adoption. This is not a judgment on who has the most attractive long-term AI narrative. It is a snapshot of which vendors appear best placed today to translate current capabilities into controlled enterprise execution. On that basis, Oracle screens slightly ahead because its integrated-stack model is already relatively coherent, while SAP and Microsoft remain very close but for different reasons: SAP has deeper ERP process ownership, and Microsoft has the stronger horizontal AI and orchestration ecosystem.

EXHIBIT 17: **Current ranking for selected ERP software vendors**

Rank	Vendor	Score	Bernstein remarks
1-	Oracle	77.0	Best current balance of application breadth, cloud ERP base and integrated architecture.
2-	SAP	75.5	Best process-depth asset, but not yet the cleanest AI adoption story.
3-	Microsoft	75.5	Best orchestration ecosystem, but weaker in deep ERP ownership.
4-	Workday	72.5	Strong specialist, not broad ERX.
5-	Sage	52.5	Defensible niche, limited autonomous breadth.

Source: Bernstein analysis and estimates

EXHIBIT 18: **Current scoring for selected ERP software vendors**

Vendor	Agentic capability 25%	Data / semantic foundation 20%	Governance / trust 20%	Workflow breadth 15%	Ecosystem / extensibility 10%	Monetization / adoption 10%	Weighted score / 100	Current positioning
Oracle	4.5	4.0	3.0	4.5	3.0	3.5	**77.0**	Strongest current integrated-stack story, helped by Fusion / NetSuite breadth and Oracle-centric control. The weakness is that the model remains more closed and governance still needs proof at scale.
SAP	3.5	4.0	3.0	5.0	4.0	3.5	**75.5**	Best deep-process ERP asset base, especially in complex enterprise workflows, but today's capability is held back by migration, clean-core and customization friction.
Microsoft	3.5	3.0	4.0	4.0	5.0	4.0	**75.5**	Strongest horizontal AI and orchestration platform, with the broadest ecosystem. The constraint is that Dynamics is not always the deepest ERP system of record in large complex enterprises.
Workday	3.5	4.0	4.0	3.0	3.0	4.0	**72.5**	High-quality HCM / finance specialist with strong trust and data credentials, but narrower end-to-end ERP coverage.
Sage	2.0	3.0	3.0	2.5	2.0	3.5	**52.5**	Practical mid-market finance AI player. Credible in its niche, but not yet a broad autonomous ERP platform.

Source: Bernstein analysis and estimates

On the current scorecard, Oracle ranks first because it has the strongest integrated-stack story today. Oracle scores 77.0, ahead of SAP and Microsoft at 75.5, Workday at 72.5, and Sage at 52.5. The reasoning is straightforward: Oracle combines broad application coverage, a strong cloud ERP base, and a more tightly integrated architecture across applications, database, infrastructure, and cloud. That matters because governed autonomous workflows are easier to control when more of the stack sits inside one vendor perimeter.

Oracle's current strength is coherence. Fusion ERP and NetSuite give Oracle broad coverage across enterprise and mid-market ERP, while its infrastructure and database assets help anchor a more integrated operating model. In an Autonomous ERP context, that coherence is valuable. The fewer the breaks between data, application logic, infrastructure, and workflow execution, the easier it is to build controlled automation. This is why Oracle currently screens as the best balance of application breadth, cloud ERP base, and integrated architecture.

The limitation is that Oracle's model is more closed than truly neutral. The same architecture that gives Oracle a strong integrated-stack advantage may also limit its appeal in heterogeneous enterprise environments. Many large customers run mixed landscapes across ERP, CRM, HCM, supply chain applications, collaboration tools, data platforms, industry systems, and hyperscaler infrastructure. In those environments, the winner may not be the vendor with the strongest closed-loop stack. It may be the platform that can orchestrate across the broadest enterprise estate.

EXHIBIT 19: **Oracle: Current scorecard**

Factor	Score	Rationale
Agentic capability	4.5	Oracle scores highest today because the source material describes a broad set of AI agents across Fusion, NetSuite and enterprise application workflows. Oracle's agent story appears more immediately productized than SAP's, helped by its cloud-led application base and tightly integrated stack. The score stops short of 5 because agent quality, governance depth and real production autonomy still need to be proven beyond announcements.
Data and semantic foundation	4.0	Oracle has a strong data foundation because it combines applications, database and cloud infrastructure in one integrated stack. This gives it a controlled environment for ERP automation. The score is not 5 because the advantage is strongest inside Oracle environments, while heterogeneous estates may dilute the quality and reach of the semantic layer.
Governance and trust	3.0	Oracle's integrated model should help governance, because data, applications and infrastructure can be managed within a common stack. However, the attached file notes that governance maturity for broader autonomous or supervisory agent tiers still needs proof at scale. Hence the score remains moderate rather than high.
Workflow breadth	4.5	Oracle has broad coverage across ERP, HCM, SCM, EPM, CX and mid-market workflows through Fusion and NetSuite. This gives it stronger breadth than Workday and Sage, and almost comparable breadth to SAP. The score is slightly below SAP because SAP remains stronger in the deepest industrial and complex enterprise ERP processes.
Ecosystem and extensibility	3.0	Oracle's ecosystem is credible, but the source material positions it as more Oracle-first and less open than Microsoft. This matters because many enterprises operate mixed software estates. Oracle's model is powerful where customers accept the integrated stack, but less compelling as a neutral orchestration layer across third-party systems.
Monetization and adoption credibility	3.5	Oracle has adoption credibility because additional AI functionality can be pushed through its cloud application base. However, the file also notes that bundling agents within existing subscriptions can raise questions about incremental monetization. The commercial story is credible, but the direct AI revenue uplift is not fully visible.

Source: Bernstein analysis and estimates

SAP ranks just behind Oracle today, but it has the deepest process asset base in the group. SAP scores 75.5 on the current scorecard. Its strength is not merely scale. It is the depth of its process semantics across complex enterprise workflows, especially in large global organizations, manufacturing, supply chain, finance, procurement, and regulated operations. If Autonomous ERP depends on trusted data, business rules, process logic, and governance, SAP starts with one of the strongest foundations in the market.

SAP's current problem is not strategic relevance; it is adoption friction. The draft identifies migration, clean-core, and customization friction as gating factors. That matters because AI agents cannot deliver their full value on top of fragmented, heavily customized, or technically constrained ERP landscapes. SAP may own the deepest substrate for enterprise execution, but customers need enough progress on modernization for that substrate to become usable by agents in production. In simple terms, SAP has the best theoretical position, but not yet the cleanest current execution setup.

EXHIBIT 20: **SAP: Current scorecard**

Factor	Score	Rationale
Agentic capability	3.5	SAP has strong potential because Joule and SAP's agent roadmap sit close to core enterprise workflows. However, the current score is not higher because the source material describes agentic execution as still developing, with customer adoption dependent on cloud migration, clean-core readiness, and the maturity of SAP's AI layer. In other words, SAP has the right process base, but current autonomy is not yet fully proven at scale.
Data and semantic foundation	4.0	SAP has one of the strongest data and process foundations because it owns mission-critical transaction systems across finance, procurement, manufacturing, supply chain and large enterprise operations. The score is below 5 because the quality of this foundation depends on customer architecture. Many SAP customers still run complex, customized or partly legacy environments, reducing the immediate usability of that data for autonomous agents.
Governance and trust	3.0	SAP's ERP heritage gives it a strong natural position in controlled, auditable enterprise workflows. However, we believe that governance frameworks and auditability for agentic execution still need to mature. The score therefore reflects strong structural potential, but limited current proof of large-scale autonomous governance.
Workflow breadth	5.0	This is SAP's clearest advantage. SAP has the broadest and deepest coverage across complex enterprise workflows, including finance, procurement, manufacturing, supply chain and operations. For Autonomous ERP, breadth matters because a platform that spans more workflows has a better chance of becoming the enterprise execution layer.
Ecosystem and extensibility	4.0	SAP has a large partner ecosystem and tools such as BTP and Joule Studio that support extensibility. The score is not 5 because SAP's ecosystem is still more SAP-centric than Microsoft's, and because clean-core requirements may create friction for customers with heavily customized landscapes.
Monetization and adoption credibility	3.5	SAP has a credible path to monetize AI through cloud migration, premium functionality and workflow automation. The reason the score is not higher is that monetization depends on customers first modernizing their ERP estate. The attached file specifically highlights migration and clean-core progress as gating factors.

Source: Bernstein analysis and estimates

Microsoft is tied with SAP today, but its strength comes from a different place. Microsoft scores 75.5, supported by the strongest horizontal AI and orchestration platform, the broadest ecosystem, and high monetization and adoption credibility. Its advantage is not that Dynamics is always the deepest ERP system of record in complex global enterprises. It is that Microsoft already sits inside the daily workflow of many enterprise users through Microsoft 365, Teams, Excel, Power BI, Azure, Power Platform, Copilot, and the broader developer ecosystem.

Microsoft's strategic angle is that ERP work may increasingly happen outside the traditional ERP screen. If users approve workflows in Teams, analyze exceptions in Excel, interact with Copilot, build automations in Power Platform, or connect data through Fabric and Azure, then Microsoft can become a major ERP-adjacent control layer. It may not always own the deepest ERP record, but it can own the interface and orchestration layer through which enterprise work is experienced. That makes Microsoft one of the most strategically interesting challengers in the transition to agentic ERP.

EXHIBIT 21: **Microsoft: Current scorecard**

Factor	Score	Rationale
Agentic capability	3.5	Microsoft has a strong agentic roadmap through Copilot, Copilot Studio, Dynamics and Power Platform. The current score is not higher because many ERP-specific autonomous capabilities are still ramping, and Dynamics is not always the primary system of record for the most complex global enterprises.
Data and semantic foundation	3.0	Microsoft has strong data assets across Microsoft 365, Dataverse, Azure and Dynamics. However, the ERP-specific data foundation is less dominant than SAP's or Oracle's in large enterprise core ERP. The score reflects Microsoft's strength in horizontal data and workflow context, but a weaker position in deep ERP process semantics.
Governance and trust	4.0	Microsoft scores well on governance because Copilot Studio and Azure AI governance tooling give it a strong platform approach to controlled agent creation and management. The attached file highlights Microsoft's differentiated developer and governance layer relative to more application-centric peers.
Workflow breadth	4.0	Microsoft has broad workflow reach through Dynamics, Microsoft 365, Power Platform, Teams, Excel, Azure and its developer ecosystem. The reason it does not score 5 is that this breadth is horizontal rather than purely ERP-native. Microsoft can touch many workflows, but it does not always own the core transaction engine.
Ecosystem and extensibility	5.0	This is Microsoft's clearest advantage. The source material positions Microsoft as having the deepest horizontal ecosystem, strongest developer reach, and broadest extensibility through Azure, Copilot Studio and Power Platform. In a multi-vendor enterprise world, that openness is strategically important.
Monetization and adoption credibility	4.0	Microsoft has strong monetization credibility because Copilot, Azure, Dynamics and productivity workflows can create multiple routes to AI adoption and upsell. The score is not 5 because the ERP-specific monetization pathway remains less direct than for vendors whose core products are ERP suites.

Source: Bernstein analysis and estimates

Workday is a high-quality specialist rather than a broad ERX platform. Workday scores 72.5 today. Its strengths are clear: HCM, finance, trust, clean SaaS architecture, and strong data credentials in people-centric workflows. This gives Workday a credible position in service-led, workforce-heavy, and finance-adjacent environments. However, the draft also notes that Workday has narrower end-to-end ERP coverage, especially outside HR and finance. That limits its ability to become a broad enterprise execution backbone across manufacturing, supply chain, logistics, and asset-heavy operations.

EXHIBIT 22: **Workday: Current scorecard**

Factor	Score	Rationale
Agentic capability	3.5	Workday has credible agentic capability in HR, finance and people-centric workflows. The score reflects strong domain progress, but it is not higher because the source material frames Workday as still more specialist than broad autonomous ERP platform.
Data and semantic foundation	4.0	Workday has a strong proprietary data foundation in HCM and finance. The attached file highlights Workday's domain-specific data advantage and cleaner SaaS architecture. The score is below 5 because its data depth is concentrated in narrower functional areas, not across full ERP, SCM and manufacturing workflows.
Governance and trust	4.0	Workday scores well because trust, permissions and governance are core to HR and finance workflows. The source material also highlights Workday's governance framing around agent management. The score is strong, but not perfect, because broad production autonomy remains early.
Workflow breadth	3.0	This is the main constraint. Workday is strong in HCM and finance, but it lacks SAP's, Oracle's or Microsoft's wider coverage across manufacturing, supply chain, procurement, logistics and industrial operations. That limits its ability to become a broad Autonomous ERP control plane.
Ecosystem and extensibility	3.0	Workday has a credible ecosystem, but it is narrower than Microsoft's and less broad than SAP's or Oracle's enterprise application footprint. The lower score reflects the fact that Workday's strength lies in its domain focus, not in being the broadest open platform.
Monetization and adoption credibility	4.0	Workday has a credible monetization story because AI can deepen usage in HCM and finance, where customers already rely on Workday for high-value workflows. The score is high, but the ceiling is limited by narrower total addressable market (TAM) coverage versus broader ERP vendors.

Source: Bernstein analysis and estimates

Sage is credible in its niche, but it is not currently a broad Autonomous ERP platform. Sage scores 52.5 today. Its opportunity is more focused: practical finance automation for SMB and mid-market customers, especially around accounting, compliance, account payables/account receivables (AP/AR), finance close, cash management, and planning workflows. That is a useful position, but it is narrower than the enterprise execution-layer ambitions of SAP, Oracle, Microsoft, or Workday. Sage's strength is realism and relevance to its customer base; its constraint is limited autonomous breadth.

EXHIBIT 23: **Sage: Current scorecard**

Factor	Score	Rationale
Agentic capability	2.0	Sage's current AI capability is more assistive and finance-focused than broadly agentic. The source material describes Sage as being earlier and more cautious in its move toward autonomy. This supports a low current score on agentic depth and breadth.
Data and semantic foundation	3.0	Sage has useful mid-market finance and accounting data, but the platform foundation is narrower than SAP, Oracle, Microsoft or Workday. The source material also notes ongoing cloud migration and modernization, which means the data foundation is improving but not yet best-in-class.
Governance and trust	3.0	Sage's trust-first approach is appropriate for SMB and mid-market customers. However, its governance tooling is less developed than the broader enterprise platforms. The score reflects sensible caution, but not leadership in agent governance.
Workflow breadth	2.5	Sage is strongest in finance, accounting and mid-market operational workflows. It does not have the breadth of SAP, Oracle or Microsoft across large enterprise ERP, supply chain and industrial processes. This naturally limits its Autonomous ERP score.
Ecosystem and extensibility	2.0	Sage has a smaller ecosystem and less platform-wide agent extensibility than larger peers. Its positioning is more vertical and pragmatic than ecosystem-led. That is not necessarily bad for its customer base, but it limits the score.
Monetization and adoption credibility	3.5	Sage has a credible path to monetize AI through practical automation in finance, accounting, close, cash management and compliance workflows. The score is relatively stronger here because small and mid-market customers may value simple, embedded productivity improvements. The score is not higher because broad autonomous monetization remains unproven.

Source: Bernstein analysis and estimates

In short, the current ranking rewards architectural coherence and visible productization. The medium-term view shifts the debate toward who can control governed execution as agentic workflows mature.

MEDIUM-TERM POSITIONING: SAP AND MICROSOFT BECOME THE MOST STRATEGICALLY INTERESTING NAMES

The medium-term scorecard shifts the emphasis from what vendors can demonstrate today to what they could credibly control if product roadmaps, customer modernization, and AI adoption continue to progress. This is where the debate becomes more strategic. Current integration matters, but the larger question is which platform can become the trusted control layer for enterprise execution as agents move deeper into production workflows.

On this view, SAP and Microsoft rise to the top, but through very different routes: SAP through process depth and governed execution, Microsoft through interface control, ecosystem reach, and horizontal orchestration. SAP moves to the top with a potential score of 88.0, followed closely by Microsoft at 87.3. Oracle remains strong at 84.4. Workday improves to 79.8, while Sage rises to 63.2. The message is not that every vendor improves equally. The message is that AI should widen dispersion between platforms that can control governed execution and vendors that remain narrower workflow automation stories.

EXHIBIT 24: **Medium-term potential ranking for selected ERP software vendors**

Rank	Vendor	Current score	Three-year score	*Change*	Bernstein remarks
1-	SAP	75.5	88.0	*12.5*	Moves from strong incumbent to potential control-plane leader.
2-	Microsoft	75.5	87.3	*11.8*	Biggest strategic challenger; likely controls the AI interface even without always owning the ERP core.
3-	Oracle	77.0	84.4	*7.4*	Strongest closed-stack or integrated-stack ERP AI story.
4-	Workday	72.5	79.8	*7.3*	High-quality vertical winner, but not broad ERX.
5-	Sage	52.5	63.2	*10.7*	Better niche automation story, still below broad platform peers.

Source: Bernstein analysis and estimates

EXHIBIT 25: **Medium-term potential scorecard for selected ERP software vendors**

Vendor	Agentic capability 25%	Data / semantic foundation 20%	Governance / trust 20%	Workflow breadth 15%	Ecosystem / extensibility 10%	Monetization / adoption 10%	Weighted score / 100	Current positioning
SAP	4.2	4.8	4.3	5.0	3.8	4.0	**88.0**	Highest credible long-term score because it owns the deepest enterprise process semantics. If clean-core, S/4, BTP, Business Data Cloud and Joule come together, SAP can become the safest enterprise AI execution layer.
Microsoft	4.5	3.8	4.5	4.2	5.0	4.5	**87.3**	Very close to SAP. Its upside comes from Copilot, Azure, Power Platform, Dynamics and developer ecosystem scale. It may not own every ERP record, but it can become the agentic front door for work.
Oracle	4.5	4.5	3.8	4.7	3.3	4.0	**84.4**	Strong integrated-stack winner. Oracle can lead where customers accept the Oracle-centric model, but its lower openness score keeps it slightly behind SAP and Microsoft in a heterogeneous enterprise world.
Workday	4.0	4.3	4.5	3.2	3.3	4.2	**79.8**	Strong specialist with credible leadership in HCM and finance workflows. The ceiling is lower because it lacks broad ERP / SCM / manufacturing coverage.
Sage	3.0	3.3	3.5	2.8	2.5	3.8	**63.2**	Better than today, but still a niche story. Sage can create value through practical finance automation for SMB and mid-market customers, but it is unlikely to become a broad autonomous ERP control plane.

Source: Bernstein analysis and estimates

SAP has the highest credible three-year score because it owns the deepest enterprise process semantics. If SAP can bring together S/4, clean core, BTP, Business Data Cloud, and Joule, it can become one of the safest platforms for governed enterprise execution. That is the central bull case. ERP autonomy requires more than intelligence. It requires trusted process logic, auditability, permissions, data context, and governance. SAP starts with a very strong claim to those assets.

The caveat is that SAP's upside depends on modernization becoming real enough for customers to use. SAP's long-term score assumes customers make enough progress on S/4, clean core, BTP, Business Data Cloud, and Joule for agents to become useful in production rather than simply attractive in demonstrations. This is the key tension in the investment case. SAP may have the deepest foundation for Autonomous ERP, but the value is unlocked only if customers can simplify architectures, reduce customization friction, and adopt SAP's newer platform components at scale.

EXHIBIT 26: **SAP: Medium-term potential scorecard**

Factor	Score	Rationale
Agentic capability	4.2	SAP's agentic capability should improve as Joule and related agents move deeper into enterprise workflows. The score rises from today because SAP has the process depth needed for real execution. It does not reach 5 because adoption depends on customer migration and clean-core progress.
Data and semantic foundation	4.8	SAP's data and semantic foundation could become the strongest in the group if more customers standardize on S/4, BTP and cleaner architectures. The source material frames SAP's installed process base as a major long-term advantage. The small discount reflects the risk that legacy complexity remains unresolved for many customers.
Governance and trust	4.3	SAP should be well positioned to build governance into mission-critical processes because ERP control, permissions and auditability are already central to its enterprise role. The score improves meaningfully, but not to 5, because large-scale autonomous governance still requires production evidence.
Workflow breadth	5.0	SAP keeps the maximum score because its enterprise workflow coverage is the broadest and deepest in the group. If Autonomous ERP becomes about executing across the real operating model of a large enterprise, SAP has the strongest natural footprint.
Ecosystem and extensibility	3.8	SAP should remain strong but not best-in-class. Its ecosystem is large, but the model is still more SAP-centric than Microsoft's open developer and AI platform ecosystem.
Monetization and adoption credibility	4.0	SAP's monetization potential should improve as AI becomes attached to cloud migration, premium modules, process automation and data products. The discount reflects the risk that customers spend the next three years modernizing architecture rather than scaling autonomous workflows quickly.

Source: Bernstein analysis and estimates

Microsoft is the closest challenger because it may control the agentic front door to work. Microsoft's three-year score rises to 87.3, reflecting the strategic power of Copilot, Azure, Power Platform, Dynamics, and the developer ecosystem. The upside is simple: if enterprise work is increasingly mediated through natural-language interfaces, copilots, agents, collaboration tools, and low-code automations, Microsoft becomes extremely difficult to ignore. It may not own every ERP system of record, but it can become the horizontal interface through which users initiate, approve, and supervise work.

Microsoft's limitation is that interface control is not the same as deep process ownership. Dynamics is strong in the mid-market and upper mid-market, but it is not always the dominant ERP core in the most complex global enterprises. That means Microsoft's role may be more about orchestration, user experience, AI tooling, and cross-application workflow than ownership of the deepest ERP semantics. In a world where the agentic interface becomes the control point, Microsoft looks very strong. In a world where deep ERP process logic remains the control point, SAP has the stronger claim.

EXHIBIT 27: **Microsoft: Medium-term potential scorecard**

Factor	Score	Rationale
Agentic capability	4.5	Microsoft's agentic capability should improve materially as Copilot, Copilot Studio, Dynamics and Power Platform mature. The score rises because Microsoft can distribute AI agents through the tools employees already use every day.
Data and semantic foundation	3.8	Microsoft's data foundation should improve through Azure, Dataverse, Dynamics and Microsoft 365 context. The score remains below SAP and Oracle because Microsoft still does not own the deepest ERP process data in many large enterprise environments.
Governance and trust	4.5	Microsoft should be a leader in agent governance because of Azure AI, Copilot Studio and enterprise-grade identity, permissions and developer tooling. The score is high because governance is likely to be a central differentiator for a horizontal agent platform.
Workflow breadth	4.2	Microsoft can span many workflows through productivity, collaboration, workflow automation, data, cloud and business applications. The score is not 5 because the breadth is more horizontal than ERP-native, and Dynamics is not always the core ERP backbone.
Ecosystem and extensibility	5.0	Microsoft keeps the maximum score because it has the broadest developer, ISV, cloud and productivity ecosystem. If enterprises need agents that work across mixed systems, Microsoft's openness and extensibility are major advantages.
Monetization and adoption credibility	4.5	Microsoft has a strong monetization path through Copilot, Azure consumption, Dynamics, Power Platform and broader productivity workflows. The score is not 5 because ERP-specific monetization is only part of the broader AI monetization story.

Source: Bernstein analysis and estimates

Oracle remains a powerful three-year winner, but its upside is more stack-dependent. Oracle's three-year score rises to 84.4. It remains one of the best integrated-stack stories in the market because it can combine applications, infrastructure, data, and workflow execution inside a relatively coherent environment. This gives Oracle a strong position where customers accept an Oracle-centric model. In those cases, Oracle can provide a credible path toward governed automation across finance, operations, and mid-market ERP workflows.

Oracle's ceiling is lower than SAP or Microsoft in our three-year framework because openness matters in heterogeneous enterprise estates. The draft's scorecard shows Oracle with a lower ecosystem and extensibility score than Microsoft and SAP in the three-year view. That reflects a simple but important point: many enterprises do not want their future AI control layer to be bounded by one vendor's stack. Oracle can be highly effective where its stack is accepted, but it is less obviously positioned as the neutral orchestration layer across mixed environments.

EXHIBIT 28: **Oracle: Medium-term potential scorecard**

Factor	Score	Rationale
Agentic capability	4.5	Oracle's agentic capability should remain strong because Fusion, NetSuite and Oracle's integrated application stack give it a controlled environment to deploy agents. The score stays high, but not perfect, because announced breadth still needs production validation.
Data and semantic foundation	4.5	Oracle's integrated database, infrastructure and application stack gives it a strong foundation for autonomous workflows. The score improves from today because the architecture is coherent and cloud-led. The discount reflects weaker neutrality outside Oracle-centric environments.
Governance and trust	3.8	Governance should improve as Oracle matures its agent framework. However, the score remains below SAP, Microsoft and Workday because the source material highlights the need to prove governance and visibility, especially around supervisory agents and autonomous execution.
Workflow breadth	4.7	Oracle should remain one of the broadest ERP vendors, with strong coverage across Fusion, NetSuite, HCM, SCM, ERP and EPM. It remains slightly below SAP because SAP has deeper historical process penetration in many large complex enterprises.
Ecosystem and extensibility	3.3	Oracle improves slightly, but remains more closed and Oracle-first. This limits its ability to become the neutral autonomous layer across heterogeneous enterprise software estates.
Monetization and adoption credibility	4.0	Oracle has credible adoption potential because agents can be embedded into Fusion and NetSuite. The score is not higher because bundling AI at no incremental license fee can make direct monetization harder to measure.

Source: Bernstein analysis and estimates

Workday will likely remain a premium specialist rather than become broad Autonomous ERP. Workday's three-year score rises to 79.8, placing it just below the potential control-plane leader range. Its strength lies in HCM, finance, planning, and people-centric workflows, where a unified data model and customer trust can support deeper AI adoption. That is a very attractive position. But Workday does not have the same breadth in supply chain, manufacturing, logistics, and broader operational ERP as SAP, Oracle, or Microsoft.

Workday's best three-year story is vertical depth, not horizontal control. It can become a leading autonomous workflow platform for workforce, talent, payroll, finance-adjacent, service, and planning use cases. That could support strong customer value and pricing power. But the ceiling remains lower if the market defines Autonomous ERP as a broad enterprise execution layer across finance, HR, procurement, supply chain, manufacturing, and asset-heavy operations. Workday is a high-quality vertical winner, not a broad ERX vendor.

EXHIBIT 29: **Workday: Medium-term potential scorecard**

Factor	Score	Rationale
Agentic capability	4.0	Workday should become more agentic in HCM and finance, where workflow context is rich and the processes are well suited to AI assistance and automation. The score remains below the broadest platforms because Workday's agentic scope is functionally narrower.
Data and semantic foundation	4.3	Workday's proprietary domain data and SaaS architecture give it a strong foundation in its core categories. The score is high, but below SAP and Oracle, because the dataset is narrower and less tied to full enterprise operating workflows such as manufacturing, supply chain and logistics.
Governance and trust	4.5	Workday's trust position should remain strong because HCM and finance require careful controls, permissions and auditability. The attached file also highlights Workday's governance hub concept as a meaningful differentiator.
Workflow breadth	3.2	Workday improves slightly, but the structural limitation remains. It is strong in HCM and finance, but it is not a broad ERP, SCM or manufacturing platform. This caps the score.
Ecosystem and extensibility	3.3	Workday's ecosystem should expand, but it remains narrower than Microsoft's and less broad than SAP's or Oracle's enterprise application footprints.
Monetization and adoption credibility	4.2	Workday has a credible path to monetize AI through premium workflow automation in HR, talent, finance and service processes. Adoption is plausible because the use cases are close to existing Workday workflows. The ceiling remains limited by narrower scope.

Source: Bernstein analysis and estimates

Sage can improve meaningfully, but its role remains more niche than platform-defining. Sage's three-year score rises to 63.2, reflecting a better finance automation story for SMB and mid-market customers. The opportunity is practical: automate painful accounting and finance workflows, reduce administrative effort, improve retention, and potentially attach premium AI features over time. This is a credible and useful story, especially for customers that value simplicity and low implementation burden.

The risk for Sage is that the market may move faster than its autonomy ceiling. Larger platforms could push downward into mid-market finance workflows, while AI-native SMB vendors could attack from below. Sage's phased and cautious approach supports credibility, but it also limits the probability that Sage becomes a broad autonomous ERP control plane. The right investor framing is therefore not "Sage as an Autonomous ERP leader," but "Sage as a pragmatic mid-market AI monetization and retention story."

EXHIBIT 30: **Sage: Medium-term potential scorecard**

Factor	Score	Rationale
Agentic capability	3.0	Sage should improve as it moves from assistive AI toward more automated finance workflows. The score remains moderate because the source material frames Sage as deliberately cautious and behind larger vendors in agent breadth and autonomy depth.
Data and semantic foundation	3.3	Sage's finance and accounting data can support useful automation for SMB and mid-market customers. The score improves slightly as cloud migration progresses, but it remains below larger peers because Sage lacks the same enterprise-wide data and process footprint.
Governance and trust	3.5	Sage's careful approach to autonomy could be a benefit for smaller customers that value simplicity and trust. The score improves because conservative deployment can reduce governance risk. It remains below enterprise leaders because the governance tooling is likely to be less sophisticated.
Workflow breadth	2.8	Sage should broaden its AI coverage, but mainly within finance, accounting and adjacent operational workflows. It is still not positioned as a broad enterprise execution platform.
Ecosystem and extensibility	2.5	Sage may improve its platform ecosystem, but it remains much smaller than SAP, Oracle or Microsoft. This limits the pace at which external developers and partners can expand agent capability.
Monetization and adoption credibility	3.8	Sage's strongest three-year improvement comes from practical monetization. If AI reduces manual finance work, improves retention and supports ARPU uplift, Sage can create value without becoming a broad Autonomous ERP leader. The score is not higher because the opportunity is narrower.

Source: Bernstein analysis and estimates

INVESTMENT TAKEAWAYS: PROCESS DEPTH VERSUS INTERFACE CONTROL

The three-year investment debate comes down to a clean strategic question: will the winning layer be the ERP process layer or the agentic interface layer? If the winning layer is the trusted execution layer embedded inside mission-critical ERP processes, SAP looks best placed. It has the deepest enterprise process semantics and the strongest claim to governed execution in complex workflows. If the winning layer is the agentic front door through which users access and coordinate work across applications, Microsoft looks like the most dangerous challenger.

Oracle sits between these two worlds as the strongest integrated-stack player. It may not be as open as Microsoft, and it may not have SAP's process depth in the most complex enterprise estates, but it has a coherent and credible closed-loop model. For customers that are comfortable standardizing around Oracle, this can be a real advantage. Oracle does not need to be the neutral control plane for everyone. It can still be a powerful winner inside Oracle-centric environments.

Workday and Sage are better understood as focused winners rather than broad-platform contenders. Workday can win in people-centric and finance-led workflows where trust, data quality, and process consistency matter. Sage can win in practical mid-market finance automation where simplicity and targeted productivity gains matter. Both can create value. But neither currently screens as a broad enterprise execution platform in the same way as SAP, Microsoft, or Oracle.

What investors should watch

The first investor test is whether agentic capability moves from demos into production workflows. Basic AI assistants can summarize, search, draft, and recommend. That is useful, but it is not enough to redefine ERP economics. The more important test is whether agents can investigate exceptions, trigger workflows, prepare actions, route approvals, and execute bounded tasks inside governed business processes. This is where the gap between AI marketing and AI value should become visible.

The second test is whether the vendor has the data and semantic foundation required for trustworthy autonomy. Agents need more than access to data. They need business meaning. They need to understand customers, products, suppliers, contracts, policies, exception rules, approval rights, and process dependencies. Vendors with stronger transaction data, cleaner architectures, deeper process rules, and better semantic layers should have a better chance of converting AI into execution.

The third test is governance. ERP touches mission-critical workflows, and enterprises will not give autonomy to systems they cannot control. Permissions, audit trails, explainability, approval checkpoints, autonomy ceilings, and human override rights are not nice-to-have features. They are the adoption gate. In this market, governance is not a brake on innovation. It is the condition that makes innovation usable.

The fourth test is ecosystem reach. Most enterprises will not be single-vendor environments. The winning platform needs to work across mixed estates, connect to third-party systems, support partners and developers, and coordinate across applications. This is why Microsoft's ecosystem matters, why SAP's BTP and Business Data Cloud execution matters, and why Oracle's more integrated model is both a strength and a constraint.

The fifth test is monetization. Investors should be careful not to confuse free AI features with financial upside. AI only changes the investment case if it drives measurable adoption, retention, ARPU uplift, premium packaging, usage revenue, workflow pricing, or stronger customer stickiness. The best-positioned vendors will not simply show that AI exists in the product. They will show that AI changes the revenue model or improves the durability of the customer relationship.

FINAL VIEW: FROM AI CLAIMS TO CONTROLLED EXECUTION

The ERP market is entering a more selective phase where AI should widen the gap between true execution platforms and ordinary application vendors. Today, Oracle has the strongest current integrated-stack story. SAP has the deepest process asset base but needs modernization and customer upgrading to Cloud to unlock it. Microsoft has the strongest agentic interface and ecosystem, even if it does not always own the deepest ERP record. Workday is a high-quality specialist in HCM and finance. Sage is a pragmatic mid-market finance automation story.

Over three years, SAP and Microsoft look like the two most strategically interesting names, but for very different reasons. SAP has the stronger claim to the governed ERP execution layer. Microsoft has the stronger claim to the agentic front door and orchestration layer. Oracle remains highly credible where customers accept an Oracle-centric model. Workday should remain a premium vertical workflow compounder. Sage can create value through practical automation, but it is unlikely to become a broad Autonomous ERP control plane.

The punchline for investors is simple: the next ERP cycle will not reward every vendor equally. The market should reward platforms that turn AI into controlled execution, workflow ownership, measurable customer value, and monetization. It should be more skeptical of vendors that market agents without production evidence, bundle AI defensively, lose the interaction layer, or fail to control the cost of delivering AI at scale. The next ERP battle is not about who talks most convincingly about AI. It is about who can make enterprise work happen safely, repeatedly, and profitably.

COMPETITIVE LANDSCAPE: INCUMBENTS VS AI-NATIVE COMPANIES

THE COMPETITIVE DEBATE IS NOT ABOUT REPLACING ERP, BUT ABOUT CONTROLLING ENTERPRISE EXECUTION

The most important competitive battle is no longer who owns the system of record, but who controls the layer where enterprise work gets orchestrated and executed.

Investor excitement around AI-native ERP companies has created a narrative that a new generation of vendors (e.g., Rillet, Campfire, DualEntry) could disrupt established leaders such as SAP, Oracle, Microsoft, Workday, and Sage. While AI-native companies are introducing genuinely new approaches to enterprise software, the reality is more nuanced. The competitive threat is not that large enterprises suddenly abandon their ERP systems. Instead, the more credible scenario is that new AI-native vendors and neutral AI platforms begin to capture the user interface, workflow orchestration, and execution layers that sit above traditional ERP systems. Meanwhile, incumbents retain control of the underlying transactional core where critical business data, controls, and governance reside.

This distinction is important for investors. ERP systems are deeply embedded in enterprise operations and are often intertwined with financial controls, compliance requirements, audit processes, and industry-specific workflows. Full ERP solutions are incredibly difficult to replicate and building the full depth and breadth needed to replace an ERP system would, even with AI development tools, be expensive and time-consuming to build. These systems are not easily replaced. As a result, the competitive landscape is likely to evolve through coexistence and gradual value migration rather than wholesale disruption.

WHERE AI-NATIVE COMPANIES HAVE A GENUINE ADVANTAGE

AI-native vendors benefit from starting with modern architectures specifically designed for automation and autonomous workflows.

The strongest advantage of AI-native ERP vendors is that they are not burdened by decades of legacy technology. These companies can build systems around agents, conversational interfaces, APIs, workflow automation, and event-driven architectures from day one. AI is not an additional feature layered onto an existing platform; it is embedded into the core design of the product.

This architectural advantage makes AI-native vendors faster and more flexible. They can innovate rapidly, deploy new capabilities quickly, and optimize workflows around automation rather than around traditional software screens and manual processes.

Their strongest opportunities are concentrated in areas where large incumbents are structurally weaker. These include small and mid-sized businesses, greenfield deployments without existing ERP systems (and lacking in complex ERP system of record requirements), and highly specific business processes that generate significant operational friction. Finance close, accounts payable automation, revenue recognition, procurement intake, inventory exceptions, and HR service delivery are examples of workflows where focused AI-native vendors may deliver faster innovation and better user experiences than broader ERP platforms.

Another advantage is that many AI-native companies are being designed as execution layers rather than as complete ERP replacements. Instead of asking customers to rip out existing systems, they integrate into modern software environments and automate high-value workflows on top of existing infrastructure. This lowers the barrier to adoption and allows customers to realize benefits more quickly.

WHY INCUMBENTS STILL HOLD STRONG COMPETITIVE POSITIONS

Incumbents may be slower to move, but they control the data, processes, governance, and trust that enterprise AI ultimately depends on.

While AI-native vendors enjoy architectural advantages, incumbents possess assets that are difficult to replicate. Enterprise ERP is not simply a software application; it is the operational backbone of large organizations. Companies rely on ERP systems for business rules, permissions, audit trails, master data, compliance controls, and workflow execution. These functions become even more important as enterprises introduce AI agents that need to act autonomously.

This creates a structural advantage for incumbents. If AI agents need access to trusted data and governed workflows, the ERP platforms that already manage those processes remain strategically important. Rather than making ERP less relevant, AI may actually increase the value of these systems.

Incumbents also benefit from their massive installed bases, extensive partner ecosystems, long-standing customer relationships, and proven compliance capabilities. Large enterprises, especially those operating in regulated industries, continue to prioritize security, auditability, and governance when evaluating mission-critical software. These are areas where incumbents possess decades of experience and credibility.

Importantly, incumbents also have multiple paths to monetizing AI. They do not need fully autonomous systems to generate new revenue streams. Copilots, workflow automation, data services, governance capabilities, premium AI features, and agent-based functionality can all be commercialized before fully autonomous ERP becomes a reality.

Lastly, while pulling data from ERP (or any complex system of record) is relatively easy and painless, updating that data from an external third party system is not. Any mistakes can create data corruption and compliance issues. In addition, mixing vendors increases the finger pointing and places far more pressure and responsibility on IT.

THE KEY WEAKNESSES FOR BOTH GROUP

AI-native vendors lack enterprise scale and trust, while incumbents are constrained by legacy complexity and modernization challenges.

The main challenge facing AI-native vendors is scale. Most remain focused on a relatively narrow set of workflows, often concentrated in finance and accounting. They generally lack the breadth of functionality required by multinational enterprises and have not yet established the compliance, governance, and security credentials expected by highly regulated customers.

Incumbents face the opposite problem. Their biggest obstacle is not technology innovation but customer readiness. Many enterprise environments remain heavily customized and fragmented after years of modifications. The process of creating a clean, modern foundation for AI-enabled workflows can take years. As a result, the largest customers may also be the slowest to realize meaningful AI benefits. Note that this data fragmentation problem also is a challenge for AI-natives who have to access and update multiple systems of record.

There is also a strategic risk that value gradually migrates toward neutral orchestration layers. If users increasingly interact with AI agents, workflow platforms, or data environments instead of directly interacting with ERP applications, part of the value creation could shift away from traditional ERP vendors.

THE EMERGING BATTLEFIELD: THE AI EXECUTION LAYER

The most valuable position may be the platform that coordinates work across systems rather than the platform that stores the data.

A new competitive layer is emerging across enterprise software. Rather than competing solely through functionality, vendors are increasingly competing to become the execution and orchestration layer that coordinates actions across multiple applications.

This development creates opportunities for both camps.

For incumbents, success depends on leveraging their deep process knowledge, governance frameworks, and transactional systems to become trusted platforms for AI-driven execution. SAP, for example, benefits from deep enterprise process expertise, while Microsoft benefits from broad AI distribution and a horizontal orchestration ecosystem that spans a wide range of workplace applications.

For AI-native vendors, the opportunity lies in delivering superior workflow automation, faster deployment, and better user experiences. Their goal is not necessarily to replace ERP systems immediately, but instead to own the interaction layer where business activities are planned, coordinated, and executed.

In practice, this suggests that the next phase of competition will be fought over workflow orchestration and execution rather than over traditional ERP functionality alone.

WHAT THIS MEANS FOR INVESTORS

The most likely outcome is coexistence, with incumbents retaining the core while AI-native vendors drive innovation at the edges.

Our base case is not a rapid shift toward fully autonomous ERP. Instead, the next several years are more likely to bring supervised agentic execution in selected workflows, stronger copilots, increasing automation, and growing orchestration capabilities across finance, procurement, supply chain, and HR.

From an investment perspective, the strongest incumbent positions appear to belong to SAP and Microsoft. SAP benefits from unmatched process depth and governance assets, while Microsoft combines a powerful AI ecosystem with broad enterprise distribution. Oracle also remains well positioned within customers that are committed to the Oracle stack, while Workday and Sage maintain strong positions within their respective domains.

The most credible threat from AI-native companies is not the replacement of enterprise ERP platforms. Rather, it is their ability to win greenfield deployments, dominate selected high-friction workflows, and gradually capture the user interface, orchestration, and monetization layers that sit above incumbent systems. For incumbents, the greatest long-term risk is not losing the ledger. It is losing control of the workflow layer where a growing share of future value may be created.

Ultimately, the winners are likely to be the vendors that combine automation with trust. AI-native companies bring speed and architectural simplicity, while incumbents bring governance, scale, and enterprise credibility. The competitive landscape is therefore less a story of disruption versus survival and more a story of how value is redistributed across the enterprise software stack.

APPENDICES

FROM CLOUD ERP TO AGENTIC ERP: THE NEXT PHASE OF GROWTH

The ERP market is undergoing through a structural shift in ERP from traditional transaction-processing software toward cloud-based, AI-enabled, and increasingly agentic platforms. While the overall ERP market continues to expand at a healthy pace, growth is becoming increasingly concentrated in Cloud ERP and AI-enabled ERP categories.

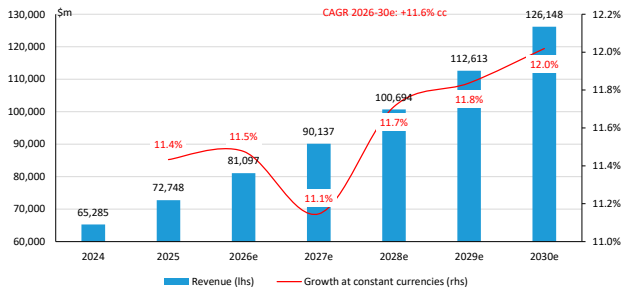
The key trends are:

- **Continued ERP market expansion**. Total ERP spending is expected by Gartner to almost double between 2024 and 2030, with a 2026-30 CAGR of 11.6%, demonstrating that ERP remains a resilient and growing software category despite its maturity.
- **Faster growth of Cloud ERP**. Cloud ERP is forecast to grow significantly faster than the overall ERP market, with a 14.6% CAGR versus 11.6% for total ERP. This implies that cloud continues to gain share from on-premise deployments and remains the primary deployment model for future ERP spending.
- **Human Capital Management emerging as the growth engine of ERP**. Across both total ERP and Cloud ERP, HCM is the largest segment and the fastest-growing major category. This suggests that workforce management, talent, payroll, and employee-related workflows remain among the highest-priority enterprise software investments.
- **Rapid shift from AI-assisted ERP toward agentic ERP**. The mix of ERP spending is expected to move away from traditional ERP without GenAI and toward ERP solutions incorporating copilots, AI agents, and ultimately autonomous agents. By 2030, AI-enabled ERP categories account for most of the market expansion, while non-AI ERP contracts sharply.
- **Emergence of AI agents as the fastest-growing layer of ERP**. ERP with simple AI agents and advanced/autonomous agents are forecast to grow substantially faster than ERP with GenAI assistants alone. This suggests that the next wave of value creation is expected to come from software that can execute tasks and workflows rather than merely provide recommendations or insights.

The total ERP market is expected to grow from $65bn in 2024 to $126bn in 2030e, representing a 2026-30 CAGR of 11.6%, with sustained double-digit growth over the whole period (Exhibit 31).

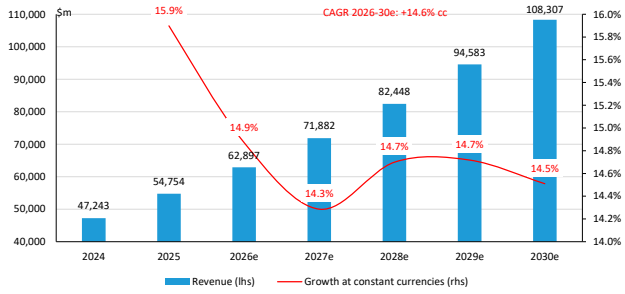
Cloud ERP is forecast to grow from $47bn in 2024 to $108bn in 2030e, delivering a 14.6% CAGR (Exhibit 32) and outgrowing the broader ERP market, showing that the migration toward cloud-based ERP deployments continue unabated.

EXHIBIT 31: **Total ERP market forecasts**



Source: Gartner Group (June 2026), Bernstein analysis

EXHIBIT 32: **Cloud ERP market forecasts**

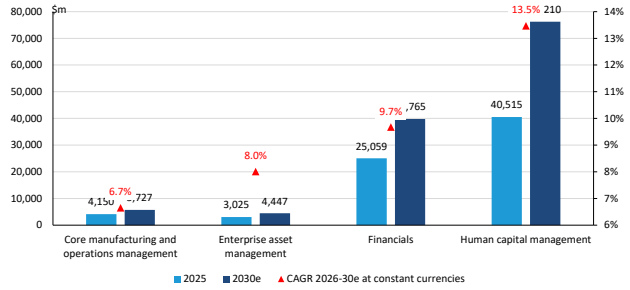


Source: Gartner Group (June 2026), Bernstein analysis

By segment, Human Capital Management is both the largest and fastest-growing ERP segment, while Financials remains the second-largest category. Manufacturing and Enterprise Asset Management grow more moderately. Exhibit 33 shows HCM increasingly driving overall ERP growth.

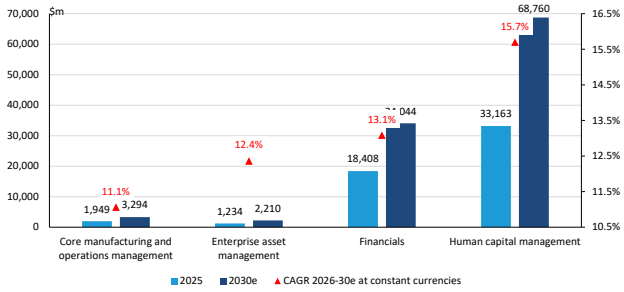
Cloud adoption is broad-based across ERP categories, but HCM remains the largest and fastest-growing cloud segment, followed by Financials. Exhibit 34 highlights where cloud ERP spending is becoming concentrated.

EXHIBIT 33: **Total ERP market forecasts by segment**



Source: Gartner Group (June 2026), Bernstein analysis

EXHIBIT 34: **Cloud ERP market forecasts by segment**

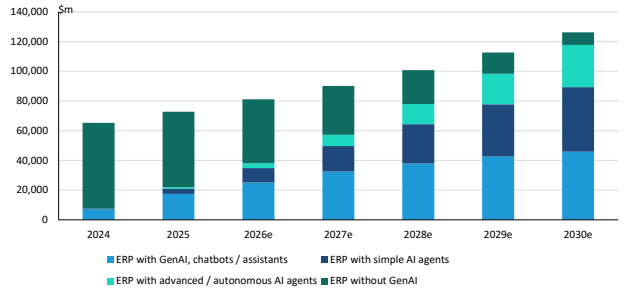


Source: Gartner Group (June 2026), Bernstein analysis

The ERP market progressively shifts from traditional ERP toward AI-enabled ERP (Exhibit 35). Solutions incorporating GenAI, AI assistants, and agents should capture an increasing share of spending through 2030, according to Gartner.

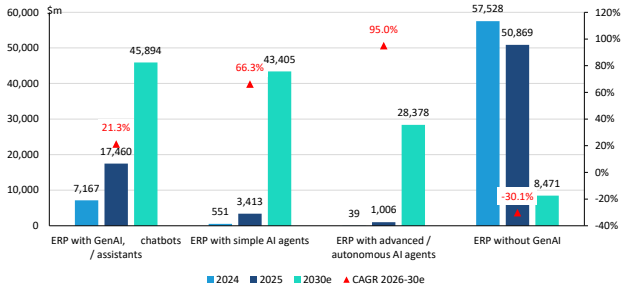
AI agent-based ERP is forecast to be the fastest-growing category, while ERP without GenAI declines sharply. Gartner expects a transition from AI-assisted workflows toward agentic and increasingly autonomous ERP environments (Exhibit 36).

EXHIBIT 35: **AI ERP market forecasts**



Source: Gartner Group (June 2026), Bernstein analysis

EXHIBIT 36: **AI ERP market forecasts by segment**



Source: Gartner Group (June 2026), Bernstein analysis

Overall, the ERP market is not only growing; it is rapidly transitioning toward cloud-native and AI-driven architectures, with the next phase of value creation increasingly coming from agentic execution rather than traditional transaction processing.

HISTORY OF ERP: SIX DECADES AT THE CORE OF ENTERPRISE IT ECOSYSTEM

ERP has become a standard part of the business vocabulary, but its history stretches back much further than many people realize. Over the past six decades, ERP systems have evolved through multiple generations of technology, expanding from basic manufacturing tools into intelligent platforms, driven by AI, that support enterprise-wide decision-making (Exhibit 37).

EXHIBIT 37: **History of ERP**

1960s	1970s	1980s	1990s	2000s	2010s	2020s
Manufacturers develop basic material requirements planning (MRP) systems.	More manufacturers use MRP systems. First system providers founded.	Manufacturing resource planning (MRP II) systems debut with more capabilities.	Enterprise Resource Planning (ERP) systems debut, integrating all business functions.	ERP II (internet-enabled) systems developed. Cloud ERP gains traction.	ERP processes data in real time, starts to leverage machine learning and Internet of Things (IoT).	AI is embedded in ERP system-wide, supporting faster and more accurate decision-making

Source: Bernstein analysis

In the 1960s, manufacturers developed the first Material Requirements Planning (MRP) systems. These early solutions were designed to track inventory levels and coordinate production schedules. Because they ran on expensive mainframe computers and required dedicated IT teams to maintain, they were largely limited to large manufacturing organizations with significant technology resources.

During the 1970s, adoption of MRP systems broadened and the first software vendors emerged. Companies no longer had to build these systems internally, although implementations remained complex and costly. At this stage, the software continued to focus primarily on manufacturing activities, including bill-of-material (BOM) management, production scheduling, and inventory control.

The 1980s saw the introduction of Manufacturing Resource Planning (MRP II) systems. These solutions, including SAP, extended beyond basic inventory management to include capabilities such as capacity planning, shop-floor scheduling, and demand forecasting. For the first time, multiple departments involved in the production process could operate within a shared system, improving coordination across manufacturing operations.

A major transformation occurred in the 1990s with the emergence of Enterprise Resource Planning (ERP) systems. ERP introduced the concept of a unified information architecture, centered around a single database shared across multiple business functions. This foundation enabled organizations to integrate finance, human resources, procurement, sales, and manufacturing into a common platform. The ERP model established during this period, including SAP and Oracle, remains the basis of many enterprise systems today.

In the 2000s, ERP evolved into what became known as ERP II. These internet-enabled systems extended connectivity beyond internal business processes and integrated with applications such as customer relationship management (CRM) and e-commerce platforms. Cloud-based ERP solutions, including NetSuite and Workday, also began gaining traction. By reducing infrastructure requirements and lowering implementation costs, cloud deployment made ERP systems accessible to a much broader range of small and mid-sized businesses.

The 2010s brought another significant step forward as ERP systems started processing data in real time. Advances in machine learning and the Internet of Things (IoT) enabled connected devices to feed operational data directly into ERP platforms. This improved organizations' ability to respond quickly to supply chain disruptions and enhanced predictive analytics capabilities.

In the 2020s, artificial intelligence became embedded throughout ERP platforms. This development completed the transition of ERP from a system primarily used to record transactions into a platform that actively supports decision-making. AI can monitor business performance, identify exceptions, and recommend actions. Generative AI further extends these capabilities by helping users create reports, draft documents, and interpret complex datasets using natural language.

Taken together, this evolution reflects a broader shift in the role of ERP. What began as a manufacturing planning tool has become the digital core of the enterprise, integrating business processes, providing real-time insights, and increasingly supporting intelligent, AI-driven decision-making.

SWOT ANALYSIS PER COMPANY

1- SAP

SAP has the strongest claim to become the governed enterprise execution layer, but its opportunity is gated by customer modernization, clean-core adoption and implementation complexity. *SAP's advantage is its deep control of mission-critical enterprise processes, data models, workflow rules and governance structures. ERP autonomy depends on trusted data, process semantics, governance, auditability and execution rights, all of which align closely with SAP's installed-base strengths.*

Strengths

- **SAP's deepest strength is enterprise process control.** SAP is strongly positioned because it sits at the center of finance, procurement, supply chain, manufacturing and other complex enterprise workflows, where autonomous execution requires trusted process context rather than generic AI capability.
- **SAP benefits from strong governance credibility.** Autonomous ERP cannot operate safely without audit trails, role-based controls, approval thresholds and explainability. Governance and auditability are widely viewed as critical requirements and key differentiators for enterprise execution systems.

- **SAP has a credible platform narrative around Business AI, Joule and BTP.** SAP is increasingly integrating AI across its cloud stack and Business Technology Platform, with a focus on embedding AI directly into enterprise workflows rather than treating AI as a stand-alone assistant.

- **SAP is well positioned for complex and regulated enterprise environments.** AI-native challengers may move faster, but large enterprises are less likely to hand mission-critical financial, supply chain or compliance workflows to vendors without proven process depth and governance maturity.

Weaknesses

- **SAP's biggest weakness is that its installed base is not uniformly ready for autonomous ERP.** Agentic ERP requires clean data, cloud-native architecture, standardized processes and reduced customization. Many legacy or heavily customized customers may therefore find advanced agentic functionality only partially available or difficult to exploit in practice.

- **SAP risks turning a product advantage into a transformation bottleneck.** The deeper the process footprint, the more complex migration and change management can become, especially when customers must move to S/4HANA Cloud, adopt clean-core principles and integrate fragmented surrounding systems before AI can execute safely.

- **SAP may be perceived as over-engineered for parts of the mid-market.** Its enterprise-grade depth is a significant strength, but it can also create challenges around complexity, implementation speed and total cost of ownership in less demanding mid-market environments.

Opportunities

- **SAP can monetize AI before full autonomy arrives.** ERP vendors do not need fully autonomous ERP to capture incremental value. Copilots, agents, orchestration tools, governance services, data capabilities, premium AI editions and usage-based pricing models can all be monetized earlier in the adoption curve.

- **SAP can use AI to reinforce cloud migration.** Advanced agentic capabilities are most compelling in clean, cloud-based ERP environments. AI therefore strengthens the business case for cloud migration and clean-core modernization.

- **SAP can become the trusted action layer for complex enterprises.** If customers conclude that autonomous execution requires tight coupling with financial controls, procurement policies, supply chain logic and auditability, SAP's position at the core of enterprise operations becomes increasingly valuable.

Threats

- **SAP's biggest threat is not immediate replacement, but loss of the orchestration layer.** Neutral orchestration platforms, hyperscalers, data platforms and AI-native workflow providers could capture the primary user experience and decision-making layer, leaving ERP as the transactional backbone.

- **SAP faces the risk of agent washing.** Many capabilities marketed as autonomous agents remain assistive, constrained and dependent on human oversight. This could create disappointment if market or investor expectations move ahead of production adoption.

- **SAP may face pricing and cost pushback.** Premium AI tiers, add-on modules, consumption-based pricing, API fees and data-related charges could increase cost complexity and create customer resistance as ERP becomes more AI-driven.

Bull case

- **The bull case is that SAP becomes the safest enterprise AI execution layer.** The rationale is simple: AI agents become more valuable when they can act, and the most important enterprise actions still need to pass through ERP systems that govern finance, procurement, supply chain, manufacturing and compliance workflows.

- **SAP's process semantics could become a strategic moat.** Autonomous ERP requires more than access to data. It depends on business rules, approval logic, role permissions, auditability, workflow states and exception handling. SAP already owns much of this operational context inside large enterprises, giving it a stronger claim than horizontal AI tools when workflows require controlled execution.

- **AI could increase SAP's pricing power and strategic relevance.** By packaging AI into premium editions, agents, orchestration tools and governance services, SAP can move beyond traditional seat-based ERP monetization toward workflow- and outcome-based value capture.

Bear case

- **The bear case is that SAP's AI transition is slower than the product narrative suggests.** Many customers still need to modernize their architecture, improve data quality, simplify customizations and complete cloud migrations before they can safely deploy agentic ERP beyond a limited set of use cases.

- **SAP may retain the system of record but lose parts of the intelligence layer.** If users increasingly interact through neutral agents, hyperscaler platforms, data layers or horizontal workflow orchestrators, SAP may remain essential while capturing a smaller share of the incremental AI value pool.

- **Investor expectations could run ahead of real monetization.** If AI remains primarily focused on copilots, recommendations and productivity assistance rather than production-grade autonomous execution, customer willingness to pay may not justify a significant valuation re-rating.

2- Oracle

Oracle is best positioned as an integrated-stack autonomous ERP contender, especially where customers are already committed to Oracle Cloud, Fusion and NetSuite. *Its opportunity is not necessarily to become the most open orchestration layer, but to deliver tightly integrated AI-enabled execution across its applications, database and cloud infrastructure stack.*

Strengths

- **Oracle's main strength is stack integration.** Oracle is well positioned through its ability to connect applications, data infrastructure and cloud services within a controlled environment, creating a potentially coherent foundation for AI-enabled enterprise execution.

- **Oracle has credible breadth across finance and operations.** Oracle has established positions across ERP, financial management and operational workflows, with NetSuite serving the mid-market and Fusion addressing large enterprise requirements.

- **Oracle's cloud-native NetSuite asset is a real advantage in the mid-market.** NetSuite's cloud-native architecture, strong position among growing and multi-entity businesses, and relatively modern technology stack provide a favorable foundation for AI-driven innovation in the segment.

- **Oracle can control more of the technology stack than many ERP competitors.** This matters because autonomous ERP requires applications, data access, AI infrastructure, security and execution controls to operate together with minimal integration friction.

Weaknesses

- **Oracle's integration advantage can also look like lock-in.** The same characteristics that support Oracle's integrated-stack strategy may be less appealing in heterogeneous environments, where customers prefer solutions that orchestrate workflows across multiple ERP, CRM, SCM and data platforms.

- **Oracle may be less compelling as a neutral enterprise AI control plane.** If the future autonomous ERP layer is expected to coordinate activities across numerous vendors and systems, Oracle's more integrated and Oracle-centric approach may be less attractive than platforms perceived as vendor-neutral and cross-stack.

- **Oracle may face complexity concerns.** Like many large ERP vendors, Oracle can encounter challenges around complexity, implementation effort and execution friction, particularly when targeting smaller or less sophisticated customer environments.

Opportunities

- **Oracle can turn cloud ERP into an AI execution platform within its own ecosystem.** If Fusion, NetSuite, Oracle Cloud Infrastructure and Oracle's data platforms become increasingly AI-enabled, Oracle can offer a tightly controlled path from insight generation to supervised execution.

- **Oracle can benefit from the mid-market transition toward AI-enabled cloud ERP.** NetSuite gives Oracle meaningful exposure to a segment that is often able to adopt new cloud and AI capabilities faster than large, highly customized enterprises.

- **Oracle can monetize AI through both application and infrastructure layers.** Oracle's position across software applications, databases and cloud infrastructure creates the possibility of capturing value from multiple parts of the AI stack through premium functionality, agents, consumption-based services and cloud-driven AI workloads.

Threats

- **Oracle's biggest threat is that the AI orchestration layer becomes neutral rather than suite-owned.** In heterogeneous environments, customers may favor orchestration platforms that operate consistently across multiple ERP, CRM, productivity and data platforms rather than being tied to a single application suite.

- **Oracle could be squeezed between SAP's process depth and Microsoft's horizontal AI reach.** SAP has a stronger claim around complex enterprise process semantics and governance, while Microsoft benefits from broad distribution across productivity, collaboration, cloud and developer ecosystems.

- **Oracle may struggle if customers resist closed-stack economics.** Concerns around pricing complexity, consumption-based charges, data access costs and vendor lock-in could become more visible as AI capabilities expand across enterprise software platforms.

Bull case

- **The bull case is that Oracle becomes the strongest closed-stack autonomous ERP platform.** Oracle can combine cloud ERP, database, infrastructure and enterprise workflows within a tightly integrated architecture, potentially making governed automation easier to deploy inside Oracle-centric environments.

- **Oracle's mid-market position through NetSuite gives it a cleaner adoption path than heavily customized legacy ERP estates.** Cloud-native mid-market customers can often adopt new AI capabilities faster than large enterprises burdened by complex and highly customized on-premise environments, supporting stronger AI-driven growth over the next several years.

- **Oracle can monetize both business workflow and infrastructure demand.** If agentic ERP increases demand for compute, data processing and workflow automation, Oracle is positioned to capture value across multiple layers of the technology stack where customers are committed to Oracle technologies.

Bear case

- **The bear case is that Oracle's advantage is strongest only inside Oracle-controlled environments.** In large heterogeneous enterprises, customers may prefer neutral orchestration layers capable of coordinating workflows across SAP, Workday, Salesforce, Microsoft, custom applications and cloud data platforms.

- **Oracle may be seen as strong but not the default agentic interface.** Microsoft benefits from broader user-level distribution through productivity and collaboration software, while SAP maintains deeper ownership of mission-critical enterprise processes. Oracle could therefore remain highly relevant within its installed base without becoming the primary enterprise AI entry point.

- **The risk is that AI becomes bundled rather than monetized.** As AI capabilities become standard features across enterprise software, vendors will need to demonstrate measurable workflow automation, tangible business outcomes and sustainable pricing power rather than relying solely on expanded product functionality.

3- Microsoft

Microsoft has the strongest horizontal AI and orchestration ecosystem, but Dynamics is not always the deepest system of record for complex global ERP. *Its strategic opportunity is to become the agentic front door for enterprise work, even when*

another vendor owns the ERP core.

Strengths

- **Microsoft's greatest strength is distribution across the enterprise workflow layer.** Through Azure, Copilot, Dynamics, Power Platform, Microsoft 365 and its extensive partner ecosystem, Microsoft has broad reach across productivity, workflow, collaboration and business applications.
- **Microsoft is well positioned for composable orchestration.** Microsoft benefits from strong API connectivity, composability, a familiar user experience and ecosystem scale, even if its ERP process depth remains less comprehensive than SAP's or Oracle's in some complex environments.
- **Microsoft can sit above mixed application estates.** This matters because large enterprises rarely operate a single application stack. Organizations often run multiple ERP, CRM, supply chain and custom platforms, creating demand for orchestration layers that span different systems.
- **Microsoft has a meaningful advantage in developer and partner leverage.** Its vast ecosystem of developers, systems integrators and implementation partners expands its reach and accelerates adoption across both enterprise and mid-market customers.

Weaknesses

- **Microsoft's main weakness is ERP process depth relative to SAP and Oracle.** Dynamics is a significant ERP and business applications platform, but Microsoft is generally stronger as a horizontal technology platform than as the primary system of record for the most complex global ERP environments.
- **Microsoft's partner-led model creates execution variability.** Customer outcomes can vary significantly depending on implementation quality, industry expertise and partner capabilities, making execution less uniform than more centrally controlled approaches.
- **Microsoft may monetize the orchestration layer without fully owning the ERP economics.** If Microsoft becomes the primary interface and workflow layer while another vendor owns the underlying transaction engine, value creation may be distributed across multiple platforms rather than concentrated entirely within Microsoft's application stack.

Opportunities

- **Microsoft can become the default AI interface for enterprise work.** If users increasingly interact with ERP processes through Copilot, Teams, Microsoft 365, Power Platform or Dynamics instead of traditional ERP interfaces, Microsoft can capture the experience and workflow layer across a wide range of enterprise environments.
- **Microsoft can benefit from enterprise heterogeneity.** Organizations often operate multiple ERP, CRM, supply chain and industry-specific systems. Microsoft's cloud, productivity and application footprint positions it well to serve as a cross-platform orchestration layer.
- **Microsoft can turn AI into a platform-level advantage rather than only a Dynamics feature.** This is potentially important because autonomous ERP may ultimately be experienced as a workflow layer spanning applications, documents, approvals, collaboration tools and enterprise data rather than as a feature embedded within a single ERP module.

Threats

- **Microsoft's biggest threat is insufficient ERP-native control.** If autonomous execution ultimately depends on deep process semantics, transaction integrity, regulatory controls and industry-specific workflows, organizations may place greater trust in vendors that own the underlying operational systems.
- **Microsoft may face fragmentation from its own ecosystem.** Partner variability, custom implementations and heterogeneous deployments can create inconsistent outcomes, which becomes increasingly important as organizations move from AI-assisted recommendations to governed execution.

- **Microsoft may be viewed as an orchestration partner rather than the ERP winner.** While this role can still be highly valuable, the investment case depends on how much economic value accrues to the orchestration layer compared with the underlying system-of-record platform.

Bull case

- **The bull case is that Microsoft becomes the enterprise AI control plane even when it does not own the ERP core.** The rationale is that the user interface for work increasingly resides within productivity, collaboration, workflow and developer environments, where Microsoft already has enormous distribution.
- **Microsoft is advantaged if autonomous ERP evolves as orchestration across systems rather than autonomy inside a single ERP suite.** In heterogeneous enterprise environments, organizations may prefer platforms capable of coordinating workflows across multiple applications, cloud services and data environments. Microsoft possesses the cloud, developer, productivity and application assets required to compete for this role.
- **Microsoft can participate in more AI workflows than a pure ERP vendor.** Its footprint spans Dynamics, Azure, Microsoft 365, Copilot, Teams and Power Platform, giving it exposure to a broader set of enterprise workflows than companies focused primarily on ERP applications.

Bear case

- **The bear case is that Microsoft controls the interface but not the most valuable execution semantics.** If enterprises continue to differentiate sharply between AI assistance and controlled execution, much of the value may remain with vendors that own the financial, procurement, supply chain and HR transaction systems.
- **Microsoft's autonomous ERP upside may be diluted by partner execution and implementation variance.** Partner dependence becomes increasingly important as workflows move beyond low-risk assistance toward supervised and business-critical execution.
- **The risk is that Microsoft becomes a powerful horizontal platform without being the primary ERP monetization winner.** If most autonomous ERP value is ultimately captured within application suites such as SAP, Oracle or Workday, Microsoft may benefit from cloud infrastructure, AI services and workflow orchestration while capturing only part of the total economic value created.

4- Workday

Workday is a strong autonomous workflow candidate in HCM and finance, but it is not a broad enterprise ERX platform in the same way as SAP, Oracle or Microsoft. *Its advantages are its focused domain expertise, clean SaaS architecture and strong credibility in people and finance workflows. Its limitation is a narrower scope outside HCM, finance and service-centric processes.*

Strengths

- **Workday's strongest position is in HCM and finance workflows.** Workday has built a strong franchise around human capital management and financial management, with AI increasingly supporting HR, finance, analytics and workflow automation use cases.
- **Workday benefits from a cleaner SaaS architecture.** Compared with legacy ERP environments, Workday's cloud-native architecture allows more consistent deployment of AI capabilities and workflow automation across its installed base.
- **Workday has a credible role in service-centric ERP.** Service-oriented organizations rely heavily on talent, projects, contracts, knowledge work and human decision-making. Workday's focus on workforce and financial management aligns naturally with this type of business environment and may be better suited to AI-assisted decision support than to highly automated industrial execution.
- **Workday can lead in adaptive user experiences.** The company is well positioned to leverage AI-driven personalization and contextual workflows, particularly in HR-related processes where employee engagement and usability are important differentiators.

Weaknesses

- **Workday's main weakness is limited horizontal ERP breadth.** While Workday has deep capabilities in HR and finance, its footprint across manufacturing, supply chain, procurement and operational workflows remains narrower than that of SAP or Oracle.
- **Workday is less exposed to product-centric autonomous workflows.** Manufacturing, logistics, procurement, inventory management and asset-intensive operations may offer some of the clearest near-term opportunities for process automation because they rely on highly structured operational data. Workday has less presence in these domains.
- **Workday may face complexity and cost concerns as it expands further into finance and adjacent workflows.** Although attractive in many enterprise environments, Workday can sometimes be viewed as more sophisticated and expensive than required for smaller organizations.

Opportunities

- **Workday can become the leading agentic platform for people and finance decisions.** Autonomous ERP does not need to be equally broad across every business function. Workday can create significant value in workforce planning, skills management, compensation, organizational design and finance-related workflows.
- **Workday can monetize AI through high-value HCM and finance automation.** HR and finance processes often involve repetitive administrative work combined with complex decision-making. AI-driven automation in these areas offers meaningful opportunities for productivity improvement and premium monetization.
- **Workday can benefit from the slower path to full autonomy.** If most organizations remain focused on supervised workflows, decision support and targeted automation rather than fully autonomous execution, Workday's focused and cloud-native model may be sufficient to generate substantial value over the next several years.

Threats

- **Workday's biggest threat is category narrowing.** If investors and customers increasingly define autonomous ERP as enterprise-wide execution spanning finance, procurement, supply chain, manufacturing and operations, Workday may be viewed more as a specialist than as a broad platform winner.
- **Workday could be pressured by horizontal AI platforms.** Microsoft and other orchestration platforms may increasingly provide AI-driven experiences that span HR, finance, collaboration and workflow applications, reducing the differentiation of individual application interfaces.
- **Workday may face customer pushback if AI monetization is not clearly linked to measurable outcomes.** Customers are likely to demand evidence of improved productivity, efficiency and business value rather than paying simply for the presence of new AI features.

Bull case

- **The bull case is that Workday becomes the leading autonomous platform for people, skills and finance workflows.** Its domain specialization, cloud-native architecture and deep HR and finance data models create favorable conditions for embedding AI directly into business-critical decision processes.
- **Workday can create meaningful value without dominating the broader ERP market.** Improvements in workforce planning, talent management, finance operations and service-centric decision making can drive higher customer retention, increased spending per customer and stronger strategic relevance within its core domains.
- **Workday may benefit from the market's gradual adoption curve.** Because fully autonomous enterprise execution is likely to emerge gradually, Workday does not need to become the dominant enterprise orchestration platform immediately. It can compound value through supervised AI capabilities and targeted automation over time.

Bear case

- **The bear case is that Workday remains a high-quality specialist rather than an autonomous ERP platform leader.** Its narrower footprint across manufacturing, supply chain, procurement and operational workflows limits its ability to serve as the primary execution layer for the entire enterprise.
- **Workday's domain focus may weaken its claim to system-of-action status.** If the long-term strategic value lies in coordinating execution across multiple business functions, Workday's specialization may be viewed as important but incomplete.
- **Workday could be vulnerable if AI capabilities become table stakes in HCM and finance.** As SAP, Oracle, Microsoft and emerging AI-native vendors continue to enhance their HR and finance offerings, Workday will need to demonstrate superior business outcomes and measurable customer value rather than relying solely on feature parity.

5- Sage

Sage is best understood as a pragmatic AI-enhanced mid-market finance platform, not a broad autonomous ERP control-plane contender. *Its opportunity is to automate high-friction SMB and mid-market finance workflows. Its risk is that both AI-native vendors and larger cloud platforms increasingly target the same simplicity-focused customer base.*

Strengths

- **Sage's strength is focus.** Sage is primarily positioned around finance processes and mid-market ERP needs, with an emphasis on practical AI applications rather than broad enterprise-wide orchestration.
- **Sage can deliver AI where customer pain points are most visible.** SMB and mid-market finance teams often need support with financial close, accounts payable and receivable, cash management, billing, compliance and reporting. Sage's AI strategy is closely aligned with these repetitive, workflow-intensive finance tasks.
- **Sage has a clearer niche than many broader ERP vendors.** It does not need to become a full enterprise execution platform to create value. Its success depends on making finance workflows easier, faster and more reliable for small and mid-sized organizations.
- **Sage may have a stronger fit with simplicity-focused buyers.** Larger ERP platforms can sometimes struggle with perceived complexity, implementation effort and cost. Sage's appeal is rooted in usability, finance expertise and faster time to value.

Weaknesses

- **Sage lacks the breadth required to become a full autonomous ERP platform.** Compared with larger ERP vendors, Sage has more limited capabilities in enterprise-wide orchestration, advanced analytics and large-scale global operations.
- **Sage has less ecosystem scale than Microsoft, SAP or Oracle.** Autonomous ERP increasingly depends on integrations, data connectivity, partner networks and agent ecosystems. Sage's smaller ecosystem limits its ability to become a broader enterprise control layer.
- **Sage is more exposed to AI-native disruption in SMB markets.** Smaller organizations typically face lower switching costs and less customization complexity, making them more receptive to emerging AI-native competitors built around simplicity and automation.

Opportunities

- **Sage can win by making autonomous finance practical rather than theoretical.** Its strongest opportunity lies in automating recurring finance tasks, improving productivity and strengthening customer retention rather than pursuing enterprise-wide execution.
- **Sage can defend and expand ARPU through embedded AI.** AI can reinforce customer loyalty, improve product stickiness and support incremental monetization through premium functionality and workflow automation.

- **Sage can benefit if mid-market buyers reject complexity.** If AI adoption is constrained by implementation effort and transformation costs, Sage's simpler finance-led value proposition may resonate more strongly than large-scale ERP modernization programs.

Threats

- **Sage's main threat is being attacked from both above and below.** Larger ERP vendors can move downmarket with simplified offerings, while AI-native entrants can compete with faster, cheaper and more modern workflow solutions.
- **AI-native vendors are particularly credible in Sage's core market.** SMB and mid-market customers often have lower customization requirements, fewer regulatory constraints and a greater willingness to adopt alternative software platforms.
- **Sage risks AI becoming defensive rather than transformational.** If AI primarily improves retention and feature parity without generating meaningful pricing power or differentiation, Sage may remain a solid compounder but not a major beneficiary of the broader autonomous ERP theme.

Bull case

- **The bull case is that Sage becomes the AI finance operating system for SMB and mid-market customers.** Sage does not need broad enterprise autonomy to succeed. It can create substantial value by automating routine finance workflows where customer pain points are frequent, measurable and closely linked to productivity.
- **Sage's narrower scope may actually improve execution.** Because Sage is focused on finance rather than attempting to orchestrate every enterprise process, it can prioritize practical workflows where adoption is faster and return on investment is easier to demonstrate.
- **Sage can use AI to strengthen retention and ARPU.** Embedded AI capabilities can enhance customer loyalty, improve product engagement and support gradual monetization across the installed base.

Bear case

- **The bear case is that Sage is structurally too narrow to fully benefit from the autonomous ERP theme.** The largest strategic prize in autonomous ERP is control of enterprise-wide execution, and Sage lacks the functional breadth, ecosystem scale and large-enterprise process depth of SAP, Oracle or Microsoft.
- **Sage is more exposed to AI-native challengers than large-enterprise incumbents.** SMB and lower mid-market customers are often more willing to adopt simpler and cheaper cloud-native alternatives, particularly when finance processes are not deeply embedded across broader enterprise operations.
- **The risk is that Sage's AI becomes necessary but not differentiating.** If practical finance AI becomes standard across Intuit, Oracle NetSuite, Microsoft Business Central, AI-native accounting platforms and industry-specific software, Sage may be forced to focus on defending its installed base rather than expanding its strategic relevance.

BERNSTEIN TICKER TABLE

			7 Sep 2026		TTM	Adjusted EPS			Adjusted P/E (x)		
			Closing	Price	Rel.						
Ticker	Rating	Cur	Price	Target	Perf.	Cur	2025A	2026E	2027E	2025A	2026E	2027E
SGE.LN (Sage)	M	GBp	1,033.00	1,050.00	(22.5)%	GBP	0.44	0.50	0.57	23.4	20.7	18.0
SAP.GR (SAP)	O	EUR	182.70	273.00	(38.1)%	EUR	6.10	7.71	8.72	29.9	23.7	21.0
SAP (SAP)	O	USD	215.11	319.00	(38.9)%	EUR	6.10	7.71	8.72	30.3	24.0	21.2
MSFT (Microsoft)	O	USD	499.70	660.00	(17.9)%	USD	17.28	19.96	24.01	28.9	25.0	20.8
ORCL (Oracle)	O	USD	158.78	325.00	(50.6)%	USD	7.63	8.57	12.86	20.8	18.5	12.3
WDAY (Workday)	O	USD	195.79	238.00	(34.1)%	USD	9.23	11.58	15.30	21.2	16.9	12.8
EDME			1,611.88									
SPX			7,718.60									

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

MSFT, ORCL, WDAY base year is 2026;

Source: Bloomberg, Bernstein estimates and analysis.

I. REQUIRED DISCLOSURES

References to "Bernstein" or the “Firm” in these disclosures relate to the following entities: Bernstein Institutional Services LLC (April 1, 2024 onwards), Sanford C. Bernstein & Co., LLC (pre April 1, 2024), Bernstein Autonomous LLP, BSG France S.A. (April 1, 2024 onwards), Sanford C. Bernstein (Hong Kong) Limited 盛博香港有限公司, Sanford C. Bernstein (Canada) Limited, Sanford C. Bernstein (India) Private Limited (SEBI registration no. INH000006378), Sanford C. Bernstein (Singapore) Private Limited, Sanford C. Bernstein Japan KK（サンフォード・C・バーンスタイン株式会社）and analysts employed by Société Générale Africa Technologies & Services to produce Bernstein research under a Global Services Agreement in place between Bernstein and Société Générale.

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VALUATION METHODOLOGY

Sage

Our PT of 1,050p is derived from a DCF with a WACC rate of 9.0% and a terminal growth rate of 2.5%.

SAP SE

We value SAP.GR shares based on our estimate for 12-month EPS in 1 year’s time (€9.57), apply a P/E multiple of 28x, and add net cash per share of (€5.1), arriving at price target of €273.

We then value the SAP ADR shares at $319, using the SAP GR price target of €273 and the EUR/USD FX rate at the time of updating the model.

SAP SE

We value SAP.GR shares based on our estimate for 12-month EPS in 1 year’s time (€9.57), apply a P/E multiple of 28x, and add net cash per share of (€5.1), arriving at price target of €273.

We then value the SAP ADR shares at $319, using the SAP GR price target of €273 and the EUR/USD FX rate at the time of updating the model.

Microsoft Corp

We value Microsoft shares based on our estimate for 12-month forward NOPLAT per share in 1 year's time ($24.2), and apply a P/FE multiple of 27x. We then add back in the net cash per share, discounted at 15% to account for potential tax costs and other "friction" to repatriate all cash ($7.13 per share), arriving at price target of $660.

Oracle Corp

We value Oracle shares based on our estimate for 12-months adjusted EPS in 1 years' time ($15.22) and apply an adjusted P/FE multiple of 24.5x. We then add back in the net cash per share, (-$47.6 per share), arriving at price target of $325.

Workday Inc

We rate Workday as Outperform with a price target of $238. We value Workday shares based on our estimate for 12-month forward NOPLAT per share in 1 year's time ($15.87), and apply a P/FE multiple of 14x. We then add back in the net cash per share ($15.36 per share), arriving at price target of $238.

RISKS

Sage

Upside risks: faster-than-expected recurring revenue growth (+9% on average in FY26-27e), lower-than-expected fall in Other Revenue (-16% on average in FY26-27e)

Downside risks: slower-than-expected margin increase because of higher-than-anticipated investment, notably in shifting cloud-connected products to cloud-native solutions.

SAP SE

Risks to our price target for SAP ADR include: slower than expected adoption of S4/HANA; lower than expected upsell into existing customers of additional modules and SaaS solutions; lower than expected growth of SAP SaaS offerings; lower than expected adoption of SaaS S4/HANA; slower migration of SAP's Cloud offerings to the hyperscale providers; issues with SAP driving margin improvement.

SAP SE

Risks to our price target for SAP.GR include: slower than expected adoption of S4/HANA; lower than expected upsell into existing customers of additional modules and SaaS solutions; lower than expected growth of SAP SaaS offerings; lower than expected adoption of SaaS S4/HANA; slower migration of SAP's Cloud offerings to the hyperscale providers; issues with SAP driving margin improvement.

Microsoft Corp

Risks to our price target for MSFT include: a decreased demand for Azure PaaS/IaaS; increased Cloud cybersecurity concerns that impact Cloud demand; lower than forecast sales of Microsoft SaaS offerings; increased competitive pricing pressure on IaaS; increased competition in the Office market; decreased PC sales; increased pirating of the company's software, especially Windows and Office; increased functionality in the virtualization layer that limits the need for Windows server on VMs; decreased monetization of Microsoft's online offerings especially Bing; failure to increase international market share of Bing; lower than forecast sales for Xbox products and services; decreases in Windows sales.

Oracle Corp

Risks to our target price for ORCL include: customer concentration risk, AI Winter scenario where Gen AI fails globally, decreased database sales due to increased pressure from cloud and alternate databases; Slower than expected adoption of SaaS ERP; cybersecurity or other concerns that decrease demand for Cloud; lower than expected demand for Oracle's Autonomous Database and Oracle Multi-Cloud database; OCI growth issues especially at Sovereign Clouds.

Workday Inc

Risks to our target price for WDAY include: larger software players deploying defense against Workday to increase client retention; industry moving to outsourcing of major HCM and Financial Management functions, thus rendering Workday solutions irrelevant; slower than expected adoption of SaaS ERP in general and specifically Workday Financials. Workday may fail to develop new solutions at a sufficient rate or develop solutions which do not fit client demand, thus driving down overall adoption rate for Workday's products.

RATINGS DEFINITIONS, BENCHMARKS AND DISTRIBUTION

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The Bernstein brand rates stocks based on forecasts of relative performance for the next 12 months versus the S&P 500 for stocks listed on the U.S. and Canadian exchanges, versus the Bloomberg Europe Developed Markets Large and Mid Cap Price Return Index EUR (EDME) for stocks listed on the European exchanges and emerging markets exchanges outside of the Asia Pacific region, versus the Bloomberg Japan Large and Mid Cap Price Return Index USD (JPL) for stocks listed on the Japanese exchanges, and versus the Bloomberg Asia ex-Japan Large and Mid Cap Price Return Index (ASIAX) for stocks listed on the Asian (ex-Japan) exchanges -unless otherwise specified.

The Bernstein brand has three categories of ratings:

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Not Covered (NC) denotes companies that are not under coverage.

Bernstein brand stock ratings are based on a 12-month time horizon.

Autonomous brand – common stocks

The Autonomous brand rates common stocks as indicated below. As our benchmarks we use the Bloomberg Europe 600 Financials Price Return Index (E600BK) and Bloomberg Europe Dev Mkt Financials Large and Mid Cap Price Ret Index EUR (EDMFI) index for developed European banks and Payments, the Bloomberg Europe 600 Insurance Price Return Index (E600IN) for European insurers, the S&P 500 and S&P Financials for US banks and Payments coverage, S5LIFE for US Insurance, the S&P Insurance Select Industry (SPSIINS) for US Non-Life Insurers coverage, the Bloomberg Emerging Markets Financials Large, Mid and Small Cap Price Return Index (EMLSF) for emerging market banks and insurers and Payments, and the Bloomberg Japan Financials Large & Mid Cap Price Return Index (JPFILM) for Japanese Financials. Ratings are stated relative to the sector (not the market).

The Autonomous brand has three categories of common stock ratings:

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- Neutral (N): Stock will perform in line with the market index to within +/-10 pp
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Those denoted as 'Feature' (e.g., Feature Outperform FOP, Feature Under Outperform FUP) are our core ideas.

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- Underperform (UP): The total return of the preferred instrument is expected to underperform preferred securities of other issuers operating in similar sectors or rating categories over the next six months.

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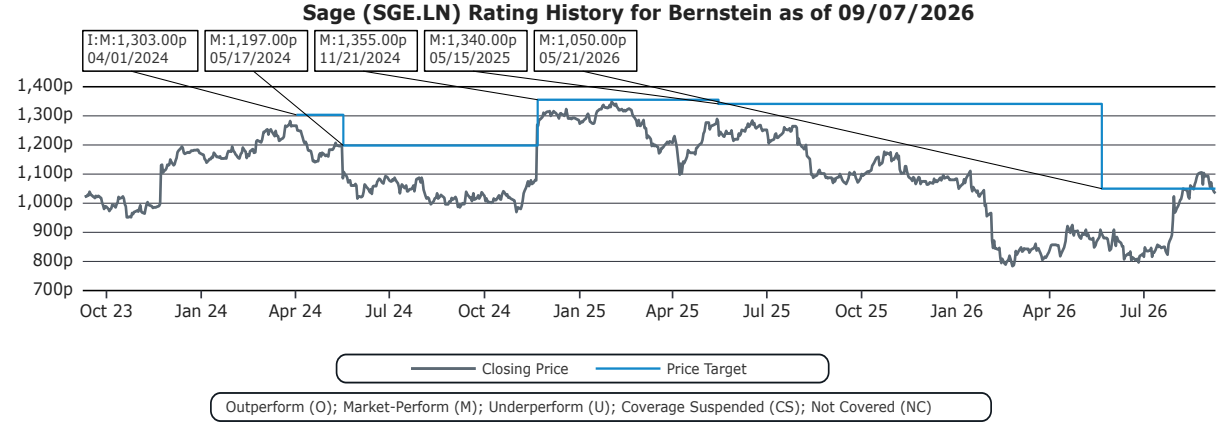
Equity Rating	Market Abuse Regulation (MAR) and FINRA Rating Category	Global Rating Distribution	Investment Banking Relationships*
Outperform	BUY	51.2%	15.3%
Market-Perform (Bernstein Brand) Neutral (Autonomous Brand)	HOLD	35.8%	16.2%
Underperform	SELL	13.1%	13.6%

* These figures represent the percentage of companies within each equity rating category for which affiliates of Bernstein have provided investment banking services within the previous 12 months.
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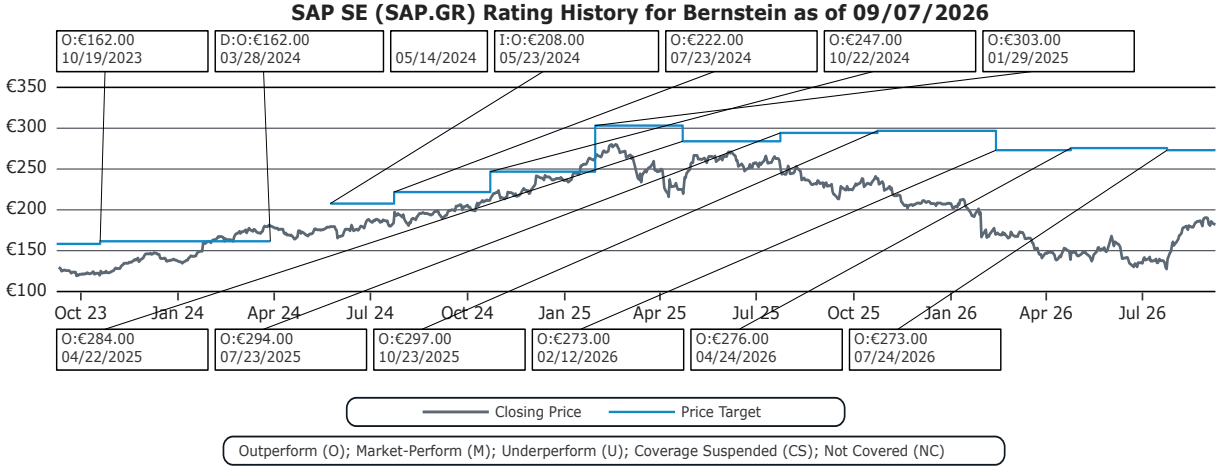
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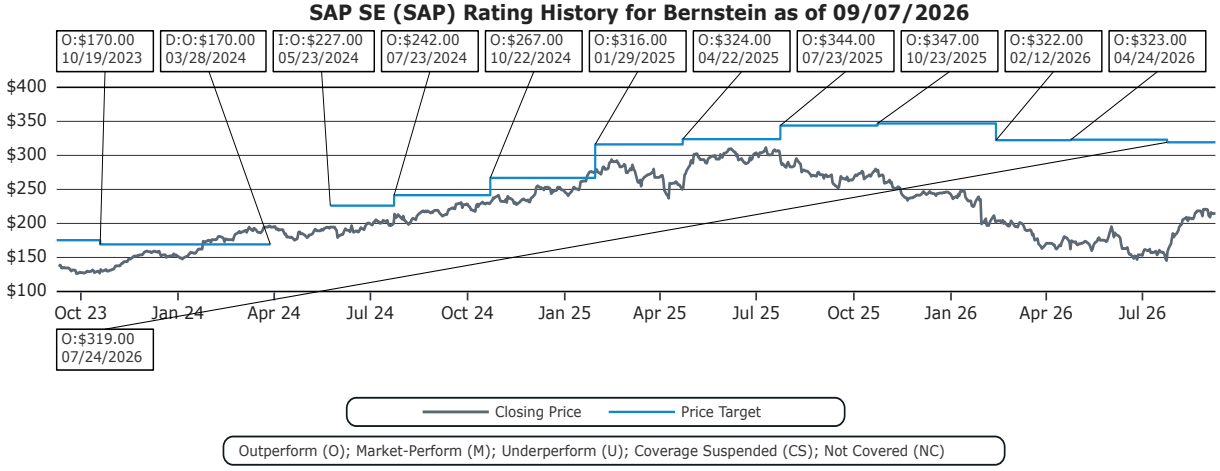
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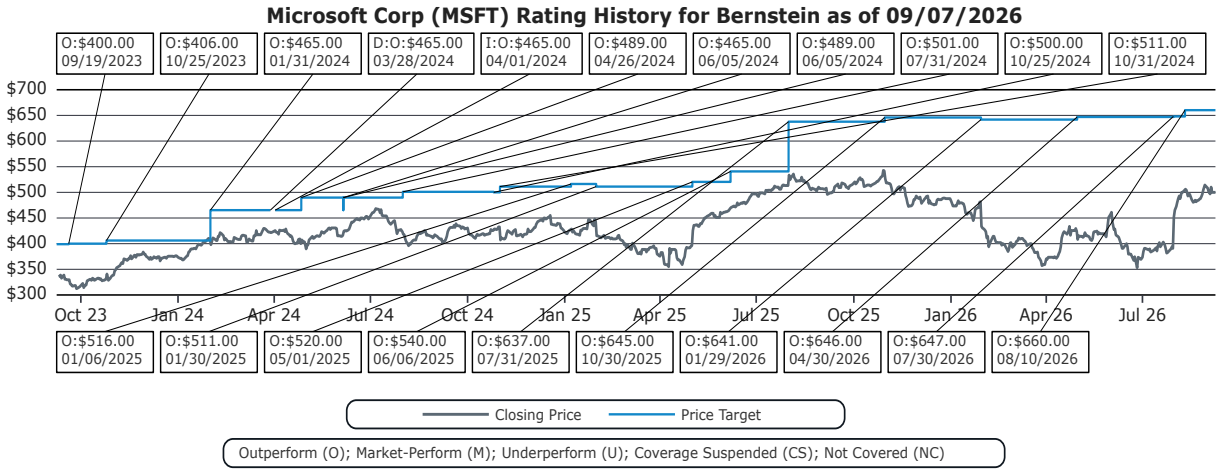


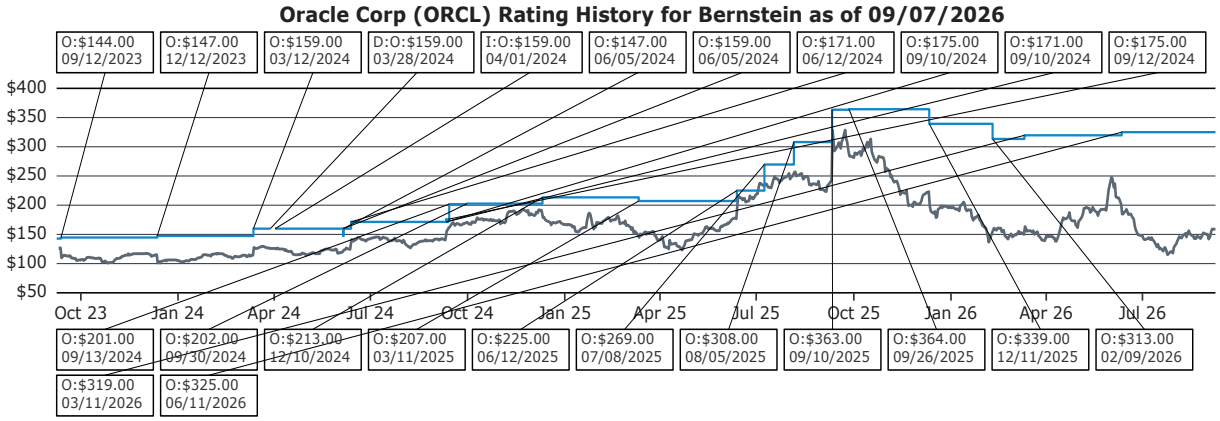
SAP SE (SAP.GR) Rating History for Bernstein as of 09/07/2026

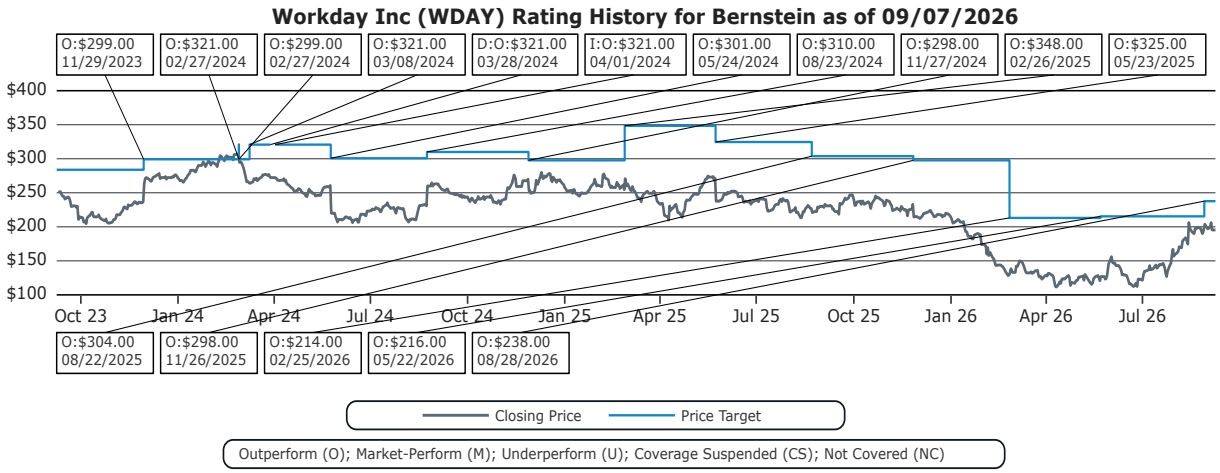


SAP SE (SAP) Rating History for Bernstein as of 09/07/2026









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