

Third Quarter 2022 Results

Christian Klein, CEO

Luka Mucic, CFO

Safe Harbor Statement



During this presentation we will make forward-looking statements which are predictions, projections, or other statements about future events. These statements are based on current expectations, forecasts, and assumptions that are subject to risks and uncertainties that could cause actual results and outcomes to materially differ. Additional information regarding these risks and uncertainties may be found in our filings with the Securities and Exchange Commission, including but not limited to the risk factors section of SAP's 2021 Annual Report on Form 20-F.



Christian Klein

CEO

Strong Cloud Performance in Q3 2022

continuing cloud acceleration

Current Cloud Backlog

11,267

▲ +38%
(+26% @cc)

Thereof S/4HANA

2,662

▲ +108% (+90% @cc)

Cloud Revenue

3,288

▲ +38% (+25% @cc)

Thereof S/4HANA

546

▲ +98% (+81% @cc)

SaaS Revenue

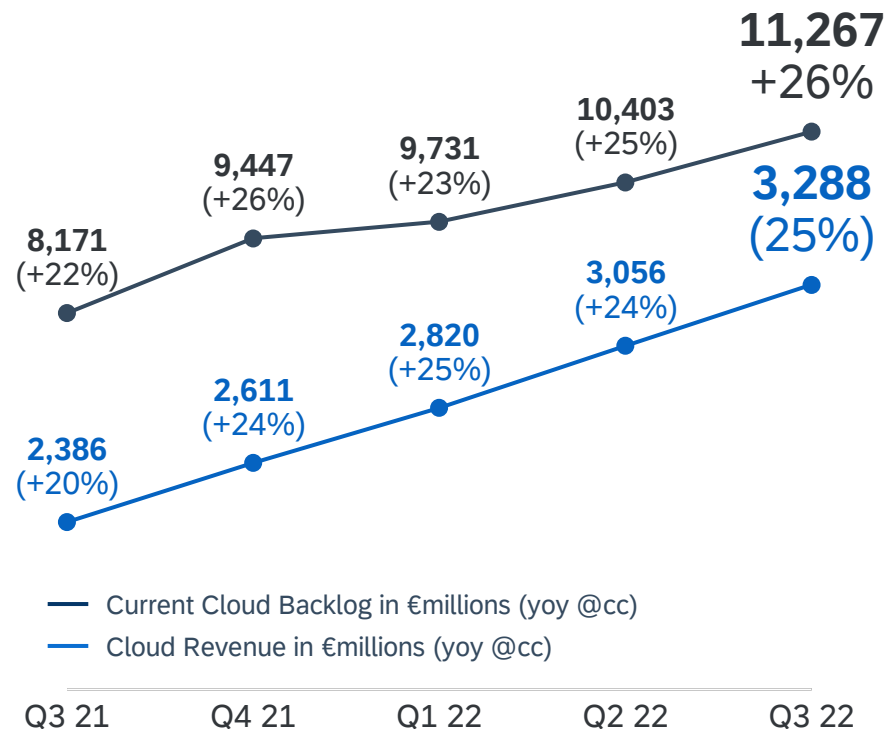
2,621

▲ +39% (+26% @cc)

PaaS Revenue

415

▲ +56% (+44% @cc)



All numbers are in € millions, non-IFRS unless otherwise stated.

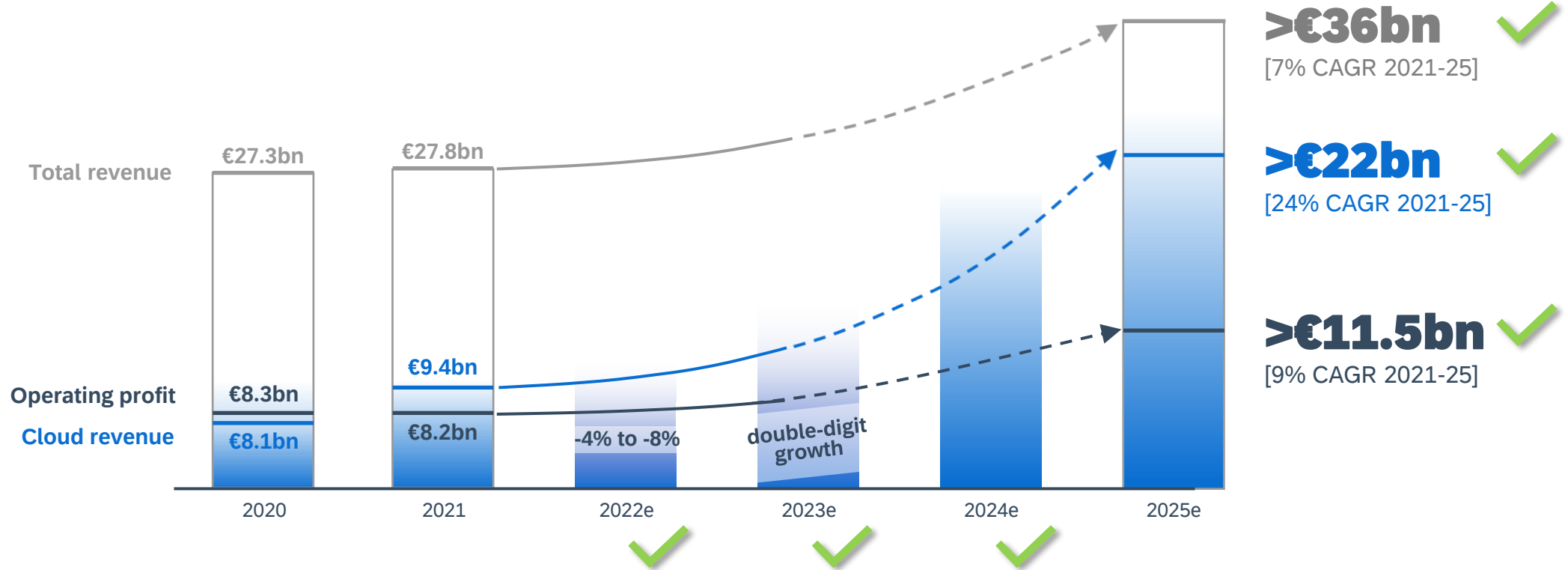
Relentless focus on customer value



We keep the promise

Total revenue and operating profit

Growth to accelerate as cloud transition reaches inflection in 2023



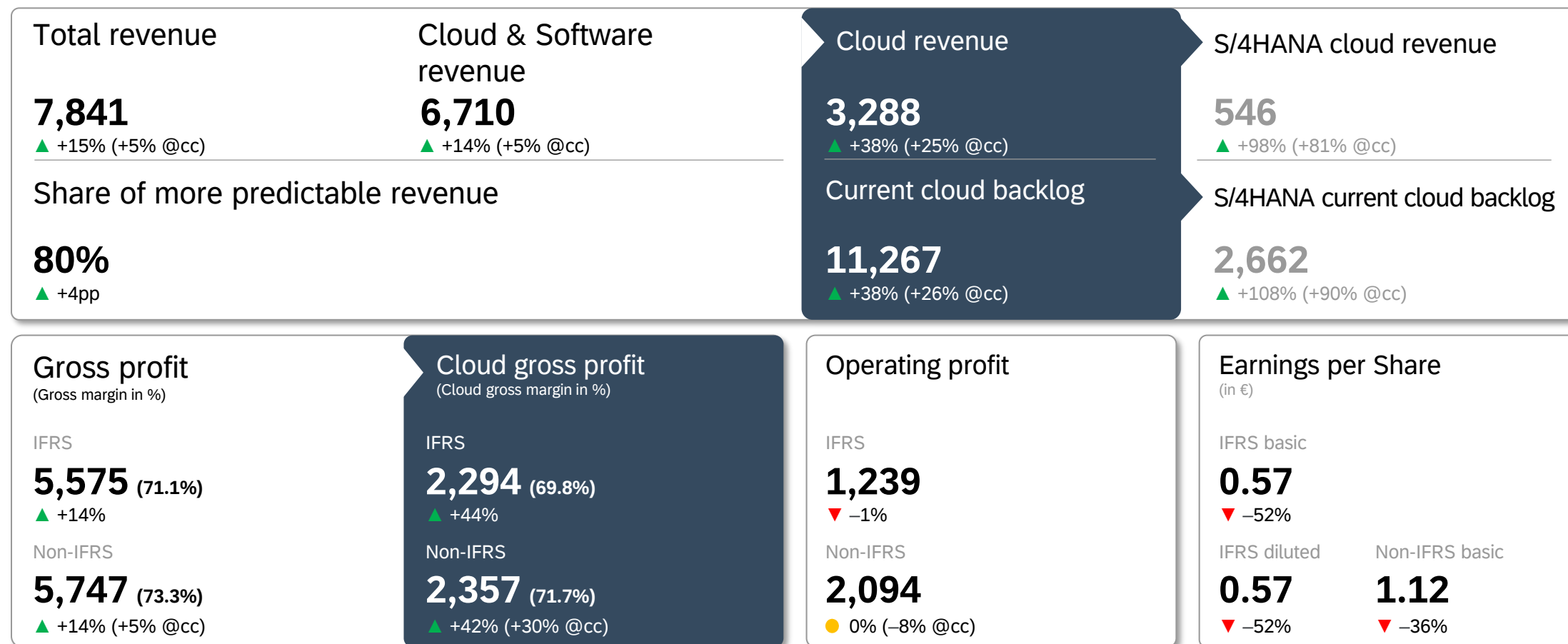


Luka Mucic

CFO

SAP Q3 2022 Financial Results

in € millions, unless otherwise stated



Very strong cloud revenue performance across all regions

AMERICAS

Cloud revenue
percent

▲ +46%
(+26% @cc)

Cloud & software
revenue
percent

▲ +27%
(+9% @cc)

The United States had an outstanding and Brazil had a particularly strong performance in cloud revenue.

EMEA

Cloud revenue
percent

▲ +28%
(+23% @cc)

Cloud & software
revenue
percent

▲ +3%
(+1% @cc)

Germany had an outstanding performance in cloud revenue while Switzerland in particular had a strong performance.

APJ

Cloud revenue
percent

▲ +34%
(+27% @cc)

Cloud & software
revenue
percent

▲ +9%
(+5% @cc)

China and India in particular had a strong performance in cloud revenue.

Revenues calculated based on customer location; All numbers are Non-IFRS unless otherwise stated; Individual country highlights are based on Non-IFRS at constant currencies

Gross Margin Development

Non-IFRS in € millions, unless otherwise stated	Revenue			Gross Margin % (Gross profit)		
	Q3 22	Δ in %	Δ in % @cc	Q3 22	Δ in %	Δ in % @cc
Cloud	3,288	38	25	71.7 (2,357)	2.3pp	2.8pp
SaaS	2,621	39	26	75.5 (1,978)	2.9pp	2.9pp
PaaS	415	56	44	78.3 (325)	-1.0pp	0.9pp
IaaS	252	5	-3	21.0 (53)	-12.7pp	-7.3pp
Software licenses and support	3,422	-3	-9	88.6 (3,032)	0.8pp	0.3pp
Cloud and software	6,710	14	5	80.3 (5,389)	-0.1pp	0.1pp
Services	1,131	21	11	31.7 (358)	0.7pp	0.2pp
Total	7,841	15	5	73.3 (5,747)	-0.3pp	-0.3pp

Tax rate, EPS & Cash flow

Effective tax rate

Third quarter | percent

IFRS	Non-IFRS
35.7	26.0
▲ 16.8pp	▲ 7.8pp
Outlook:	
around 45.0	around 30.0

The year-over-year increase mainly resulted from changes in tax exempt income related to Sapphire Ventures.

Earnings per share

Third quarter | €

IFRS basic	
0.57	
▼ -52%	
IFRS diluted	Non-IFRS basic
0.57	1.12
▼ -52%	▼ -36%

The year-over-year decline of earnings per share reflects a contribution to financial income by Sapphire Ventures that, due to current market conditions, was significantly lower than in the same period last year.

Cash flow

Nine month 2022 | € billions

Operating CF	Free CF
3.60	2.54
▼ -27%	▼ -38%
Outlook:	
approx. €4.5bn	

The decrease versus last year is mainly attributable to the development of profitability and adverse impacts in working capital.

Business Outlook 2022

in € billions, unless otherwise stated

FY 2022 Guidance

Cloud revenue

@cc

11.55 – 11.85

▲ +23% to 26%
2021: 9.42

Cloud & Software revenue

@cc

25.0 – 25.5

▲ +4% to 6%
2021: 24.08

Operating profit

Non-IFRS @cc

7.6 – 7.9

–8% to –4%
2021: 8.23

FY 2022 Non-Financial Outlook

Employee engagement
in %

80 – 84

● –3 to 1pp
2021: 83

Customer Net Promoter Score

in points

3 – 8

Prev.: 11 – 15 | 2021: 10

Carbon emissions
in kilotons

90 – 95 kt

▼ – 15 to – 20 kt
Prev.: 70 kt | 2021: 110

Share of more predictable revenue

in %

~78

▲ +3pp
2021: 75%

Free cash flow

approx. 4.5

Prev.: above 4.5 | 2021: 5.01

Effective tax rate
in %

IFRS

around 45.0

Prev. 34.0 – 38.0 | 2021: 21.5%

Non-IFRS

around 30.0

Prev. 23.0 – 27.0 | 2021: 20.0%

Q&A

Appendix

Appendix

Income statement: Third quarter 2022

€ millions, unless otherwise stated	IFRS			Non-IFRS			
	Q3 22	Q3 21	Δ %	Q3 22	Q3 21	Δ %	Δ % at cc
Cloud	3,288	2,386	38	3,288	2,386	38	25
Software licenses	406	657	-38	406	657	-38	-42
Software support	3,016	2,867	5	3,016	2,867	5	-2
Software licenses and support	3,422	3,524	-3	3,422	3,524	-3	-9
Cloud and software	6,710	5,910	14	6,710	5,910	14	5
Services	1,131	935	21	1,131	935	21	11
Total revenue	7,841	6,845	15	7,841	6,845	15	5
Total operating expenses	-6,602	-5,596	18	-5,746	-4,742	21	11
Operating profit (loss)	1,239	1,249	-1	2,094	2,102	0	-8
Financial income, net	-331	484	<-100	-331	484	<-100	
Profit (loss) before tax	850	1,749	-51	1,705	2,602	-34	
Income tax expense	-304	-331	-8	-443	-474	-7	
Profit (loss) after tax	547	1,418	-61	1,263	2,129	-41	
Operating margin (in %)	15.8	18.2	-2.4pp	26.7	30.7	-4.0pp	-3.8pp
Earnings per share, basic (in €)	0.57	1.19	-52	1.12	1.74	-36	

Appendix

Income statement: First nine months 2022

€ millions, unless otherwise stated	IFRS			Non-IFRS			
	YTD 22	YTD 21	Δ %	YTD 22	YTD 21	Δ %	Δ % at cc
Cloud	9,164	6,806	35	9,164	6,806	35	25
Software licenses	1,149	1,790	-36	1,149	1,790	-36	-39
Software support	8,916	8,491	5	8,916	8,491	5	0
Software licenses and support	10,065	10,281	-2	10,065	10,281	-2	-7
Cloud and software	19,229	17,088	13	19,229	17,088	13	6
Services	3,205	2,774	16	3,205	2,774	16	8
Total revenue	22,435	19,861	13	22,435	19,861	13	6
Total operating expenses	-19,470	-16,668	17	-16,983	-14,100	20	13
Operating profit (loss)	2,965	3,193	-7	5,452	5,762	-5	-10
Financial income, net	-505	1,651	<-100	-505	1,651	<-100	
Profit (loss) before tax	2,333	4,890	-52	4,820	7,459	-35	
Income tax expense	-951	-954	0	-1,298	-1,396	-7	
Profit (loss) after tax	1,382	3,936	-65	3,522	6,063	-42	
Operating margin (in %)	13.2	16.1	-2.9pp	24.3	29.0	-4.7pp	-4.4pp
Earnings per share, basic (in €)	1.49	3.22	-54	3.08	4.88	-37	

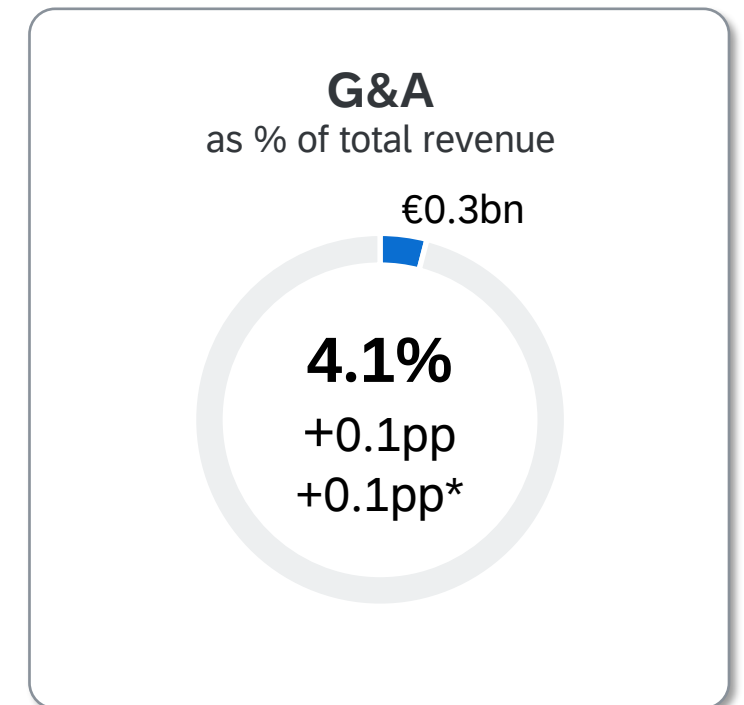
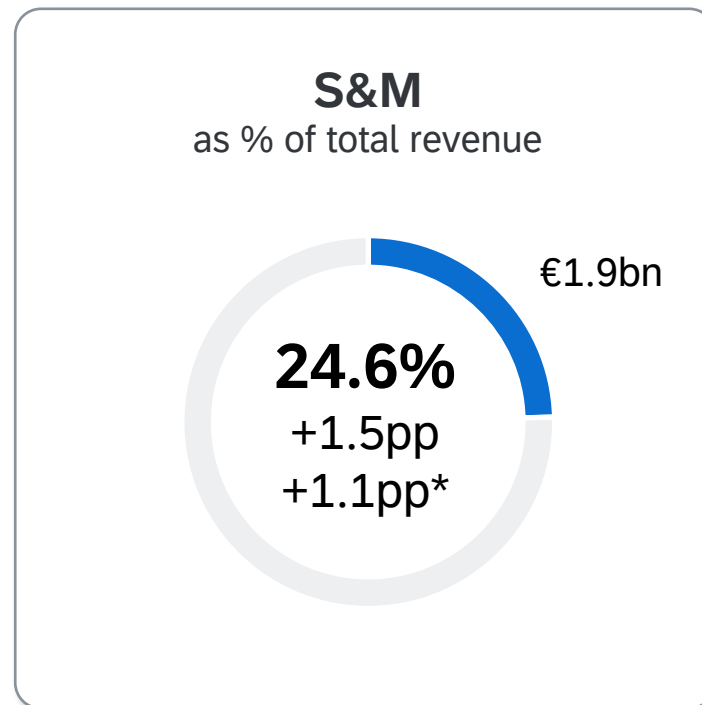
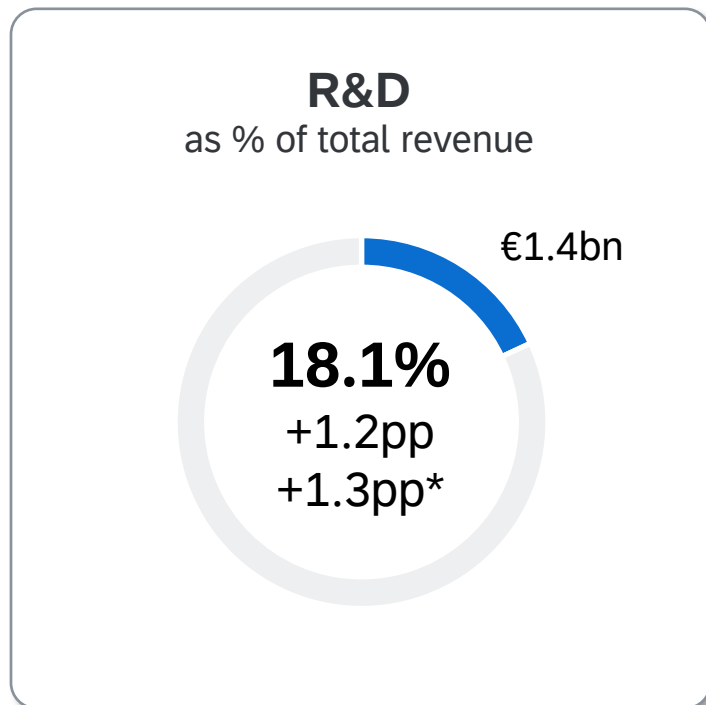
Appendix

Gross margin development

Non-IFRS, in percent as reported	FY 20	Q1 21	Q2 21	Q3 21	Q4 21	FY 21	Q1 22	Q2 22	Q3 22
Cloud	69.7	69.5	70.0	69.4	69.0	69.5	70.0	71.9	71.7
SaaS	72.8	72.5	72.6	72.4	72.3	72.6	73.3	75.2	75.5
PaaS	81.1	80.7	80.8	78.8	78.0	80.0	77.8	79.6	78.3
IaaS	34.9	33.3	36.8	34.7	28.8	33.6	27.6	28.5	21.0
Software Licenses & Support	87.4	86.3	87.3	87.8	88.5	87.6	87.5	88.5	88.6
Cloud & Software	81.2	79.7	80.5	80.4	81.2	80.5	79.4	80.6	80.3
Services	27.0	28.5	29.2	31.0	31.6	30.1	28.0	27.3	31.7
Total Gross Margin	73.1	72.3	73.4	73.6	75.1	73.7	72.0	73.1	73.3

Cost ratios: Third quarter 2022

€7.8bn Total revenue

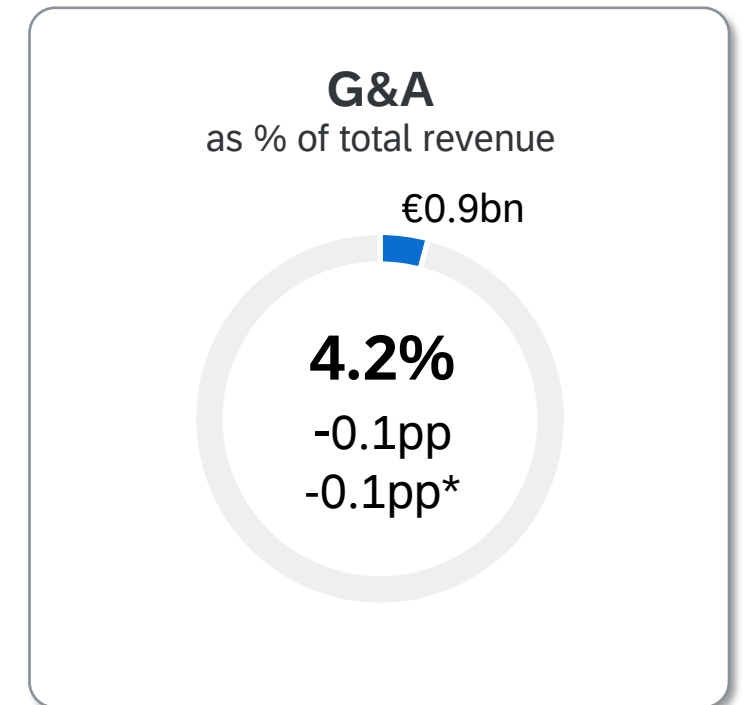
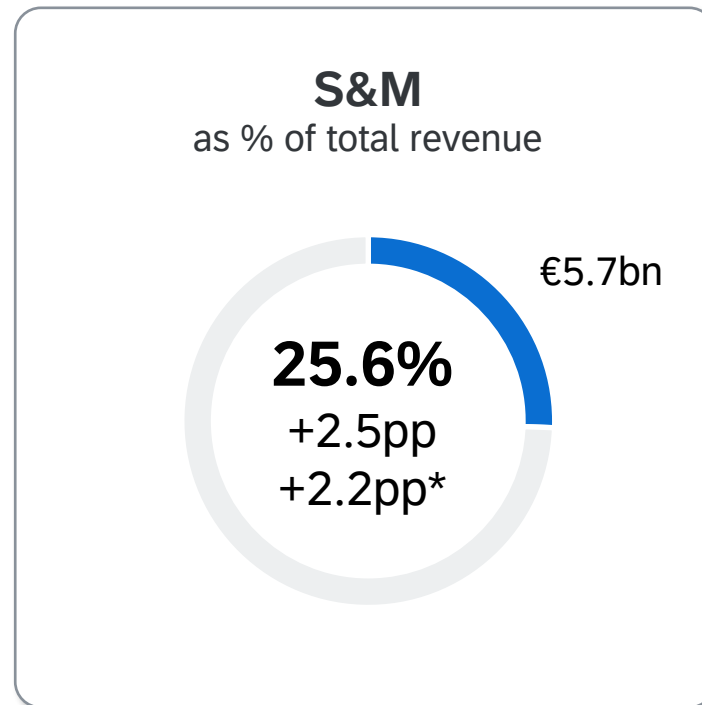
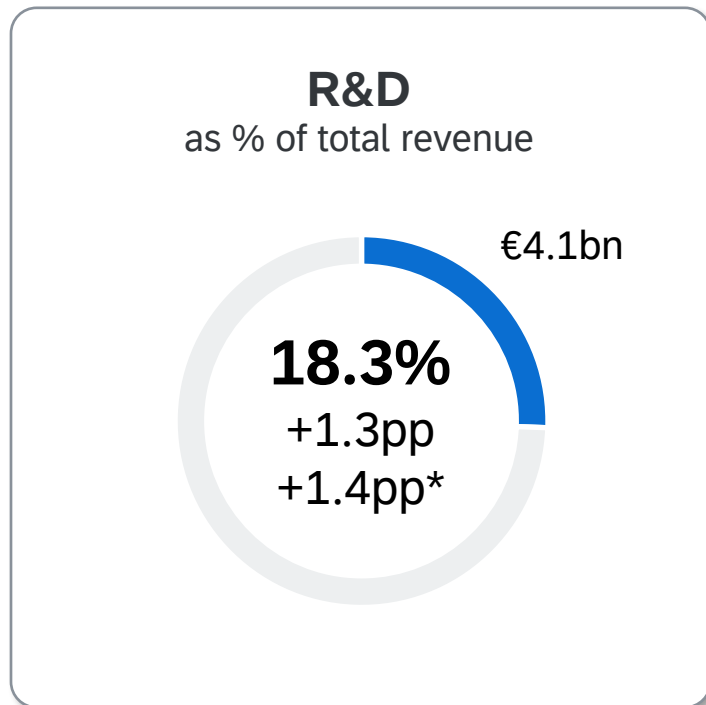


All numbers are Non-IFRS unless otherwise stated.

*Non-IFRS at constant currencies

Cost ratios: First nine months 2022

€22.4bn Total revenue



All numbers are Non-IFRS unless otherwise stated.

*Non-IFRS at constant currencies

Appendix

Balance sheet condensed: September 30, 2022 – IFRS

Assets

€ millions	09 30 22	12 31 21
Cash, cash equivalents and other financial assets	8,822	11,656
Trade and other receivables	8,774	6,352
Other current assets	3,243	2,036
Total current assets	20,839	20,044
Goodwill	35,699	31,089
Intangible assets	4,328	3,965
Property, plant, and equipment	5,032	4,977
Other non-current assets	12,337	11,100
Total non-current assets	57,395	51,130
Total assets	78,234	71,174

Equity and liabilities

€ millions	09 30 22	12 31 21
Trade and other payables	1,926	1,580
Provisions	126	89
Other liabilities	12,694	10,036
Contract liabilities, current	5,487	4,431
Total current liabilities	20,233	16,136
Financial liabilities	9,565	11,042
Provisions	406	355
Contract liabilities, non-current	35	13
Other non-current liabilities	1,948	2,105
Total non-current liabilities	11,955	13,515
Total liabilities	32,188	29,650
Total equity	46,046	41,523
Total equity and liabilities	78,234	71,174

Due to rounding, numbers may not add up precisely

Appendix

Cash flow development

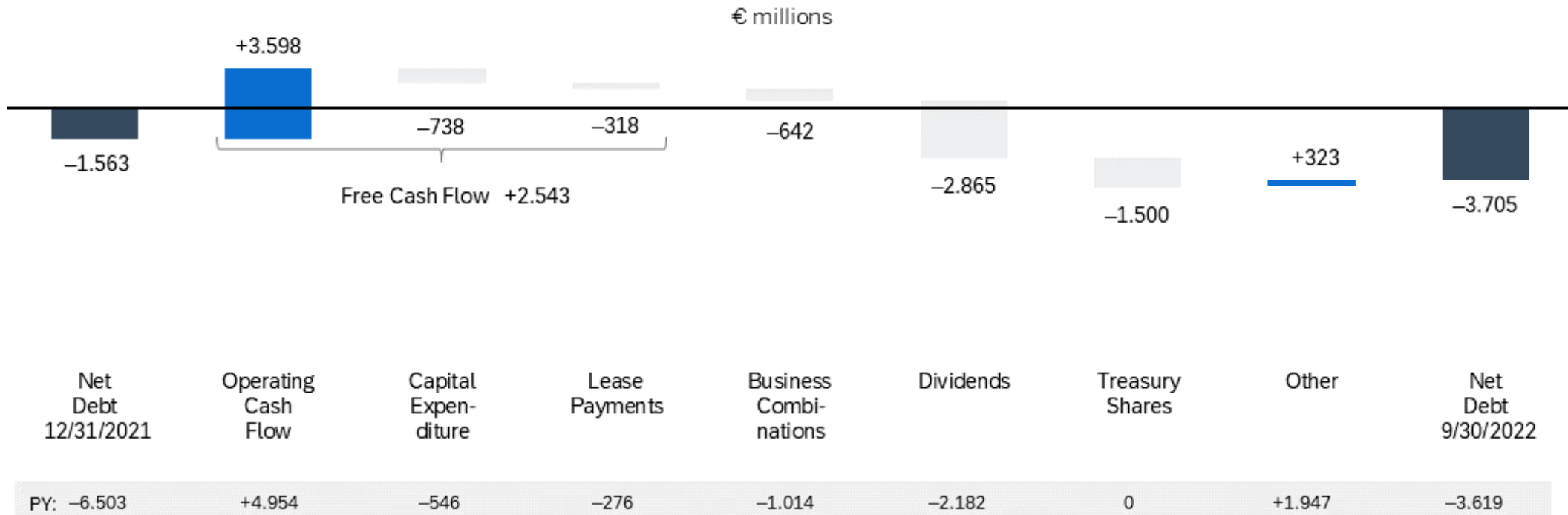
€ millions, unless otherwise stated

	9M 22	9M 21	Δ
Operating cash flow	3,598	4,954	-27%
– Capital expenditure	-738	-546	+35%
– Payments of lease liabilities	-318	-276	+15%
Free cash flow	2,543	4,132	-38%
Free cash flow in percent of total revenue	11	21	-9pp
Free cash flow conversion rate	1.84	1.05	+0.79

Due to rounding, numbers may not add up precisely

Appendix

Net debt



Net Debt = cash and cash equivalent plus current time deposits and debt securities minus financial debt
 Other = mainly purchase and sales of equity or debt instruments of other entities, proceeds from sales of non-current assets, and effects of foreign currency rates on cash and cash equivalents - for more information see our 2021 integrated report

Additional outlook information and Non-IFRS adjustments

The Company now expects a full-year 2022 effective tax rate (IFRS) of around 45.0% (previously 34.0% to 38.0% | 2021: 21.5%) and an effective tax rate (non-IFRS) of around 30.0% (previously 23.0% to 27.0% | 2021: 20.0%).

	Actual Amounts Q3 21	Actual Amounts Q3 22	Est. Amounts FY 22
Non-IFRS adjustments			
Acquisition-related charges	€161m	€175m	€580m to €660m
Share-based payment expenses	€705m	€689m	€2,500m to €2,700m
Restructuring charges	-€13m	-€8m	€110m to €130m
Sum of all adjustments	€853m	€855m	€3,190m to €3,490m

Due to rounding, numbers may not add up precisely

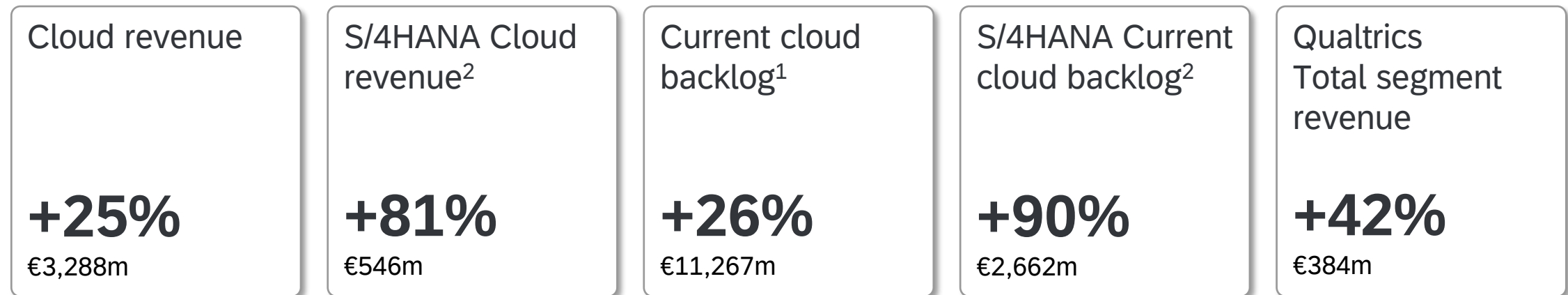
Expected currency impact 2022

Expected Currency Impact Based on September 2022 Level for the Rest of the Year

in percentage points	Q4 22	FY 22
Cloud revenue growth	+10pp to +12pp	+9pp to +11pp
Cloud and software revenue growth	+6pp to +8pp	+6pp to +8pp
Operating profit growth (non-IFRS)	+6pp to +8pp	+4pp to +6pp

Key cloud metrics: Third quarter 2022

All figures are Non-IFRS and growth rates at constant currencies unless otherwise stated



- 1) 'Current Cloud Backlog' – or CCB for short gives you the contractually committed cloud revenue we expect to recognize over the upcoming twelve months. The CCB is thus a subset of our Remaining Performance Obligations: Cloud only and 12 months only. Its expansion between two key dates reflects our success in both, contracting new cloud business as well as renewing existing business. So compared to New Cloud Bookings, it is a better, more holistic indicator of our cloud progress.
- 2) Starting in Q1 2021, SAP is expanding its financial disclosure to provide transparency on the transition of its core ERP business to the cloud. Specifically, SAP discloses current cloud backlog and cloud revenue contributed by SAP S/4HANA Cloud, which represents SAP's cloud offering for core ERP processes. It mainly includes cloud solutions for financial management, supply chain management, engineering and manufacturing, order management and asset management, as well as associated data management, analytics, development and integration capabilities.