Fourth Quarter and Full-Year 2022 Results

Christian Klein, CEO

Luka Mucic, CFO

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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.

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Christian Klein

CEO

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Strong Cloud Performance in FY 2022
continuing cloud acceleration

Current Cloud Backlog

12,030

▲ +27%
(+24% @cc)

Thereof S/4HANA
3,171
▲ +86% (+82% @cc)

Cloud Revenue

12,556
▲ +33% (+24% @cc)

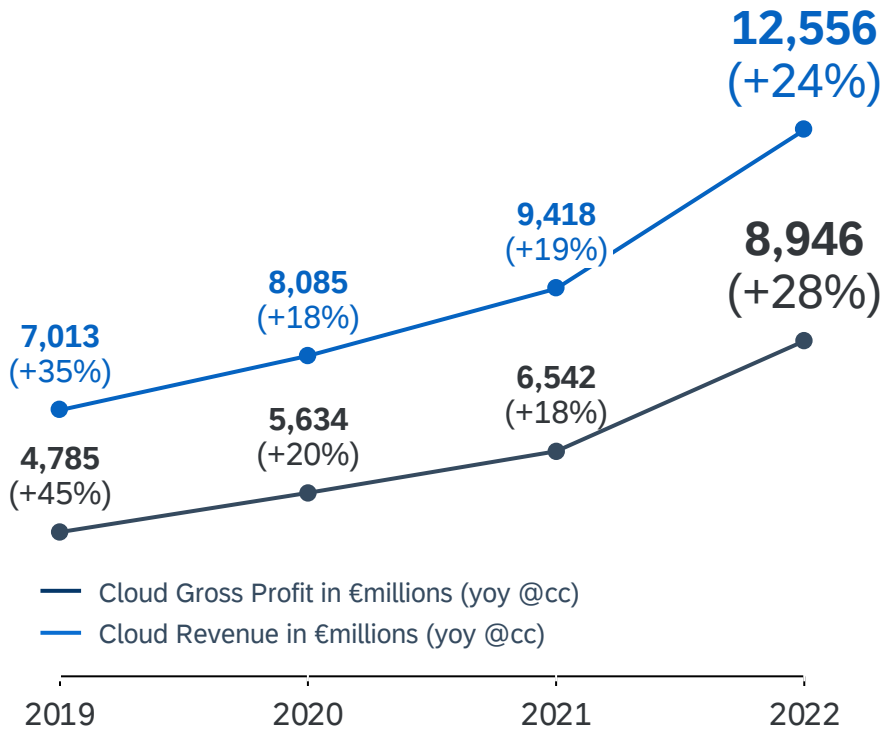
Thereof S/4HANA
2,082
▲ +91% (+79% @cc)

SaaS Revenue

10,066
▲ +35% (+25% @cc)

PaaS Revenue

1,586
▲ +53% (+45% @cc)



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

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SAP is more relevant than ever

Enable every organization and every industry to become a network of intelligent, sustainable enterprises







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Relentless focus on customer value



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Our profitable growth formula to accelerate in 2023



+



~50%
S/4HANA Cloud net new customer share

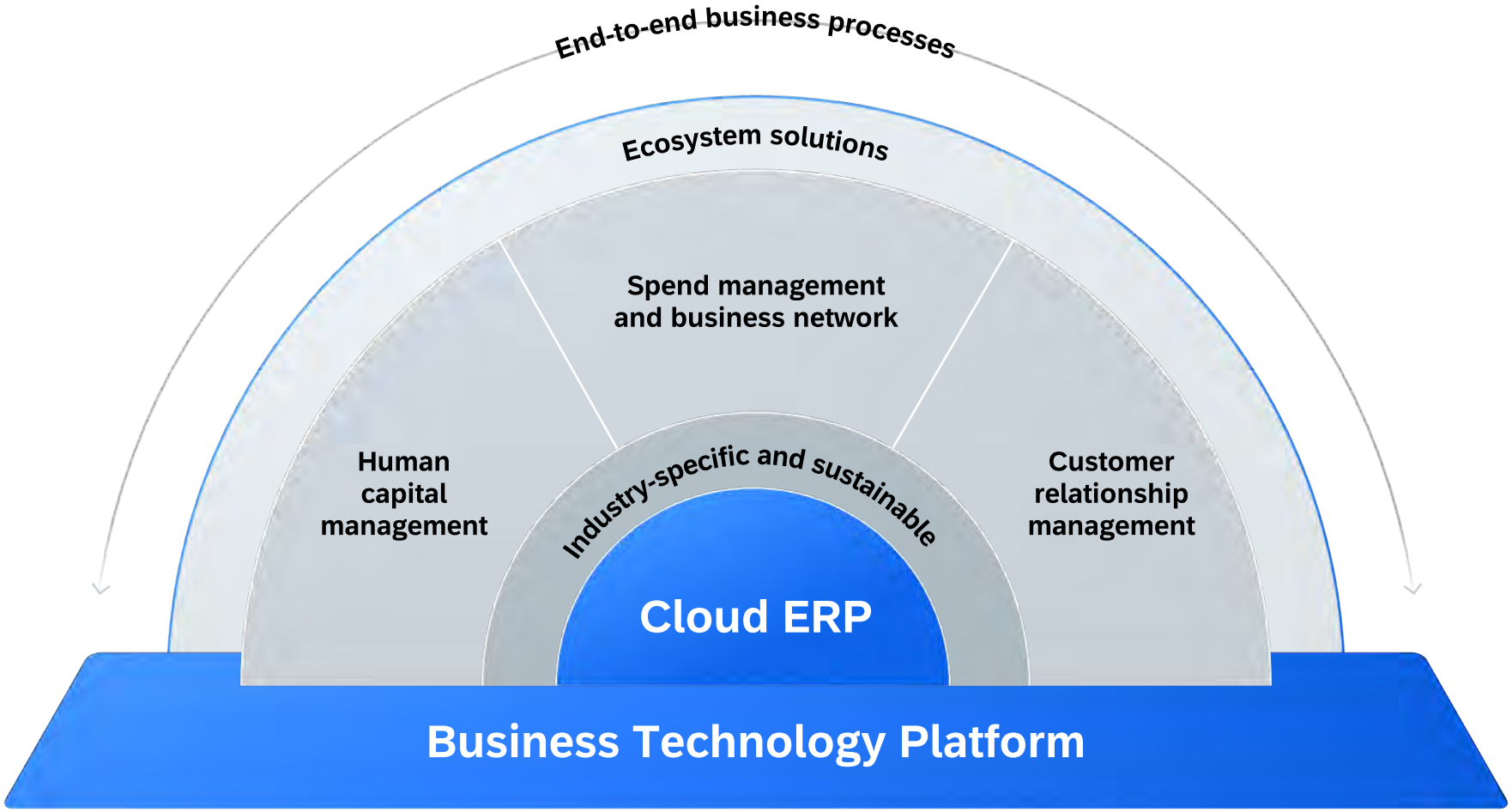
>80%
BTP attach rate to RISE with SAP

>100%
increase in LoB win rates into Cloud ERP install base

>30%
of customers use two or more SAP solutions

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Our portfolio: Increasing focus & accelerating innovation

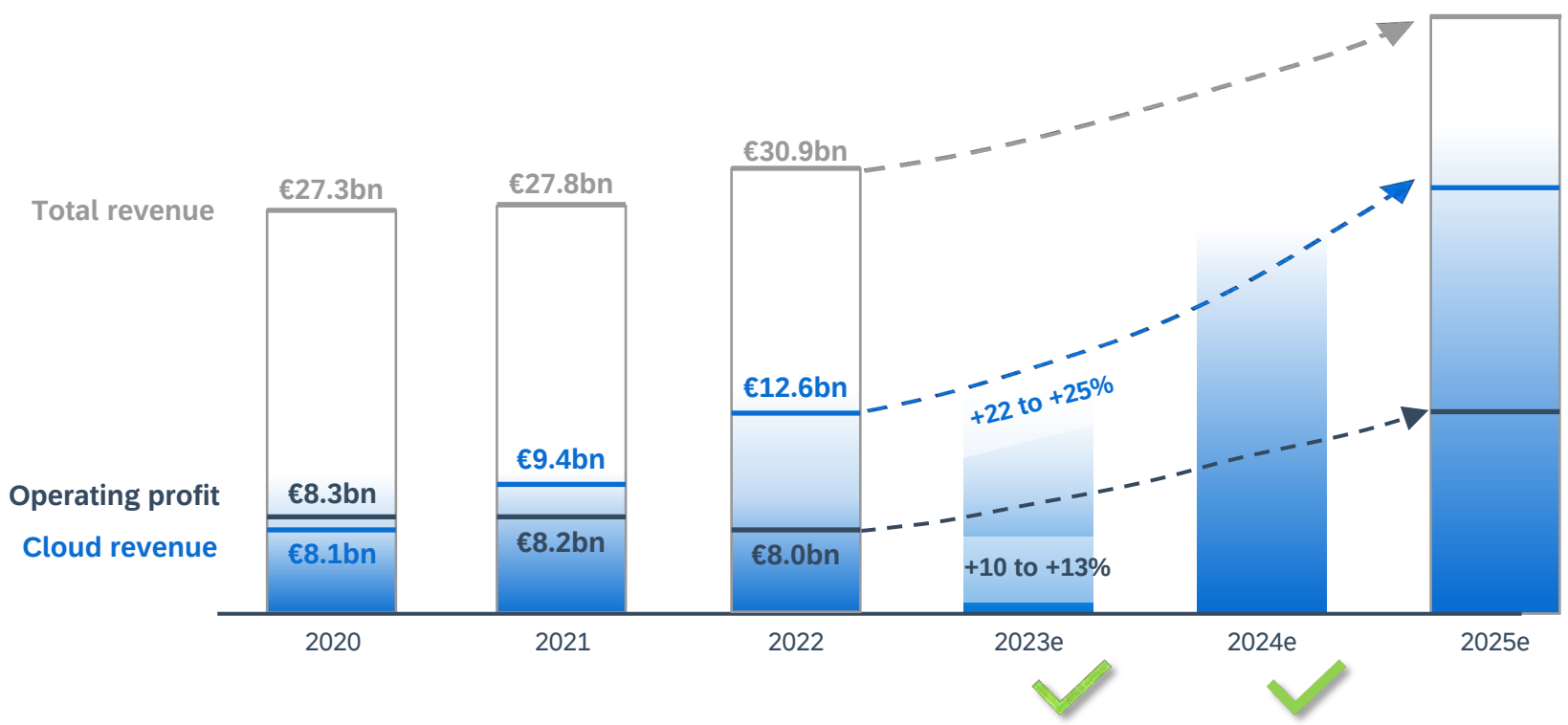


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We keep our promise

Total revenue and operating profit

Growth to accelerate as cloud transition reaches inflection in 2023



>€36bn
[5% CAGR 2022-25]

>€22bn
[21% CAGR 2022-25]

>€11.5bn
[13% CAGR 2022-25]

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Luka Mucic

CFO

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All financial outlook metrics met in FY 2022

Cloud Revenue
€ millions

IFRS	Non-IFRS @cc
12,556	11,682
▲ +33%	▲ +24%

Outlook: €11.55bn – 11.85bn @cc

Cloud & Software Revenue
€ millions

IFRS	Non-IFRS @cc
26,522	25,019
▲ +10%	▲ +4%

Outlook: €25.0bn – 25.5bn @cc

Operating Profit
€ millions

IFRS	Non-IFRS @cc
4,672	7,683
● 0%	▼ –7%

Outlook: €7.6bn – 7.9bn @cc

More Predictable Revenue
Percent

79%

▲ +4pp

Outlook: approx. 78%

Free Cash Flow
€ billions

4.35

▼ –14%

Outlook: approx. €4.5bn

FY Other Financial Highlights

Current Cloud Backlog
€ millions

12,030

▲ +27% (+24% @cc)

SAP S/4HANA Current Cloud Backlog
€ millions

3,171

▲ +86% (+82% @cc)

SAP S/4HANA Cloud Revenue
€ millions

2,082

▲ +91% (+79% @cc)

Cloud Gross Profit
€ millions

IFRS	Non-IFRS
8,703	8,946
▲ +38%	▲ +37% (+28% @cc)

Cloud Gross Margin
Percent

IFRS	Non-IFRS
69.3	71.3
▲ +2.3pp	▲ +1.8pp (+2.1pp @cc)

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Very strong cloud revenue performance across all regions in 2022

AMERICAS

Cloud revenue
percent
▲ +37%
(+22% @cc)

Cloud & software revenue
percent
▲ +21%
(+8% @cc)

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

EMEA

Cloud revenue
percent
▲ +30%
(+26% @cc)

Cloud & software revenue
percent
▲ +3%
(+1% @cc)

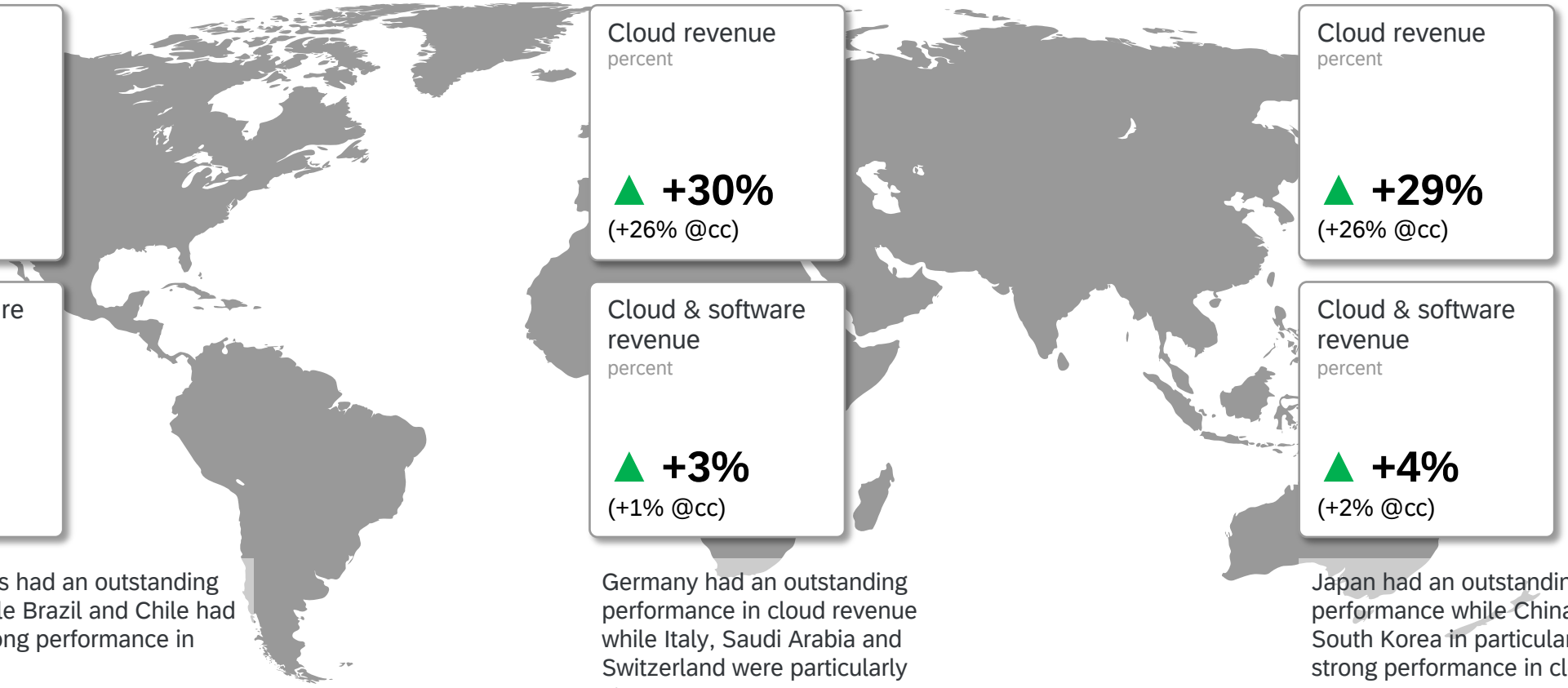
Germany had an outstanding performance in cloud revenue while Italy, Saudi Arabia and Switzerland were particularly strong.

APJ

Cloud revenue
percent
▲ +29%
(+26% @cc)

Cloud & software revenue
percent
▲ +4%
(+2% @cc)

Japan had an outstanding performance while China and South Korea 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

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Gross Margin Development

Non-IFRS in € millions, unless otherwise stated	Revenue			Gross Margin % (Gross profit)		
	FY 22	Δ in %	Δ in % @cc	FY 22	Δ in pp	Δ in pp @cc
Cloud	**12,556**	33	24	**71.3** (8,946)	1.8pp	2.1pp
SaaS	10,066	35	25	73.9 (7,435)	1.2pp	1.0pp
PaaS	1,586	53	45	79.4 (1,260)	–0.3pp	0.9pp
IaaS	905	–2	–8	27.8 (252)	–4.3pp	0.5pp
Software licenses and support	**13,965**	–5	–9	**88.6** (12,374)	1.0pp	0.7pp
Cloud and software	**26,522**	10	4	**80.4** (21,321)	–0.1pp	0.0pp
Services	**4,350**	16	9	**29.1** (1,265)	–1.1pp	–1.5pp
Total	**30,871**	11	5	**73.2** (22,585)	–0.5pp	–0.5pp

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Tax rate, EPS & Cash flow

Effective tax rate
Full year | percent

IFRS	Non-IFRS
44.6	**29.5**
▲ 23.1pp	▲ 9.5pp
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
Full year | €

IFRS basic

1.96

▼ –56%

IFRS diluted	Non-IFRS basic
1.95	**4.08**
▼ –56%	▼ –39%

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
Full year | € billions

Operating CF	Free CF
5.65	**4.35**
▼ –9%	▼ –14%
	Outlook: approx. €4.5bn

The decline in free cash flow is predominantly due to lower profitability and adverse working capital impacts in other assets. While tax payments developed positively, smaller negative impacts came from share-based payments as well as capital expenditures and leasing. The increased volume of trade receivables sold in 2022 amounting to €0.8 billion versus €0.5 billion in 2021 had a positive impact on free cash flow.

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2023 Outlook Anticipates Accelerating Topline and Double-Digit Non-IFRS Operating Profit Growth

in € billions, unless otherwise stated

FY 2023 Outlook

Cloud revenue
@cc | € billions
15.3 – 15.7
▲ +22% to 25%
2022: 12.56

Cloud & software revenue
@cc | € billions
28.2 – 28.7
▲ +6% to 8%
2022: 26.52

Operating profit
Non-IFRS @cc | € billions
8.8 – 9.1
▲ +10% to 13%
2022: 8.03

Share of more predictable revenue
in %
~83
▲ +4pp
2022: 79

Free cash flow
€ billions
approx. 5.0
2022: 4.35

Effective tax rate
in %
IFRS
28.0 – 32.0
2022: 44.6
Non-IFRS
26.0 – 28.0
2022: 29.5

FY 2023 Non-Financial Outlook

Employee engagement
in %
76 – 80

Customer Net Promoter Score[1)]
in points
8 – 12

Net carbon emissions
in kilotons
0

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[1)]The guidance is based on an adjusted methodology for 2023 to better reflect the business priorities of the company. The baseline for 2022 calculated using the new methodology is 7.

Q&A

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Appendix

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SAP Q4 2022 Financial Results

in € millions, unless otherwise stated

Total revenue

8,436

▲ +6% (+1% @cc)

Cloud & Software revenue

7,292

▲ +4% (+0% @cc)

Share of more predictable revenue

76%

▲ +6pp

Cloud revenue

3,392

▲ +30% (+22% @cc)

Current cloud backlog

12,030

▲ +27% (+24% @cc)

S/4HANA cloud revenue

660

▲ +101% (+90% @cc)

S/4HANA current cloud backlog

3,171

▲ +86% (+82% @cc)

Gross profit

(Gross margin in %)

IFRS

6,064 (71.9%)

▲ +4%

Non-IFRS

6,248 (74.1%)

▲ +4% (–0,2% @cc)

Cloud gross profit

(Cloud gross margin in %)

IFRS

2,355 (69.4%)

▲ +36%

Non-IFRS

2,420 (71.3%)

▲ +34% (+27% @cc)

Operating profit

IFRS

1,707

▲ +17%

Non-IFRS

2,581

▲ +5% (+2% @cc)

Earnings per Share

(in €)

IFRS basic

0.47

▼ –62%

IFRS diluted

0.47

▼ –62%

Non-IFRS basic

1.00

▼ –46%

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Income statement: Fourth quarter 2022

	IFRS			Non-IFRS			
€ millions, unless otherwise stated	Q4 22	Q4 21	Δ %	Q4 22	Q4 21	Δ %	Δ % @cc
Cloud	3,392	2,611	30	3,392	2,611	30	22
Software licenses	907	1,458	–38	907	1,458	–38	–39
Software support	2,993	2,920	3	2,993	2,920	3	–1
Software licenses and support	3,900	4,379	–11	3,900	4,379	–11	–14
Cloud and software	7,292	6,990	4	7,292	6,990	4	0
Services	1,144	991	15	1,144	991	15	10
Total revenue	**8,436**	7,981	6	**8,436**	7,981	6	1
Total operating expenses	–6,729	–6,518	3	–5,856	–5,513	6	1
Operating profit (loss)	**1,707**	1,463	17	**2,581**	2,468	5	2
Financial income, net	–880	523	<–100	–880	523	<–100	
Profit (loss) before tax	**759**	1,958	-61	**1,632**	2,962	–45	
Income tax expense	–427	–517	–17	–605	–688	–12	
Profit (loss) after tax	**332**	1,440	–77	**1,028**	2,274	–55	
Operating margin (in %)	20.2	18.3	1.9pp	30.6	30.9	–0.3pp	0.3pp
Earnings per share, basic (in €)	0.47	1.23	–62	1.00	1.85	–46	

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Income statement: Full year 2022

	IFRS			Non-IFRS			
€ millions, unless otherwise stated	FY 22	FY 21	Δ %	FY 22	FY 21	Δ %	Δ % @cc
Cloud	12,556	9,418	33	12,556	9,418	33	24
Software licenses	2,056	3,248	–37	2,056	3,248	–37	–39
Software support	11,909	11,412	4	11,909	11,412	4	0
Software licenses and support	13,965	14,660	–5	13,965	14,660	–5	–9
Cloud and software	26,522	24,078	10	26,522	24,078	10	4
Services	4,350	3,764	16	4,350	3,764	16	9
Total revenue	**30,871**	27,842	11	**30,871**	27,842	11	5
Total operating expenses	–26,199	–23,186	13	–22,838	–19,613	16	9
Operating profit (loss)	**4,672**	4,656	0	**8,033**	8,230	–2	–7
Financial income, net	–1,385	2,174	<–100	–1,385	2,174	<–100	
Profit (loss) before tax	**3,092**	6,847	–55	**6,452**	10,421	-38	
Income tax expense	–1,378	–1,471	–6	–1,903	–2,084	–9	
Profit (loss) after tax	**1,714**	5,376	–68	**4,549**	8,337	–45	
Operating margin (in %)	15.1	16.7	–1.6pp	26.0	29.6	–3.5pp	–3.2pp
Earnings per share, basic (in €)	1.96	4.46	–56	4.08	6.73	–39	

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Appendix

Gross margin development

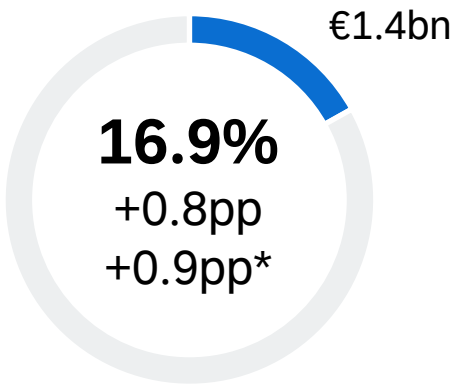
Non-IFRS, in percent as reported	FY 21	Q1 22	Q2 22	Q3 22	Q4 22	FY 22
Cloud	**69.5**	70.0	71.9	71.7	71,3	**71.3**
SaaS	**72.7**	73,0	74,3	75,0	73,1	**73.9**
PaaS	**79.7**	79,1	79,9	78,3	80,3	**79.4**
IaaS	**32.1**	26,5	34,9	21,6	28,0	**27.8**
Software Licenses & Support	**87.6**	87.5	88.5	88.6	89,6	**88.6**
Cloud & Software	**80.5**	79.4	80.6	80.3	81,1	**80.4**
Services	**30.1**	28.0	27.3	31.7	29,1	**29.1**
Total Gross Margin	**73.7**	72.0	73.1	73.3	74,1	**73.2**

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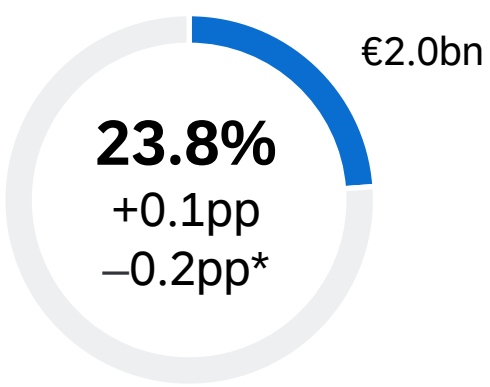
Cost ratios: Fourth quarter 2022

€8.4bn Total revenue

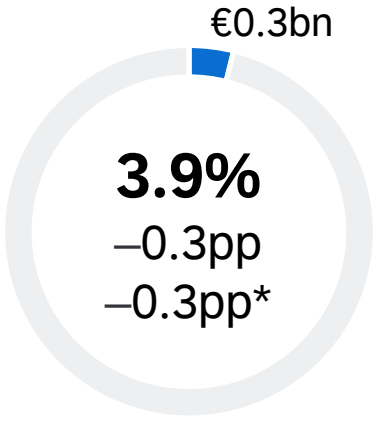
R&D
as % of total revenue



S&M
as % of total revenue



G&A
as % of total revenue



All numbers are Non-IFRS unless otherwise stated.

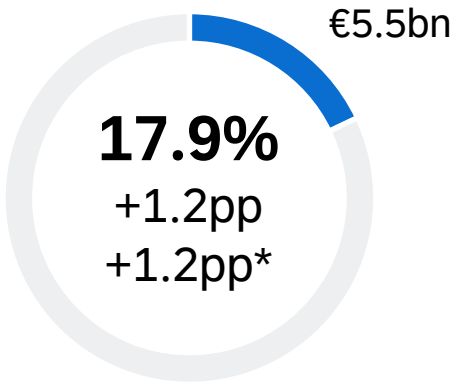
*Non-IFRS at constant currencies

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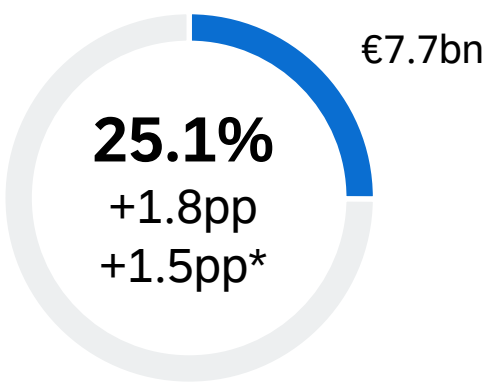
Cost ratios: Full year 2022

€30.9bn Total revenue

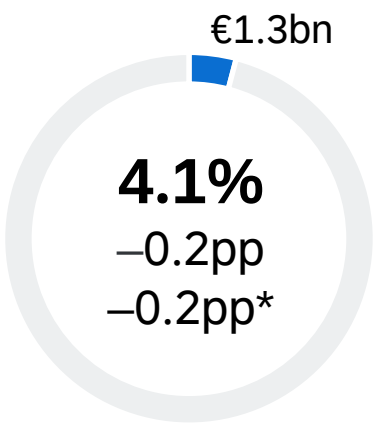
R&D
as % of total revenue



S&M
as % of total revenue



G&A
as % of total revenue



All numbers are Non-IFRS unless otherwise stated.

*Non-IFRS at constant currencies

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Balance sheet condensed: December 31, 2022 – IFRS

Assets

€ millions	12/31/22	12/31/21
Cash, cash equivalents and other financial assets	9,862	11,656
Trade and other receivables	6,258	6,352
Other current assets	2,450	2,036
Total current assets	**18,570**	**20,044**
Goodwill	33,106	31,089
Intangible assets	3,835	3,965
Property, plant, and equipment	4,934	4,977
Other non-current assets	11,716	11,100
Total non-current assets	**53,590**	**51,130**
Total assets	**72,160**	**71,174**

Equity and liabilities

€ millions	12/31/22	12/31/21
Trade and other payables	2,106	1,580
Provisions	90	89
Other liabilities	9,901	10,035
Contract liabilities, current	5,357	4,431
Total current liabilities	**17,452**	**16,136**
Financial liabilities	9,547	11,042
Provisions	359	355
Contract liabilities, non-current	33	13
Other non-current liabilities	1,917	2,105
Total non-current liabilities	**11,856**	**13,515**
Total liabilities	**29,308**	**29,650**
Total equity	**42,852**	**41,523**
Total equity and liabilities	**72,160**	**71,174**

Due to rounding, numbers may not add up precisely

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Cash flow development

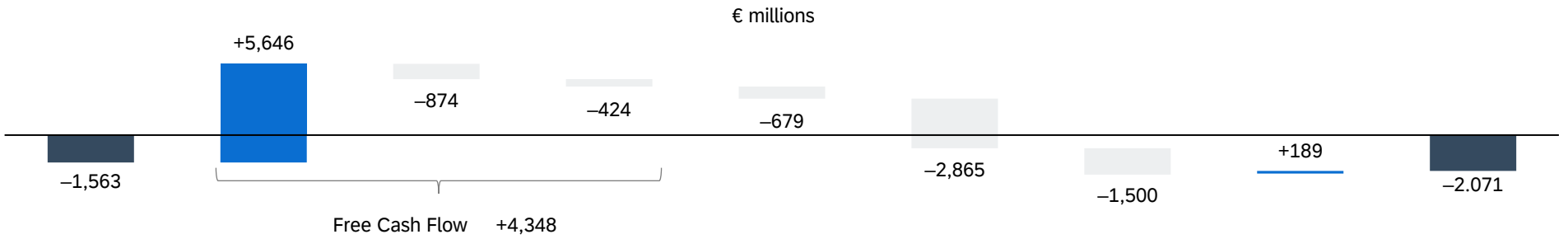
€ millions, unless otherwise stated	FY/22	FY/21	Δ
Operating cash flow	5,646	6,223	-9%
– Capital expenditure	–874	–800	9%
– Payments of lease liabilities	–424	–374	13%
Free cash flow	4,348	5,049	–14%
Free cash flow in percent of total revenue	14	18	-4pp
Free cash flow conversion rate	2.54	0.94	+1.60

Due to rounding, numbers may not add up precisely

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Appendix

Net debt



	Net Debt 12/31/2021	Operating Cash Flow	Capital Expen-diture	Lease Payments	Business Combi-nations	Dividends	Treasury Shares	Other	Net Debt 12/31/2022
PY:	–6,503	+6,223	–800	–374	–1,145	–2,182	0	+3,218	–1,563

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

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Additional outlook information and Non-IFRS adjustments

The Company now expects a full-year 2023 effective tax rate (IFRS) of around 28.0% – 32.0% (2022: 44.6%) and an effective tax rate (non-IFRS) of around 26.0 – 28.0% (2022: 29.5%).

Non-IFRS adjustments	**Actual Amounts FY/21**	**Actual Amounts FY/22**	**Est. Amounts FY/23**
Acquisition-related charges	€622m	€610m	€580m to €660m
Share-based payment expenses	€2,794m	€2,612m	€2,550m to €2,850m
Restructuring charges	€157m	€138m	€250m to €300m
Sum of all adjustments	**€3,573m**	**€3,360m**	**€3,380m to €3,810m**

Due to rounding, numbers may not add up precisely

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Expected currency impact 2023

Expected Currency Impact Based on December 2022 Level Applied for 2023

in percentage points	Q1 23	FY 23
Cloud revenue growth	+2pp to +4pp	0pp to –2pp
Cloud and software revenue growth	+1pp to +3pp	+0pp to –2pp
Operating profit growth (non-IFRS)	+0pp to –2pp	-1pp to –3pp

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Appendix

Key cloud metrics: Fourth quarter 2022

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

Cloud revenue	S/4HANA Cloud revenue[2]	Current cloud backlog[1]	S/4HANA Current cloud backlog[2]	Qualtrics Total segment revenue
+22%	**+90%**	**+24%**	**+82%**	**+25%**
€3,392m	€660m	€12,030m	€3,171m	€328m

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.

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