

# Third Quarter and First Nine Months 2019

## Financial Highlights

SAP SE  
October 21, 2019

THE BEST RUN



# Safe Harbor Statement

Any statements contained in this document that are not historical facts are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “may,” “plan,” “project,” “predict,” “should” and “will” and similar expressions as they relate to SAP are intended to identify such forward-looking statements. SAP undertakes no obligation to publicly update or revise any forward-looking statements. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect SAP’s future financial results are discussed more fully in SAP’s filings with the U.S. Securities and Exchange Commission (“SEC”), including SAP’s most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates.

## Q3 2019 – Key performance metrics

### Cloud Revenue

In € millions

IFRS

**1,789**

▲ +37%

Non-IFRS

**1,807**

▲ +37% (+33% cc)

### Total Revenue

In € millions

IFRS

**6,791**

▲ +13%

Non-IFRS

**6,809**

▲ +13% (+10% cc)

The share of more predictable revenue reached **69%** in the third quarter of 2019  
(+2 percentage points)

### Cloud & Software Revenue

In € millions

IFRS

**5,629**

▲ +12%

Non-IFRS

**5,647**

▲ +13% (+10% cc)

### Operating Profit

In € millions

IFRS

**1,679**

▲ +36%

Non-IFRS

**2,086**

▲ +20% (+15% cc)

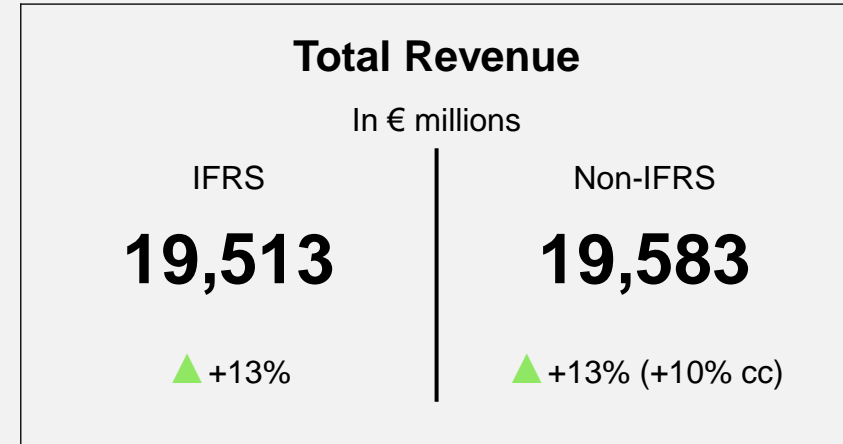
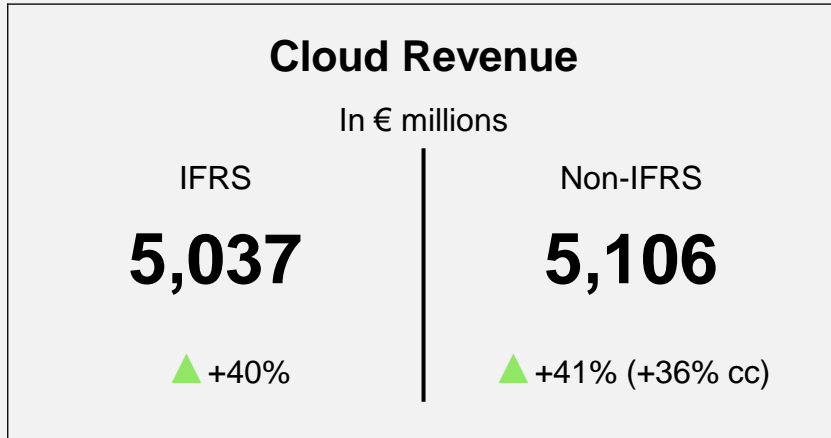
# Q3 2019 – Key performance metrics

## Financial Highlights

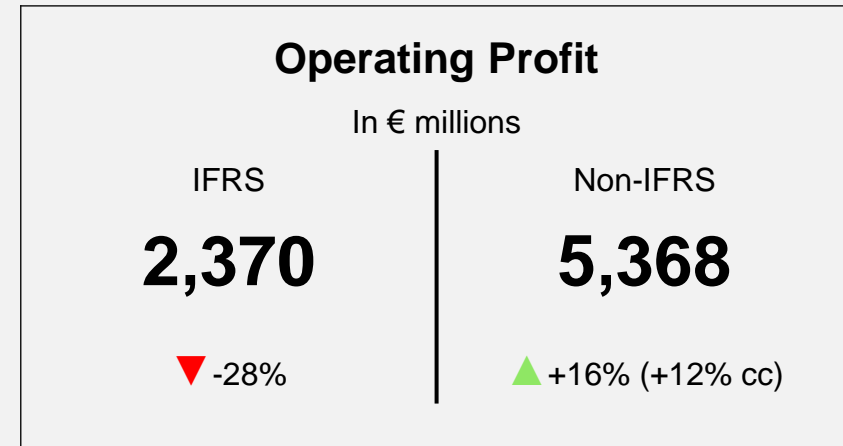
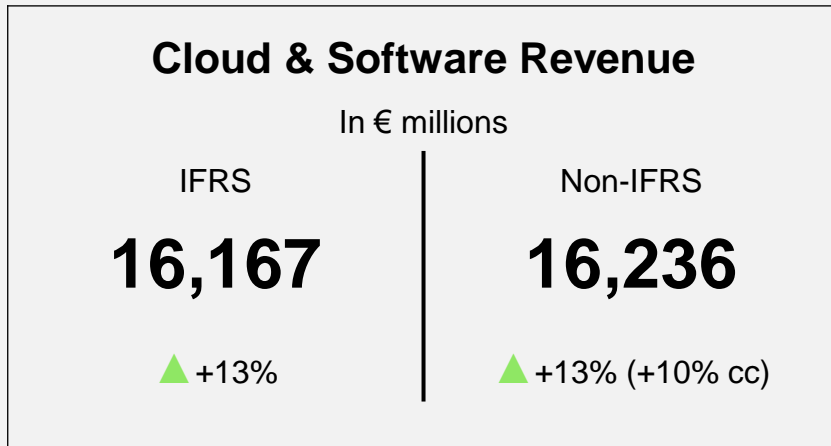
- Cloud revenue grew to **€1.8bn** – **+37%** (IFRS), **+37%** (Non-IFRS), **+33%** (Non-IFRS cc)
- Cloud gross margin up more than **5pp**
- New cloud bookings up **39%** to **€572m** (**+34%** cc), excluding IaaS up **51%**
- Software license revenue down **1%** to **€932m** (**-4%** cc)
- New cloud and software order entry up **20%** to **€2.66bn** (**+15%** cc)
- Earnings per share were **€1.04** (IFRS) (Q3/2018: €0.81) and up **14%** at **€1.30** (Non-IFRS)
- Operating cash flow up **28%** to **€0.64bn** | Free cash flow up **116%** to **€0.37bn**
- S/4HANA customers up **25%** to **>12.000** customers, approximately **40%** were net new

Non-IFRS unless otherwise specified

# YTD 2019 – Key performance metrics



The share of more predictable revenue reached **70%** in the first nine months of 2019  
(+2 percentage points)



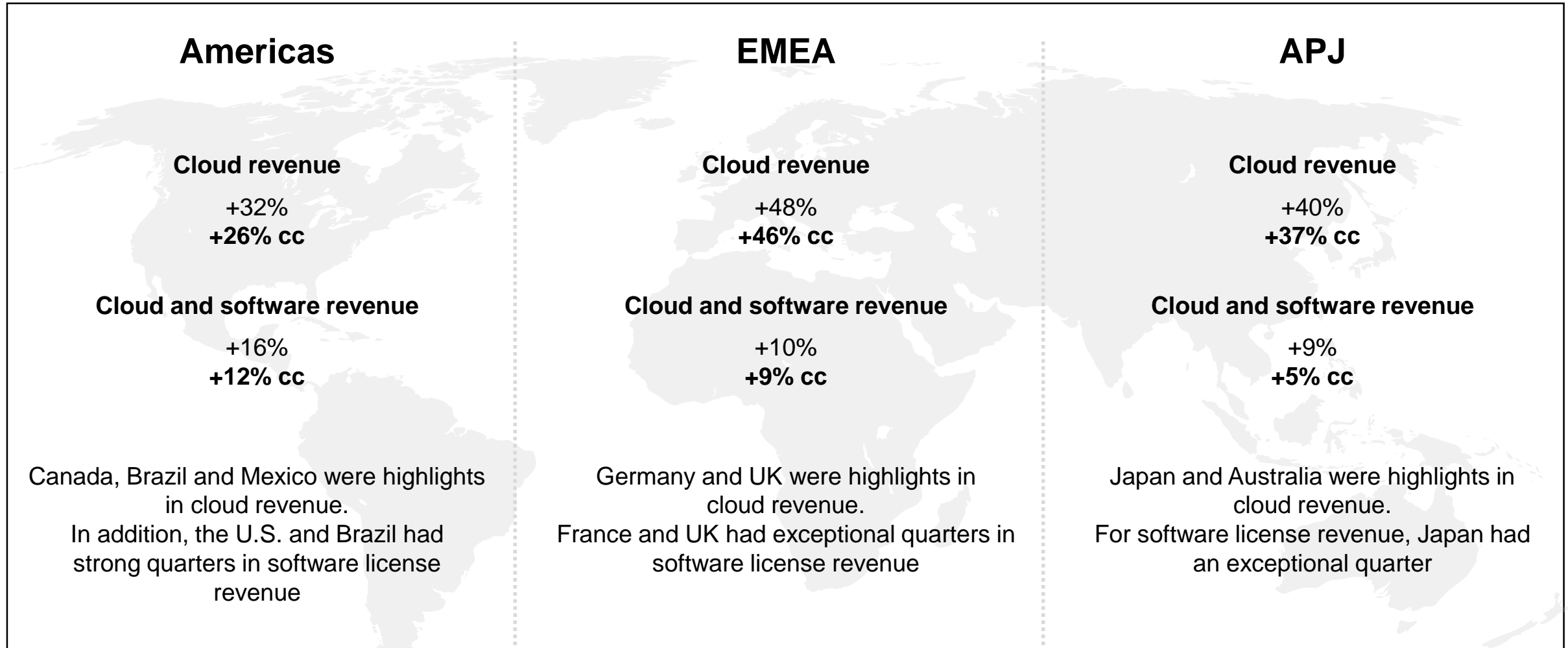
# YTD 2019 – Key performance metrics

## Financial Highlights 9M 2019

- Cloud revenue grew to **€5.1bn** – **+40%** (IFRS), **+41%** (Non-IFRS), **+36%** (Non-IFRS cc)
- New cloud bookings up **29%** to **€1.389m** (**+24%** cc)
- Software license revenue down **1%** to **€2.5bn** (**-4%** cc)
- New cloud and software order entry up **13%** to **€6.64bn** (**+9%** cc)
- Earnings per share were **€1.43** (IFRS) (9M/2018: €2.01) and up **16%** at **€3.29** (Non-IFRS)
- Operating cash flow down **5%** to **€3.3bn** | Free cash flow flat at **€2.3bn**

Non-IFRS unless otherwise specified

# Q3 2019 – Regional performance



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

# Q3 2019 – Double digit growth across revenue, operating profit and strong operating margin expansion





€ millions, unless otherwise stated							
	IFRS			Non-IFRS			
Revenue Numbers	Q3/19	Q3/18	Δ %	Q3/19	Q3/18	Δ %	Δ % at cc
Cloud	1,789	1,304	37	1,807	1,315	37	33
Software licenses	932	937	-1	932	937	-1	-4
Software support	2,907	2,765	5	2,907	2,765	5	3
Software licenses and support	3,839	3,702	4	3,840	3,702	4	1
Cloud and software	5,629	5,007	12	5,647	5,017	13	10
Services	1,162	1,014	15	1,162	1,014	15	11
<b>Total revenue</b>	<b>6,791</b>	<b>6,020</b>	<b>13</b>	<b>6,809</b>	<b>6,031</b>	<b>13</b>	<b>10</b>
Total operating expenses	-5,111	-4,784	7	-4,724	-4,289	10	8
<b>Operating profit (loss)</b>	<b>1,679</b>	<b>1,236</b>	<b>36</b>	<b>2,086</b>	<b>1,742</b>	<b>20</b>	<b>15</b>
Financial income, net	42	12	>100	42	12	>100	
<b>Profit (loss) before tax</b>	<b>1,702</b>	<b>1,280</b>	<b>33</b>	<b>2,108</b>	<b>1,786</b>	<b>18</b>	
Income tax expense	-443	-309	44	-544	-428	27	
<b>Profit (loss) after tax</b>	<b>1,259</b>	<b>972</b>	<b>30</b>	<b>1,564</b>	<b>1,358</b>	<b>15</b>	
Operating margin (in %)	24.7%	20.5%	4.2pp	30.6%	28.9%	1.7pp	1.5pp
Earnings per share, basic (in €)	1.04	0.81	28	1.30	1.14	14	







# YTD 2019 – Cloud & software revenue, total revenue, non-IFRS operating profit and non-IFRS EPS up double-digit

€ millions, unless otherwise stated							
	IFRS			Non-IFRS			
Revenue Numbers	9M/19	9M/18	Δ %	9M/19	9M/18	Δ %	Δ % at cc
Cloud	5,037	3,588	40	5,106	3,614	41	36
Software licenses	2,531	2,558	-1	2,531	2,558	-1	-4
Software support	8,599	8,156	5	8,599	8,156	5	3
Software licenses and support	11,130	10,714	4	11,130	10,714	4	1
Cloud and software	16,167	14,302	13	16,236	14,328	13	10
Services	3,346	2,979	12	3,346	2,979	12	9
<b>Total revenue</b>	<b>19,513</b>	<b>17,280</b>	<b>13</b>	<b>19,583</b>	<b>17,307</b>	<b>13</b>	<b>10</b>
Total operating expenses	-17,142	-13,976	23	-14,214	-12,690	12	9
<b>Operating profit (loss)</b>	<b>2,370</b>	<b>3,304</b>	<b>-28</b>	<b>5,368</b>	<b>4,618</b>	<b>16</b>	<b>12</b>
Financial income, net	70	40	77	70	40	77	
<b>Profit (loss) before tax</b>	<b>2,377</b>	<b>3,286</b>	<b>-28</b>	<b>5,375</b>	<b>4,599</b>	<b>17</b>	
Income tax expense	-644	-889	-28	-1,414	-1,202	18	
<b>Profit (loss) after tax</b>	<b>1,733</b>	<b>2,397</b>	<b>-28</b>	<b>3,961</b>	<b>3,397</b>	<b>17</b>	
Operating margin (in %)	12.1%	19.1%	-7.0pp	27.4%	26.7%	0.7pp	0.5pp
Earnings per share, basic (in €)	1.43	2.01	-29	3.29	2.85	16	

# Q3 2019 – Non-IFRS operating profit up 20% driven by strong topline and very strong bottom line

Non-IFRS			
	Total operating expenses   Operating profit (loss)	Total revenue	
Q3/18		€6,031m	<ul style="list-style-type: none"> <li>■ <b>Non-IFRS operating profit (loss)</b> +20% to €2,086m (Q3/18: €1,742m) +15% to €2,011m at cc</li> </ul>
Q3/19		€6,809m	<ul style="list-style-type: none"> <li>■ <b>Non-IFRS operating margin</b> +1.7pp to 30.6% (Q3/18: 28.9%) 1.5pp to 30.4% at cc</li> </ul>
IFRS			
	Total operating expenses   Operating profit (loss)	Total revenue	
Q3/18		€6,020m	<ul style="list-style-type: none"> <li>■ <b>IFRS operating profit (loss)</b> +36% to €1,679m (Q3/18: €1,236m)</li> </ul>
Q3/19		€6,791m	<ul style="list-style-type: none"> <li>■ <b>IFRS operating margin</b> +4.2pp to 24.7% (Q3/18: 20.5%)</li> </ul>

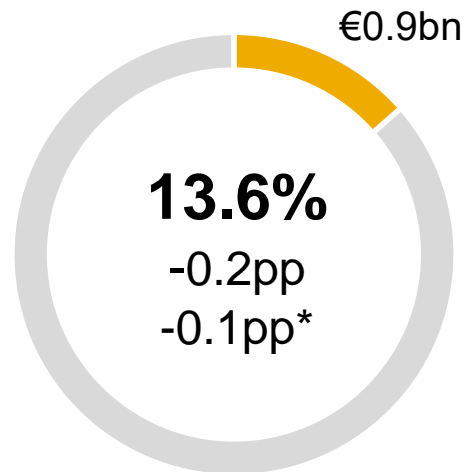
# YTD 2019 – Expansion of non-IFRS operating margin by 70 basis points

Non-IFRS			
	Total operating expenses   Operating profit (loss)	Total revenue	
9M/18		€17,307m	<ul style="list-style-type: none"> <li>■ <b>Non-IFRS operating profit (loss)</b> +16% to €5,368m (9M/18: €4,618m) +12% to €5,177m at cc</li> </ul>
9M/19		€19,583m	<ul style="list-style-type: none"> <li>■ <b>Non-IFRS operating margin</b> +0.7pp to 27.4% (9M/18: 26.7%) +0.5pp to 27.2% at cc</li> </ul>
IFRS			
	Total operating expenses   Operating profit (loss)	Total revenue	
9M/18		€17,280m	<ul style="list-style-type: none"> <li>■ <b>IFRS operating profit (loss)</b> -28% to €2,370m (9M/18: €3,304m)</li> </ul>
9M/19		€19,513m	<ul style="list-style-type: none"> <li>■ <b>IFRS operating margin</b> -7.0pp to 12.1% (9M/18: 19.1%)</li> </ul>

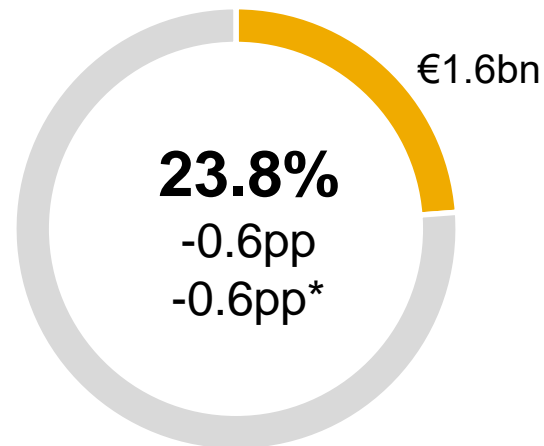
# Q3 2019 – Cost ratios

€6.8bn Total revenue, Non-IFRS

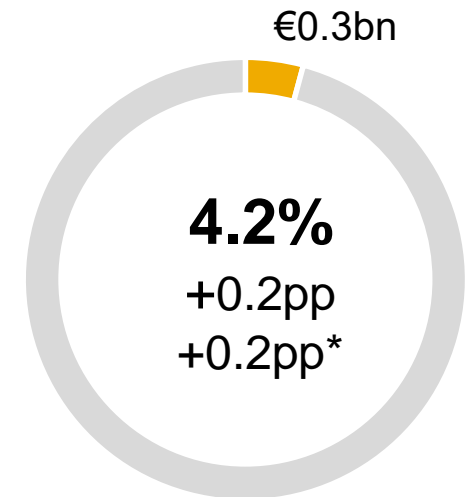
**R&D**  
as % of total revenue



**S&M**  
as % of total revenue



**G&A**  
as % of total revenue

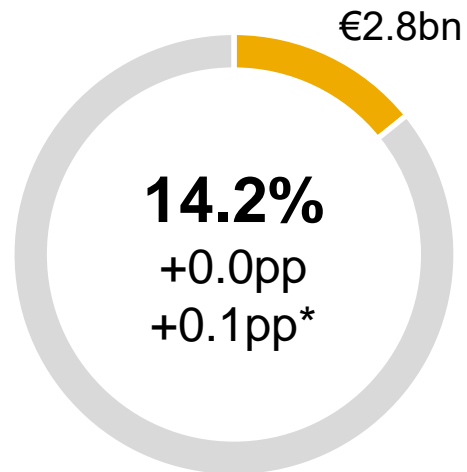


\*Non-IFRS at constant currencies

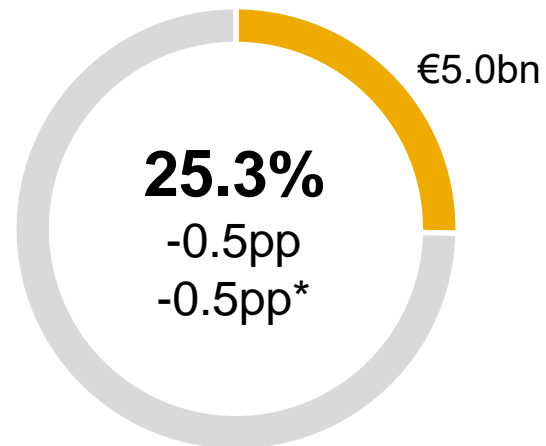
# YTD 2019 – Cost ratios

€19.6bn Total revenue, Non-IFRS

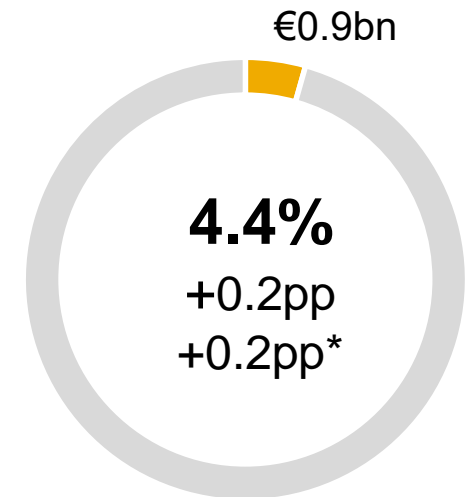
**R&D**  
as % of total revenue



**S&M**  
as % of total revenue



**G&A**  
as % of total revenue



\*Non-IFRS at constant currencies

# Balance Sheet, Condensed

## September 30, 2019, IFRS

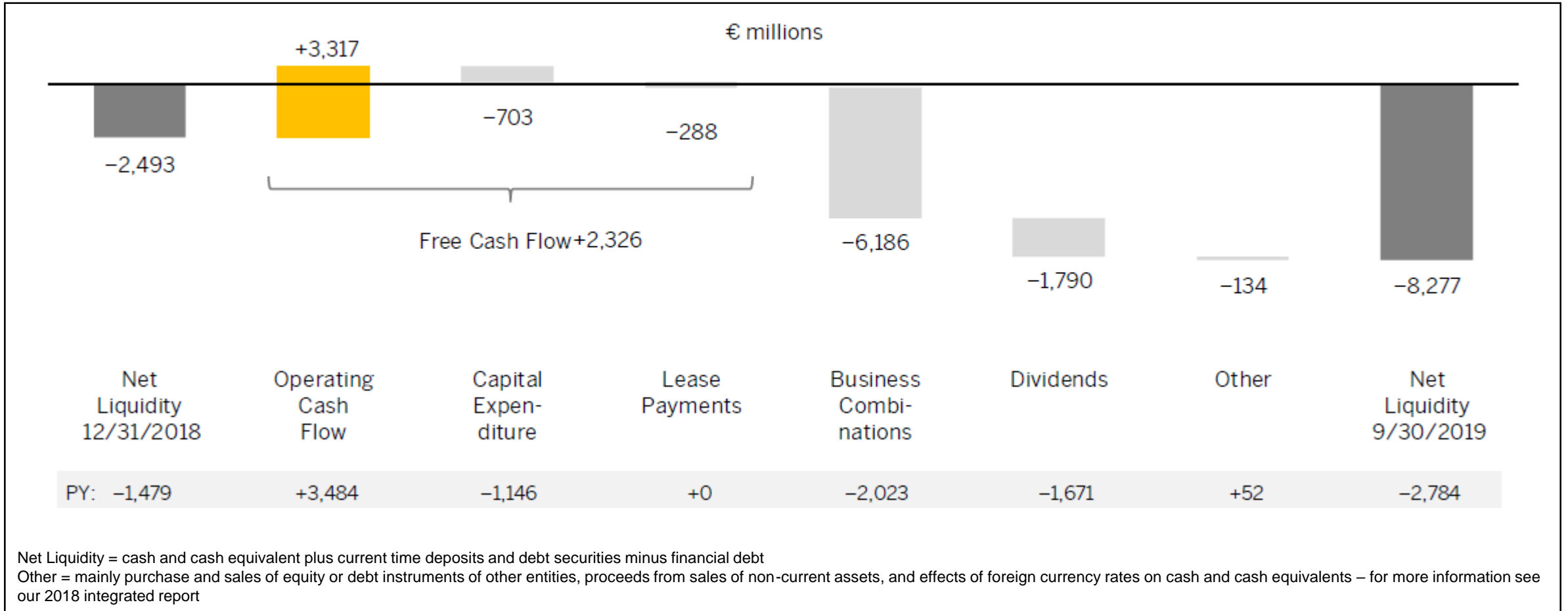
Assets		
€ millions	09/30/19	12/31/18
Cash, cash equivalents and other financial assets	5,853	9,075
Trade and other receivables	5,846	6,362
Other current assets	2,385	1,183
<b>Total current assets</b>	<b>14,085</b>	<b>16,620</b>
Goodwill	29,833	23,736
Intangible assets	4,736	3,227
Property, plant, and equipment	5,449	3,553
Other non-current assets	5,697	4,366
<b>Total non-current assets</b>	<b>45,715</b>	<b>34,881</b>
<b>Total assets</b>	<b>59,800</b>	<b>51,502</b>

Equity and liabilities		
€ millions	09/30/19	12/31/18
Trade and other payables	1,510	1,491
Provisions	869	110
Other liabilities	7,105	5,857
Contract liabilities, current	4,400	3,028
<b>Total current liabilities</b>	<b>13,884</b>	<b>10,486</b>
Financial liabilities	13,649	10,553
Provisions	321	270
Contract liabilities, non-current	93	88
Other non-current liabilities	1,624	1,227
<b>Total non-current liabilities</b>	<b>15,687</b>	<b>12,138</b>
Total liabilities	29,571	22,624
Total equity	30,228	28,877
<b>Total equity and liabilities</b>	<b>59,800</b>	<b>51,502</b>

## YTD 2019 – Operating cash flow and free cash flow

€ millions, unless otherwise stated	9M/19	9M/18	Δ
Operating cash flow	3,317	3,484	-5%
- Capital expenditure	-703	-1,146	-39%
- Payments of lease liabilities	-288	-	-
Free cash flow	2,326	2,338	0%
Free cash flow in percent of total revenue	12	14	-2pp
Free cash flow conversion rate	1.34	0.98	37%
Days sales outstanding (DSO in days, September 30)	71	68	3

# Net Liquidity





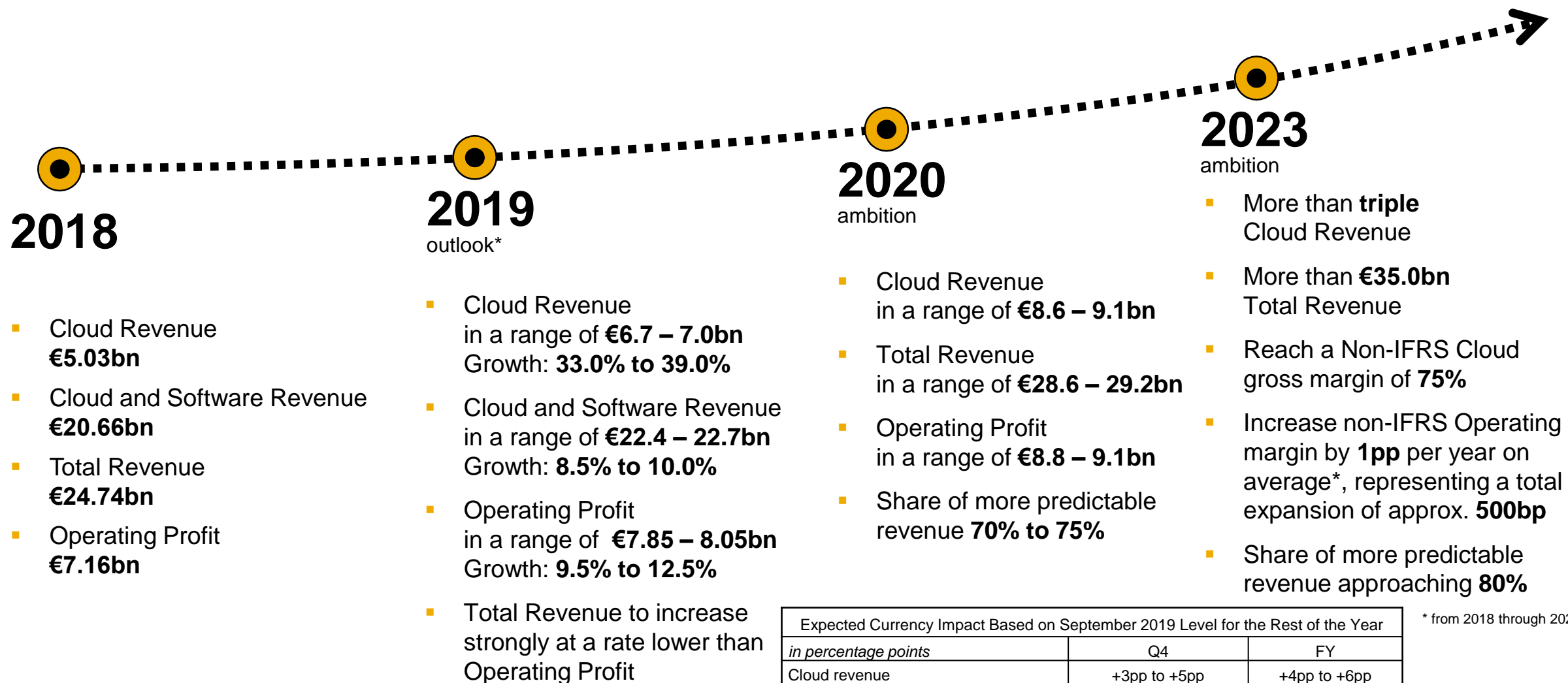
## FY 2019 – Additional outlook information and non-IFRS adjustments

The Company continues to expect a full-year 2019 effective tax rate (IFRS) of 26.5% to 27.5% (2018: 27.0%) and an effective tax rate (non-IFRS) of 26.0% to 27.0% (2018: 26.3%)

	Actual Amounts 9M/18	Actual Amounts 9M/19	Est. Amounts for FY/19
Non-IFRS adjustments			
Revenue adjustments	€27m	€70m	€70m to €120m
Acquisition-related charges	€422m	€515m	€650m to €750m
Share-based payment expenses	€838m	€1,313m	€1,650m to €1,900m
Restructuring charges	€26m	€1,100m	€1,050m to €1,150m
<b>Sum of all adjustments</b>	<b>€1,313m</b>	<b>€2,998m</b>	<b>€3,420m to €3,920m</b>

Due to rounding, numbers may not add precisely

# 2019 Outlook and mid-term ambition



\* from 2018 through 2023

# Appendix

# Q3 2019 – Key metrics

Q3/19 unless otherwise stated

All figures are Non-IFRS unless otherwise stated

<b>Cloud Revenue</b>  <b>+37%</b> €1,807m	<b>New Cloud Bookings<sup>1</sup></b>  <b>+39%</b> €572m	<b>Global Commerce<sup>2</sup></b>  <b>~\$3.4 trillion</b>	<b>Cloud Applications Total Subscribers</b>  <b>~207m</b>
<b>Intelligent Spend Group – Segment Revenue</b>  <b>+23%</b> €828m	<b>Customer and Experience Management – Segment Revenue</b>  <b>+75%</b> €371m	<b>Number of end users processing travel and expense with SAP Concur</b>  <b>&gt;63m</b>	<b>Flexible workers managed with SAP Fieldglass platform</b>  <b>6.1m</b>

1) New cloud bookings are the total of all orders received in a given period the revenue from which is expected to be classified as cloud revenue and that result from purchases by new customers and from incremental purchases by existing customers. Consequently, orders to renew existing contracts are not included in this metric. The order amount must be committed. Consequently, due to their pay-per-use nature, business network transaction fees which do not include a committed minimum consumption are not reflected in the bookings metric (e.g. SAP Ariba and SAP Fieldglass transaction-based fees). Amounts included in the measures are generally annualized (annualized contract value ACV).

2) Global commerce is the total commerce volume transacted on the SAP Ariba, SAP Concur and SAP Fieldglass Networks in the trailing 12 months. SAP Ariba commerce includes procurement and sourcing spend

# Gross margin development

## 2015 – YTD

Non-IFRS	FY/15	Q1/16	Q2/16	Q3/16	Q4/16	FY/16	Q1/17	Q2/17	Q3/17	Q4/17	FY/17	Q1/18	Q2/18	Q3/18	Q4/18	FY/18	Q1/19	Q2/19	Q3/19
Cloud	66	66	65	65	63	64	65	62	61	61	62	63	64	64	62	63	66	68	69
Intelligent Spend Group*	75	75	76	77	75	76	77	77	75	77	77	77	77	78	78	78	78	78	78
Software License & Support	87	86	87	87	88	87	85	87	87	89	87	86	87	87	89	87	86	87	88
Cloud & Software	84	82	84	83	85	84	81	82	82	84	82	81	81	81	83	82	80	81	82
Services	23	14	18	20	20	18	21	23	25	25	24	20	26	22	24	23	20	24	27
<b>Total gross margin</b>	<b>73</b>	70	73	73	76	<b>73</b>	70	71	73	75	<b>72</b>	70	71	71	74	<b>72</b>	69	71	72

\* Gross margins as reported. Changes in profit center structure may lead to changes in previous quarters.

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## Financial Highlights

SAP SE  
October 21, 2019

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