



Dynamisches Geschäftsmodell trifft konservatives Finanzprofil

Das SAP-Zinsmanagement in Zeiten der Unsicherheit

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About SAP's Cloud Transformation and Financials

Introduction

Times of Uncertainty

Sovereign Debt Crisis?



The ECB's latest attempt to hold the euro zone together

Geopolitical Uncertainties



Role of Central Banks



Regulation and Transformation



Investors

Our investment conviction is that sustainability- and climate-integrated portfolios can provide better risk-adjusted returns to investors. And with the impact of sustainability on investment returns increasing, we believe that sustainable investing is the strongest foundation for client portfolios going forward.

Larry Fink, Chairman and CEO of BlackRock

Pandemic



Economic cool down and global recession fears

THE WALL STREET JOURNAL

Inflation Collides With Growth Fears to Trigger Big Swings in the Bond Market

10-year Treasury yield nearly reached 3.5% after inflation report but dropped as investors grew more worried about growth

OUR PURPOSE

Help the world run better and improve people's lives



OUR VISION Guides us

Reinvent how the world runs as a network of intelligent, sustainable enterprises



1 Intelligent, sustainable enterprises



2 Business network



3 Sustainable world

OUR OPERATING MODEL Unites us

S/4HANA

SuccessFactors (HXM)

Customer Experience (CX)

Intelligent Spend & Business Network (ISBN)

Business Technology Platform (BTP)

New growth areas and specialized areas: SAP Signavio, SAP Business Network, SAP solutions for sustainability, Taulia, Qualtrics, supporting solution areas



Customers

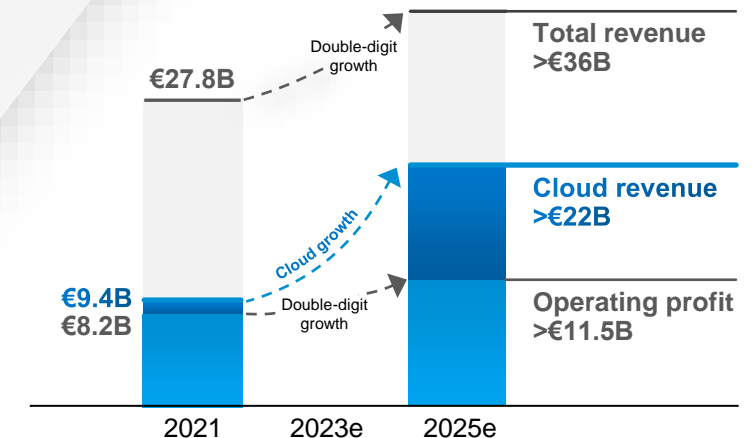
- SAP customers generate 87% of total global commerce (\$46 trillion)
- 99 of the 100 largest companies in the world are SAP customers
- 97 of the 100 greenest companies in the world run SAP
- 85 of the 100 largest companies in the world are SAP S/4HANA customers
- Approximately 80% of SAP's customers are SME

Key Financial Figures

Market leader in enterprise application software
Leading analytics and business intelligence company

- Group Financial Debt by Sept. 30, 2022: **EUR 12.3bn**
- Group Liquidity by Sept. 30, 2022: **EUR 8.6bn**
- Group Net Debt by Sept. 30, 2022: **EUR -3.7bn**
- Total Revenue 2021: **EUR 27.8bn**
- Cloud Revenue 2021: **EUR 9.6bn**
- Operating Cash Flow 2021: **EUR 6.2bn**
- Free Cash Flow 2021: **EUR 5bn**

OUR 2025 AMBITION Is clear



About SAP's Cloud Transformation and Financials

Market Expansion: Significant upside growth potential



Growth markets

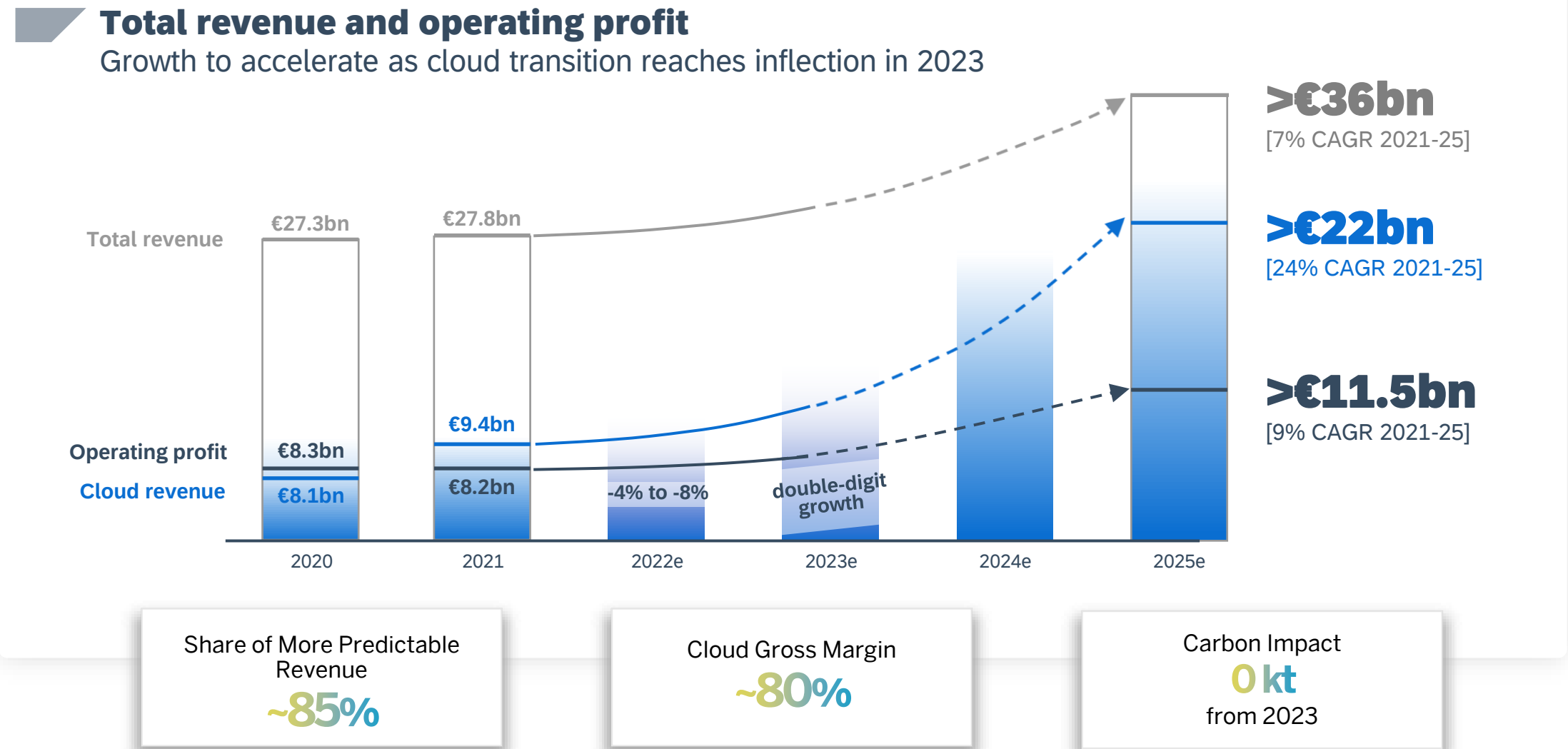
NEW MARKETS

- ✓ Industry Cloud
- ✓ Business Process Intelligence
- ✓ Business Network
- ✓ Sustainability
- ✓ Sovereign clouds
- ✓ Partnerships
- ✓ Adjacent markets (M&A transactions)



About SAP's Cloud Transformation and Financials

Ambition 2025: Accelerating Profitable Growth Through 2025



About SAP's Cloud Transformation and Financials

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

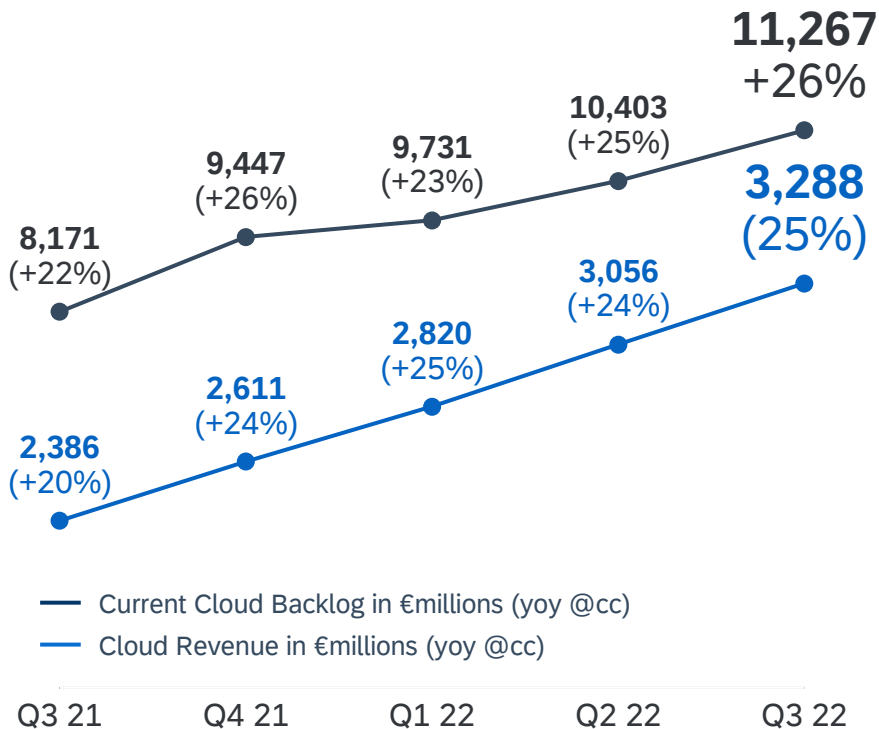
2,621

▲ +39% (+26% @cc)

PaaS Revenue

415

▲ +56% (+44% @cc)

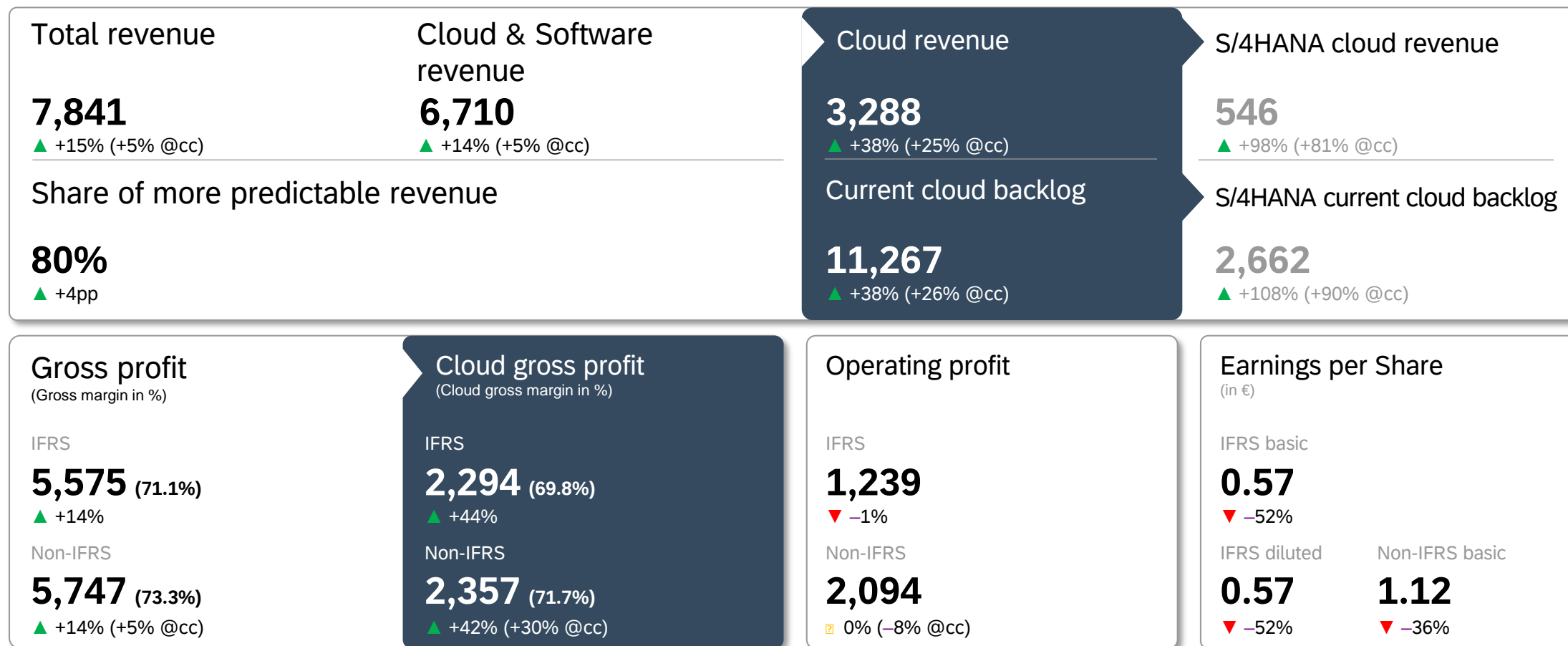


All numbers are in € millions, non-IFRS unless otherwise stated.

About SAP's Cloud Transformation and Financials

SAP Q3 2022 Financial Results

We keep the promise and grow strong in cloud revenues and current cloud backlog. But our transformation to the cloud comes at a cost.

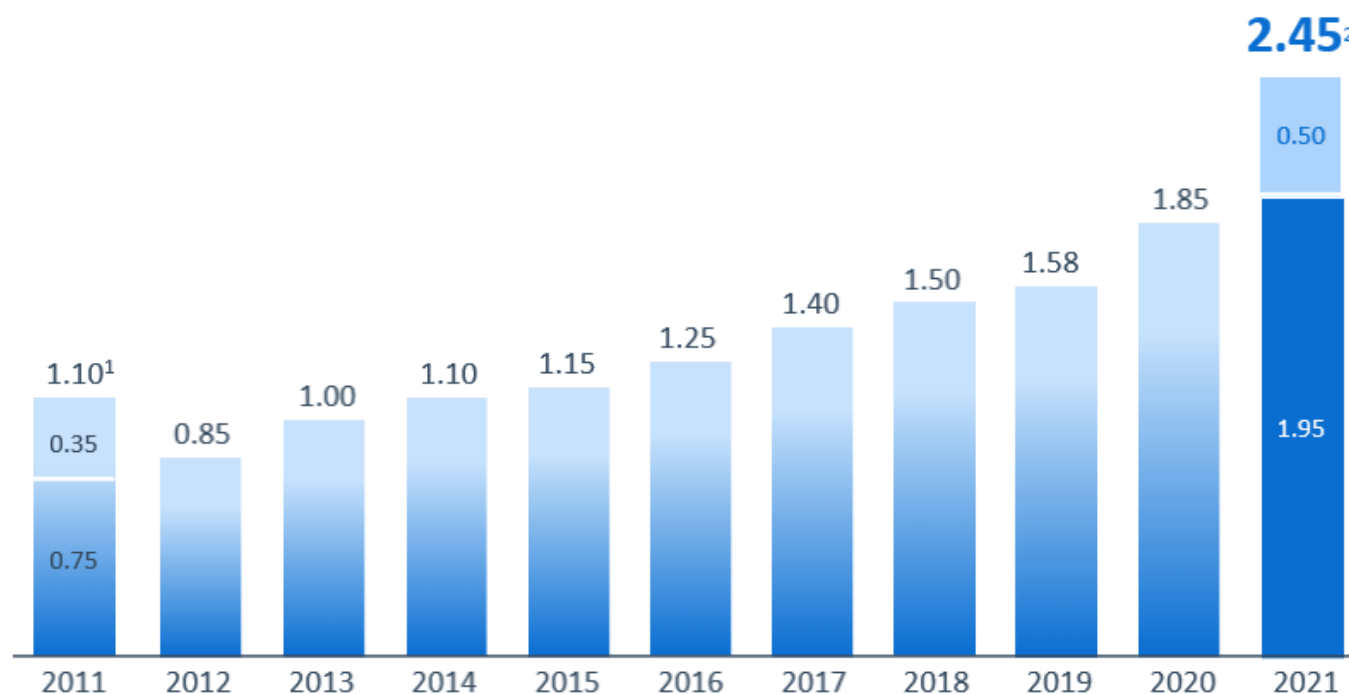


In € millions, unless otherwise stated

About SAP's Cloud Transformation and Financials

Capital Allocation

Dividends since 2011
€ per share



1. Includes a special dividend of €0.35 to celebrate SAP's 40th anniversary; 2. As proposed by SAP SE on February 24, 2022. Proposal includes a special dividend of €0.50 to celebrate SAP's 50th anniversary and is subject to shareholder approval at AGM scheduled for May 18, 2022. Excluding special dividend, 2021 dividend proposal corresponds to 43% of IFRS profit after tax.

Capital allocation priorities

- Funding of organic growth
- Debt repayment at maturity
- Policy of progressive regular dividend payments
- Inorganic growth opportunities
- Additional cash returns - share repurchases and special dividends



Financing Strategy

Global Treasury Organization

Group CFO

Head of Global Finance

Treasury Committee*

Head of Global Treasury

Assistant

Strategic Finance, Equity & Liquidity	Treasury Operations & Processes	Treasury Finance	Front Office	Regional Treasury Center	Treasury Center Ireland	Ariba Treasury & US Markets	Concur
Group Liquidity Planning	Cash Management	Financing and Capital Market Strategy	Dealing (FX, MM, Securities, Equities, Derivatives)	Liquidity + Working Capital Management	External USD Funding & Debt Investor Relations	US Investments & Capital Markets	Global Liquidity Management
Strategic Finance Transactions	Liquidity Centralization	Rating and Debt Investor Relations	FX Hedging & Optimization	Local FX + Investments	Internal Financing Transactions	US Financial Market Regulation	Global Treasury Projects
Capital Allocation	Short Term Liquidity Planning	Subsidiary Service & Policy	Share Buyback Strategy & Execution	Regional Bank Relationship	Subsidiary Service & Policy	Ariba Risk Management	Expense Pay
Stock Based Compensation	Bank Account Administration	Treasury Related Accounting Forecast and Reporting	Interest Rate and Asset Management	Local Financial Business Support	Dealing, FX Hedging	Ariba Product Support	Global Relationship Management
Projects with Subsidiaries and Tax	In-House Bank Management	Bank Relationship Management	Financial Market Regulation	Financial Risk Management		Global Treasury Project Support	
	Worldwide Bank Connectivity	Support Post-Merger Integration and Other Projects		Treasury Project Management			
	ERP Related Project Coordination	SOX Compliance and Treasury Guideline					

*The Treasury Committee (TRC) has been established as a steering panel to discuss strategic Treasury topics, e.g. financial risk management and asset management framework, capital structure

SAP's Financing Strategy, Cash Flow Development and Indebtedness

SAP's Financing Strategy

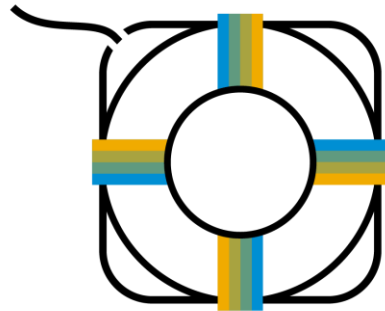
Minimum Operating Group Liquidity



>€5.5bn

Ensured by **stable cash flows** driven by recurring revenue streams

Revolving Credit Facility



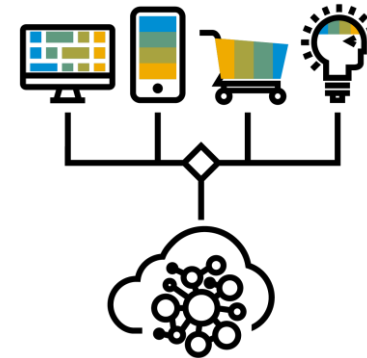
€2.5bn

Serves as **back-up credit facility**

20 participating banks

Relationship-defining character

M&A driven external debt financing



€12.3bn*

M&A activities since 2008

Optimal positioning of SAP in the current industry transformation, especially towards cloud business

Credit Rating

A / A2

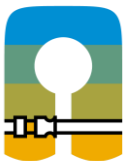
Standard&Poor's

Moody's

Credit Rating since 2014

Gives SAP the necessary strategic flexibility to obtain external financing & saves on interest expense

* Acquisition-related financing including Commercial Paper Program, Eurobonds, US Private Placements (US PPs) and Term Loans as per September 30, 2022



Additional short-term funding sources

€ 2.5bn / 0.9bn

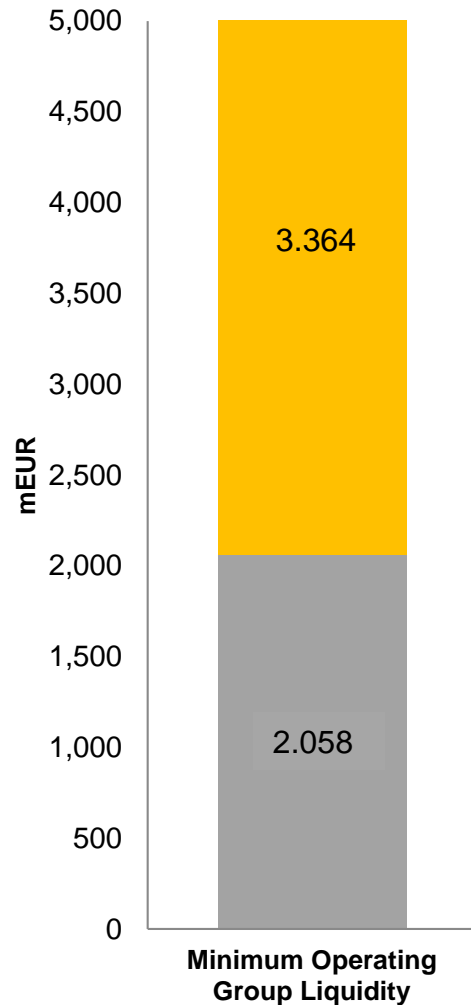
Commercial Paper Program

€ 0.61bn / 0.0bn

Bilateral Credit Lines (SAP SE)

SAP's Financing Strategy, Cash Flow Development and Indebtedness

Minimum Operating Liquidity (MOL) SAP Group



Minimum Operating Group Liquidity is composed of two parts

- EUR 3.4bn: Liquidity that is needed to finance the cash-relevant operating expenses until related revenue payments are actually received (DSO)
 - The basic assumption of this rather conservative concept is that a subsidiary has centralized all of its cash to SAP SE
 - In that ideal case it would need to finance its cash-relevant operating expenses for a time period equivalent to its DSO figure

$$\text{EUR 3.4bn} = \left[\text{EUR 20.4bn} - \text{EUR 2.6bn} \right] \times \frac{\text{Group DSO FC YE 2021}}{365}$$

Operating expenses Plan 2022¹⁾ **Oper. exp. of "blocked" countries**

- EUR 2.1bn: Liquidity in foreign countries that cannot be centralized due to legal and / or other restrictions (trapped cash), e.g. China, India, Venezuela etc.

Minimum Operating Group Liquidity → EUR 5.5bn

1) Plan of operating expenses 2022 IFRS basis (deduction of depreciation and amortization and other non-cash expenses – assumption 20%)

SAP's Financing Strategy, Cash Flow Development and Indebtedness

M&A-driven External Debt Financing and Debt History

2007	2008	2010	2012	2012	2013	2014	2014	2018	2018
No major acquisitions									
Acquisition price	€4.2bn	\$5.8bn	\$3.4bn	\$4.3bn	~ €1.0bn	< €1.0bn	\$8.3bn	\$2.4bn	\$8.0bn

Financing instruments

Term Loan	€3bn	€2.75bn	€1.0bn	€2.4bn	€1.0bn	€0.5bn	€7.0bn	€1.8bn	€2.5bn
Repayment	21 months	11 months	9 months	2 months	4 months	7 months	22 months	2 months	36 months
Schuld-schein	€0.7bn		No capital market transaction		No capital market transaction	No capital market transaction			
Eurobond		€2.2bn		€1.3bn			€4.5bn	€1.5bn	€4.5bn
US PP		\$1.25bn		\$1.4bn					



Starting in 2008, SAP changed its strategy from a pure organic growth to an acquisition-driven growth path. The change was mainly required regarding investments and the transformation into the cloud which is still persistent

SAP's Financing Strategy, Cash Flow Development and Indebtedness

Debt Maturity Profile and Key KPIs

All figures in EURm unless otherwise stated

Total Financial Debt
€12.3bn

EUR debt	11,080
USD debt	1,198

Weighted Average Interest Rate
1.31%

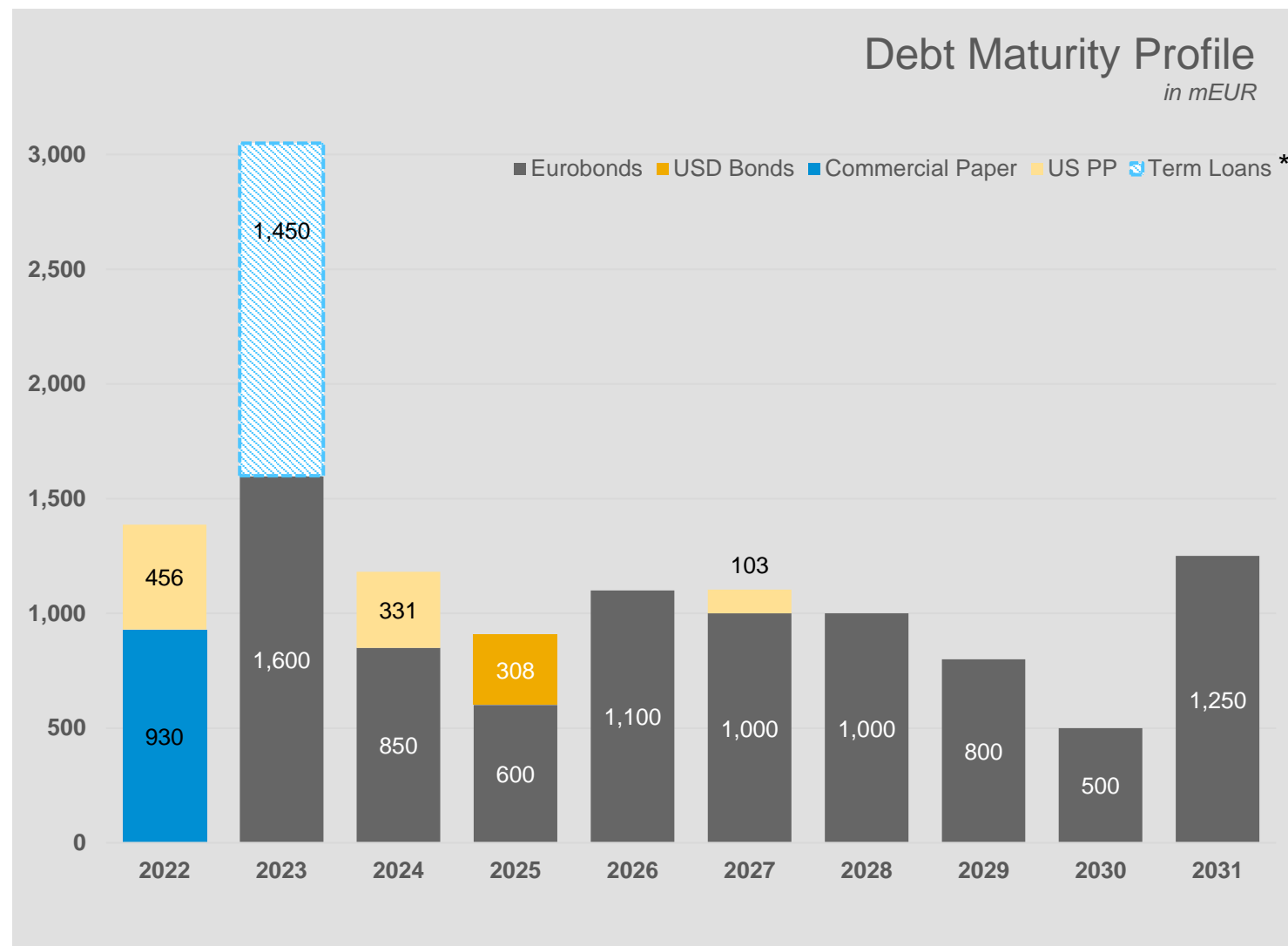
EUR debt	1.08%
USD debt	3.50%

Weighted Average Maturity
3.36y

EUR debt	3.53y
USD debt	1.83y

Debt Headroom

Flexibility for M&A ensured by strong recurring operating cash flows as well as fast deleveraging



EUR 1.45bn term loans with final maturity in September 2023. However, flexible repayments are possible.



Interest Rate Management @SAP

Interest Rate Management @SAP

Asset Liability Match (ALM) and Hedging of +7y Tenors

Two-step strategy for interest rate risk management:

Asset Liability Match (ALM)

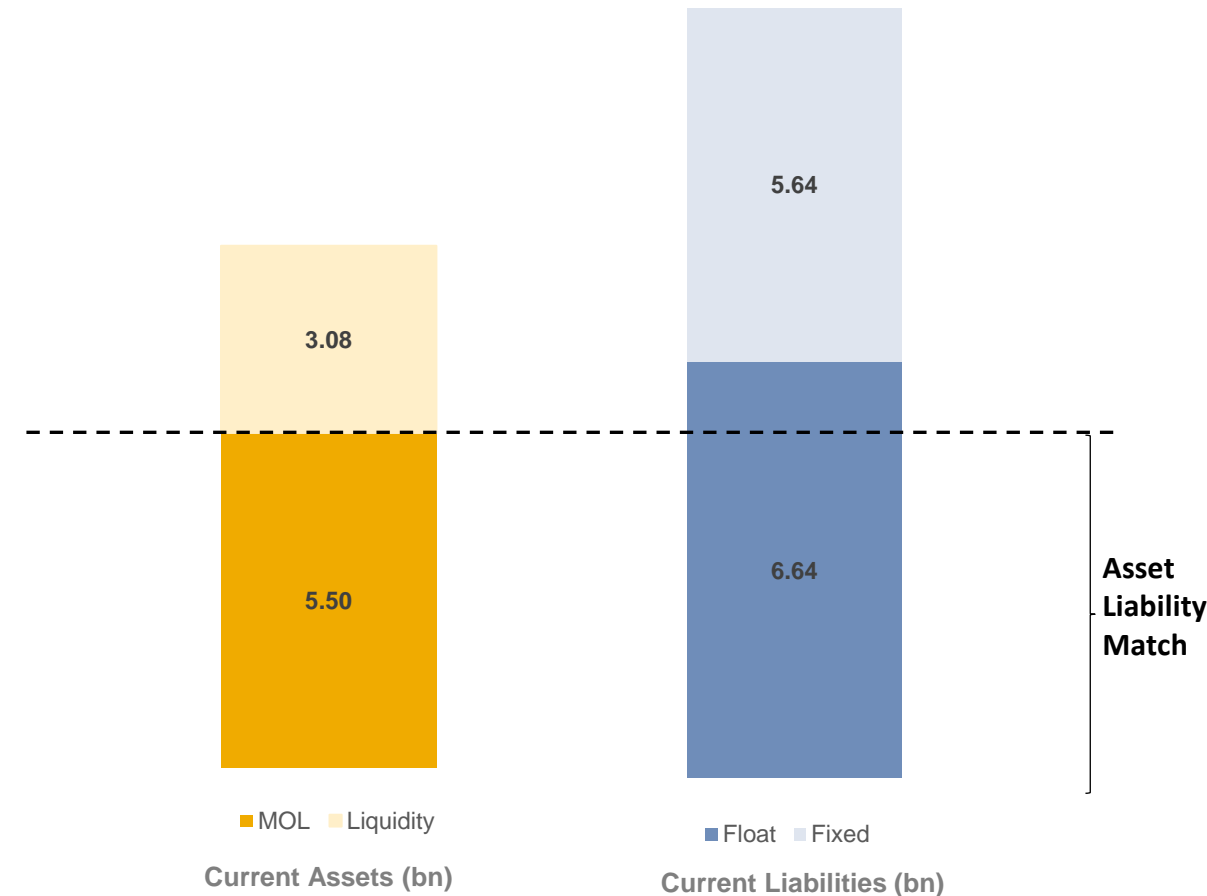
- As SAP usually invests liquidity on a short-term basis (1-3 months), interest for liabilities must be managed towards short-term floating rates to ensure a match between assets and liabilities
- We achieve a “natural hedge” by matching the short-term invested minimum operating group liquidity (MOL) with an equivalent amount in floating rate financial debt. This economically reduces the risk that variable interest rates have a significant negative effect on both the interest income and interest expense
- In case of an ALM mismatch, we need to execute new interest rate swaps to swap a portion of financial debt from fixed to floating rates

Debt Maturity Profile

- Enter into receiver swaps for new EUR or USD debt financing transactions with a fixed rate coupon and a tenor of 7 years or more
- Historical swap premia analysis concluded over any 7y horizon, floating rate debt was cheaper in all instances. The longer the duration, the higher the “pay floating” benefit, i.e. it is attractive to swap fixed into floating interest rates. For a historic cost efficiency analysis of floating rate debt.

Asset Liability Match for 2022

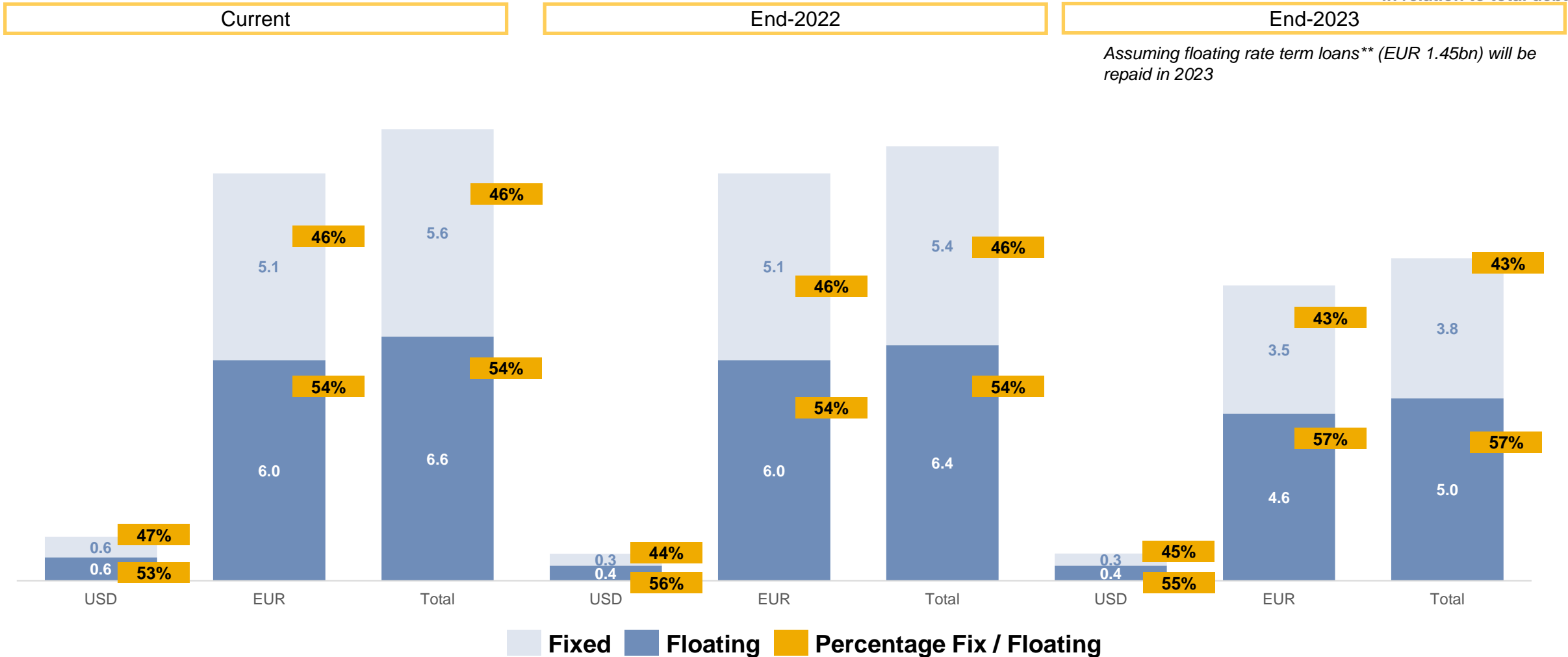
Minimum Operating Group Liquidity 2022 of €5.5bn is matched by floating rate debt (status as of end of September 2022)



Interest Rate Management @SAP

Asset Liability Match (ALM): Result and Forecast

All figures in billion and rounded unless otherwise stated
*In relation to total debt



Interest Rate Management @SAP

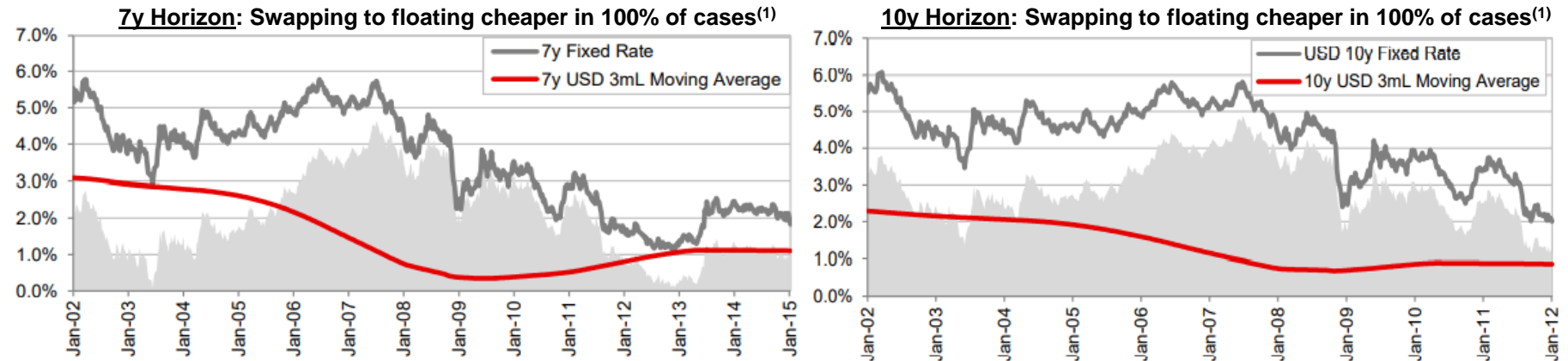
Swapping +7y Tenors: Regular Back-Testing

- Analyses explore historical data of USD and EUR swaps for 3, 5, 7 and 10y vs. the 3m LIBOR* and 6m EURIBOR
- The swap premium is defined as the moving average realized floating rate over swap maturity vs. the swap fixed rate at inception
- The difference (fixed – floating) is plotted as the grey shaded area
- As it can be seen from the charts, for 7y and 10y maturities there was never a time when it was better to pay fixed rather than floating
- The longer the bond maturity, the higher the savings to swap it into floating

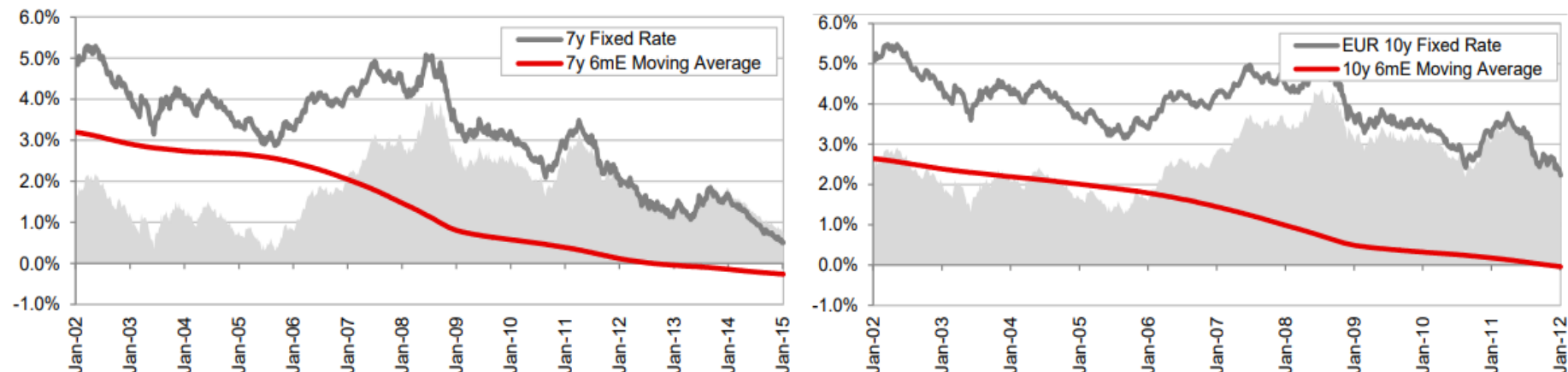
Share of observations for which paying fixed was more profitable

Duration	EUR	USD
1y	28%	30%
3y	12%	28%
5y	7%	13%
7y	0%	0%
10y	0%	0%

USD Fixed vs. Floating back test



EUR Fixed vs. Floating back test



Interest Rate Management @SAP

Fair Value Hedge Accounting

- SAP is in a receiving fixed interest position, which means the mark-to-market values move inversely to market rate developments
- Hence, mark-to-market values fall when €STR rises, and vice-versa when €STR falls
- We apply hedge accounting whereby changes in the fair value/ MTM of the interest rate swaps are mainly offset by changes in the fair value/ MTM of the underlying debt (bonds/ USPPs)
- The net effect from the hedging relationships results mainly from credit spreads of our counterparties and own credit risk which are only considered in the valuation of the interest rate swaps but not considered for the basis adjustment
- The recent rise in market interest rates has led to a further strong decline in MTM on our interest rate swaps. However, this is offset by the reduction in the carrying value of our underlying debt, due to the increase in the discount rate



Summary

- In 2022, SAP arrived at the tipping point of its cloud transformation
- SAP's cloud business will ensure an accelerated future growth and increase the share of high-margin and predictable revenues
- Stable cash flows and fast deleveraging are the guarantors of SAP's financial flexibility. The strong financial profile ensures the required debt headroom and continuous access to external funding at attractive terms (e.g. via Eurobond market)
- SAP established a two-step interest rate management approach with the main goal to reduce P&L volatility and to optimize our interest result:
 - The Asset Liability Match: adding interest-rate-related derivative instruments to a given portfolio of short-term investments and debt financing
 - Swapping tenors with +7 years into floating



Q&A

Growing through incubation, partnerships and innovation

Incubate growth businesses

NEW MARKETS

Industry
Cloud



Business Process
Intelligence



Business Network



Sustainability



Sovereign
Clouds



Amplify strategic partnerships



And many more

Drive innovation across the portfolio

ARTIFICIAL
INTELLIGENCE

DIGITAL
TWINS

METaverse,
WEB3 &
BLOCKCHAIN

PAYMENTS
& CRYPTO

