

October 23, 2023

SAP SE (ADR)

SAP-US USD 130.70

Industry Group: Software
 52 Week Range: USD 86.30 - USD 145.10
 Market Cap: USD 160565.47 Mil.

Data as of Last Available Filing

Annual: 2022-12-31
 Semi Annual: N/A
 Quarterly: 2023-09-30

Peer Group

Adobe Inc (ADBE-US)
 Microsoft Corp (MSFT-US)
 Oracle Corp (ORCL-US)
 International Business Machines Corp. (IBM-US)
 Intuit Inc. (INTU-US)
 Salesforce Inc (CRM-US)
 VMware, Inc. (VMW-US)
 Electronic Arts Inc (EA-US)
 Dassault Systemes SE (ADR) (DASTY-US)
 Accenture Plc (ACN-US)
 SAP SE (ADR) (SAP-US)

SAP SE (ADR) :SAP-US: Earnings Analysis: Q3, 2023 By the Numbers

SAP SE (ADR) reports financial results for the quarter ended September 30, 2023.

We analyze the earnings along side the following peers of SAP SE (ADR) - Adobe Inc, Microsoft Corp, Oracle Corp, International Business Machines Corp., Intuit Inc., Salesforce Inc, VMware, Inc., Electronic Arts Inc, Dassault Systemes SE (ADR) and Accenture Plc (ADBE-US, MSFT-US, ORCL-US, IBM-US, INTU-US, CRM-US, VMW-US, EA-US, DASTY-US and ACN-US) that have also reported for this period.

Highlights

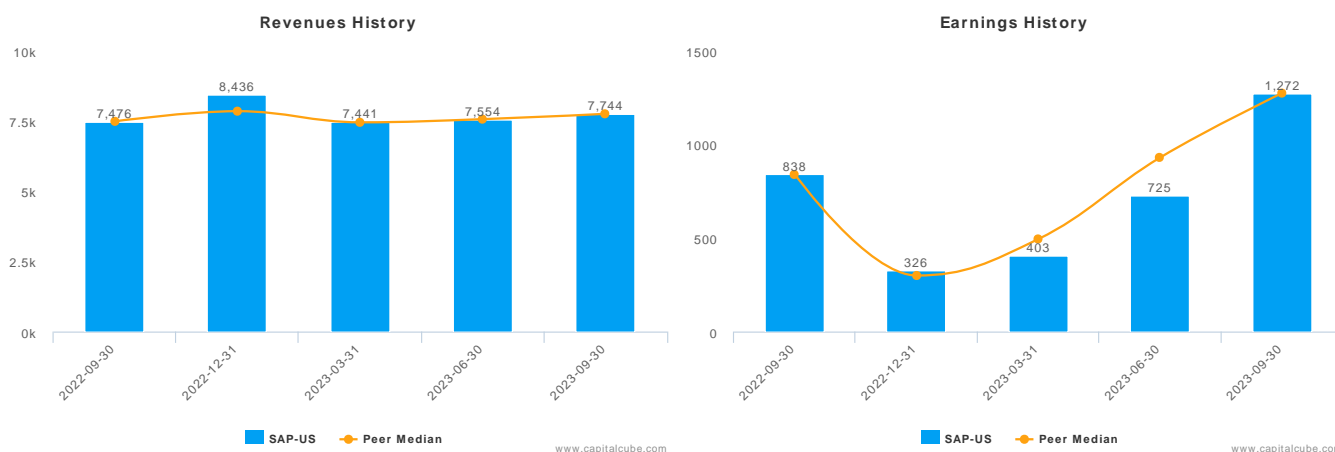
- # Summary numbers: Revenues of EUR 7744 million, Net Earnings of EUR 1272 million.
- # Gross margins narrowed from 73.05% to 72.96% compared to the same period last year, operating (EBITDA) margins now 26.50% from 26.26%.
- # Year-on-year change in operating cash flow of 31.96% is about the same as the change in earnings, likely no significant movement in accruals or reserves.
- # Earnings growth from operating margin improvements as well as one-time items.

The table below shows the preliminary results and recent trends for key metrics such as revenues and net income growth:

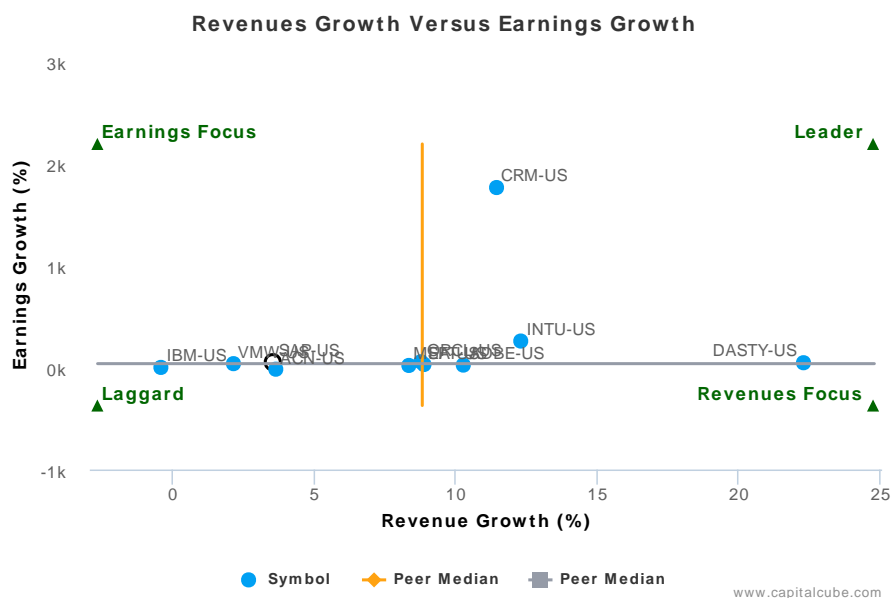
	2023-09-30	2023-06-30	2023-03-31	2022-12-31	2022-09-30
Relevant Numbers (Quarterly)					
Revenues (mil)	7744	7554	7441	8436	7476
Revenue Growth (%YOY)	3.58	4.81	9.86	5.7	9.22
Earnings (mil)	1272	725	403	326	838
Earnings Growth (%YOY)	51.79	18.27	-60.33	-77.36	-40.9
Net Margin (%)	16.43	9.6	5.42	3.86	11.21
EPS	1.08	0.77	0.32	0.46	0.82
Return on Equity (%)	3	1.76	1	0.78	2.02
Return on Assets (%)	7.39	4.05	2.21	1.73	4.36

Access our Ratings and Scores for SAP SE (ADR)

Market Share Versus Profits

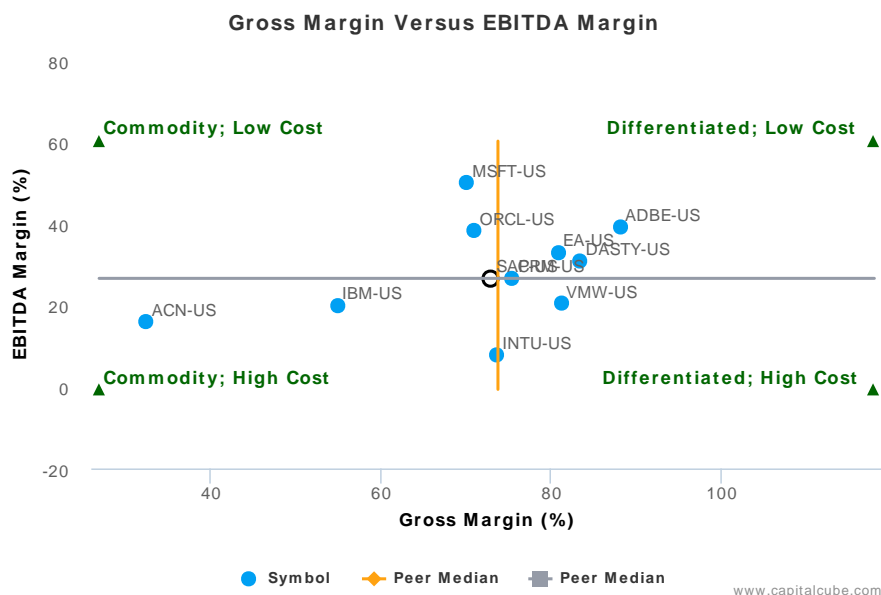


SAP-US's change in revenue this period compared to the same period last year of 3.58% is almost the same as its change in earnings, and is about average among the announced results thus far in its peer group, suggesting that SAP-US is holding onto its market share. Also, for comparison purposes, revenues changed by 2.52% and earnings by 75.45% compared to the immediate last period.

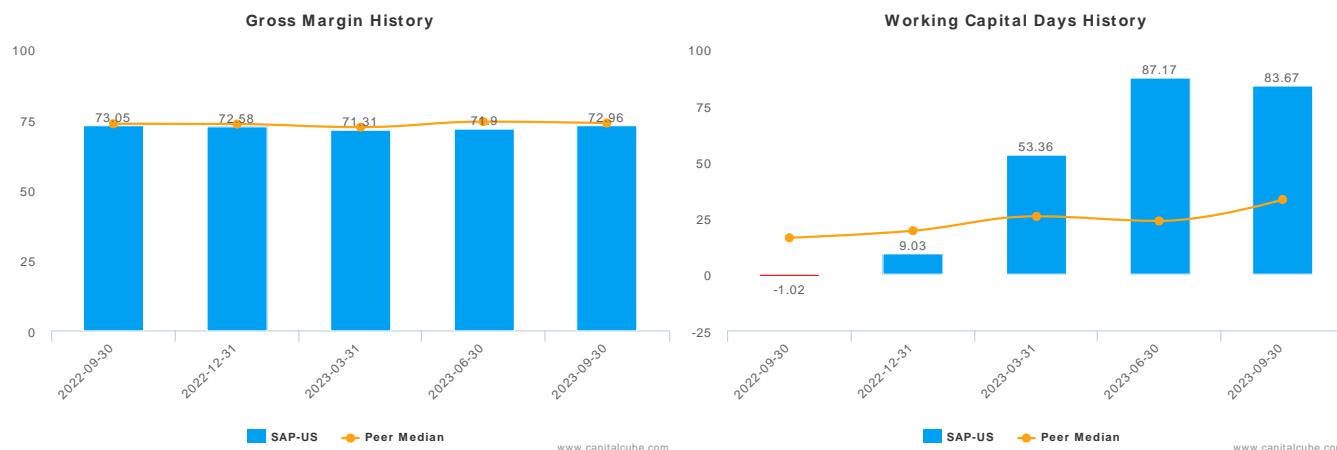


Earnings Growth Analysis

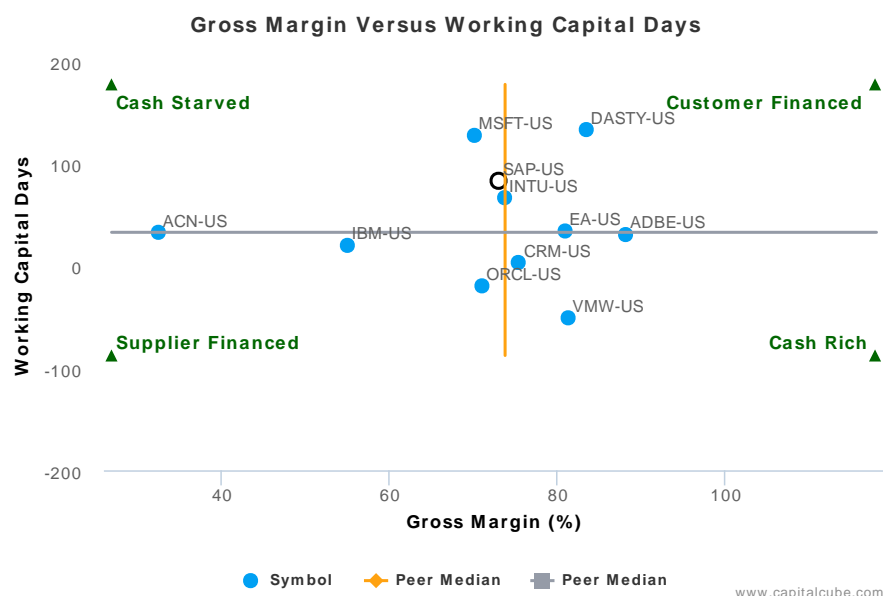
The company's gross margins showed no year-on-year improvement. In spite of this, the company's earnings rose, influenced primarily by the improvement in operating margins (EBITDA margins) from 26.26% to 26.50%. For comparison, gross margins were 71.90% and EBITDA margins were 22.60% in the last period.



Gross Margin Trend



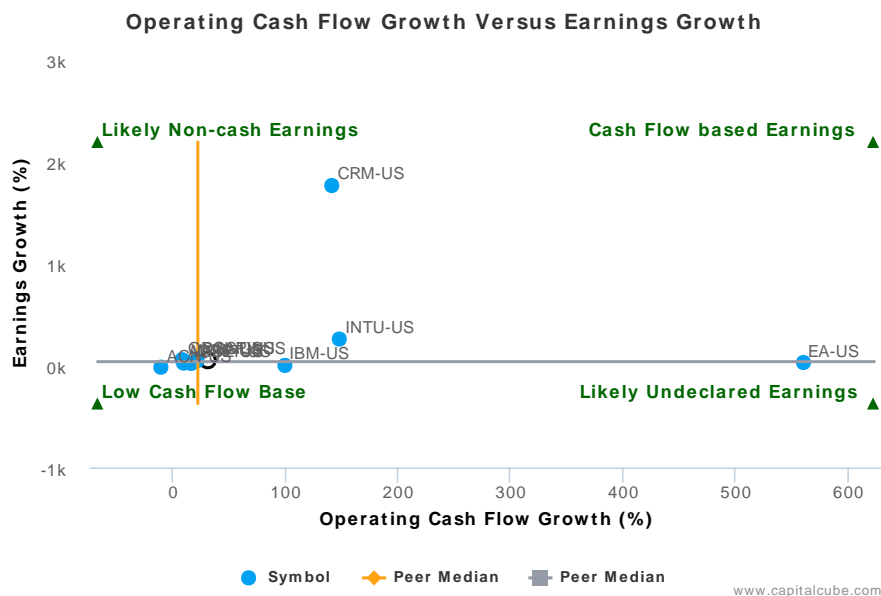
SAP-US's decline in gross margins has not produced any significant offsetting improvement in its working capital . This leads Capital Cube to conclude that the decline in gross margins are likely from operating issues and not trade-offs with the balance sheet. Working capital days are currently 83.67 days, compared to last year's level of -1.02 days.



Cash Versus Earnings - Sustainable Performance?

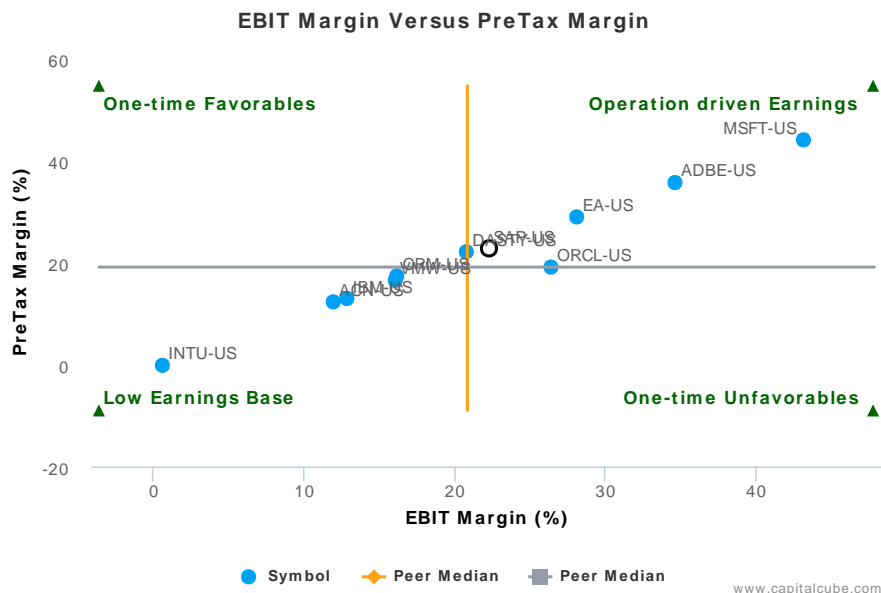
It is important to examine a company's cash versus earnings numbers to gauge whether its performance is sustainable.

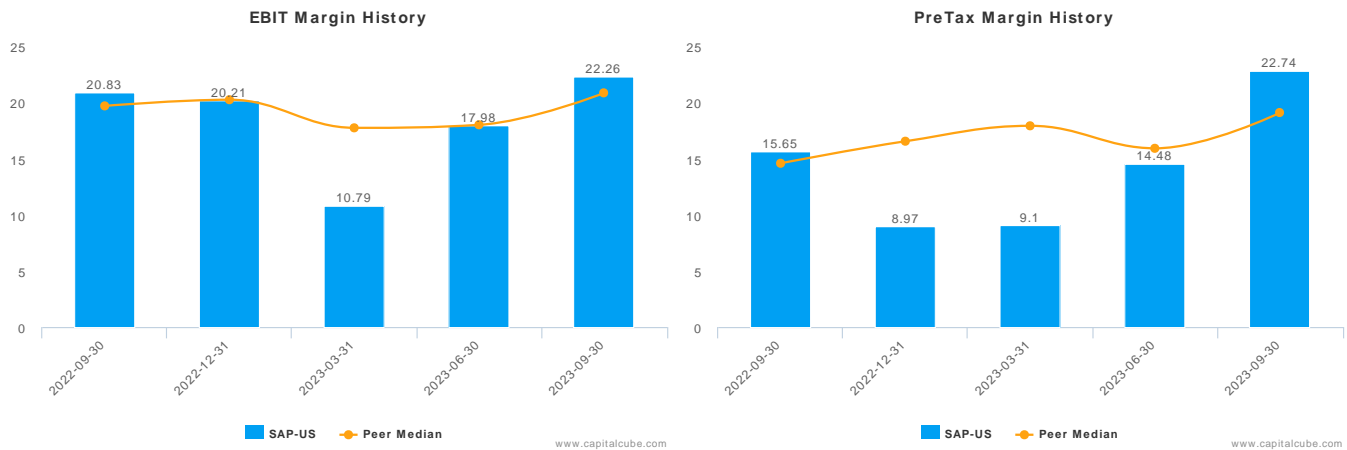
SAP-US's change in operating cash flow of 31.96% compared to the same period last year is about the same as its change in earnings this period. Additionally, this change in operating cash flow is about average among its peer group. This suggests that the company did not use accruals or reserves to manage earnings this period, and that, all else being equal, the earnings number is sustainable.



Margins

The company's earnings growth has also been influenced by the following factors: (1) Improvements in operating (EBIT) margins from 20.83% to 22.26% and (2) one-time items. The company's pretax margins are now 22.74% compared to 15.65% for the same period last year.





Access our Ratings and Scores for SAP SE (ADR)

ESG Performance

Investors are more conscientious about investing in companies with good Environmental, Social and Governance (ESG) practices. We give companies that self-report annually on these metrics a score that is calculated as a sum of the 3 individual pillar scores. ESG scores are calculated out of 100 and are also presented as a letter grade.

Beyond the ESG score, we also analyze the Controversies score of the company. This is calculated based on controversies related to the company in the media - bad press can be costly to companies. A Controversies score of 100 is good - meaning no controversies whereas a Controversies score of 0 is bad and adversely affects the ESG Score.

Company	Symbol	Total ESG Score	Environmental Score	Social Score	Governance Score
Adobe Inc	ADBE-US	A-	A-	A-	A-
Microsoft Corp	MSFT-US	A	A-	A	A+
Oracle Corp	ORCL-US	B-	A-	A-	C-
International Business Machines Corp.	IBM-US	A-	A-	A+	B
Intuit Inc.	INTU-US	A	A-	A	A
Salesforce Inc	CRM-US	B+	A-	A-	B+
VMware, Inc.	VMW-US	B-	B+	B+	C+
Electronic Arts Inc	EA-US	B+	C+	B+	A-
Dassault Systemes SE (ADR)	DASTY-US	N/A	N/A	N/A	N/A
Accenture Plc	ACN-US	A	A-	A-	A+
SAP SE (ADR)	SAP-US	N/A	N/A	N/A	N/A
Peer Median		A-	A-	A-	A-

Company Profile

SAP SE (SAP) is a Germany-based company that offers enterprise application software. The Company operates through three segments: Applications, Technology & Services segment, which is engaged in the sale of software licenses, subscriptions to its cloud applications, and related services, primarily support services and various professional services, and support services, as well as implementation services of its software products and education services on the use of its products; the SAP Business Network segment, which includes its cloud-based collaborative business networks and services relating to the SAP Business Network, including cloud applications, professional services and education services, as well as the Company markets and sells the cloud offerings developed by SAP Ariba, SAP Fieldglass and Concur, and the Customer Experience segment, which comprises on-premise and cloud-based products that run front office functions across the customer experience.

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