

# SAP SE Annual General Meeting of Shareholders

## Opening Address – Christian Klein, CEO

May 20, 2020

The spoken word applies

Dear shareholders, colleagues, ladies and gentlemen,

Welcome to the SAP SE Annual General Meeting of Shareholders.

These are unprecedented times, and the format of this event is just another example of this. I would very much prefer to be with you in the SAP Arena in Mannheim today, delivering my first AGM address as CEO in person.

But the coronavirus pandemic has impacted each of us, and our thoughts go out to those affected personally. On behalf of SAP, I want to extend our deepest thanks to all those who are on the front lines battling this crisis and doing everything they can to keep our society running.

The same goes for our more than 100,000 colleagues worldwide. Thank you for your tireless commitment – to SAP and, above all, to our customers. Because it's our more than 440,000 customers that continue to drive our business and the economy forward.

### Changes to the Executive Board

Let me stay with the round of thanks for a minute.

Leading SAP as CEO is both a tremendous honor and huge responsibility. So I would like to thank the Supervisory Board – not just for their support and counsel, but also for the trust they have put in me in this regard.

When I joined SAP as a student 20 years ago, I never, ever imagined that I would one day follow in the footsteps of such visionaries as Hasso Plattner and Dietmar Hopp.

Dear Dietmar – you just recently celebrated your 80th birthday, congratulations! Your social engagement, your willingness to help, and your commitment to others never fails to impress me.

Hasso – my special thanks go to you, too. For your inspiration, your guidance, and your never-ending support. It means so much to me.

For the past 10 years, Bill McDermott stood where I am now as SAP's CEO. Bill, thank you for everything you've done for SAP.

Let me now also say a few words about the changes to our Executive Board.

- Jennifer Morgan mutually agreed with the Supervisory Board to leave SAP on April 30, 2020. An esteemed and excellent leader, she has always been and will continue to be a strong advocate for SAP. Thank you, Jennifer, for the close working relationship as well as your tremendous contributions and service to SAP over the past 16 years!
- SAP also bids farewell to two other respected Executive Board members today: Michael Kleinemeier and Stefan Ries. Thank you, gentlemen.
- Michael, you always put our customers first and fought tirelessly for their long-term success.
- Stefan, you helped make SAP one of the best places to work globally.
- I appreciate your partnerships in the Executive Board and wish you both all the best.
- I would further like to welcome Thomas Saueressig to the Executive Board. Thomas heads our product development, and I am convinced that thanks to his technical and business background, he will be crucial to successfully driving the future of SAP and our customers. Congratulations, Thomas!

We are cognizant of the fact that there have been numerous changes at Executive Board level lately. Generational change is normal, at all levels. Similarly, it is just as common for Executive Board members to decide to leave on their own accord to pursue a different path. Rest assured, however, that in addition to the Executive Board, SAP also draws upon a strong team of top executives, where the retention rate remains very stable at a high level.

## 2019 in Review

Let's take a look back at 2019. We raised and met our outlook. Another strong year for SAP!

- Total revenue: +12% – our highest growth rate since 2015!
- Cloud revenue: +40% – with this, we outperformed our major competitors.
- Operating profit: +15%.

All numbers are non-IFRS.

We take great pride in this continued growth story. It pleased the stock markets, too:

In 2019, SAP stock gained 38.4%, once again outperforming the benchmark indexes DAX 30 and NASDAQ 100, which grew 25.5% and 38.0%, respectively.

And as dramatic as the recent developments on the stock market have been, with a market capitalization of over €130 billion, SAP continues to be the most valuable DAX company by far.

We want you, dear shareholders, to share in this success – not just in good times but in times of crisis as well.

Let me make one thing clear: we anticipate solid results this year as well. We do not foresee “Kurzarbeit” or needing any state aid. I'll get to our outlook for 2020 in a minute.

Our strong position enables us to pay out a dividend. It is our policy to pay a dividend totaling 40% or more of IFRS profit after tax. We propose to raise the dividend for fiscal year 2019 by 5%, to €1.58 per share.

In February 2020, we resolved together with the Supervisory Board to initiate a share buyback program in the amount of approx. €1.5 billion. Under this program, which was carried out and completed in the first quarter of 2020, SAP purchased 14,070,538 shares for treasury at an average price of €106.04. Thus, SAP holds 3.98% of its own shares.

We do not plan additional buybacks this year.

## 2020

Now let's turn to 2020. No question about it, the year has been marked by the coronavirus pandemic. The entire world has been touched by it, and with that, our employees and customers worldwide.

The safety of our employees, customers, and partners is, of course, paramount for us.

- We restricted travel.
- We transformed in-person events into virtual events.
- And even with 95% of our employees currently working from home, we continue to run at nearly 100%.

We're doing everything we can to ensure the business continuity of our customers, as well. The feedback from countless conversations with customers shows that even in this crisis, SAP has proven to be THE reliable partner.

We, too, are feeling the impact of the pandemic. Our license business, which has been most affected, saw software licenses decrease 31% in Q1.

Our business model, however, is robust: firstly, software licenses only accounted for around 15% of all revenue in 2019. And secondly, many customers have merely put their business decisions on hold for the time being.

What's more, our own transformation into an Intelligent Enterprise has put SAP in a strong position.

- The share of more predictable revenue is now above 70%.
- All processes from sales to deal signing to employee hiring can be done remotely.
- Our data centers are fully operational with appropriate backup plans.

Our flagship SAP S/4HANA suite now boasts more than 14,100 customers. Around 40% of these are net new customers, in other words, customers who had previously had a different solution from at least one SAP competitor in use. This is also reflected in our increasing ERP market share, which by now is approximately double that of our closest competitor.

I've said it once and I'll say it again. Despite the extraordinary circumstances that prevail right now, we are confident SAP will still be able to call 2020 a successful year. We believe that conditions will gradually improve in the second half of the year as economies reopen and lockdowns end.

In April we adjusted our outlook based on the expected impact of the coronavirus crisis.

In 2020, we expect non-IFRS:

- Cloud revenue to grow 18% to 24% at constant currencies
- Cloud and software revenue to grow 1% to 4% at constant currencies
- Total revenue to increase 1% to 3% at constant currencies
- Operating profit to be in a range of €8.1 billion to €8.7 billion at constant currencies

## Way Forward

As SAP's new CEO, I don't want to leave you with just facts and figures. Above all, I would like to share what I feel is important when it comes to SAP's future. Four points:

### Number 1: Our colleagues

More than 100,000 SAP employees give their best every day for our customers. The success of SAP stands and falls with its people.

I want to be a CEO for everyone. I want to listen. Be accessible. Challenge our employees. Encourage them. Invest in them. Attract the best talents. That's very important to me. That's what I want to stand for.

Our current Employee Engagement Index remains above industry benchmarks at 83%.

More than five generations of employees from over 150 nationalities work at our more than 130 locations around the globe. That's 100,000 employees and counting – each with their own unique perspective and individual history.

We embrace diversity in our corporate culture. Building a healthy and inclusive culture, however, requires dedication.

That includes making our own software accessible and more user-friendly for employees with disabilities, for example.

We have already come a long way in this regard – yet there is still much to do.

For example, we aim to have 30% women in management by the end of 2022; with nearly 27% women in leadership positions today, we are well on our way to achieving this goal.

But diversity is about more than gender. It's about personalities – our experiences, culture, mindsets, characteristics, and backgrounds. What is important to us, how do we deal with challenges, what do we want to achieve? That is what makes us who we are.

For me, it's important that every single employee at this company is seen and heard. That they feel empowered to bring new ideas to the table. In an open and tolerant working environment. Because that is what fosters innovation – for our customers.

This is something we will keep working on. You have my word.

## Number 2: Customer focus

The Net Promoter Score tells us how satisfied our customers are with us and our offerings. A negative value basically indicates that there are more customers who would not recommend SAP than those who would.

As you might expect, our score of –6 is not where we want to be. But: it challenges us to do things better in future.

We were always at our best when we listened to the customer. Yet all that listening means nothing if you don't act on the feedback!

We have to win the trust of our customers each and every day anew. It's not about technology for technology's sake. Our customers and end users expect a clear economic benefit, and solutions for the challenges they face, not individual products. They need a reliable partner for their digital transformation.

We have taxed many a customers' patience in the past. We realize this, and will make every effort to undo that as swiftly as possible.

Compensation and bonuses based on customer satisfaction. New licensing models. Clear business value. Fast and agile delivery, with innovations in the cloud every four weeks. Working together with our customers to find the best possible solution for their specific challenge.

That is why, for example, we published a detailed and transparent plan for integrating our solutions. And we are making very good progress where this is concerned.

Our customers entrust us to handle their data in a secure manner. As part our comprehensive security strategy, we continuously monitor our IT security.

We recently determined during an internal assessment that certain contractually-agreed IT security standards are not being met for all our cloud products.

I want to emphasize here that this audit was NOT in response to a security incident. We check and test our software constantly – and if we need to improve on something, we communicate it transparently and proactively.

We will continue to do everything possible to ensure the safety and security of our solutions – and thereby maintain the confidence of our customers.

Dear shareholders, let this be the measure of our performance.

## Number 3: Innovation

Innovation forms the core of our strategy. No innovation, no growth.

If there's one thing this coronavirus pandemic has proven, it's this: digital transformation and the move to the cloud are no longer an option but an imperative.

Delivering innovative solutions to guide our customers through this journey must be our goal. This is the only way we can implement new business models for further growth and competitiveness. This is the only way customers can face the crisis head-on.

So you see, our Intelligent Enterprise strategy is more relevant than ever before.

Let me give you a brief example to illustrate: Imagine you are a company with a handful of local brick & mortar shops.

In times of coronavirus, you have to close your stores. But you still have the products. And you still have to pay rent and staff wages. So what to do?

- First, you have to be familiar with the actual demand for the items you are offering, so that you can adapt the deliveries as needed. With SAP HANA, you can analyze even the largest amounts of data in real time.
- Since your stores are all closed, you will also need digital sales channels, offering your customers a highly personalized, 24/7 shopping experience. Our solution for customer relationship management, SAP C/4HANA, makes this possible.

- A lot of your customers are suffering under the new normal just like you are. Thanks to SAP S/4HANA, our intelligent, integrated ERP system, you can offer them flexible payment options and even new payment models, such as subscriptions or pay-per-use service.
- Delivery problems are common especially in times of crisis. SAP Ariba cloud solutions for electronic procurement and supply chains can help you identify potential bottlenecks early on and take action where necessary.
- Are your customers satisfied with your products and services? Where do you need to improve? A customer placed a product in their shopping basket but did not buy it. Why not? These are the kinds of questions that Qualtrics – the “emotional” side of the Intelligent Enterprise – can help you get to the bottom of. With Qualtrics, you don’t just know the WHAT, you also know the WHY.

That is how you turn your business into an intelligent enterprise.

Delivery Hero did just that. Turning to SAP S/4HANA, SAP Cloud Platform, SAP Ariba, and SAP Concur, the company was able to standardize its core processes – for greater efficiency and flexibility. What’s more, the company can now react faster to the wishes of its customers – and that, in turn, leads to more satisfied customers.

An intelligent enterprise cannot function without a strong foundation. SAP Cloud Platform and SAP HANA give our customers a decisive competitive advantage – because they allow customers to integrate SAP and non-SAP applications, extend existing applications, and build new ones.

Why is that so important?

Every company has more than 500 software applications in use on average. If these applications don’t integrate seamlessly, the company won’t be able to implement new business models. Which is essential for companies to remain competitive.

Applications therefore have to be able to adapt to changing economic conditions and customer requirements. With our platforms, customers can simply add or remove functionalities on demand as needed. For maximum flexibility.

We want to build on these strengths and continue to invest in innovation.

#### Number 4: Corporate responsibility

Coronavirus, climate crisis, hunger, and social injustices in many parts of the world – the challenges facing modern humanity are omnipresent in the daily news.

As a global company, SAP is very aware of the responsibilities it bears. For all those living in areas of conflict. For those whose existence is threatened by climate change. For all those who still live in hunger in the 21st century.

- We need long-term solutions if we are going to fight climate change. We aim to become carbon neutral by 2025, and despite our strong growth have decreased our CO<sub>2</sub> emissions in each of the past five years.
- We want to help customers in this regard as well, whether through our software solutions or green cloud. To this end, we’ve even taken it one step further, launching the Climate 21 program at SAP to help our customers both understand and minimize the carbon footprint of their products and operations.
- Our software is used to predict and prevent disasters, promote equality, and educate people who never had the chance to go to school.
- Our SAP One Billion Lives program inspires a closer collaboration between social enterprises, corporations, and consumers.
- In the context of the coronavirus pandemic, SAP has made a number of different solutions available for free.
- We also established a COVID-19 Emergency Fund to support the urgent needs of the nonprofits and social enterprises that are working on the front lines serving local communities in crisis. .

- SAP also worked together with the Federal Government of Germany to bring thousands of vacationers stranded abroad back to Germany.
- Last but not least, we are helping the German government to develop a COVID-19 contact tracing app together with Deutsche Telekom that will help Germany come back to normal business very soon.

Technology alone will not save companies or the world. But it can play a key role in this.

## Outro

Ladies and gentlemen, since SAP's founding in 1972, our goal has been to improve business processes and improve peoples' lives. That goal has never been more important than today. It is as much our pledge as it is our incentive. Together with my over 100,000 colleagues, I will do everything in my power to follow through.

What we stand for is what makes us who we are: The market leader in business software. A reliable partner for companies of all sizes, in every country of the world, in every industry. One of the best employers on the planet. Together with my colleagues I will create and SAP that stands for agility, innovation and customer focus.

I mentioned it at the start: Leading SAP as CEO is both a tremendous honor and huge responsibility. I give you my commitment to be a CEO who's there for everyone. A CEO who listens. A CEO who doesn't just promise, but delivers on the promises. A CEO who stands for the long-term success of SAP.

Ladies and gentlemen, I am extremely honored by the trust you have placed in me and in SAP. Next year, I want to be able to look back at 2020 together with you and say: we did it, we beat the challenges. We listened to our customers. We continued to improve. We delivered. We grew and shaped the future together – not just for our customers, but for you, too, dear shareholders.

Thank you very much – stay safe and be well.

[Copyright/Trademark](#)