SAP SE (SAP)

Updated August 7th, 2025 by Jonathan Weber

Key Metrics

Current Price:	$295	**5 Year CAGR Estimate:**	-3.8%	**Market Cap:**	$340B
Fair Value Price:	$154	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	04/09/26[1]
% Fair Value:	192%	**5 Year Valuation Multiple Estimate:**	-12.2%	**Dividend Payment Date:**	04/23/26[2]
Dividend Yield:	0.9%	**5 Year Price Target**	$226	**Years Of Dividend Growth:**	10
Dividend Risk Score:	B	**Sector:**	Information Technology	**Rating:**	Hold

Overview & Current Events

SAP SE develops, sells, and maintains a variety of enterprise software products that are used by corporations, governments, and educational agencies. The company employs more than 108,000 people and has more than 400,000 customers in 180 countries. SAP is headquartered in Germany and reports financial results in Euros. American investors can initiate an ownership stake in SAP through American Depository Receipts that trade on the New York Stock Exchange under the ticker SAP.

SAP reported its second quarter earnings results in late July. The company recorded revenues of €9.0 billion during the quarter, which is equal to a little more than $10 billion. SAP's revenues during the quarter were up 9% year over year, slightly lower than the previous quarter's growth rate. SAP's cloud revenue growth totaled 28% on an organic basis during the quarter, which was on par with the growth rate seen in the previous quarter. SAP's strong cloud revenue growth was a key driving factor for the company's overall solid revenue performance during the period.

SAP's earnings-per-share totaled €1.50, or around $1.75 during the second quarter. Earnings-per-share were a hefty 91% higher than during the previous year's quarter. During fiscal 2024, SAP recorded earnings-per-share of $4.86, a little less than during the previous year. Cloud investments and rising operating expenses played a role in that. For the current year, SAP's management forecasts cloud revenue growth in the high-20s and overall software growth in the 12% range on an organic basis. Analysts believe that SAP will grow its earnings-per-share quite a lot this year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$3.21	$3.22	$4.03	$4.96	$5.70	$6.34	$7.75	$4.37	$5.36	$4.86	***$7.00***	***$10.29***
DPS	$1.22	$1.30	$1.36	$1.60	$1.67	$1.87	$2.26	$2.08	$2.23	$2.39	***$2.67***	***$3.74***
Shares[3]	1198	1199	1197	1197	1194	1194	1190	1170	1167	1166	***1165***	***1150***

SAP has managed to generate solid business growth over the last ten years, although the earnings-per-share growth rate was not overly strong, partially due to growing investments. The data in the above table is impacted by currency rate changes, since SAP reports its results in €, and generates a substantial amount of its revenues in € and other currencies. For US-based investors, results can vary widely on a year-to-year basis, depending on the currency rate changes between the € and the US$. This holds true for the dividends as well, which are also declared in €.

SAP's management recently announced updated business growth goals, primarily centered around growth in its cloud business. SAP plans to grow its cloud computing revenues to €22 billion in 2025, which equates to roughly $23 billion at current exchange rates. The cloud segment will likely remain a major growth driver for SAP beyond 2025, as the software company benefits from the broad cloud computing and SaaS trend here, while the legacy business is not growing much. We believe that the strong position in the enterprise software industry will allow SAP to grow its profits at a solid pace as well in the coming years, although there could be some ups and downs over the years.

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[1] Estimated date
[2] Estimated date
[3] In Millions

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	22.4	25.6	25.7	20.2	23.9	20.7	18.1	23.6	28.9	50.6	***42.1***	***22.0***
Avg. Yld.	1.7%	1.6%	1.3%	1.6%	1.2%	1.3%	1.3%	2.0%	1.4%	1.0%	***0.9%***	***1.7%***

SAP has been valued at a relatively high valuation throughout most of the last decade, trading for more than 20 times net profits during almost all of those years. Due to the company's above-average historic growth rate and strong position in the markets it addresses, somewhat of a premium valuation is justified. Shares have risen meaningfully so far this year and are trading way ahead of our fair value estimate. We see significant downside potential for SAP's shares from a valuation perspective over the coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	38%	40%	34%	32%	29%	29%	29%	48%	42%	49%	***38%***	***36%***

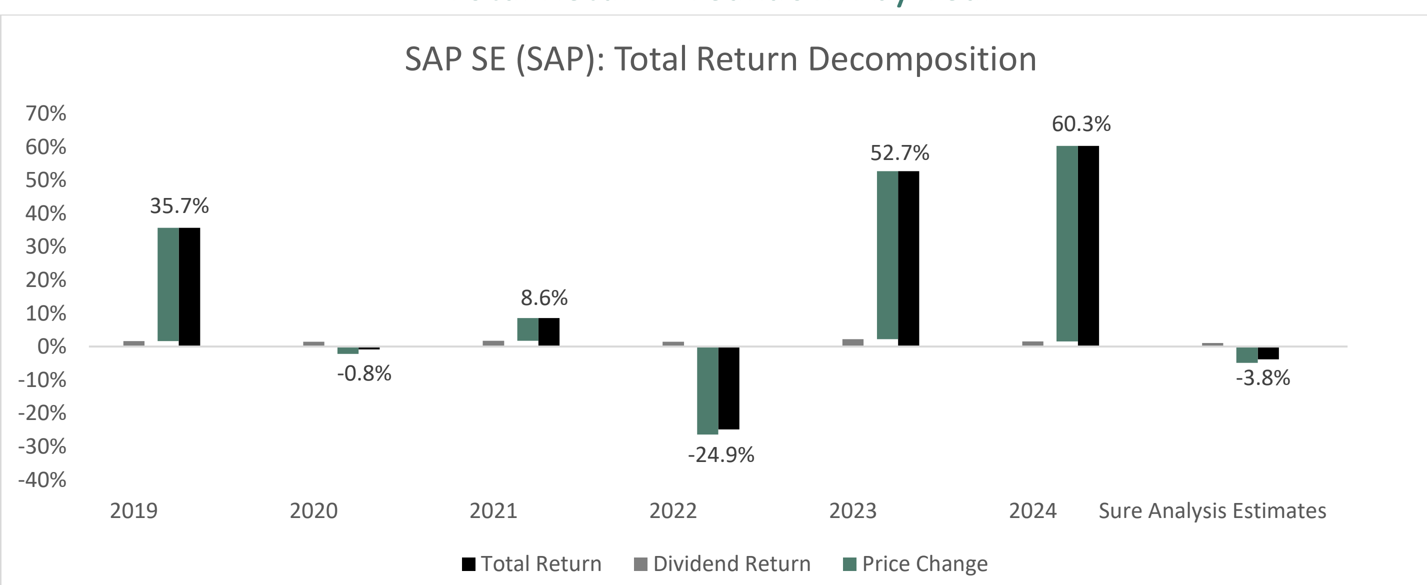
SAP's dividend payout ratio never reached above 50%, even during the last financial crisis. Today, SAP comes close to the 50% level, however. We believe that SAP's dividend is relatively safe and that there will be increases in the coming years, too. Due to currency rates fluctuating, the payout for US-based investors can vary from year to year.

SAP's strongest competitive advantage is its recurring revenue business model. More than two-thirds of the company's revenue is recurring in nature, or what management calls predictable revenue. This ratio of predictable revenue has risen consistently in the last couple of years. Recurring revenue allows the company to optimize customer retention rates and to use the resulting cash flows to aggressively invest in growth opportunities, such as its cloud business. Due to SAP's global scale and renowned brand, competition is not a major problem.

Final Thoughts & Recommendation

As a leading enterprise software company, SAP has established a strong global presence and benefits from scale advantages versus its peers. The company has delivered solid results in the past, mainly via revenue growth, although margins fluctuated from time to time. The total return outlook is not compelling, however, due to SAP's high valuation, which is why we rate SAP a hold at current prices.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	23074	24419	26570	29175	30846	31221	31890	31131	33785	36990
Gross Profit	16144	17132	18584	20364	21493	22216	23349	22655	24396	26985
Gross Margin	70.0%	70.2%	69.9%	69.8%	69.7%	71.2%	73.2%	72.8%	72.2%	73.0%
SG&A Exp.	7579	8046	9059	9304	10436	9664	9516	9739	11034	11392
D&A Exp.	1430	1403	1441	1608	2096	2091	1819	1655	1486	1385
Operating Profit	5409	5713	5730	6758	6273	7561	7649	6567	6498	8451
Op. Margin	23.4%	23.4%	21.6%	23.2%	20.3%	24.2%	24.0%	21.1%	19.2%	22.8%
Net Profit	3400	4031	4539	4821	3718	5876	6219	2409	6646	3381
Net Margin	14.7%	16.5%	17.1%	16.5%	12.1%	18.8%	19.5%	7.7%	19.7%	9.1%
Free Cash Flow	3329	4014	4271	3358	2998	7285	6534	5030	6005	4787
Income Tax	1038	1375	1113	1784	1373	2213	1990	1525	1885	1747

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	45252	46808	50968	58913	67448	71908	80585	77383	75538	77129
Cash & Equivalents	3729	3914	4812	9868	5953	6532	10074	9660	8980	9999
Acc. Receivable	5683	6156	6969	7072	8470	7625	6665	6201	6513	7049
Goodwill & Int.	29485	28646	29078	30843	37694	38525	39688	39584	34923	35226
Total Liabilities	19783	18902	20358	25881	32922	35099	33571	31433	27557	29463
Accounts Payable	976	1073	1381	1706	1771	1681	1789	2301	1971	2071
Long-Term Debt	10053	8330	7558	12930	15312	16411	14719	11737	7926	11910
Total Equity	25438	27884	30573	32981	34441	36549	43990	43095	47706	47284
LTD/E Ratio	0.40	0.30	0.25	0.39	0.44	0.45	0.33	0.27	0.17	0.25

Profitability & Per Share Metric

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.4%	8.8%	9.3%	8.8%	5.9%	8.4%	8.2%	3.0%	8.7%	4.4%
Return on Equity	13.8%	15.1%	15.5%	15.2%	11.0%	16.5%	14.8%	5.2%	14.2%	7.1%
ROIC	9.3%	11.2%	12.2%	11.5%	7.8%	11.4%	10.8%	4.0%	11.7%	5.9%
Shares Out.	1198	1199	1197	1197	1194	1194	1190	1170	1170	1170
Revenue/Share	19.26	20.37	22.18	24.44	25.83	26.41	27.03	26.49	28.63	31.35
FCF/Share	2.78	3.35	3.56	2.81	2.51	6.16	5.54	4.28	5.09	4.06

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.