

## Financial Statement Analysis

Erica Tegolo - ET

Lise Medawar - LM

Shama Parveen - SP

Dilyara Timerbulatova - DT

[Link to the Excel](#)

1. Synthetic Presentation of your company: 2 pages ( timerbulatovadilyara@gmail.com shekhshama90@gmail.com ) - **DONE**  
Name – Address – Management and Board – Corporate Governance
2. Introduction: objectives of your analysis: 1 page - **DONE**  
( timerbulatovadilyara@gmail.com )  
(the reasons of your choice, the interest of the company, etc. )
3. Part 1 : Analysis of Markets and Products (BM) – 5 pages ( timerbulatovadilyara@gmail.com shekhshama90@gmail.com ) - **IN PROGRESS**  
Study the business sector, the industry in which firm operates and relate industry climate to current and projected economic developments – Develop knowledge of the firm and the quality of management
4. Part 2 : Financial Statements Valuation (2017-2021: report is called 2022 even if it's about 2021): 10 pages (**ALL Together**) medawarlise@gmail.com - **IN PROGRESS**
  - a. Financial Tools : key financial ratios (find which ratios we need to analyze; about liquidity, solvency, how to calculate the firm's future earnings), trend analysis (look at the sales= are they increasing or not? And why this is happening?)
  - b. Major Areas : Short-term liquidity, operating efficiency, capital structure and long term solvency, profitability, market ratios and quality of financial reporting –  
Analyzing the Financial Statements : 8/10 pages
5. Part 3 : Analysis of the share listed on the Stock Exchange : shift in stock prices for both companies - 4 pages **ALL Together - TO DO**
6. Concluding remarks **ALL Together - TO DO** : 1 page Summarize findings based on analysis and reach conclusions about firm relevant to the established objectives

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## Introduction to the Companies

### Salesforce, Inc.

**Address:**

Salesforce Tower

415 Mission Street, 3rd Fl

San Francisco, California 94105

(Address of principal executive offices)

**Telephone Number:** (415) 901-7000

(Registrant's telephone number, including area code)

**Overview** [<source>](#)

Salesforce is a global leader in customer relationship management ("CRM") technology that brings companies and their customers together in the digital age. Founded in 1999, they enable companies of every size and industry to take advantage of powerful technologies, including cloud, mobile, social, blockchain and artificial intelligence, to connect to their customers in a

whole new way and help them transform their businesses around the customer in this digital-first world.

**Sector(s):** Technology

**Industry:** Software—Application

**Full Time Employees:** 78,634

**Executive leadership:**

- Marc Benioff, 57, Chair of the Board, Co-CEO and co-Founder
- Parker Harris, 55, Director, Chief Technology Officer and co-Founder
- Brent Hyder, 57, President and Chief People Officer
- Gavin Patterson, 54, President and Chief Revenue Officer
- Sundee Reddy, 49, Executive Vice President and Chief Accounting Officer
- Srinivas Tallapragada, 52, President and Chief Engineering Officer
- Bret Taylor, 41, Vice Chair of the Board and Co-CEO
- Amy Weaver, 54, President and Chief Financial Officer

**Corporate Governance:**

- A majority of Salesforce board members are independent of Salesforce and its management
- All members of Salesforce key board committees—the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee—are independent
- Clear code of business conduct to which all employees, officers and directors must adhere
- The charters of Salesforce board committees clearly establish their respective roles and responsibilities

**Financial Statement**

Fiscal Year ends on January 31. References to fiscal 2022, for example, refer to the fiscal year ending January 31, 2022.

**Operating Segments:** Salesforce operates as one segment.

## SAP SE

**Address:**

Dietmar-Hopp-Allee 16

69190 Walldorf

Federal Republic of Germany

(Address of principal executive offices)

**Telephone Number:** 650-849-4000

(Registrant's telephone number, including area code)

**Overview**

SAP helps companies and organizations of all sizes and industries run their businesses profitably, adapt continuously, and grow sustainably. The company develops software solutions that are used by small businesses, midsize companies, and large corporations. With standard applications, industry solutions, platforms, and technologies, every business process can be mapped and designed. The software collects and processes data on one platform, from raw

material purchasing to production and customer satisfaction. SAP solutions can be installed “on premise” at a user’s location(s) or used from the cloud, helping companies analyze and efficiently design the entire value chain. SAP solutions can also be used to create forecasts, such as when a machine needs to be repaired or how revenue will develop in the next half year. In addition, SAP helps customers seamlessly link operational data on business processes with experience data on emotional factors such as purchase experience and customer feedback.

**Sector(s):** Technology

**Industry:** Software—Application

**Full Time Employees:** 102,430

**Executive leadership:**

Christian Klein, 42, Chief Executive Officer

Sabine Bendiek, 56, Chief People & Operating Officer and Labor Relations Director

Luka Mucic, 51, Chief Financial Officer

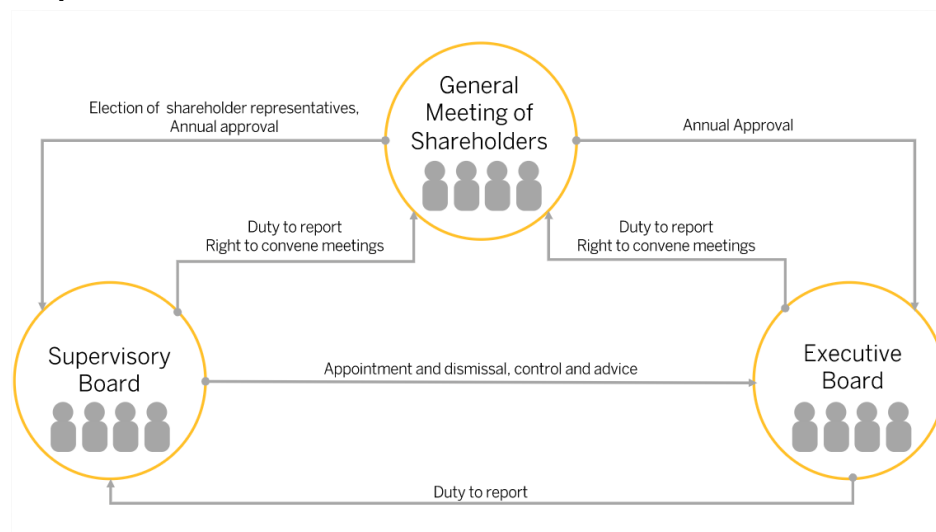
Juergen Mueller, 38, Chief Technology Officer

Scott Russell, 64, Customer Success

Thomas Saueressig, 34, SAP Product Engineering

Julia White, 61, Chief Marketing and Solutions Officer

**Corporate Governance:**



### Financial Statement

SAP prepares its consolidated annual financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU).

SAP SE fiscal year starting 1st January, ending 31st December.

**Operating Segments:** At the end of 2017, SAP had two operating segments: the Applications, Technology & Services segment and the SAP Business Network segment.

## Introduction objectives of the analysis

The aim of this report is a comparative analysis of two companies in the software industry: Salesforce Inc as an American company that uses US GAAP in its financial statements and SAP SE, a German company that uses IFRS.

Both companies are the largest players in the Informational Technologies industry, which has been majorly developed through the last decade and are quickly affected by changing environment, like the recent Covid pandemic and stock market decline in 2022. While the Software industry is the first to react to economic crisis because it's the first spending to cut back on for a company, the constant research and development of new products enable rapid growth and high competition that drives the new solutions and products to the market.

We analysed the two companies Salesforce and SAP closely in order to find out how they are financially positioned through key indicators such as short-term liquidity, operating efficiency and asset turnover. Part 2 includes a comparative analysis of the financial ratios of both companies and drawing conclusions based on economic, political and internal company events. In Part 3 we analyse the shares that are listed in the stock market and their performance based on the financial data we accumulated in Part 2 and political and economic events that could affect the price of the share. This calculation should help us to decide whether both Salesforce and SAP are profitable companies for investors. Analysing the value of their stocks today is the most interesting in the light of general market pullback for the IT and Software sectors after a long period of growth.

## Introduction of IFRS in SAP

IFRS (International Financial Reporting Standard) is a new concept of accounting standard for financial reports and financial statements. In SAP, we can provide reports in IFRS as well as in another standard, used by the company through a parallel reporting format.

# Analysis of Markets and Products

## Market Description

Enterprise application is software deployed to integrate all the aspects of a firm's operations and processes such as accounting, finance, human resources, inventory control, manufacturing, marketing, sales, distribution & resource planning. Enterprise application can be provided as an in-house software that user can be installed in company's own IT infrastructure, or software as a service, that is available online, so-called "SaaS". SaaS products are entirely managed by the vendor and ready to use by your teams. Software providers companies can research and develop software, provide updates, support customers with documentation, installation, usage and customization.

### **Advantages of Software-as-a-Service to businesses:**

- Cost-effective: ready software is usually cheaper than building software in-house from scratch.

- Scalability: easy to scale up or down based on company's specific needs.
- Upgrades: users benefit from latest upgrades automatically.
- Ease of use: since software doesn't require company's own IT infrastructure, it can be installed by supplier company.

**Disadvantages:**

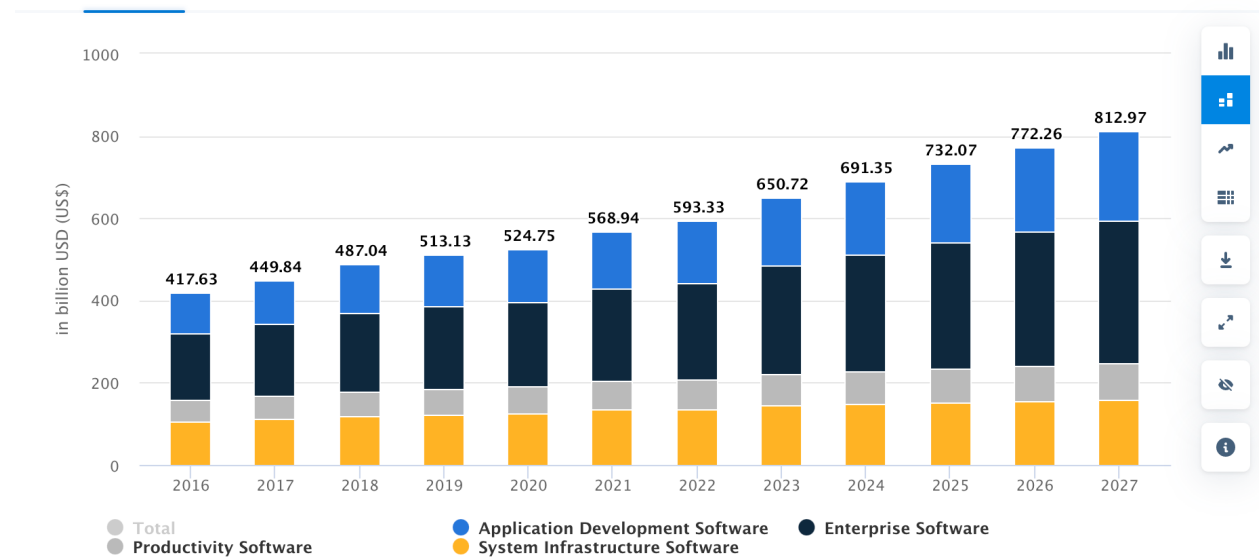
- Data security: customer data is not stored within company's premises and can be violated if the provider company does not apply the highest cybersecurity standards.
- Less control: limited control over the parts or the entire software, changes usually require integrations with existing solutions of the main provider or their partner.
- Wasted resources: With the ease of use and scalability SaaS provides, an organization's SaaS stack includes many overlapping, underutilized, or unused apps. The value of SaaS apps in the organization can drop without automated SaaS Management or SaaS optimization processes in place.
- Shadow IT: Employees often purchase or sign up for new SaaS without the knowledge of IT. Unmanaged SaaS apps could have potential security gaps.

The global software products market is segmented:

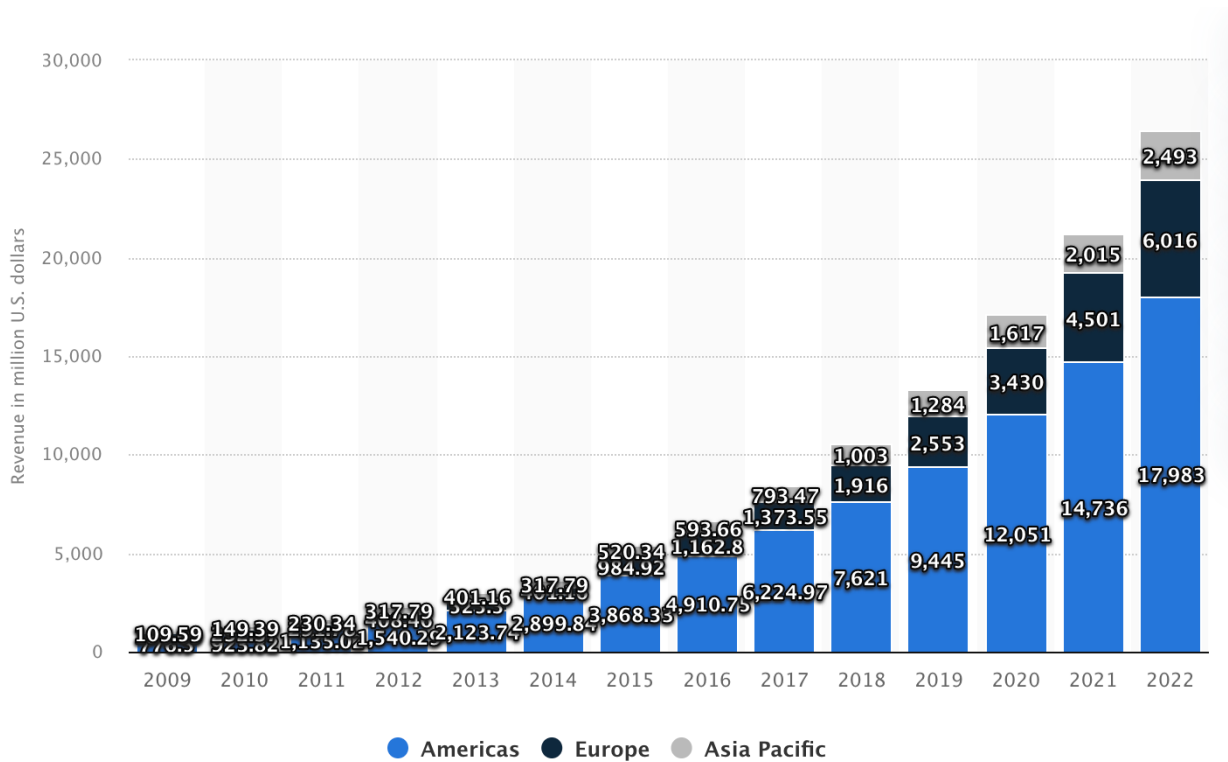
1. **By Type:** Operating Systems & Productivity Software Publishing, Database, Storage & Backup Software Publishing, Business Analytics & Enterprise Software, Video Game Software, Design, Editing & Rendering Software
2. **By Application:** Large Enterprises, Small And Medium Enterprises
3. **By End-User Industry:** BFSI, Media And Entertainment, IT and Telecommunications, Energy And Utilities, Government And Public Sector, Retail And Consumer Goods, Manufacturing, Others.

The market of software products keeps increasing. The global software products market grew from \$1,141.43 billion in 2021 to \$1,304.74 billion in 2022 at a compound annual growth rate (CAGR) of 14.3%. [Source](#)

REVENUE BY SEGMENT



From the graphic we can draw a conclusion, that the segment of Enterprise Software is the one that keeps growing and is predicted to grow till 2027. The latest actual data used for the graphic is from October 2022.

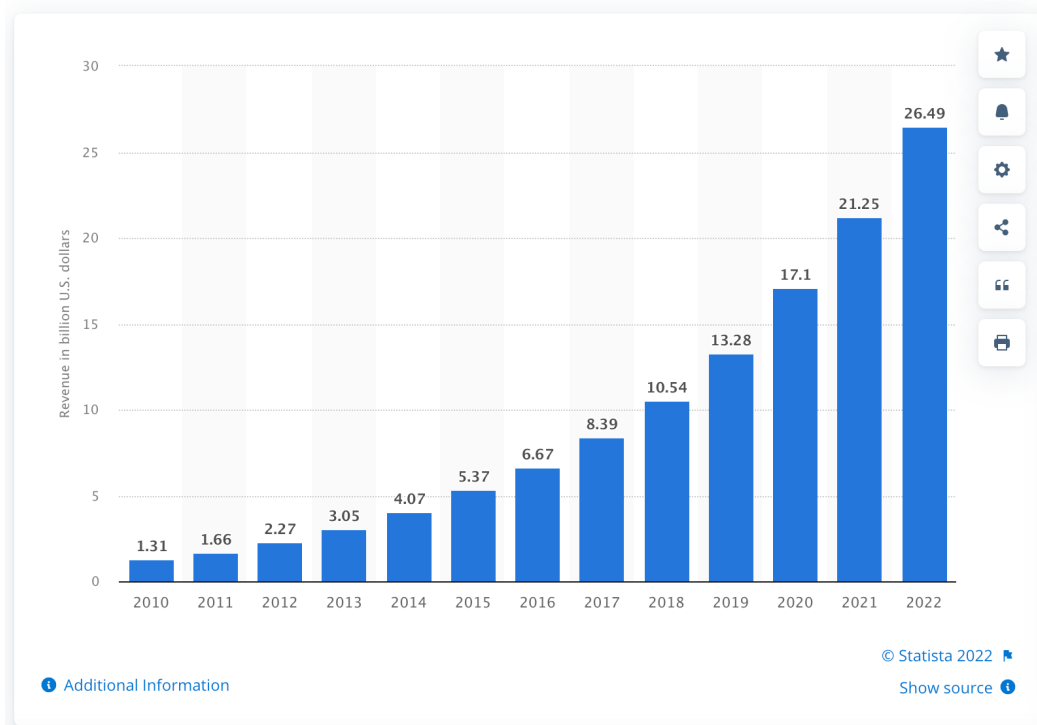


Salesforce.com's revenue from 2009 to 2022, by region.

## Revenue

### Salesforce Revenue

(in billion U.S. dollars)



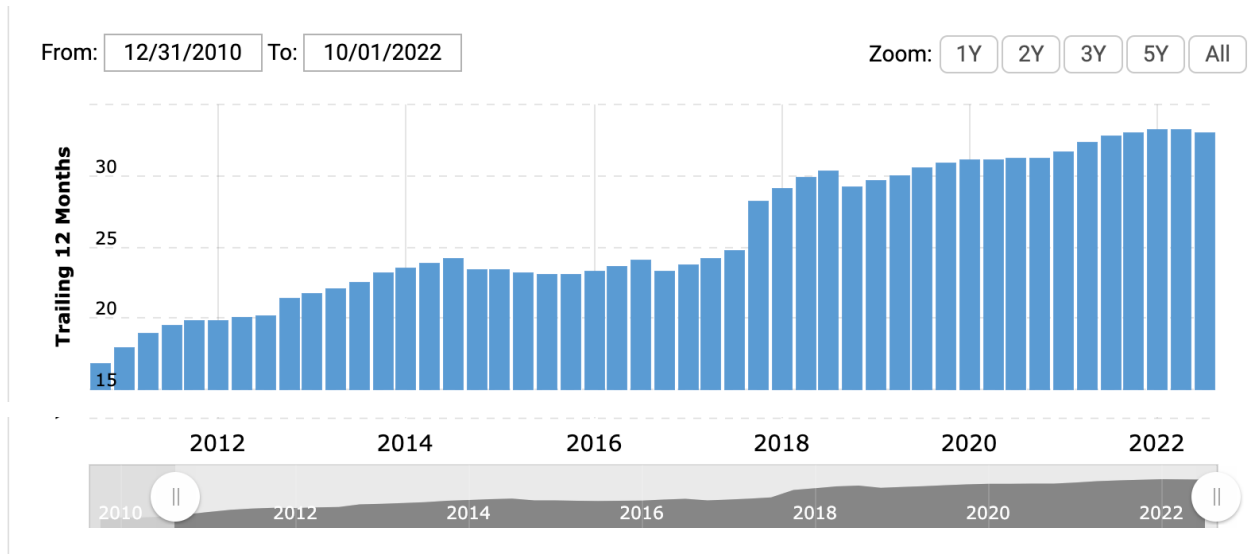
Source: <https://www.statista.com/statistics/211587/total-revenue-of-salesforce-since-2009/>

### Revenue Sources

- Subscription and support revenues - 93% of the total revenue for fiscal 2022
  - Subscription fees from customers accessing our enterprise cloud computing services (collectively, "Cloud Services")
  - Software license revenues from the sales of term and perpetual licenses
  - Support revenues from the sale of support and updates beyond the basic subscription fees or related to the sales of software licenses
  - Revenues associated with term and perpetual software licenses that provide the customer with a right to use the software as it exists when made available, recognized at the point in time when the software is made available to the customer.
- Professional services and other revenues

### SAP SE Revenue in billion U.S. dollars





## Challenges

The market for enterprise applications and platform services is highly competitive, rapidly evolving, fragmented and subject to changing technology, low barriers to entry, shifting customer needs and frequent introductions of new products and services.

Potential challenges of online software and services companies include:

- Internally developed enterprise applications that replace outsourced solutions
- Developers and IT specialists working with established software suppliers and not willing to move to a new technology
- Vendors who offer highly tailored solutions for enterprise businesses
- Security and access control, with the everchanging software market companies need to be vigilant with the latest updates to secure the customer data
- Efficient software storage and management

## Financial Risks

- Revenue recognition is not reflected immediately on the operational results due to the nature of subscription-based services from 12 to 36 months. The downside sales are reflected in the next quarter results, and may affect the ability to predict sales growth.
- The failure to balance the revenue forecast and expenses may affect the common stock price.
- Unpredictability of future general economic and financial market conditions, including from the global economic impact of Russia's recent invasion of Ukraine, the pace of change and innovation in enterprise cloud computing services, the impact of foreign currency exchange rate fluctuations, the growing complexity of our business, including the use of multiple pricing and packaging models and the increasing amount of revenue

from software license sales, and our increasing focus on enterprise cloud computing services, we may not be able to realize our projected revenue growth plans.

- Portion of fixed expenses that cannot be adjusted to the expected growth in a timely manner, such as data center and infrastructure service contracts or office leases, so it may not be possible to reduce costs in a timely manner.
- Changes in tax rate and tax liabilities

## Products Overview

### **Salesforce Inc Includes:**

- *Customer 360 platform*: a single source of connected customer data across systems, apps and devices that helps companies with their digital transformation. Customer 360 gives teams sales, service, marketing and commerce capabilities and more, and a single shared view of their customers so they can work together to build lasting, trusted relationships and deliver the personalized experiences their customers expect.
- *Slack Technologies, Inc.* (“Slack”), acquired in July 2021, is a communication and collaboration tool.
- *Customer 360 service offerings*: subscription-based services of flexible, scalable and easy to integrate and use. They can generally be configured easily, rapidly deployed and integrated with other platforms and enterprise applications. We sell to businesses worldwide, primarily on a subscription basis, through our direct sales efforts and also indirectly through partners. We also enable third parties to use our platform and developer tools to create additional functionality and new applications that run on our platform, which are sold separately from, or in conjunction with, our service offerings.

### **SAP SE includes:**

- *SAP S/4HANA Cloud*: ERP suite with intelligent technologies such as artificial intelligence (AI), machine learning, and advanced analytics. The suite provides software capabilities for finance, sales, service, procurement, manufacturing, and asset management, as well as research and development (R&D). Around 2,800 SAP S/4HANA customers were added in 2021, bringing the number of customers to approximately 18,800, up 18% year over year.
- *Human Experience Management (HXM)*: SAP solutions for HXM under the SAP SuccessFactors brand aim to increase the value of a workforce by developing, managing, engaging, and empowering people. HXM provide decision-makers with tools to identify and reduce unconscious bias from key people decisions such as hiring, calibration, and compensation.
- *Intelligent Spend Management*: a comprehensive set of solutions for customers to better navigate spend management decisions aligned with corporate strategies.
- *Customer Experience*: Our SAP Customer Experience solutions bring together customer data, machine learning technology, and microservices to support customer engagements across end-to-end processes in the areas of marketing, commerce, sales, and service. The focus for 2021 was maintaining leadership positions in various “magic quadrants” such as Gartner’s Magic Quadrant for Sales Force Automation with SAP Sales Cloud;

Forrester Wave for Customer Identity and Access Management (CIAM) with SAP Customer Data Cloud (formerly Gigya); and Gartner Magic Quadrant for Personalization Engines for SAP Emarsys Customer Data platform.

- *SAP Business Technology Platform*: on-premise and cloud-native technologies and services that support SAP applications across four areas: database and data management; analytics; application development and integration; and AI and robotic process automation.
- *Business Process Intelligence (BPI)*: a solution aimed to help SAP customers analyze their operations, understand their process bottlenecks, and improve their business process landscape.

## Ethics and Values

### **Salesforce:**

Trust, customer success, innovation, equality and sustainability.

### **SAP:**

“How We Run, Tell it like it is, Stay Curious Embrace differences, Keep the promise, Build Bridges, not silos”. Accountability for their own actions, behavior, and integrity. Be agile, ethical, inclusive, and accountable, and bring company strategy to life.

## Competition

- internally developed enterprise applications (by our potential customers' IT departments);
- vendors of packaged business software, as well as companies offering enterprise apps delivered through on-premises offerings from enterprise software application vendors and cloud computing application service providers, either individually or with others;
- software companies that provide their product or service free of charge as a single product or when bundled with other offerings, or only charge a premium for advanced features and functionality, as well as companies that offer solutions that are sold without a direct sales organization;
- vendors who offer software tailored to specific services, as opposed to our full suite of service offerings;
- suppliers of traditional business intelligence and data preparation products, as well as business analytics software companies;
- integration software vendors and other companies offering integration or API solutions;
- marketing vendors, which may specialize in advertising, targeting, messaging or campaign automation;
- e-commerce solutions from established and emerging cloud-only vendors and established on-premises vendors;
- productivity tool and email providers, unified communications providers and consumer application companies that have entered the business software market;

- traditional platform development environment companies and cloud computing development platform companies who may develop toolsets and products that allow customers to build new apps that run on the customers' current infrastructure or as hosted services.

### List of Competitors

Salesforce and SAP are direct competitors in the software market. Keeping this in mind, there are more players who could be a direct competition or competition for one of their segments:

- Microsoft
- Oracle
- SugarCRM
- Zoho
- Sage
- Zendesk
- HubSpot
- IBM
- SAS

## Financial Statements Valuation

Salesforce & SAP

### Salesforce

#### Highlights from Fiscal Year 2022

- **Revenue:** For fiscal 2022, revenue was \$26.5 billion, an increase of 25 percent year-over-year.
- **Earnings per Share:** For fiscal 2022, diluted earnings per share was \$1.48 as compared to earnings per share of \$4.38 from a year ago. Fiscal 2021 results benefited from a \$2.0 billion one-time discrete tax benefit resulting from the recognition of deferred tax assets related to an intra-entity transfer of intangible property.
- **Cash:** Cash provided by operations for fiscal 2022 was \$6.0 billion, an increase of 25 percent year-over-year. Total cash, cash equivalents and marketable securities as of January 31, 2022 was \$10.5 billion.
- **Remaining Performance Obligation:** Total remaining performance obligation as of January 31, 2022 was approximately \$43.7 billion, which includes approximately \$1.2 billion of remaining performance obligation related to Slack, an increase of 21 percent year-over-year. Current remaining performance obligation as of January 31, 2022 was approximately \$22.0 billion, an increase of 22 percent year-over-year.

Ratios to use

Growth rate of Net Sales

Net profit margin

Cash Flow margin

Fixed Asset Turnover

Total Asset Turnover

Short-term liquidity:

NWC (amount)

NWC (relative)

Current liquidity

Quick liquidity

Average collection ratio(DSO)

Cash conversion cycle

Capital structure and Long-term solvency:

Debt ratio 1

Gearing 1

Return/Market:

EPS

P/E

ROE

CFOA

## Analysis of the share listed on the Stock Exchange

Salesforce



[Source](#)

## SAP



[Source](#)

Rates for Shares listed:

Earnings per share

Price/earnings ratio

Dividend yield

Dividend Growth Rate

Conclusion

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Appendix - all info below will be moved upstairs and organized, don't worry

## COVID-19 Impact - Salesforce

As our employees, customers and partners begin to work in person on a periodic basis, we have launched our Success from Anywhere initiative and leveraged Flex Team Agreements to decide how, when, and where our employees work. Using Slack as our digital headquarters, regardless of where employees work, employees are able to connect, share information and get work done. As we adopt and refine our Success from Anywhere initiatives, there may be additional investments and redirection efforts in the future which may include position eliminations, incremental costs to improve employees' ability to work from home and impairments to assets associated with real estate leases in select locations we decide to exit.

SAP SE engages in the provision of enterprise application software and software-related services. It operates through the following segments: Applications, Technology, and Services; Intelligent Spend Group; and Qualtrics. The Applications, Technology, and Services segment includes software licenses, cloud subscriptions, and related services. The Intelligent Spend Group segment comprises cloud-based collaborative business networks, subscriptions to the cloud offering, and related professional and educational services. The Qualtrics segment sells experience management cloud solutions. The company was founded by Hasso Plattner, Klaus Tschira, Claus Wellenreuther, Dietmar Hopp, and Hans-Werner Hector in 1972 and is headquartered in Walldorf, Germany.

## USP

- SAP 360 Customer is a solution that encompasses all of SAP's technology around the customer: be it sales applications, marketing applications, service applications, and also includes the social and collaboration capabilities enabled by our latest offerings.
- Customer 360 provides a trusted, single view that can include information about purchase history, billing, service issues, social presence, and channel preferences. Businesses can use this data to inform engagement strategies, customer journey steps, communications, personalized offers, and deliveries. A Customer 360 view enables organizations to derive value, achieve sustainable competitive advantage, and maximize new customer acquisition opportunities whether in-store or online.
- SAP Integration for Slack A sophisticated alert and notification handling serves to protect your systems and business processes. Enable your employees to act promptly and eliminate causes. By integrating SAP and Slack, you transfer important information into channels and thus create transparency.

[Customer 360 – Overview | SAP Blogs](#)

### **Best SAP ERP Software Alternatives**

#### Net Suite

Allows you to combine data with visual analytics to generate meaningful business insights

Shorten cycle times, engage business users and enhance your planning process

#### Microsoft Dynamic

This ERP software allows you to develop new database-powered apps

Create template Excel and Word files from data for quick reports

#### Oracle Business

Easily enforce organizational policies

An easy way for employees to submit, view, track timecards  
 COINCAP  
 More than 1700 business functions which includes 850 reports  
 Realtime/Online system. All data & reports are available online.

EPROMIS Business suite  
 Allows you to select the deployment platform which works best for your organization  
 It allows you to gain real-time access to your data on the go.

[Introduction of IFRS in SAP \(apprisia.com\)](http://apprisia.com)

## Activity and Profitability Ratios:

### SAP Growth Revenue & Profit

2022	2021	2020	2019	2018
\$33.018M	\$32.94M	\$31,228M	\$30,859	\$29,180

### SAP Gross Margin

2022	2021	2020	2019	2018
71.36%	71.46%	71.16%	71.16%	69.80%

### SAP Gross Operating Margin

2022	2021	2020	2019	2018
14.57%	16.72%	24.23%	16.24%	23.09%

### SAP Net profit margin:

2022	2021	2020	2019	2018
10.70%	18.88%	18.82%	12.06%	16.52%

### SAP Cash Flow margin:

2022	2021	2020	2019	2018
20.68% decline	73.8% increase	26.26% increase	41.36% decline	78.28% increase

#### SAP Total asset turnover

2022	2021	2020	2019	2018
\$78.797B	\$84.2B	\$66.793B	\$67.441B	\$60,811M

The total asset turnover ratio measures the value of a company's revenues relative to the value of its assets. It is used as an indicator of the efficiency with which a company is using its assets to generate revenue. The higher the ratio the better the efficient use of the resources so the minimal indication of an increase in the percentage \$78.797B, a 2.76% increase year-over-year is a good sign of efficient use of the company's total asset hence good for the business.

Source: [SAP SE Operating Margin 2010-2022 | SAP | MacroTrends](#)

#### Activity and Profitability Ratios:

##### SALESFORCE Growth Revenue & Profit

2022	2021	2020	2019	2018
\$26.492B, a 24.66%	\$21.252B, a 24.3%	\$17.098B, a 28.73%	\$15.850B a 33.05%	\$12.544B a 25.58%

##### SALESFORCE Gross Margin

2022	2021	2020	2019	2018
72.61%	74.02%	74.47%	75.01%	74.15%

##### SALESFORCE Gross Operating Margin

2022	2021	2020	2019	2018
1.83%	3.67%	1.11%	2.97%	4.85%

SALESFORCE Net profit margin:

2022	2021	2020	2019	2018
1.83%	6.96%	17.53%	4.64%	4.64%

SALESFORCE Cash Flow margin:

2022	2021	2020	2019	2018
40.24%	50.57%	83.03%	89.25%	-10.90%

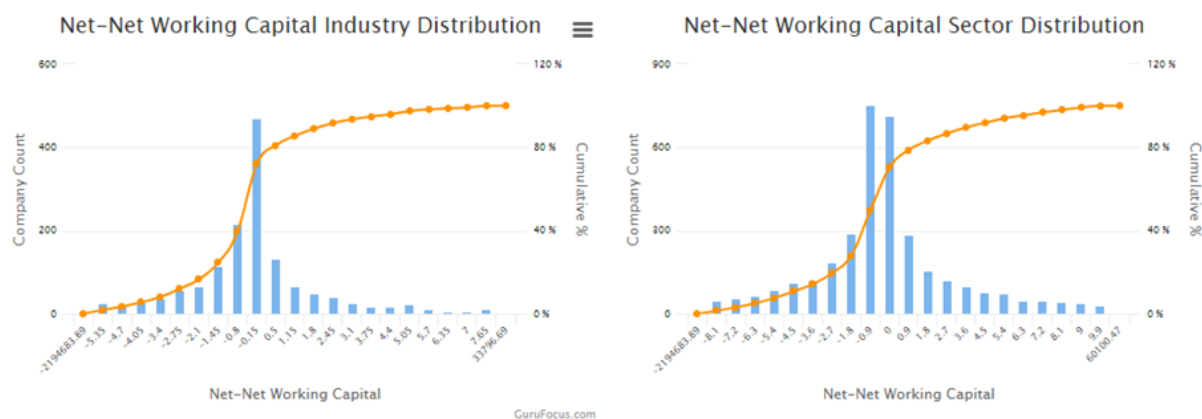
SALESFORCE Total asset turnover

2022	2021	2020	2019	2018
43.6%	47.86%	79.35%	87.84%	52.02%

[Salesforce Profit Margin 2010-2022 | CRM | MacroTrends](#)

## Solvency and Liquidity Ratios:

SAP SE (NYSE:SAP) Net-Net Working Capital : \$-16.83 (As of Sep. 2022)



[SAP \(SAP SE\) Net-Net Working Capital \(gurufocus.com\)](#)

SAP SE (NYSE:SAP) ROIC % : 4.09% (As of Sep. 2022)

# FINANCING & LEVERAGE RATIOS

## Salesforce vs SAP

Based on verified reviews from real users in the CRM Customer Engagement Center market. Salesforce has a rating of 4.4 stars with 308 reviews. SAP has a rating with 99 reviews. See side-by-side comparisons of product capabilities, customer experience, pros and cons, and demographics to find the best fit for your organization.

## Comparison on the Stock Exchange



## Sources

# Resources

- THE DIFFERENCE BETWEEN IaaS vs. PaaS vs. SaaS [Link](#)
-