

Software AG continues robust performance trend with solid third quarter results; full-year guidance confirmed

Darmstadt, Germany – October 26, 2023: [Software AG](#) today announced its financial results for the third quarter and first nine months of 2023.

Sanjay Brahmawar, Software AG CEO, commented: *“Our third quarter results show we continue to execute our plan. We are securing SaaS growth from within our leading integration portfolio and we continue to drive profitability through operational excellence. With Silver Lake’s public tender offer now complete, we are ready to finish the year strongly and launch a new phase of growth led by our category-defining Super iPaaS platform.”*

Daniela Bünger, Software AG CFO, commented: *“In the third quarter we saw strong performance from Adabas & Natural which continues to successfully migrate more customers to subscription agreements. We also saw solid growth in our Digital Business with good execution despite continued extended sales cycles. Our focus on execution and operational excellence will continue into the fourth quarter, and we are happy to confirm our 2023 full-year guidance.”*

Financial Highlights

- **Third-quarter Digital Business annual recurring revenue (ARR)** grew 6 percent year-on-year or 11 percent at constant currency to €545.1 million.
- **Adabas & Natural (A&N) ARR**, driven by migrations, achieved year-on-year third-quarter growth of 6 percent or 14 percent at constant currency.
- **Group product revenue** rose 5 percent year-on-year or 12 percent at constant currency in the third quarter. Nine-month product revenue increased 7 percent or 10 percent at constant currency, in line with expectations.
- **Operating margin (EBITA, non-IFRS)** reached 25.6 percent in the third quarter. Nine-month operating margin (EBITA, non-IFRS) was 19.8 percent.
- **2023 full-year guidance was confirmed.**

Business update

The third quarter of 2023 marked an important period of progress for Software AG. Two particularly significant events stood out in the period.

On 28 September, Silver Lake successfully completed its voluntary public offer for Software AG. It now holds 93 percent of the Company's share capital and voting rights. This deepened strategic partnership enables the Group to further accelerate the execution of its evolved strategy focused on becoming the world's number one enterprise integration company.

On 17 October, Software AG demonstrated the first proof point in its strategic evolution with the launch of Super iPaaS, its new product platform. It represents a new category of integration solutions aimed at meeting an increasingly complex set of customer needs that cannot be met by traditional iPaaS platforms. The Super iPaaS brings together application, data, API and B2B integrations into the same unified platform, in hybrid and multi-cloud environments. This brings customers three key benefits: greater agility, increased productivity, and stronger governance.

Among others, these developments help set the stage for Software AG's strategic evolution into a business squarely focused on innovation in integration, customer success and operational excellence.

Third quarter and nine-month 2023 ARR performance

As of the end of the third quarter of 2023, Software AG's Digital Business ARR was €545.1 million (Q3 2022: €516.2 million), representing year-on-year growth of 6 percent or 11 percent at constant currency. Compared to the end of the second quarter, Digital Business ARR rose by €17.6 million, a sequential increase of 3 percent. ARR in the Group's A&N business was €195.9 million compared to €184.6 million at the end of the third quarter of 2022, representing year-on-year growth of 6 percent or 14 percent at constant currency. Compared to the end of the second quarter, ARR in the A&N segment grew €5.1 million or 3 percent.

Third quarter and nine-month 2023 Group revenue and earnings performance

Software AG reported €228.7 million in total revenue for the third quarter of 2023 (Q3 2022: €221.4 million). This represents growth of 3 percent or 10 percent at constant currency. Nine-month Group revenue grew 5 percent or 9 percent at constant currency to €687.7 million (9M 2022: €654.3 million). Group product revenue in the third quarter grew 5 percent or 12 percent at constant currency to €189.8 million (Q3 2022: €180.0 million). In the first nine months, Group product revenue totaled €570.7 million (9M 2022: €534.6 million), reflecting growth of 7 percent or 10 percent at constant currency.

Subscriptions and SaaS accounted for 64 percent (Q3 2022: 54 percent) of Group product revenue in the third quarter of 2023 and for 62 percent in the first nine months of the year (9m 2022: 50 percent). Digital Business product revenue saw growth of 1 percent or 6 percent at constant currency in the third quarter to €134.9 million (Q3 2022: €133.5 million). Nine-month Digital Business product revenue was €393.2 million, representing an increase of 3 percent or 6 percent at constant currency. A&N product revenue was €54.9 million in the third quarter (Q3 2022: €46.5 million), up by 18 percent or 29 percent at constant currency. Nine-month A&N product revenue increased by 15 percent or 21 percent at constant currency to €177.5 million (9M 2022: €154.3 million). Professional Services revenue in the third quarter was €38.9 million (Q3 2022: €41.4 million); for the first nine months, it amounted to €117.0 million (9M 2022: €119.7 million).

Software AG's EBIT totaled €37.2 million in the third quarter (Q3 2022: -€6.6 million) and €62.7 million in the first nine months of 2023 (9M 2022: €55.3 million). The Group's operating EBITA (non-IFRS) amounted to €58.5 million in the third quarter of the year (Q3 2022: €29.9 million), giving Software AG an operating margin (EBITA, non-IFRS) of 25.6 percent (Q3 2022: 13.5 percent). For the nine-month period, operating EBITA (non-IFRS) was €136.5 million (9M 2022: €120.2 million), resulting in an operating margin (EBITA, non-IFRS) of 19.8 percent (9M 2022: 18.4 percent).

The Group's free cash flow totaled €16.8 million in the third quarter (Q3 2022: €6.5 million) and €2.8 million (9M 2022: €9.1 million) in the first nine months of 2023.

Guidance

The Group reiterated its guidance today for the full 2023 year. The guidance ranges are, except for margin, presented at constant currency:

- Digital Business ARR growth of between 10 and 15 percent
- A&N ARR development of between -2 and 2 percent
- Group product revenue growth of between 6 and 10 percent
- Operating margin (EBITA, non-IFRS) between 16 and 18 percent

Software AG remains committed to double-digit revenue growth in the Digital Business segment and reiterates its ambition to reach an operating profit margin in the high twenties in the medium term, which will translate into improved cash flow generation.

About Software AG

Software AG helps companies create effortlessly connected experiences for their customers, employees and partners. Its enterprise-grade iPaaS integrates anything, anywhere, any way users want by bringing application, data, B2B, API and event integration together in the same generative AI-enabled platform.

Trusted by the world's best brands for more than 50 years, Software AG enables end-to-end visibility and governance across geographies, IT environments, and complex business ecosystems, with



hybrid multi-cloud connectivity, and enterprise-grade security relied on by banks, governments, and corporations around the world.

Software AG is majority owned by Silver Lake, the global technology investment firm. For more information, visit www.softwareag.com. And follow on [LinkedIn](#) and [X](#).

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Key Figures

[All figures are preliminary, unaudited and, unless otherwise stated, based on IFRS.]

in € millions (unless otherwise stated)	9m 2023	9m 2022	+/- as %	+/- as % acc ¹	Q3 2023	Q3 2022	+/- as %	+/- as % acc ¹
Group revenue	687.7	654.3	5	9	228.7	221.4	3	10
Product revenue	570.7	534.6	7	10	189.8	180.0	5	12
thereof Digital Business	393.2	380.3	3	6	134.9	133.5	1	6
thereof Adabas & Natural (A&N)	177.5	154.3	15	21	54.9	46.5	18	29
thereof Licenses	211.3	179.3	18	23	69.2	56.4	23	32
thereof Maintenance	287.5	301.9	-5	-2	95.6	102.7	-7	-1
thereof Software as a Service	71.9	53.4	35	38	24.9	21.0	19	25
	September 30, 2023	September 30, 2022	+/- as %	+/- as % acc¹				
Group ARR	741.0	700.8	6	12				
Digital Business ARR ²	545.1	516.2	6	11				
A&N ARR ²	195.9	184.6	6	14				
	9m 2023	9m 2022	+/- as %	Q3 2023	Q3 2022	+/- as %		
Operating EBITA (non-IFRS)	136.5	120.2	14	58.5	29.9	96		
Operating EBITA (non-IFRS) margin as %	19.8	18.4		25.6	13.5			
Digital Business segment earnings Segment margin as %	25.0	21.3	18	19.2	3.2	493		
A&N segment earnings Segment margin as %	6.4	5.6		14.2	2.4			
A&N segment earnings Segment margin as %	133.1	101.3	31	39.6	29.6	34		
Segment margin as %	75.0	65.6		72.1	63.6			
EBIT	62.7	55.3	13	37.2	-6.6	-664		
Net income (non-IFRS)	50.4	61.1	-17	26.0	26.7	-3		
Earnings per share (non-IFRS)³ in €	0.68	0.82	-17	0.35	0.36	-3		
Operating cash flow	10.2	22.4	-54	14.8	10.3	44		
CapEx ⁴	-	-5.0		4.5	-0.8			
Repayment of lease liabilities	-7.4	-8.3		-2.5	-3.0			
Free cash flow	2.8	9.1	-69	16.8	6.5	158		
Free cash flow per share in €	0.04	0.12	-69	0.23	0.09	158		
	September 30, 2023	December 31, 2022	+/- as %					
Balance sheet								
Total assets	2,586.3	2,678.4	-3					
Cash and cash equivalents	404.3	427.1	-5					
Net cash position ⁵	-244.2	-240.0	2					
Employees (FTE)	4,699	4,996	-6					

¹ At constant currency.

² Annual recurring revenue.

³ Based on weighted average shares outstanding (basic) 9m 2023: 74.0 mn / 9m 2022: 74.0 mn.; Q3 2023: 74.0 mn / Q3 2022: 74.0 mn.

⁴ Cash flow from investing activities adjusted for acquisitions and investments in debt instruments.

⁵ Net cash position includes cash and cash equivalents less financial liabilities.

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