



# EVOLVING OUR FINANCIAL PLATFORM FOR GROWTH

ARND ZINNHARDT  
CHIEF FINANCIAL OFFICER



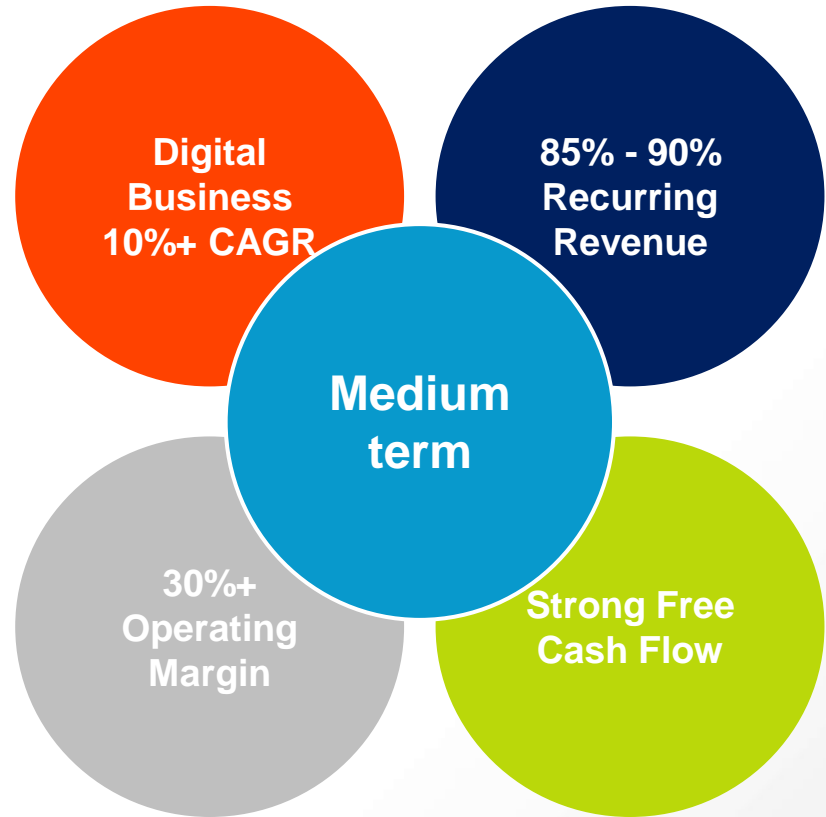
## SAFE-HARBOR-STATEMENT

This presentation includes forward-looking statements based on the beliefs of Software AG management. Such statements reflect current views of Software AG with respect to future events and results and are subject to risks and uncertainties. Actual results may vary materially from those projected here, due to factors including changes in general economic and business conditions, changes in currency exchange, the introduction of competing products, lack of market acceptance of new products, services or technologies and changes in business strategy. Software AG does not intend or assume any obligation to update these forward-looking statements.

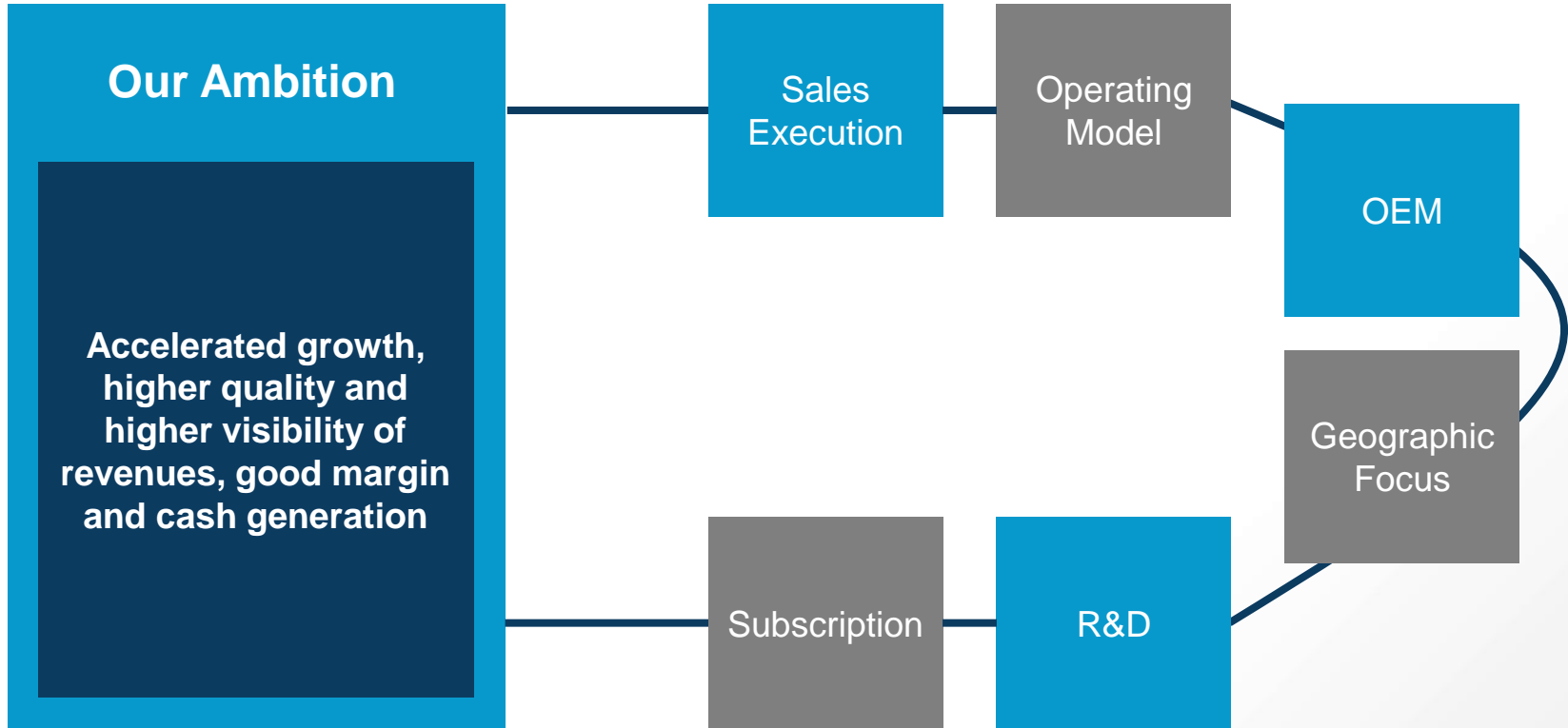
This presentation constitutes neither an offer nor recommendation to subscribe or buy in any other way securities of Software AG or any of the companies that are members of the Group at present or in the future, nor does it form part of such an offer and it should not be understood as such. This presentation does not constitute an offer of sale of securities in the United States of America. Securities may not be offered or sold in the United States of America without registration or exemption from registration in accordance with the U.S. Securities' Act of 1933 in its currently valid form.

# OUR AMBITION

**Accelerated growth,  
higher quality and  
higher visibility  
of revenues,  
good margin and  
cash generation**



# ROUTES TO OUR AMBITION



# ROUTES TO OUR AMBITION

## Sales Execution

- ▶ Customer Value Team
- ▶ Increase deal value
- ▶ Upscale into existing customer base  
Cross-sell into A&N base
- ▶ Sales efficiency
- ▶ New business / new logos

## Operating Model

- ▶ Customer driven innovation
- ▶ Deepen sales knowledge
- ▶ Strengthen entrepreneurial ownership
- ▶ More customer touchpoints

## OEM

- ▶ IoT Partnerships & White Labelling
- ▶ Scaling through partnerships,  
penetrating the relevant IoT platforms

## Geographic Focus

- ▶ Focus on Tier 1 countries
- ▶ Focused sales investments
- ▶ Increased productivity

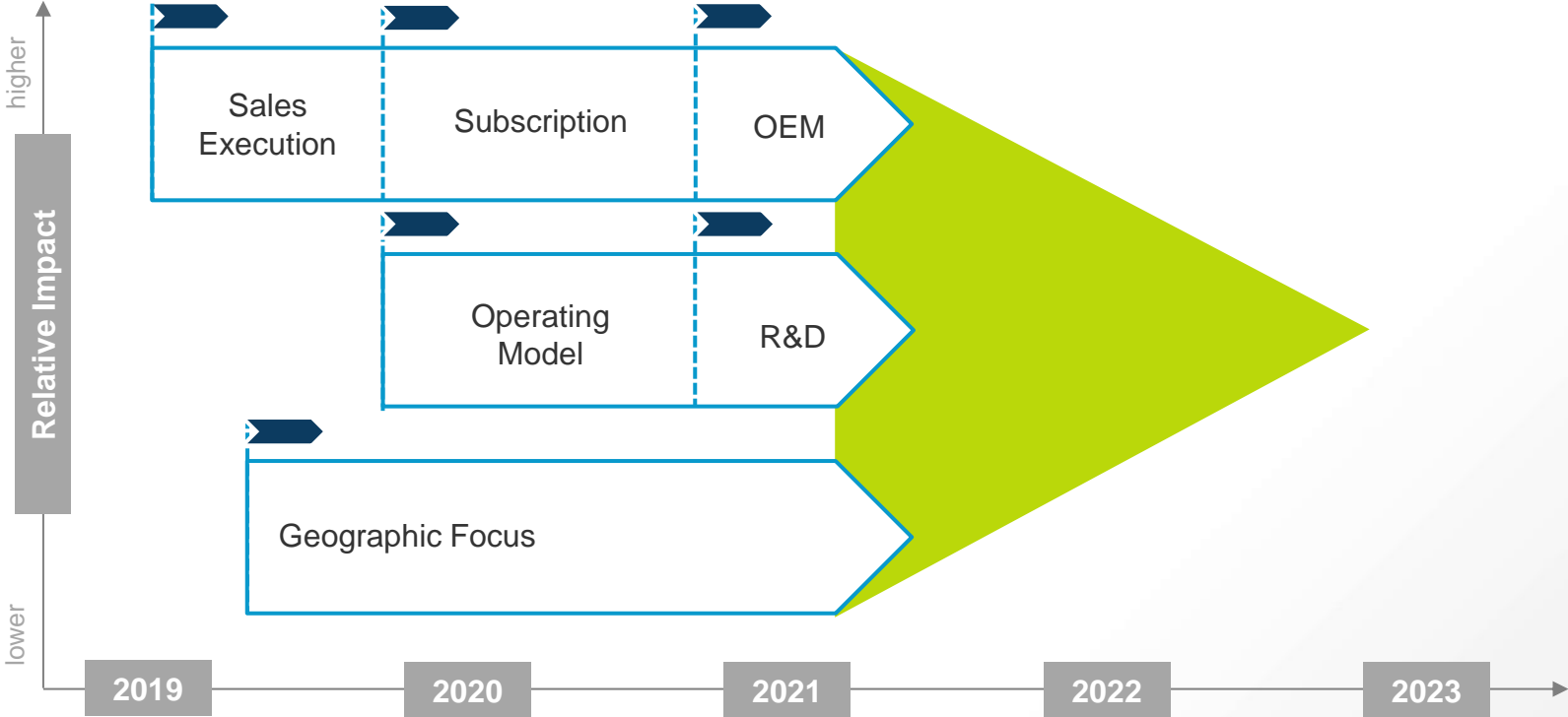
## R&D

- ▶ Re-allocation of resources
- ▶ Focus on key products that  
drive revenue model

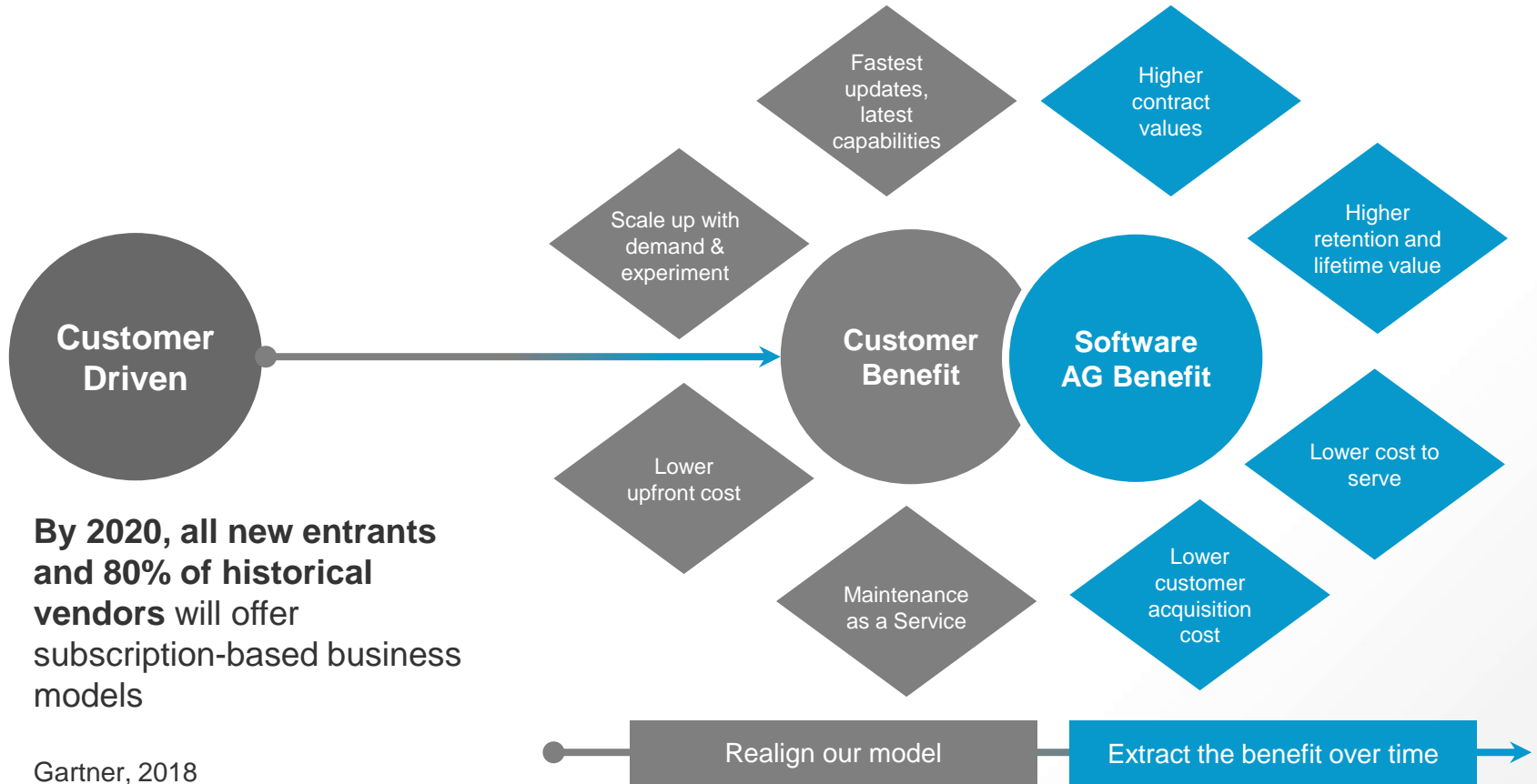
## Subscription

- ▶ Customer Success Team
- ▶ Realise upsell potential
- ▶ Higher retention rate
- ▶ Higher visibility, reduced volatility

# FIRST FINANCIAL IMPACT AND PHASING PER ROUTE



# ENABLING THE SHIFT TO SUBSCRIPTION



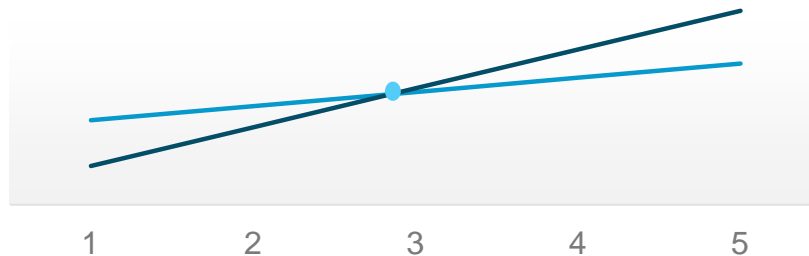
**By 2020, all new entrants and 80% of historical vendors will offer subscription-based business models**

Gartner, 2018

# NEW SUBSCRIPTION LICENSING MODEL

	OLD IFRS	IFRS 15	
	To 2017	2018 – 2019	2020+
Perpetual	Upfront	Upfront	Upfront
Subscription	Pro-rata	Upfront	Quarterly / Annually
SaaS / Usage	Pro-rata	Pro-rata	Pro-rata

Subscription Pathway  
Greater Lifetime Revenues



Subscription revenue

Perpetual license & support

Cash flow & revenue both up +30 to 40%

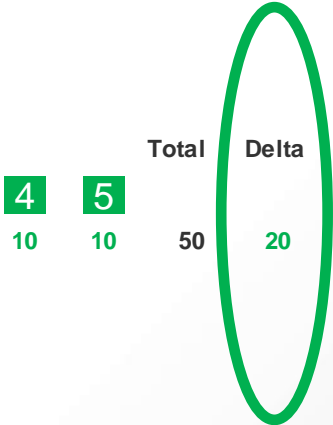


# MODEL CHANGE: IMPACT AND PHASING

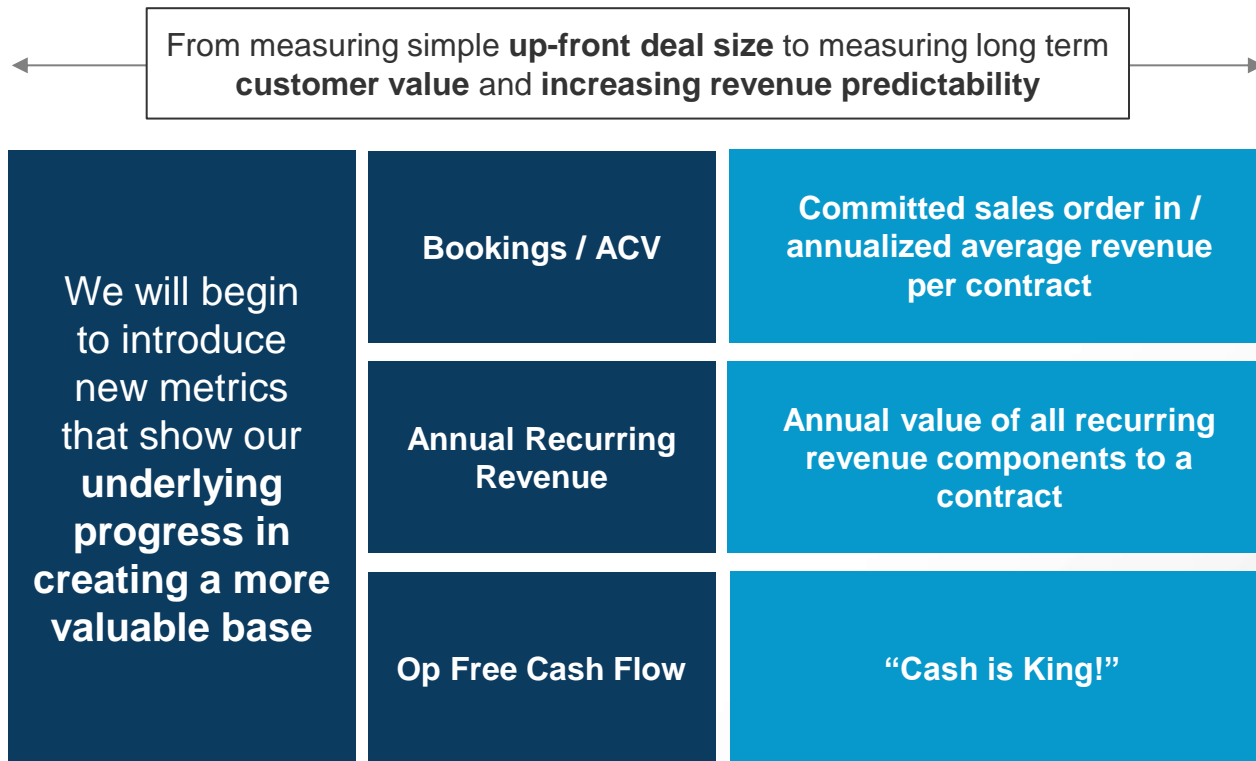
## 2018 reimaged

	2018 as is	2	3	Total	As 2018 would have been	2	3
PERPETUAL LICENSE	250				250		
SUBSCRIPTION LICENSE	30	0	0	30	10	10	10
MAINTENANCE	400				400		
CONSULTING	180				180		
<b>TOTAL REVENUE</b>	<b>860</b>				<b>840</b>		
COSTS	590				590		
operating EBITA	270				250		
<b>MARGIN in %</b>	<b>31.5%</b>				<b>~29.5%</b>		

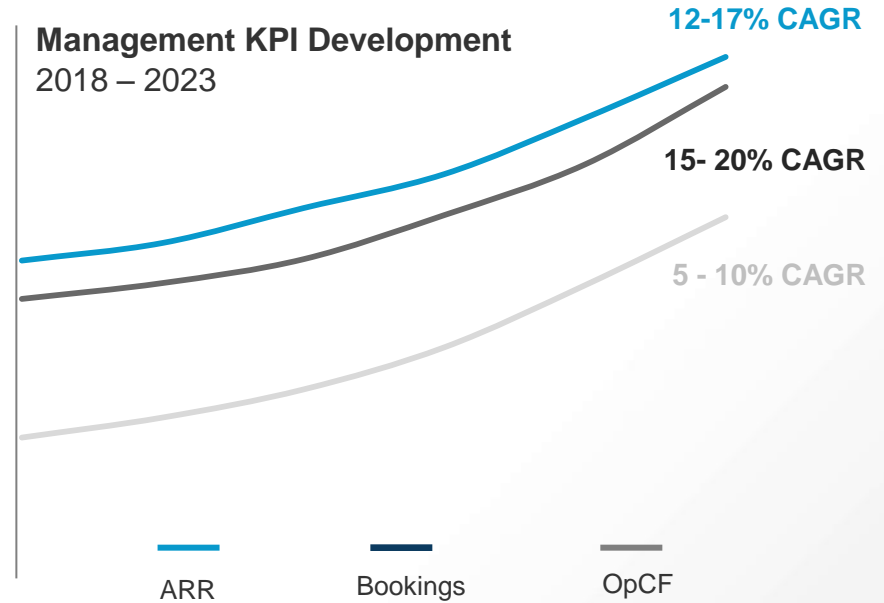
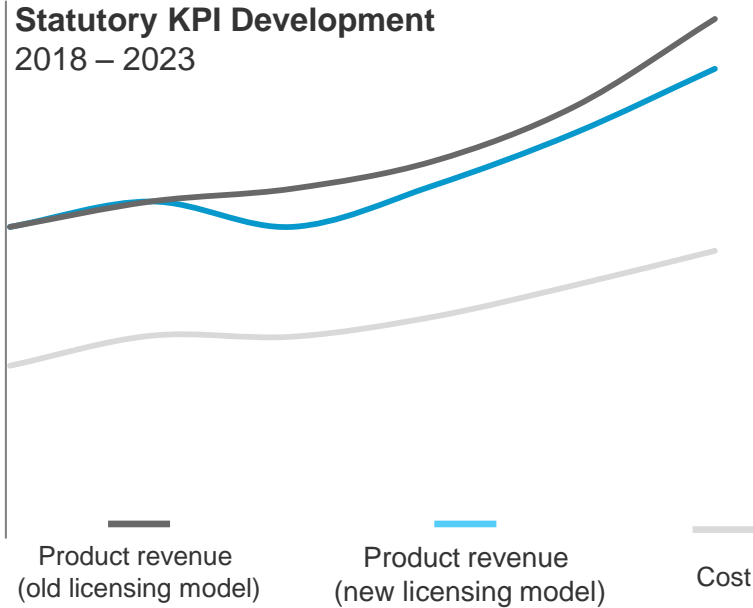
$\Delta \sim 200\text{bp}$



# KPIS TO TRACK OUR PROGRESS



# MEDIUM TERM KPI DEVELOPMENT

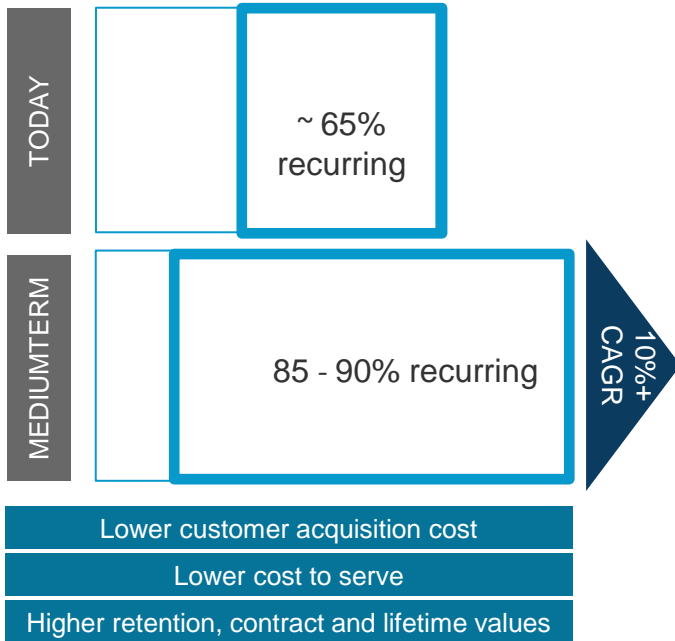


# GROWTH AND CAPITAL RETURNS

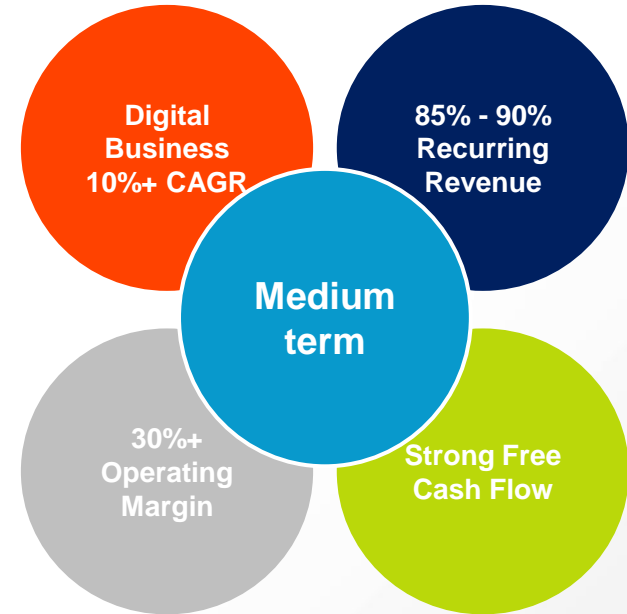
2019		Medium Term	Capital Returns	
DBP	3 to 7 %	<b>ARR</b> 12 to 17% CAGR	Dividend Pay Out	25 to 33 % FCF
IoT	75 to 125 %	<b>Bookings</b> 15 to 20% CAGR	Share Buy Back	Opportunity Based
A&N	-5 to 0 %	<b>Operating Cash Flow</b> 5 to 10% CAGR		
EBITA Margin	28 to 30 % Non IFRS	Revenue		
		Non IFRS EBITA Margin		

# THIS TRANSITION BUILDS US A BETTER BUSINESS

Digital Business  
Driving Recurring Revenue



Ambition  
Accelerated growth, higher quality and higher visibility  
of revenues, good margin and cash generation



 **software** <sup>AG</sup>