

Capital Markets Day 2021

23 February 2021



SAFE HARBOUR

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CAPITAL MARKETS DAY 2021

Financial Transformation

Dr. Matthias Heiden
Chief Financial Officer

Session outline



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3

Our growth foundation

KPI progress shows **we're ready to** accelerate

Accelerating towards our goals

Confidence indicators to show the way at top and bottom line

Building understanding

Clarity on cash flow, reporting, and capital allocation

Helix foundation and go-forward growth path



2019
foundation

2020
momentum

2021
acceleration

2023
ambition

Launching Helix
Establishing priorities: FET
Root & branch change

KPIs show progress
Subscription takes off
Digital Business grows

Investing to capitalize
Growth continues
Margin troughs

New business builds
Renewals kick in
Margin expands



SUSTAINABLE PROFITABLE GROWTH

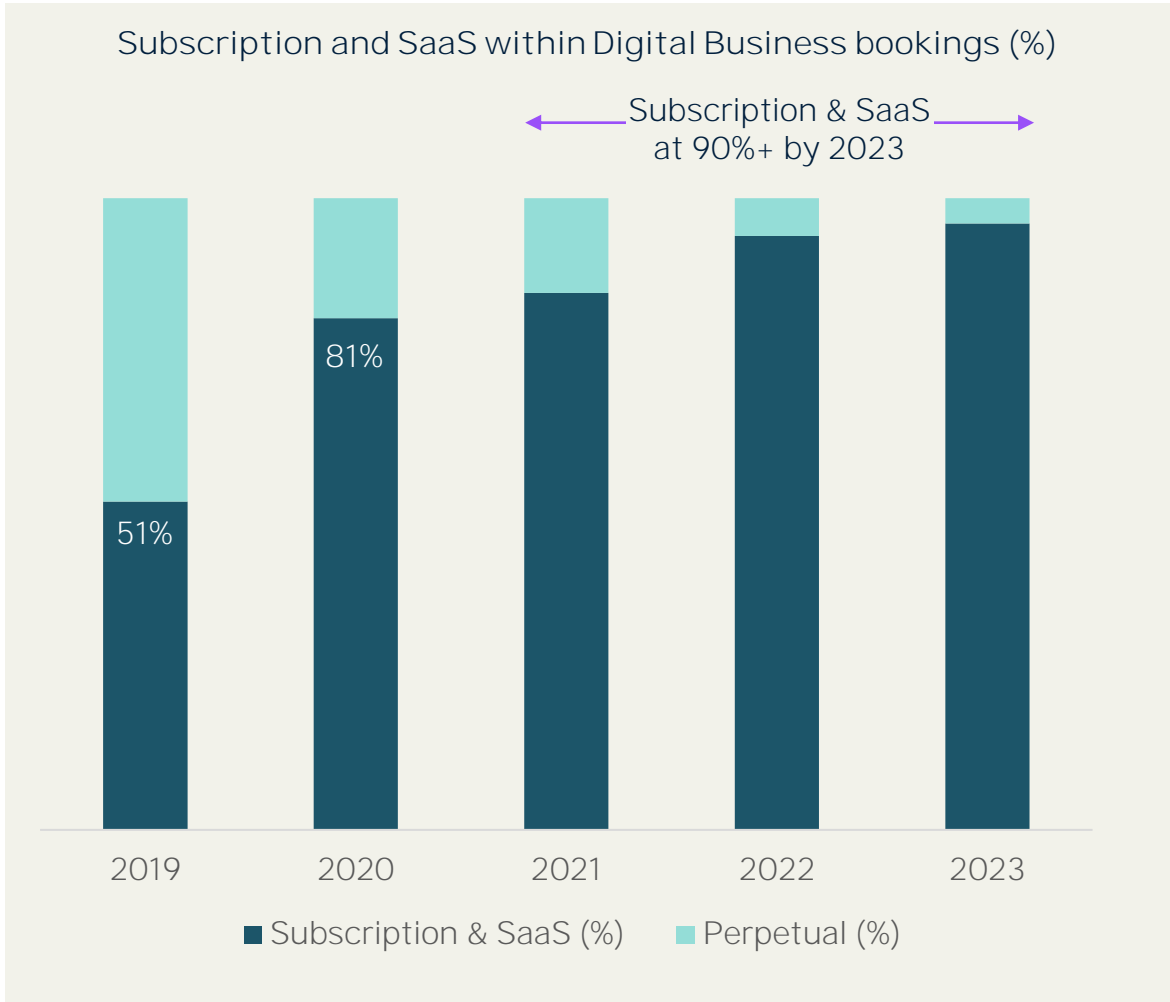
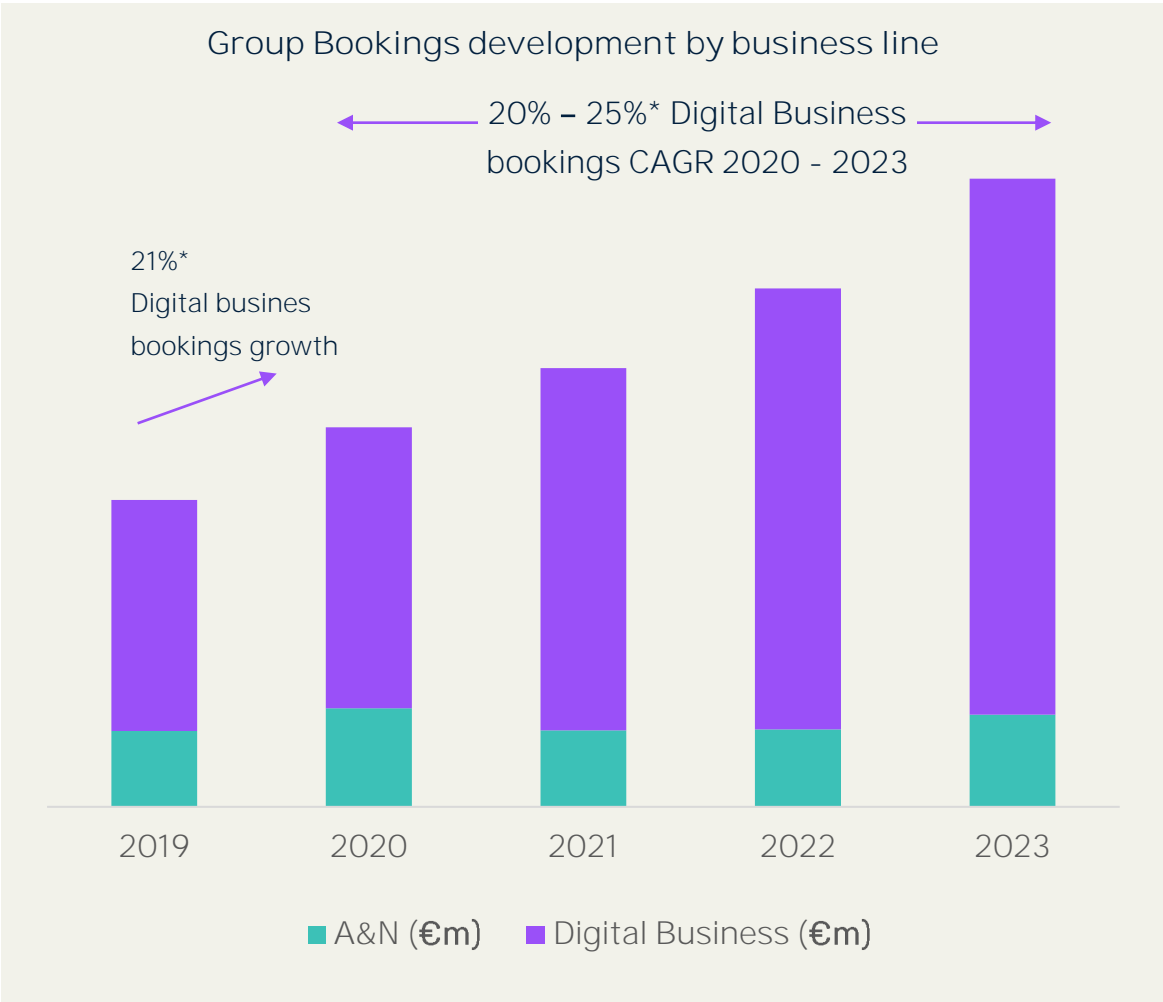
Group revenue
€1bn

Digital business
~15% CAGR

Recurring revenue
85% - 90%

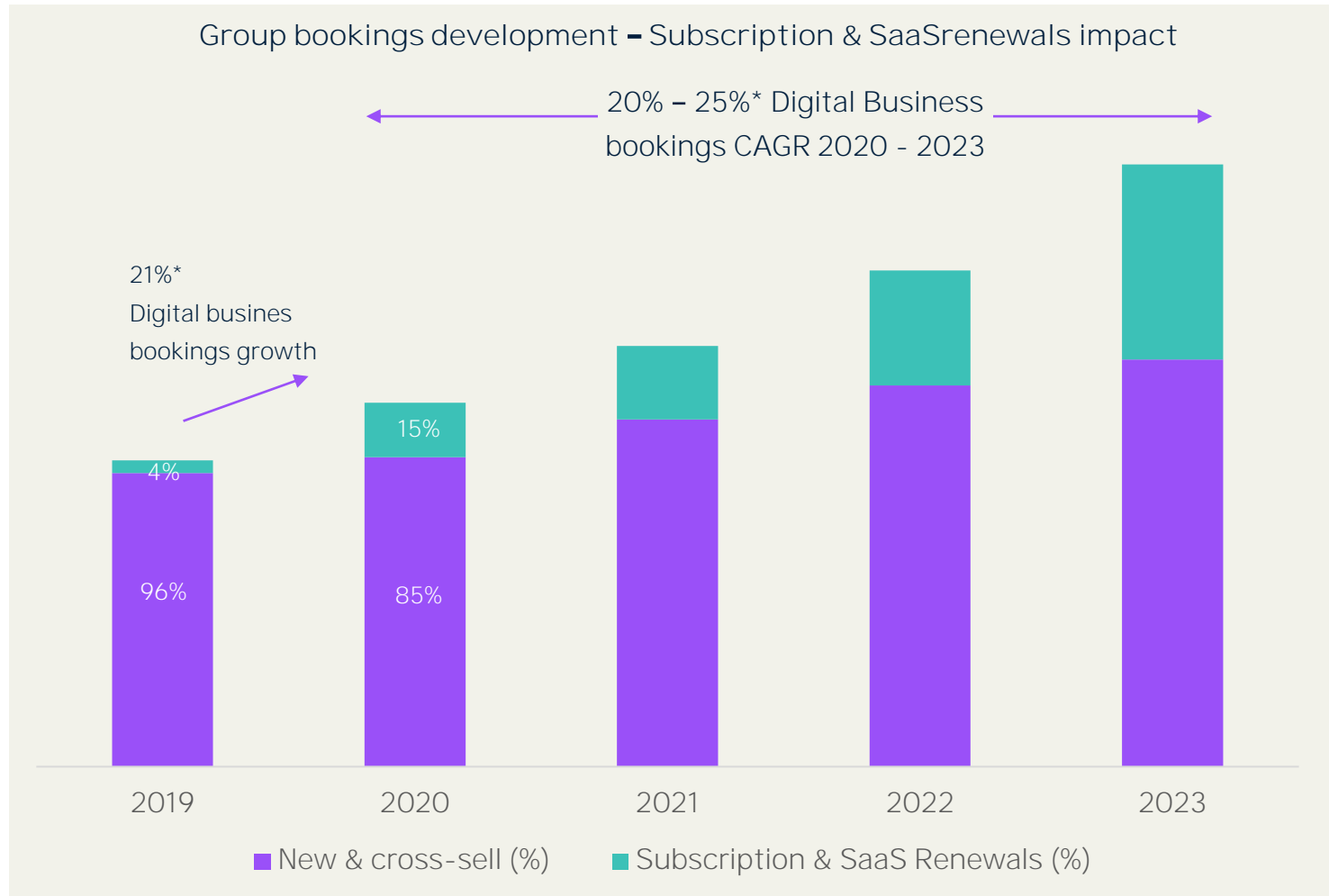
Operating Margin
25% - 30%

Bookings growth driven by Digital Business



* Growth rate at constant currency

Renewals impact accelerates from 2022



Key messages

New business:

Migrations: a foundation for future growth building within existing base.

Net new & expansions: driving growth with empowered GTM and sales organisation.

Renewals:

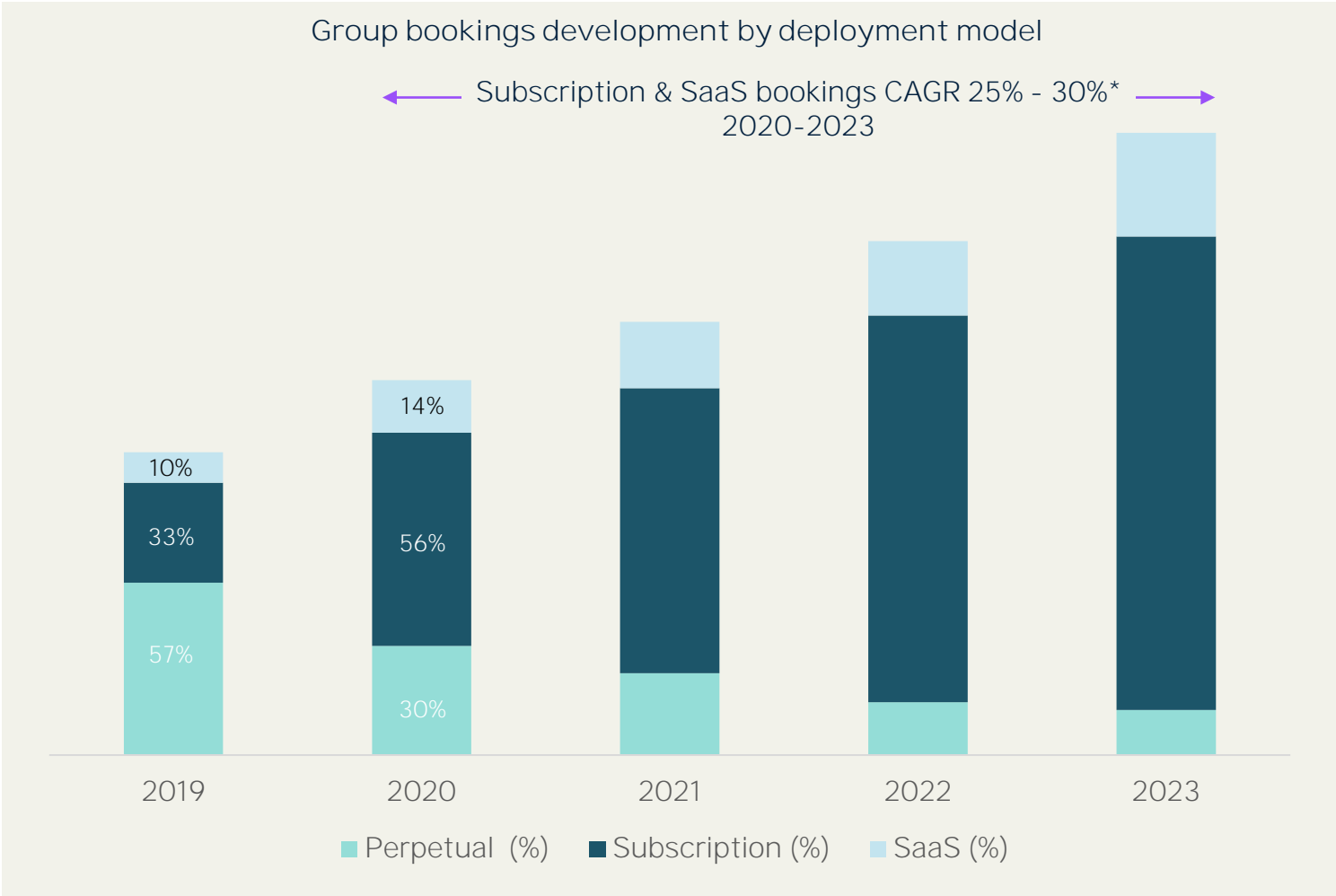
15% in 2020, trending upwards.

3-year average renewal cycle.

Low single-digit positive net-churn assumption.

* Growth rate at constant currency

Growing share of subscription and SaaS in bookings mix



Key messages

Increasing quality of Software AG revenue stream.

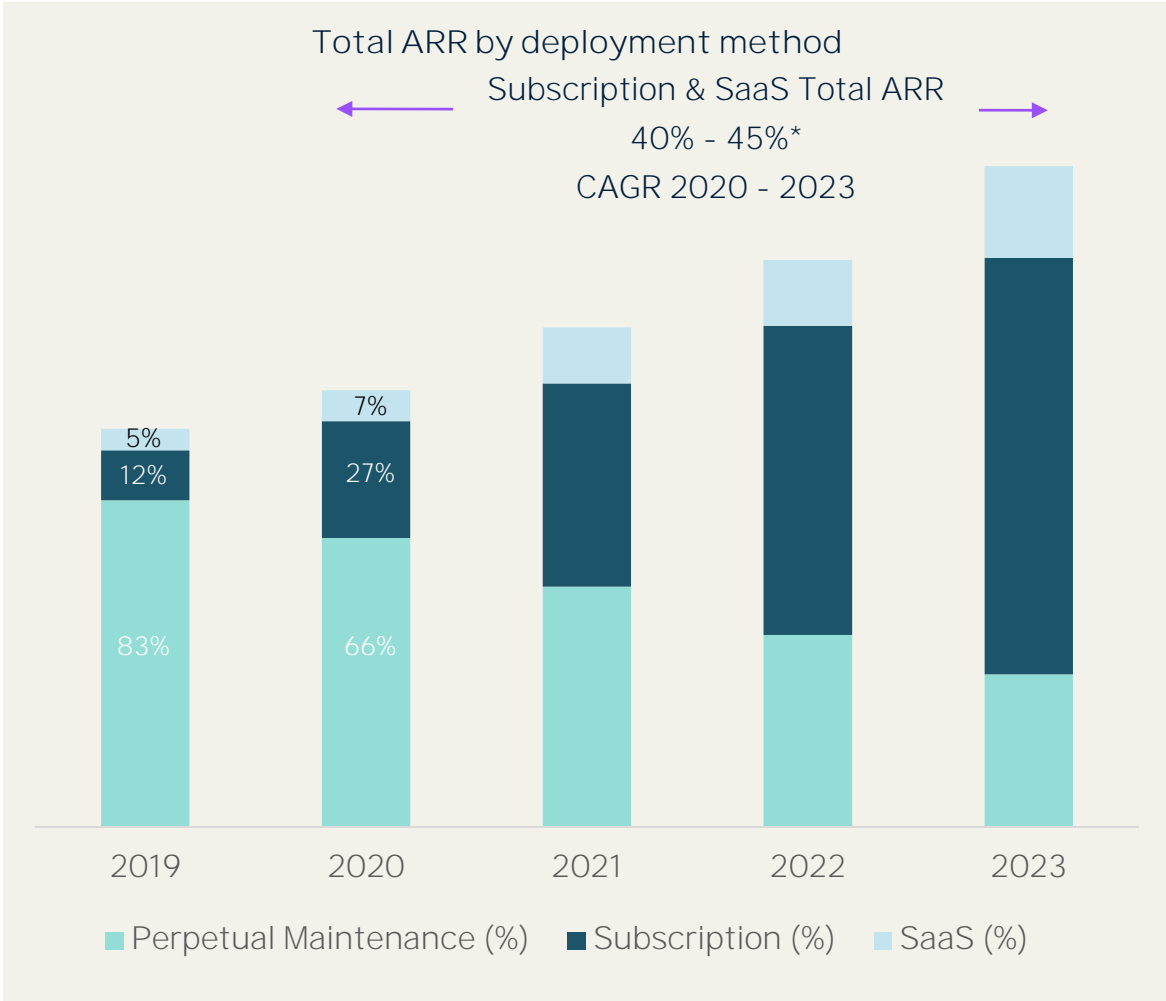
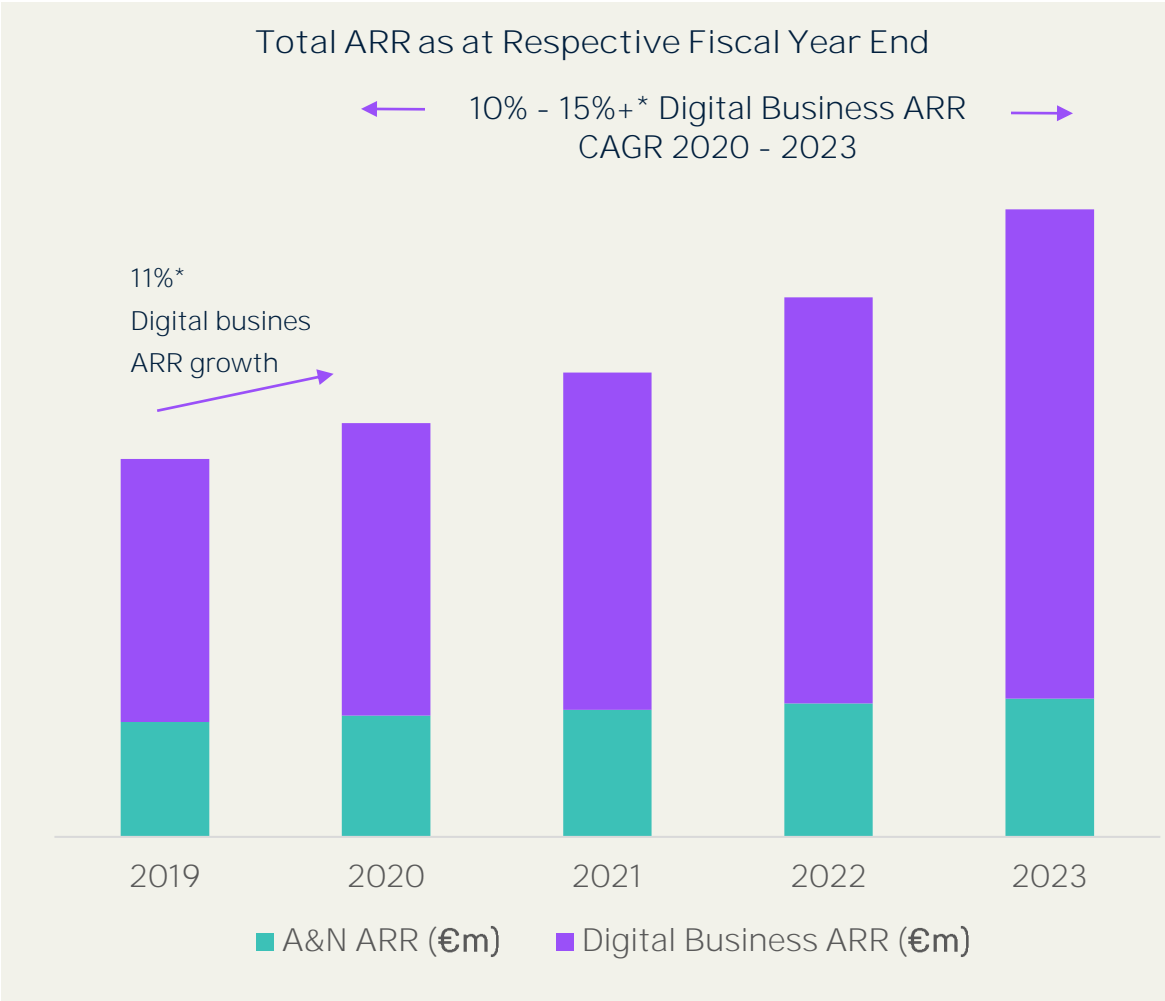
Subscription portion growing, SaaS remaining at similar levels.

Portion of 1-year contracts and 3-year contracts with annual termination rights trending down over time.

Perpetual license and maintenance reducing, but not to zero.

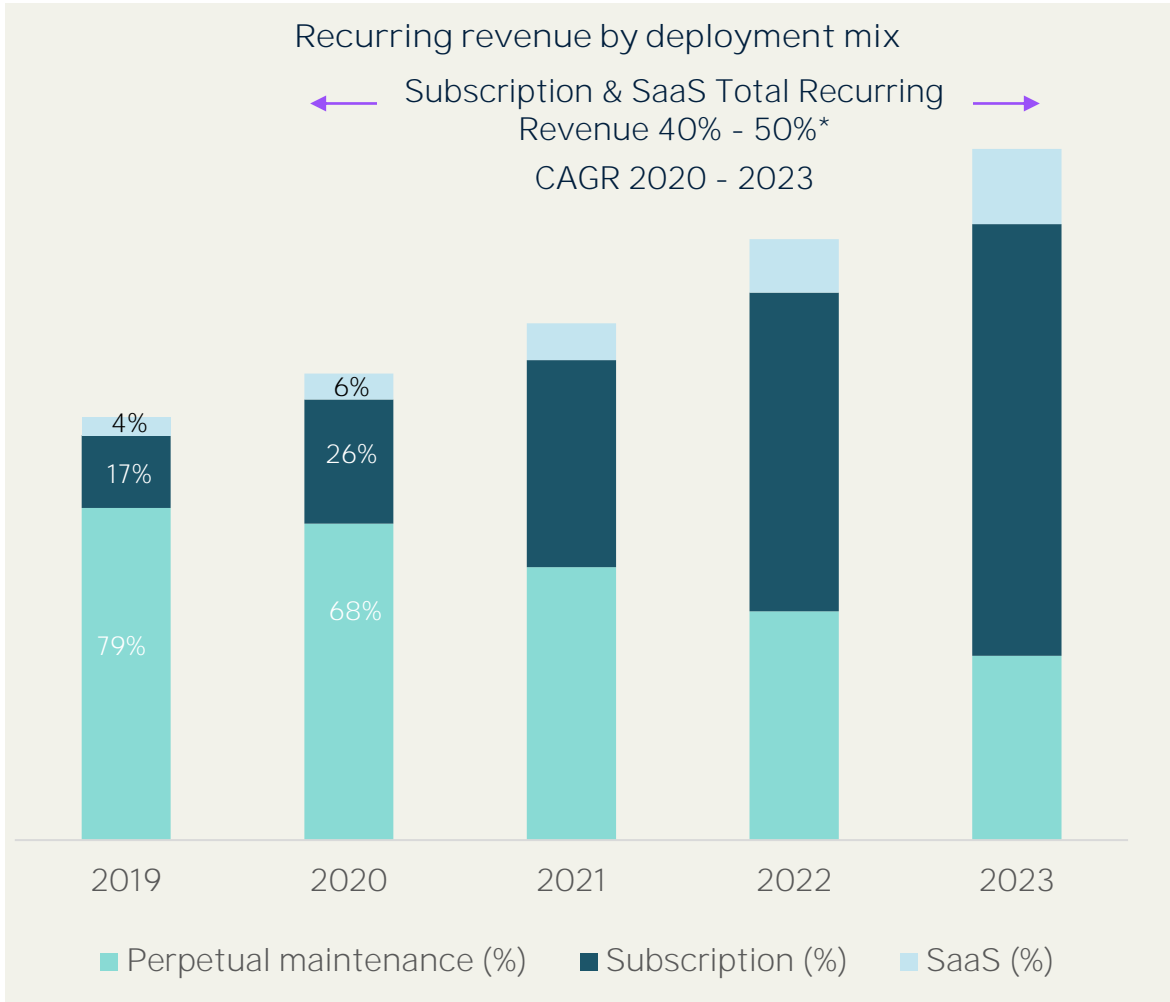
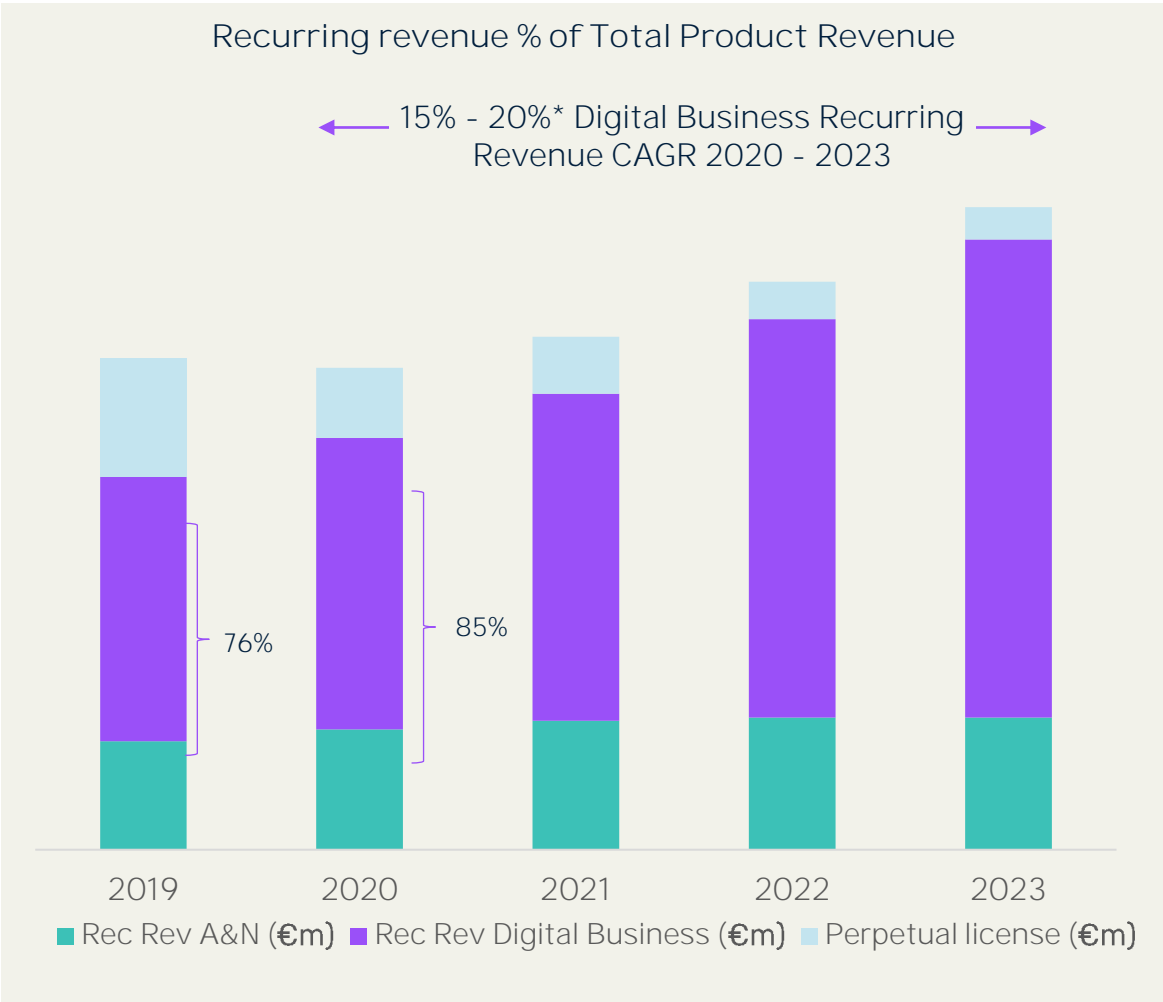
* Growth rate at constant currency

ARR is a confidence indicator of recurring revenue growth



* Growth rate at constant currency

Recurring revenue already at 85% of total product revenue



* Growth rate at constant currency

Product revenue growth accelerates after 2021



* Growth rate at constant currency

2021 investment to capitalize on transformation success



2021 investment commitment



Brought forward to capitalise on opportunity

Breakdown by priority areas (%)



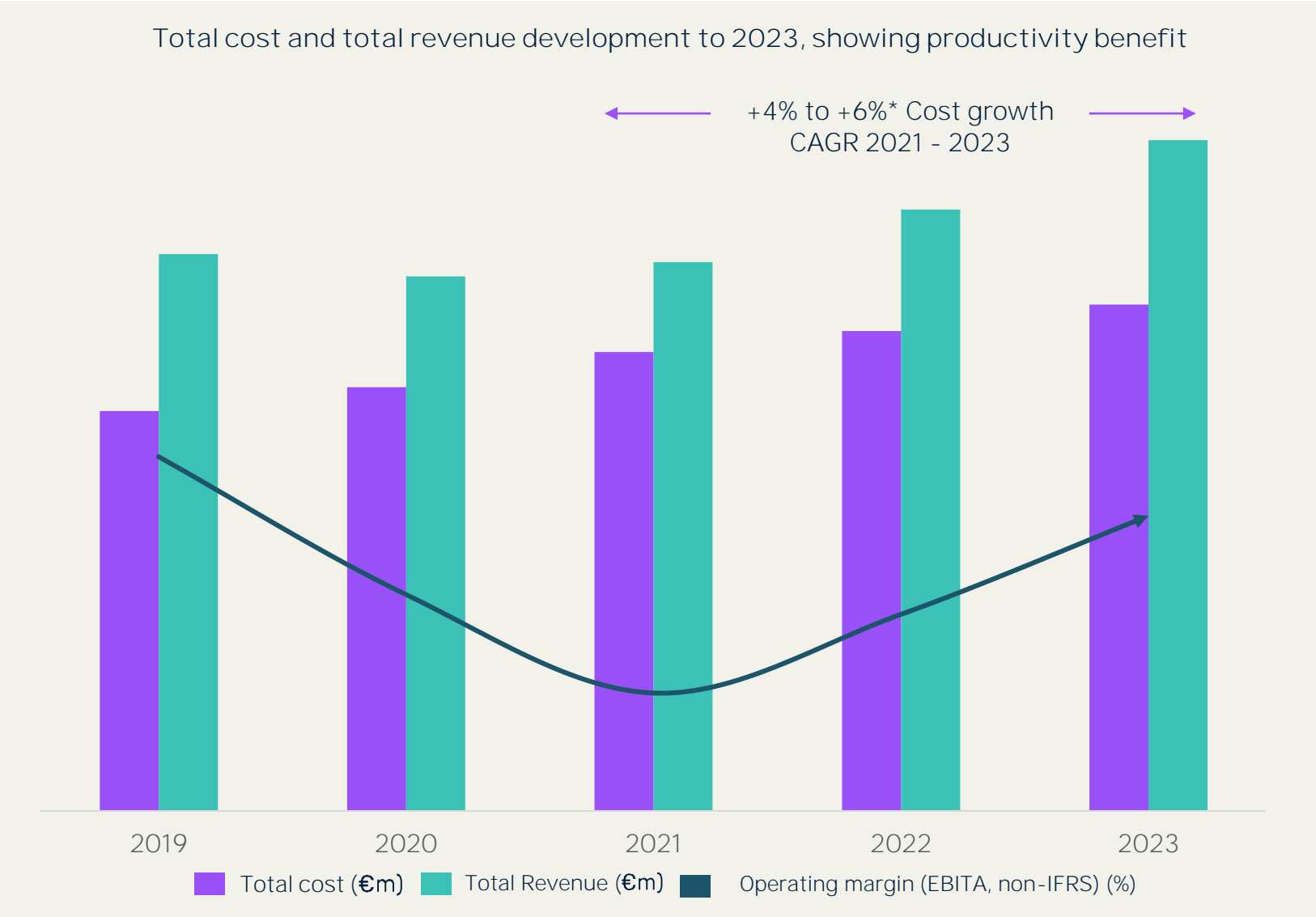
- GTM
- Product Innovation & Cloud
- People & Culture

GTM
Customer success & adoption

Product innovation & Cloud
IoT & Analytics and Integration & API

People & Culture
Engagement and productivity

Total cost CAGR of +4% to +6% 2021 - 2023



* Growth rate at constant currency

Key messages

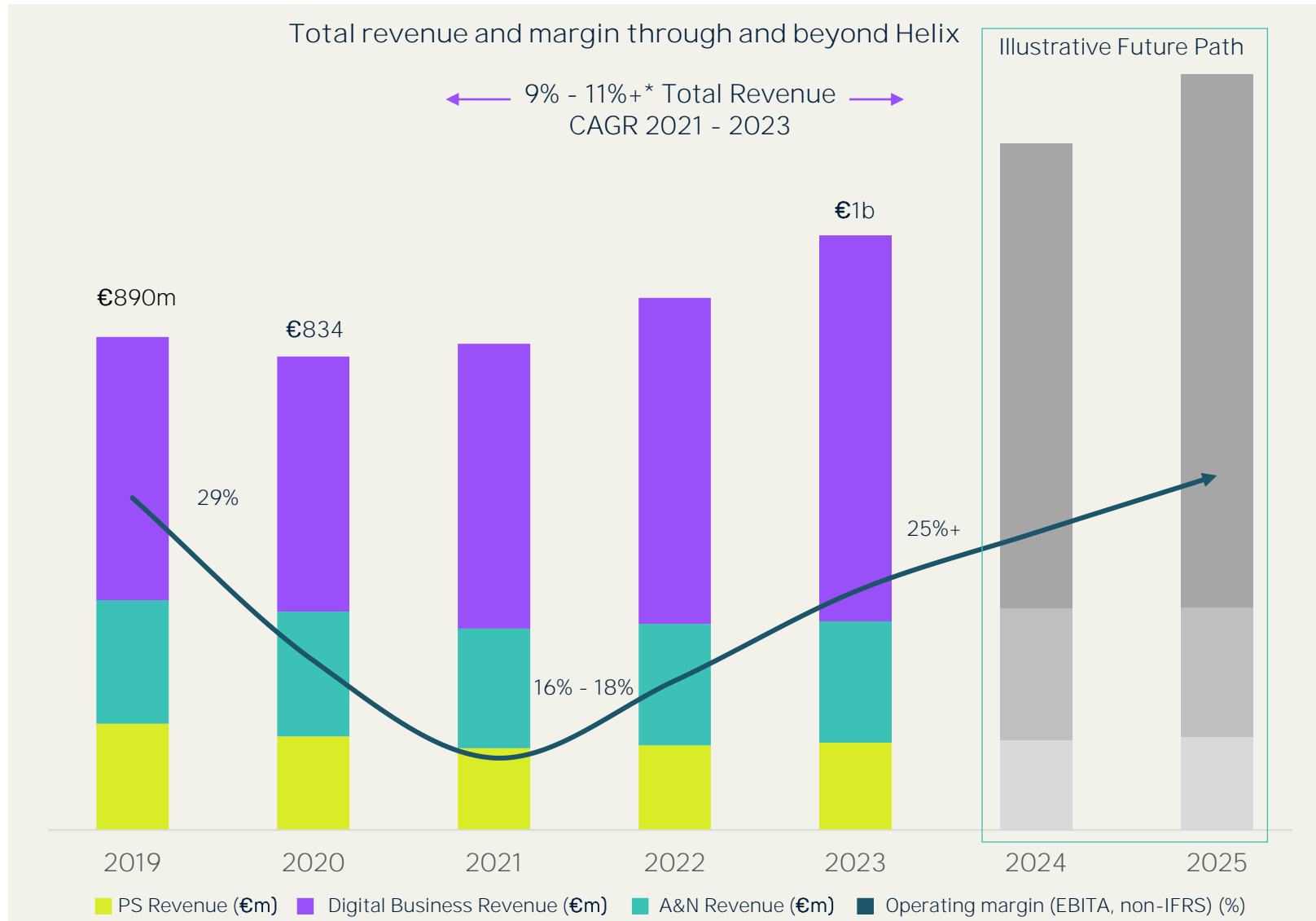
Revenue growth trend improves from 2021.

Total cost growth peaks in 2021.

Productivity impact supports reinvestment at lower cost.

Key productivity areas: R&D efficiency, sales attainment, streamlined processes, partner ecosystem.

Revenue and margin hit targets by 2023



Key Messages

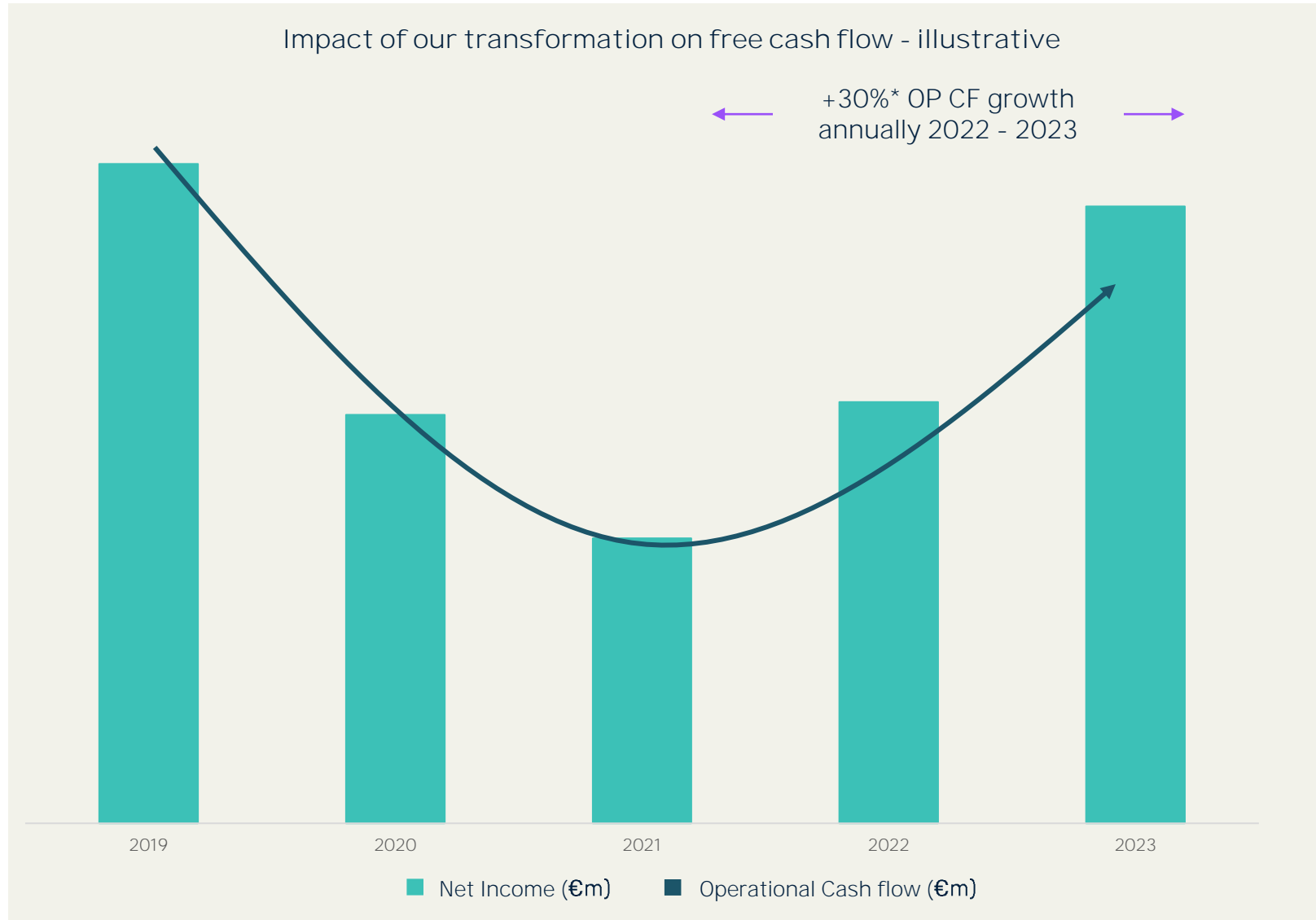
Total revenue development built on low single digit PS growth, with A&N solid and digital driving growth.

Margin trough in 2021 owing to higher investment before improving from 2022.

Future trajectory indicates continued growth, with ongoing transformation benefit in later years.

* Growth rate at constant currency

Understanding cash flow



Key Messages

2020 cashflow impacted by the technical effect of Helix on reported revenue.

Ongoing investment impacts profitability in 2021.

Cashflow grows in 2022 due to higher recurring revenue.

Acceleration thereafter as increased subscription revenue results in higher backlog of cash flows.

* Growth rate at constant currency

Clear capital allocation framework



DRIVE ORGANIC GROWTH

- Continue to build through Focus, Execution and Team pillars
- 2021 marks investment peak
- Priorities are Product, GTM, People & Culture

BUILD THROUGH M&A

- Flexible set of funding options: cash, RCF, other borrowing
- Best funding approach decided on a case-by-case basis

RETURN TO SHAREHOLDERS

- Continuous commitment to regular dividend
- Share buyback authorization to be formally requested for renewal at 2021 AGM

Guidance, KPIs and reporting structure understanding



KPIs	Bookings = showing sales success and growing market impact SaaS & subscription portion of Digital Bookings = showing mix shift ARR = showing increasing quality and predictability of revenue stream	Continuing with key lead indicators
GUIDANCE & ASSUMPTIONS	Total Product Revenue guidance added for 2021 Assumptions: regular updates on factors influencing guidance	Providing a revenue 'anchor'
REPORTING STRUCTURE	Digital Business & A&N: Focus on two reporting segments	Reflecting customer adoption practices
REPORTING ELEMENTS	Deployment mix : showing subscription, SaaS & perpetual Renewals: showing renewals within overall bookings	Adding detail and transparency

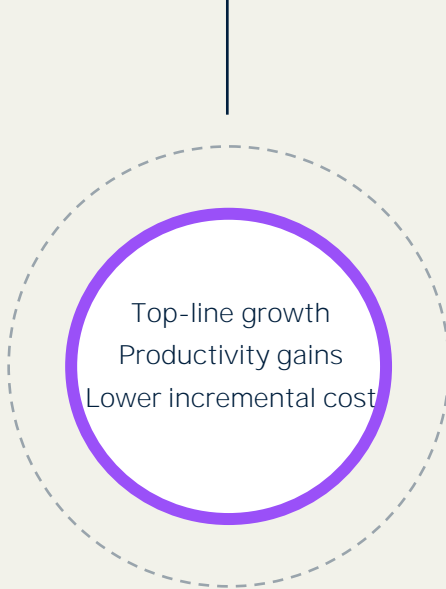
Summary: driving toward our mid-term ambitions

€1bn
Group Revenue

~15% Digital Business
CAGR

85% - 90%
Recurring Revenue

25% - 30% Operating
Margin (non-IRFS)



Culture change driving our approach end-to-end

 **software** ^{AG}