

Software AG

Financial Information

Q1 / 2020

April 23, 2020
(unaudited)

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Key Figures as of the First Quarter and as of March 31, 2020 and December 31, 2019

(IFRS, unaudited)

in € millions (unless otherwise stated)	Q1 2020 (as stated)	Q1 2019 (as stated)	+/- as %	+/- in % acc ¹
Leading Indicators				
Bookings Group⁴	90.1	70.4	28%	28%
Thereof Subscription and SaaS ⁴	41,5	30,7	35%	37%
Bookings DBP (incl. Cloud & IoT) ⁴	58,1	48,9	19%	19%
Bookings Adabas & Natural ⁴	32,0	21,4	49%	47%
ARR Group* (as of March 31)	487,8	456,9	7%	8%
ARR DBP (incl. Cloud & IoT) ³	341,0	308,6	11%	11%
P&L				
Revenue Group	207,0	201,4	3%	2%
Product Revenue	160,9	154,5	4%	4%
thereof DBP (incl. Cloud & IoT)	103,5	100,0	4%	3%
thereof Adabas & Natural	57,5	54,7	5%	5%
Professional Services Revenue	46,0	46,7	-2%	-3%
Operating EBITA (non-IFRS)	39,7	51,6	-23%	
<i>as % of revenue</i>	<i>19,2%</i>	<i>25,6%</i>		
DBP (incl. Cloud & IoT) segment earnings	13,4	17,5	-23%	
<i>Segment margin</i>	<i>12,9%</i>	<i>17,5%</i>		
Adabas & Natural segment earnings	37,2	39,3	-5%	
<i>Segment margin</i>	<i>64,6%</i>	<i>71,7%</i>		
Net income (non-IFRS)	27,9	36,3	-23%	
Earnings per share (non-IFRS)²	0,38	0,49	-23%	
Cash Flow				
Operating cash flow	61,5	60,0	2%	
Free cash flow	52,0	54,5	-5%	
	Mar. 31, 2020	Dec. 31, 2019	+/- as %	
Balance sheet				
Total assets	2.094,9	2.116,1	-1%	
Cash and cash equivalents	510,0	513,6	-1%	
Net cash	265,8	217,0	22%	
Employees				
Employees (FTE)	5.005	4.948	1%	
thereof R&D	1.434	1.419	1%	
thereof Germany	1.280	1.278	0%	

¹ acc = at constant currency

² Based on weighted average shares outstanding (basic) Q1 2020: 74.0 mn / Q1 2019: 74.0 mn

³ ARR = annual recurring revenue

⁴ Bookings according to 2020 definition

Because the figures in this report are stated in accordance with commercial rounding principles, totals and percentages may not always be exact.

Consolidated Income Statement for the First Quarter 2020 and 2019

(IFRS, unaudited)

in € thousands	Q1 2020	Q1 2019	+/- as %
Licenses	46.689	42.579	10%
Maintenance	107.308	107.092	0%
SaaS	6.923	4.866	42%
Professional Services	45.988	46.707	-2%
Other	138	173	-20%
Total revenue	207.046	201.417	3%
Costs of sales	-55.289	-49.459	12%
Gross profit	151.757	151.958	0%
Research and development expenses	-36.522	-33.301	10%
Sales, marketing and distribution expenses	-65.950	-60.811	8%
General and administrative expenses	-21.415	-17.620	22%
Other income	9.206	4.036	128%
Other expense	-8.341	-2.053	306%
Other taxes	-1.171	-1.461	-20%
Operating profit	27.564	40.748	-32%
Finance income	2.534	2.857	-11%
Finance cost	-1.383	-1.464	-6%
Finance income, net	1.151	1.393	-17%
Earnings before income taxes	28.715	42.141	-32%
Income taxes	-8.524	-12.471	-32%
Net income	20.191	29.670	-32%
Thereof attributable to shareholders of Software AG	20.157	29.567	-32%
Thereof attributable to non-controlling interests	34	103	
Earnings per share (€, basic)	0,27	0,40	-33%
Earnings per share (€, diluted)	0,27	0,40	-33%
Weighted average number of shares outstanding (basic)	73.979.889	73.979.889	-
Weighted average number of shares outstanding (diluted)	73.979.889	73.981.320	-

Consolidated Balance Sheet as of March 31, 2020 and December 31, 2019

(IFRS, unaudited)

Assets (in € thousands)	Mar. 31, 2020	Dec. 31, 2019
Current assets		
Assets held for sale	4.795	4.795
Cash and cash equivalents	509.991	513.632
Other financial assets	4.820	5.720
Trade and other receivables	187.169	206.596
Other non-financial assets	30.998	26.299
Income tax receivables	17.219	18.943
	754.992	775.985
Non-current assets		
Intangible assets	115.080	116.601
Goodwill	986.912	980.088
Property, plant and equipment	101.227	103.977
Other financial assets	17.428	17.078
Trade and other receivables	92.623	96.544
Other non-financial assets	2.816	3.024
Income tax receivables	10.938	10.835
Deferred tax receivables	12.857	11.955
	1.339.881	1.340.102
Total Assets	2.094.873	2.116.087
Equity and Liabilities (in € thousands)	Mar. 31, 2020	Dec. 31, 2019
Current liabilities		
Liabilities from assets held for sale	5.092	5.092
Financial liabilities	43.085	96.389
Trade and other payables	32.918	35.793
Other non-financial liabilities	90.655	116.367
Other provisions	37.473	38.099
Income tax liabilities	39.694	35.569
Contract liabilities / Deferred income	183.727	140.893
	432.644	468.202
Non-current liabilities		
Financial liabilities	201.134	200.225
Trade and other payables	187	90
Other non-financial liabilities	955	1.343
Other provisions	7.206	7.360
Provisions for pensions and similar obligations	47.417	47.963
Income tax liabilities	2.710	2.643
Deferred tax liabilities	6.735	10.594
Contract liabilities / Deferred income	19.598	20.212
	285.942	290.430
Equity		
Share capital	74.000	74.000
Capital reserves	22.580	22.580
Retained earnings	1.322.396	1.302.257
Other reserves	-42.303	-41.304
Treasury shares	-757	-757
Attributable to shareholders of Software AG	1.375.916	1.356.776
Non-controlling interests	371	679
	1.376.287	1.357.455
Total Equity and Liabilities	2.094.873	2.116.087

Consolidated Statement of Cash Flows for the First Quarter 2020 and 2019

(IFRS, unaudited)

in € thousands	Q1 2020	Q1 2019
Net income	20.191	29.670
Income taxes	8.524	12.471
Net financial income/expense	-1.151	-1.394
Amortization/depreciation of non-current assets	10.309	11.588
Payments for the settlement of share based payment rights with a choice of settlement	0	0
Other non-cash income/expense	104	41
Changes in receivables and other assets	17.675	37.126
Changes in payables and other liabilities	12.048	-17.533
Income taxes paid/received	-7.471	-13.482
Interest paid	-1.305	-1.382
Interest received	2.535	2.857
Net cash flow from operating activities	61.459	59.962
Proceeds from the sale of property, plant and equipment/intangible assets	611	162
Purchase of property, plant and equipment/intangible assets	-3.436	-2.444
Proceeds from the sale of non-current financial assets	0	171
Purchase of non-current financial assets	-2.658	-116
Proceeds from the sale of current financial assets	172	70
Purchase of current financial assets	-268	-569
Payments for acquisitions, net	0	-5.000
Net cash flow from investing activities	-5.579	-7.726
Use of treasury shares	0	0
Dividends paid	-342	-320
Proceeds/payments for current financial liabilities	-52.163	-38.241
Repayments of lease liabilities	-4.011	-3.240
New non-current financial liabilities	0	0
Repayment of non-current financial liabilities	-1	0
Net cash flow from financing activities	-56.517	-41.801
Change in cash and cash equivalents	-637	10.435
Change in cash and cash equivalents from currency translation	-3.004	10.734
Net change in cash and cash equivalents	-3.641	21.169
Cash and cash equivalents at beginning of period	513.632	462.362
Cash and cash equivalents at end of period	509.991	483.531
Free cash flow	51.965	54.495

Segment Report for the First Quarter 2020 and 2019

(IFRS, unaudited)

in € thousands	DBP (incl. Cloud & IoT)			A&N			Professional Services			Reconciliation		TOTAL		
	Q1 2020	Q1 2020	Q1 2019	Q1 2020	Q1 2020	Q1 2019	Q1 2020	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2020	Q1 2019
	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	as stated	as stated	at constant currency	as stated
Licenses	25.144	25.200	24.802	21.545	21.345	17.777						46.689	46.545	42.579
Maintenance	71.446	70.857	70.300	35.862	35.911	36.792						107.308	106.768	107.092
SaaS	6.923	6.880	4.866	0	0	0						6.923	6.880	4.866
Product revenue	103.513	102.937	99.968	57.407	57.256	54.569	0	0	0	0	0	160.920	160.193	154.537
Professional Services	0	0	0	0	0	0	45.988	45.395	46.707			45.988	45.395	46.707
Other	0	0	0	138	138	173	0	0	0			138	138	173
Total revenue	103.513	102.937	99.968	57.545	57.394	54.742	45.988	45.395	46.707	0	0	207.046	205.726	201.417
Cost of sales	-11.475	-11.443	-9.336	-2.566	-2.572	-2.203	-39.237	-38.689	-35.710	-2.011	-2.210	-55.289		-49.459
Gross profit	92.038	91.494	90.632	54.979	54.822	52.539	6.751	6.706	10.997	-2.011	-2.210	151.757		151.958
Sales, marketing and distribution expenses	-50.654	-50.312	-45.791	-9.278	-9.269	-7.365	-4.390	-4.336	-4.270	-1.628	-3.385	-65.950		-60.811
Segment contribution	41.384	41.182	44.841	45.701	45.553	45.174	2.361	2.370	6.727	-3.639	-5.595	85.807		91.147
Research and development expenses	-27.981	-27.425	-27.385	-8.541	-8.448	-5.916	0	0	0	0	0	-36.522		-33.301
Segment earnings	13.403	13.757	17.456	37.160	37.105	39.258	2.361	2.370	6.727	-3.639	-5.595	49.285		57.846
General and administrative expenses												-21.415		-17.620
Other income												9.206		4.036
Other expense												-8.341		-2.053
Other taxes												-1.171		-1.461
Operating profit												27.564		40.748
Finance income												2.534		2.857
Finance cost												-1.383		-1.464
Finance income, net												1.151		1.393
Earnings before income taxes												28.715		42.141
Income taxes												-8.524		-12.471
Net income												20.191		29.670

Segment DBP with Revenue Split for the First Quarter 2020 and 2019

(IFRS, unaudited)

in € thousands	DBP (Cloud & IoT)			DBP (excl. Cloud & IoT)			DBP (incl. Cloud & IoT)		
	Q1 2020	Q1 2020	Q1 2019	Q1 2020	Q1 2020	Q1 2019	Q1 2020	Q1 2020	Q1 2019
	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	at constant currency	as stated
Licenses	6.498	6.334	3.059	18.646	18.866	21.743	25.144	25.200	24.802
Maintenance	2.014	1.994	1.575	69.432	68.863	68.725	71.446	70.857	70.300
SaaS	6.923	6.880	4.866	0	0	0	6.923	6.880	4.866
Product revenue	15.435	15.208	9.500	88.078	87.729	90.468	103.513	102.937	99.968
Professional Services	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
Total revenue	15.435	15.208	9.500	88.078	87.729	90.468	103.513	102.937	99.968
Cost of sales							-11.475	-11.443	-9.336
Gross profit							92.038	91.494	90.632
Sales, marketing and distribution expenses							-50.654	-50.312	-45.791
Segment contribution							41.384	41.182	44.841
Research and development expenses							-27.981	-27.425	-27.385
Segment earnings							13.403	13.757	17.456

Statement of Comprehensive Income for the First Quarter 2020 and 2019

(IFRS, unaudited)

in € thousands	Q1 2020	Q1 2019
Net income	20.157	29.670
Currency translation differences from foreign operations	-1.964	25.807
Net profit/(loss) from cash flow hedges	127	50
Currency translation gain/loss from net investments in foreign operations	0	747
Items to be reclassified to the income statement if certain conditions are met	-1.837	26.604
Net profit/(loss) from equity instruments designated to measurement at fair value through other comprehensive income	-286	-58
Net actuarial gain/loss on pension obligations	1.124	-880
Items not to be reclassified to the income statement	838	-938
Other comprehensive income	-999	25.666
Total comprehensive income	19.158	55.336
Thereof attributable to shareholders of Software AG	19.124	55.233
Thereof attributable to non-controlling interests	34	103

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