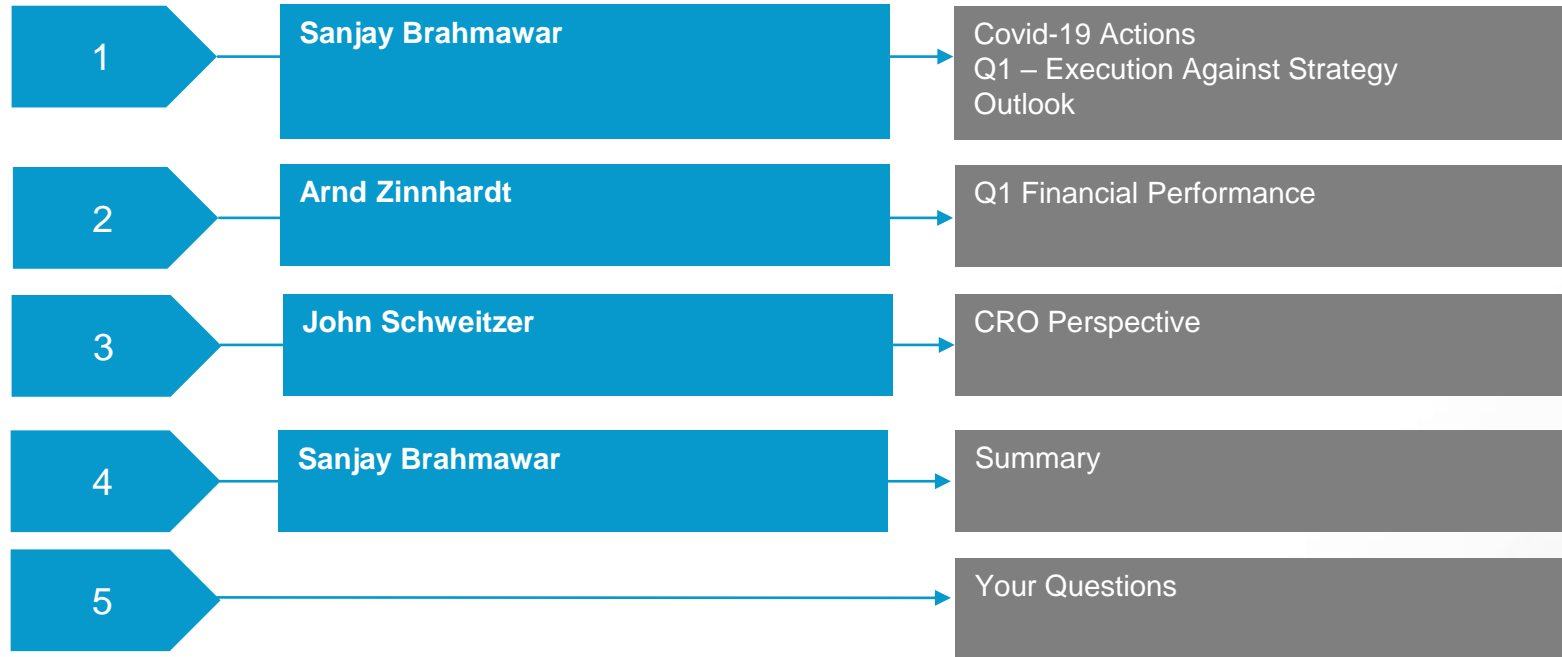


# **Q1 2020 EARNINGS**

## **23 April, 2020**

# WELCOME

## Q1 2020 EARNINGS CALL AGENDA



## Safe Harbor

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.

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# COVID-19

## SWIFT ACTION TO SAFEGUARD PEOPLE & PLATFORM



### A global team at its best

- Adaptable, energetic, collaborative
- Supporting each other, supporting our communities
- Will emerge a stronger, more resilient, more agile business



### People & platform secure

- Priority 1: safety of our people
- Remote working operational with minimal friction
- No major workforce health issues, service delivery unaffected



### Supporting our Customers

- Listened to our customers
- “Business as Unusual” product access initiative launched
- Very positive customer response and engagement

# COVID-19

## SURE-FOOTED: FINANCIALLY AND OPERATIONALLY

€500m gross cash,  
c.€200m headroom

€488m Annual  
recurring revenue

Prioritizing impactful  
investments, cost  
actions taken



**ROBUST  
FINANCIAL  
POSITION**

**STRONG  
OPERATING  
PLATFORM**

Diversified  
customer base

Low exposure to  
acutely affected  
industry sectors

Heightened  
product & market  
relevance

# HEADLINE NUMBERS

## EXECUTING TO DELIVER STRONG RESULTS

Q1

+/- change as % acc

Group Revenue	€ 207.0m	+2%
Group Product Revenue	€ 160.9m	+4%
DBP incl. IoT	€ 103.5m	+3%
A&N	€ 57.5m	+5%
EBIT (IFRS)	€ 28.7m	-32%
Non-IFRS EBITA Margin	19.2%	

### Leading Indicators

ARR (DBP incl. IoT)	+11% YoY
SaaS/Subs as % Bookings (DBP incl. IoT)	69%

### Bookings KPIs

DBP incl. IoT	€ 58.1m	+19% YoY
IoT Bookings	€ 23.5m	+65% YoY
DBP Core Bookings	€ 34.6m	+1% YoY
A&N Bookings	€ 32.0m	+47% YoY

# EXECUTION AND DELIVERY

## INNOVATING, EXECUTING, WINNING

Maintaining our  
innovation pace

**WEBMETHODS.io**

**CUMULOCITY IoT**

**TrendMiner**



Executing for  
customers, winning  
competitively

**56**

New customers



**Schindler**

1<sup>st</sup> milestone  
delivered

**bmc**

API management  
win vs. [Mulesoft]



Continued A&N  
resilience

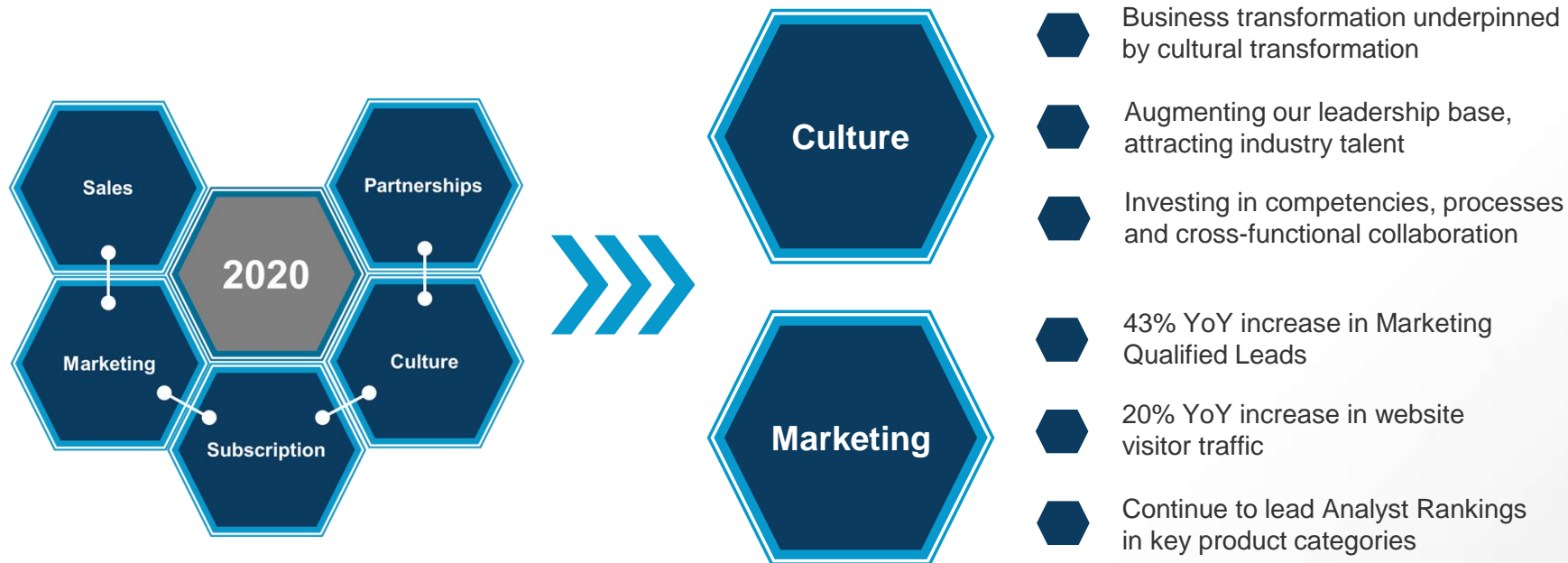
zIIP & containerization

Available on Microsoft Azure  
marketplace

A&N resilient in previous times of  
economic shock

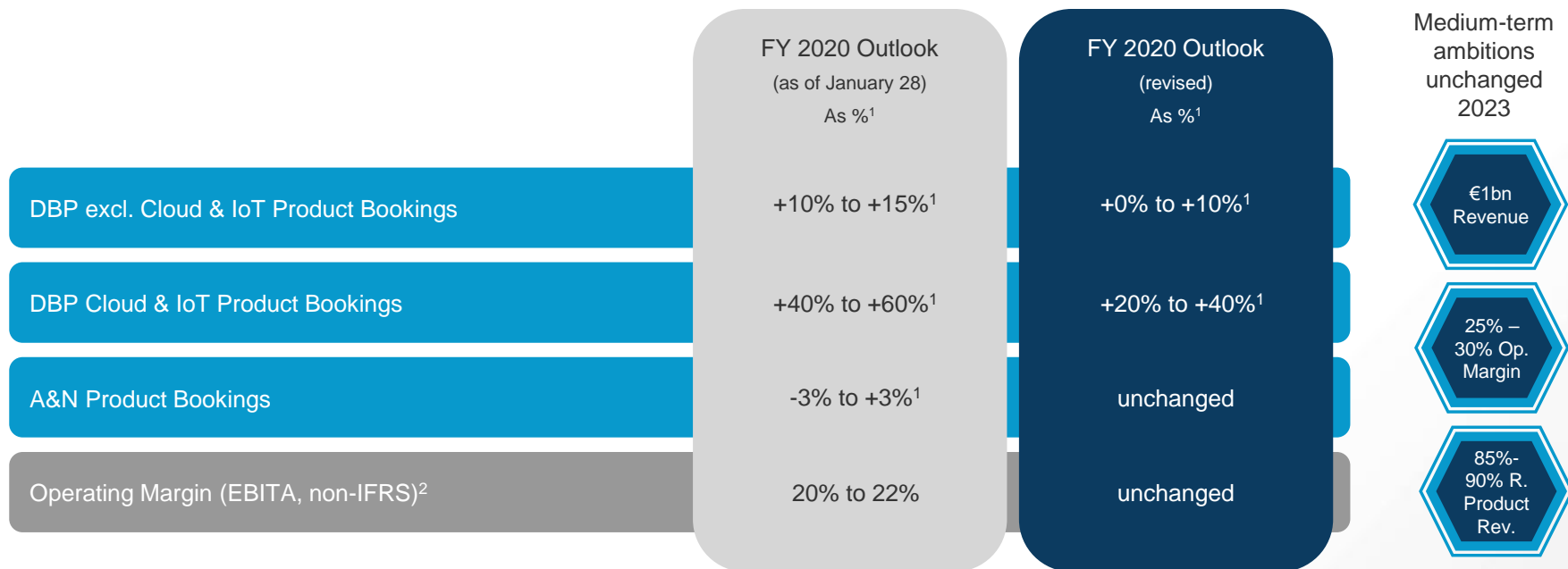
# Q1 2020

## STAYING FOCUSED ON OUR STRATEGY





# FY 2020 OUTLOOK



<sup>1</sup> at constant currency

<sup>2</sup> adjusted for non-operating factors (see non-IFRS earnings definition in the 2018 annual report on p. 48f)



# Results 1<sup>st</sup> Quarter 2020 (IFRS, unaudited)

23 April, 2020

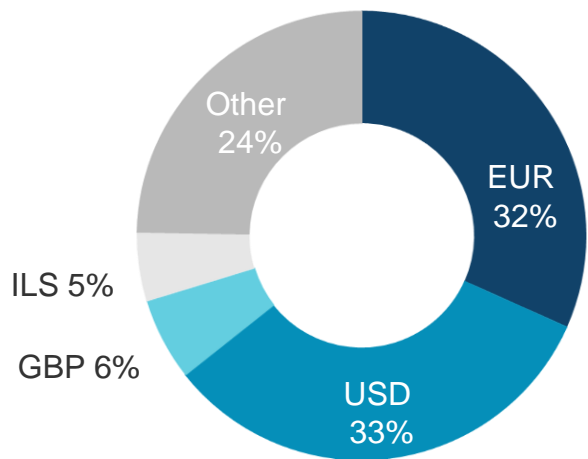


# Currency Impact on Revenue

## Q1 2020

⇒ 32% revenue in Euro

⇒ 68% revenue in foreign currency



Currency split Q1 2020

## Currency impact on revenue

<i>(in €m; yoy)</i>	<b>Q1 2020</b>	<b>Q1 in %</b>
Licenses	0.1	0%
Maintenance	0.5	1%
SaaS	0.0	1%
Professional Services & Other	0.6	1%
<b>Total</b>	<b>1.3</b>	<b>1%</b>

# Digital Business Platform (excluding Cloud & IoT)

## SEGMENT REPORT Q1 2020

<i>(in €m)</i>	Q1 2020	Q1 2019	Δ%	Δ% acc
<b>Bookings</b>	34.6	34.9	-1%	1%
Licenses	18.6	21.7	-14%	-13%
Maintenance	69.4	68.7	1%	0%
<b>Total revenue</b>	<b>88.1</b>	<b>90.5</b>	<b>-3%</b>	<b>-3%</b>
<b>Annual Recurring Revenue as of March 31</b>	<b>295.3</b>	<b>272.4</b>	<b>8%</b>	<b>9%</b>

# DBP Cloud & IoT

## SEGMENT REPORT Q1 2020

<i>(in €m)</i>	Q1 2020	Q1 2019	Δ%	Δ% acc
<b>Bookings</b>	<b>23.5</b>	<b>14.1</b>	<b>67%</b>	<b>65%</b>
Licenses	6.5	3.1	112%	107%
Maintenance	2.0	1.6	28%	27%
SaaS / Usage based	6.9	4.9	42%	41%
<b>Total revenue</b>	<b>15.4</b>	<b>9.5</b>	<b>62%</b>	<b>60%</b>
<b>Annual Recurring Revenue as of March 31</b>	<b>45.8</b>	<b>36.2</b>	<b>26%</b>	<b>27%</b>

# Digital Business Platform (including Cloud & IoT)

## SEGMENT REPORT Q1 2020

<i>(in €m)</i>	Q1 2020	Q1 2019	Δ%	Δ% acc
<b>Bookings</b>	<b>58.1</b>	<b>48.9</b>	<b>19%</b>	<b>19%</b>
Licenses	25.1	24.8	1%	2%
Maintenance	71.4	70.3	2%	1%
SaaS	6.9	4.9	42%	41%
<b>Total revenue</b>	<b>103.5</b>	<b>100.0</b>	<b>4%</b>	<b>3%</b>
Cost of sales	-11.5	-9.3	23%	23%
<b>Gross profit</b>	<b>92.0</b>	<b>90.6</b>	<b>2%</b>	<b>1%</b>
Sales & Marketing	-50.7	-45.8	11%	10%
Research & Development	-28.0	-27.4	2%	0%
<b>Segment result</b>	<b>13.4</b>	<b>17.5</b>	<b>-23%</b>	<b>-21%</b>
<i>Margin in %</i>	12.9%	17.5%		
<b>Annual Recurring Revenue as of March 31</b>	<b>341.0</b>	<b>308.6</b>	<b>11%</b>	<b>11%</b>

# Adabas & Natural

## SEGMENT REPORT Q1 2020

<i>(in €m)</i>	Q1 2020	Q1 2019	Δ%	Δ% acc
<b>Bookings</b>	<b>32.0</b>	<b>21.4</b>	<b>49%</b>	<b>47%</b>
Licenses	21.5	17.8	21%	20%
Maintenance	35.9	36.8	-3%	-2%
<b>Product revenue</b>	<b>57.4</b>	<b>54.6</b>	<b>5%</b>	<b>5%</b>
Other	0.1	0.2	-	-
<b>Total revenue</b>	<b>57.5</b>	<b>54.7</b>	<b>5%</b>	<b>5%</b>
Cost of sales	-2.6	-2.2	16%	17%
<b>Gross profit</b>	<b>55.0</b>	<b>52.5</b>	<b>5%</b>	<b>4%</b>
Sales & Marketing	-9.3	-7.4	26%	26%
Research & Development	-8.5	-5.9	44%	43%
<b>Segment result</b>	<b>37.2</b>	<b>39.3</b>	<b>-5%</b>	<b>-5%</b>
<i>Margin in %</i>	64.6%	71.7%		

# Professional Services

## SEGMENT REPORT Q1 2020

<i>(in €m)</i>	Q1 2020	Q1 2019	Δ%	Δ% acc
<b>Total revenue</b>	<b>46.0</b>	<b>46.7</b>	<b>-2%</b>	<b>-3%</b>
Cost of sales	-39.2	-35.7	10%	8%
<b>Gross profit</b>	<b>6.8</b>	<b>11.0</b>	<b>-39%</b>	<b>-39%</b>
Sales & Marketing	-4.4	-4.3	3%	2%
<b>Segment result</b>	<b>2.4</b>	<b>6.7</b>	<b>-65%</b>	<b>-65%</b>
<i>Margin in %</i>	5.1%	14.4%		



# Results

## Q1 2020

<i>(in €m)</i>	Q1 2020	Q1 2019	Δ%	Δ% acc
<b>Total revenue</b>	<b>207.0</b>	<b>201.4</b>	<b>3%</b>	<b>2%</b>
Cost of sales	-55.3	-49.5	12%	11%
<b>Gross profit</b>	<b>151.8</b>	<b>152.0</b>	<b>0%</b>	<b>-1%</b>
<i>Margin in %</i>	<i>73.3%</i>	<i>75.4%</i>		
Research & Development	-36.5	-33.3	10%	9%
Sales & Marketing	-66.0	-60.8	8%	8%
Administration	-21.4	-17.6	22%	21%
Other income / expense	0.9	2.0	-	-
<b>EBIT</b>	<b>28.7</b>	<b>42.2</b>	<b>-32%</b>	<b>-32%</b>
<i>Margin in %</i>	<i>13.9%</i>	<i>21.0%</i>		

# Non-IFRS Earnings

## Q1 2020

<i>(in €m)</i>	Q1 2020	Q1 2019	Δ%
<b>EBIT (before all taxes)</b>	<b>28.7</b>	<b>42.2</b>	<b>-32%</b>
Amortization on acquisition related intangible assets	3.6	5.6	-35%
Share based payments	3.2	2.5	28%
Restructuring / severances / legal case	3.8	1.1	233%
Other impacts / impacts from M&A activities	0.4	0.2	108%
<b>EBITA (Non-IFRS)</b>	<b>39.7</b>	<b>51.6</b>	<b>-23%</b>
<i>in % of revenue (Non-IFRS)</i>	<i>19.2%</i>	<i>25.6%</i>	
<b>Net income (Non-IFRS)</b>	<b>27.9</b>	<b>36.3</b>	<b>-23%</b>
<b>EPS in € (Non-IFRS)*</b>	<b>0.38€</b>	<b>0.49€</b>	<b>-23%</b>

\* Weighted average shares outstanding (basic) Q1 2020: 74.0m / Q1 2019: 74.0m

# Cash Flow

## Q1 2020

<i>(in €m)</i>	Q1 2020	Q1 2019	Δ%
<b>Operating cash flow</b>	<b>61.5</b>	<b>60.0</b>	<b>2%</b>
./. CapEx* (long-term, non-current)	-5.5	-2.2	
./. Repayment of lease liabilities**	-4.0	-3.3	
<b>Free cash flow</b>	<b>52.0</b>	<b>54.5</b>	<b>-5%</b>
<i>in % of revenue</i>	25.1%	27.1%	
<b>Free cash flow per share***</b>	<b>€0.70</b>	<b>€0.74</b>	<b>-5%</b>

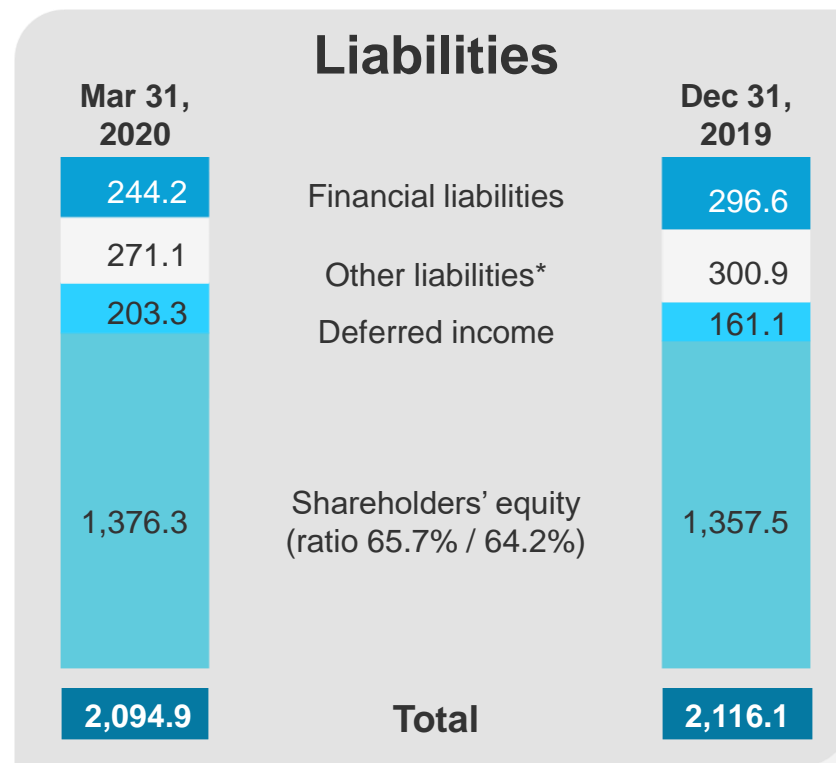
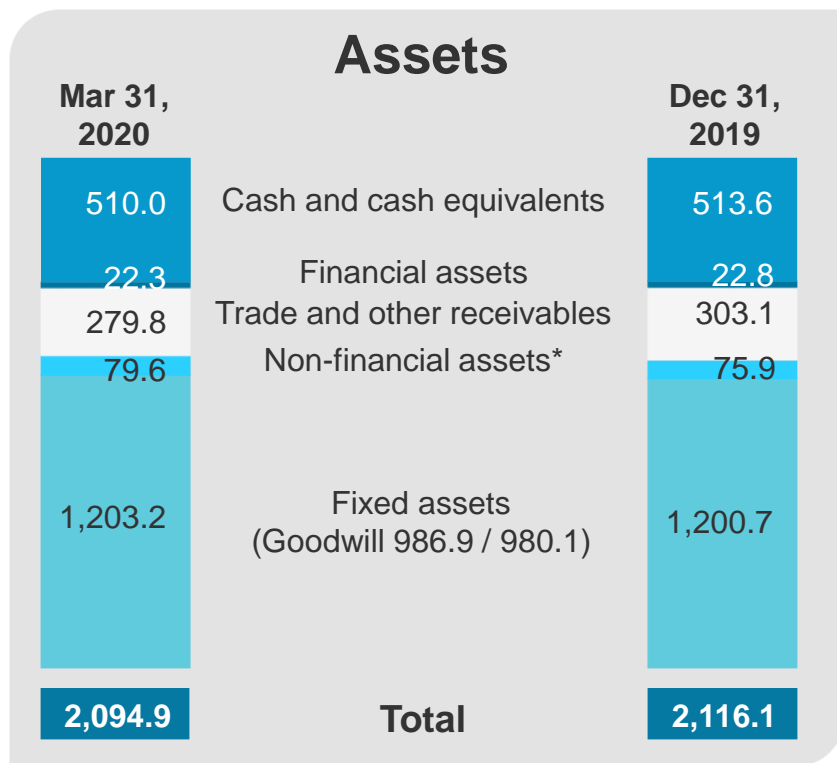
\* Cash flow from investing activities except acquisitions and except investments in debt instruments

\*\* New reporting line due to IFRS 16

\*\*\* Based on weighted average shares outstanding (basic) Q1 2020: 74.0m / Q1 2019: 74.0m

# Balance Sheet

(in €m)



\* incl. assets/liabilities hold for disposal

# Q1 2020 EARNINGS

## 23 April, 2020

# CRO PERSPECTIVE

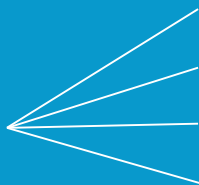
## MOMENTUM AS HELIX TAKES HOLD



Sales & GTM



Regions achieved targets for Q1



North America significantly exceeded Q1 targets

DBP in NAM was greater than 20%

A&N and IoT significantly beat Bookings expectations

Slipped Q1 DBP deals expected to close in Q2



Focus Areas



Delight our customers

NPS at record high – 48%



World class sales organization

Hired leaders from Mulesoft, Apigee, Tibco, Axway



Double-digit Bookings growth

56 new customers, 69% of Bookings from subscription

# CRO PERSPECTIVE

## WINNING AGAINST THE COMPETITION



apigee

IBM



MuleSoft

- Hybrid integration
- Optimizing purchasing experience while integrating real-time inventory systems

GOLDEN GOOSE / ★



MuleSoft



- Ability to rapidly respond to growing customer and business needs
- Integrating applications on-premise and in the cloud



MEGA



- Gain single point-of-view on its enterprise architecture
- Ability to integrate with third-party solutions

# CRO PERSPECTIVE

## PARTNERSHIPS – SCALING AND GAINING



Software AG Alliance & Channels business shown significant double digit YoY growth



# CRO PERSPECTIVE

## LOOKING FORWARDS WITH PRECISION



**H1 2020**

Confident in delivering a solid H1

Robust Q2 DBP expected based on customer commitments



**Pipeline**

Prudently requalified – overall 10-15% reduction

Majority moved to 2021, not lost

c. 70% current pipeline across less impacted industry sectors



**Professional Services**

c. 5% current projects impacted

Strong and Resilient



**Planning**

Planned for various outcomes

Able to control EBIT in each outcome scenario

# SOFTWARE AG

## OPPORTUNITY AND STRATEGY UNCHANGED

### Clear Opportunity



### Demonstrating Momentum



### Robust Foundations

Integration  
Platform  
market

\$18bn by 2022

IoT Platform  
Market

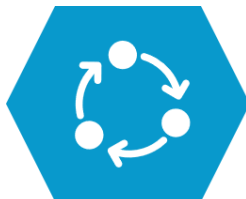
\$23.6bn by  
2023



Solid Q1  
execution



Winning  
competitively



Transformation  
continues



Driving  
subscription



Strong financial platform



Mission-critical product  
positioning



Strong customer relationships



2023 mid-term objectives  
remain unchanged

# Your Questions

