

Software AG

Financial Information

Q3 / 2020

November 18, 2020
(unaudited)

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Key Figures as of September 30, 2020 and 2019

(IFRS, unaudited)

in € millions										
(unless otherwise stated)										
	9M 2020 (as stated)	9M 2020 (acc ¹)	9M 2019 (as stated)	+/- as %	+/- in % acc ¹	Q3 2020 (as stated)	Q3 2020 (acc ¹)	Q3 2019 (as stated)	+/- as %	+/- in % acc ¹
Revenue	597,0	606,2	635,6	-6%	-5%	185,4	193,9	224,2	-17%	-14%
DBP (incl. Cloud & IoT)	313,3	317,5	327,6	-4%	-3%	103,1	107,1	117,4	-12%	-9%
Thereof DBP (excl. Cloud & IoT)	275,6	279,8	296,6	-7%	-6%	91,3	95,1	108,7	-16%	-13%
Thereof DBP (Cloud & IoT)	37,7	37,7	31,0	22%	22%	11,9	12,1	8,6	37%	40%
A&N	157,0	161,5	169,7	-7%	-5%	47,1	50,3	62,0	-24%	-19%
Licenses	130,0	132,6	156,9	-17%	-16%	38,9	41,1	64,1	-39%	-36%
Maintenance	317,9	323,8	323,9	-2%	0%	103,4	108,3	109,3	-5%	-1%
SaaS	22,2	22,4	16,0	38%	40%	7,9	8,2	5,8	38%	42%
Group Bookings	301,5	307,6	255,8	18%	20%	101,6	106,8	101,9	0%	5%
Bookings DBP (incl. Cloud & IoT) ⁵	222,3	226,5	184,2	21%	23%	82,6	85,9	73,6	12%	17%
Thereof DBP (excl. Cloud & IoT) ⁵	149,0	152,6	137,4	8%	11%	57,6	60,2	58,8	-2%	2%
Thereof DBP (Cloud & IoT) ⁵	73,3	73,8	46,8	57%	58%	25,0	25,6	14,8	69%	73%
Bookings A&N ⁵	79,2	81,1	71,6	11%	13%	19,0	21,0	28,3	-33%	-26%

	Sep. 30, 2020		Sep. 30, 2019	09/20-09/19	
	Sep. 30, 2020	acc ¹		+/- as %	+/- in % acc ¹
Group ARR	504,3	531,4	485,0	4%	10%
DBP (incl. Cloud & IoT) ⁴	355,1	371,4	334,0	6%	11%
A&N	149,2	160,0	151,0	-1%	6%

	9M 2020	9M 2019	+/- as %	Q3 2020	Q3 2019	+/- as %
Operating EBITA (non-IFRS)	114,6	176,1	-35%	33,4	68,4	-51%
<i>as % of revenue</i>	<i>19,2%</i>	<i>27,7%</i>		<i>18,0%</i>	<i>30,5%</i>	
DBP segment earnings	39,2	80,3	-51%	10,8	35,3	-69%
<i>Segment margin</i>	<i>12,5%</i>	<i>24,5%</i>		<i>10,5%</i>	<i>30,1%</i>	
A&N segment earnings	101,8	119,6	-15%	31,0	43,7	-29%
<i>Segment margin</i>	<i>64,8%</i>	<i>70,5%</i>		<i>65,8%</i>	<i>70,5%</i>	
EBIT (IFRS)	85,6	148,9	-43%	24,9	59,0	-58%
Net income (non-IFRS)	74,8	126,6	-41%	18,7	51,0	-63%
Earnings per share (non-IFRS)²	1,01	1,71	-41%	0,25	0,69	-63%
Operating cash flow	98,9	123,9	-20%	11,2	33,3	-66%
CapEx ³	11,7	9,4	24%	3,3	3,4	-3%
Repayments of lease liabilities	11,7	11,6	1%	3,8	3,9	-3%
Free cash flow	75,5	102,9	-27%	4,1	26,0	-84%
Free cash flow per share	1,02	1,39	-27%	0,06	0,35	-84%

Balance sheet	Sep. 30, 2020	Dec. 31, 2019	+/- as %
Total assets	2.062,1	2.116,1	-3%
Cash and cash equivalents	531,5	513,6	3%
Net cash	220,5	217,0	2%
Employees (FTE)	4642⁶	4.948	-6%

¹ acc = At constant currency

² Based on weighted average shares outstanding (basic) 9M 2020: 74.0 mn / 9M 2019: 74.0 mn / Q3 2020 74.0 mn / Q3 2019: 74.0 mn

³ Cash flow from investing activities adjusted for acquisitions and investments in debt instruments

⁴ Annual recurring revenue

⁵ Bookings according to 2020 definition

⁶ Excl. 438 FTE for sold Spanish Prof. Services unit

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 Nine Months Ended September 30, 2020 and 2019

(IFRS, unaudited)

in € thousands	9M 2020	9M 2019	+/- as %	Q3 2020	Q3 2019	+/- as %
Licenses	129.971	156.896	-17%	38.869	64.142	-39%
Maintenance	317.922	323.937	-2%	103.386	109.273	-5%
SaaS	22.175	16.021	38%	7.944	5.765	38%
Professional Services	126.730	138.241	-8%	35.153	44.801	-22%
Other	215	496	-57%	6	176	-97%
Total revenue	597.013	635.591	-6%	185.358	224.157	-17%
Costs of sales	-149.975	-148.058	1%	-43.157	-49.455	-13%
Gross profit	447.038	487.533	-8%	142.201	174.702	-19%
Research and development expenses	-108.724	-96.444	13%	-34.946	-32.450	8%
Sales, marketing and distribution expenses	-194.349	-189.502	3%	-63.859	-63.944	0%
General and administrative expenses	-56.665	-54.337	4%	-17.899	-19.125	-6%
Other income	23.097	12.169	90%	9.730	7.749	26%
Other expense	-24.799	-10.525	136%	-10.307	-7.978	29%
Other taxes	-3.655	-4.100	-11%	-1.149	-1.188	-3%
Operating profit	81.943	144.794	-43%	23.771	57.766	-59%
Finance income	6.423	9.637	-33%	1.587	3.407	-53%
Finance cost	-3.600	-4.725	-24%	-921	-1.380	-33%
Finance income, net	2.823	4.912	-43%	666	2.027	-67%
Earnings before income taxes	84.766	149.706	-43%	24.437	59.793	-59%
Income taxes	-29.001	-42.601	-32%	-10.567	-15.785	-33%
Net income	55.765	107.105	-48%	13.870	44.008	-68%
Thereof attributable to shareholders of Software AG	55.577	106.909	-48%	13.792	43.982	-69%
Thereof attributable to non-controlling interests	188	196		78	26	
Earnings per share (€, basic)	0,75	1,45	-48%	0,19	0,59	-68%
Earnings per share (€, diluted)	0,75	1,45	-48%	0,19	0,59	-68%
Weighted average number of shares outstanding (basic)	73.979.889	73.979.889	-	73.979.889	73.979.889	-
Weighted average number of shares outstanding (diluted)	73.979.889	73.979.889	-	73.979.889	73.979.889	-

Consolidated Balance Sheet as of September 30, 2020 and December 31, 2019

(IFRS, unaudited)

Assets (in € thousands)	Sep. 30, 2020	Dec. 31, 2019
Current assets		
Assets held for sale	0	4.795
Cash and cash equivalents	531.471	513.632
Other financial assets	11.530	5.720
Trade and other receivables	173.479	206.596
Other non-financial assets	29.823	26.299
Income tax receivables	20.648	18.943
	766.951	775.985
Non-current assets		
Intangible assets	104.802	116.601
Goodwill	960.585	980.088
Property, plant and equipment	93.677	103.977
Other financial assets	27.313	17.078
Trade and other receivables	81.838	96.544
Other non-financial assets	4.264	3.024
Income tax receivables	11.238	10.835
Deferred tax receivables	11.437	11.955
	1.295.154	1.340.102
Total Assets	2.062.105	2.116.087
Equity and Liabilities (in € thousands)	Sep. 30, 2020	Dec. 31, 2019
Current liabilities		
Liabilities from assets held for sale	0	5.092
Financial liabilities	66.036	96.389
Trade and other payables	33.924	35.793
Other non-financial liabilities	107.419	116.367
Other provisions	43.458	38.099
Income tax liabilities	36.278	35.569
Contract liabilities / Deferred income	138.551	140.893
	425.666	468.202
Non-current liabilities		
Financial liabilities	245.013	200.225
Trade and other payables	172	90
Other non-financial liabilities	1.022	1.343
Other provisions	12.524	7.360
Provisions for pensions and similar obligations	47.134	47.963
Income tax liabilities	2.536	2.643
Deferred tax liabilities	3.386	10.594
Contract liabilities / Deferred income	16.145	20.212
	327.932	290.430
Equity		
Share capital	74.000	74.000
Capital reserves	22.580	22.580
Retained earnings	1.301.609	1.302.257
Other reserves	-89.450	-41.304
Treasury shares	-757	-757
Attributable to shareholders of Software AG	1.307.982	1.356.776
Non-controlling interests	525	679
	1.308.507	1.357.455
Total Equity and Liabilities	2.062.105	2.116.087

Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2020 and 2019
(IFRS, unaudited)

in € thousands	9M 2020	9M 2019	Q3 2020	Q3 2019
Net income	55.765	107.105	13.870	44.008
Income taxes	29.001	42.601	10.567	15.785
Net financial income/expense	-2.823	-4.912	-666	-2.027
Amortization/depreciation of non-current assets	30.169	35.526	9.832	13.022
Payments for the settlement of share based payment rights with a choice of settlement	0	-32	0	-9
Other non-cash income/expense	1.545	73	-509	17
Changes in receivables and other assets	34.884	20.132	3.927	-31.260
Changes in payables and other liabilities	-15.035	-36.735	-11.603	-2.234
Income taxes paid/received	-37.208	-44.794	-14.609	-5.887
Interest paid	-3.825	-4.636	-1.143	-1.456
Interest received	6.455	9.641	1.567	3.410
Net cash flow from operating activities	98.928	123.969	11.233	33.369
Proceeds from the sale of property, plant and equipment/intangible assets	1.361	1.564	191	1.297
Purchase of property, plant and equipment/intangible assets	-9.475	-9.502	-3.229	-4.420
Proceeds from the sale of non-current financial assets	1	490	1	59
Purchase of non-current financial assets	-3.628	-1.938	-331	-364
Proceeds from the sale of current financial assets	306	318	30	68
Purchase of current financial assets	-544	-877	-21	-75
Net proceeds from disposal of assets held for sale	128	0	0	0
Payments for acquisitions, net	0	-5.135	0	0
Net cash flow from investing activities	-11.851	-15.080	-3.359	-3.435
Use of treasury shares	0	0	0	0
Dividends paid	-56.567	-52.846	-56.225	0
Proceeds/payments for current financial liabilities	-2.070	-9.549	42.680	-33.570
Repayments of lease liabilities	-11.711	-11.648	-3.765	-3.913
New non-current financial liabilities	50.096	0	50.096	0
Repayment of non-current financial liabilities	-25.001	-5	0	-5
Net cash flow from financing activities	-45.253	-74.048	32.786	-37.488
Change in cash and cash equivalents	41.824	34.841	40.660	-7.554
Change in cash and cash equivalents from currency translation	-23.985	21.719	-17.047	16.562
Net change in cash and cash equivalents	17.839	56.560	23.613	9.008
Cash and cash equivalents at beginning of period	513.632	462.362	507.858	509.914
Cash and cash equivalents at end of period	531.471	518.922	531.471	518.922
Free cash flow	75.476	102.935	4.100	26.028

Segment Report for the Nine Months Ended September 30, 2020 and 2019
(IFRS, unaudited)

in € thousands	DBP (incl. Cloud & IoT)			A&N			Professional Services			Reconciliation		TOTAL		
	9M 2020	9M 2020	9M 2019	9M 2020	9M 2020	9M 2019	9M 2020	9M 2020	9M 2019	9M 2020	9M 2019	9M 2020	9M 2020	9M 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	79.304	80.781	97.926	50.667	51.789	58.970	0	0	0	0	0	129.971	132.570	156.896
Maintenance	211.791	214.329	213.666	106.131	109.454	110.271	0	0	0	0	0	317.922	323.783	323.937
SaaS	22.175	22.387	16.021	0	0	0	0	0	0	0	0	22.175	22.387	16.021
Product revenue	313.270	317.497	327.613	156.798	161.243	169.241	0	0	0	0	0	470.068	478.740	496.854
Professional Services	0	0	0	0	0	0	126.730	127.271	138.241	0	0	126.730	127.271	138.241
Other	0	0	0	214	214	496	1	1	0	0	0	215	215	496
Total revenue	313.270	317.497	327.613	157.012	161.457	169.737	126.731	127.272	138.241	0	0	597.013	606.226	635.591
Cost of sales	-36.192	-36.267	-28.898	-6.630	-6.780	-5.733	-101.156	-101.249	-107.213	-5.997	-6.214	-149.975		-148.058
Gross profit	277.078	281.230	298.715	150.382	154.677	164.004	25.575	26.023	31.028	-5.997	-6.214	447.038		487.533
Sales, marketing and distribution expenses	-152.799	-154.846	-140.963	-24.989	-25.508	-25.400	-11.777	-11.883	-12.906	-4.784	-10.233	-194.349		-189.502
Segment contribution	124.279	126.384	157.752	125.393	129.169	138.604	13.798	14.140	18.122	-10.781	-16.447	252.689		298.031
Research and development expenses	-85.105	-84.338	-77.439	-23.619	-23.473	-19.005	0	0	0	0	0	-108.724		-96.444
Segment earnings	39.174	42.046	80.313	101.774	105.696	119.599	13.798	14.140	18.122	-10.781	-16.447	143.965		201.587
General and administrative expenses												-56.665		-54.337
Other income												23.097		12.169
Other expense												-24.799		-10.525
Other taxes												-3.655		-4.100
Operating profit												81.943		144.794
Finance income												6.423		9.637
Finance cost												-3.600		-4.725
Finance income, net												2.823		4.912
Earnings before income taxes												84.766		149.706
Income taxes												-29.001		-42.601
Net income												55.765		107.105

Segment Report for the Third Quarter 2020 and 2019

(IFRS, unaudited)

in € thousands	DBP (incl. Cloud & IoT)			A&N			Professional Services			Reconciliation		TOTAL		
	Q3 2020	Q3 2020	Q3 2019	Q3 2020	Q3 2020	Q3 2019	Q3 2020	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2020	Q3 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	26.480	27.677	39.159	12.389	13.392	24.983	0	0	0	0	0	38.869	41.069	64.142
Maintenance	68.722	71.392	72.433	34.664	36.931	36.840	0	0	0	0	0	103.386	108.323	109.273
SaaS	7.944	8.162	5.765	0	0	0	0	0	0	0	0	7.944	8.162	5.765
Product revenue	103.146	107.231	117.357	47.053	50.323	61.823	0	0	0	0	0	150.199	157.554	179.180
Professional Services	-88	-89	0	0	0	0	35.241	36.422	44.801	0	0	35.153	36.333	44.801
Other	0	0	0	5	6	176	1	0	0	0	0	6	6	176
Total revenue	103.058	107.142	117.357	47.058	50.329	61.999	35.242	36.422	44.801	0	0	185.358	193.893	224.157
Cost of sales	-12.481	-12.524	-9.962	-1.902	-1.999	-1.711	-26.803	-27.571	-35.776	-1.971	-2.006	-43.157		-49.455
Gross profit	90.577	94.618	107.395	45.156	48.330	60.288	8.439	8.851	9.025	-1.971	-2.006	142.201		174.702
Sales, marketing and distribution expenses	-52.199	-54.118	-46.436	-6.794	-7.142	-9.775	-3.315	-3.429	-4.291	-1.551	-3.442	-63.859		-63.944
Segment contribution	38.378	40.500	60.959	38.362	41.188	50.513	5.124	5.422	4.734	-3.522	-5.448	78.342		110.758
Research and development expenses	-27.566	-27.641	-25.636	-7.380	-7.421	-6.814	0	0	0	0	0	-34.946		-32.450
Segment earnings	10.812	12.859	35.323	30.982	33.767	43.699	5.124	5.422	4.734	-3.522	-5.448	43.396		78.308
General and administrative expenses												-17.899		-19.125
Other income												9.730		7.749
Other expense												-10.307		-7.978
Other taxes												-1.149		-1.188
Operating profit												23.771		57.766
Finance income												1.587		3.407
Finance cost												-921		-1.380
Finance income, net												666		2.027
Earnings before income taxes												24.437		59.793
Income taxes												-10.567		-15.785
Net income												13.870		44.008

Segment DBP with Revenue Split for the Nine Months Ended September 30, 2020 and 2019
(IFRS, unaudited)

in € thousands	DBP (Cloud & IoT)			DBP (excl. Cloud & IoT)			DBP (incl. Cloud & IoT)		
	9M 2020	9M 2020	9M 2019	9M 2020	9M 2020	9M 2019	9M 2020	9M 2020	9M 2019
	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	at constant currency	as stated
Licenses	9.092	8.934	9.983	70.212	71.847	87.943	79.304	80.781	97.926
Maintenance	6.393	6.372	4.969	205.398	207.957	208.697	211.791	214.329	213.666
SaaS	22.175	22.387	16.021	0	0	0	22.175	22.387	16.021
Product revenue	37.660	37.693	30.973	275.610	279.804	296.640	313.270	317.497	327.613
Professional Services	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
Total revenue	37.660	37.693	30.973	275.610	279.804	296.640	313.270	317.497	327.613
Cost of sales							-36.192	-36.267	-28.898
Gross profit							277.078	281.230	298.715
Sales, marketing and distribution expenses							-152.799	-154.846	-140.963
Segment contribution							124.279	126.384	157.752
Research and development expenses							-85.105	-84.338	-77.439
Segment earnings							39.174	42.046	80.313

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

(IFRS, unaudited)

in € thousands	DBP (Cloud & IoT)			DBP (excl. Cloud & IoT)			DBP (incl. Cloud & IoT)		
	Q3 2020	Q3 2020	Q3 2019	Q3 2020	Q3 2020	Q3 2019	Q3 2020	Q3 2020	Q3 2019
	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	at constant currency	as stated
Licenses	1.500	1.514	1.241	24.980	26.163	37.918	26.480	27.677	39.159
Maintenance	2.425	2.438	1.630	66.297	68.954	70.803	68.722	71.392	72.433
SaaS	7.944	8.162	5.765	0	0	0	7.944	8.162	5.765
Product revenue	11.869	12.114	8.636	91.277	95.117	108.721	103.146	107.231	117.357
Professional Services	0	0	0	-88	-89	0	-88	-89	0
Other	0	0	0	0	0	0	0	0	0
Total revenue	11.869	12.114	8.636	91.189	95.028	108.721	103.058	107.142	117.357
Cost of sales							-12.481	-12.524	-9.962
Gross profit							90.577	94.618	107.395
Sales, marketing and distribution expenses							-52.199	-54.118	-46.436
Segment contribution							38.378	40.500	60.959
Research and development expenses							-27.566	-27.641	-25.636
Segment earnings							10.812	12.859	35.323

Statement of Comprehensive Income for the Nine Months Ended September 30, 2020 and 2019

(IFRS, unaudited)

in € thousands	9M 2020	9M 2019	Q3 2020	Q3 2019
Net income	55.765	107.105	13.870	44.008
Currency translation differences from foreign operations	-54.048	54.627	-38.401	40.769
Net profit/(loss) from cash flow hedges	3.278	-702	1.919	-1.105
Currency translation gain/loss from net investments in foreign operations	1	846	0	0
Items to be reclassified to the income statement if certain conditions are met	-50.769	54.771	-36.482	39.664
Net profit/(loss) from equity instruments designated to measurement at fair value through other comprehensive income	182	-1.646	254	-184
Net actuarial gain/loss on pension obligations	2.441	65	-31	-48
Items not to be reclassified to the income statement	2.623	-1.581	223	-232
Other comprehensive income	-48.146	53.190	-36.259	39.432
Total comprehensive income	7.619	160.295	-22.389	83.440
Thereof attributable to shareholders of Software AG	7.431	160.099	-22.467	83.414
Thereof attributable to non-controlling interests	188	196	78	26

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