

Software AG delivers fourth consecutive quarter of Digital Business product revenue growth; accelerates profit in first quarter

Darmstadt, Germany – April 27, 2022: [Software AG](#) (Frankfurt MDAX®: SOW) today announced financial results for the first quarter of 2022.

Sanjay Brahmawar, Software AG CEO, commented: *“Software AG has delivered four consecutive quarters of Digital Business product revenue growth, and we are now seeing that growth translate into margin expansion. Our success, underpinned by continued Digital Business momentum, has been enabled by three years of successful transformation. During that time, we have developed best-of-breed products in Hybrid Integration, IoT & Analytics and Business Transformation, the most exciting growth areas of our market. With our StreamSets acquisition now closed, our fourth quarter momentum continuing into the start of the year, and with our ongoing investment to enable our people for success, I’m confident we’ll deliver a strong 2022 and continue to accelerate our sustainable, profitable growth thereafter.”*

Dr. Matthias Heiden, Software AG CFO, commented: *“Our transformation has made Software AG a higher quality, more predictable and more resilient business. With Digital Business ARR growth of 12 percent in the first quarter, I am confident the quality and predictability of our revenue will continue to increase from here. Our revenue growth also continues to flow through to profit growth, which we expect to continue as our business model shift completes its transition from headwind to tailwind on our P&L. This will enable investment behind opportunities where we see them, and with our ongoing focus on cost control and productivity, our solid start gives me confidence we can achieve our full year and 2023 targets.”*

[Unless otherwise stated, all figures are IFRS. Increases at constant currency and rounded.]

Financial highlights

- **Digital Business momentum continues** with bookings growth of 15 percent, Digital Business product revenue growth of 8 percent and margin expansion of 4.6 percentage points year-on-year.
- **Transformation delivering revenue and profit expansion** with 10 percent total product revenue growth and an operating margin (EBITA, non-IFRS) of 19.9 percent in the first quarter.
- **Increasing quality and predictability of revenue with 10 percent recurring revenue growth.** Recurring revenue accounted for 89 percent of product revenue.
- **2022 and 2023 organic guidance unchanged** supported by solid first-quarter momentum in revenue and profit.
- **StreamSets acquisition now closed** with clear value creation plan initiated to complement continued strong double digit standalone growth.

Strategic highlights

- **Key growth drivers all delivering**, with 57 new logo wins, strong retention underpinning Digital Business net retention rate (NRR) above 100, and migration multiplier of 1.5x in the first quarter.
- **Product innovation in API Management with** cloud-native vendor-agnostic developer portal, improved user experience and new partnerships with Cequence Security, Salt Security and Noname Security driving differentiation.

- **New Digital Business innovation driving cross-sell from Adabas & Natural (A&N)** with 8 out of top 10 A&N deals in the quarter including Digital Business cross-sell success.
- **Salesforce specialization driving success** with sales teams now aligned to key growth product areas. Digital Business conversion rate continued to improve year-on-year.

Business environment

Software AG continues to operate in a global market accelerating towards digital transformation. Its leading cloud-native products help enterprises build modern digital backbones that connect disparate systems and applications, draw insight from the data these systems produce, and leverage totally new data created by devices and systems operating in the hands of frontline business users at the edge of enterprise IT environments. The Group's products unlocking this opportunity are focused in the areas of Hybrid Integration, IoT & Analytics and Business Transformation. Through to 2026, these products are serving addressable markets growing 13 percent, 21 percent and 70 percent respectively.

The Group's total market opportunity is €61 billion, growing at 16 percent CAGR through to 2026. It is built up of three segments. The first is a €16 billion segment currently served by the Group's existing product portfolio and sales organization. The second is an additional segment made up of the remaining opportunity for those products and services in adjacent market segments like the mid-market, and the third is accessible only through the addition of new technology or go-to-market capability. Gaining access to this final segment is the rationale behind the Group's string-of-pearls M&A strategy, which it initiated with its acquisition of StreamSets in February 2022.

Leading indicators for growth momentum and pace of subscription shift

The Group continues to track leading indicators which demonstrate the success of its transformation. These measures showcase elements of the Group's performance which are not visible on the basis of its IFRS numbers alone. The Group's **ARR, an increasingly important confidence indicator of its future recurring revenue and cash flow growth potential**, was €605.5 million at the end of the first quarter, representing 11 percent growth year-on-year. ARR within the Group's Digital Business grew 12 percent year-on-year to €429.4 million. **Recurring revenue** in the quarter was €147.9 million, up from €129.7 million in the first quarter of 2021. This represents 89 percent of the Group's total product revenue, ahead of its 2023 ambition of 85 percent. The **proportion of the bookings within the Group's Digital Business which came from subscription and software as a service (SaaS)** in the first quarter was 81 percent.

First quarter 2022 business line bookings performance

Software AG's **Group bookings** of €112.3 million in the first quarter represented growth of 22 percent year-on-year (Q1 2021: €88.8 million). Bookings in the Group's **Digital Business** grew 15 percent year-on-year to €79.7 million in the first quarter (Q1 2021: €67.4 million). This represented a solid performance, in line with the Group's full year guidance range, against a tough year-on-year comparator. The Group's **A&N** business line delivered another strong performance and benefited from a large deal being pulled forward from the second quarter. Bookings of €32.6 million represented growth of 43 percent year-on-year (Q1 2021: €21.4 million).

First quarter 2022 Group revenue and earnings performance

Software AG reported €206.0 million in **total revenue** in the first quarter (Q1 2021: €183.1 million). This represented growth in constant currency of 8 percent year-on-year. **Product revenue** growth was 10 percent in the first quarter to €166.9 million (Q1 2021: €146.5 million). **Digital Business** product revenue saw growth of 8 percent in the first quarter to €110.9 million, representing a fourth consecutive quarter of growth (Q1 2021: €98.9 million). **A&N** product revenue was €56.0 million in the first quarter, representing strong growth year-on-year (Q1 2021: €47.5 million).

Within **Professional Services**, the first quarter saw revenue growth of 2 percent year-on-year to €39.1 million (Q1 2021: €36.7 million). Professional Services delivered profit of €6.8 million in the first quarter, up 1 percent at constant currency (Q1 2021: €6.4 million).

The Company's **EBIT** was €30.0 million in the first quarter (Q1 2021: €15.3 million). The Group's **operating EBITA** (non-IFRS) was at €40.9 million in the first quarter (Q1 2021: €24.5 million), giving Software AG an operating EBITA (non-IFRS) margin of 19.9 percent in the first quarter, up 6.5 percentage points year-on-year (Q1 2021: 13.4 percent).

The Group's **free cash flow** in the first quarter was lower year-on-year at €24.3 million (Q1 2021: €39.8 million). If the Group's first quarter 2021 comparator was adjusted for cash collected late as a result of the malware attack in the fourth quarter of 2020, the Group's first-quarter 2022 cash flow would have been flattish year on year.

Employees

Software AG continues to invest in its people and in evolving its culture for growth. The Group's employees continue to work with passion for its products, innovative spirit and commitment to customers, which is being driven through the Group's new culture framework. This cultural development is helping the Group become more competitive in attracting and retaining the best talent in its industry, and is supporting its push towards and beyond its ambitious future growth targets.

As of March 31, 2022, Software AG had 4,801 employees worldwide (full-time equivalents; March 31, 2021: 4,669). This represents an increase in the Group's employee base of 132, or up 3 percent year-on-year.

Guidance

The Group has today reiterated its guidance for the full year 2022. The Group's organic guidance ranges, at constant currency; except for margin, are:

- Digital Business bookings growth between 15 percent and 25 percent
- A&N bookings growth between 0 percent and 5 percent
- Total product revenue growth between 7 percent and 11 percent
- Operating margin (EBITA, non-IFRS) between 20 percent and 22 percent

The Group also reconfirms its mid-term ambitions for the organic business: €1 billion Group revenue, 25 percent to 30 percent operating margin, 85 percent to 90 percent recurring product revenue and roughly 15 percent Digital Business CAGR in 2023.

On top of this organic development, with the addition of StreamSets Software AG expects 2022 non-IFRS Group product revenue growth in the range of 12 percent to 16 percent. The Group also expects to see an impact on non-IFRS EBITA of between -€17 million and -€13 million in 2022.

These estimates exclude any impact from purchase price allocation, including any deferred revenue adjustments, and the translation of non-IFRS revenue and profit numbers into IFRS. These impacts are currently being finalized and an update will be provided at the Group's half-year report, if not earlier.

Looking beyond the current year, Software AG expects the acquisition to add to its organic growth in 2023. With the addition of StreamSets to the organic business, the Group expects total revenue to be comfortably ahead of its €1 billion goal.

The Group also continues to monitor the humanitarian situation in Ukraine closely. Annual revenue from Russian and Ukrainian customers is in the low single-digit million-euro range and the Group stopped all new business direct sales efforts in Russia in early 2021 as part of its Helix strategy to focus on top-tier-1 countries. The Group stands behind the Ukrainian people and is doing all it can to ensure the safety and wellbeing of its people in the region and support refugees arriving in Germany.

Conference call

A webcast for investors and financial analysts will take place on Wednesday, April 27, 2022, at 9:00 a.m. CEST (8:00 a.m. BST). Please pre-register to receive dial-in details at [Result Center \(softwareag.com\)](https://softwareag.com/result-center).

About Software AG

Software AG is the software pioneer of a truly connected world. Since 1969, it has helped 10,000+ organizations use software to connect people, departments, systems and devices. Software AG empowers truly connected enterprises using integration & APIs, IoT & analytics and business & IT transformation. Software AG's products establish a fluid flow of data that allows everything and everyone to work together. The company has more than 4,800 employees across more than 70 countries and annual revenue of over €800m. It is committed to its ambition of exceeding €1 billion of organic revenue and reaching an organic operating profit margin (EBITA, non-IFRS) of between 25 percent to 30 percent in 2023.

For more information, also follow on [LinkedIn](#) and [Twitter](#).

Contact:

For Investor Inquiries

Robin Colman

Senior Vice President, Corporate Development and Investor Relations

E: robin.colman@softwareag.com

T: +49 6151 92-1274

For Media Inquiries

Dr. Astrid Kasper

Senior Vice President, Corporate Communications

E: astrid.kasper@softwareag.com

T: +49 6151 92-1397

Dorothee Tschampa

Senior Manager, Financial Communications

E: dorothee.tschampa@softwareag.com

T: +49 6151 92-1575

Key Group Figures¹

First Quarter 2022 – Key Figures as of March 31, 2022

in € million (unless otherwise stated)	Q1 2022	Q1 2021	%	% acc ²
Group bookings³	112.3	88.8	+27	+22
Digital Business	79.7	67.4	+18	+15
Adabas & Natural	32.6	21.4	+53	+43
Subscription	67.7	46.9	+44	+39
Software as a Service (SaaS)	18.6	13.8	+35	+32
Perpetual	26.0	28.1	-8	-13
Group annual recurring revenue (ARR)³	605.5	522.6	+16	+11
Digital Business	429.4	368.7	+16	+12
Adabas & Natural	176.1	154.0	+14	+8
Group revenue	206.0	183.1	+13	+8
Product revenue	166.9	146.5	+14	+10
Digital Business	110.9	98.9	+12	+8
Adabas & Natural	56.0	47.5	+18	+12
Subscription	58.8	35.1	+68	+62
Software as a Service (SaaS)	14.0	9.5	+47	+43
Perpetual maintenance	75.2	85.1	-12	-16
Perpetual licenses	19.0	16.7	+14	+9
EBIT (IFRS)	30.0	15.3	+96	+87
EBITA (non-IFRS) (operating profit)	40.9	24.5	+67	+61
<i>as % of revenue (operating margin)</i>	19.9	13.4	-	-
Net income (non-IFRS)	25.3	17.0	+49	+19
Earnings per share € (non-IFRS)⁴	0.34	0.23	+49	+19
Free cash flow	24.3	39.8	-39	-
Free cash flow per share⁴ €	0.33	0.54	-39	-
Employees (FTE) (in thousands)	4,801	4,669	+3	-
thereof Germany	1,370	1,317	+4	-

¹ All figures are preliminary and unaudited. Due to rounding, numbers may not add up precisely.

² At constant currency.

³ Definitions on page 78 of the [2021 Annual Report](#).

⁴ Based on weighted average shares outstanding (basic) Q1 2022: 74 mn / Q1 2021: 74 mn.