

Software AG reports second quarter and first half results

Darmstadt, Germany – July 27, 2022: Following its preliminary results announcement on July 15, 2022, Software AG (Frankfurt MDAX®: SOW) today announced financial results for the second quarter and first half of 2022.

Sanjay Brahmawar, Software AG CEO, commented: *"We continue to see good demand for our cloud-native products in the market and our SaaS products are performing strongly despite a changing macroeconomic environment. With Joshua Husk joining as CRO to lead our sales organization and Benno Quade appointed COO to drive end-to-end operational excellence and support continued margin expansion, we are confident we will deliver our second half and our full-year commitments."*

Dr. Matthias Heiden, Software AG CFO, commented: *"Our ability to deliver a strong second half is underpinned by the success of our shift to subscription and SaaS. This is best reflected in our continued double-digit ARR growth and Digital Business revenue performance, which in combination with our clear focus on tight cost management, simplification and operational excellence, is driving Software AG towards sustainable, profitable growth."*

Additional second quarter and first half highlights

- Good progress on the closing of slipped deals at the start of July. Successes include a large seven-figure IoT new logo win with a leading German energy provider.
- Organic Digital Business ARR growth of 11 percent driven by new business bookings growth which was well into the double-digits.
- 69 new logos landed in the second quarter, an acceleration on the prior quarter, including high quality enterprise new logo wins with Mitsui and Flow International.
- Second quarter organic Software as a Service (SaaS) Digital Business bookings up 26 percent year-on-year, accounting for 24 percent of Digital Business bookings, with ARIS' new cloud features like insight-to-action further driving competitive success.
- Robust organic operating margin (EBITA, non-IFRS) performance at 24.6 percent in the second quarter and 22.3 percent in the first half.
- Guidance remains as announced on July 15, 2022, with organic Digital Business bookings expectation revised to growth of 12 to 18 percent. All other full-year 2022 guidance metrics remain unchanged, as do Software AG's organic and total Group ambitions for 2023.
- Additional financial information now available including cashflow results and StreamSets purchase price allocation.

[Unless otherwise stated, all figures are IFRS. Increases at constant currency and rounded. Organic results exclude contributions from StreamSets. Group results include StreamSets.]

Operational update

During the second quarter Software AG continued to generate positive results from its **three key growth drivers: new business, which includes landing new logos and expanding existing customer relationships, migrations, and renewals.**

On **new business**, the Group saw sequential quarterly improvement in **new logos**, with 69 delivered in the second quarter and 126 delivered across the first half. After a slightly slower first quarter, this quarterly sequential improvement shows the Group is highly competitive in the marketplace and that its focus on landing new logos for future expansion is proving successful.

The Digital Business **migration multiplier** continues to be driven by a combination of new innovation and capacity increases, and is year-to-date tracking in line with our target of 1.5x. On **renewals**, the Group continues to progress in line with its expectations.

The Group's success continues to be driven by its **key growth product areas, namely Hybrid Integration, IoT and Analytics and Business Transformation.** In Business Transformation, the cloud-native **ARIS Process Mining portfolio** continues to bring new innovation to market which is enabling enterprises to become more sustainable. ARIS is rated as a leader by analysts for its full coverage of transformation capabilities, and its new **"insight-to-action"** feature is resonating strongly with customers. This tool lets customers use process mining insights to trigger automated actions in their systems, including the ability to trigger invoices at the right time, and define rules that deliver process insights to other applications.

During the second quarter ARIS' ability to help customers mine and model new and more effective processes delivered a strong new logo with **Mitsui & Co. Ltd** and a large expansion deal with **British Telecom**. In both cases, the Group's process mining and process analysis technology is helping digitize, simplify and improve quality, increasing operational efficiency, accelerating innovation and reducing cost.

Beyond Software AG's organic business, **StreamSets** is also making good early contributions to the Group's sales success. In the second quarter it won a **significant expansion agreement** with one of the world's largest and best-known semiconductor companies. It has continued its relationship with StreamSets following two previous expansions, and this agreement will **increase the speed and efficiency at which new data sources can be onboarded** onto the customer's Cyber Intelligence Platform, which is used to proactively detect and prevent fraud, accelerate investigations, and avoid costly regulatory penalties. This agreement validates the secure nature of the StreamSets SaaS cloud offering and will allow the relationship **to expand even more seamlessly** in the future.

Guidance

As announced on July 15, the Group has decided to adjust its full-year guidance for organic Digital Business bookings in 2022 to 12 to 18 percent growth. This is due to softer than expected second quarter Digital Business bookings performance, which was exacerbated to some extent by the early signs of prolonged customer decision making due to the Group's clients having to manage a changing macroeconomic environment.

While the overall demand environment remains robust, the Group anticipates this change in decision making behavior will extend into the second half of the year, increasing the possibility of delays in the closing of deals.

All other full-year 2022 guidance metrics remain unchanged, as do Software AG's organic ambitions for 2023: €1 billion revenue, 25 percent to 30 percent operating margin (EBITA, non-IFRS), 85 percent to 90 percent recurring product revenue and roughly 15 percent Digital Business CAGR in 2023. On top of the organic guidance for 2022, with the addition of StreamSets, the group continues to expect full-year non-IFRS product revenue growth of between 12 percent and 16 percent and a full-year impact on non-IFRS EBITA of between -€17 million and -€13 million.

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 ahead of its €1 billion goal.

Further financial information

In addition to the preliminary financial results published on July 15, Software AG has today published complete results for the second quarter and first half of 2022.

These published results now also include detail on purchase price allocation (PPA) relating to the acquisition of StreamSets, foreign exchange impact on revenue and cash flow information.

As it relates to the purchase price allocation (PPA) for the StreamSets acquisition, the intangible assets (excluding goodwill) are estimated to be €165.0 million as of the acquisition date. These will be amortized over an average duration of around seven years. Also related to the PPA is a deferred revenue adjustment of €1.5 million that will impact the IFRS income statement mainly over the next 4 quarters, beginning in the second quarter of 2022 where the impact was €0.5 million.

The Group's free cash flow in the second quarter was lower year-on-year at -€21.7 million (Q2 2021: €18.5 million). Around half of the year-on-year decline was related to one-off cash outflows in the quarter, part of which was related to a higher tax payment, to be reimbursed in 2023. The remaining one-off cash outflows were M&A related. Outside of these one-off cash outflows, the Group's free cash flow continues to be impacted by its business model transformation and shift to subscription.

Employees

Software AG continues to **invest in its culture to support sustainable profitable growth**, enabled by continued evolution of the Group's employee value proposition. This includes the modernization of some employee incentives to reinforce key behaviours that underpin profitable growth, and the bolstering of talent acquisition and retention through the continued support of hybrid working. During the first half, offices in Singapore, Sofia, Düsseldorf, Derby, Bracknell and Paris have already been modernized to better enable collaboration and innovation, with flexibility of time and location now the Company's new normal.

As of June 30, 2022, the Group had 5,059 employees worldwide (full-time equivalents, FTEs); June 30, 2021: 4,696). This represents an increase in the Group's employee base of 363, or up 8 percent year-on-year.

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 & API Management, 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 5,000 employees across more

than 70 countries and annual revenue of over €830 million. 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](#).

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Key Group Figures Including StreamSets¹

Second Quarter and First Half 2022 – Key Figures as of June 30, 2022

in € millions (unless otherwise stated)	Q2 2022	Q2 2021	%	% acc ²	H1 2022	H1 2021	%	% acc ²
Group bookings³	132.2	126.6	+4	-2	244.5	215.4	+14	+8
Digital Business	115.9	86.1	+35	+27	195.6	153.5	+27	+22
Adabas & Natural	16.3	40.6	-60	-63	48.9	61.9	-21	-26
Subscription	85.3	94.5	-10	-15	153.0	141.5	+8	+3
Software as a Service (SaaS)	29.4	18.1	+63	+54	48.0	31.8	+51	+44
Perpetual	17.5	14.0	+24	+14	43.4	42.1	+3	-4
Group annual recurring revenue (ARR)³	658.6	539.4	+22	+14	658.6	539.4	+22	+14
Digital Business	481.0	380.2	+27	+19	481.0	380.2	+27	+19
Adabas & Natural	177.6	159.1	+12	+4	177.6	159.1	+12	+4
Group revenue	226.9	218.2	+4	-2	432.9	401.3	+8	+2
Product revenue	187.6	180.9	+4	-3	354.6	327.4	+8	+3
Digital Business	135.8	113.7	+19	+13	246.8	212.7	+16	+11
Adabas & Natural	51.8	67.2	-23	-29	107.8	114.7	-6	-12
Subscription	79.7	73.0	+9	+4	138.5	108.0	+28	+23
Software as a Service (SaaS)	18.5	10.5	+76	+66	32.4	20.0	+62	+55
Perpetual maintenance	76.9	85.6	-10	-16	152.1	170.7	-11	-16

Perpetual licenses	12.5	11.8	+6	-3	31.5	28.6	+10	+4
EBIT (IFRS)	31.9	50.1	-36	-47	61.9	65.4	-5	-18
EBITA (non-IFRS) (operating profit)	49.4	60.8	-19		90.3	85.3	+6	
<i>as % of revenue (operating margin)</i>	<i>21.8</i>	<i>27.8</i>			<i>20.9</i>	<i>21.3</i>		
Net income (non-IFRS)	28.4	40.4	-30		53.9	57.2	-6	-36
Earnings per share € (non-IFRS)⁴	0.38	0.55	-30		0.73	0.77	-6	-37
Free cash flow	-21.7	18.5	-217		2.6	58.2	-96	
Free cash flow per share⁴ €	-0.29	0.25	-217		0.04	0.79	-96	
Employees (FTE) (in thousands)	5,059	4,696	+8		5,059	4,696	+8	
thereof Germany	1,367	1,327	+3		1,367	1,327	+3	

¹ All figures are preliminary and unaudited. Due to rounding, numbers may not add up precisely. StreamSets present in all numbers listed, excluding A&N and all perpetual figures.

² At constant currency.

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

⁴ Based on weighted average shares outstanding (basic) Q2 2022: 74 mn / Q2 2021: 74 mn.

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