

Software AG Third Quarter & Nine-Month 2022 Earnings

Sanjay Brahmawar

Dr. Matthias Heiden

27 October 2022

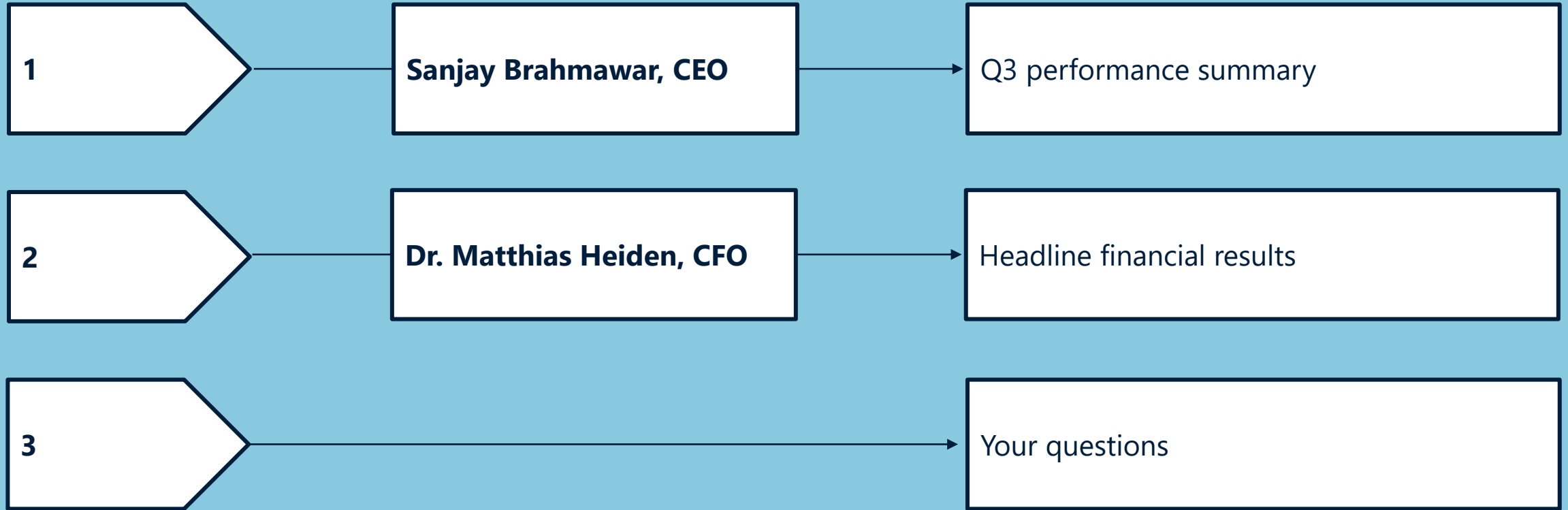


Disclaimer

This document includes forward-looking statements based on the beliefs of the management of Software AG (together with its consolidated subsidiaries, the “**Software AG Group**”), which are predictions, projections, or other statements about future events. 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 have any obligation to update these forward-looking statements and has no intention to assume such an obligation.

This document constitutes neither an offer nor recommendation to subscribe or buy in any other way securities of Software AG or any of the companies that are members of the Software AG Group at present or in the future, nor does it form part of such an offer, and it should not be understood as such. This document does not constitute an offer of securities for sale or a solicitation of an offer to purchase securities in the United States of America or in any other jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. Securities of Software AG may not be offered or sold in the United States of America without registration or exemption from registration in accordance with the U.S. Securities Act of 1933, as amended.

Agenda



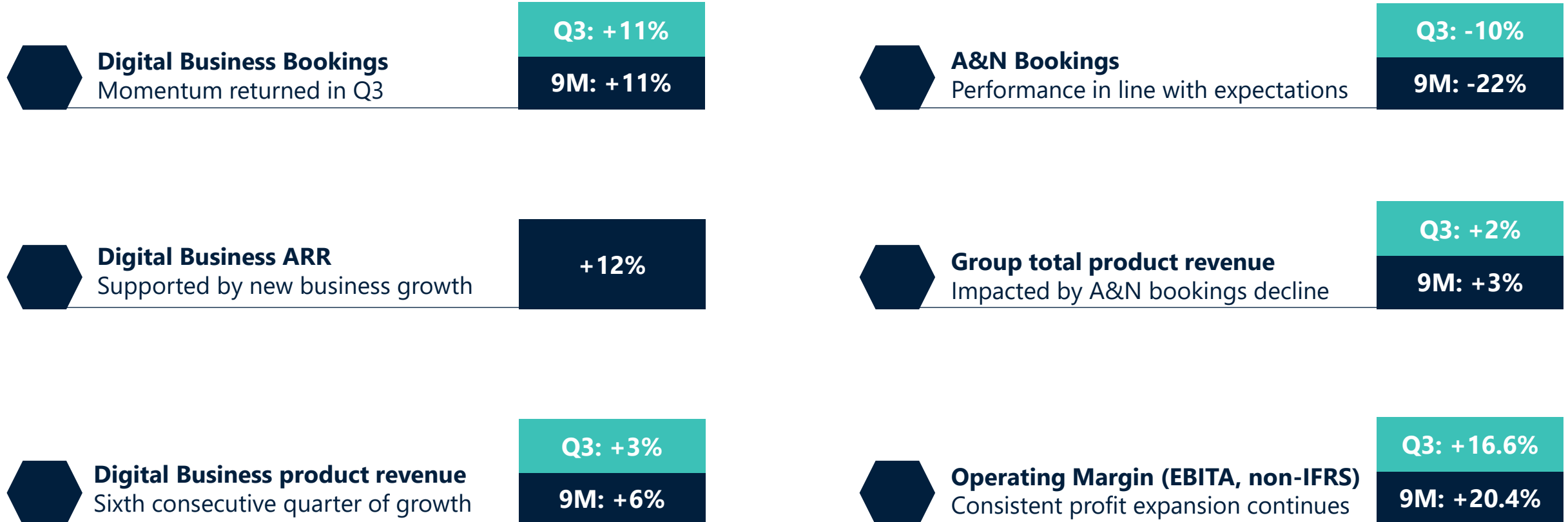
Sanjay Brahmawar

CEO



Solid third quarter organic* performance

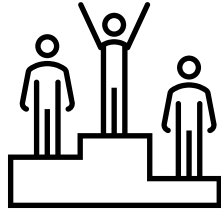
Robust third quarter profit performance despite continued macroeconomic uncertainty



*Organic results exclude contributions from StreamSets. Group results include StreamSets.

Progress on growth drivers

Continued success on new business, migrations and renewals



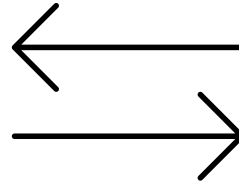
New Business

Q3: 93

Q3 2021: 66

9m: 219

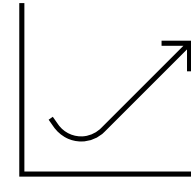
9m 2021: 206



Migrations

> 1.5x

In line with our
expectations for the
year



Digital Renewals

NRR > 100%

Continuing to increase contract
values at the point of renewal

IoT & Analytics Focus

Growth driven by product innovation and favourable dynamics in maturing market

CUMULOCITY IoT

BY SOFTWARE AG

**Strong double-digit
bookings growth**



BEKAERT

better together

Around seven-figure
bookings deal

Cumulocity IoT &
webMethods working
in tandem

Connecting 9
manufacturing sites.
50 more could follow

StreamSets



Continued growth with synergy wins reinforcing acquisition rationale

GROWTH

Continued strong double-digit standalone growth

SYNERGY

First combined webMethods / StreamSets win

PIPELINE

Customer feedback reflects strong demand

Outlook

Reconfirming FY 2022 organic and Group guidance

	FY 2022 Organic Guidance (in %)	FY 2022 Group Guidance (including StreamSets) (in %)	Organic 2023 ambitions
	Reconfirmed	Reconfirmed	Update at Q4 / FY
Digital Business bookings	12% to +18% ¹	Non-IFRS product revenue growth of between 12% and 16% ³ An impact on non-IFRS EBITA of between -€17 million and -€13 million ³	The Group has started its operating and strategic planning process for 2023 and beyond. As part of this process, the Group's former 2023 mid-term ambition will evolve into an operating budget and guidance for the year 2023. The company will provide a further update on this 2023 guidance at the time of its Q4 and FY earnings in early 2023.
A&N bookings	+0% to +5% ¹		
Total Product Revenue	+7% to +11% ¹		
Operating Margin (EBITA, non-IFRS) ²	20% to 22%		

¹ at constant currency

² adjusted for non-operating factors (see non-IFRS earnings definition)

³excludes the impact of Purchase Price Allocation and the translation of non-IFRS revenue and profit numbers into IFRS.

Dr. Matthias Heiden

CFO



Digital Business

Business continues to demonstrate good resilience

Digital Business Bookings

Q3	9M
Organic: +11%	Organic: +11%
Group: +26%	Group: +23%

SaaS portion in Q3 accelerated to 27% (+6pp) of Digital Business Bookings

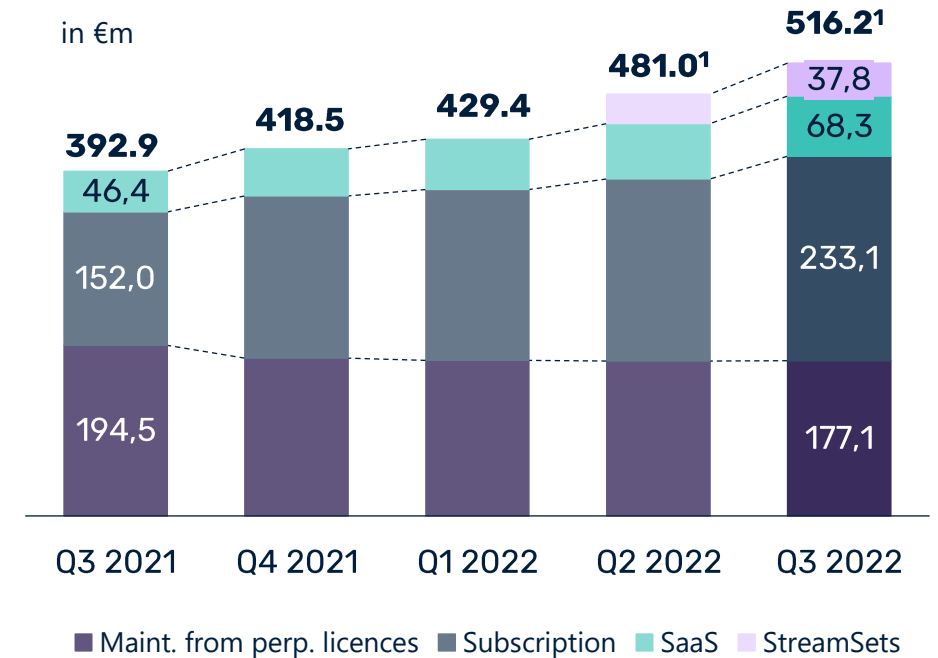
Digital Product Revenue

Q3	9M
Organic: 3%	Organic: +6%
Group: +8%	Group: +10%

Organic: Bookings to Revenue Ratio 9M 47%

Digital Business ARR

- Significant ARR growth demonstrates strength of transformation-strategy
- ARR as key factor of building quality and predictability
- Organic ARR growing **12%**, group **20%**

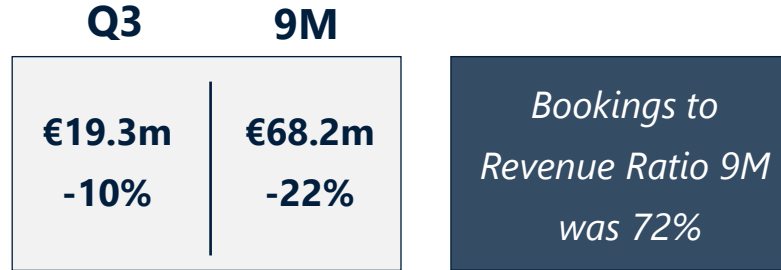


¹ Group (incl. StreamSets)

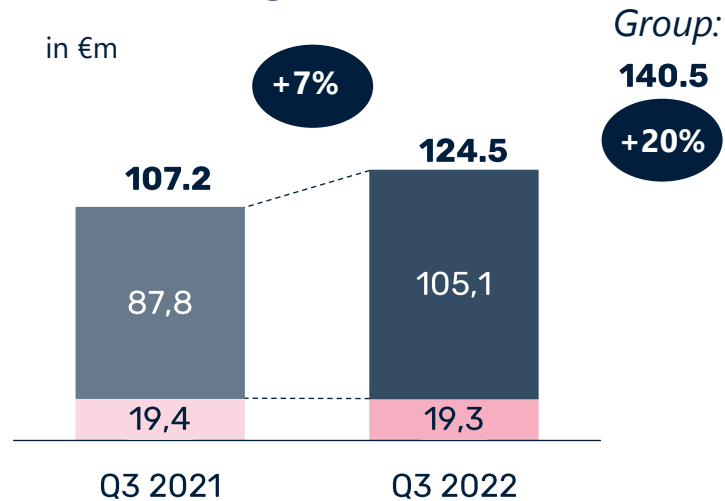
All numbers are organic unless otherwise stated. Growth rates in year-on-year and at constant currency unless otherwise stated. Group results include StreamSets. Organic results exclude contributions from StreamSets.

Group Bookings and Product Revenue

A&N Bookings

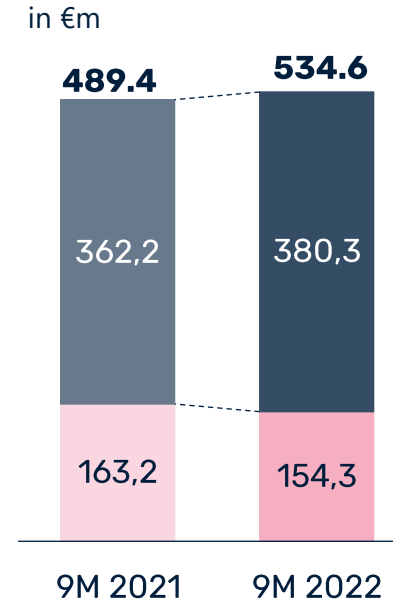
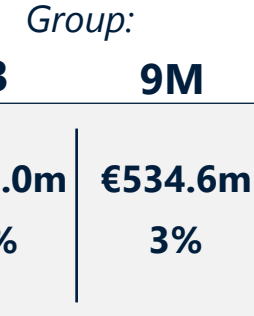
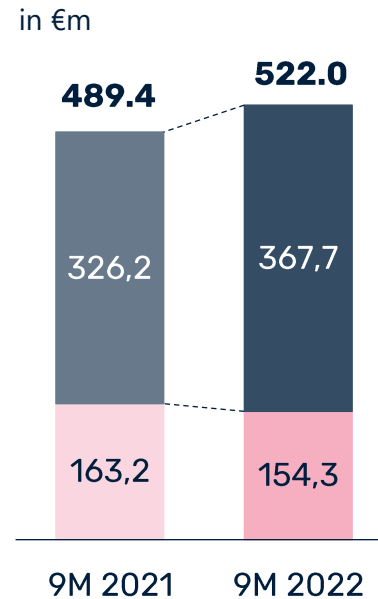
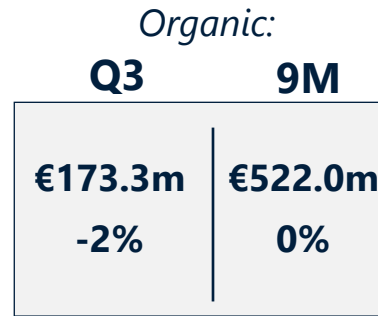


Total Bookings



■ A&N ■ Digital Business

Total Product Revenue



Professional Services



All numbers are organic unless otherwise stated. Growth rates in year-on-year and at constant currency unless otherwise stated. Group results include StreamSets. Organic results exclude contributions from StreamSets.

Cost and Margin (excl. StreamSets)

(in €m)	Q3 2022	Q3 2021	Δ%	Δ% acc	YTD 2022	YTD 2021	Δ%	Δ% acc
Total revenue (group)	212.8	198.0	7%	-1%	638.8	599.3	7%	0%
Cost of sales	-52.5	-47.0	12%	6%	-151.8	-138.7	9%	5%
Gross profit	160.3	151.0	6%	-3%	487.0	460.5	6%	-1%
<i>Margin in %</i>	<i>75.3%</i>	<i>76.3%</i>			<i>76.2%</i>	<i>76.8%</i>		
Research & Development	-42.9	-37.5	14%	10%	-123.0	-111.5	10%	7%
Sales & Marketing	-68.2	-69.1	-1%	-9%	-209.9	-196.4	7%	1%
Administration	-22.3	-20.6	8%	4%	-65.9	-60.8	8%	5%
Other income / expense	-13.0	0.8			2.6	-1.9		
EBIT	13.9	24.5	-43%	-62%	90.7	89.9	1%	-15%
<i>Margin in %</i>	<i>6.5%</i>	<i>12.4%</i>			<i>14.2%</i>	<i>15.0%</i>		
EBITA (Non-IFRS)	35.3	33.3	6%		130.2	118.6	10%	
<i>in % of revenue</i>	<i>16.6%</i>	<i>16.8%</i>			<i>20.4%</i>	<i>19.8%</i>		

Cost development (stated):

- 15% increase in the third quarter.
- 8% increase in the first nine months.
- Adjusting for exceptional factors, total costs grew 7% in the third quarter.

Proactive cost management aligned with topline development with focus on fully year targets.

EBITA (Non-IFRS)

- Continued strong delivery on operating profitability.

Cost and Margin (incl. StreamSets)

<i>(in €m)</i>	Q3 2022	Q3 2021	Δ%	Δ% acc	YTD 2022	YTD 2021	Δ%	Δ% acc
Total revenue (group)	221.4	198.0	12%	2%	654.3	599.3	9%	2%
Cost of sales	-61.0	-47.0	30%	23%	-165.6	-138.7	19%	14%
Gross profit	160.4	151.0	6%	-4%	488.8	460.5	6%	-1%
<i>Margin in %</i>	<i>72.4%</i>	<i>76.3%</i>			<i>74.7%</i>	<i>76.8%</i>		
Research & Development	-48.3	-37.5	29%	22%	-132.8	-111.5	19%	15%
Sales & Marketing	-82.1	-69.1	19%	9%	-235.6	-196.4	20%	13%
Administration	-23.6	-20.6	15%	10%	-68.6	-60.8	13%	9%
Other income / expense	-13.0	0.8			3.6	-1.9		
EBIT	-6.6	24.5	-127%	-138%	55.3	89.9	-38%	-51%
<i>Margin in %</i>	<i>-3.0%</i>	<i>12.4%</i>			<i>8.5%</i>	<i>15.0%</i>		
EBITA (Non-IFRS)	29.9	33.3	-10%		120.2	118.6	1%	
<i>in % of revenue</i>	<i>13.5%</i>	<i>16.8%</i>			<i>18.4%</i>	<i>19.8%</i>		

Group (inorganic) EBIT

- Year-on-year decline in Q3 driven by a number of items.

StreamSets impact on Group non-IFRS EBITA:

- €-5.4 million in the third quarter.
- €-10.1 million in the first nine months.
- All in line with our expectations at the time of the acquisition.

Non-IFRS Earnings

Q3 2022 / 9 months

(in €m)	Q3 2022	Q3 2021	Δ%	YTD 2022	YTD 2021	Δ%
EBIT excl. StreamSets (before all taxes)	13.9	24.5	-43%	90.7	89.9	1%
EBIT incl. StreamSets (before all taxes)	-6.6	24.5	-127%	55.3	89.9	-38%
Amortization on acquisition-related intangible assets (delta from SX)	35.8	4.0	804%	48.9	11.9	312%
Share based payments	3.3	2.1	53%	8.8	5.9	49%
Restructuring / severances / legal case	0.5	2.5	-78%	2.6	4.7	-43%
Purchase price allocation (PPA)	0.5	0.0	-	1.0	0.0	-
Other impacts / impacts from M&A activities	-3.7	0.2	-	3.4	6.2	-45%
EBITA (Non-IFRS)	29.9	33.3	-10%	120.2	118.6	1%
<i>in % of revenue (Non-IFRS)</i>	<i>13.5%</i>	<i>16.8%</i>		<i>18.4%</i>	<i>19.8%</i>	
Net income (Non-IFRS)	26.7	22.4	19%	61.1	79.5	-23%
EPS in € (Non-IFRS)*	€0.36	€0.30	20%	€0.82	€1.07	-23%

Impacts to Q3 EBIT reflected in the Non-IFRS Adjustments:

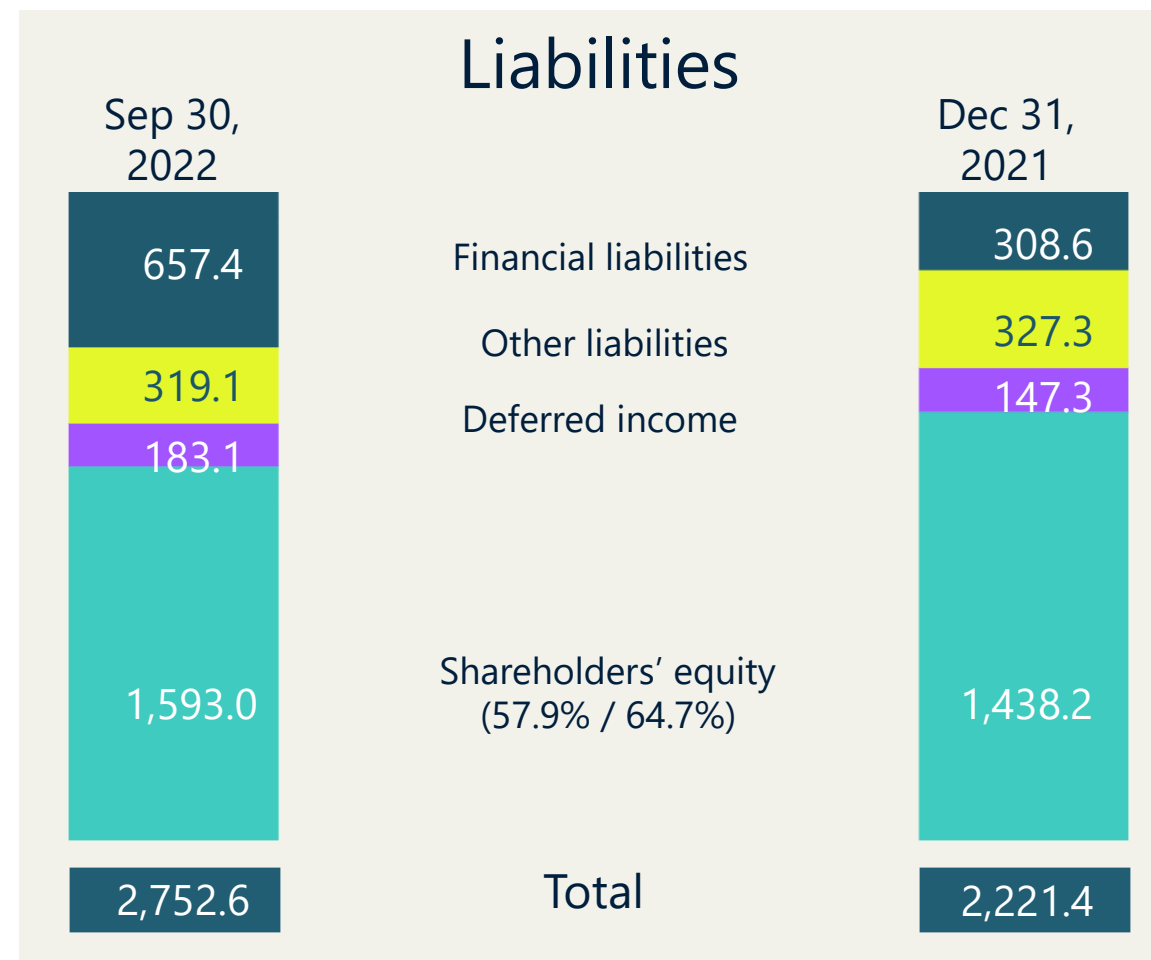
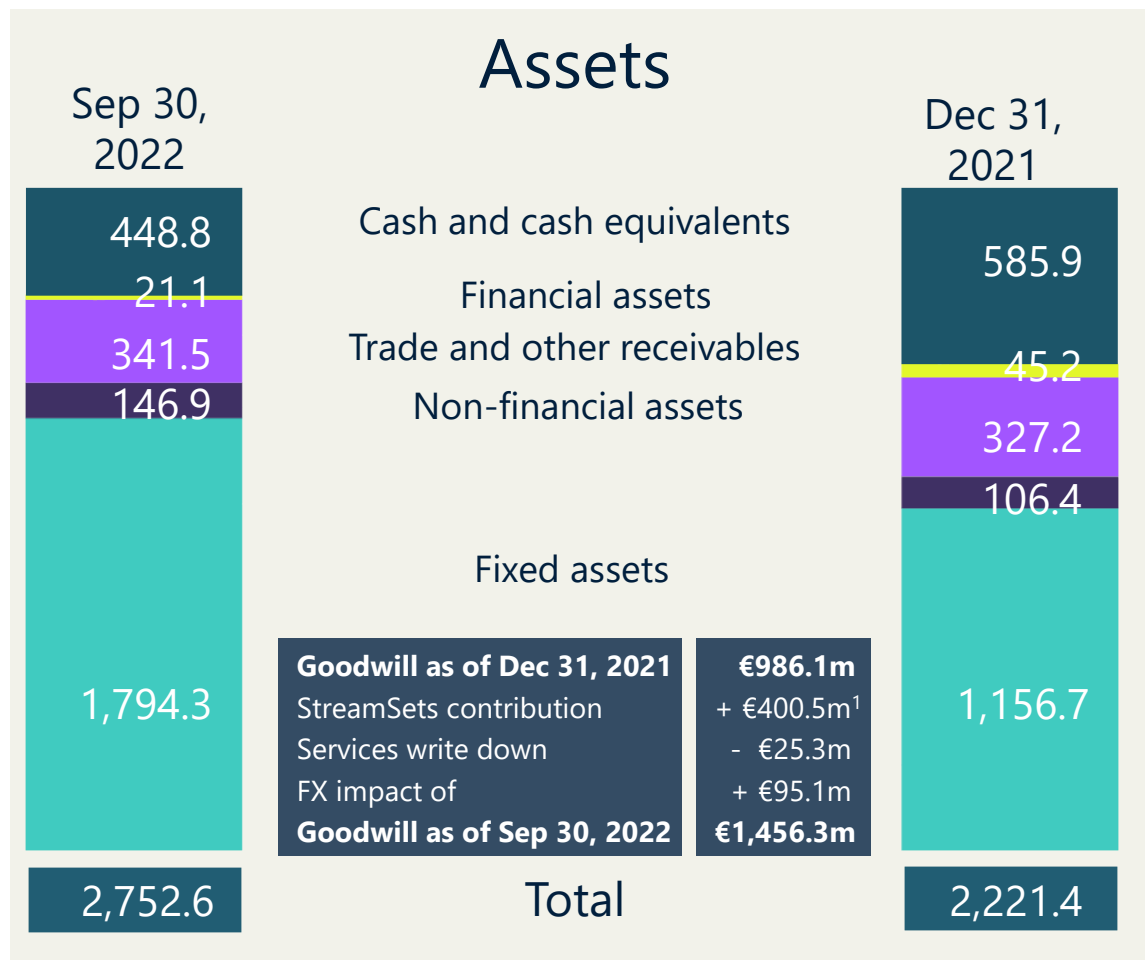
- Professional Services goodwill impairment of €25.3 million as well as the amortization of intangible assets related to the **StreamSets acquisition of €6.5 million.
- M&A related one off impacts from a combination of the capital gain related to the FACT transaction and the one-off M&A expenses related to the StreamSets acquisition.

*Weighted average shares outstanding (basic): 74.0m

**This is important element to consider for the financial modeling going forward.

Balance Sheet (incl. StreamSets)

(in €m)



¹This is a preliminary figure and subject to change due to minor measurement period PPA adjustments

Cash Flow (incl. StreamSets)

Q3 2022 / 9 months

(in €m)	Q3 2022	Q3 2021	Δ%	YTD 2022	YTD 2021	Δ%
Operating Cash Flow	10.3	20.4	-50%	22.4	90.9	-75%
./. CapEx* (long-term, non-current)	-0.8	-1.8		-5.0	-7.3	
./. Repayment of lease liabilities	-3.0	-3.2		-8.3	-9.9	
Free Cash Flow	6.5	15.4	-58%	9.1	73.7	-88%
<i>in % of revenue</i>	2.9%	7.8%		1.4%	12.3%	
Free Cash Flow per share**	€0.09	€0.21	-58%	€0.12	€1.00	-88%

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

** Based on weighted average shares outstanding (basic): 74.0m

FCF development:

- Continues to be impacted by our business model transformation and shift to subscription.
- ARR development gives an indication of future cash flow development as the subscription, SaaS, and new business contracts start to stack up over time.
- Group continues to drive financial discipline into the entire organization as it relates to cash and cash management.

Q&A

