

## **Software AG delivers seventh consecutive quarter of Digital Business product revenue growth; reaches 2022 full-year guidance; shares strategic priorities and outlook for 2023**

**Darmstadt, Germany – January 31, 2023:** Software AG (Frankfurt MDAX®: SOW) today announced financial results for the fourth quarter and full year 2022, and shared its strategic priorities and outlook for 2023.

### **Sanjay Brahmawar, Software AG's Chief Executive Officer (CEO), commented:**

*"Our seventh consecutive quarter of Digital Business revenue growth underpinned a strong finish to the year and saw us end 2022 in line with our top and bottom-line guidance.*

*Today we have announced clear priorities for 2023. We will double down on cloud, intensify our focus on application and data integration, and increase operational efficiency to become a leaner organization. Despite a challenging macro environment, with the resilience of our business and with our new CFO Daniela on board, we are confident in achieving our guidance for 2023."*

### **Daniela Bünger, Software AG's Chief Financial Officer (CFO), commented:**

*"Helix has enabled Software AG to build a solid foundation for growth. Our task now is to push that growth forward and increase operating leverage by scaling our business efficiently. Our 2023 plan will simplify our business to ensure we achieve these ambitions in the face of a challenging macroeconomic environment. We are confident that our 2023 guidance represents a set of achievable ambitions in the given context, and I look forward to working with the team to deliver on it."*

### **2022 highlights – continued transformation progress**

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

- **Digital Business strength driven by cloud:** Organic bookings grew 15 percent in the fourth quarter and 12 percent in the full year, in line with guidance.
- **Adabas & Natural (A&N) performance led by subscription shift:** Subscription-led bookings growth of 144 percent in the fourth quarter led to full-year A&N bookings growth of 23 percent, ahead of guidance.
- **Cloud demand accelerates:** Organic Digital Business annual recurring revenue (ARR) grew 11 percent, driven by Software-as-a-Service (SaaS) where bookings grew three times faster than subscription and continued strong double-digit growth from StreamSets.
- **Robust organic product revenue growth:** Organic product revenue growth of 24 percent in the fourth quarter drove full-year growth to 7 percent, inside the Group's guidance range.
- **Continued robust organic profit in line with expectations:** Fourth-quarter organic operating margin (EBITA, non-IFRS) of 23.1 percent and 21.2 percent for the full year, inside the Group's guidance range.

### **2023 priorities – building on Helix to kick off the next phase of transformation**

- **Accelerate the journey to cloud-first:** The Group's high-quality cloud products are driving greater-than-expected demand for cloud, with SaaS organic Digital Business bookings up 30 percent in 2022. The Group will prioritize specific SaaS sales motions for growth products like webMethods.io and StreamSets to capitalize on this market opportunity.
- **Double down on innovation in integration:** The cloud data and application integration markets are growing at 21 percent, reaching €11 billion by 2026. The Group will direct resources to this area where it has an optimal combination of product leadership, current growth, and future growth opportunity, accelerating innovation for its leading products, webMethods.io and StreamSets.
- **Increase sales specialization to drive efficacy and efficiency:** The Group will specialize its salesforce to drive greater impact from its growth products, starting in North America. This will increase go-to-market efficacy and also drive further sales efficiency.
- **Leveraging the value of A&N:** The Group will continue the ongoing shift to subscription which offers an important pathway to cloud re-hosting and the interaction between A&N customers and the Group's wider Digital Business.
- **Optimize the operating platform:** Increasing the Group's efficiency and productivity through a program that increases operating leverage and delivers a margin benefit of between €30 million and €35 million in 2023 and delivers further benefit thereafter. This will affect roughly 200 employees, or 4 percent of total full-time equivalents (FTEs).

### **2023 guidance and guidance assumptions**

In light of the Group's progress in its business model shift to subscription, Software AG has today updated its headline guidance metric from product bookings to ARR for both the Digital Business and A&N. The Group's other guidance metrics remain unchanged. Software AG will provide more detail on the drivers of ARR at the Group's Capital Markets Day in June 2023.

The Group's 2023 guidance is underpinned by its continued growth ambition, its strategic priorities for 2023 and its awareness of unpredictability in the macro environment.

The Group's guidance ranges for 2023 include StreamSets. They are, with the exception of margin, presented at constant currency.

- Digital Business ARR growth of between 10 and 15 percent.
- A&N ARR development of between -2 and 2 percent.
- Group product revenue growth of between 6 and 10 percent.
- Operating margin (EBITA, non-IFRS) between 16 and 18 percent.

### **Fourth-quarter and full-year 2022 business line bookings performance**

On an organic basis, Software AG's **bookings** of €273.9 million in the fourth quarter represented growth of 35 percent year-on-year (Q4 2021: €195.1 million), with bookings of €623.4 million in the full year up 15 percent year-on-year (FY 2021: €517.7 million). With the contribution of StreamSets, **Group bookings** were €315.0 million in the fourth quarter and €700.1 million in the full year.

Organic bookings in the **Digital Business** grew 15 percent year-on-year to €197.6 million in the fourth quarter (Q4 2021: €164.8 million) and grew 12 percent year-on-year to €478.9 million in the full-year (FY 2021: €406.0 million). With the addition of StreamSets, bookings in the **Group's Digital Business** were €238.7 million in the fourth quarter and €555.6 million for the full year.

On an organic basis, the proportion of bookings within the Digital Business coming from subscription and SaaS was 93 percent in the fourth quarter and 91 percent for the full year.

The Group's **A&N** business line delivered bookings of €76.3 million in the fourth quarter (Q4 2021: €30.3 million), and €144.5 million for the full year (FY 2021: €111.7 million). This represented an increase of 144 percent and 23 percent year-on-year, respectively.

#### **Fourth-quarter and full-year 2022 Group revenue and earnings performance**

On an organic basis, Software AG reported €292.0 million in **total revenue** in the fourth quarter (Q4 2021: €234.6 million) and €930.8 million in **revenue** for the full year (FY 2021: €833.8 million). With the contribution of StreamSets, Software AG reported €303.8 million in **Group revenue** in the fourth quarter and €958.2 million for the full year.

On an organic basis, **product revenue** saw an increase of 24 percent in the fourth quarter to €251.4 million (Q4 2021: €194.6 million) and was up 7 percent at €773.4 million in the full year (FY 2021: €684.0 million). With the addition of StreamSets IFRS revenue, **Group product revenue** was €261.0 million in the fourth quarter and €795.6 million in the full year.

**StreamSets** IFRS revenue was €9.6 million in the fourth quarter and was €22.1 million for the period of eight and a half months since the closing of the acquisition. Its **non-IFRS revenue contribution** was reached by adding back non-operating net negative factors, including the accounting policy change to IFRS and the purchase price allocation related to the acquisition. Adjusting for these factors, StreamSets non-IFRS revenue contribution was about €27 million in the full year.

On an organic basis, **Digital Business** product revenue saw growth of 7 percent in the fourth quarter to €159.8 million, representing a seventh consecutive quarter of product revenue growth (Q4 2021: €143.3 million). For the full year, **Digital Business** product revenue saw growth of 7 percent to €527.5 million (FY 2021: €469.5 million). With the addition of StreamSets, product revenue in the Group's **Digital Business** was €169.4 million in the fourth quarter and €549.7 million in the full year.

**ARR, now a headline guidance metric for the business**, was €660.0 million on an organic basis at the end of the fourth quarter, representing 10 percent growth year-on-year. Organic ARR within the Digital Business grew 11 percent year-on-year to €476.2 million. Organic recurring revenue represents 93 percent of the organic total product revenue for the full year 2022.

**A&N** product revenue was €91.6 million in the fourth quarter, representing a year-on-year increase of 72 percent, driven by the increasing share of subscription in the Group's A&N revenue mix (Q4 2021: €51.3 million). In the full year, **A&N** product revenue was €245.9 million (FY 2021: €214.5 million).

Within **Professional Services**, the fourth quarter saw revenue decline 3 percent year-on-year to €40.6 million (Q4 2021: €40.0 million) on an organic basis and delivered gross profit of €4.2 million in the fourth quarter, 70 percent lower year-on-year (Q4 2021: €12.0 million). In the full-year, organic **Professional Services** revenue decreased 1 percent to €157.4 million (FY 2021: €149.8 million) and delivered gross profit of €35.3 million in the full year (FY 2021: €41.2 million).

On an organic basis, **EBIT** was €43.1 million in the fourth quarter (Q4 2021: €32.2 million) and €133.8 million over the full year (FY 2021: €122.1 million).

With the addition of StreamSets, the **Group's EBIT** was €22.8 million in the fourth quarter and €78.1 million in the full year.

**Organic operating EBITA** (non-IFRS) was €67.4 million in the fourth quarter (Q4 2021: €45.2 million), giving Software AG an organic operating EBITA (non-IFRS) margin of 23.1 percent, up 3.8 percentage points year-on-year (Q4 2021: 19.3 percent). For the full year, organic **operating EBITA** (non-IFRS) stood at €197.6 million (FY 2021: €163.8 million), giving Software AG an organic operating EBITA (non-IFRS) margin within the guidance of 21.2 percent, up 1.6 percentage points year-on-year (FY 2021: 19.6 percent). The Group's margin expansion performance continues to be underpinned by the operating leverage of its subscription business model.

With the addition of StreamSets, the **Group's operating EBITA** (non-IFRS) was at €58.3 million in the fourth quarter and was €178.5 million in the full year. StreamSets negative impact on **operating EBITA** (non-IFRS) was €9.1 million during the fourth quarter and €19.1 million in its eight and a half months of ownership.

The Group's **free cash flow** in the fourth quarter was €-10.2 million (Q4 2021: €17.7 million) and €-1.1 million in the full year (FY 2021: €91.4 million).

### **Employees**

As of December 31, 2022, the Group, including StreamSets, had 4,996 employees worldwide (FTEs; December 31, 2021: 4,819). This represents an increase in the Group's employee base of 177, or up 4 percent year-on-year.

### **Conference call**

A webcast for investors and financial analysts will take place on February 1, 2023, at 9:30 a.m. CEST (8:30 a.m. BST). Please pre-register to receive dial-in details at [Result Center \(softwareag.com\)](https://www.softwareag.com/result-center).

### **About Software AG**

Software AG simplifies the connected world. Founded in 1969, it helps deliver the experiences that employees, partners and customers now expect. Its technology creates the digital backbone that integrates applications, devices, data and clouds; empowers streamlined processes; and connects "things" like sensors, devices and machines. It helps 10,000+ organizations to become a truly connected enterprise and make smarter decisions, faster. The Company has about 5,000 employees across more than 70 countries and annual Group revenue of over €950 million.

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

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**Key Group Figures Including StreamSets<sup>1</sup>**
**Fourth Quarter 2022 – Key Figures as of December 31, 2022**

in € millions (unless otherwise stated)	Q4 2022	Q4 2021	%	% acc <sup>2</sup>	FY 2022	FY 2021	%	% acc <sup>2</sup>
<b>Group bookings<sup>3</sup></b>	<b>315.0</b>	<b>195.1</b>	<b>+61</b>	<b>+54</b>	<b>700.1</b>	<b>517.7</b>	<b>+35</b>	<b>+28</b>
<b>Digital Business</b>	<b>238.7</b>	<b>164.8</b>	<b>+45</b>	<b>+37</b>	<b>555.6</b>	<b>406.0</b>	<b>+37</b>	<b>+29</b>
<b>Adabas &amp; Natural</b>	<b>76.3</b>	<b>30.3</b>	<b>+152</b>	<b>+144</b>	<b>144.5</b>	<b>111.7</b>	<b>+29</b>	<b>+23</b>
Subscription	229.8	133.4	+72	+64	475.0	348.6	+36	+29
Software as a Service (SaaS)	61.5	33.5	+84	+72	145.8	84.1	+73	+63
Perpetual	23.8	28.2	-16	-19	79.2	85.0	-7	-13
<b>Group annual recurring revenue (ARR)<sup>3</sup></b>	<b>700.2</b>	<b>585.4</b>	<b>+20</b>	<b>+16</b>	<b>700.2</b>	<b>585.4</b>	<b>+20</b>	<b>+16</b>
Digital Business	516.4	418.5	+23	+20	516.4	418.5	+23	+20
Adabas & Natural	183.8	166.9	+10	+7	183.8	166.9	+10	+7
<b>Group revenue</b>	<b>303.8</b>	<b>234.6</b>	<b>+30</b>	<b>+24</b>	<b>958.2</b>	<b>833.8</b>	<b>+15</b>	<b>+8</b>
<b>Product revenue</b>	<b>261.0</b>	<b>194.6</b>	<b>+34</b>	<b>+28</b>	<b>795.6</b>	<b>684.0</b>	<b>+16</b>	<b>+10</b>
<b>Digital Business</b>	<b>169.4</b>	<b>143.3</b>	<b>+18</b>	<b>+13</b>	<b>549.7</b>	<b>469.5</b>	<b>+17</b>	<b>+11</b>
<b>Adabas &amp; Natural</b>	<b>91.6</b>	<b>51.3</b>	<b>+79</b>	<b>+72</b>	<b>245.9</b>	<b>214.5</b>	<b>+15</b>	<b>+8</b>
Subscription	149.1	80.4	+86	+79	362.9	246.0	+48	+40
Software as a Service (SaaS)	22.4	12.6	+78	+69	75.8	44.1	+72	+62
Perpetual maintenance	74.3	82.4	-10	-15	302.4	336.0	-10	-16
Perpetual licenses	15.1	19.2	-21	-24	54.5	57.9	-6	-11
<b>EBIT (IFRS)</b>	<b>22.8</b>	<b>32.2</b>	<b>-29</b>	<b>-43</b>	<b>78.1</b>	<b>122.1</b>	<b>-36</b>	<b>-50</b>
<b>EBITA (non-IFRS) (operating profit)</b>	<b>58.3</b>	<b>45.2</b>	<b>+29</b>		<b>178.5</b>	<b>163.8</b>	<b>+9</b>	
<i>as % of revenue (operating margin)</i>	<i>19.2</i>	<i>19.3</i>			<i>18.6</i>	<i>19.6</i>		
<b>Net income (non-IFRS)</b>	<b>-14.3</b>	<b>34.8</b>	<b>-141</b>		<b>48.9</b>	<b>114.2</b>	<b>-57</b>	
<b>Earnings per share € (non-IFRS)<sup>4</sup></b>	<b>-0.19</b>	<b>0.47</b>	<b>-141</b>		<b>0.66</b>	<b>1.54</b>	<b>-57</b>	
<b>Free cash flow</b>	<b>-10.2</b>	<b>17.7</b>	<b>-158</b>		<b>-1.1</b>	<b>91.4</b>	<b>-101</b>	
<b>Free cash flow per share<sup>4</sup> in €</b>	<b>-0.14</b>	<b>0.24</b>	<b>-158</b>		<b>-0.01</b>	<b>1.24</b>	<b>-101</b>	
<b>Employees (FTE) (in thousands)</b>	<b>4,996</b>	<b>4,819</b>	<b>+4</b>					
<b>thereof Germany</b>	<b>1,306</b>	<b>1,385</b>	<b>-6</b>					

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

<sup>2</sup> At constant currency.

<sup>3</sup> Definitions on page 78 of the 2021 Annual Report.

<sup>4</sup> Based on weighted average shares outstanding (basic) Q4 2022: 74 mn/Q4 2021: 74 mn.

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