

Software AG reports Digital Business ARR growth of 21 percent; confirms full-year guidance

Darmstadt, Germany – April 27, 2023: [Software AG](#) (Frankfurt TecDAX®: SOW) today announced financial results for the first quarter of 2023.

Sanjay Brahmawar, Software AG CEO, commented: *“Software AG has accelerated Digital Business annual recurring revenue growth in the first quarter, putting us on track to fulfill our full-year guidance. Despite ongoing macro-economic headwinds, we continue to see our mission-critical software resonate in the market, as we are helping our customers to manage their digital transformation. We remain laser-focused on integration with successful customer wins through our combination with StreamSets’ competitive platform solutions. We welcome the deepened partnership with Silver Lake and are confident to deliver our goals as we enter the next phase of our strategic road map.”*

Daniela Bünger, Software AG CFO, commented: *“Our first-quarter results show that our strategic focus on cloud-first, SaaS, integration, and our sales specialization is paying off. We have initiated the right measures to align our cost base and will maintain our financial prudence for the remainder of the year. While we continue to see the technical impact of our business model transformation, we were able to mitigate the effect by consistently improving efficiency and effectiveness in our operations.”*

First-quarter highlights

- **Digital Business momentum continues** with year-on-year annual recurring revenue (ARR) growth of 21 percent, product revenue growth of 9 percent or 8 at constant currency, and thereof Software-as-a-Service (SaaS) revenue growth of 66 percent or 64 percent at constant currency.
- **Adabas & Natural (A&N) subscription shift** continues with ARR reaching an increase of 5 percent or 7 percent at constant currency.
- **Group product revenue** up 2 percent year-on-year or 1 percent at constant currency, in line with expectations.
- **Operating margin (EBITA, non-IFRS)** developed as planned and stood at 11.2 percent.
- **2023 full-year guidance reconfirmed.**

First quarter 2023 ARR performance

By the end of the first quarter of 2023, Software AG’s **Digital Business ARR** was €518.9 million (Q1 2022: €429.4 million), representing a year-on-year growth of 21 percent as stated and at constant currency. The **ARR** of the Group’s **A&N** business line was €185.4 million compared to €176.1 million by the end of the first quarter of 2022, representing a year-on-year growth of 5 percent or 7 percent at constant currency. The steady growth of ARR demonstrates the success of Software AG’s business model shift to subscription and SaaS, and the resulting higher quality, more predictable revenue streams.

First quarter 2023 Group revenue and earnings performance

Software AG reported €210.6 million in **total revenue** in the first quarter (Q1 2022: €206.0 million). This represented growth of 2 percent, both, as stated and at constant currency. **Group product revenue** growth was 2 percent or 1 percent at constant currency to €169.8 million (Q1 2022: €166.9) million). The subscription and SaaS portion of Group product revenue was 57 percent, an increase of 13 percentage points compared to the prior-year period. **Digital Business** product revenue saw growth of 9 percent or 8 percent at constant currency in the first quarter to €120.6 million (Q1 2022: €110.9 million). **A&N** product revenue was €49.3 million in the first quarter (Q1 2022: €56.0 million), representing a decline of 12 percent as stated and based on constant currencies. **Professional Services** revenue in the first quarter was €40.7 million, up 4 percent (Q1 2022: €39.1 million).

The Company's **EBIT** was €3.1 million in the first quarter (Q1 2022: €30.0 million). The Group's **operating EBITA** (non-IFRS) stood at €23.6 million in the first quarter (Q1 2022: €40.9 million), giving Software AG an operating margin (EBITA, non-IFRS) of 11.2 percent in the first quarter (Q1 2022: 19.9 percent).

The Group's **free cash flow** in the first quarter was at €20.9 million (Q1 2022: €24.3 million).

Guidance

The Group has today reiterated its guidance for the full year 2023. The Group's guidance ranges are, except for 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

Software AG remains committed to double-digit revenue growth in the Digital Business segment and reiterates its ambition to reach an operating profit margin in the high twenties in the medium term which will translate into improved cash flow generation.

Conference call

A webcast for investors and financial analysts will take place on Thursday, April 27, 2023, at 9:30 am CEST (8:30 am 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 more than €950 million.

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Key Figures

[All figures are preliminary, unaudited and, unless otherwise stated, based on IFRS.]

in € millions (unless stated otherwise)	Q1 2023	Q1 2022	+/- as %	+/- as % acc ¹
Group revenue	210.6	206.0	2	2
Product revenue	169.8	166.9	2	1
thereof Digital Business	120.6	110.9	9	8
thereof Adabas & Natural (A&N)	49.3	56.0	-12	-12
thereof Licenses	50.4	55.5	-9	-9
thereof Maintenance	96.3	97.5	-1	-2
thereof Software as a Service (SaaS)	23.2	14.0	66	64
	March 31, 2023	March 31, 2022		
Group ARR²	704.3	605.5	16	17
Digital Business ARR ²	518.9	429.4	21	21
A&N ARR ²	185.4	176.1	5	7
	Q1 2023	Q1 2022		
Operating EBITA (non-IFRS)	23.6	40.9	-42	
Operating margin (EBITA, non-IFRS) as %	11.2	19.9		
Digital Business segment earnings	-2.4	8.0	-130	
Segment margin as %	-2.0	7.2		
A&N segment earnings	34.0	38.0	-11	
Segment margin as %	69.0	67.8		
EBIT	3.1	30.0	-90	
Operating net income (non-IFRS)	13.0	25.3	-49	
Operating earnings per share (non-IFRS)³				
in €	0.18	0.34	-48	
Operating cash flow	26.5	30.6	-13	
CapEx ⁴	-3.2	-3.6	-11	
Repayment of lease liabilities	-2.4	-2.7	-11	
Free cash flow	20.9	24.3	-14	
Free cash flow per share in €	0.28	0.33	-14	
	March 31, 2023	Dec. 31, 2022		
Balance sheet				
Total assets	2,628.2	2,678.4	-2	
Cash and cash equivalents	434.6	427.1	2	
Net cash position	-232.9	-240.0	-3	
Employees (FTE)	4,848	4,996	-3	

¹ At constant currency.

² Annual recurring revenue.

³ Based on weighted average shares outstanding (basic) Q1 2023: 74.0 mn/Q1 2022: 74.0 mn.

⁴ Cash flow from investing activities adjusted for acquisitions and investments in debt instruments.

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