

Software AG

Q2 & H1 2023 Earnings

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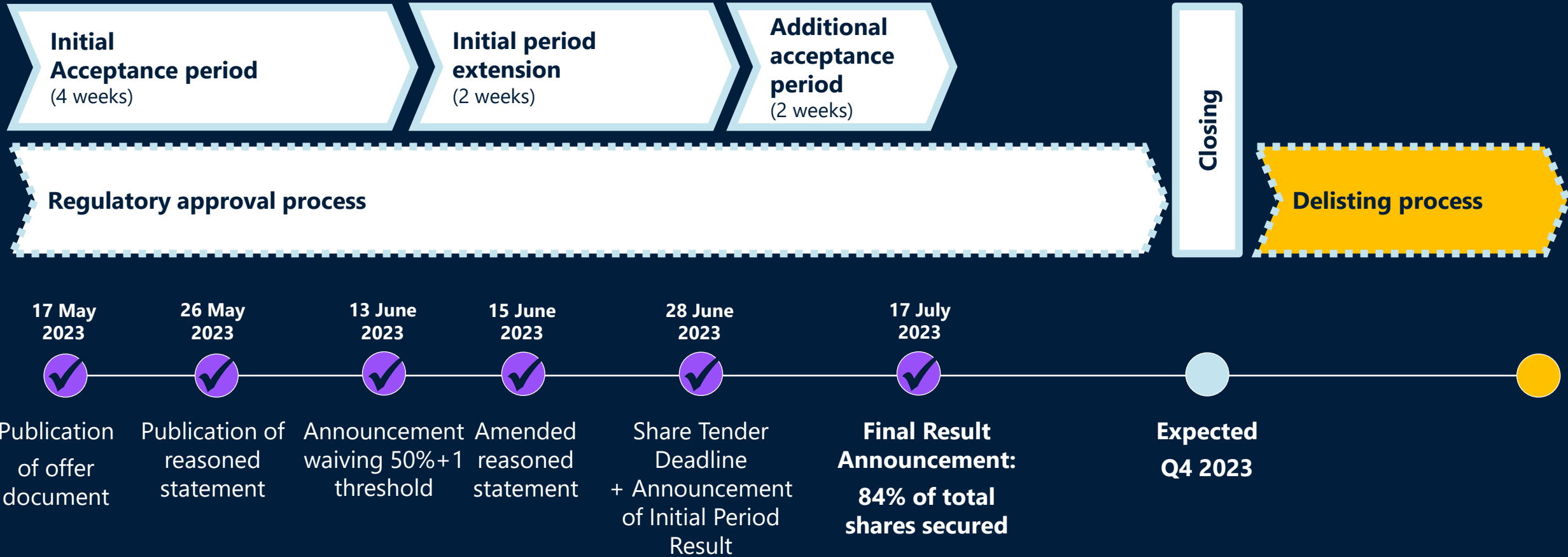
Sanjay Brahmawar

CEO



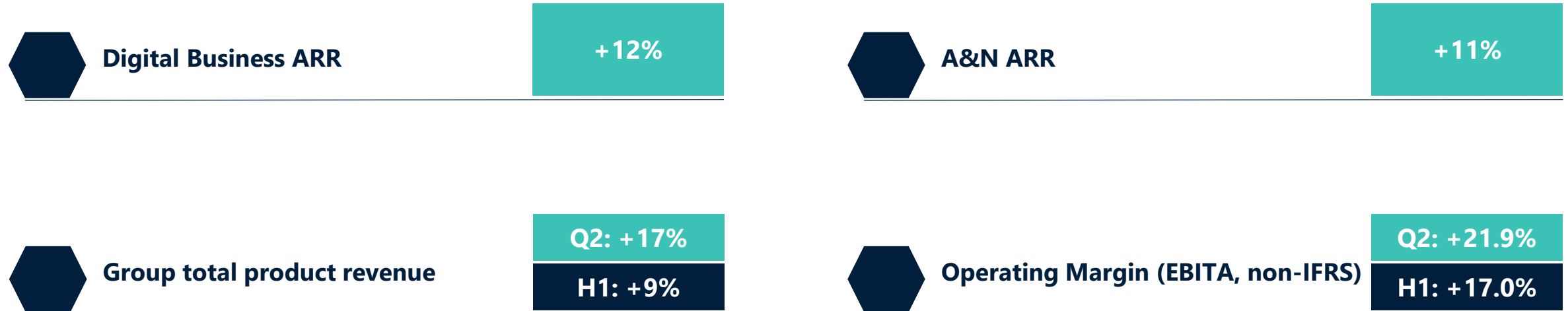
Silver Lake's voluntary public tender offer

In the case of successful regulatory approvals, closure of the transaction is expected to be in Q4 2023



Q2 results underpinned by strong A&N business and continued Digital Business traction

On track to meet full-year guidance

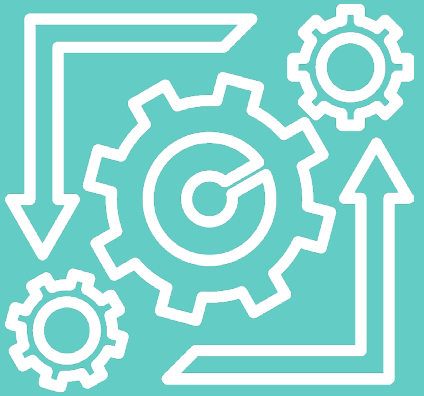


In Q2, we've delivered on our goals and on our strategy against a challenging macroeconomic backdrop. We have closed out the first half according to our plan and remain confident to meet our full year guidance.

Strategy & Vision

Doubling down on innovation in integration and accelerating our journey to cloud first

Innovating in integration



- Full-stack AI-enabled integration platform
- Differentiation to the market
- Enabling customers to unlock value from their data more productively than before
- Major product launch in October



Accelerating on cloud



- Started the journey
- Strong customer demand continues
- Attractive unit economics as we scale
- Close cooperation with hyperscalers to scale more efficiently and optimize support costs

Daniela Bünger

CFO



ARR

Q2

in €m	Q2 2023	Q2 2022	Δ %	Δ % acc
Digital Business				
Subscription	280.7	228.0	23	26
SaaS	99.8	76.4	31	33
Maintenance from Perpetual Licenses	147.1	176.6	-17	-15
Total ARR (as of quarter-end)	527.5	481.0	10	12
Adabas & Natural				
Subscription	93.3	58.4	60	64
Maintenance from Perpetual Licenses	97.5	119.2	-18	-15
Total ARR (as of quarter-end)	190.8	177.6	7	11
Group				
Subscription	374.0	286.4	31	34
SaaS	99.8	76.4	31	33
Maintenance from Perpetual Licenses	244.6	295.7	-17	-15
Total ARR (as of quarter-end)	718.4	658.6	9	12

Product Revenue (Group)

Q2 & H1 2023

in €m	Q2 2023	Q2 2022	Δ %	Δ % acc	H1 2023	H1 2022	Δ %	Δ % acc
Subscription	112.7	79.7	41	46	185.7	138.5	34	36
SaaS	23.8	18.5	29	32	46.9	32.4	45	46
Maintenance from Perpetual Licenses	63.1	76.9	-18	-15	127.6	152.1	-16	-15
Total Recurring Revenue	199.6	175.1	14	18	360.3	323.0	12	13
Perpetual Licenses	11.4	12.5	-9	2	20.6	31.5	-35	-30
Total Product Revenue	211.1	187.6	12	17	380.9	354.6	7	9
thereof Digital Business	137.8	135.8	1	4	258.4	246.8	5	6
thereof Adabas & Natural	73.3	51.8	41	49	122.6	107.8	14	17

Results (Group)

Q2 & H1 2023

in €m	Q2 2023	Q2 2022	Δ %	Δ % acc	H1 2023	H1 2022	Δ %	Δ % acc
Digital Business	137.8	135.8	1	4	258.4	246.8	5	6
Adabas & Natural	73.3	51.8	41	49	122.6	107.8	14	17
Professional Services	37.4	39.3	-5	-1	78.1	78.4	—	2
Total Revenue	248.4	226.9	9	14	459.0	432.9	6	8
Cost of sales	-59.1	-55.3	7	9	-120.1	-104.5	15	16
Gross profit	189.4	171.6	10	15	338.9	328.4	3	5
Margin as %	76.2	75.6	—	—	73.8	75.9	—	—
Sales & Marketing	-80.2	-86.4	-7	-5	-152.8	-153.5	—	—
Research & Development	-48.6	-43.7	11	12	-98.0	-84.6	16	16
Administration	-20.8	-22.2	-6	-4	-38.3	-44.9	-15	-14
Other income / expense	-17.5	12.5	—	—	-24.3	16.5	—	—
EBIT (before all taxes)	22.3	31.9	-30	-13	25.4	61.9	-59	-47
Margin as %	9.0	14.1	—	—	5.5	14.3	—	—
Operating EBITA (non-IFRS)	54.3	49.4	10	—	77.9	90.3	-14	—
Operating margin (EBITA, non-IFRS) as %	21.9	21.8	—	—	17.0	20.9	—	—

Cash Flow

Q2 & H1 2023

in €m	Q2 2023	Q2 2022	Δ %	H1 2023	H1 2022	Δ %
Operating Cash Flow	-31.2	-18.5	68	-4.6	12.1	-138
./. CapEx* (long-term, non-operating)	-1.2	-0.6		-4.5	-4.2	
./. Repayment of lease liabilities	-2.5	-2.6		-4.9	-5.3	
Free Cash Flow	-34.9	-21.7	61	-14.0	2.6	-629
as % of total revenue	-14	-10		-3	1	
Free Cash Flow per share in €**	-0.47	-0.29	61	-0.19	0.04	-629

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

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

Outlook 2023

On track to meet full-year guidance

	FY 2022 in €m	FY 2023 guidance in %	Medium-term ambitions <hr/> Double digit revenue growth in Digital Business segment Reach operating profit margin in the high twenties Translating into improved cash flow generation
Digital Business ARR	516.4	+10 to +15 ¹	
A&N ARR	183.8	-2 to +2 ¹	
Product revenue	795.6	+6 to +10 ¹	
Operating margin (EBITA, non-IFRS)² as %	18.6	16 to 18	

¹ At constant currency

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

Q&A

Appendix

Balance Sheet

Q2 2023

in €m	Jun 30, 2023		Dec 31, 2022		Δ	
Assets						
Current assets	721.3	28 %	769.9	29 %	-48.6	-6%
Non-current assets	1,874.4	72 %	1,908.5	71 %	-34.1	-2%
	2,595.7	100 %	2,678.4	100 %	-82.7	-3%
Equity and liabilities						
Current liabilities	514.3	20 %	454.6	17 %	59.6	13%
Non-current liabilities	598.8	23 %	712.6	27 %	-113.8	-16%
Equity	1,482.6	57 %	1,511.2	56 %	-28.5	-2%
	2,595.7	100 %	2,678.4	100 %	-82.7	-3%

Non-IFRS Earnings

Q2 2023

in €m	Q2 2023	Q2 2022	Δ %	H1 2023	H1 2022	Δ %
EBIT (before all taxes)	22.3	31.9	-30	25.4	61.9	-59
Acquisition-related amortization of intangible assets	8.9	9.0	-2	17.4	13.0	34
Income/expenses resulting from share-based remuneration	5.7	2.4	133	7.8	5.6	41
Restructuring/severance/litigation	2.1	0.7	201	7.4	2.1	252
Acquisition-related deductions in product revenue due to purchase price allocations	—	0.5	-100	0.2	0.5	-56
Other non-operating expenses and acquisition-related effects on earnings	15.3	4.7	223	19.6	7.1	175
Operating EBITA (non-IFRS)	54.3	49.4	10	77.9	90.3	-14
Operating margin (EBITA, non-IFRS) as %	21.9	21.8	—	17.0	20.9	—
Net income (non-IFRS)	13.0	28.4	-54	20.0	53.9	-63
EPS (non-IFRS) in €*	0.18	0.38	-54	0.27	0.73	-63

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

Digital Business: Segment Result

Q2 2023

in €m	Q2 2023	Q2 2022	Δ %	Δ % acc	H1 2023	H1 2022	Δ %	Δ % acc
Subscription	71.1	63.6	12	15	125.9	104.4	21	22
SaaS	23.8	18.5	29	32	46.9	32.4	45	46
Maintenance from Perpetual Licenses	37.7	46.6	-19	-17	76.2	91.1	-16	-16
Total Recurring Revenue	132.6	128.7	3	6	249.1	228.0	9	10
Perpetual Licenses	5.2	7.1	-27	-21	9.3	18.8	-51	-48
Total Product Revenue	137.8	135.8	1	4	258.4	246.8	5	6
Cost of sales	-18.4	-18.6	-1	—	-37.4	-34.1	10	10
Gross profit	119.4	117.2	2	5	220.9	212.7	4	5
Sales & Marketing	-68.2	-71.2	-4	-2	-130.4	-126.3	3	4
Research & Development	-43.0	-36.0	19	21	-84.7	-68.4	24	24
Segment Result	8.2	10.1	-19	-2	5.8	18.1	-68	-56
Margin as %	5.9	7.4	—	—	2.3	7.3	—	—

Adabas & Natural: Segment Result

Q2 2023

in €m	Q2 2023	Q2 2022	Δ %	Δ % acc	H1 2023	H1 2022	Δ %	Δ % acc
Subscription	41.6	16.1	159	168	59.8	34.1	76	80
Maintenance from Perpetual Licenses	25.4	30.3	-16	-12	51.4	61.0	-16	-14
Total Recurring Revenue	67.0	46.4	45	51	111.3	95.1	17	20
Perpetual Licenses	6.2	5.4	15	33	11.3	12.7	-11	-2
Total Product Revenue	73.3	51.8	41	49	122.6	107.8	14	17
Cost of sales	-1.5	-1.7	-10	-6	-3.2	-3.9	-18	-16
Gross profit	71.7	50.1	43	51	119.4	103.9	15	18
Sales & Marketing	-6.6	-8.7	-25	-22	-12.5	-16.1	-22	-20
Research & Development	-5.6	-7.7	-27	-27	-13.3	-16.2	-18	-18
Segment Result	59.5	33.7	77	87	93.5	71.7	30	35
Margin as %	81.2	65.0	—	—	76.3	66.5	—	—

Professional Services: Segment Result

Q2 2023

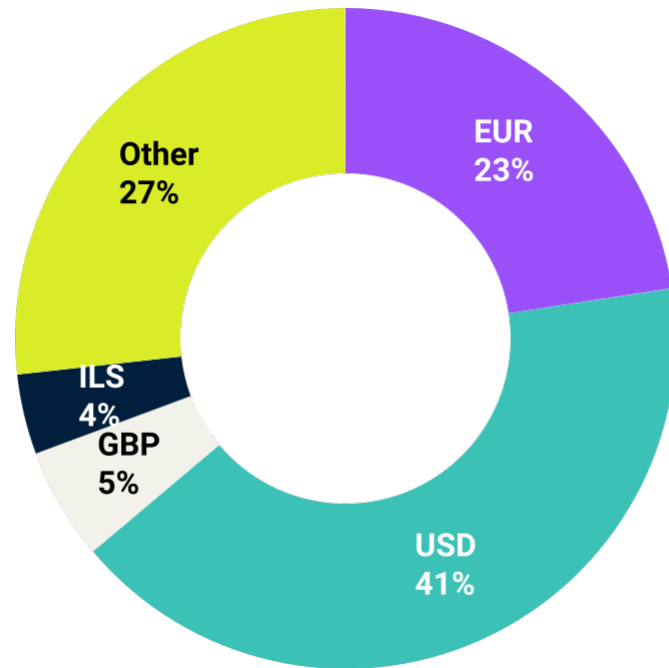
in €m	Q2 2023	Q2 2022	Δ %	Δ % acc	H1 2023	H1 2022	Δ %	Δ % acc
Total Revenue	37.4	39.3	-5	-1	78.1	78.4	—	2
Cost of sales	-32.2	-29.0	11	15	-65.7	-58.2	13	15
Gross profit	5.1	10.2	-50	-47	12.4	20.1	-39	-36
Sales & Marketing	-3.4	-3.4	—	3	-6.3	-6.5	-4	-2
Segment Result	1.7	6.8	-75	-72	6.1	13.6	-55	-52
Margin as %	4.6	17.4	—	—	7.8	17.4	—	—

Currency Impact on Revenue

Q2 2023

Currency split Q2 2023

- 23% of revenue in Euro
- 77% of revenue in foreign currency



Currency impact on revenue

in €m	Q2 2023	%	H1 2023	%
Subscription	-3.4	-3	-2.9	-2
SaaS	-0.6	-2	-0.3	-1
Perpetual	-3.7	-5	-3.3	-2
Services	-1.5	-4	-1.5	-2
Total	-9.1	-4	-8.0	-2

IFRS Product Revenue (Group) Reporting

Q2 2023

in €m	Q2 2023	Q2 2022	Δ %	Δ % acc	H1 2023	H1 2022	Δ %	Δ % acc
Digital Business								
Licenses	50.7	50.8	–	3	84.3	85.2	-1	1
Maintenance	63.3	66.5	-5	-2	127.1	129.1	-2	-1
SaaS	23.8	18.5	29	32	46.9	32.4	45	46
Total Product Revenue	137.8	135.8	1	4	258.4	246.8	5	6
Adabas & Natural								
Licenses	41.0	16.6	148	161	57.7	37.7	53	59
Maintenance	32.3	35.2	-8	-4	64.8	70.1	-8	-5
Total Product Revenue	73.3	51.8	41	49	122.6	107.8	14	17
Group								
Licenses	91.7	67.4	36	42	142.1	122.9	16	19
Maintenance	95.6	101.8	-6	-3	191.9	199.2	-4	-3
SaaS	23.8	18.5	29	32	46.9	32.4	45	46
Total Product Revenue	211.1	187.6	12	17	380.9	354.6	7	9

Earnings (IFRS)

Q2 2023

in €m	Q2 2023	Q2 2022	Δ %	H1 2023	H1 2022	Δ %
EBIT (before all taxes)	22.3	31.9	-30	25.4	61.9	-59
Financial result	0.8	-1.9	-142	0.4	-5.4	-107
Profit before taxes	23.1	30.0	-23	25.8	56.6	-54
Other taxes	-1.6	-1.3	22	-2.8	-2.3	18
Income taxes	-16.4	-11.1	48	-16.9	-18.8	-10
Tax rate as %	-77.4	-41.1	—	-76.4	-37.4	—
Net income	5.2	17.7	-70	6.1	35.4	-83
EPS in €*	0.07	0.24	-70	0.08	0.48	-83

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

Headcount

By functional areas* and geography

in FTE	Jun 30, 2023	Dec 31, 2022	Δ %	Jun 30, 2022	Δ %
Total	4,775	4,996	-4	5,059	-6
Support and Services**	1,370	1,477	-7	1,562	-12
Research & Development	1,526	1,584	-4	1,562	-2
Sales & Marketing	1,116	1,159	-4	1,166	-4
Administration	763	775	-2	768	-1
Germany	1,235	1,306	-5	1,367	-10
USA	699	796	-12	775	-10
India	1,077	1,103	-2	1,103	-2
Rest of World	1,764	1,790	-1	1,814	-3

* According to P&L structure

** Incl. Professional Services, Support and Cloud Operations

Amortization / Depreciation Impact

Preliminary

in €m	H1 2023	FY 2022	FY 2023E	FY 2024E	FY 2025E
Amortization	-17.7	-59.6	-34.5	-30.6	-25.3
Depreciation	-10.8	-23.5	-21.6	-22.0	-22.0

Bookings*

Q2 2023

in €m	Q2 2023	Q2 2022	Δ %	Δ % acc	H1 2023	H1 2022	Δ %	Δ % acc
Digital Business								
Subscription	101.3	81.2	25	28	157.9	127.9	24	25
SaaS	44.9	30.8	46	49	78.0	49.6	57	59
Perpetual	9.5	10.8	-12	-6	16.1	26.6	-39	-37
Total Bookings	155.6	122.7	27	30	252.0	204.0	24	26
thereof renewals	73.5	24.7	197	206	101.4	41.7	143	148
Adabas & Natural								
Subscription	47.6	11.1	329	343	62.2	33.2	87	92
Perpetual	7.7	6.4	20	38	15.5	17.6	-12	-3
Total Bookings	55.3	17.5	216	231	77.7	50.8	53	59
thereof renewals	15.2	0.5	2760	2902	15.9	0.7	2096	2197
Group								
Subscription	148.9	92.3	61	66	220.1	161.1	37	39
SaaS	44.9	30.8	46	49	78.0	49.6	57	59
Perpetual	17.2	17.2	—	11	31.6	44.1	-29	-23
Total Bookings	211.0	140.3	50	56	329.7	254.8	29	32
thereof renewals	88.7	25.3	251	262	117.4	42.4	177	183

* Bookings has been replaced internally with Annual Contract Value (ACV) as Order-Entry KPI from 2023 onwards. Therefore, the numbers shown for the respective period in 2023 is derived from ACV multiplied by 3.

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