

22ND FEBRUARY 2021

Financial Model

Deep Dive

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SAFE HARBOUR

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Session Objectives

1

Understanding of
Updated Reporting

2

Bridging Bookings to
Revenue

3

Building Blocks of P&L
Development 2021-23

Leading KPIs tracking our Transformation Progress

		2019-2020 Actuals	2021-2023
Digital Business Bookings	Sales performance in a reporting period based on contract value. This is normalized over three years for comparability across different license models.	21%	20 - 25% CAGR
Digital Business ARR	The growth of annualized contract value of active contracts at the end of the reporting period with recurring revenue streams at the end of the reporting period	11%	10 - 15% CAGR
Digital Business Subscription & SaaS %	The proportion of bookings within our Digital Business which comes from Subscription and SaaS contracts.	51% to 81%	90%+ by 2023

Updated reporting structure – bookings and ARR

PRO-FORMA TOTAL PRODUCT BOOKINGS AND ARR REPORT FY 2020

	(in €m)	FY	FY	Δ%	Δ%
		2020	2019		acc
Subscription		276.4	133.4	107%	115%
SaaS		68.6	40.4	70%	74%
Perpetual		144.8	234	-38%	-36%
Total Bookings		489.7	407.8	20%	24%
<i>thereof Renewals</i>		<i>73.1</i>	<i>17.2</i>		
		<i>c.15%</i>	<i>c.4%</i>		
Subscription		134.9	58.1	132%	144%
SaaS		36.2	26.1	39%	45%
Perpetual Maintenance		336.9	405.5	-17%	-11%
Total ARR – (Quarter end)		508.1	491.3	3%	10%

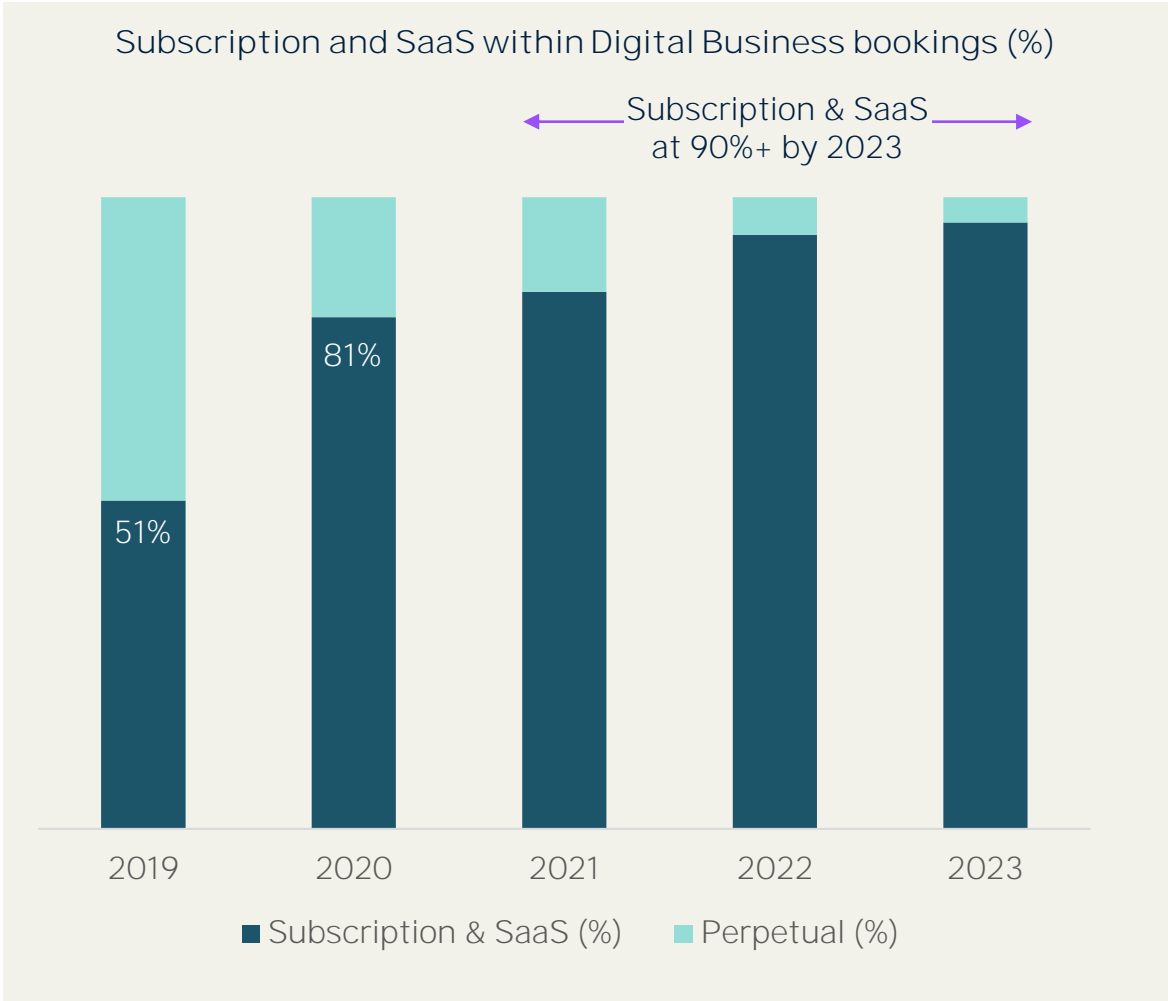
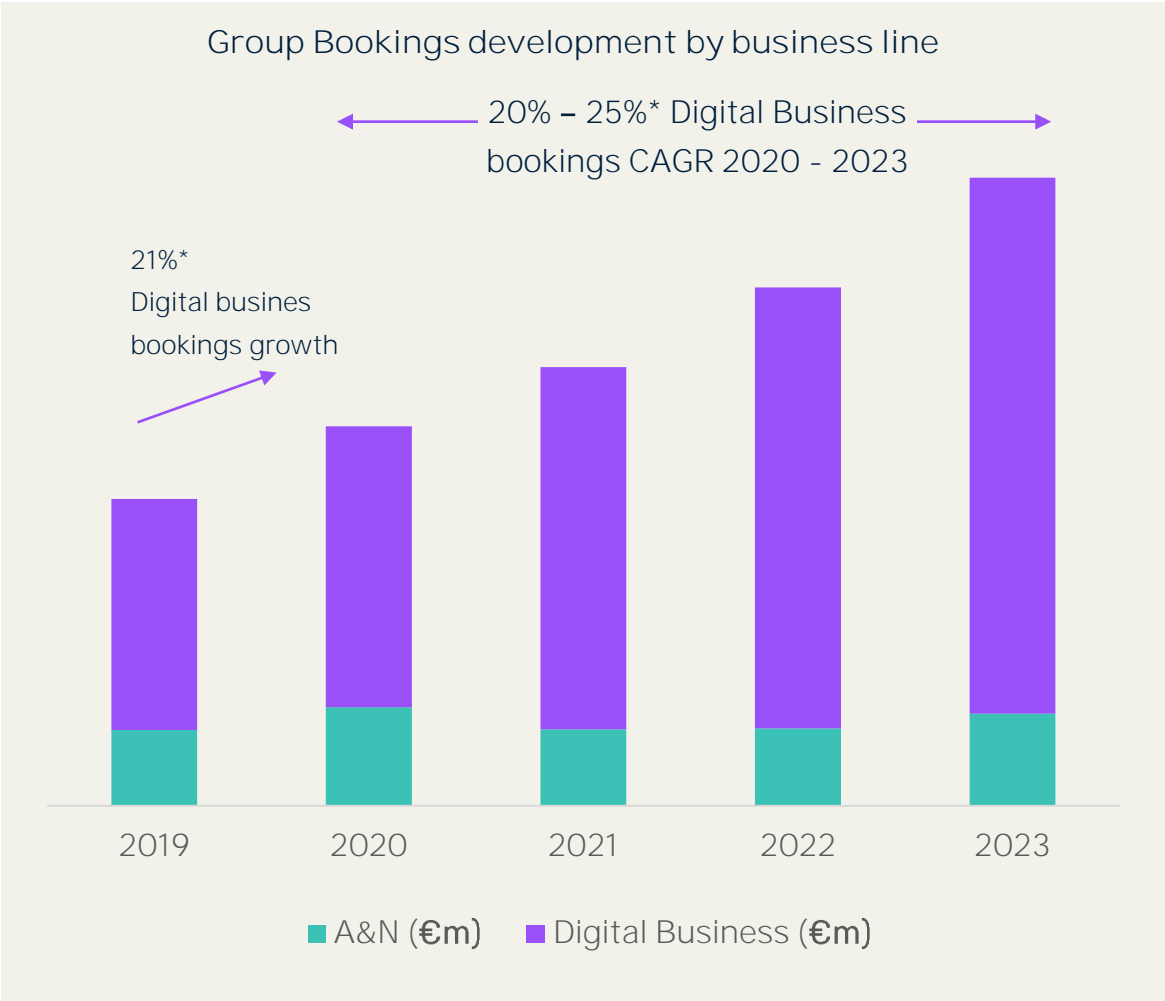
Updated reporting structure – product revenue

PRO-FORMA TOTAL PRODUCT REVENUE REPORT FY 2020: ENHANCING TRANSPARENCY

	FY 2020	FY 2019	Δ%	Δ% acc
New Reporting				
	<i>(in €m)</i>			
Subscription	151.2	90	68%	73%
SaaS / Usage based	31.3	22.7	38%	41%
Perpetual Maintenance	390.2	420.5	-7%	-5%
Total Recurring Revenue	572.7	533.2	7%	10%
Perpetual Licenses	98.4	169.6	-42%	-40%
Total Product Revenue	671.1	702.7	-5%	-2%

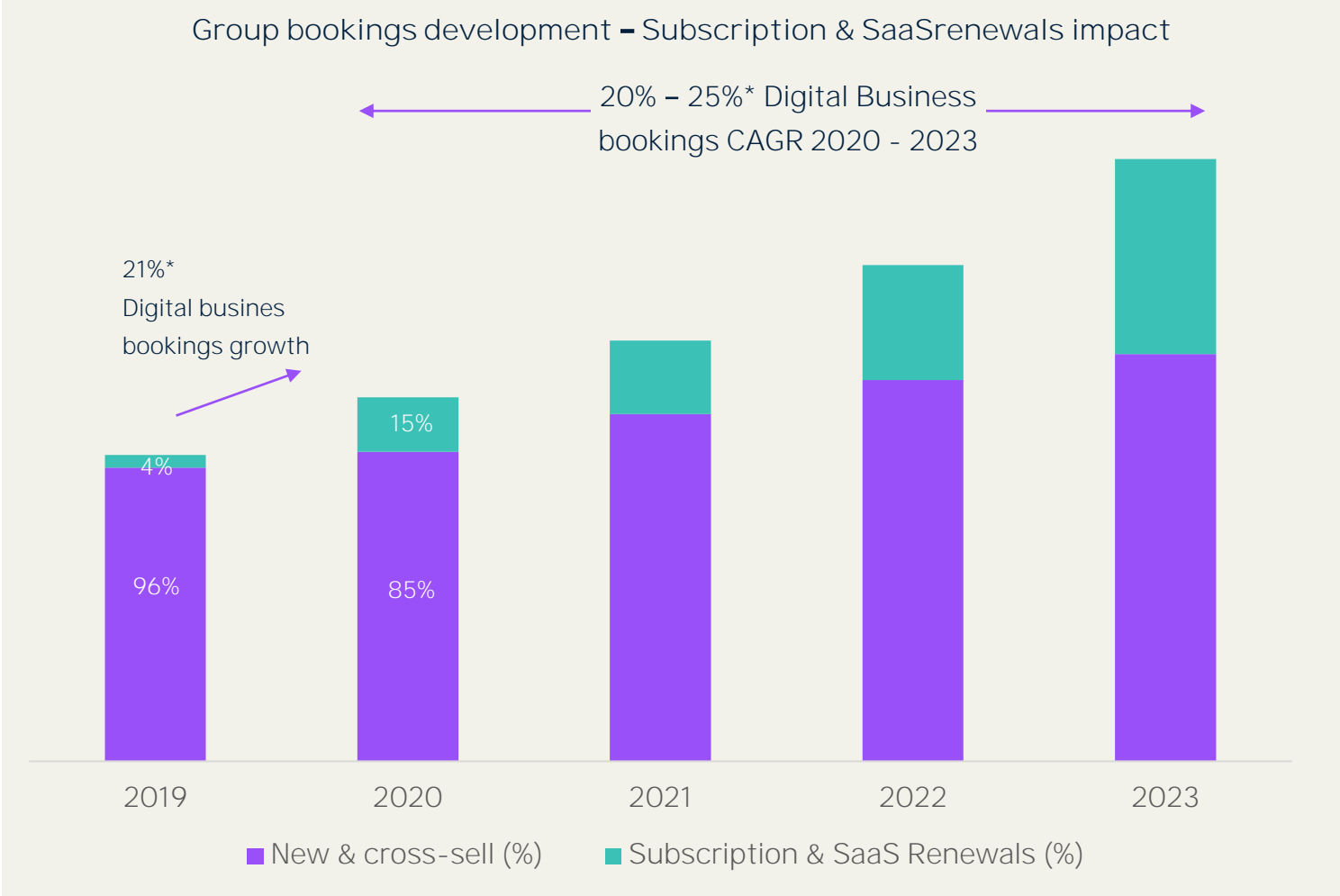
IFRS Standard Reporting				
	<i>(in €m)</i>			
Licenses	217.2	245.1	-11%	-8%
Maintenance	422.6	435	-3%	0%
SaaS / Usage-based	31.3	22.7	38%	41%
Product revenue	671.1	702.7	-5%	-2%

Bookings growth driven by Digital Business



* Growth rate at constant currency

Renewals impact accelerates from 2022



* Growth rate at constant currency

Key messages

New business:

Migrations: a foundation for future growth building within existing base.

Net new & expansions: driving growth with empowered GTM and sales organisation.

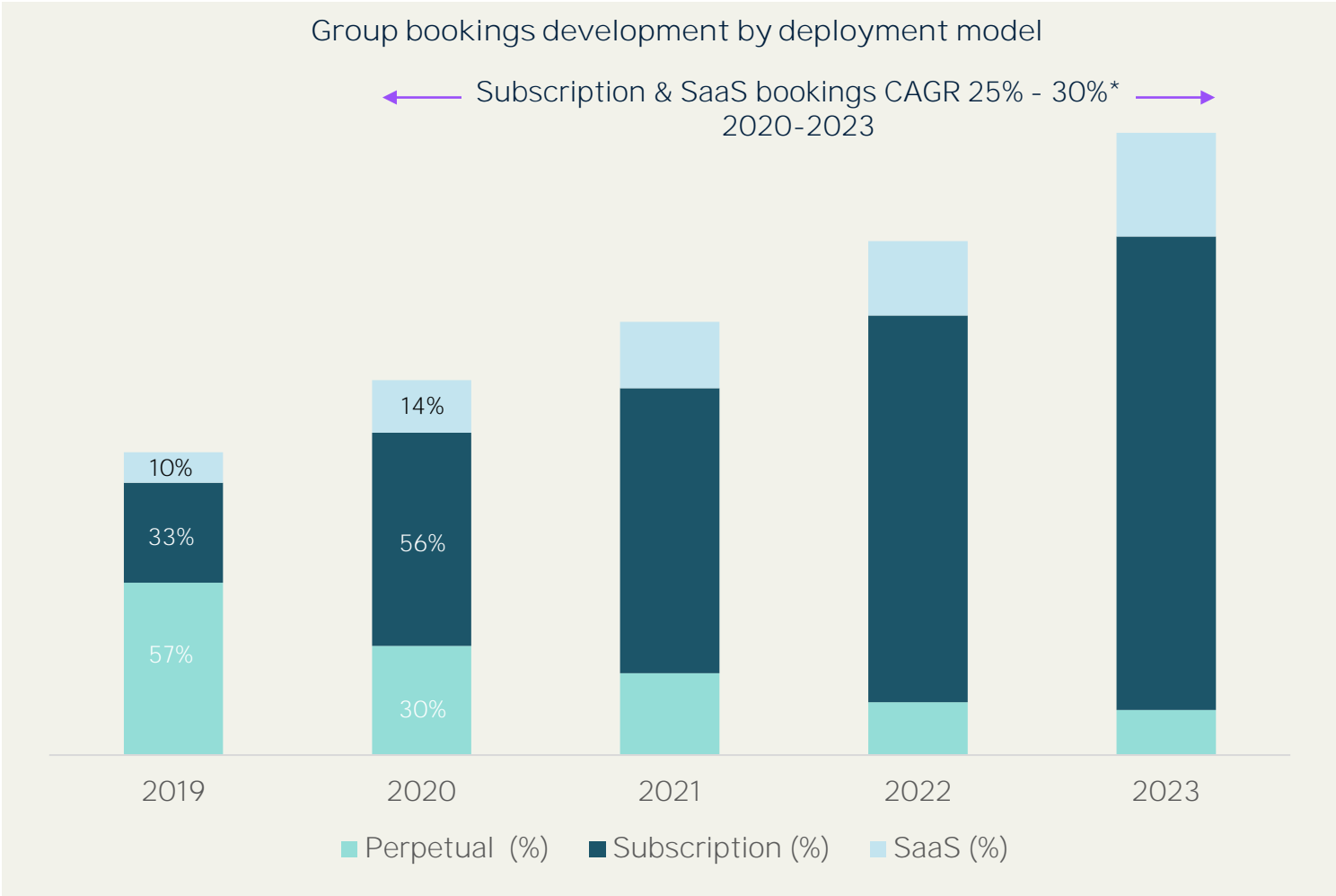
Renewals:

15% in 2020, trending upwards.

3-year average renewal cycle.

Low single-digit positive net-churn assumption.

Growing share of subscription and SaaS in bookings mix



Key messages

Increasing quality of Software AG revenue stream.

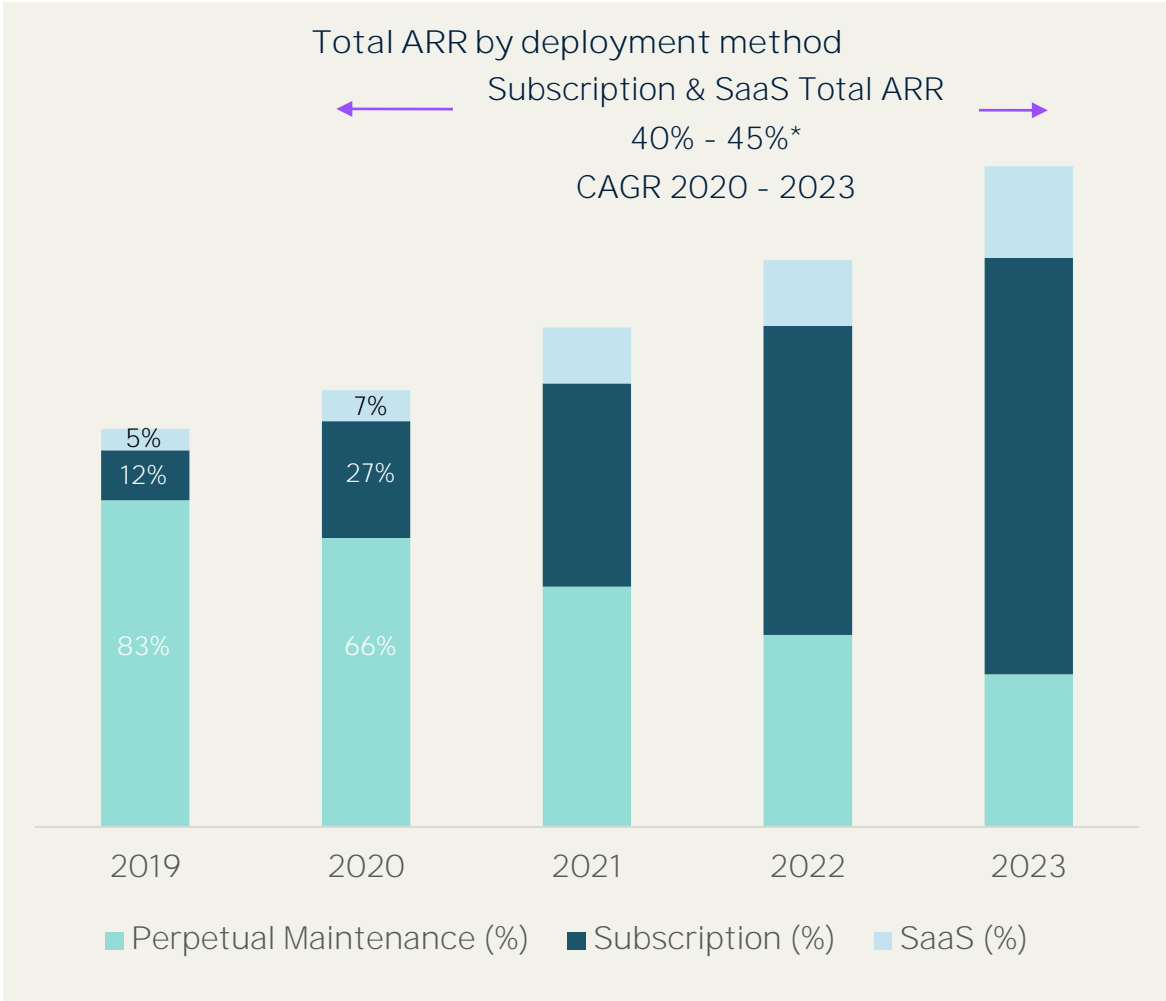
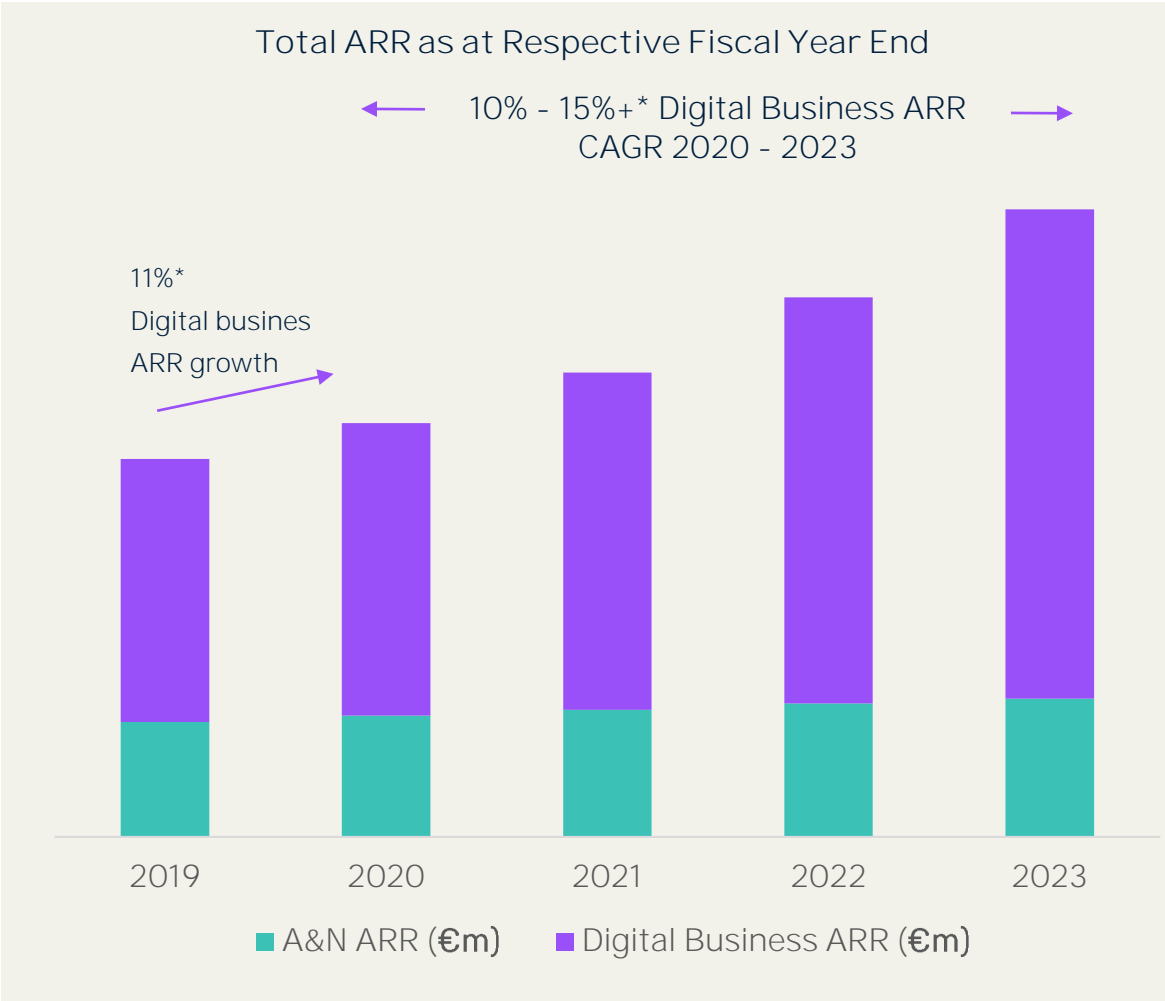
Subscription portion growing, SaaS remaining at similar levels.

Portion of 1-year contracts and 3-year contracts with annual termination rights trending down over time.

Perpetual license and maintenance reducing, but not to zero.

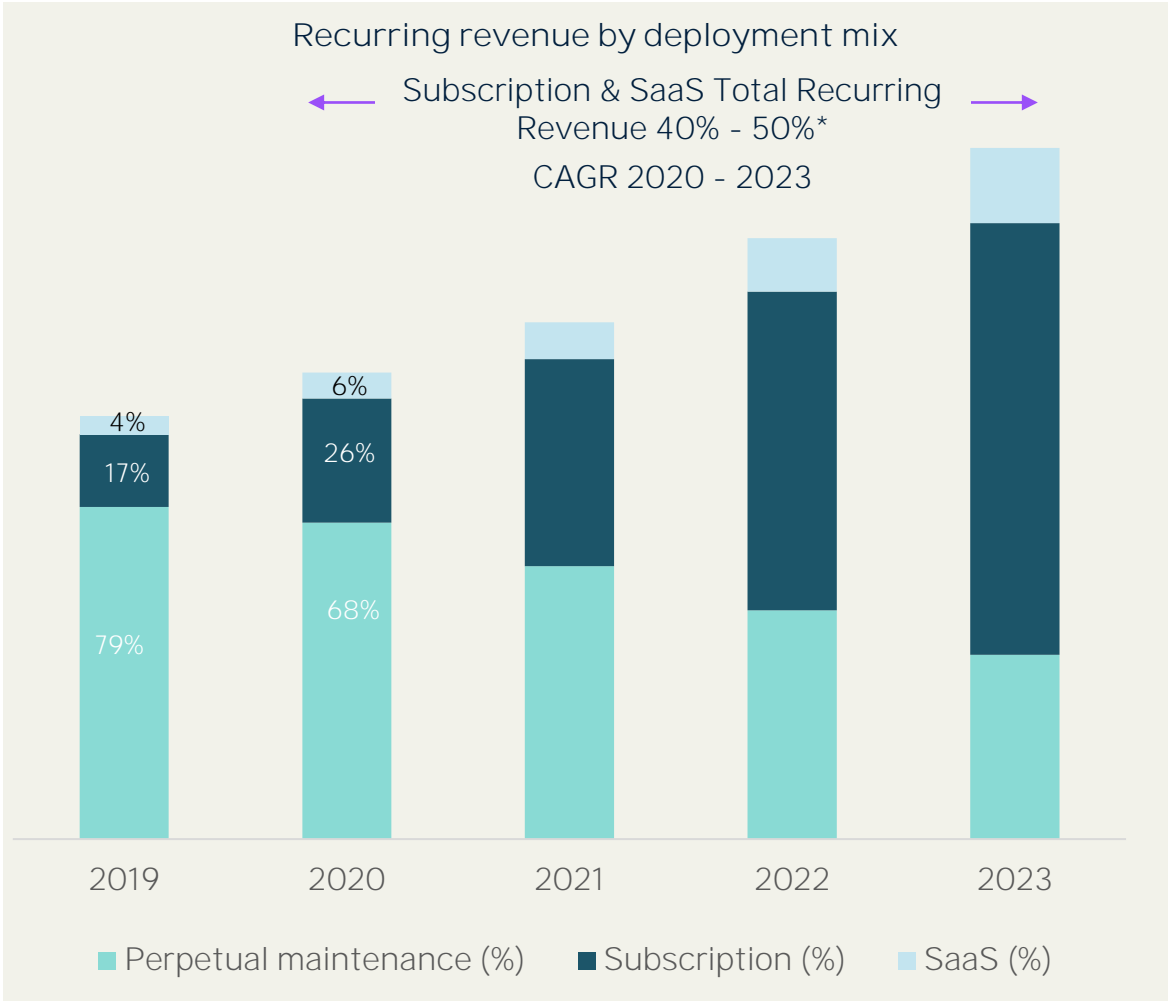
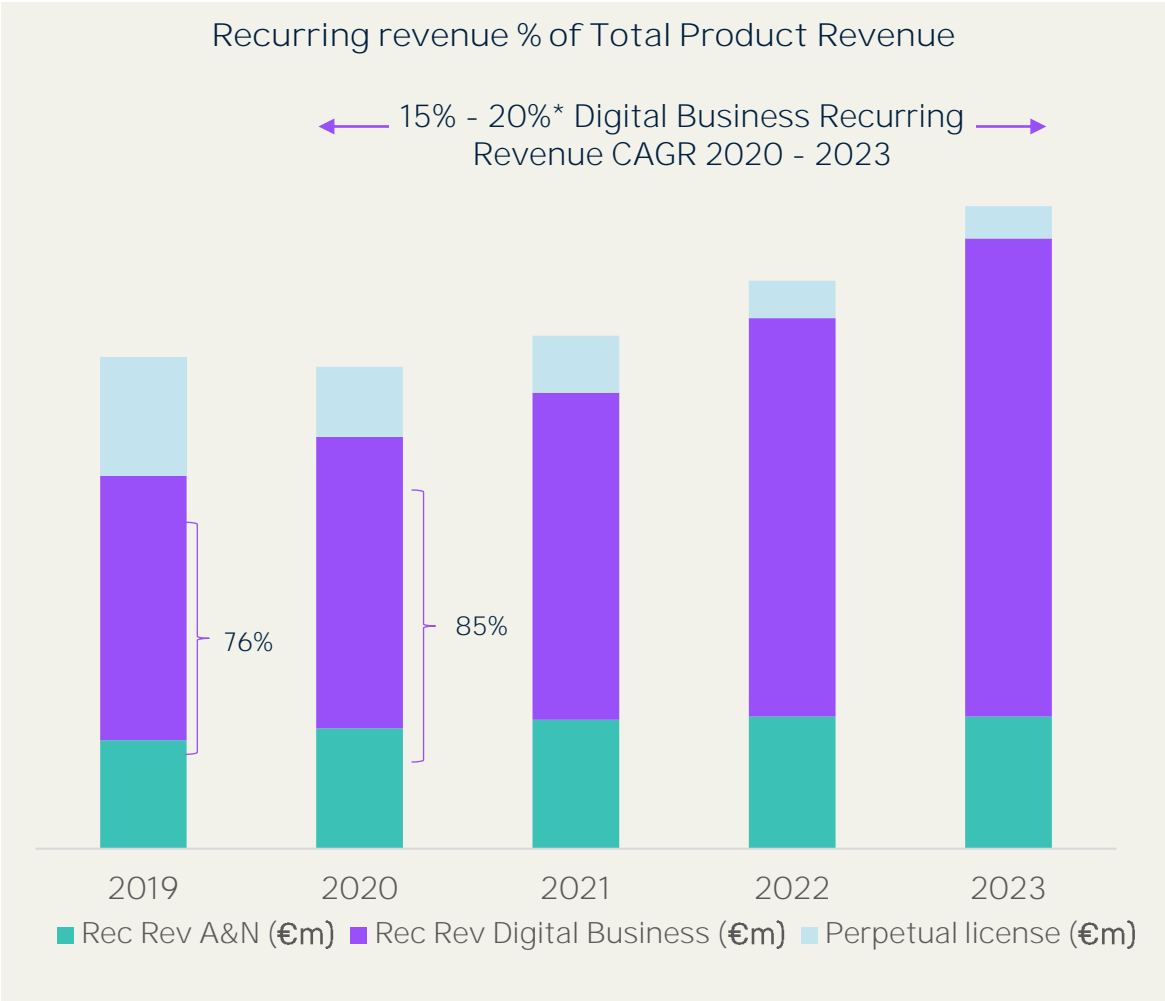
* Growth rate at constant currency

ARR is a confidence indicator of recurring revenue growth



* Growth rate at constant currency

Recurring revenue already at 85% of total product revenue



* Growth rate at constant currency

Financial Model Deep Dive

Bridging Bookings to Revenue

Assumptions for bookings to revenue modelling

Major bookings to revenue variables

License deployment mix



Subscription driving revenue and recurring revenue growth; impact from perpetual declining

Subscription contract mix



Contract mix has less relevance once renewals are regular part of year-on-year comparable (as of 2022)

Bookings split across new, renewal and migration deals



Foundation built through migrations (perpetual maintenance to subscription). Renewals and new business drive growth from 2022.

Portion of SaaS



SaaS pro rata revenue recognition slower than subscription



Bookings to revenue translation factors



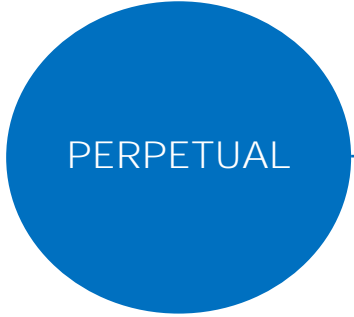
Deployment and contractual mixes change during transformation years and do not allow linear modeling



Bookings to revenue - CMD 2020 historic chart

Detailed - complex calculation steps to arrive at revenue

EXAMPLES



<u>YEAR 1</u>	
LICENSE: 1000 / 1600	= 0.625
MAINTENANCE: (200 / 2) * (1 / 1600)	= 0.063
TOTAL: 0.625 + 0.063	= 0.688
	= <u>~0.7</u>
LICENSE: 333 / 1600	= 0.208
MAINTENANCE: (200 / 2) * (1 / 1600)	= 0.063
TOTAL: 0.208 + 0.063	= 0.271
	= <u>~0.3</u>

<u>YEAR 2</u>	
200 / 1,600	= 0.125
	= <u>~0.1</u>
333 / 1600	= 0.208
200 / 1,600	= 0.125
0.208 + 0.125	= 0.333
	= <u>~0.3</u>

A simplified approach Bookings to Revenue Modelling

Experience from 2020 allows us to simplify ...

CMD 2020 insights
based on first
assumptions

2020 experience and
feedback driving new
approach

Now providing a single
and fairly constant ratio
for each business line



BUILDING TRANSPARENCY ON OUR MID-TERM DEVELOPMENT

Mid-Term Revenue Development

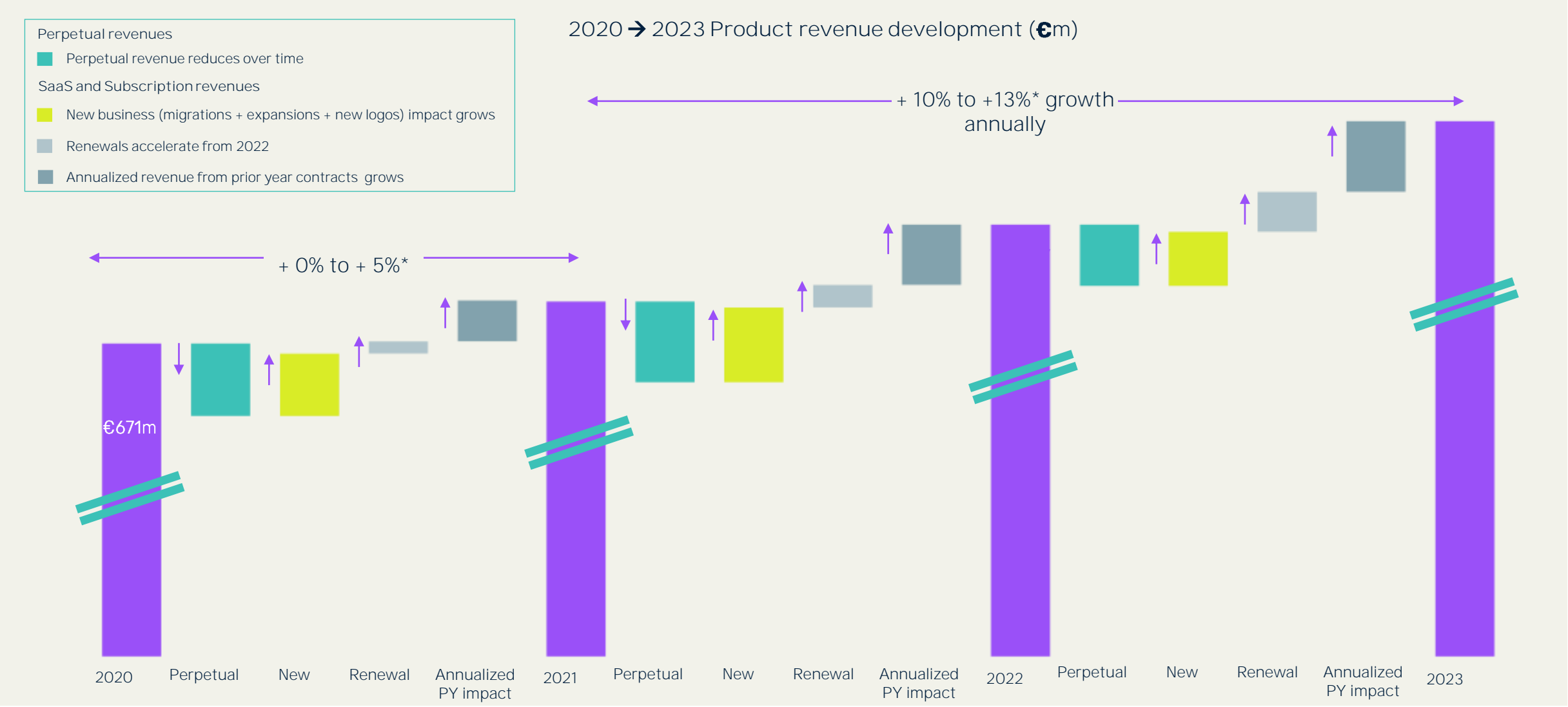
Implied Mid Term
planning Assumptions

(in €m)	2020	2021e	2022 & 2023	
Digital Business Bookings	361	15 - 25%	20 - 25%	
B2R Ratio	45%	45%	45 - 50%	
A&N Bookings	129	-30 to -20%	2022 ~Flat	2023 10 - 20%
B2R Ratio	64%	68%	~70%	
Revenue from Product Bookings	246	-	-	
Portion of Product Revenue from Contracts signed in prior period	425	~62%	58 - 62%	
Total Product Revenue	671	0 - 5 %	10 - 13%	

Financial Model Deep Dive

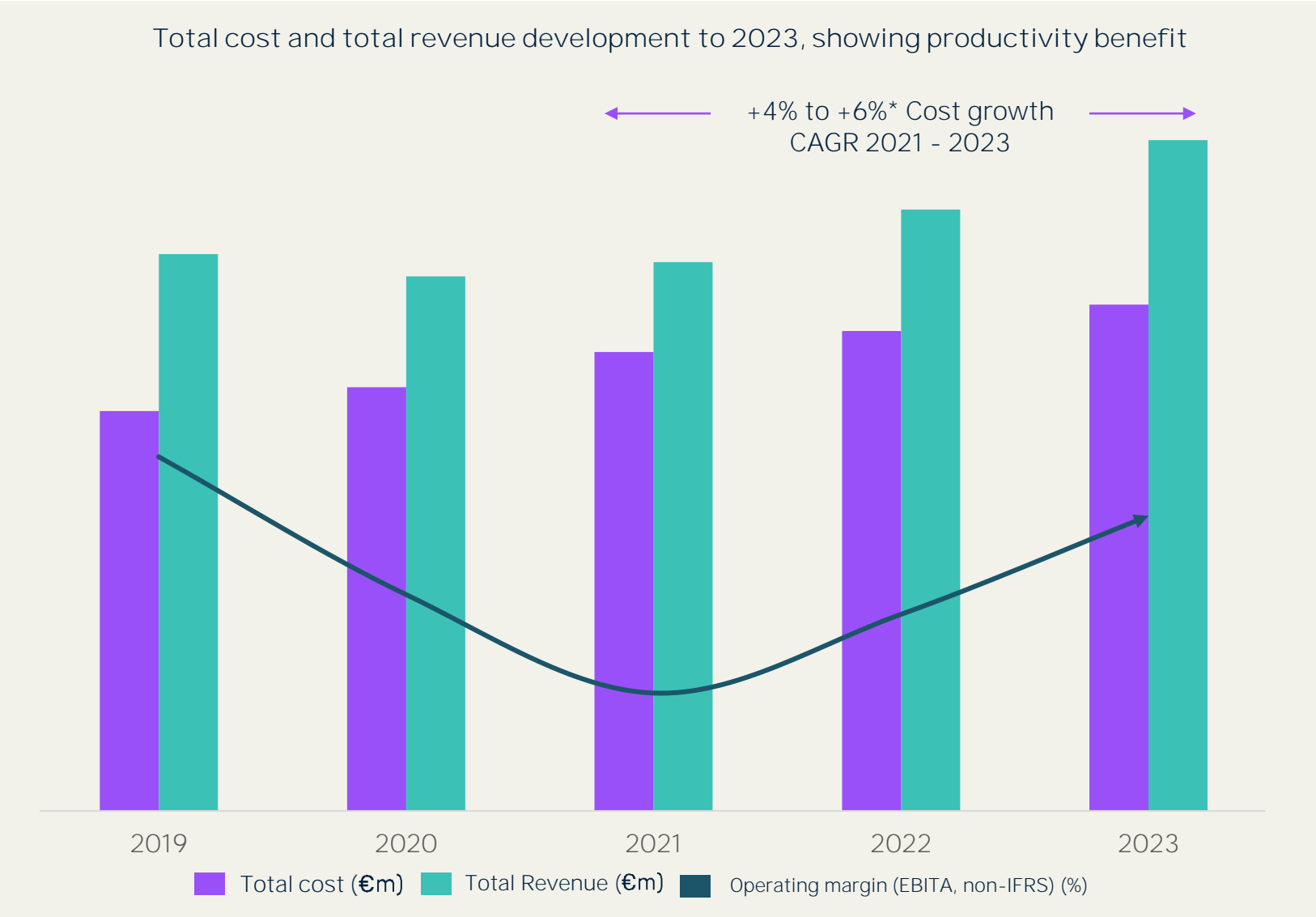
Building Blocks of P&L Development 2021-23

Product revenue growth accelerates after 2021



* Growth rate at constant currency

Total cost CAGR of +4% to +6% 2021 - 2023



* Growth rate at constant currency

Key messages

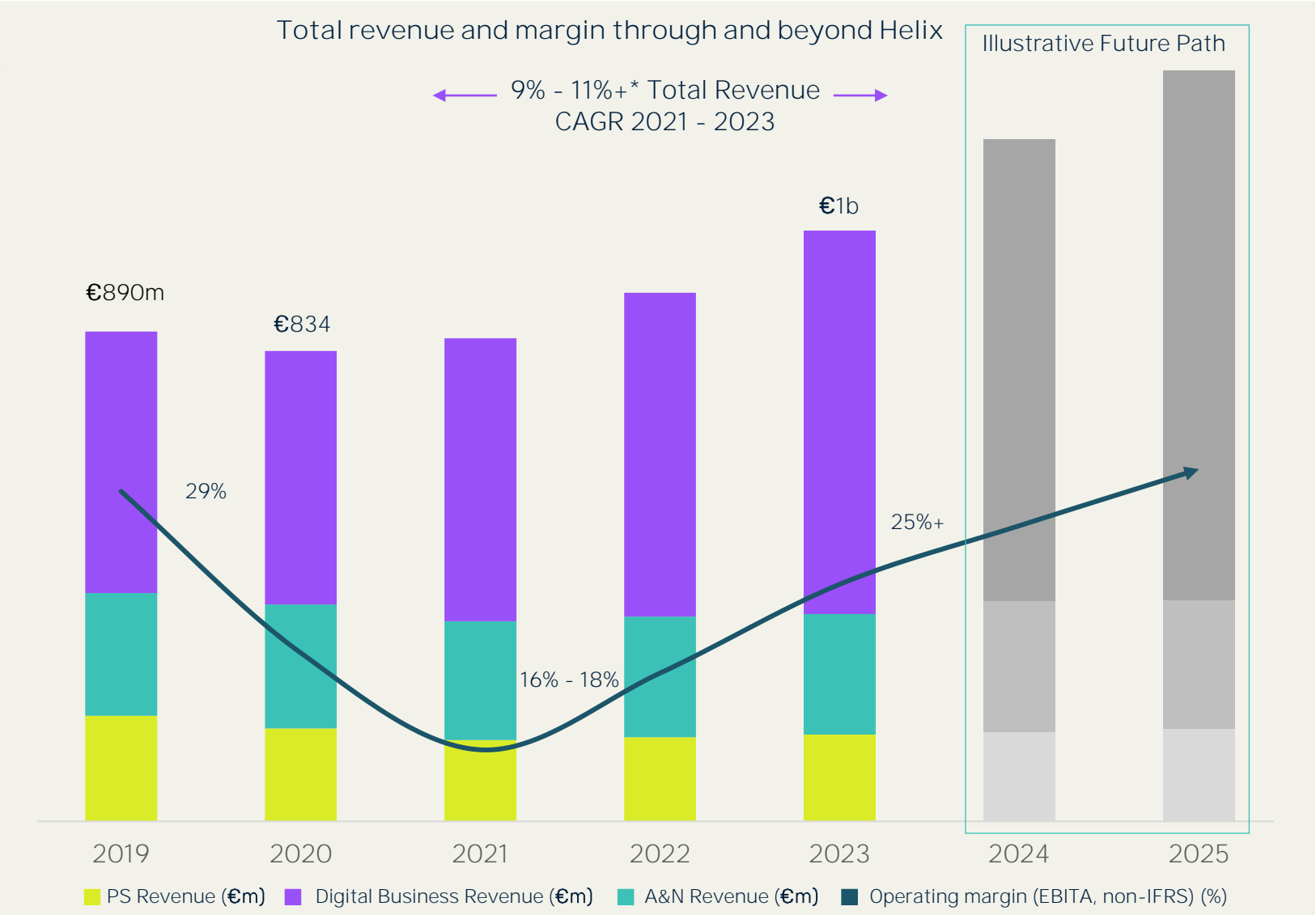
Revenue growth trend improves from 2021.

Total cost growth peaks in 2021.

Productivity impact supports reinvestment at lower cost.

Key productivity areas: R&D efficiency, sales attainment, streamlined processes, partner ecosystem.

Revenue and margin hit targets by 2023



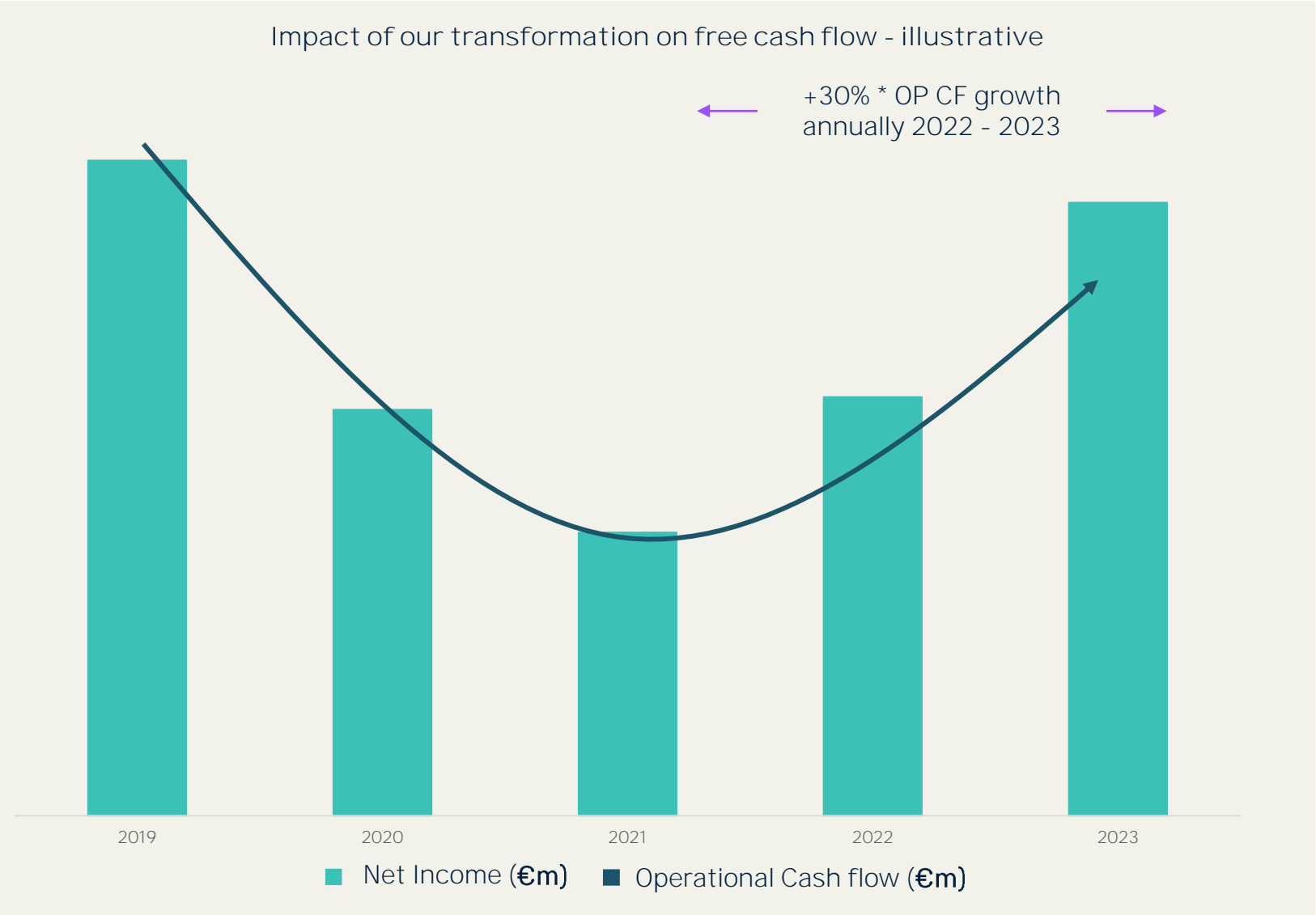
Key Messages

- Total revenue development built on low single digit PS growth, with A&N solid and digital driving growth.
- Margin trough in 2021 owing to higher investment before improving from 2022.
- Future trajectory indicates continued growth, with ongoing transformation benefit in later years.

* Growth rate at constant currency



Understanding cash flow



Key Messages

- 2020 cashflow impacted by the technical effect of Helix on reported revenue.
- Ongoing investment impacts profitability in 2021.
- Cashflow grows in 2022 due to higher recurring revenue.
- Acceleration thereafter as increased subscription revenue results in higher backlog of cash flows.

* Growth rate at constant currency

Clear capital allocation framework

DRIVE ORGANIC GROWTH

- Continue to build through Focus, Execution and Team pillars
- 2021 marks investment peak
- Priorities are Product, GTM, People & Culture

BUILD THROUGH M&A

- Flexible set of funding options: cash, RCF, other borrowing
- Best funding approach decided on a case-by-case basis

RETURN TO SHAREHOLDERS

- Continuous commitment to regular dividend
- Share buyback authorization to be formally requested for renewal at 2021 AGM

Guidance, KPIs and reporting structure understanding

KPIs	Bookings = showing sales success and growing market impact SaaS & subscription portion of Digital Bookings = showing mix shift ARR = showing increasing quality and predictability of revenue stream	Continuing with key lead indicators
GUIDANCE & ASSUMPTIONS	Total Product Revenue guidance added for 2021 Assumptions: regular updates on factors influencing guidance	Providing a revenue 'anchor'
REPORTING STRUCTURE	Digital Business & A&N: Focus on two reporting segments	Reflecting customer adoption practices
REPORTING ELEMENTS	Deployment mix : showing subscription, SaaS & perpetual Renewals: showing renewals within overall bookings	Adding detail and transparency

Summary: driving toward our mid-term ambitions

€1bn
Group Revenue



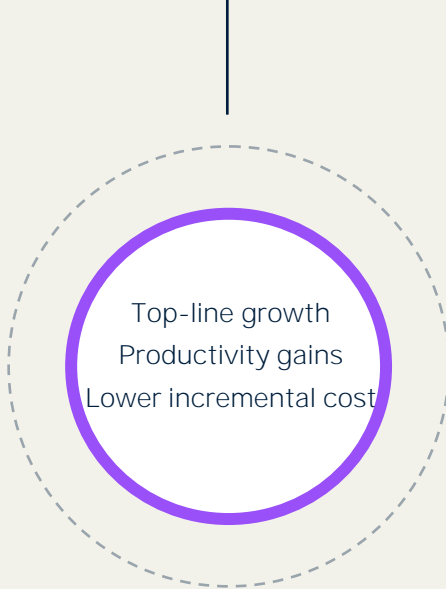
~15% Digital Business
CAGR



85% - 90%
Recurring Revenue



25% - 30% Operating
Margin (non-IRFS)



Culture change driving our approach end-to-end

Financial Model Deep Dive

Appendix

Q1-Q3 2020

DIGITAL BUSINESS PLATFORM

SEGMENT REPORT Q1 2020 – Q3 2020

(in €m)	Q1 2020	Q1 2019	Δ % acc	Q2 2020	Q2 2019	Δ % acc	Q3 2020	Q3 2019	Δ % acc
Subscription	31.6	21.4	49%	53.7	22.4	142%	43.2	30.2	48%
SaaS	8.4	4.7	81%	18.3	10.2	82%	21.4	12.3	78%
Perpetual	18.0	22.8	-21%	9.5	29.1	-67%	17.9	31.1	-39%
Total Bookings	58.1	48.9	19%	81.6	61.7	33%	82.6	73.6	17%
<i>thereof Renewals</i>	<i>13.9 (24%)</i>	<i>4.4</i>		<i>15.5 (19%)</i>	<i>2.0</i>		<i>16.6 (20%)</i>	<i>5.4</i>	
Subscription	-	-	-	75.0	30.1	151%	86.1	41.4	116%
SaaS	-	-	-	29.6	22.1	35%	32.8	24.4	39%
Perpetual Maintenance	-	-	-	250.7	261.7	-3%	236.2	266.8	-7%
Total ARR	341.0	308.6	11%	355.2	315.3	14%	355.1	334.0	11%
Subscription	19.2	12.3	56%	27.0	18.4	47%	23.8	17.8	39%
SaaS	6.9	4.9	41%	7.3	5.4	36%	7.9	5.8	42%
Perpetual Maintenance	66.0	68.2	-4%	65.8	68.4	-3%	61.2	69.0	-8%
Total Recurring Revenue	92.1	85.3	7%	100.0	92.2	9%	93.0	92.6	4%
Perpetual Licenses	11.4	14.6	-22%	6.6	18.1	-63%	10.1	24.7	-57%
Total Product Revenue	103.5	100.0	3%	106.6	110.3	-3%	103.1	117.4	-9%

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SEGMENT REPORT Q1 2020 – Q3 2020

(in €m)	Q1 2020	Q1 2019	Δ % acc	Q2 2020	Q2 2019	Δ % acc	Q3 2020	Q3 2019	Δ % acc
Subscription	1.5	4.6	-66%	20.0	2.2	817%	8.0	2.8	225%
Perpetual	30.6	16.8	79%	8.2	19.7	-57%	11.0	25.5	-53%
Total Bookings	32.0	21.4	47%	28.2	21.9	31%	19.0	28.3	-26%
<i>thereof Renewals</i>	<i>0.8 (2%)</i>	<i>0.0</i>		<i>0.5 (2%)</i>	<i>-</i>		<i>2.6 (14%)</i>	<i>-</i>	
Subscription	-	-	-	15.2	5.0	212%	18.2	5.9	224%
Perpetual Maintenance	-	-	-	138.0	140.7	1%	131.0	145.1	-3%
Total ARR	146.8	148.3	1%	153.2	145.7	8%	149.2	151.0	6%
Subscription	1.3	4.0	-67%	11.4	2.2	430%	5.6	1.6	286%
Perpetual Maintenance	35.2	36.5	-3%	34.9	36.3	-1%	33.3	36.4	-2%
Total Recurring Revenue	36.6	40.5	-10%	46.3	38.4	23%	38.9	38.0	9%
Perpetual Licenses	20.8	14.0	47%	6.0	14.4	-57%	8.2	23.9	-63%
Total Product Revenue	57.4	54.5	5%	52.3	52.8	1%	47.1	61.9	-19%

TOTAL PRODUCT SEGMENT REPORT Q1 2020 – Q3 2020

(in €m)	Q1 2020	Q1 2019	Δ % acc	Q2 2020	Q2 2019	Δ % acc	Q3 2020	Q3 2019	Δ % acc
Subscription	33.1	26.0	29%	73.8	24.6	202%	51.3	33.0	63%
SaaS	8.4	4.7	81%	18.3	10.2	82%	21.4	12.3	78%
Perpetual	48.6	39.7	21%	17.7	48.9	-63%	28.9	56.6	-45%
Total Bookings	90.1	70.4	28%	109.8	83.6	32%	101.6	101.9	5%
<i>thereof Renewals</i>	<i>14.7 (16%)</i>	<i>4.4</i>		<i>16.0 (15%)</i>	<i>2.0</i>		<i>19.2 (19%)</i>	<i>5.4</i>	
Subscription	-	-	-	90.1	35.0	160%	104.4	47.3	130%
SaaS	-	-	-	29.6	22.1	35%	32.8	24.4	39%
Perpetual Maintenance	-	-	-	388.7	402.5	-2%	367.2	411.9	-6%
Total ARR	487.8	456.9	8%	508.4	461.0	12%	504.3	485.0	10%
Subscription	20.5	16.3	26%	38.4	20.6	88%	29.4	19.4	58%
SaaS	6.9	4.9	41%	7.3	5.4	36%	7.9	5.8	42%
Perpetual Maintenance	101.2	104.7	-4%	100.7	104.6	-2%	94.5	105.4	-6%
Total Recurring Revenue	128.7	125.9	2%	146.4	130.6	13%	131.9	130.6	6%
Perpetual Licenses	32.3	28.7	12%	12.6	32.5	-60%	18.3	48.6	-60%
Total Product Revenue	160.9	154.5	4%	158.9	163.1	-1%	150.2	179.2	-12%

Q4 / FY 2020

DIGITAL BUSINESS PLATFORM SEGMENT REPORT Q4 2020 / FY 2020

<i>(in €m)</i>	Q4 2020	Q4 2019	Δ% acc	FY 2020	FY 2019	Δ% acc
Subscription	96.2	43.7	133%	224.8	117.7	98%
SaaS	20.4	13.2	61%	68.6	40.4	74%
Perpetual	21.8	65.8	-65%	67.3	148.9	-53%
Total Bookings	138.4	122.8	19%	360.7	307.0	21%
<i>thereof Renewals</i>	<i>22.6 (16%)</i>	<i>5.2</i>		<i>68.6 (19%)</i>	<i>17.0</i>	
Subscription	111.2	50.5	131%			
SaaS	36.2	26.1	45%			
Perpetual Maintenance	211.4	261.8	-14%			
Total ARR	358.8	340.0	11%			
Subscription	50.0	29.3	79%	120.0	77.9	59%
SaaS	9.1	6.6	43%	31.3	22.7	41%
Perpetual Maintenance	60.4	69.5	-9%	253.3	275.1	-6%
Total Recurring Revenue	119.5	105.4	19%	404.7	375.6	10%
Perpetual Licenses	15.7	41.4	-60%	43.8	98.9	-54%
Total Product Revenue	135.2	146.9	-3%	448.5	474.5	-3%

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SEGMENT REPORT Q4 2020 / FY 2020

(in €m)	Q4 2020	Q4 2019	Δ% acc	FY 2020	FY 2019	Δ% acc
Subscription	22.0	6.2	270%	51.5	15.7	240%
Perpetual	27.8	23.0	31%	77.5	85.1	-5%
Total Bookings	49.8	29.2	81%	129.0	100.8	33%
<i>thereof Renewals</i>	<i>0,8 (2%)</i>	<i>0,2</i>		<i>4.6 (4%)</i>	<i>0.2</i>	
Subscription	23.8	7.6	227%			
Perpetual Maintenance	125.5	143.7	-6%			
Total ARR	149.3	151.3	6%			
Subscription	12.8	4.4	204%	31.2	12.1	165%
Perpetual Maintenance	33.5	36.2	-1%	136.9	145.4	-2%
Total Recurring Revenue	46.3	40.6	21%	168.1	157.6	11%
Perpetual Licenses	19.5	18.4	15%	54.5	70.7	-20%
Total Product Revenue	65.8	59.0	19%	222.6	228.2	2%

TOTAL PRODUCT SEGMENT REPORT Q4 2020 / FY 2020

(in €m)	Q4 2020	Q4 2019	Δ% acc	FY 2020	FY 2019	Δ% acc
Subscription	118.2	49.9	150%	276.4	133.4	115%
SaaS	20.4	13.2	61%	68.6	40.4	74%
Perpetual	49.5	88.8	-40%	144.8	234.0	-36%
Total Bookings	188.2	152.0	31%	489.7	407.8	24%
<i>thereof Renewals</i>	<i>23.3 (12%)</i>	<i>5.4</i>		<i>73.1 (15%)</i>	<i>17.2</i>	
Subscription	134.9	58.1	144%			
SaaS	36.2	26.1	45%			
Perpetual Maintenance	336.9	405.5	-11%			
Total ARR	508.1	491.3	10%			
Subscription	62.8	33.7	95%	151.2	90.0	73%
SaaS	9.1	6.6	43%	31.3	22.7	41%
Perpetual Maintenance	93.9	105.7	-6%	390.2	420.5	-5%
Total Recurring Revenue	165.8	146.1	20%	572.7	533.2	10%
Perpetual Licenses	35.2	59.8	-37%	98.4	169.6	-40%
Total Product Revenue	201.0	205.9	3%	671.1	702.7	-2%