

PRESS RELEASE

Software AG announces FY 19 financial results: delivering solid performance in a year of significant transformation; Year One of Helix strategy delivering operational benefits and improved sales engine; further investments planned to drive Helix momentum in 2020; targets Group revenue to cross €1bn mark in 2023.

- In the first year of implementation of the Helix transformation strategy, Software AG reports group revenue and EBIT in line with guidance and market expectations
- Total product revenue +1 percent; license revenue -4 percent
- Non-IFRS EBITA margin at 29.2 percent slightly above midpoint of guidance as the business continued to focus on investments in product, go-to-market strategy, marketing and partner ecosystem
- Cloud and IoT FY revenue +38 percent, annual recurring revenue +37 percent
- Digital Business Platform (DBP) (excl. Cloud and IoT) revenue -3 percent, in middle of guidance range
- Adabas & Natural (A&N) revenue +3 percent, in line with upper end of guidance
- The Company announces its revenue growth outlook for 2020 including further targeted investments in Helix strategy to seize significant market opportunity
- New financial guidance ranges for FY 2020 and mid-term targets announced

[Unless otherwise stated, all figures are IFRS-conform, increases at constant currency and rounded.]

Darmstadt, Germany, January 29, 2020 – Software AG (Frankfurt MDAX: SOW) today announces financial figures (IFRS, preliminary) for the fourth quarter and 2019 fiscal year, and its outlook for 2020. Software AG delivered a solid full year performance, with revenue in line with expectations against the backdrop of significant and far-reaching transformation of the business. On a divisional basis, A&N delivered a strong performance with revenue up 3 percent year-on-year. DBP excl. Cloud and IoT delivered results in the middle of the guidance range, with strong action around sales and go-to-market bringing improved quality and predictability to the North America region in particular. Cloud & IoT growth was below the guidance range, although a significant 5-year subscription contract with a global industrial company expected in Q4 2019 has since been signed. Today Software AG also announces additional investment in 2020 to drive momentum in its Helix program, and accompanying 2020 guidance metrics.

“I am pleased to report that against a backdrop of significant transformation in 2019 Software AG delivered overall revenue growth and profit in line with guidance. This is a testament to our strategy, the strength of our products, and our increasingly strong position in the market. We have addressed and overcome challenges, particularly in our North America business, while renewed focus and sharper execution has allowed us to manage costs while investing behind key growth opportunities like our partner ecosystem and simplification of our product offering. While our Cloud & IoT business could not deliver the revenue in time, we achieved 79 new IoT logos in the period and have signed a further landmark five-year IoT deal. As the only vendor in the market that can offer IoT capabilities, integration and integration flow technologies all woven together as one, I am excited about our ability continue growing in IoT – particularly with the market now beginning to ignite. Our focus now rests

on building momentum in 2020, with our 2019 experience helping us direct new investment to spur our growth and ensure we maximize the opportunity ahead of us,” said Sanjay Brahmawar, CEO of Software AG.

"Our financial performance in FY 19 was robust. Throughout the year we have made good progress on our shift to a subscription model, with our solid cash position allowing us to invest with energy in areas of our Helix plan that can support our growth in 2020," commented Arnd Zinnhardt, CFO of Software AG.

FY 2019 Business Line Performance

Adabas & Natural (A&N) achieved a strong performance throughout the year, and delivered revenue growth in FY 2019 of 3 percent, generating €228.9 million. License sales increased by 7 percent on the prior year to €81.2 million (FY 2018: €74.4 million). A&N maintenance revenues reached €147.0 million, an increase of 1 percent (FY 2018: €143.2 million).

Despite challenges in North America in the first half of the year, **Digital Business Platform (DBP)** (excl. Cloud & IoT) delivered results in line with stated guidance for the year, experiencing an overall revenue decline of -3 percent to €432.2 million (FY 2018: €434.4 million). License revenues showed an 11 percent decline to €151.3 million, but a much larger share of subscription and recurring revenue under the Helix growth strategy. **DBP including Cloud & IoT** was flat for the year, delivering revenues of €474.5 million (FY 2018: €464.7 million).

While Software AG's **Cloud & IoT** business delivered strong growth of 38 percent, timings around contracts resulted in revenues for the year falling below guidance. Growth was below the guidance range although a significant 5-year subscription contract with a global industrial company expected in Q4 2019 has since been signed. The division delivered revenues of €42.3 million (FY 2018: €30.3 million). Q4 2019 delivered 16 percent revenue growth to €11.3 million, compared to €9.6 million in Q4 2018, with a 35 percent increase in maintenance (€2.0 million) and a 31 percent increase in SaaS sales (€6.6 million). License revenues for FY 2019 grew 44 percent to €12.6 million (FY 2018: €8.7 million).

FY 2019 Total Revenue and Earnings Performance

Software AG reported €890.6 million (FY 2018: €865.7 million) in total revenue for the year, a rise of 1 percent. Group license revenue declined 4 percent to €245.1 million (FY 2018: €249.4 million). Group maintenance revenue totaled €435.0 million (FY 2018: €415.4 million), delivering 3 percent growth. Subsequently, Software AG's total full year product revenue (licenses + maintenance + SaaS) was €702.7 million (FY 2018: €682.3 million), which reflects 1 percent growth.

The company's EBIT was €214.8 million (FY 2018: €231.6 million) in the period under review. This reflects an EBIT margin of 24.1 percent (FY 2018: 26.8 percent). At €260.3 million (FY 2018: €272.9 million), operating EBITA (non-IFRS) also performed well, (in line with expectations in the quarter). Subsequently, the operating profit margin (non-IFRS) was 29.2%.

Employees

As of December 31, 2019, Software AG had 4,948 (2018: 4,763) employees worldwide (full-time equivalents).

2020 Outlook and Medium-Term Targets

With the first year of Helix now complete, Software AG has seen the investments made in 2019 in product, sales and go-to-market, subscription and its partner channel start to pay off and further clarify the Company's way forward. This clarity underpins the belief that now is the right time to make further investments in 2020, without losing sight of the Company's medium-term goals. The 2019 experience also informs the extent and direction of this additional investment, designed, ultimately, to deliver higher sales growth sooner than was initially planned.

To achieve this, the Management Board believes now is the right time to increase key investments in:

- **Sales efforts** – helping reinforce and enhance the Group's presence in key regions;
- **Subscription** – responding to the success of 2019 by accelerating initiatives such as the build-out of the Group's new Customer Success function;
- **Marketing** – adding resource to ensure the Group's teams can continue their contribution to its newly energised pipeline;
- **Partnerships** – bringing forward investments designed to activate the Group's channel in a growing market.

Based on the expectations of business performance for 2020, Software AG's Management Board expects an operating margin group (EBITA, non-IFRS) between 20 to 22 percent for the 2020 fiscal year. Digital Business Platform product bookings, excl. Cloud & IoT, is expected to end up in a range of +10 to +15 percent above the 2019 level. Cloud & IoT product bookings are expected to increase between +40 to +60 percent year-on-year. The bookings growth target for the Adabas & Natural database business line is between -3 to +3 percent.

The table below shows the full forecast for the 2020 fiscal year:

Outlook for Fiscal Year 2020

	FY 2019 in €mn	FY 2020 Outlook as % ¹
DBP (excl. Cloud & IoT) product bookings	241.1	+10% to +15% ¹
DBP Cloud & IoT product bookings	65.9	+40% to +60% ¹
A&N product bookings	100.8	-3% to +3% ¹
Operating margin group (EBITA, non-IFRS) ²	29.2%	20% to 22%

¹ at constant currency

² adjusted for non-operating factors (see non-IFRS earnings definition in the 2018 annual report on p. 48f)

Medium-term targets

Software AG provides the following updates to its medium-term target ranges.

- Digital Business revenue growth revised from 10+ percent CAGR to ca. 15 percent CAGR
- 85 to 90 percent of product revenue to be recurring revenue, confirmed

- A mid-term operating margin of 30+ percent, revised to a range of 25 to 30 percent
- Strong free cash flow and consistent dividend policy, confirmed

Software AG also targets, on the basis of the planned investments outlined today, Group revenue to cross the €1bn mark in 2023.

Conference Call

A conference call for financial analysts and media representatives will take place on Wednesday, January 29, 2020 at 9:30 a.m. CET (8:30 a.m. BST). For dial-up information, visit the Company's website at www.SoftwareAG.com/investors.

Key Group Figures:

Fourth Quarter 2019—Key Figures as of December 31, 2019

in € millions (unless otherwise stated)	Q4 2019	Q4 2018	+/- as %	+/- as % acc ¹
Revenue	255.0	264.6	-4	-5
DBP business line	146.9	148.1	-1	-2
DBP (excl. Cloud & IoT)	135.6	138.4	-2	-4
Licenses	63.3	70.0	-10	-11
Maintenance	72.2	68.4	+6	+4
DBP Cloud & IoT	11.3	9.6	+18	+16
ARR DBP (incl. Cloud & IoT)	340.0	305.4	+11	+10
A&N business line	59.2	68.7	-14	-16
Professional Services business line	49.0	47.8	+2	+1
EBIT (IFRS)	65.9	82.8	-20	-23
as % of revenue	25.9	31.3	—	—
EBITA (non-IFRS)	84.2	96.4	-13	—
as % of revenue	33.0	36.5	—	—
Net income (non-IFRS)	61.6	71.5	-14	—
Earnings per share (non-IFRS)²	€0.83	€0.97	-14	—

¹ acc = at constant currency

² based on weighted average shares outstanding (basic) Q4 2019: 74.0 m / Q4 2018: 74.0 m, YTD 2019: 74.0m / YTD 2018: 74.0m

Full Year 2019—Key Figures as of December 31, 2019

in € millions (unless otherwise stated)	FY 2019	FY 2018	+/- as %	+/- as % acc ¹
Revenue	890.6	865.7	+3	+1
DBP business line	474.5	464.7	+2	0
DBP (excl. Cloud & IoT)	432.2	434.4	-1	-3
Licenses	151.3	166.2	-9	-11
Maintenance	280.9	268.2	+5	+3
DBP Cloud & IoT	42.3	30.3	+39	+38
ARR DBP (incl. Cloud & IoT)	340.0	305.4	+11	+10
A&N business line	228.9	218.3	+5	+3
Professional Services business line	187.2	182.6	+2	+1

EBIT (IFRS)	214.8	231.6	-7	-10
<i>as % of revenue</i>	<i>24.1</i>	<i>26.8</i>	<i>—</i>	<i>—</i>
EBITA (non-IFRS)	260.3	272.9	-5	—
<i>as % of revenue</i>	<i>29.2</i>	<i>31.5</i>	<i>—</i>	<i>—</i>
Net income (non-IFRS)	188.1	195.0	-4	—
Earnings per share (non-IFRS)²	€2.54	€2.64	-4	—

¹ acc = at constant currency

² based on weighted average shares outstanding (basic) Q4 2019: 74.0 m / Q4 2018: 74.0 m, YTD 2019: 74.0m / YTD 2018: 74.0m

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About Software AG

Software AG (Frankfurt MDAX: SOW) offers Freedom as a Service. We reimagine integration, spark business transformation and enable fast innovation on the Internet of Things so you can pioneer differentiating business models. We give you the freedom to connect and integrate any technology—from app to edge. We help you free data from silos so it's shareable, usable and powerful—enabling you to make the best decisions and unlock entirely new possibilities for growth. Software AG has more than 4,700 employees, is active in 70 countries and had revenues of € 866 million in 2018.

Learn more about Software AG and Freedom as a Service at www.softwareag.com.

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