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Press release

Axway: total revenue growth up 17.6% in the first half of 2015. The second quarter adds to the organic growth observed in the first quarter and confirms the trend.

Paris, 29 July 2015. The Board of Directors of Axway Software, convened under the chairmanship of Pierre Pasquier, closed the financial statements for the first six months of 2015. Highlights include:

- Global H1 2015 revenue of €135.1 million, with organic growth of 4.3% compared to H1 2014. Organic growth in license sales of 7.4% in this first half-year period, with a very significant acceleration in the second quarter.
- Profit from operations of €12.7 million or 9.4% (compared to 4.7% in H1 2014).
- Net profit of €2.3 million or 1.7% of revenue.

	HY 2015		HY 2014		FY 2014	
	(in €m)	(% Rev)	(in €m)	(% Rev)	(in €m)	(% Rev)
Key income statement items						
Revenue	135.1		114.9		261.6	
<i>Organic growth</i>	4.3%		5.7%		3.6%	
Profit on operating activities	12.7	9.4%	5.4	4.7%	39.7	15.2%
Profit from recurring operations	9.4	7.0%	3.0	2.6%	33.6	12.8%
Other income and expense	-8.1		-1.0		-2.3	
Net financial costs and currency impact	-0.3		-0.7		-0.9	
Income Taxes	1.4		1.6		-3.6	
Net profit	2.3	1.7%	3.0	2.6%	26.7	10.2%
	(in €)		(in €)		(in €)	
Basic net earnings per share	0.11		0.13		1.29	

Comments on activity

On overall activity: Q2 2015 accelerated the organic growth seen by the Group in the first three months of the year and confirmed the trend. This led to a very solid H1 2015, validating the positioning chosen by the company. The middleware market is continuing its transformation, resulting in particular in a major change in demand on the traditional middleware segments (MFT/B2B/Integration) and the gradual ramp-up of emerging technologies (API, Operational Intelligence-OI), which have been gathering momentum since the start of the year.

Revenue by region, France continued the excellent growth seen for more than two years now, with organic growth of above 9% in H1 2015. Q2 confirms a return to organic growth in the Americas, which increased 2% in the half-year. Rest of Europe saw a high quality Q2 with organic growth of 2.2%.

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	2015	2014 Published	2014 Pro forma	Total Growth	Organic Growth ¹
1st Quarter					
France	22.1	18.2	20.5	21.6%	7.9%
Rest of Europe	14.3	14.1	15.5	1.9%	-7.6%
Americas	23.2	17.9	22.9	29.4%	1.1%
Asia/Pacific	3.0	1.9	2.2	57.4%	38.7%
Axway	62.6	52.0	61.1	20.3%	2.5%
	2015	2014 Published	2014 Pro forma	Total Growth	Organic Growth ¹
2nd Quarter					
France	25.4	24.6	22.8	3.0%	11.4%
Rest of Europe	17.2	15.0	16.9	15.2%	2.2%
Americas	26.4	20.9	25.7	26.2%	2.7%
Asia/Pacific	3.4	2.3	3.0	46.4%	13.4%
Axway	72.5	62.8	68.4	15.4%	6.0%
	2015	2014 Published	2014 Pro forma	Total Growth	Organic Growth ¹
1st Semester					
France	47.5	42.7	43.2	11.0%	9.7%
Rest of Europe	31.6	29.0	32.4	8.7%	-2.5%
Americas	49.6	38.8	48.6	27.7%	2.0%
Asia/Pacific	6.5	4.3	5.2	51.4%	24.0%
Axway	135.1	114.9	129.5	17.6%	4.3%

(1) at constant exchange rates and scope of consolidation

By type of activity, licenses posted organic growth of 10.3% in Q2' which led to a very encouraging level of orders in H1. France, Germany and Asia/Pacific boasted the highest licenses performances. The strong overall level of licenses obtained in Q4 2014 boosted implementation projects, driving organic growth in services to 6.7% in Q2.

The excellent performance of maintenance should be noted, now representing more than 50% of overall activity in the half-year.

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	2015	2014 Published	2014 Pro forma	Total Growth	Organic Growth ¹
1st Quarter					
Licenses	13.6	10.8	13.1	25.8%	3.3%
Maintenance	33.5	26.7	31.5	25.3%	6.3%
Services	15.5	14.5	16.4	7.0%	-5.4%
	62.6	52.0	61.1	20.3%	2.5%
2nd Quarter					
Licenses	20.6	17.0	18.7	21.1%	10.3%
Maintenance	34.5	30.7	33.5	12.5%	3.1%
Services	17.3	15.1	16.2	14.4%	6.7%
Axway	72.5	62.8	68.4	15.4%	6.0%
1st Semester					
Licenses	34.2	27.8	31.8	22.9%	7.4%
Maintenance	68.0	57.4	65.0	18.5%	4.7%
Services	32.8	29.6	32.6	10.8%	0.6%
Axway	135.1	114.9	129.5	17.6%	4.3%

(1) at constant exchange rates and scope of consolidation

Profit from operating activities was €12.7 million (9.4% of revenue), a very significant rise on H1 2014. This reflects both the strong increase in revenue in the half-year (4.3% organic growth) and control of operating expenses.

The company is currently undertaking a process of rationalisation as part of its efforts to improve the efficiency of its operational systems (R&D, commercial activity). This is reflected in an €8.1 million provision charge to "Other income and expenses" and resulted in a slight fall in operating profit.

Financial position

At 30 June 2015, Axway's financial position remains robust with a cash balance of €41.7 million and shareholders' equity totaling €307.5 million.

Bank debt amounted to €6.6 million at 30 June 2015, including repayment of the portion of bank loans that had been drawn. The company's banking covenants are thus comfortably respected.

Earnings per share amounted to €0.11 at 30 June 2015 compared with €0.13 in H1 2014. Net profit in H1 2015 includes the impact of the rationalization of production processes that the company has been implementing since the start of the year.

The consolidated interim financial statements were subject to a limited audit. The limited audit report is in the process of being published.

Changes in Workforce

At 30 June 2015, Axway's workforce numbered 1,926 employees (692 in France and 1,234 in other countries), down by 35 people compared to end-2014.

Strategy & Prospects

The Middleware market is undergoing a transformation, both in terms of its technological scope to cover the requirements of digital, as well as in procurement practices by businesses (Software as a Service). Providers must therefore innovate to boost traditional segments (for example, MFT, B2B), incorporate appropriate technologies to serve mobile and cloud integrations and extend their business model.

In this context, Axway has decided to revisit the strategic plan prepared in 2011 at the time of its IPO. This analysis, which is expected to be completed rapidly, will strengthen the company by identifying appropriate adjustments to best respond to market developments.

As with each year, performance in H1 does not provide any particular indication of overall performance in the full year. In the short term, and continuing the trend seen in H1 2015, the next half-year looks encouraging, with promising commercial portfolios.

Jean-Marc Lazzari, Chief Executive Officer of Axway, commented: "In our strategic reflection we have prioritised realignment with Axway's target markets and the positioning of our offers. This is a natural progression for a software company. From here, a medium-term development plan is being prepared, which will form the basis of the company's roadmap. This will of course be a central feature of presentations on the annual results".

Financial Calendar

Thursday 30 July 2015:

- 2:30 pm: French Society of Financial Analysts (SFAF) meeting at the Hôtel Le Meurice (in French) - <http://www.investors.axway.com/events/first-half-year-2015>
- 5:30 pm: Webinar (in English) – <http://www.investors.axway.com/events/first-half-year-2015>

Tuesday 27 October 2015 (after market closing): Publication of Q3 2015 results.

The company will publish its half-year financial report in French on 28 August 2015. This report will be available at www.finance.axway.com under the Financial Documents tab and also on the AMF website: www.amf-France.org.

Income Statement

(in millions of euros)

	HY 2015	HY 2014	FY 2014
Revenue :			
Licenses	34.2	27.8	79.6
Maintenance	68.0	57.4	120.5
Total Product Revenue	102.2	85.2	200.1
Services	32.8	29.6	61.5
Total Revenue :	135.1	114.9	261.6
Costs of sales:			
Product Revenue	11.7	11.5	21.9
Services	32.4	28.1	57.0
Total Costs of sales :	44.1	39.6	78.9
Gross profit:	91.0	75.3	182.6
<i>as a % of Revenue</i>	67.3%	65.5%	69.8%
Operating expenses :			
Sales and marketing	41.8	37.2	77.5
Research and development	23.2	20.2	41.0
General and administrative	13.3	12.5	24.5
Total operating expenses :	78.3	69.9	143.0
Profit on operating activities	12.7	5.4	39.7
<i>as a % of Revenue</i>	9.4%	4.7%	15.2%
Stock option related expenses	(0.3)	(0.4)	(0.8)
Amortization of intangible assets	(3.0)	(2.0)	(5.3)
Profit from recurring operations	9.4	3.0	33.6
<i>as a % of Revenue</i>	7.0%	2.6%	12.8%
Other income and expenses	(8.1)	(1.0)	(2.3)
Operating profit	1.3	2.0	31.3
Cost of net financial debt	(0.2)	(0.4)	(1.4)
Other financial revenues and expenses	(0.1)	(0.3)	0.4
Income taxes	1.4	1.6	(3.6)
Net Profit	2.3	3.0	26.7
<i>as a % of Revenue</i>	1.7%	2.6%	10.2%
Basic net earnings per share (in Euro)	0.11	0.13	1.29

Simplified Balance Sheet

	30/06/2015	31/12/2014	30/06/2014
	(in €m)	(in €m)	(in €m)
ASSETS			
Goodwill	247.9	236.5	226.4
Intangible assets	44.0	45.6	41.8
Property, plant and equipment	6.5	6.9	6.9
Other non-current assets	46.5	42.1	57.0
Non-current assets	344.9	331.1	332.2
Trade receivables	69.3	84.9	65.6
Other current assets	24.0	18.2	13.4
Cash and cash equivalents	41.7	44.6	41.3
Current assets	135.0	147.6	120.4
TOTAL ASSETS	479.9	478.7	452.6
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	41.2	41.1	41.1
Capital reserves and results	266.4	257.4	214.2
Total shareholders' equity	307.5	298.5	255.3
Financial debt - long-term portion	7.8	46.3	51.1
Other non-current liabilities	17.6	18.9	22.0
Non-current liabilities	25.4	65.2	73.1
Financial debt - short-term portion	2.4	1.3	21.5
Other current liabilities	144.6	113.7	102.8
Current liabilities	147.0	115.0	124.1
TOTAL LIABILITIES	172.4	180.2	197.3
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	479.9	478.7	452.6

Cash Flow Statement

	HY 2015	HY 2014	FY 2014
	(in €m)	(in €m)	(in €m)
Net profit for the period	2.3	3.0	26.7
Net charges to amortizations, depreciations and provisions	11.1	4.6	8.3
Other income and expense items	(1.7)	0.6	0.2
Cash from operations after cost of net debt and tax	11.8	8.2	35.2
Changes to operating working capital requirements	27.8	21.3	11.0
Costs of net financial debt	0.2	0.4	1.4
Income tax paid net of accrual	(3.7)	(2.3)	(0.2)
Net cash from operating activities	36.1	27.7	47.3
Net cash used in investing activities	(1.5)	(52.5)	(54.4)
Proceeds on shares issued	0.3	1.0	1.3
Dividends paid	-	(8.2)	(8.2)
Change in loan	(40.4)	23.9	7.7
Net interest paid	-	(0.5)	(1.4)
Other changes	0.0	0.2	(0.7)
Net cash from (used in) financing activities	(40.1)	16.6	(1.2)
Effect of foreign exchange rate changes	0.9	0.4	3.7
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4.5)	(7.9)	(4.6)
Opening cash position	44.6	49.2	49.2
CLOSING CASH POSITION	40.0	41.3	44.6

Disclaimer

This document is a free translation into English of the original French press release. It is not a binding document. In the event of a conflict in interpretation, reference should be made to the French version, which is the authentic text.

About Axway

Axway (Euronext: AXW.PA), market leader in governing the flow of data, is a software company with more than 11,000 customers in the private and public sectors in 100 countries. For more than a decade, Axway has empowered leading organisations around the world with proven solutions that help manage business-critical interactions through the exchange of data flowing across the enterprise, among B2B communities, cloud and mobile devices. Axway (Euronext: AXW.PA), They span B2B integration, Managed File Transfer, Operational Intelligence, API and identity management, and email security. For more than a decade, Axway has empowered leading organisations around the world with proven solutions that help manage business-critical interactions through the exchange of data flowing across the enterprise, among B2B communities, cloud and mobile devices.

More information is available at: www.investors.axway.com