

Axway Software Investor Presentation

May 2019



Forward-looking statements

- This presentation contains forecasts that may be subject to various risks and uncertainties concerning the company's future growth and profitability. The Group highlights that signatures of license contracts, which often represent investments for clients, are historically more significant in the second half of the year and may therefore have a more or less favorable impact on full-year performance.
- Furthermore, activity during the year and/or actual results may differ from those described in this document as a result of a number of risks and uncertainties set out in the 2018 Registration Document filed with the French Financial Markets Authority (*Autorité des Marchés Financiers*, AMF) on April 26, 2019 under number D.19-0404.
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Investor Presentation – May 2019

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Company Overview



Axway at a glance

A long-standing **specialist in Middleware** markets and the **5th largest software publisher in France***, Axway develops, distributes, integrates and maintains its own infrastructure solutions to enable optimized **data flow governance in the most complex organizations**.

French-American dual nationality
 → Headquartered in Phoenix, AZ – USA
 → Listed on Euronext Paris (France)
 17 Locations worldwide
 1,850 employees – 680 in R&D



2018 Revenue : €283,8m
 Profit on Operating Activities : 11.2%
 Free Cash Flow / Revenue : 6.2%
 Balance sheet and debt capacity to seize strategic acquisition opportunities

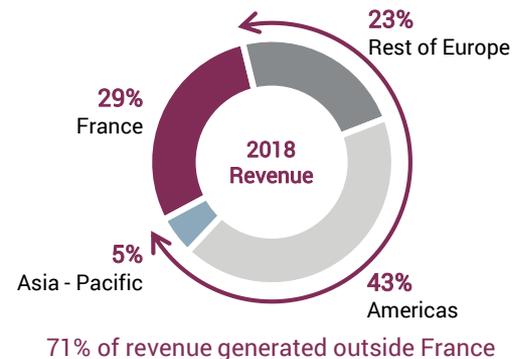
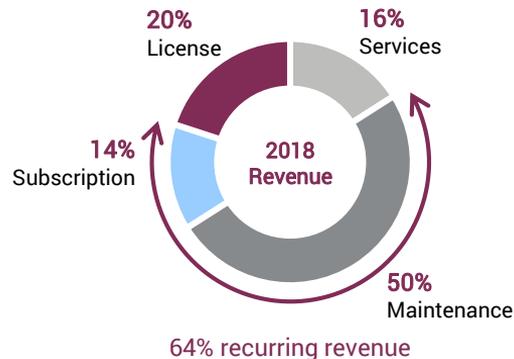


Figures as of 31/12/2018



	Euronext Paris – Compartment B	<u>Main Indexes</u>
	Bloomberg : AXW:FR	→ CAC Mid Small
	Reuters : AXW.PA	→ CAC TECHNOLOGY
	Market Cap (31/12/18) : €264m	→ ENT TECH 40

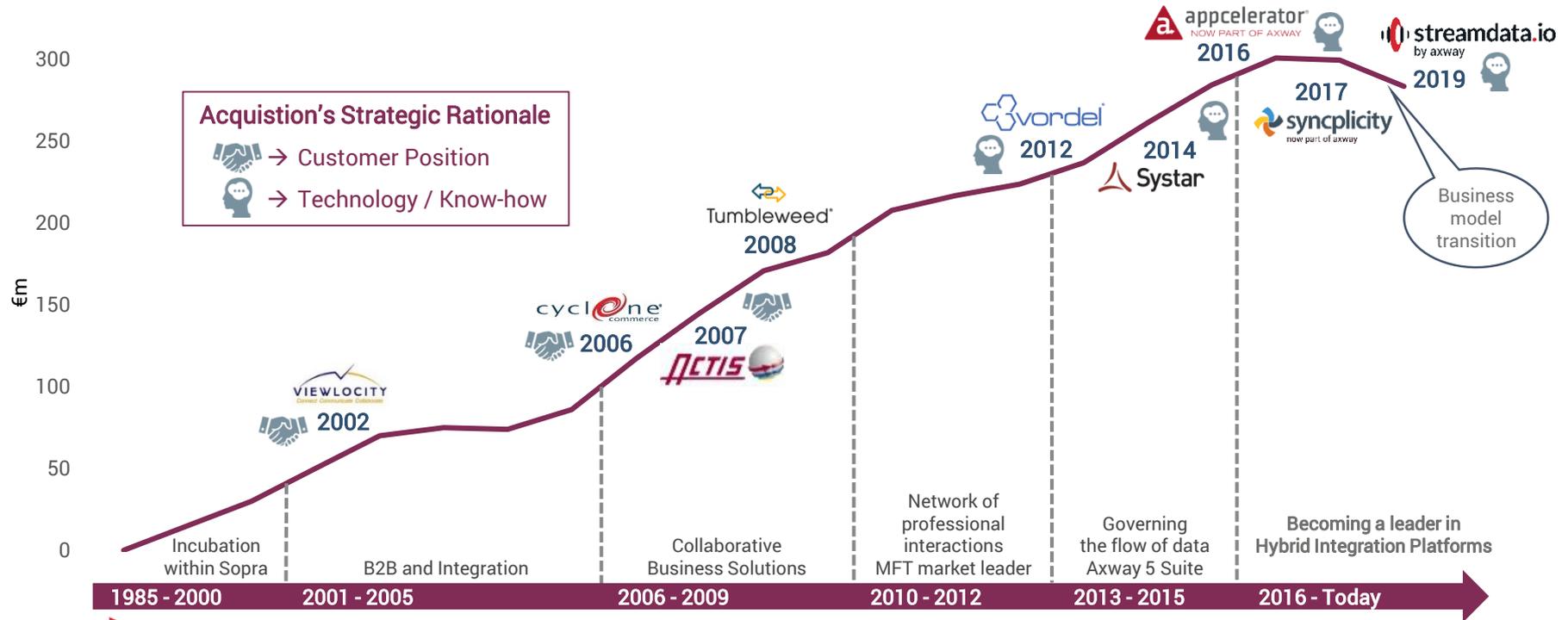
Axway solutions are deployed by over 11,000 customers spanning 100 countries



Main vertical markets: Financial Services / Manufacturing - Retail - Transport / Public Sector

* Source = Top 250 EY – Syntec Numérique 2018

A balanced history of organic and external growth



Axway enables business to leverage change

Data Integration

Engagement



Fannie Mae™

SIEMENS

Enterprise transitions

Integration broker

Automating supply chains

Securing file transfer

Protecting SOA and services through APIs

Increasing business visibility

Unifying app development

Securing collaboration

2001 2002 2006 2007 2008 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020



458M internet users (7.6% world)



Goes live



Apple iPhone changes smartphone market



1.86B smartphone users



15B connected IoT devices



4.17B internet users (54.6% world)



2.8B smartphone users



28B connected IoT devices



Axway Partners

Cloud Providers



Global System Integrators



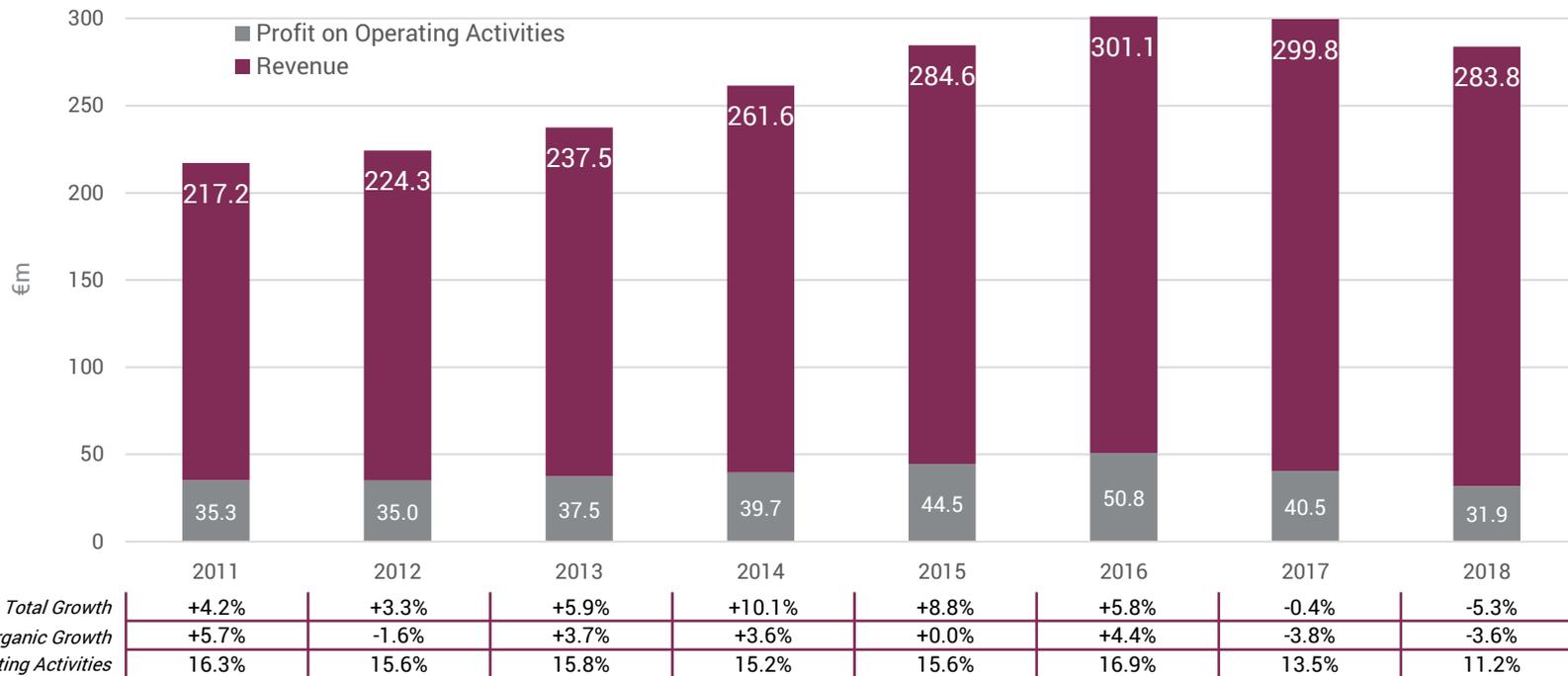
Digital Solution Providers



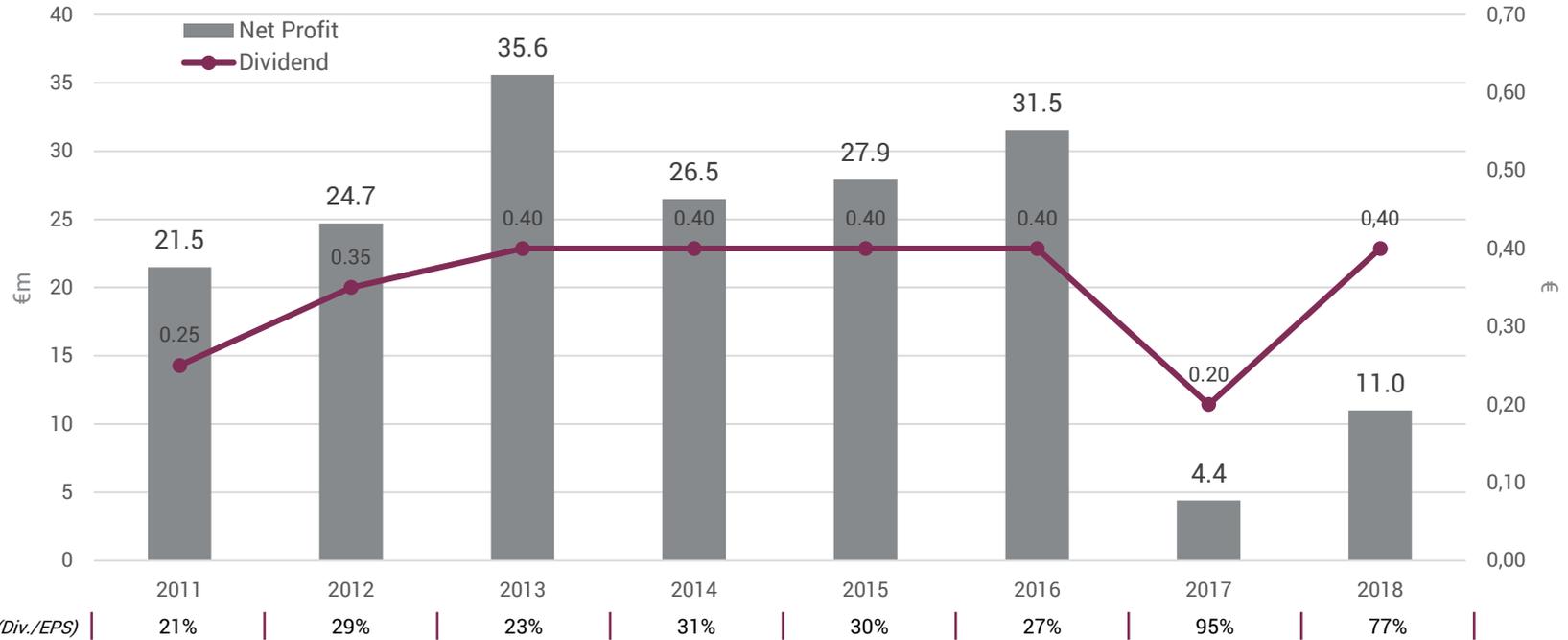
Resellers



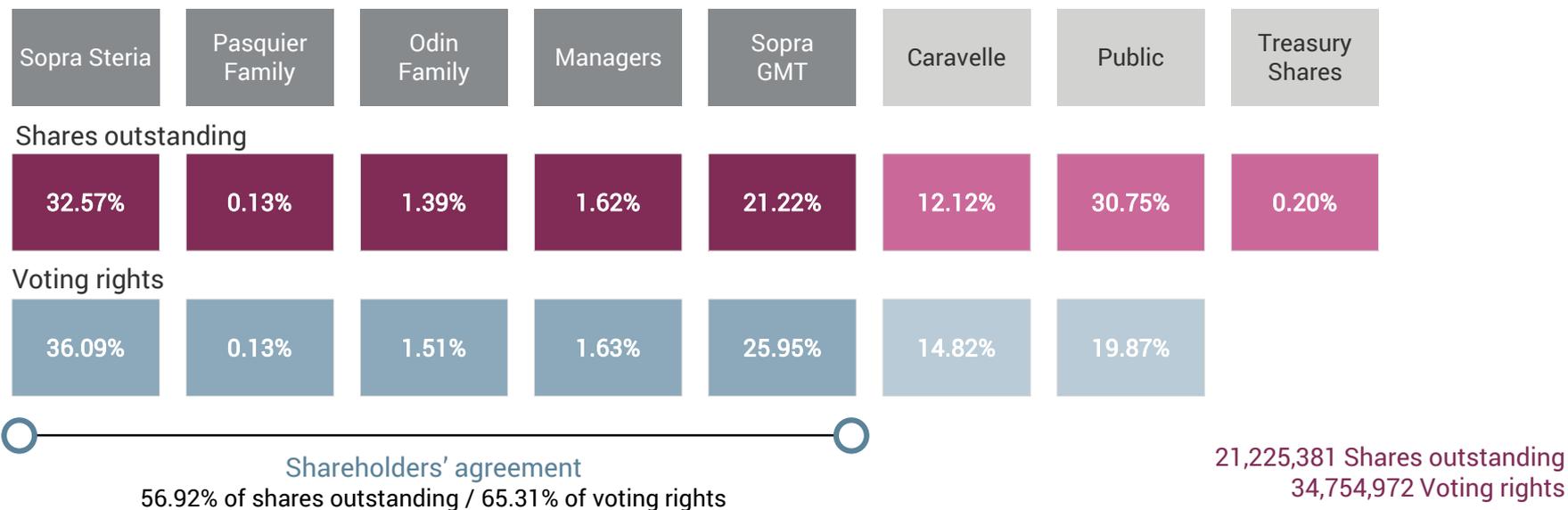
Axway's historical performance



Axway's historical net profit & dividend



A shareholding structure backing the corporate project



Axway's Corporate Social Responsibility

2018 Initiatives & Labels

→ Member of the UN Global Compact



→ Awarded Silver Ecovadis CSR Label



→ Selected for the Gaïa Index



→ Reinforced Ethics Charter & Alert System



Governance

Board of Directors:

- 57% independent
- 43% of women
- 95% attendance rate

Environment

- Promoting eco-responsible practices
- Measures to take account of environmental issues and carry out evaluations or certification procedures

Human Resources

Axway University:

- 36K+ Hours of training for more than 1,250 Axwagians

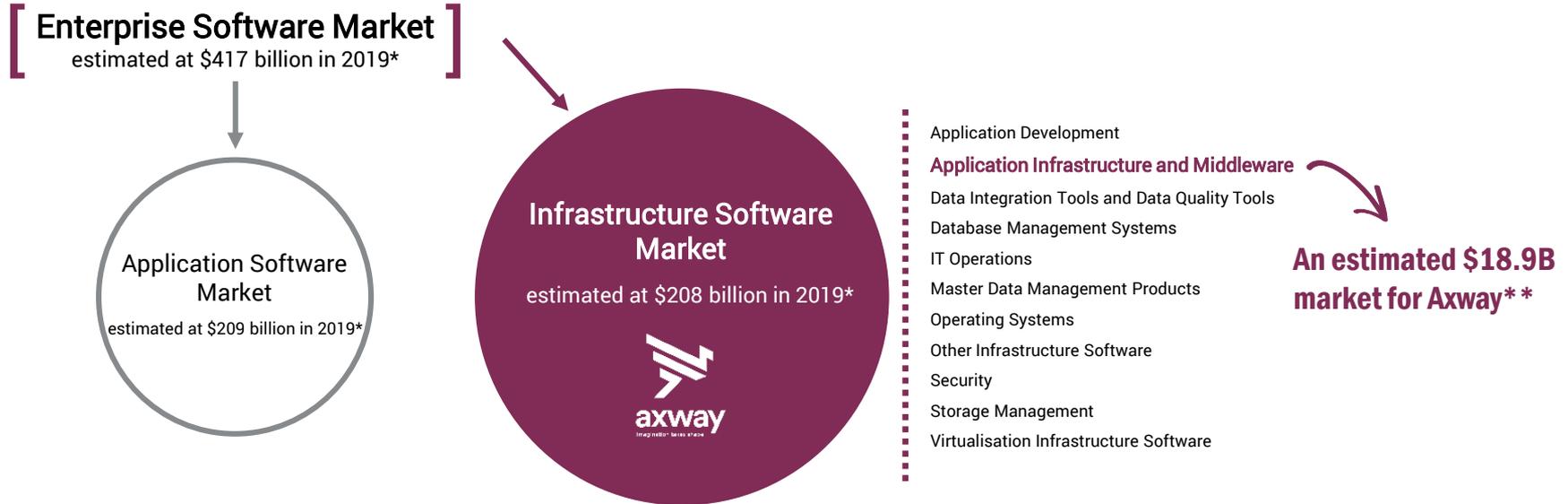




Market & Strategy

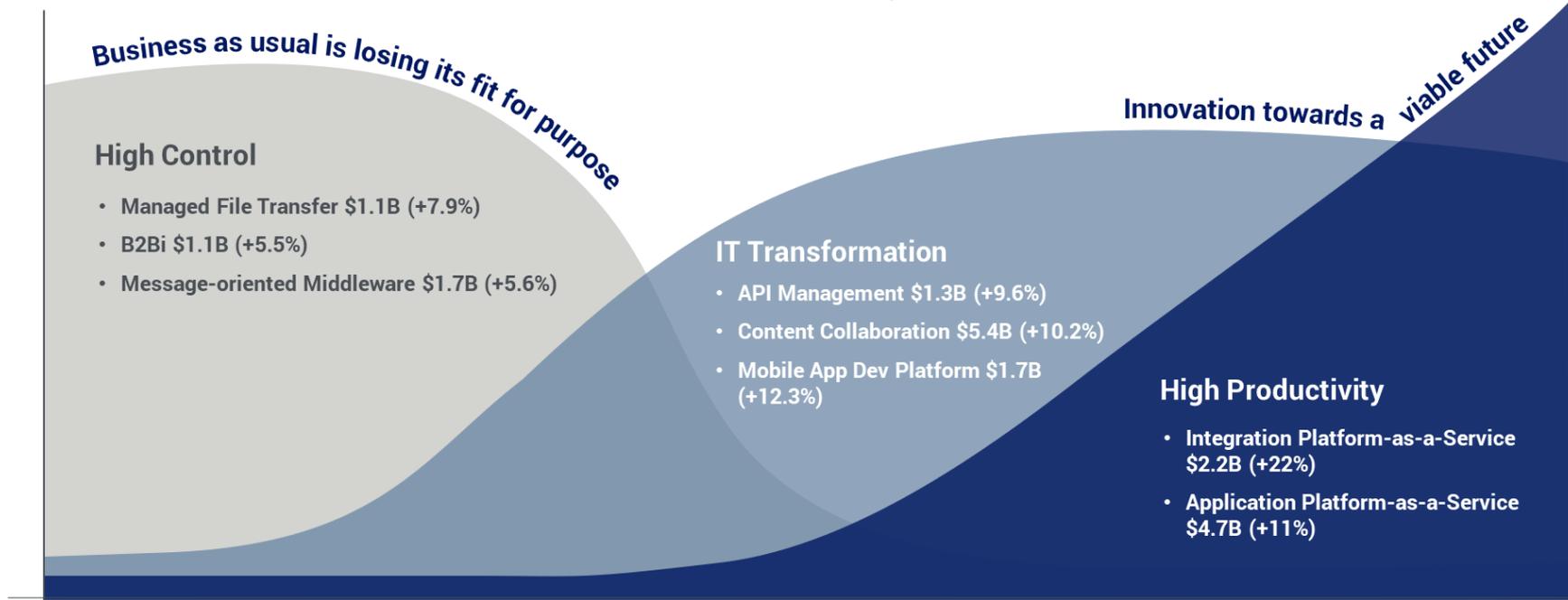


Axway's market in the Software industry

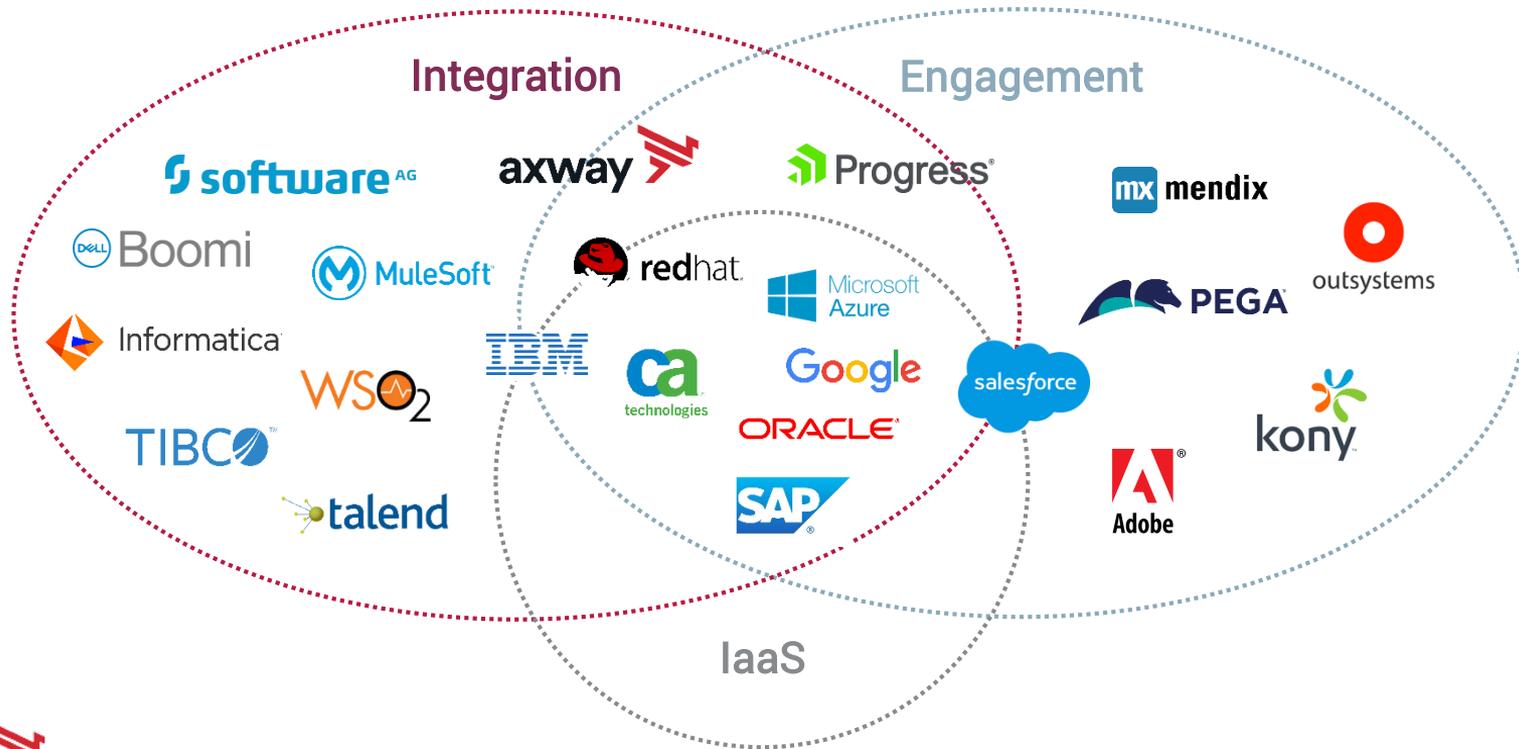


2019 Market Forecast and 2019-2022 CAGR

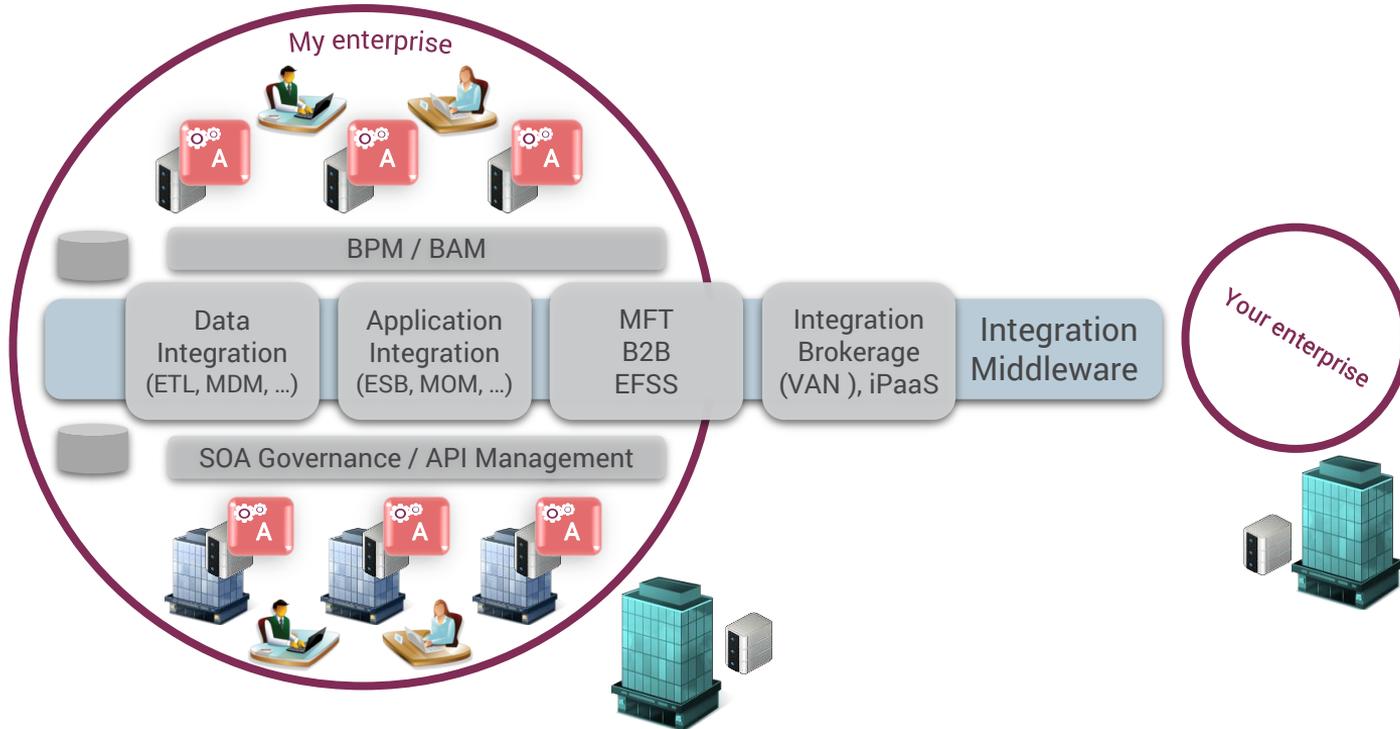
Total market estimated at \$18.9 billion in 2019 / Average CAGR 2019-2022 estimated at +11.2%



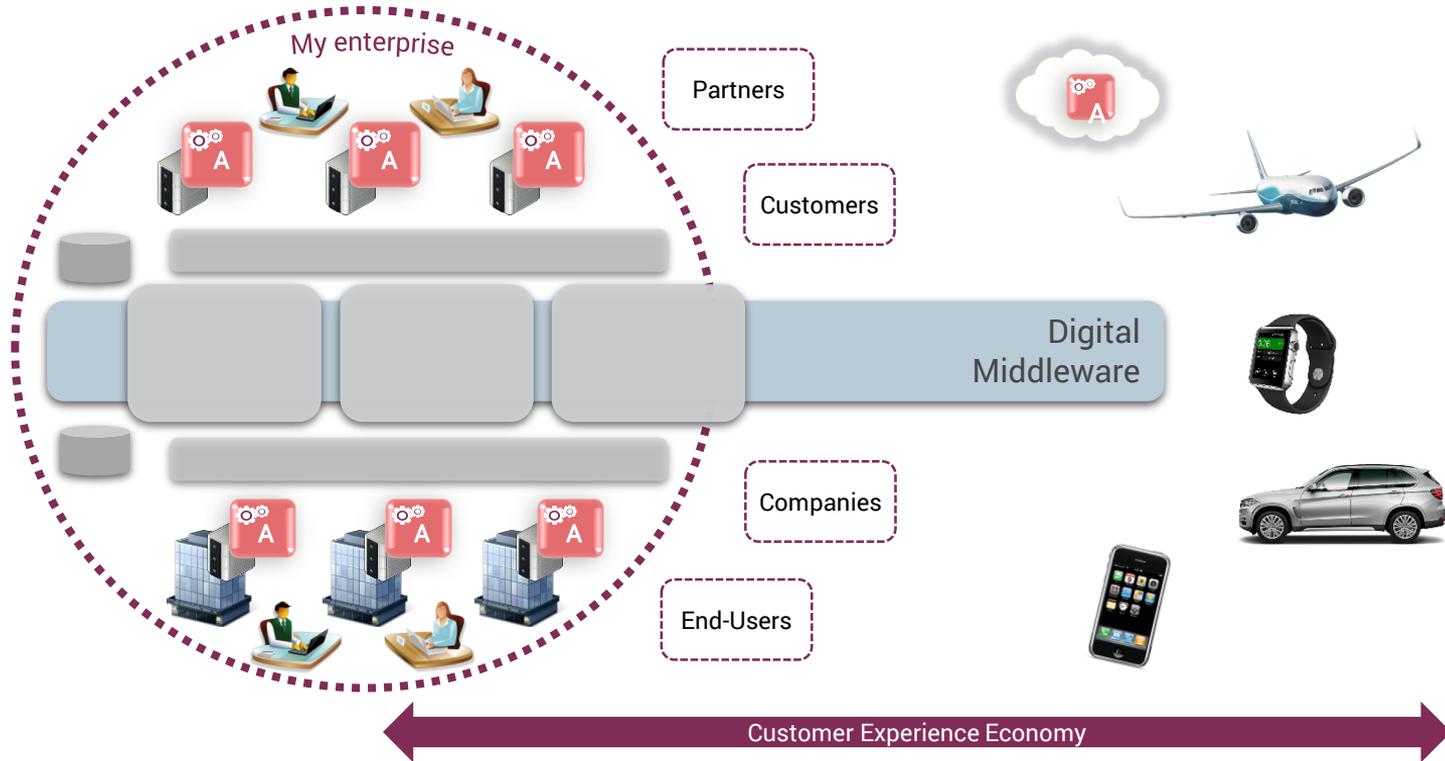
Competitive landscape



Our historical Middleware market...



... and its digital evolution !



Axway's purpose remains the same

We moved and integrated data securely for businesses...
It is the foundation of what we do

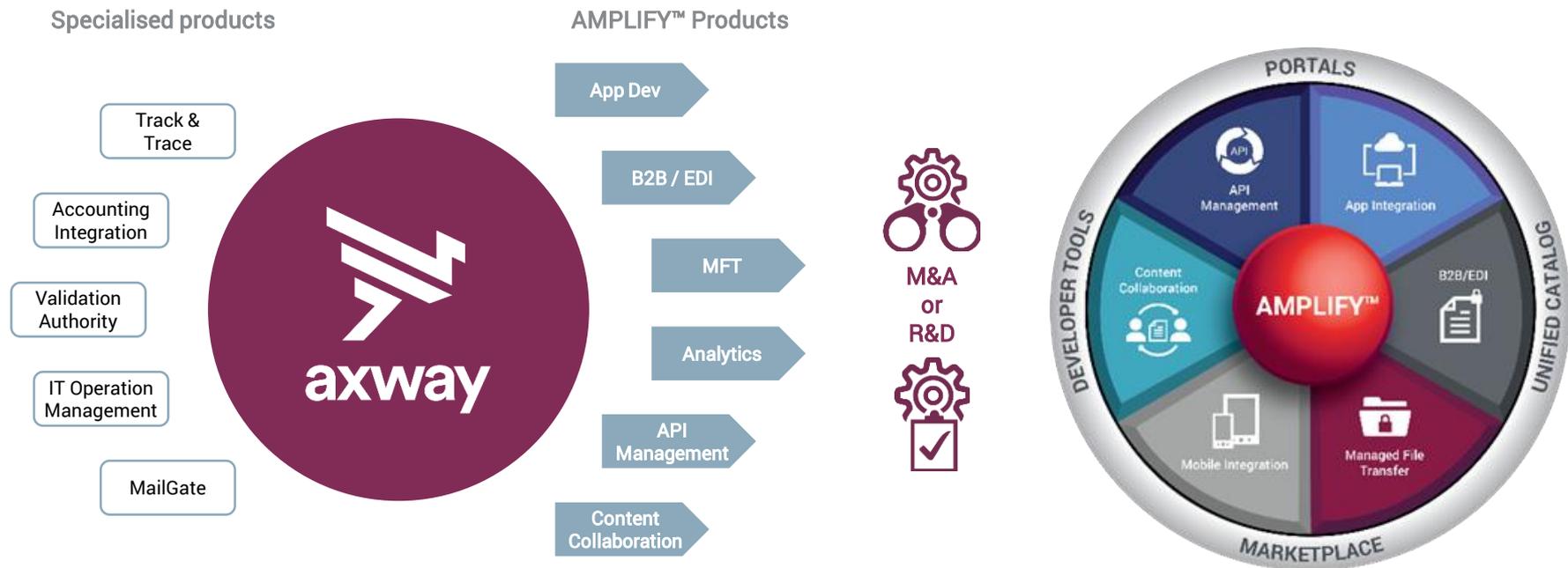
We will still move, integrate and expose data securely
for businesses



Axway's mission remains the same, we are merely implementing our market strategy:

Become a leader in Hybrid Integration Platforms

Axway's solutions evolution



AMPLIFY™: 15 years of strategic evolution

2006

SECURELY MOVING AND INTEGRATING DATA

2008

BUSINESS CONTEXT

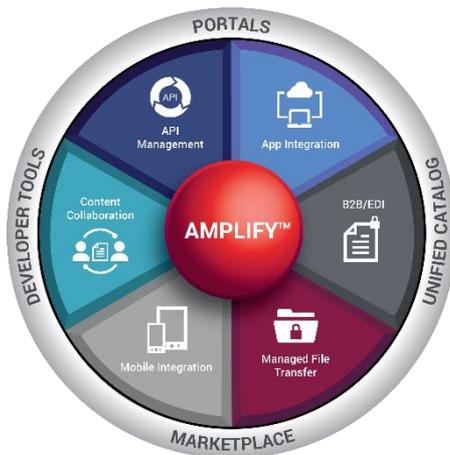
2013

DATA OPENESS

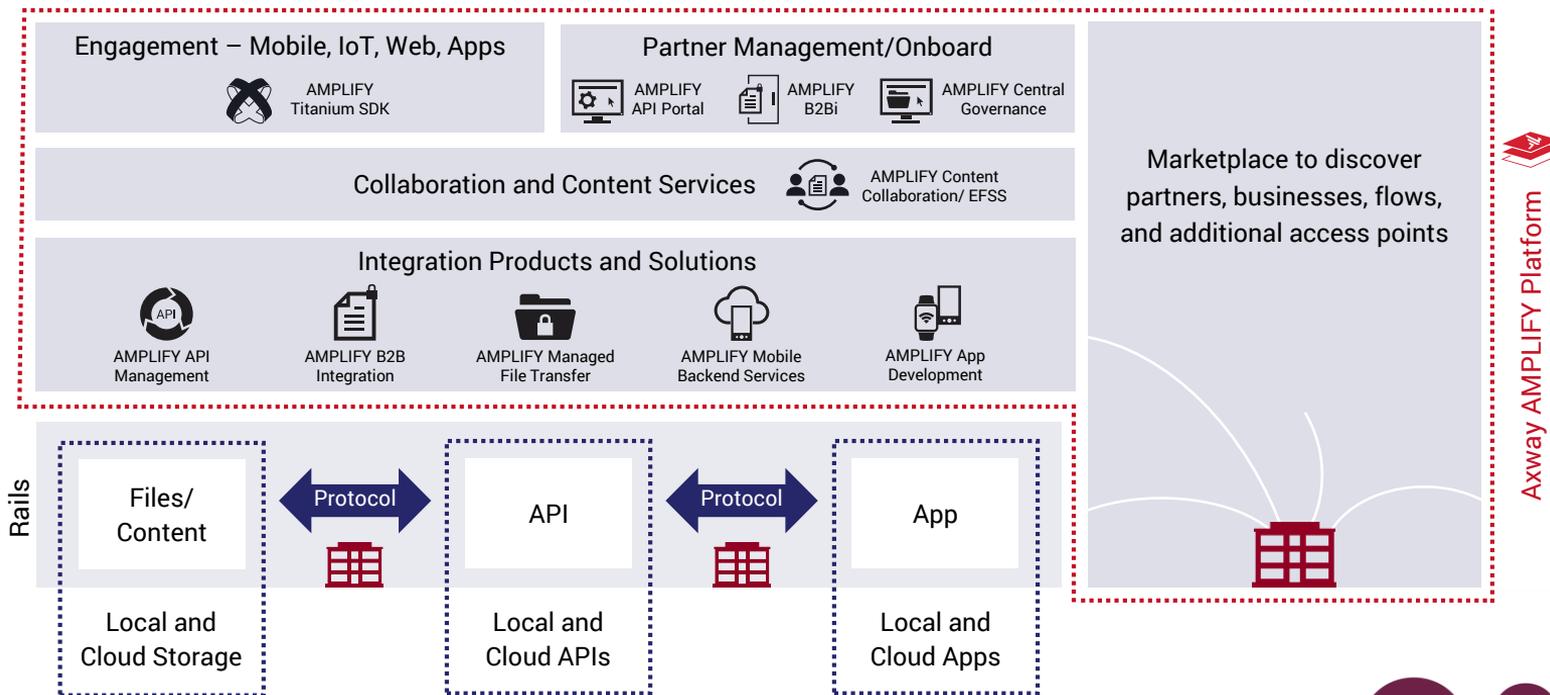
2017

CUSTOMER CENTRICITY

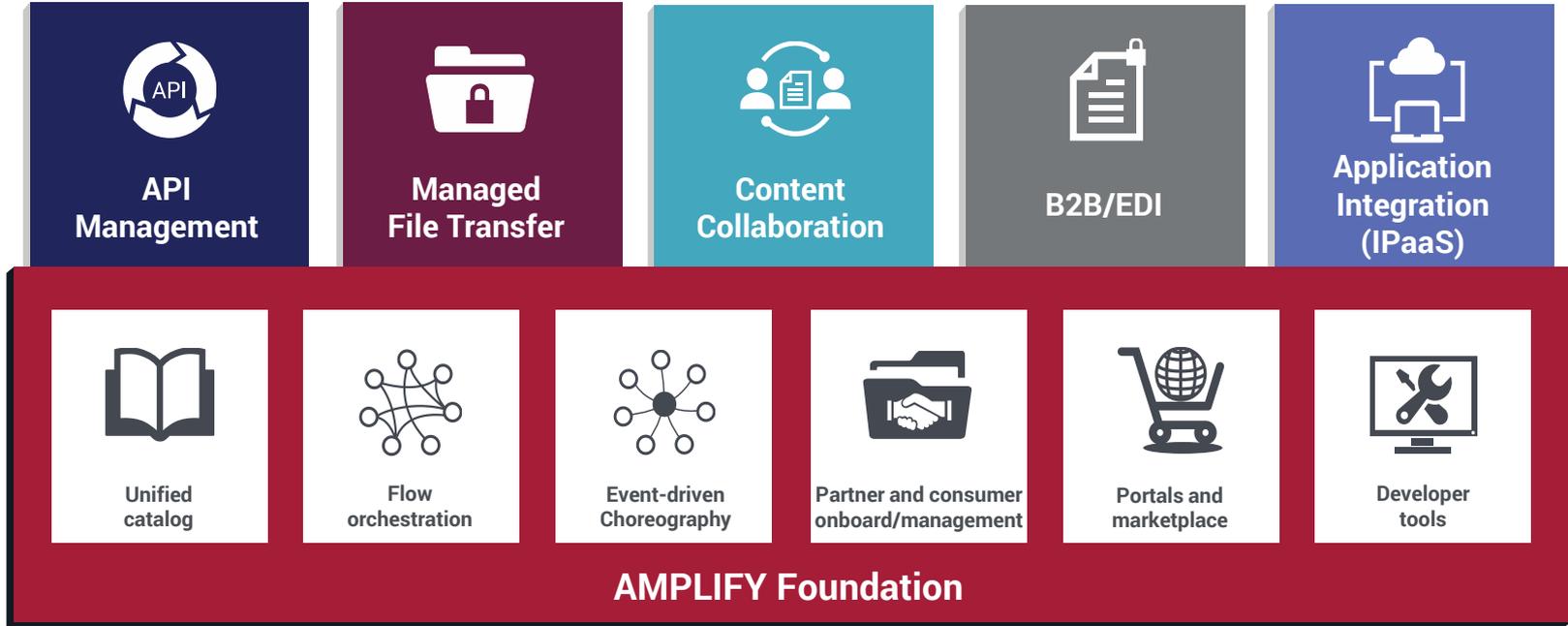
2020



AMPLIFY™: Axway's Hybrid Integration Platform



AMPLIFY™: One Platform, One Experience, Multiple Integration



AMPLIFY™: Setting the standard for HIP

Endpoints

CRMs

Cloud Services

General Ledgers

Legacy Systems

etc.



AMPLIFY Catalog

AMPLIFY™ Products



App Development



B2B / EDI



MFT



Analytics



API Management



Content Collaboration

AMPLIFY™: Catalog available from end of Q1 2019

	Availability	Offered as
Application Integration (IPaaS)	Available	Subscription
API – Build & Orchestrate	Available	Subscription
MFT – Service enrollment	Available	Subscription
B2Bi – Partner enrollment	Available	Subscription
Microservice Mesh Management	Public Beta	Subscription
Choreography (ACE)	Public Beta	Subscription

AMPLIFY™ includes Application Integration (IPaaS)
for all Subscription customers

Evolution of practices in a Subscription world

Sequences of a perpetual License offering

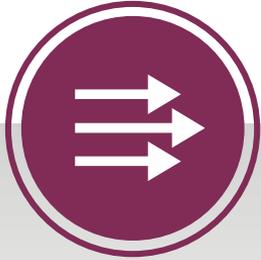


Cycle of a Subscription offering



IT Focus	⇒	Business Focus
Customer Acquisition	⇒	Customer Growth
Upfront Revenue	⇒	Lifetime Revenue
Episodic engagement	⇒	Continuous engagement
Reactive support	⇒	Proactive Value
Implementation services	⇒	Customer Outcomes

Axway's Customer Success Organisation



Objectives

- Help customers accelerate their transformation through **rapid results**
- Allow **incremental** AMPLIFY service **consumption**
- Facilitate and accelerate the transition to the **Subscription** model



Customer Centric

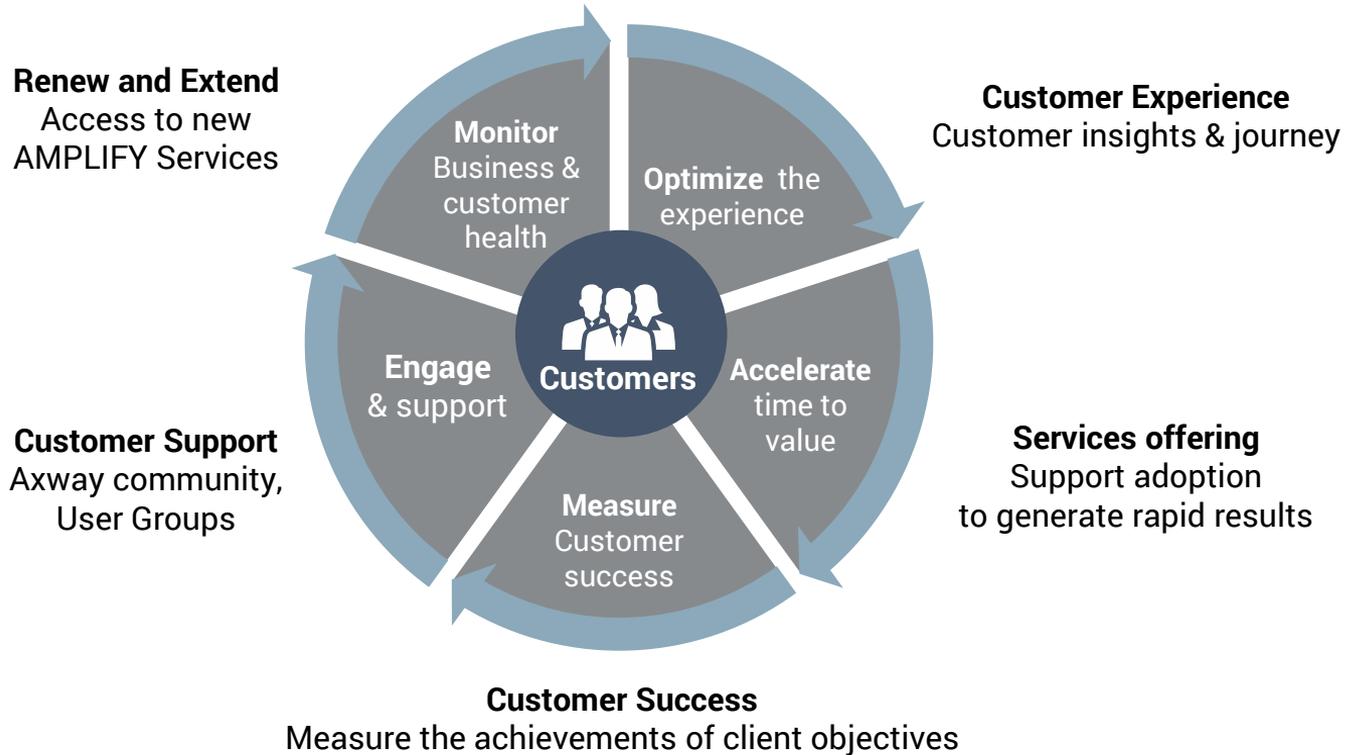
- Bring together and align all players interacting with customers
- Optimize the **Acquisition, Adoption, Expansion and Renewal cycle**
- Making the **customer experience** a differentiator



Organisation

- Creation of the **Customer Success Manager** function to support customers throughout their life cycle
- Proximity to customers with regional General Management

Axway's Customer Success Organisation

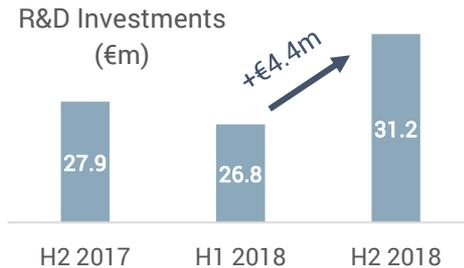
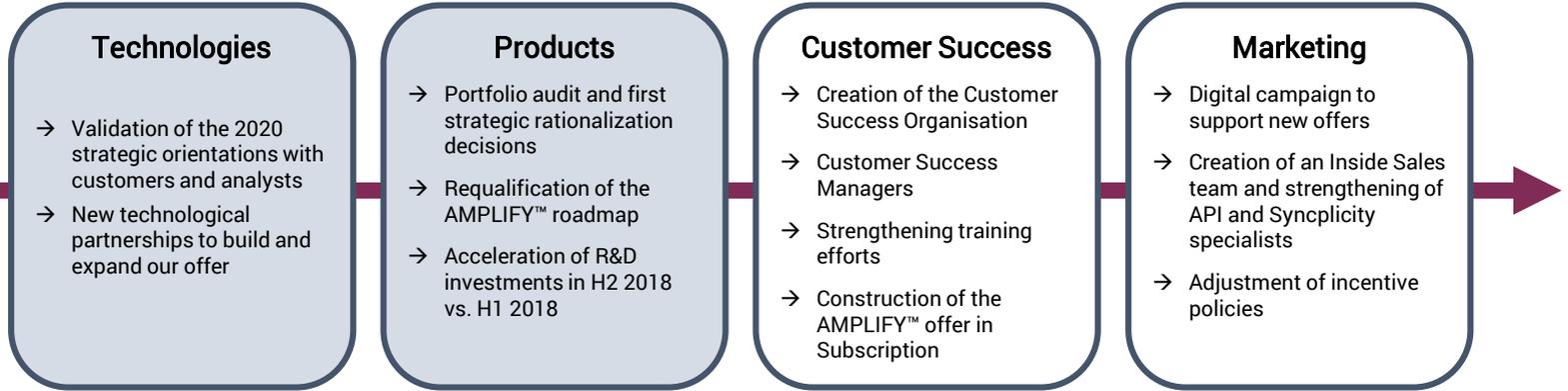




**2018 + Q1 2019
Highlights & Performance**

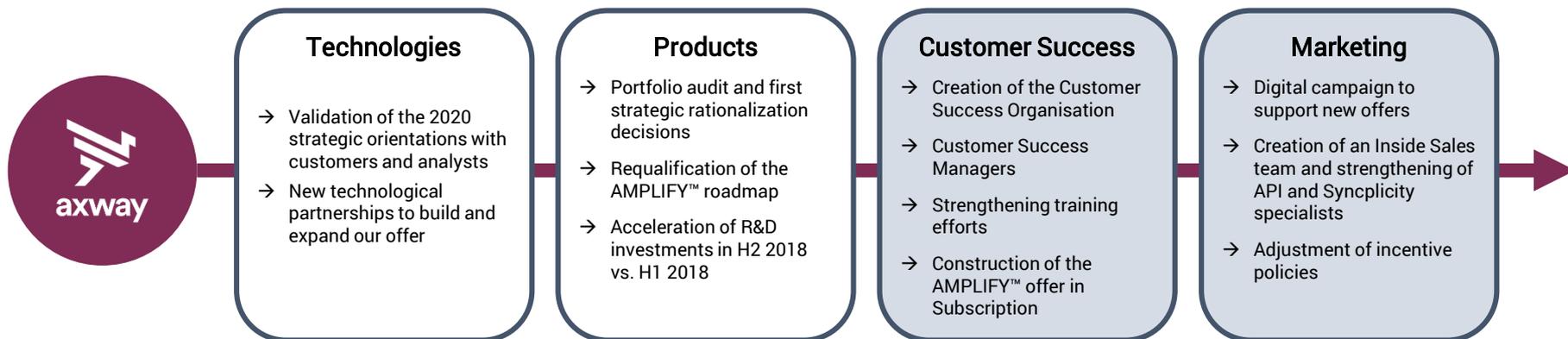


2018, Acceleration of the execution of the strategy

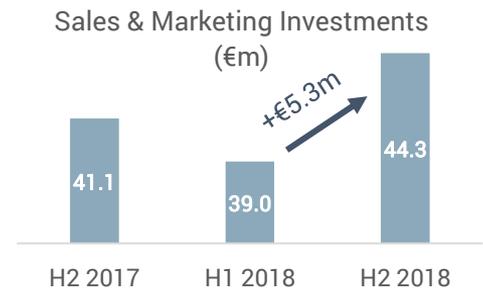


→ Acceleration of R&D investments by **+16.4%** in H2 2018 vs. H1 2018

2018, Acceleration of the execution of the strategy



→ Acceleration of Sales & Marketing investments by **+13.6%** in H2 2018 vs. H1 2018



Full-Year 2018 - Execution of the strategy

Signature Metric
(License + 3X New ACV)

+7.8%

New ACV*

+56.1%

H2 vs. H1 Investment
(R&D + Sales & Marketing)

+14.7%

Operating margin
on business activity

11.2%

2020 Ambitions confirmed: Revenue of around €300 million / HIP Market Leader**

Full-Year 2018 - Income Statement

In millions of euros

	2018		2017	
Revenue	283.8		299.8	
<i>of which License</i>	<i>56.5</i>		<i>65.3</i>	
<i>of which Subscription</i>	<i>40.3</i>		<i>37.5</i>	
<i>of which Maintenance</i>	<i>142.8</i>		<i>145.4</i>	
Subtotal License, Subscription & Maintenance	239.7		248.3	
Services	44.2		51.6	
Cost of sales	84.2		88.2	
Gross Profit (% of Revenue)	199.7	<i>70.3%</i>	211.6	<i>70.6%</i>
Operating expenses	167.8		171.1	
<i>of which Sales and marketing</i>	<i>83.3</i>		<i>83.8</i>	
<i>of which Research and development</i>	<i>58.0</i>		<i>59.4</i>	
<i>of which General and administrative</i>	<i>26.4</i>		<i>27.9</i>	
Profit on operating activities	31.9	<i>11.2%</i>	40.5	<i>13.5%</i>
Profit from recurring operations	22.5	<i>7.9%</i>	30.7	<i>10.2%</i>
Operating profit	18.3	<i>6.4%</i>	27.7	<i>9.2%</i>
Income taxes	-5.6		-24.0	
Net profit (% of Revenue)	11.0	<i>3.9%</i>	4.4	<i>1.5%</i>
Basic earnings per share (in €)	0.52		0.21	

- Revenue down 3.6% organically*, 2.7% at constant exchange rates, 5.3% in total
- Profit on operating activities maintained at 11.2% through sound cost management
- Net profit of €11.0 million (3.9% of revenue) or €0.52 per share compared with €0.21 in 2017

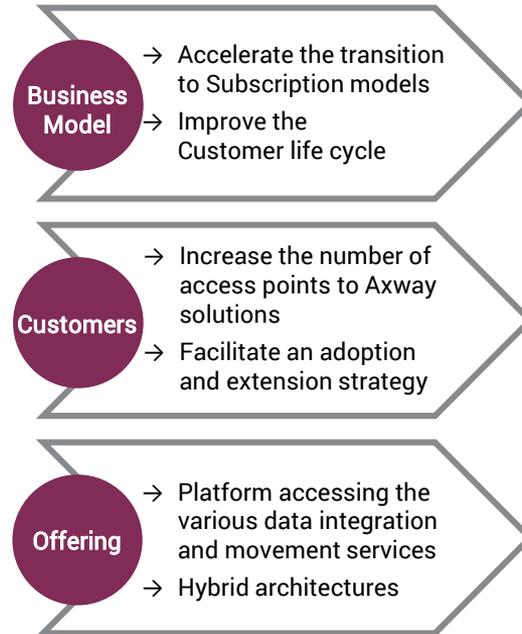
* Alternative performance measures are defined in the glossary at the end of this document.

Full-Year 2018 - Advancing on our new business model

[€m]	New Signatures Value	Weighting Factor	Weighted New Signatures
License	56.5	1x	56.5
New Subscription (ACV*)	13.1	3x	39.3
2018 Weighted Signatures			95.8
Organic Growth*			+7.8%

* Alternative performance measures are defined in the glossary at the end of this document

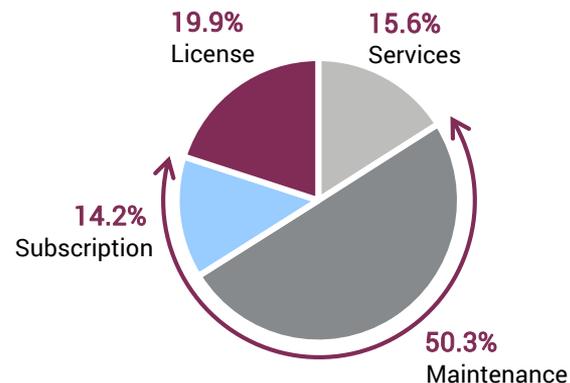
→ **Signature metric (License + 3X New ACV) up 7.8% organically**



Full-Year 2018 - Revenue by Activity

[€m]	2018	2017 Restated*	2017 Reported	Total Growth	Organic Growth*
License	56.5	63.7	65.3	-13.4%	-11.3%
Subscription	40.3	38.6	37.5	7.5%	4.4%
Maintenance	142.8	141.6	145.4	-1.8%	0.9%
Services	44.2	50.5	51.6	-14.4%	-12.6%
Axway	283.8	294.4	299.8	-5.3%	-3.6%

* Alternative performance measures are defined in the glossary at the end of this document



64.5% recurring revenue
vs. 61.0% in 2017

- Growth in Subscription and Resilience of Maintenance
- Decline in License activity at year-end
- Continued strategic refocus on high value-added Services
- Increase of 3.5 points in the Group's recurring revenues to 64.5% of total revenue

Focus on Subscription activity in 2018

[€m]	2018	2017 Restated*	2017 Reported	Total Growth	Organic Growth*
Subscription Revenue	40.3	38.6	37.5	7.5%	4.4%
New ACV	13.1	8.4	7.3	79.6%	56.1%

* Alternative performance measures are defined in the glossary at the end of this document

2018 Review

- Successful adaptation of the sales structure and ramp-up of the Customer Success Organisation
- Strong growth in new ACV and first key signatures in the development of the AMPLIFY™ HIP
- Strong underlying commercial momentum penalized by one-off adverse effects

Focus on License & Maintenance activities in 2018

[€m]	2018	2017 Restated*	2017 Reported	Total Growth	Organic Growth*
License	56.5	63.7	65.3	-13.4%	-11.3%
Maintenance	142.8	141.6	145.4	-1.8%	0.9%

* Alternative performance measures are defined in the glossary at the end of this document

2018 Review

- Q4 2018 decrease in Licenses due to a particularly high comparison basis in Q4 2017 and two major contracts pushed back from the end of 2018 to the 1st half of 2019
- Stable Maintenance activities throughout 2018

Main Balance Sheet items at 31/12/2018

Cash and equivalents

€35.8m

vs. €28.1m at 31/12/2017

DSO

77 days

stable vs. 31/12/2017

Total Assets

€553.8m

vs. €551.1m at 31/12/2017

Net debt

€10.2m

vs. €24.1m at 31/12/2017

Current deferred revenues

€75.2m

vs. €67.3m at 31/12/2017 (+11.8%)

Total Equity

€362.7m

vs. €344.1m at 31/12/2017

Cash flows & Covenants at 31/12/2018

In millions of euros

	31/12/2018	31/12/2017
Net profit for the period	11.0	4.4
<i>Change in operating working capital requirements</i>	-3.6	-11.7
Net cash from operating activities	22.6	29.6
<i>Free cash flow</i>	17.5	24.3
Net cash used in investing activities	-4.0	-57.5
Net cash from (used in) financing activities	-10.7	6.8
Net change in cash and cash equivalents	7.6	-23.6
Opening cash position	28.1	51.7
Closing cash position	35.8	28.1

→ Free cash flow of €17.5 million in 2018 despite significant additional investment

	31/12/2018	31/12/2017
<u>EBITDA</u> Cost of debt <i>(covenant > 5)</i>	45.2	40.2
<u>Net debt</u> EBITDA <i>(covenant < 3)</i>	0.31	0.47
<u>Net debt</u> Equity <i>(covenant < 1)</i>	0.03	0.06

→ All bank debt covenants fully met
→ Balance sheet and debt capacity to seize strategic acquisition opportunities

Q1 2019 Highlights

[€m]	Q1 2019	Q1 2018 Restated*	Q1 2018 Reported	Total Growth	Organic Growth*
License	9.1	8.5	8.2	11.0%	6.7%
Subscription	10.9	9.8	9.1	19.1%	11.2%
Maintenance	36.2	35.9	34.7	4.2%	0.8%
Services	10.9	11.5	11.2	-2.7%	-5.1%
Axway	67.0	65.7	63.2	6.0%	2.1%

* Alternative performance measures are defined in the glossary at the end of this document

Highlights of the 1st quarter 2019

- **Acceleration in Subscription** revenue (+11.2%), in line with the roadmap
- **License growth** (+6.7%) and **Maintenance resilience** (+0.8%)
- Launch of several new technological components of the AMPLIFY™ platform
- Acquisition of Streamdata.io, adding event-based API technology to the AMPLIFY™ platform

Targets & Ambitions

Targets & Ambitions

- 2019 Return to organic growth, continuing into 2020, enabling Axway to achieve targeted revenue of around €300 million
- 2019 Operating margin on business activity between 8 and 10%, the low point during the transformation period, before a rebound expected in 2020
- Become a Leader in the Hybrid Integration Platform market by the end of 2020



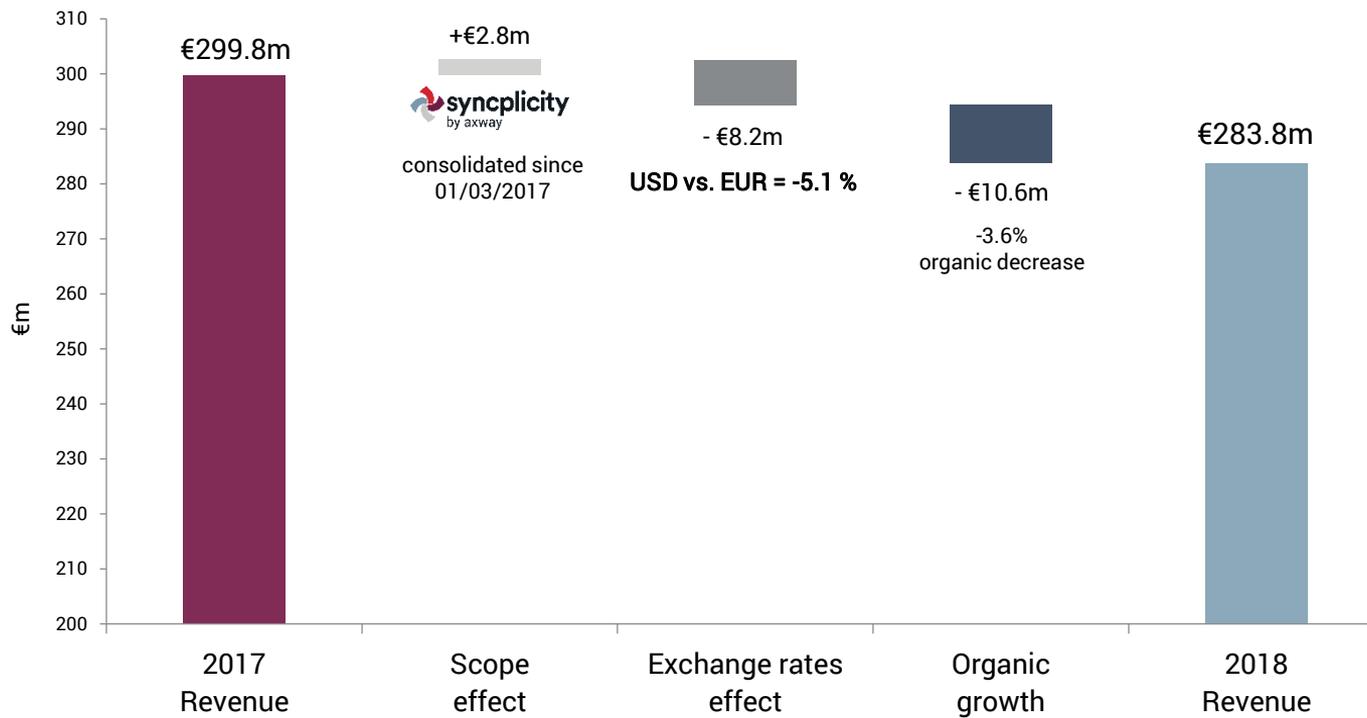
Appendices





FY 2018

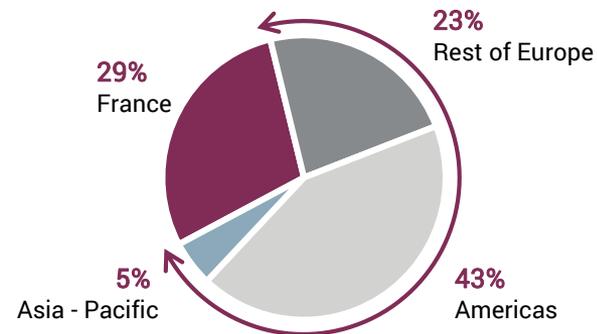
Full-Year 2018 - Change in revenue



Full-Year 2018 - Revenue by Geography

[€m]	2018	2017 Restated*	2017 Reported	Total Growth	Organic Growth*
France	80.9	83.8	83.8	-3.4%	-3.4%
Rest of Europe	65.7	71.4	71.7	-8.4%	-7.9%
Americas	122.3	124.3	128.8	-5.0%	-1.6%
Asia / Pacific	14.9	15.1	15.6	-4.6%	-1.2%
Axway	283.8	294.4	299.8	-5.3%	-3.6%

* Alternative performance measures are defined in the glossary at the end of this document



71% of revenue generated outside France stable compared to 2017

Simplified Balance Sheet at 31/12/2018

In millions of euros

	31/12/2018	31/12/2017
Assets		
Goodwill	344.1	333.6
Non-current assets	422.7	420.7
Trade receivables	65.6	71.1
Other current assets	29.7	31.2
Cash and cash equivalents	35.8	28.1
Current assets	131.1	130.4
Total Assets	553.8	551.1
Equity and Liabilities		
Equity	362.7	344.1
Financial debt - long-term portion	41.8	47.8
Other non-current liabilities	11.4	22.5
Non-current liabilities	53.2	70.3
Financial debt - short-term portion	4.2	4.5
Deferred Revenues	75.2	67.3
Other current liabilities	58.4	64.9
Current liabilities	137.9	136.7
Total Liabilities	191.1	207.0
Total Equity and Liabilities	553.8	551.1

- High cash position at €35.8 million
- 77-day DSO, stable compared to 2017
- Bank debt of €46.0 million, net debt of €10.2 million
- Current Deferred Revenues up 11.8% to €75.2m

Changes in equity and Earnings per share at 31/12/2018

In millions of euros

	31/12/2018	31/12/2017
Equity at Beginning of Period	344.1	374.8
Profit for the period	11.0	4.4
Dividends	-4.2	-8.5
Capital increase	0.2	3.2
Other	1.0	1.5
Foreign exchange translation adjustments	10.7	-31.3
Equity at End of Period	362.7	344.1

→ Distribution of a dividend of €0.40 per share submitted to the shareholders' vote at the general meeting scheduled for June 5, 2019

In €

	31/12/2018	31/12/2017
Net profit for the period	11.0	4.4
Weighted average number of shares excluding treasury shares	21.22M	21.16M
Basic earnings per share	0.52	0.21
Theoretical potential weighted average number of shares	21.71M	21.84M
Diluted earnings per share (in €)	0.50	0.20

→ Basic earnings per share of €0.52 in 2018 compared to €0.21 the previous year

Full-Year 2018 - Headcount

	31/12/2018	30/06/2018	31/12/2017
France	468	467	518
Rest of Europe	771	727	733
Americas	537	514	515
Asia - Pacific	72	72	74
Axway	1,848	1,780	1,839

→ Recruitment stepped up significantly in the second half of 2018

Alternative Performance Measures

- Restated revenue: Revenue for the prior year, adjusted for the consolidation scope and exchange rates of the current year.
- Organic growth: Growth in revenue between the period under review and the prior period, restated for consolidation scope and exchange rate impacts.
- Growth at constant exchange rates: Growth in revenue between the period under review and the prior period restated for exchange rate impacts.
- ACV: Annual Contract Value – Annual contract value of the subscription agreement.
- TCV: Total Contract Value – Full value of the subscription agreement including both recurring revenues over the contract term and one-time payments.
- Signature metric: Amount of License sales plus three times the annual value (3xACV) of new Subscription contracts signed over a given period.
- Profit on operating activities: Profit from recurring operations adjusted for the share-based payment expense for stock options and free shares, as well as the amortization of allocated intangible assets.