

# 2018 Full-Year Results

Analyst Conference – February 21, 2019

Cloud Business Center - Paris



# 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 customers, 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 2017 Registration Document filed with the French Financial Markets Authority (*Autorité des Marchés Financiers*, AMF) on April 26, 2018 under number D.18-0393.
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# 2018 Full-Year Results

## Agenda



Patrick Donovan  
Chief Executive Officer



Roland Royer  
Chief Customer Officer

**1** - 2018 Financial results and Operating position

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**2** - Progress report on the execution of the strategy and the AMPLIFY™ platform

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**3** - First commercial successes of the new business model

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**4** - Targets & Ambitions

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**5** - Q&A Session

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# 2018 Financial results and Operating position



Patrick Donovan  
Chief Executive Officer



# 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	
<b>Revenue</b>	<b>283.8</b>		<b>299.8</b>	
<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>	
<b>Subtotal License, Subscription &amp; Maintenance</b>	<b>239.7</b>		<b>248.3</b>	
Services	44.2		51.6	
Cost of sales	84.2		88.2	
<b>Gross Profit (% of Revenue)</b>	<b>199.7</b>	<i>70.3%</i>	<b>211.6</b>	<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>	
<b>Profit on operating activities</b>	<b>31.9</b>	<i>11.2%</i>	<b>40.5</b>	<i>13.5%</i>
<b>Profit from recurring operations</b>	<b>22.5</b>	<i>7.9%</i>	<b>30.7</b>	<i>10.2%</i>
<b>Operating profit</b>	<b>18.3</b>	<i>6.4%</i>	<b>27.7</b>	<i>9.2%</i>
Income taxes	-5.6		-24.0	
<b>Net profit (% of Revenue)</b>	<b>11.0</b>	<i>3.9%</i>	<b>4.4</b>	<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

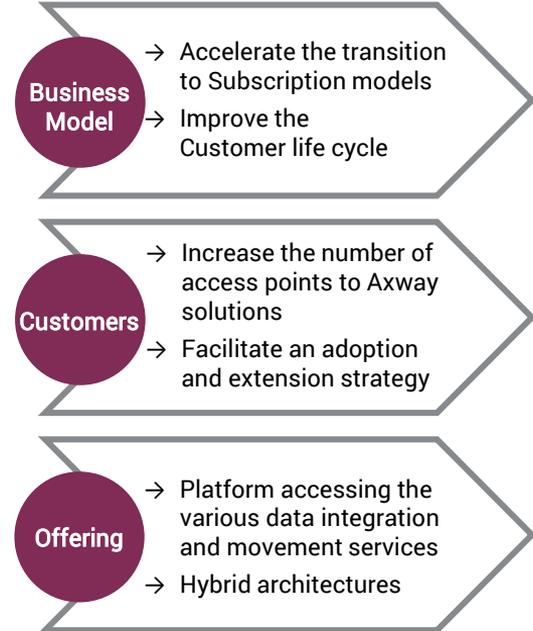
\* Alternative performance measures are defined in the glossary at the end of this document.

# 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
<b>2018 Weighted Signatures</b>			<b>95.8</b>
<b>Organic Growth*</b>			<b>+7.8%</b>

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

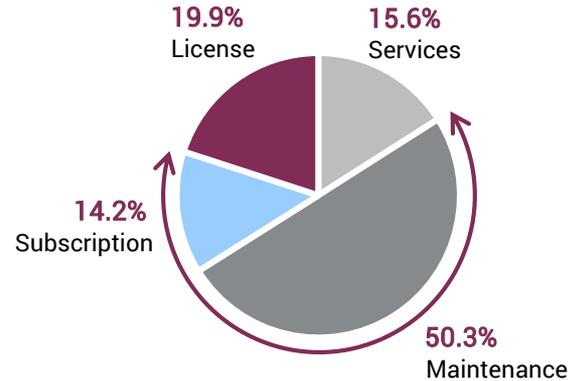
→ **Signature metric (License + 3X New ACV) up 7.8% organically**



# 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%
<b>Axway</b>	<b>283.8</b>	<b>294.4</b>	<b>299.8</b>	<b>-5.3%</b>	<b>-3.6%</b>

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

→ 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 &gt; 5)</i>	45.2	40.2
<u>Net debt</u> EBITDA <i>(covenant &lt; 3)</i>	0.31	0.47
<u>Net debt</u> Equity <i>(covenant &lt; 1)</i>	0.03	0.06

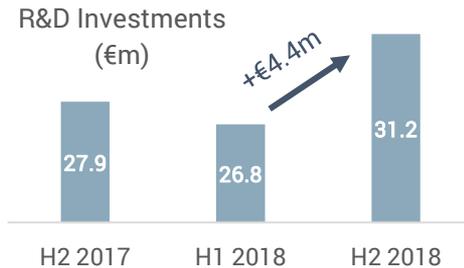
→ All bank debt covenants fully met  
→ Balance sheet and debt capacity to seize strategic acquisition opportunities

# Progress report on the execution of the strategy and the AMPLIFY™ platform

Patrick Donovan  
Chief Executive Officer

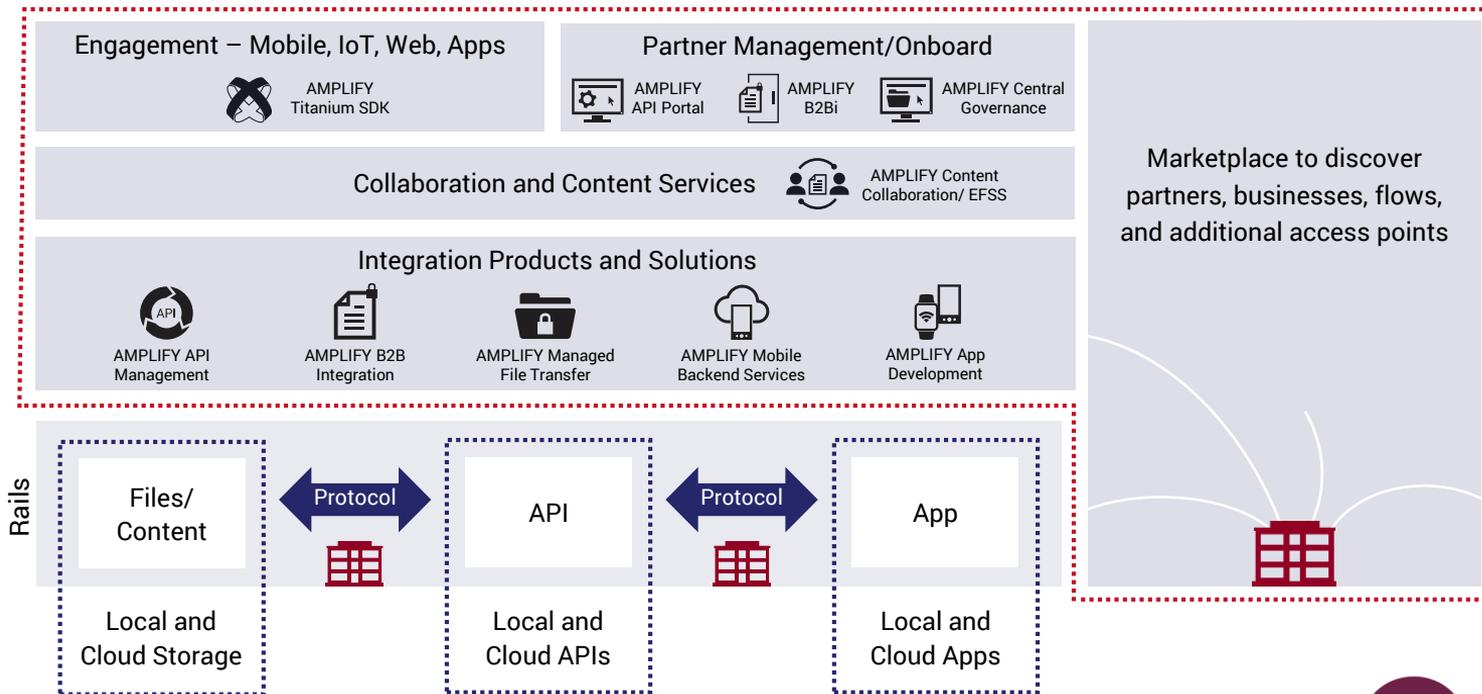


# 2018, Acceleration of the execution of the strategy



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

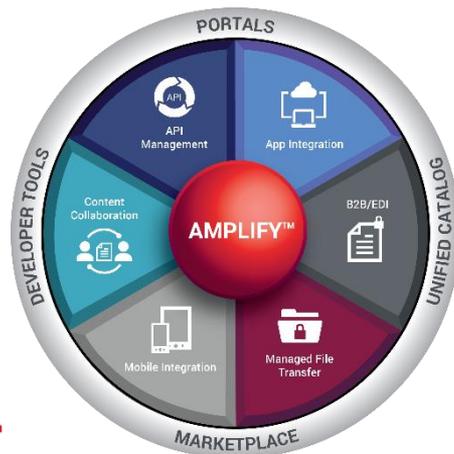
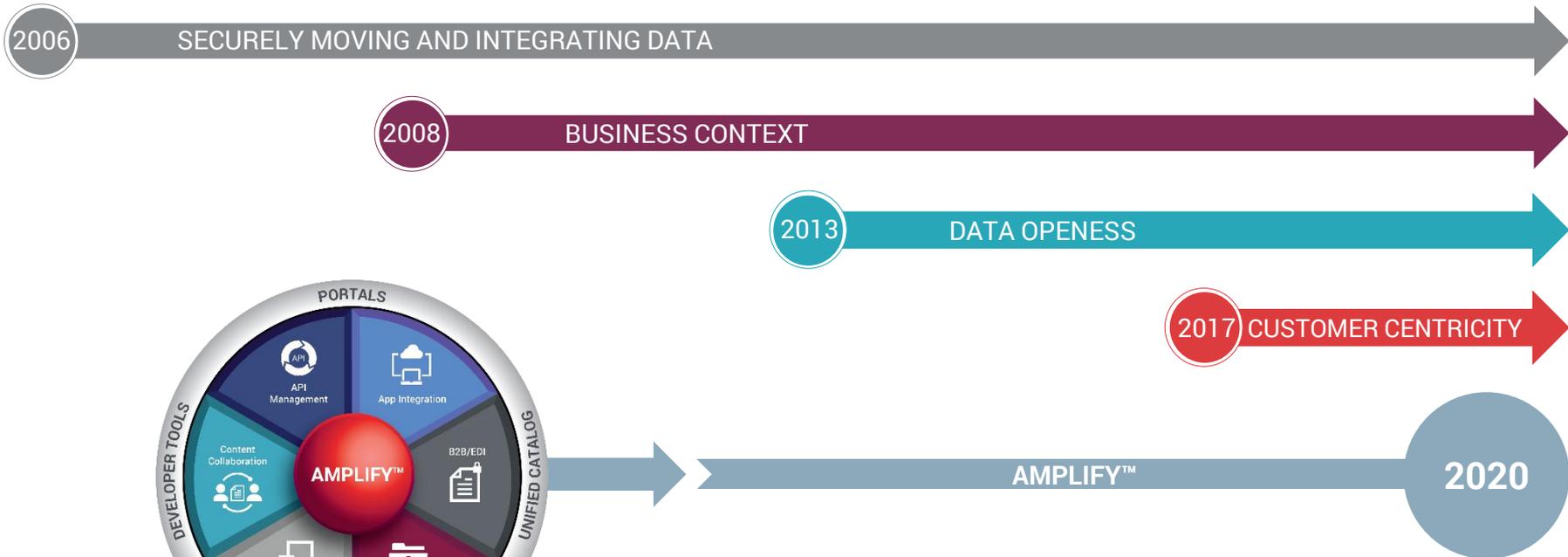
# AMPLIFY™: Axway's Hybrid Integration Platform



Axway AMPLIFY Platform

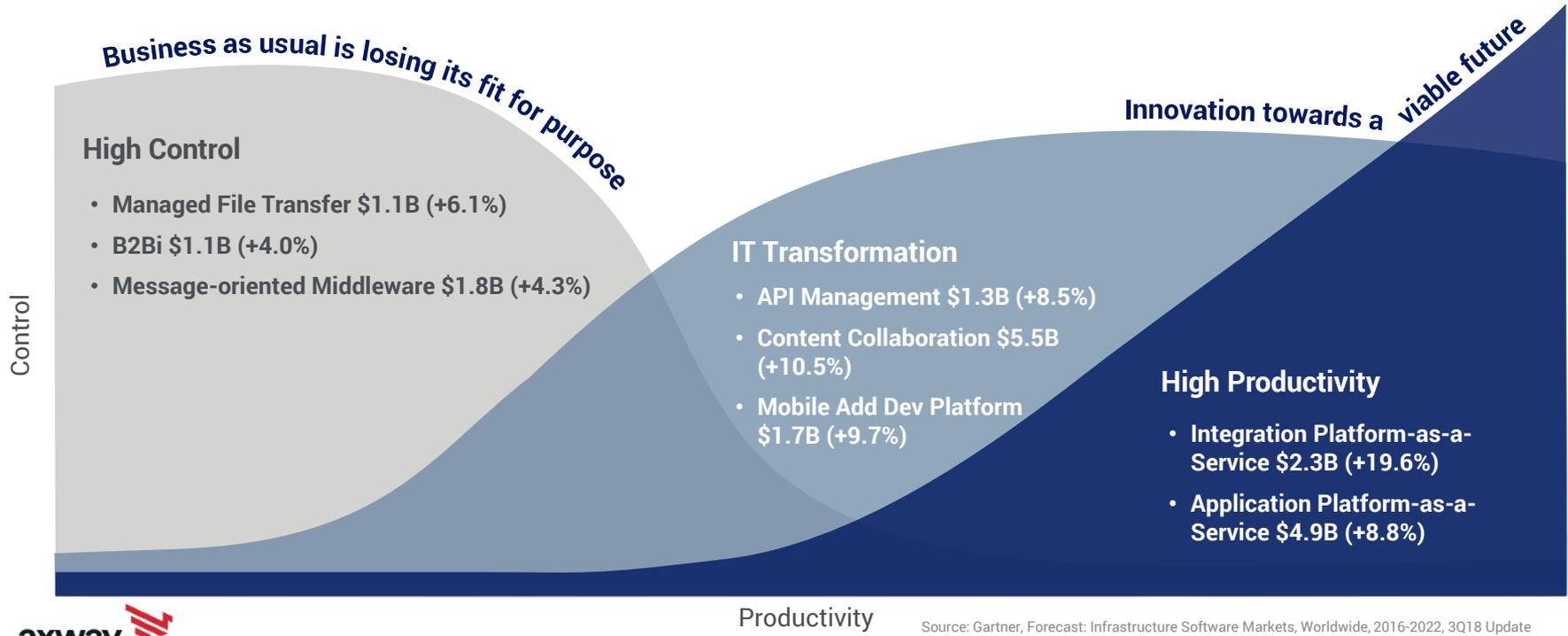


# AMPLIFY™: 15 years of strategic evolution



# 2019 Market Forecast and 2018-2022 CAGR

Total market estimated at \$19.7 billion in 2019 / Average CAGR 2018-2022 estimated at +10.0%

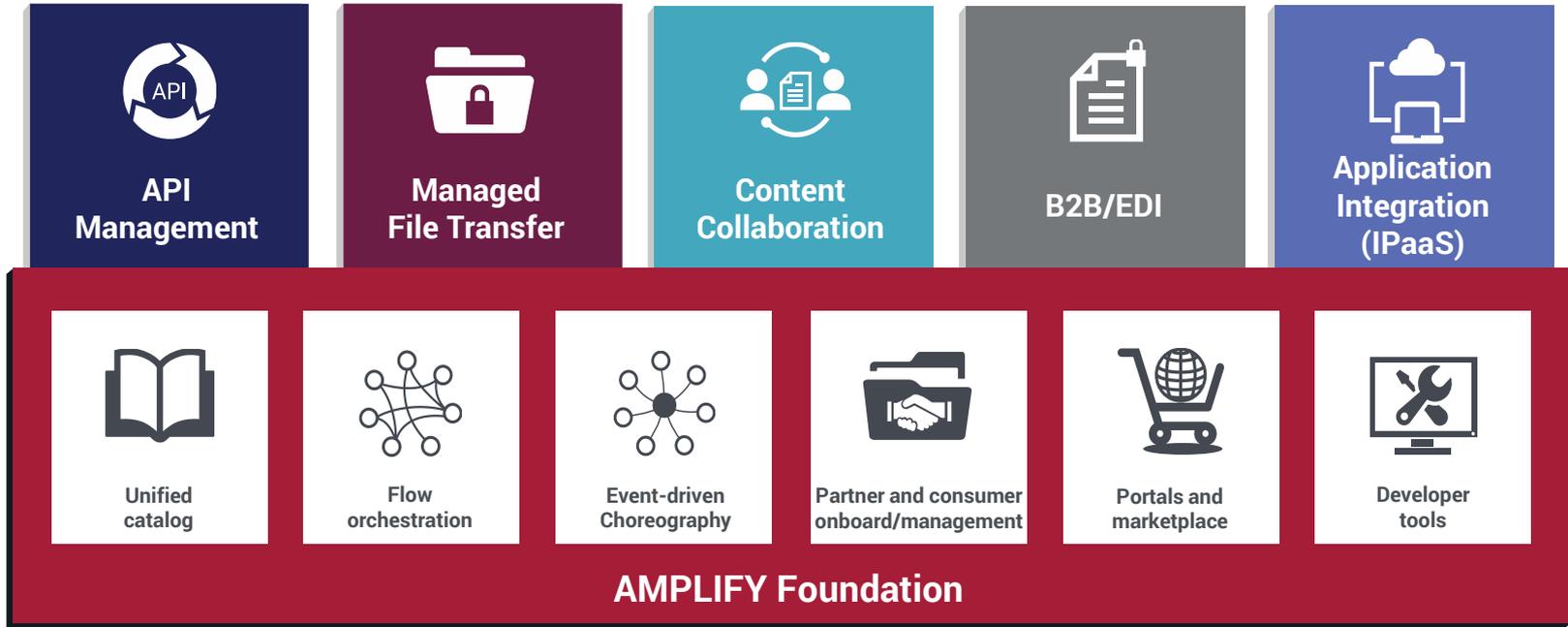


# AMPLIFY™: Catalog available from end of Q1 2019

	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

# 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

# First commercial successes of the new business model



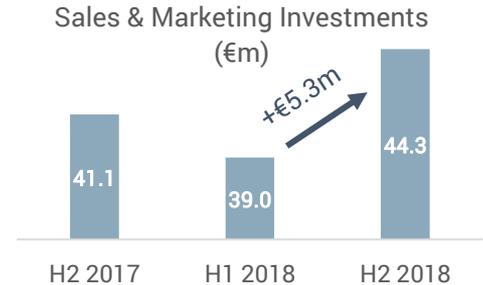
Roland Royer  
Chief Customer Officer



# 2018, Acceleration of the execution of the strategy



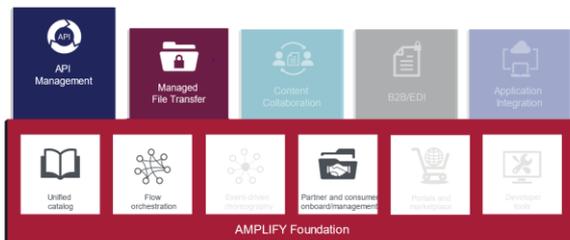
→ Acceleration of Sales & Marketing investments by **+13.6%** in H2 2018 vs. H1 2018



# First commercial successes of the new business model

One of  
Brazil's largest banks...

Axway managed the transition  
from a perpetual License model to  
a Subscription model



A major player in life insurance in  
the United States...

Axway successfully and rapidly  
deployed and integrated MFT,  
leading to several extensions



A major automotive equipment  
manufacturer in Europe....

Axway extended its presence to  
offer Managed Services in the Cloud



# Reinforcing our Go-To-Market approach



Go-To-Market

- Digital presence
- HIP evangelists team
- Sales Specialists
- Inside Sales / Mid-Market Team

**+130%**

Traffic on  
Axway.com

**+300%**

Traffic on  
Axway Blogs

**30**

New Mid-Market  
Logos

# Customer Success is Axway's Success



## Customer Loyalty

- Proximity and collaboration
- Supporting customers in their digital transformation
- Co-Innovation with customers & partners

**40**

User Events  
Worldwide

**700**

User  
Members

**1,500**

Online Community  
Members

**30**

Customer Success  
Managers

# 2019 Launch



# Targets & Ambitions



Patrick Donovan  
Chief Executive Officer



... custom stitching and price cheaper than anywhere else. Peppermint.com is raising the bar exponentially. You will receive a receipt with a barcode.

# Targets & Ambitions

- 2019 Return to organic growth, continuing into 2020, enabling Axway to achieve targeted revenue of around €300 million (« stable vs. 2017 »)
- 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



# Q&A Session

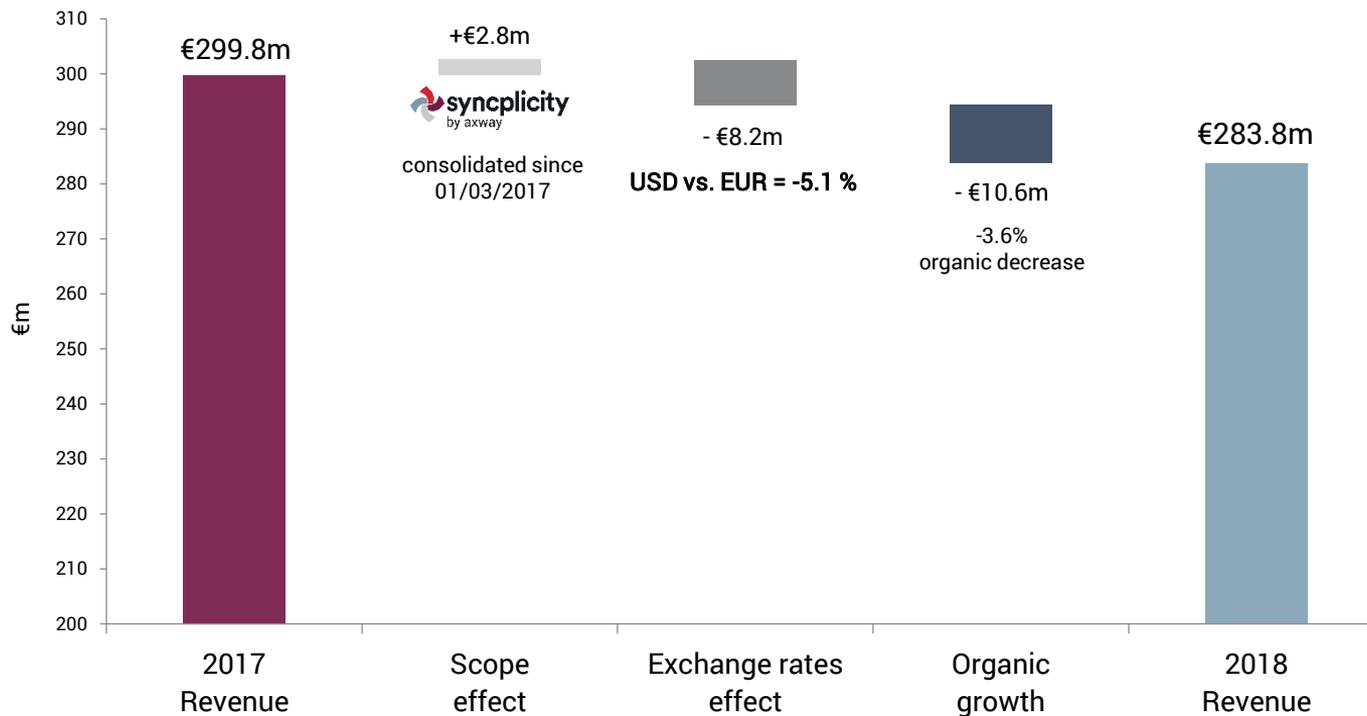
*Microphones are at your disposal*



## Appendices



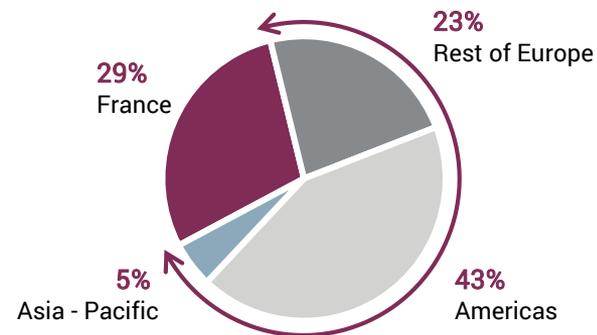
# Full-Year 2018 - Change in revenue



# 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%
<b>Axway</b>	<b>283.8</b>	<b>294.4</b>	<b>299.8</b>	<b>-5.3%</b>	<b>-3.6%</b>

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

- 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
<b>Equity at Beginning of Period</b>	<b>344.1</b>	<b>374.8</b>
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
<b>Equity at End of Period</b>	<b>362.7</b>	<b>344.1</b>

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

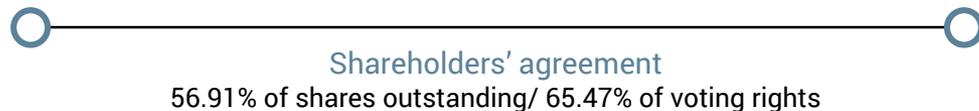
→ Basic earnings per share of €0.52 in 2018 compared to €0.21 the previous year

# 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
<b>Axway</b>	<b>1,848</b>	<b>1,780</b>	<b>1,839</b>

→ Recruitment stepped up significantly in the second half of 2018

# Shareholding structure at 31/12/2018



21,225,381 Shares outstanding  
34,625,816 Voting rights

# 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.