

# 2019 Half-Year Results

**Analyst Conference - July 25, 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 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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# 2019 Half-Year Results

## Agenda



Patrick Donovan  
Chief Executive Officer



Roland Royer  
Chief Customer Officer

**1** - 2019 Half-Year Financial results and Operating position

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**2** - Update on the transformation project

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**3** - Customer Success Organisation

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**4** - Targets & Ambitions

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**5** - Q&A Session

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# 2019 Half-Year Financial results and Operating position



Patrick Donovan  
Chief Executive Officer



# 2019 Half-Year - Income Statement

*In millions of euros*

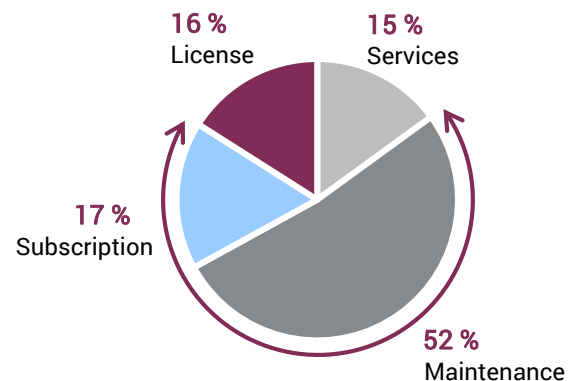
	H1 2019		H1 2018	
<b>Revenue</b>	<b>138.6</b>		<b>134.9</b>	
Cost of sales	45.9		42.8	
<b>Gross Profit (% of Revenue)</b>	<b>92.6</b>	<i>66.8%</i>	<b>92.1</b>	<i>68.3%</i>
Operating expenses	90.2		79.8	
<i>of which Sales and marketing</i>	<i>44.3</i>		<i>39.0</i>	
<i>of which Research and development</i>	<i>32.6</i>		<i>26.8</i>	
<i>of which General and administrative</i>	<i>13.3</i>		<i>14.0</i>	
<b>Profit on operating activities</b>	<b>2.5</b>	<i>1.8%</i>	<b>12.3</b>	<i>9.1%</i>
<b>Profit from recurring operations</b>	<b>-2.7</b>	<i>-1.9%</i>	<b>7.8</b>	<i>5.8%</i>
<b>Operating profit</b>	<b>-3.0</b>	<i>-2.1%</i>	<b>5.0</b>	<i>3.7%</i>
Income taxes	-1.9		-0.2	
<b>Net profit (% of Revenue)</b>	<b>-6.1</b>	<i>-4.4%</i>	<b>3.9</b>	<i>2.9%</i>
Basic earnings per share (in €)	-0.29		0.18	

- Stable organic\* revenue, growth of 2.7 % in total
- In line with budget, profit on operating activities of €2.5m (1.8% of Rev.) due to the planned acceleration in operating investments
- Net profit of -€6.1m or -€0.29 per share

# 2019 Half-Year - Revenue by Activity

[€m]	H1 2019	H1 2018 Restated*	H1 2018 Reported	Total Growth	Organic Growth*
License	21.8	24.3	23.8	-8.3%	-10.3%
Subscription	23.1	19.7	18.8	23.1%	17.2%
Maintenance	72.1	71.7	69.9	3.1%	0.5%
Services	21.5	23.1	22.5	-4.3%	-6.8%
<b>Axway</b>	<b>138.6</b>	<b>138.9</b>	<b>134.9</b>	<b>2.7%</b>	<b>-0.2%</b>

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



**69% Recurring revenue**  
vs. 61.0% in H1 2018

- Significant growth in Subscription revenue
- Resilience of the Maintenance activity
- Decrease in License and Services activities
- Increase of 8 points in the Group's share of recurring revenues to 69% of total revenue

# Focus on License and Maintenance activities in the first half of 2019

[€m]	H1 2019	H1 2018 Restated*	H1 2018 Reported	Total Growth	Organic Growth*
<b>License</b>	<b>21.8</b>	<b>24.3</b>	<b>23.8</b>	<b>-8.3%</b>	<b>-10.3%</b>
<i>of which Q1 19</i>	<i>9.1</i>	<i>8.5</i>	<i>8.2</i>	<i>11.0%</i>	<i>6.7%</i>
<i>of which Q2 19</i>	<i>12.7</i>	<i>15.8</i>	<i>15.5</i>	<i>-18.0%</i>	<i>-19.5%</i>
<b>Maintenance</b>	<b>72.1</b>	<b>71.7</b>	<b>69.9</b>	<b>3.1%</b>	<b>0.5%</b>

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

- 10.3% organic decrease in License activity in the first half of 2019, due to weaker sales momentum in the second quarter after a first quarter of growth
- Resilience of the Maintenance activity in line with previous announcements and the Group's medium-term ambitions

# 2019 Half-Year - Signatures tracking

[€m]	New Signatures Value	Weighting Factor	Weighted New Signatures
License	21.8	1x	21.8
New Subscription (ACV*)	3.5	3x	10.6
Half-year 2019 Weighted Signatures			32.4
Organic Growth*			-15.4%

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

- New ACV down 25.5% organically
- Signatures metric down 15.4% organically
- The interest generated by the Group's new offers, combined with investment efforts dedicated both to strengthening the sales force and marketing, should allow a gradual reacceleration in new signatures as we move into 2020



# Main Balance Sheet items at 30/06/2019

Cash and equivalents

**€32.3m**

vs. €35.8m at 31/12/2018

DSO

**61 days**

vs. 63 days at 30/06/2018

Total Assets

**€569.5m**

vs. €553.8m at 31/12/2018

Net debt

**€12.3m**

vs. €10.2m at 31/12/2018

Current deferred revenues

**€85.6m**

vs. €75.2m at 31/12/2018

Total Equity

**€356.4m**

vs. €362.7m at 31/12/2018

# Cash flows & Covenants at 30/06/2019

*In millions of euros*

	30/06/2019	30/06/2018
<b>Net profit for the period</b>	-6.1	3.9
<b><i>Change in operating working capital requirements</i></b>	<b>3.0</b>	<b>16.0</b>
Net cash from operating activities	8.6	25.5
<b><i>Free cash flow</i></b>	<b>4.7</b>	<b>21.8</b>
Net cash used in investing activities	-4.5	-3.2
Net cash from (used in) financing activities	-7.8	-2.5
<b>Net change in cash and cash equivalents</b>	<b>-3.6</b>	<b>19.4</b>
Opening cash position	35.8	28.1
<b>Closing cash position</b>	<b>32.1</b>	<b>47.5</b>

→ Free cash flow of €4.7m at 30/06/2019

	30/06/2019	31/12/2018	30/06/2018
<u>EBITDA</u> Cost of debt (covenant > 5)	45.2	45.2	101.4
<u>Net debt</u> EBITDA (covenant < 3)	0.47	0.31	0.02
<u>Net debt</u> Equity (covenant < 1)	0.03	0.03	0.00

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

# Update on the transformation project

Patrick Donovan  
Chief Executive Officer

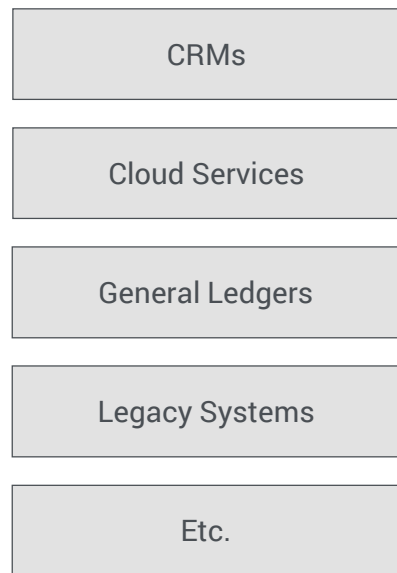


# BECOME A MARKET LEADER IN HYBRID INTEGRATION PLATFORMS BY THE END OF 2020

“By 2022, Gartner predicts at least 65% of large organizations will have implemented an HIP” <sup>(1)</sup>

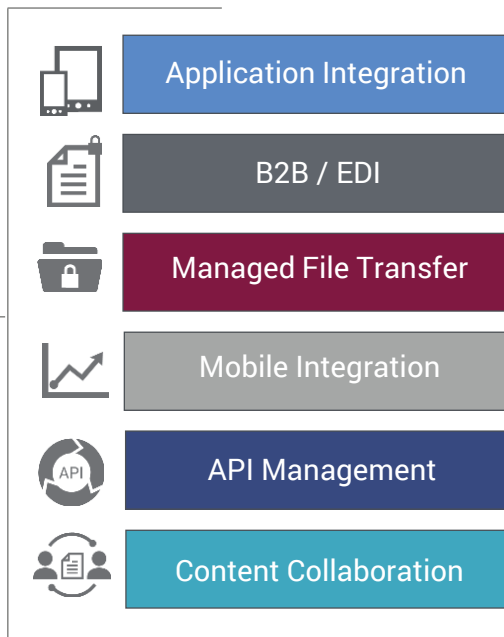
# AMPLIFY™: Roadmap to the future of integration

## Endpoints



**AMPLIFY™**  
**Unified Catalog**

## AMPLIFY™ Products



# Transformation project

Upgrading the product portfolio



Strengthening the management team and engaging employees



Implementing a structure adapted to changes in the business model

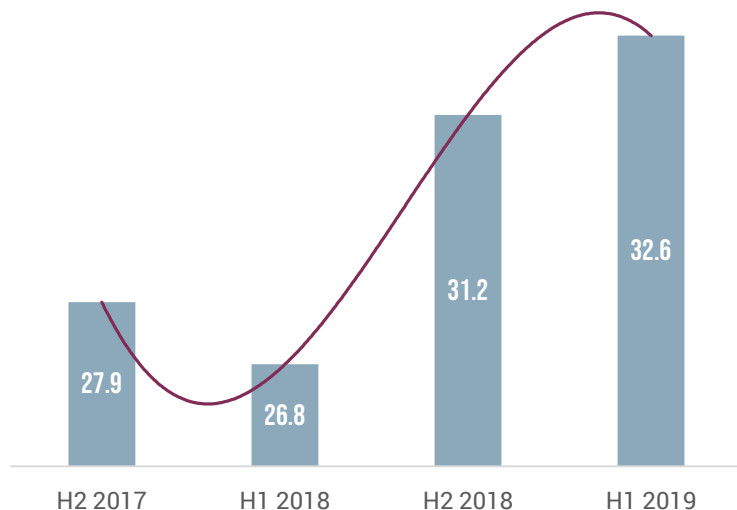


Increasing awareness and sustaining a growth dynamic

**IN PROGRESS**

# AMPLIFY™: Continued investments, Strengthened offer

R&D Investments (€m)



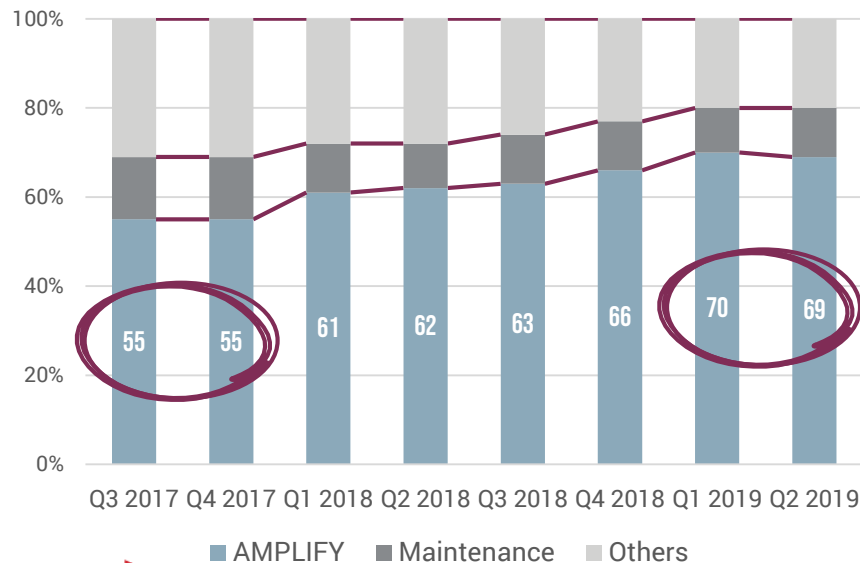
Component	Availability
Application Integration (IPaaS)	✓
API – Build & Orchestrate	✓
MFT – Service enrollment	✓
B2Bi – Partner enrollment	✓
Microservice Mesh Management	Public Beta
Choreography (ACE)	Public Beta

## Advancing our innovation

- R&D investments up 22% between H1 2019 and H1 2018, stabilization and decrease expected in the coming quarters
- Rationalization of the portfolio and strategic priorities
- Significant improvement in attrition in the R&D workforce (20% decrease between H1 2019 and H1 2018)

# AMPLIFY™: Continued investments, Strengthened offer

Allocation of R&D resources (%)



## AMPLIFY™ INVESTMENTS

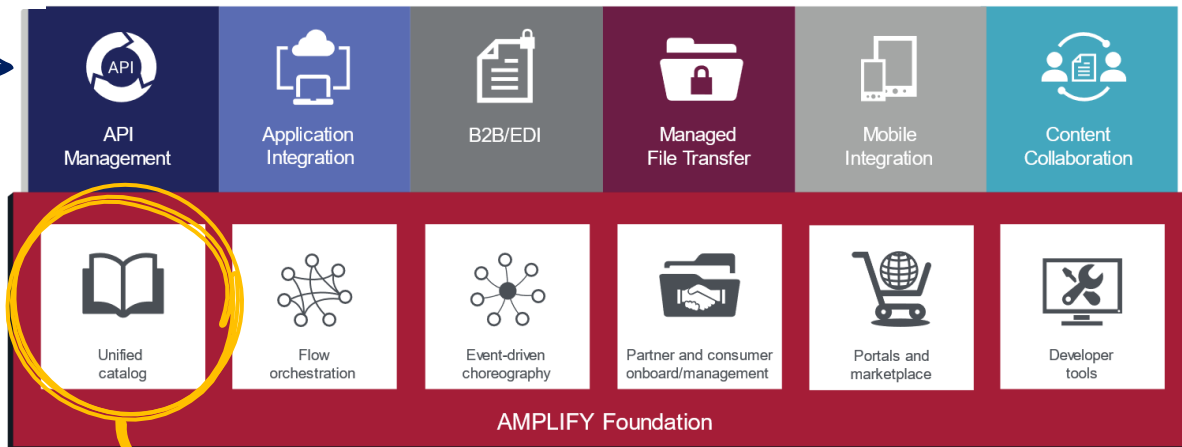
up + **49 %** vs. H2 2017

- Launch of the new AMPLIFY™ components at the end of March 2019
- Integration of Streamdata.io and launch of AMPLIFY™ Streams in June 2019
- Investments in MFT and API assets to maximize the capabilities of the HIP platform
- Strengthening of the HIP and UX in progress



# AMPLIFY™: Continued investments, Strengthened offer

 streamdata.io



AVAILABLE



since  
April 2019

**UNIFIED CATALOG  
FOR MULTIPLE INTEGRATION PATTERNS**

# Better Together

## Strengthened management team

- Appointment of D. Fougerat, EVP Human Resources and C. Allmacher, Chief Financial Officer
  - Entry into function of 3 new business leaders in Europe, the United States and the Asia-Pacific region
  - Creation of a dedicated Go-to-Market team, supported by product experts
- 

## Renewed employee engagement

- Training and enablement through Axway University 2.0
- Quarterly satisfaction surveys and enhanced dialogue with the management team
- Implementation of a free share grant plan for all employees with a vesting date of 2022

→ Attrition down 33% in H1 2019 compared to H1 2018

# Customer Success Organisation



Roland Royer  
Chief Customer Officer



# Customer Success Organisation



## Organisation

### New Regional Leadership

- Asia-Pacific (January 2019)
- USA (April 2019)
- Europe (July 2019)



## Customer Success

### Evolve our Customer Success Management Team

- Accelerate our Customer Success Management practices
- Grow and expand Inside Sales



## Go-To-Market

### Strengthen Go-To-Market leadership, processes and focus:

- API First approach
- API GM / EVP Go-To-Market
- Evangelization

# Go-To-Market – Axway Catalysts Team and Offerings



## **Axway Catalysts**

A team of trusted advisors who help customers make digital strategy, design and technology decisions



## **Thought Leadership**

Proactive outreach and value delivery to the API Community through keynote presentations, networks of knowledge and workshop facilitation

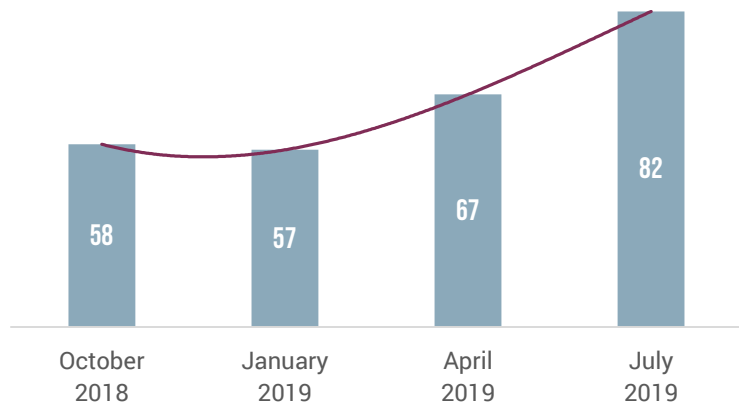


## **Axway Accelerate**

High-impact consulting services to enable Integration Strategy, Digital Transformation, API Lifecycle Design and Continuous Delivery

# AMPLIFY™ API Management : Pipeline and Successes

APIM Pipeline trends (€m)



- Sales and Marketing investment up 14% between H1 2018 and H1 2019
- APIM Pipeline growth of 40%



Competitive win to drive a critical API implementation for a European Satellite program

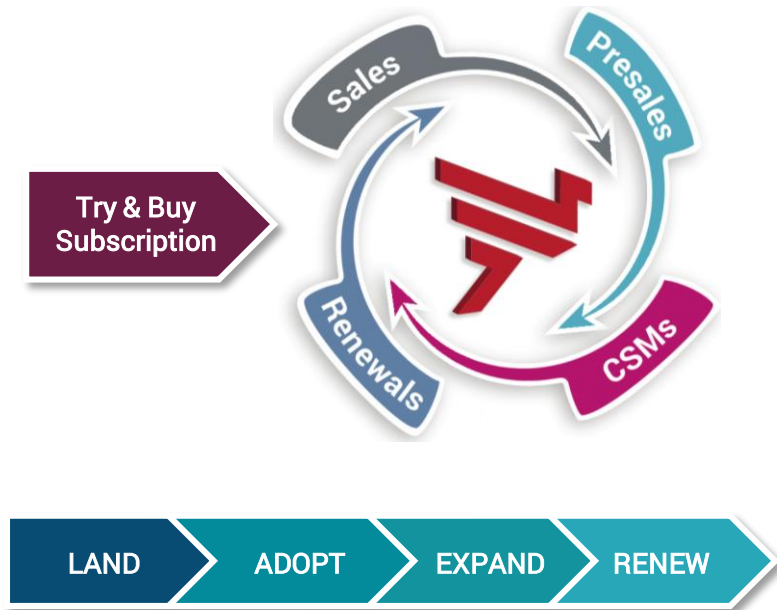


PSD2 compliance and creation of new commercial channels for a major European bank



Extension of Axway's APIM and MFT offerings to all data movement for one of the largest healthcare systems in the United States

# Market Shift to Subscription



- Transition to subscription accelerating across all verticals and regions
- Significant increase in number of subscription transactions between H1 2018 and H1 2019
- Large subscription deals are taking much longer to execute as customers “learn” new processes and delivery models

# Our customers' success is our success



## Mission Critical

Axway Solutions at the heart of our customers' strategic business outcomes



## AMPLIFY™

Flexible solutions to secure and transform critical business processes while protecting past investment



## Customer Centric

Serving our customers as a valued, strategic partner  
"From Start to Forever"



# Targets & Ambitions



Patrick Donovan  
Chief Executive Officer



# Targets & Ambitions

- 2019 Return to organic growth, continuing into 2020, enabling Axway to achieve targeted revenue of around €300m
- 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

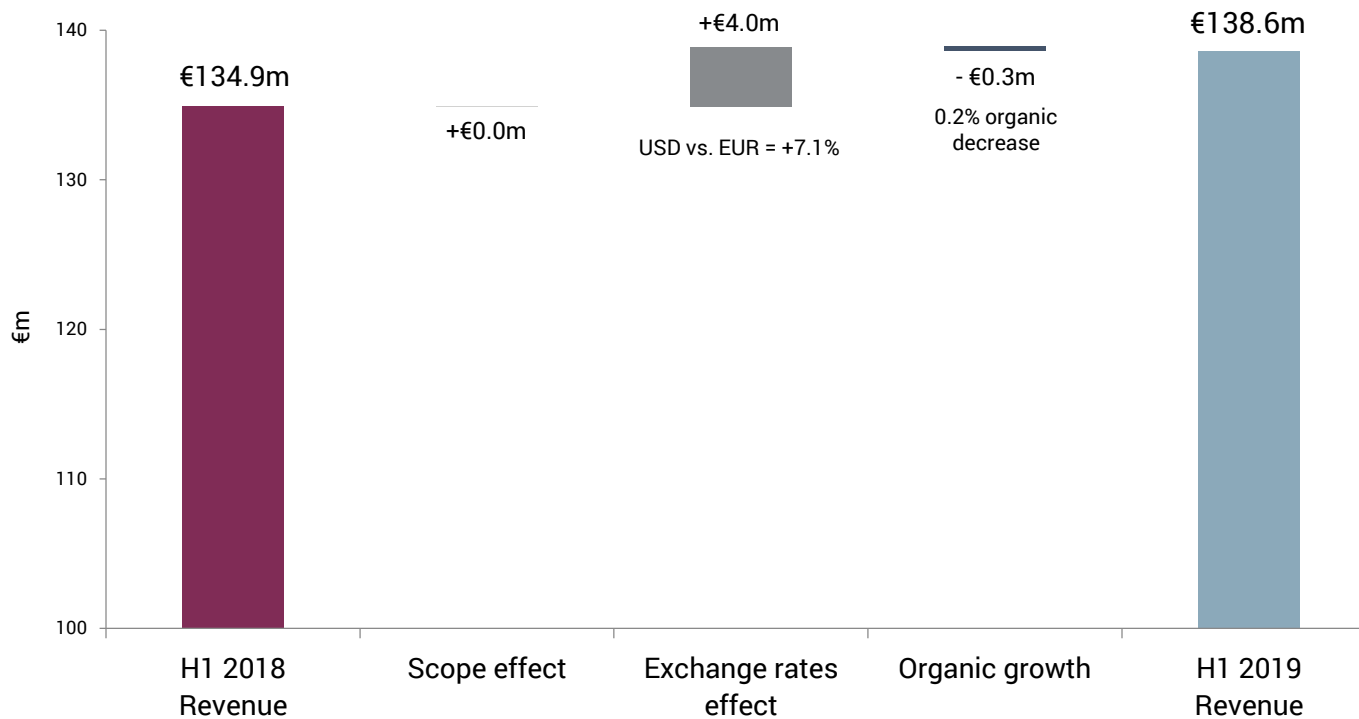
*Microphones are at your disposal*



## Appendices



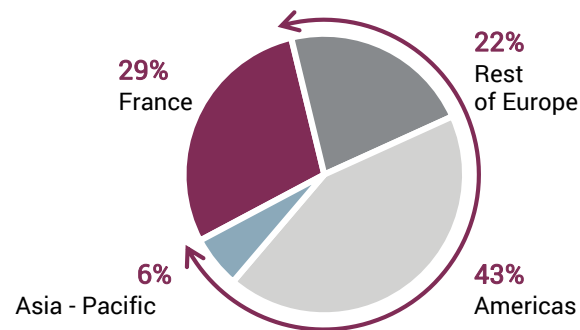
# Half-Year 2019 - Change in revenue



# Half-Year 2019 - Revenue by Geography

[€m]	H1 2019	H1 2018 Restated*	H1 2018 Reported	Total Growth	Organic Growth*
France	40.8	37.2	37.3	9.3%	9.6%
Rest of Europe	31.0	32.4	32.4	-4.4%	-4.4%
Americas	59.4	62.3	58.4	1.7%	-4.7%
Asia / Pacific	7.5	7.0	6.8	9.9%	7.2%
<b>Axway</b>	<b>138.6</b>	<b>138.9</b>	<b>134.9</b>	<b>2.7%</b>	<b>-0.2%</b>

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71 % of revenue generated outside France, stable on H1 2018

# Simplified Balance Sheet at 30/06/2019

<i>In millions of euros</i>	<b>30/06/2019</b>	<b>30/06/2018</b>
<b>Assets</b>		
Goodwill	347.2	339.5
<b>Non-current assets</b>	<b>446.0</b>	<b>424.0</b>
Trade receivables	52.8	55.6
Other current assets	38.4	30.3
Cash and cash equivalents	32.3	47.6
<b>Current assets</b>	<b>123.5</b>	<b>133.5</b>
<b>Total Assets</b>	<b>569.5</b>	<b>557.5</b>
<b>Equity and Liabilities</b>		
<b>Equity</b>	<b>356.4</b>	<b>353.9</b>
Financial debt - long-term portion	61.6	45.4
Other non-current liabilities	10.5	8.9
<b>Non-current liabilities</b>	<b>72.1</b>	<b>54.2</b>
Financial debt - short-term portion	11.4	5.6
Deferred Revenues	85.6	94.4
Other current liabilities	44.0	49.4
<b>Current liabilities</b>	<b>141.1</b>	<b>149.3</b>
<b>Total Liabilities</b>	<b>213.1</b>	<b>203.6</b>
<b>Total Equity and Liabilities</b>	<b>569.5</b>	<b>557.5</b>

- High cash position of €32.3m
- DSO of 61 days, compared to 63 days at 30/06/2018
- Bank debt of €44.6m, Net debt of €12.3m
- Current deferred revenues of €85.6m

# Changes in equity and Earnings per share at 30/06/2019

*In millions of euros*

	30/06/2019	30/06/2018	31/12/2018
<b>Equity at Beginning of Period</b>	<b>362.7</b>	<b>344.1</b>	<b>344.1</b>
Profit for the period	-6.1	3.9	11.0
Dividends	-	-	-4.2
Capital increase	0.2	0.2	0.2
Other	-1.3	0.4	1.0
Foreign exchange translation adjustments	0.9	5.3	10.7
<b>Equity at End of Period</b>	<b>356.4</b>	<b>353.9</b>	<b>362.7</b>

*In €*

	30/06/2019	30/06/2018
<b>Net profit for the period</b>	<b>-6.1</b>	<b>3.9</b>
Weighted average number of shares excluding treasury shares	21.23M	21.22M
<b>Basic earnings per share</b>	<b>-0.29</b>	<b>0.18</b>
Theoretical potential weighted average number of shares	21.90M	21.84M
<b>Diluted earnings per share (in €)</b>	<b>-0.28</b>	<b>0.18</b>

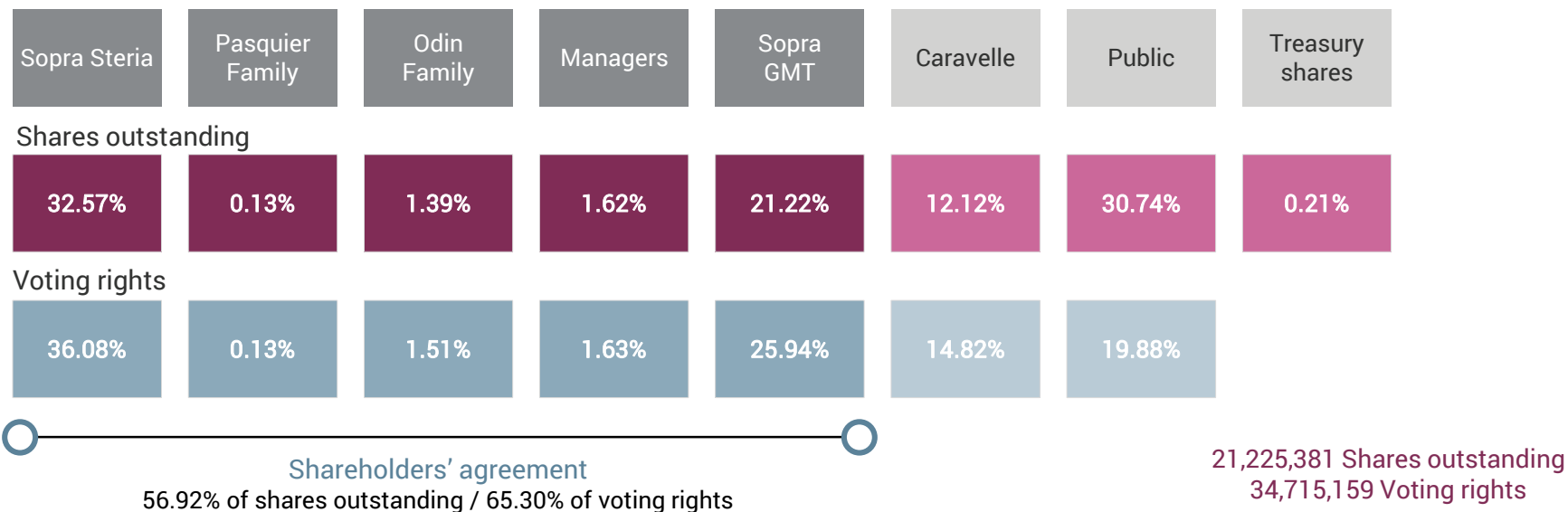


# Half-Year 2019 - Headcount

	30/06/2019	31/12/2018
France	452	468
Rest of Europe	827	771
Americas	542	537
Asia - Pacific	67	72
<b>Axway</b>	<b>1,888</b>	<b>1,848</b>

→ Additional recruitment in the first half of 2019

# Shareholding structure at 30/06/2019



# 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 a subscription agreement.
- TCV: Total Contract Value – Full value of a 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.