

**Axway Software SA 2015 Full Year Results Live Webcast Video**  
**February 25, 2016**

**Corporate Speakers**

C: Jean-Marc Lazzari; Axway Software SA; CEO

C: Patrick Donovan; Axway Software SA; CFO

C: Patrick Gouffran; Axway Software SA; EVP, Corporate Secretary, and IR

**PRESENTATION**

Operator Good afternoon, ladies and gentlemen, and welcome to the Axway Full Year Results Live Webcast Video.

This presentation will last around 60 minutes including the Q&A session. The presentation includes forecasts subject to risks and uncertainties. This may have an impact on the company's future growth and profitability.

The Group stresses that the signature of these licensed contracts, which often represent a huge investment for clients, are more significant in the second half of the year and may therefore induce a more or less favorable full year performance.

Today's presentation will be held by Mr. Jean-Marc Lazzari, Chief Executive Officer; Patrick Donovan, Chief Financial Officer; and Patrick Gouffran, IR Officer of Axway.

This presentation will be followed by two question and answer sessions from the conference call and from the webcast. Webcast participants may submit their question by just typing it in the Ask a Question feature above the slide window on the webcast player page. Telephone participants may ask a question by pressing star one on their telephone keypad. As a reminder, today's conference is being recorded.

At this time, I would like to hand the call to Mr. Jean-Marc Lazzari. Please go ahead, sir.

Jean-Marc Lazzari Thank you. Good morning and good afternoon, everyone. I'm very pleased to welcome you in the 2015 earning call. I'm here with my colleague, Patrick Donovan, our CFO, Patrick Gouffran, our Investor Relationship as usual, and here is the agenda we're going to cover.

I'm going to start by covering 2015 analysis. Of course, Patrick will go through the accounting and the financial results. I'll come back on our positioning and the progress we've made on the strategy, and then Patrick Gouffran will manage Q&A session for us.

First of all, I want to apologize. I've suffered a little bit of the jet lag going back from Phoenix, but also experienced a pretty deep temperature difference where I've managed to catch a cold. So you may hear my voice going up and down as we go forward.

Let me start by talking a little bit around the key fact of 2015. Obviously, I consider those results as being very solid I mean because of the transformation and the deepness of the changes we've done in that year. First of all, the change, which basically personally affected me was I took over a little over eight months ago, I was appointed in June, so the change of the CEO in a company is always something extremely important. Following that change, we embark on rethinking the strategy and repositioning the company toward the digital enablement of our customer. We're going to help them. We want to be the partner of choice during their digital journey and that also is triggering a lot of change.

The first of all was a major transformation plan was started in July covering GPS, the product and the offering organization where we did restructure, reorganize the whole organization. We hire a new head, Jeanine Banks, and she joined us a little over six months ago. We also transform completely our marketing organization where we now differentiate very clearly a digital marketing organization covering our digital engagement layer as well as a more traditional marketing organization.

We also engage, which is a little longer transformation, a transformation around our services where I told you last time we are going to focus the services that we do with our customer around strategic services letting room for our partners to do the implementation of the traditional work that we do in our customer to implement our product.

Last, but not the least, we did a major regroupment of facilities and labs in term of the R&D organization resulting in not only some restructuring, but also some change in processes and governance. So a lot of changes that happened in the past six months.

The other major transformation embarking and exhibiting on our strategy is the new positioning and the engagement initialization that we've done with our clients, which as a result [start] to position our engagement product and offering at the front hand of the tip of the arrow of the growth and you will see that in a minute. And, of course, lastly, even though that was a very early 2016 event we made the acquisition of the company, Appcelerator, which obviously is another indicator of how deep and how fast we are executing on that new strategy.

If you look 2015 in a nutshell, I would like to notice four main elements. The first one is a new repositioning of our U.S. market as being the prime and the delivered market and the focus market for the coming years. And as you see on that slide, the U.S. made the significant turnaround, and you will see are showing some growth since many year where we were decreasing our business; so significant change in the position and in the growth indicator in North America.

Our API and OI business, which is basically the fundamental cornerstone of our digital offer, made significant progress, too, in term of not only leading the growth of the

offering, but also now representing around 25% of our licensed revenue. We've made a 44% growth of our Cloud revenue and kind of getting to the 10 million range now. This is extremely important to show that we've been focusing on not only getting our product Cloud ready but also implementing with customers new approach and implementing out of the unplanned traditional approach that we've had.

Of course, we had as you probably read in the press release, an issue in our Q4 specifically in France and more specifically on the license revenue. I want to share with you the explanation around that. We've had after the Q3 profit warning last year and extraordinarily strong Q4 specifically in France that Q4 revenue specifically on the license side was made of a certain number of traditional transactional deal, but also a pretty significant number of very large deal, multi-year deal. If I only take two of them, it would account for more than 8 million in that numbers, and that performance we have not been able to reproduce in Q4 for France, which obviously indicates and explains most of the drop in France as well as the shortage of license revenue that we've had.

On the 2015 key figure, let me first highlight the total growth of 8.8%. We've reached a revenue of EUR284.6 million, which is an organic flat revenue year-on-year. We've managed our cost extremely well. We've managed to get EUR44.5 million of profits from business activity, which is a growing profit versus last year establishing the 15.6% of the revenue, and we've managed to stabilize our net profit. Patrick will go in more detail in a minute even though for the net profit you noticed last time that we had a significant restructuring charge.

On the revenue by activity, we normally break down that revenue by license, maintenance, and services. You can see first of all that our software revenue is flat year-on-year. We've mentioned that drop in the license revenue of around 6.7% reaching EUR80.5 million of revenue. Our maintenance revenue grew 4.3%, EUR137.7 million. And you can see here that our services even though we were moving to more strategic services, which obviously have an impact potential on the service top line, our service business have been stabilized at EUR66.4 million of revenue in 2015. Overall, EUR284.6 million organic flats year-on-year revenue for Axway.

If you look at the revenue per region here, you see by the number highlighted. You see the effect of our French business almost 100% of the -7% on the license revenue is coming from the weak Q4 in the French business driven by the 2014 exceptional large deal that we've signed. Basically, you see also the other significant number.

In the Americas, our total revenue grew 3%, which again is something we didn't see since many, many year. Comment is we are still very underpenetrated so expect us to keep focusing on that market. Our APAC business has done extremely well specifically in Australia. That is mainly driven by the digital business. We've got a very strong appetite of our clients here, and you see the same number than shown in the previous slide but this time broken by region.

To conclude that first phase of key highlights of 2015, a very resilient, very strong business across balance between the revenue stream. Something to notice in 2015, the U.S. became the biggest region of Axway with 39% of the revenue as you can see on the left-hand side, slide, taking over leadership in term of size to France with 33%.

Something important that you see on the second pie chart on the right-hand side is a breakdown between our license service and maintenance. The services revenue contained, our current prior to Appcelerator acquisition contained our Cloud business. So if I look at that Cloud business and the recurring business we've crossed in 2015 also for the first time is above the 50% of recurring business overall for Axway.

So those are the key highlights for 2015. I'm going to now hand over to Patrick to give us more detail and more flavor around that. Patrick?

Patrick Donovan Thanks Jean-Marc. So Jean-Marc said, our total revenue grew 8.8% from EUR261.6 million for 2014 to EUR284.6 million for 2015. On the organic basis or like-for-like basis, the revenue was flat year-over-year. Our 2015 revenue sales included 4.5 million of one additional quarter of Systar revenue and the remainder of the gap was made up with the very strong U.S. dollar as compared to the euro.

Our gross margins remained constant over the three periods, you see on your screen at 70%. Although in 2015, it did improve on the absolute value. Our total operating expenses were EUR153.8 million, up just over EUR10 million from the EUR143 million in 2014. Besides the additional one quarter of Systar expenses and the foreign currency effect, we did additionally spend to boost off our R&D and our sales and marketing activities aligned with our strategy.

Our profit on operating activities finished at EUR44.5 million up from the EUR39.7 million at the end of 2014. This represents 15.6% of our revenues for 2015 versus 15.2% at the end of 2014. You see our amortization from intangible assets increased to EUR6 million. This takes into account the full year of the amortization of the Systar assets acquired in April of 2014.

Our other income and expenses is a restructuring charge that we went through in detail at the first semester's presentation as we rationalize our R&D and our sales efforts around the areas that are aligned with our strategy and the products are growing. And we invested in some areas where the profit revenue was stable or dropping. This resulted in an operating profit of EUR27.4 million down slightly from the EUR31.3 million in 2014, but mostly impacted from the EUR10.5 million of restructuring charges.

We had income tax benefit in 2015 of EUR2.1 million. This is the result of two factors. First, we were able to release another EUR6.3 million from our deferred tax assets in the U.S. due to the profitability of our U.S. market. And additionally, the income tax for Axway based on the taxable income in each country was primarily in low tax countries for us. And that percentage was about 90% for 2015, which almost was a doubling of the 2014 impact.

Net profit finished at EUR27.9 million or 9.8% of our revenues for 2015 as compared to EUR26.7 million or 10.2% in 2014. Our earnings per share increased to EUR1.35 in 2015 versus EUR1.29 in 2014.

Now, I'll move on to a few comments on our balance sheet. Our increase in goodwill to EUR251.8 million at the end of 2015 was almost completely the impact of the strong U.S. dollar. Our cash ended strong at EUR44.7 million, which was almost flat to the 2014 closing at EUR44.6 million. Additionally, our accounts receivable dropped by EUR11 million to EUR73.9 million or 85 DSOs, days sales outstanding, versus 105 DSOs at the end of 2014.

Our shareholders equity finished at EUR340.6 million up from the EUR298.5 million at the end of 2014. We've concluded 2015 with no borrowings under our EUR125 million euro revolving facility, although we did have approximately 5 million of borrowings from other bank facilities we have in place. Our other current liabilities include EUR67 million of deferred income versus EUR62 million at the end of 2014.

Our movements in equity for 2015 include the profit of EUR27.9 million. It also included the EUR8.2 million dividend we paid in July of 2015 or EUR0.40 per share. And we took a strong translation difference of EUR19.5 million, which was quite comparable with the strong translation difference. We also took of EUR20.3 million in 2014. Our equity at the end of the period was EUR340.6 million.

Our operating cash flows, our operation cash generated from operating activities was EUR49.6 million for fiscal year 2015, quite stable with the EUR47.3 million generated in 2014. This was impacted by our positive change in working capital requirements of EUR13.3 million. This is the result of the drop of EUR11 million in our trade accounts receivables as well as the monetization of EUR8 million of our credit input research or research tax credit here in France.

Overall, we finished the year basically flat in our movement for cash. Our free cash flow was EUR44.5 million in 2015 or EUR41 million for 2014. At the end of 2014, we had EUR45 million of borrowings, which were fully paid off as you see in this table in 2015.

As we ended 2015 in the net treasury position of EUR35.7 million, all our financial covenants are easily met. I do point out our main covenant is our leverage ratio, which were to be at below three. And as I said before, with net treasury, we have no problem hitting that ratio.

We did take the opportunity this year to exercise right we have under our revolving credit facility, which allowed us to extend the EUR125 million line for another year. So now we have this line available to us through mid 2020. As you could see our shareholder structure remained stable, and we had approximately 20.8 million of shares outstanding at the end of 2015.

So, in summary, our total revenue grew 8.8% to EUR284 million. We grew our results from operating activities to 15.6% of our total revenues from 2015, and we had a solid ending cash balance of EUR45 million, which was well above our Q3 guidance.

And with that, I will hand it back to Jean-Marc.

Jean-Marc Lazzari Thank you Patrick. As said, those are solid result taking into account the level of changes, the level of transformation we've done in the company.

I want now to focus a little bit on giving you an update around our strategy and the positioning that we've taken and started to highlight Q4 last year. I will give a little bit mid-term perspective as well as an update on Appcelerator, the company we just acquired.

First of all and the demand is confirmed everyday with our customers, our positioning, our new positioning looking at helping our clients serve their digital journey is day in, day out, as I said, confirmed by the clients. You see here a survey from Accenture showing that in the course of the next three years close to 30% of the revenue of our client will be generated by digital application. So think about what it means for them now and how fast they should go to put in place and they should embark in that digital journey transforming their current traditional business to a more digital one.

The second point, which I want to mention, is you've got here [PWC] statistic, which basically would turn out that the major disruption CIO sees in the digital business are around mobile, big data, cybersecurity, and you see that the Cloud is only coming in the sixth position in term of their concern, very important. Those are the drivers for change in the digital environment.

If you mix IoT, Internet of Things, mobile, big data and Cloud, you'll hear all the ingredients, which are triggering the change that our customers require and of the fact that we can enable their digital journey more rapidly.

The positioning that we mentioned last time obviously didn't change. We truly believe that Axway is here to help enabling the digital business of our customer connecting people, processes, and things while governing data flow, governance of data flow is still extremely important as we see data flows. They'll multiply exponentially by the arrival of the digital. So that positioning is absolutely well received by customer. They totally understand what we speak as we get right where their concerns are.

We started that journey almost six months ago and I mentioned last time we discussed something around that bimodal organization. Our customers are looking at putting in place a bimodal approach. We have put in place a bimodal approach within Axway 2, and it started of course by having that integration foundation and that ecosystem engagement portfolio, dual portfolio to sustain a mobile, which require a very different approach. One is very specifically around the on-prem, the other one would be as a service. We'll cover that in a minute. But you can see here that we started in the

organization of products and offering to structure the organization as well as the offerings around those two pillars of our approach.

As we work with newly family members joining us, Appcelerator, we are improving and announcing that bimodal. We have a lot of occasion to witness the different way you have to handle and manage the business where I was discussing with the Appcelerator team the other day and they were mentioning that typically from the traditional way of maintaining software in the Axway pre-environment in what we call that integration foundation where you have R&D, you have testing, and then you've got maintenance very clearly for the Appcelerator words, which will be obviously on the ecosystem engagement layer. Most of the maintenance is done by the community of developers and only a very limited percentage of what is done on the maintenance of the product is done by actually the maintenance and the support organization. So another way to talk about that bimodal.

Sales, I mean Nick Ferrante, our Global Head of Sales, is actually putting in place another bimodal approach for the go to market where we absolutely want to leverage and utilize our Appcelerator platform where you can basically go auto procure, auto buy, pay, and use immediately pieces of software, pieces of assets, and of course, we've got the traditional go-to market design for price [line]. So, again, there, a bimodal approach where one is not ignoring the other one, one is feeding the other. Every time somebody goes on the Appcelerator platform and procure and buy some pieces of software, it does generate a potential lead for Nick's commercial teams to go after a client who probably is embarking in that strategic digital journey.

So bimodal, more to come on that. It has to be clearly finalized and it's a moving animal. I mean we are working with our client to establish what is the best bimodal in the time of the digital.

You remember the first version of the Axway house. I want to go back on that one. This is a more modern house. It looks like a little more green and a little more flashy in term of the colors. The important point here is now not only after the Cloud readiness work that we've done in the investment, we've done around our product, but also now with the Appcelerator complimenting some of the offering, we truly can provide the product and the offerings of Axway in a very different approach from the traditional license, maintenance, on-prem installation to the pure Cloud/as a service approach of the different product that we can put to the market so again there, more to come on that.

If I want to cover now a mid-term perspective, this is what the ambition of the team is around the next three years. First of all, we want to double the size of the company. You can translate that different way, but if you think at looking at the revenue we would double the revenue of the company over the next three years, and you can expect us to do that using the two levers of both organic as well as external growth, and I'll let you finalize the numbers. But roughly in a balance way before we look at the 50-50 in term of the type of growth we're going to look in the next three years.

We are going to preserve the margin before acquisition. That is not a true statement when we speak about Appcelerator. We have Mobile business around the next three years including Appcelerator, which explain why we are maintaining the level of current margins from business, factoring the investments that we have to do on the product of Appcelerator mixing them with our current portfolio. So basically that is stable including Appcelerator profit on the three-year as an average. We'll get in some more detail if needed.

We're looking at growing extremely fast our North American business. We take the commitment to have a 20% growth year-on-year on the license and Cloud business. As I stated before, it is still the biggest market close to 63%, 62% of our addressable market. We are totally underpenetrated there even though the good news of 2015 makes the U.S. our biggest geography and fastest growing after Asia Pacific. So we want to grow that U.S. business significantly.

We want to achieve a significant growth at if not above the market as far as our digital business. This is a very clear indicator. You can expect from us. We need to grow that business faster than the market showing that our new strategy, our new positioning is working that is absolutely answering the demand of the clients.

We want of course to do that not at the expense of our very cornerstone traditional French business. Here, we have leaders. We've got a significant market share. We are more under attack than the attacker and obviously we've got a fantastic base of customer to leverage and to upsell to digital things. So it's a goal over the next three years. We want to maintain our leadership and our very strong position in our French business. And of course, but I mentioned that in my first points, we are extremely active at looking at potential opportunity to go externally to complement both our ecosystem engagement layer and that's what we did with Appcelerator, but we're still looking at more technology and more new offerings in that area, but also consolidate our foundation, integration foundation layer. We are looking also in that area in term of M&A. So we've got here the main, our vision for the coming three years.

Points important that we mentioned last time, we have made some more studies around the market. The new addressable market for Axway being both on-prem as a service or in the Cloud, including that digital enablement capacity made of our integration foundation and that engagement ecosystem layers. That market and that addressable market is now significantly bigger. That was around 6 billion that we can look. It's important because obviously we feel that a lot of our competitor will go after the same markets. But I truly believe that we have put in place the first step for us to be successful in addressing that market.

If now we speak about Appcelerator a little more and give you more detail, a lot of it have been said already in the press release when we announced the deal. First of all, we acquired one of the leaders of its market, Appcelerator. You've got here the Forrester ranking Appcelerator is whatever the survey you look, always among the leaders of that specific markets.



The company that we acquired really can do and provide three different types of things. The first one is obviously a leading tool and tool sets to develop mobile apps. Our Titanium product is now probably still the leader in that market. We provide also Appcelerator had a very powerful platform as a service for mobile apps. And then the other functionality where we are actually looking at more synergy with is the analytics part that Appcelerator provide in term of what's happening to the apps, where is it downloaded, how long does it take as well as the whole follow-up that is required in term of mobile apps.

What's very important for us and we are working with the team there to leverage the maximum of that is impressive ecosystem Appcelerator is bringing with the work we've done over the last year. First of all, I mentioned, we've got now a totally enabled platform for our pieces of software to be sold on the Web auto procured and paid directly by the customers. But you see here that we've got an extremely powerful community of developers. Those are the guys who, by community levers, would help solving some of the support issue that we may have with some customer. Seven hundred thousand fifty – 750,000, sorry, developers working on the Appcelerator technology. This is more than 2 billion calls to the platform. This is 300 million of devices running some Appcelerator apps. And that ecosystem is to be leveraged with our enterprise clients, is to be leveraged with the combination of both the offers of Appcelerator as well as the offer of Axway.

If I were to give you a very specific and precise example, which is actually very dear to my heart because it was already an example that we had prior to the Appcelerator acquisition, BMW, which is one of our big clients, actually has a significant presence in the electric car business. Their high e-series is featuring new capacity, and basically this is a race against the leaders of that market being the pure electric players. We had a deal with BMW last year actually to provide with the API layer that we did plug into their system to provide some direct connection on mobile device from the car to the user so you could be drinking your coffee at Starbucks, having your car being recharged, and you see in real time what's happening. Basically the car is connected to mobile where you can pre-heat the car, you can start it remotely and everything.

That was a deal that we did with Axway where our participation for the deal was to provide the middleware platform and the API platform to connect those devices. This would look like that.

Now, we could, with Appcelerator, give a more end-to-end solution to that same problem that the customer is solving by just putting together the only link between the API and the Appcelerator platform but also provide the environment and the tools to develop those apps directly on the device regardless of which standard they are. So, a huge [had] to us. We see a lot of excitements on the customers' side. Obviously Appcelerator was not focused on the large enterprise prior in their initial business model, had a only limited drag go-to-market, which is what Axway is providing. Nick Ferrante's team are absolutely exciting bringing new offerings. And the combination of our Axway and

Appcelerator offering is without any doubt a winner on the market and a significant player in the digital transformation.

I like the Darwin idea. It's not the strongest which will survive in that world, but those who adapt the most. My focus into 2016 as well as for the next three years will be to continue the transformation, continue the alignment to the strategy. There is no doubt what we're looking at the strategy is good, the demand is there, and refers every day to some digital transformation happening everywhere.

I wanted to conclude by giving you few indicators which I think of value to demonstrate that we are clearly executing on that strategy. The first one if you look at the top hand corner of that slide is how we did reroute our resources in R&D. You saw that will slightly increase our R&D. We invested in more R&D as well as we did restructuring and regroup some of the senders I mentioned that. But here you've got here the percentage of resource and acceleration that we've put on specific offers -- obviously community management, obviously API plus 60%. That is to show you that we are walking the talk and investing where we believe we can make a huge difference.

On the top right-hand side, an information that we normally don't share but I wanted to show you that the early stage indicator such like pipeline, those are the current pipeline position are walking the talk and executing the strategy. You see that our biggest pipeline is in the USA, it was about 41% of our global pipeline. As well as you see on the right-hand side the second pie chart that the majority of our pipeline is actually on the digital engagement on the ecosystem engagement served by Appcelerator OI as well as API. That's not to forget that [MFT] is still a significant portion of our business in every geography.

On the top -- on the bottom, sorry, left-hand corner, another indication of we are taking extremely seriously the approach of that bimodal including in the marketing campaign. We are there also walking the talk and talking differently to our existing foundation customer versus our brand new customers and some of the digital. I mentioned to you last time we talked that the demand was roughly one third, one third, one third, one third on the probation with traditional MFT and B2B one third on pure digital by one third mixed together. So there also we want to talk.

And then useless to say that we are transforming the company as fast as we can to reach a digital maturity that can be displayed to our customer and where I can say we are hitting our home fields. And basically we are working under a lot of new tool that first conference being another example of the things we can do digitalized.

So, on that I'm going to conclude the formal part of the presentation. I'm going to hand over to Patrick Gouffran for Q&A session.

## QUESTIONS AND ANSWERS

Patrick Gouffran^ Thank you, Jean-Marc. Before starting for that, so, please, operator can you give us the remainder about the key instruction process for Q&A session?

Operator^ Absolutely, sir. We will now start the question-and-answer session. We will take a couple of questions from the webcast participants first. (Operator Instructions for the call)

Mr. Gouffran, please go ahead.

Patrick Gouffran^ Okay, first question on the, comes from the Internet. The question is about the growth of maintenance. The growth of maintenance in Q4 last quarter of last year was lower than in other quarter of the year. Have you some explanation or some exceptional event for that to explain that. Perhaps, please, Patrick?

Patrick Donovan^ Sure. For Q4 2015, the growth of our maintenance was lower than the prior year. And that was a result of the software license revenue, which the new license revenue provides the new maintenance that builds up Q4. And additionally in the European parameter for Q4 2015, we had a couple important clients who is under maintenance with either the project ending and the life of the project ending, and we also had a significant OEM relationship that came to its natural conclusion during the period which dropped our maintenance (inaudible) in Q4 2015.

Patrick Gouffran^ Okay, thank you, Patrick. Another question from the Internet, it's from an offering perspective in 2016, what will be the main domain which will drive our growth, actual growth, Jean-Marc?

Jean-Marc Lazzari^ Yes. Well, logically, according to the strategy that we've got, the product which will continue driving the growth will be API, OI, and, of course, Appcelerator, and then by result the combination of those three. This is where the demand is and this is where we see the most significant growth on the market. So, intelligence of rational intelligence, API, and then Appcelerator, though we still have some activities in our B2B and MFT business, but I don't expect major growth being driven by those two products.

Patrick Gouffran^ Okay, thank you. Another question from Internet, it's about headcounts. For the first year, the number of employees of Axway decreased. Can you give us an explanation on this subject, Jean-Marc?

Jean-Marc Lazzari^ Yes. So the decrease of headcount, which I think is around 77 in 2015 roughly is mainly due to the rationalization and the work we've done around the R&D centers. [One reason], facilitate the capacity that we have now to regroup some energy around some of the investment that you saw. We can focus now having less

centers, we can focus on putting more resource on a specific subject, and basically that is not taking into account the addition of the organic or -- the inorganic growth particularly with Appcelerator was about 85 people that joined us in January.

Patrick Donovan^ In addition to that, Jean-Marc, we'll, see as we go into 2016, the return of a lot of those employees in our R&D centers as we continue aggressive hiring plans in our critical R&D centers around the strategic product that are part of our digital enablement story.

Jean-Marc Lazzari^ Yes. Actually, it has really more than started because you saw the chart of R&D went up in 2015. We have already rehired in the right place the more relevant and more efficient because we are now forming a critical mass people in the centers like [Dublin] for example.

Patrick Gouffran^ Thank you. Another question comes from the web. It's about Q1. What is your vision, your guidance, your analysis of Q1 in term of sales in one worldwide perspective and specifically in U.S. Jean-Marc?

Jean-Marc Lazzari^ Well, you know, that in years of transformation, we basically don't give guidance, and I don't like to give guidance when we are changing so deeply the business. On top of we've made a choice to make all that transformations without delisting the company. Unlike some others, we want to continue maintaining a decent level of income and revenue as we transform the company.

Now, you've got this way. You've got the pipeline chart showing that we've got coverage to do it a pretty good first quarter. You saw that our pipeline in the U.S. is strong for 41% I don't want to tell you whether it was the quarter pipeline or the full year pipeline, but what was the full years work for Q1. We see a good coverage in both the North American pipeline as well as the rest of the world. Even in France, we have a good coverage. I don't see Q1 as being a quarter that will go out in terms of point versus the curve that we want in the next few years.

Patrick Gouffran^ Thank you. Another question from the web. It's about 2018 ambition plan. So, your 2018 implies a strong increase in the pace of annual organic growth between 2 and 3% over the last two years to almost 15%. Could you provide more details with regard to the way we intend to achieve this very challenging organic growth target?

Jean-Marc Lazzari^ Maybe we can share the answer?

Patrick Donovan^ Sure, I'll start. Our 2018 plans, our three-year plan were really pushing and we're testing a strong growth in our digital strategy. And so, the growth is going to be driven by products like API and OI, and offering hopefully with Appcelerator acquisition that are combined providing a very digital strategy for our clients. And we expect this to provide us a much stronger growth than we've experienced over the past several years.

Jean-Marc Lazzari^ Yes, I think, as I mentioned, half and half will be external versus organic. So you've done the math apparently. We do believe that our foundation business even though the market is kind of marginally growing, the foundation business that we have is now still [pulled] and energized by the digital business that's for sure. A lot of our customers are looking at reshuffling their existing MFT or their existing B2B infrastructure or because of security requirement opening the company to some mobile devices the need to restructure and work on their foundation item is generating a little bit of growth in that area. But we don't expect the major growth in the different geography coming from the foundation, so as Patrick said mainly driven by the digital.

Patrick Gouffran^ Thank you. We will now try to take some question from conference call participant. Operator, do you have some question?

Operator^ We have no questions at this time, sir. (Operator Instructions)

Operator^ Thank you.

Patrick Gouffran^ Okay. We come back to the question on the web. The question is what are the perspective in Asia-Pac for the 3 coming years [zone], which over-performed, let's say, in 2015, Jean-Marc?

Jean-Marc Lazzari^ Well, what we see happening is so while our strategy in term of good market is simple, a strong focus in North America growth, maintain our French business, grow our U.K. and German business. We've just appointed new leadership in both of those geography. Remember, there's a certain [forced] market. And, of course, keep going with our Asia Pacific and Latin America story.

I mean we see a lot of digital deals. We can talk about Australia, in particular, where some of the traditional banks are going to some more digital things, digital functions. So we see a drive which is extremely strong in Asia Pacific. I still see a potential there but we need to focus on some specific offerings which are not going to drift us for the main objective.

I mean businesses in some region can be absolutely consuming, a lot of specific, a lot of specific featuring. Localization is normally pretty high so we want to focus on capturing the deals which are script in terms of the strategy tonight, today, sorry.

Patrick Gouffran Okay. There was a question from Internet, it's about Appcelerator. Can you give us some number, some figures about you mentioned 85 people in the group versus turnovers, price or the new supplies?

Patrick Donovan We have paid approximately 50 million for Appcelerator. And they were doing almost 10 million of turnover for the prior year as they are somewhat of the startup still they have a mature product that they're developing task and paying a lot of resources and obtaining a client base and also investing in the product they were incurring losses. And we're currently in the process of integrating them into the actual

business and deciding and putting in place investments necessary to integrate with products like our API product in the entire stack to try to leverage and grow our digital business. So, it was clearly a product and technology purchase from the Appcelerator purchase perspective.

Patrick Gouffran^ Okay. Thank you. Thank you, Patrick. Another question from the web. You say that you will structure your activity and reduce effectives, what activities do you let down?

Jean-Marc Lazzari^ Well, letting down software, it's always difficult when you've got customers behind, right? Remember we can't play with -- stop maintaining that software or I won't to let down that specific activity, so. But we did something still in term of the portfolio and the way we manage the portfolio. We have categorized and I think I mentioned that last time in the call, we've categorized our portfolio including the specific focus on some of those product who are getting to end of life where we work actively with our customers and some finding precision solution or in term of working on what kind of minimal support they want to do.

Remember my analysis of some of our competitors having trouble was the size of their portfolio and the end capacity to manage that portfolio. So, we don't let down for product but we kind of help them transition, help them be maintaining the mode where the financial economy is sensible.

The other point where actually we will kind of not let down but at least refocus the energy is around the services. I mean us focusing on strategic services is not only for profitability reason but it's also to leave room in partnership very driven with [Sopra Steria] in Europe where we've got a lot of natural acquaintance and we work with the same clients of course, and potentially strategic partners in the U.S. that we are looking and putting in place. So, that also in a certain way you can expect our revenue potentially being impacted in the services because of the transformation.

Patrick Donovan^ And to add on that, Axway has grown by both organic and non-organic means, which means we've been pretty acquisitive on the consistent and stable way over the years. And often when you do M&A, you end up with assets and resources potentially not aligned with your strategy. And so we took the opportunity in the prior year to realign all the acquired assets and all their acquired centers and try to build some strengths in our R&D centers to help us drive the next phase of Axway.

Patrick Gouffran^ Okay. Thank you, Patrick. Another question from the Internet, I think you already responded to this question, Jean-Marc, (inaudible). What are your outlook of organic growth for the next Q1?

Jean-Marc Lazzari^ Well, organic growth on the Q1 on the three-year plan, it's always a little bit difficult. We are going to go back on the organic growth. As I said, if you would -- if you would take out the event in France on license, specifically in Q4, we would have shown potentially an organic growth even in 2015 even with level of deep

transformation with this. So, we are on the organic growth passed. It's driven by the tip of the hour engagement layer very clearly, and it's only a complement that we will do with an M&A approach and Q1 will be the exception.

Patrick Gouffran^ Okay. All those questions come from the web, that's for you, Patrick. Can you give us idea of the growth in license adjusted for generic license?

Patrick Donovan^ Sure. I'll respond to that in two ways. First, what we saw in our French business which was the one that was impacted the most by these generic licenses in Q4, we had stability with what I call our transactional business which are transactions below 250,000 of license revenue.

So, we were stable in France in that arena. It was impacted EUR8 million as Jean-Marc had mentioned that cause the drop in France. Now, if you'll look at the overall Axway, if we would've not had the effect of the volatility in the large licenses, we would have been positive in the license revenue for 2015, slightly positive.

Patrick Gouffran^ Okay. And those are questions for you from the web, Patrick. In 2015, you have almost reimbursed all your financial debt. Are you also thinking of reducing your floating capital?

Patrick Donovan^ At this time, the board has not announced any intention to do so, and we have no plan for the immediate future.

Patrick Gouffran^ Other question from the web, significant [hope] today for the share price on the stock market? Have you some explanation or do you think something is missing?

Patrick Donovan^ We don't comment on the activities of the market. It's not our place to do so.

Patrick Gouffran^ Okay. And then other question from the web. Can you give splits between foundation and engagement in term of sales into 2015, beginning of the plan and at the end of 2018?

Jean-Marc Lazzari^ Well, so, as you can guess, we will report on the growth of our digital business as it's one of the main intention and ambition that we've got, and this is also probably the best demonstration that strategy is working. For now, on 2015 and prior to the first report that we will issue in 2016, you've got most of the indicators for yourself to figure out. You've got the pipeline as well as I indicate that in 2015 our digital business which at that time didn't include Appcelerator represented 25% of the license so we are expecting a significant portion of our revenue to move up from that number in our total revenue.

Patrick Gouffran^ Also question from the web. Will you close the missing deal because you explained that in Q4 in France deal were missing, will you close the missing deal in France in 2016?

Jean-Marc Lazzari^ Well, first of all, I mean you've got two effect potentially when you speak about large deal. You've got the first effect which is slippage. Unfortunately, I would love that business to be highly predictable and we try to make it a science versus sometime in art. But if you lose in the last hours, a multimillion deal, it's always difficult to compensate. But that's life of software. So I would say that's the first category. We have had a few deals in Q4, we slept to Q1, and we are actively working in trying to close them in Q4.

The other nature of deal which is a little bit different, when I mentioned some of the large deal, it can be multiyear's deals specifically those renewal deals where we regroup some of the license deal that we've got. We regroup that under the umbrella of a large deal, and normally that deal is signed for multi-years, which means that you won't fit coming back in renewal for the next year.

Patrick Gouffran^ Thank you. So, I understand that we have now question from the conference call participant. Please, operator?

Operator^ Absolutely, sir. We will now take a question from Derric Marcon from SG. Please go ahead.

Derric Marcon^ Good morning, gentlemen. Do you hear me? Hello?

Patrick Gouffran^ Yes, we understand.

Derric Marcon^ Yes. Okay, I've got three questions, if I may. The first one concerns the proportion of your pipeline get to the B2B engine? I'm a bit surprised by the 13%, 13, the one-three percent you mentioned. Was the situation similar at the beginning of the 2015? And how do you explain the end balance between the, let's say, the amount of deals potentially in the pipeline and the proportion of your revenue [still] get to license revenue get to B2B, to the B2B engine? So anything that we should worry about through this one-three, 13 percentage figure?

My second question is about the EBIT margin outlook. Beyond 2016, I understand that Appcelerator will have a negative impact in 2016 on the margin side. But how or why do you believe that your EBIT margin going forward, so beyond 2016, will remain stable? With more services business to your partner, you should streamline your R&D costs, you better manage the resources allocation. Why your EBIT margin should remain flat beyond 2016 is a bit -- it's a bit surprising for me, too.

And the last question is about the profitability of your Cloud business. Can you share with us any figures or statistic regarding the gross margin [level], the current gross



margin [level] the current profitability of the business compared to the traditional one?  
Thank you.

Jean-Marc Lazzari^ Hi, Derek. This is Jean-Marc. Thanks for your question. I'm going to answer the first one and probably Patrick the second, and we may share the third one. On the first question around the pipeline, first of all, you have to consider pipeline as a living animal. So, it's there today, it can be different tomorrow. That was a snapshot to illustrate that we are getting the traction and the pipeline where the demand is, which is always a good sign.

Now, more generically to your question, should we be worried about if we were to try to live the next three years on B2B and MFT only? Yes. That's why we've changed strategy and that's why we're now pushing for the digital. So, even though that market would -- and I know we've had discussion in the past with you direct on the growth of that market. We see that market as slowly growing down even though there is a [reinvigoration] of that market driven by the need of change pushed by some digital.

Now, what I see as a trend, even though that pipeline is not here to reflect the exact demand on the market, this is our view. Remember, in some occasion, we are invited to play; in some occasion, we may not. But the B2B specific market, which is made of large deal is now driven by some community management. We see that some of our clients would plug MFT or B2B to some community management, to some new things and basically will drive some more digital things on those.

Today, we account those digital things on B2B implementation in the digital business. So that's how you would recover the proper number. But, overall, we see still a demand, of course, in the U.S. because we did not have a presence in Europe to be very straightforward. We see the demand in both B2B and MFT more on the renewal side. We still lead the MFT market, and our large customers are renewing their implementation of file transfer, same for B2B. So -- but still, this is not where the growth will take us out of the difficult situation that I see probably within the next three to four years -- Patrick Donovan^ Well, I will take the second question which was on the margin outlook for the three-year period forthcoming. As we have said that of the average of the next period, we should be stable. But there is going to be variation year-to-year. And I think to be quite frank on this point, when you are software company, you could do one strategy which is change your marketing and announce you are going to the digital like some of our competitors we've seen do, but it's normally slideware in marketing or you could really put both feet in the digital and invest.

A software company has to invest to deliver the product to market and its strategy. You have to invest either by buying and advancing your portfolio ahead through an acquisition or you invest in R&D or you do both. And when you do external growth, you have to spend to integrate those companies into your product strategy and your roadmap.

And so, we've done the latter. And so our consistent Axway business before Appcelerator, yes, we would expect to be able to control the margin through our cost

savings or keeping our cost flat and see the margin grow. But we, around the journey, we did a road to digital journey as Jean-Marc has talked about, which requires us to invest in our R&D and invest to integrate the M&A activities. And we're also reinforcing our sales teams in the U.S. to be able to deliver the double digit growth that we have announced in our strategy.

So the net result is to try to keep a stable margin so we'll have a strong return for our shareholders but to allow us to invest and continue to grow the business for the long-term not the short-term. We're not looking at this project as one year.

Jean-Marc Lazzari^ The last question I think was around the Cloud business. I won't to answer in the detail because we don't give this kind of information but I told you prior to Appcelerator, which is only as a service business, our Cloud business is around 9 million, a little over 9 million and grew 44%. And the only thing I can tell you is I don't like businesses which lost money. So over the next three years, we're going to make money starting with 2016 probably reaching the balance. Those business require mutualization , require upfront investment, we've done them. It's now a matter of feeling the beast.

Patrick Gouffran^ Thank you, Jean-Marc. Thank you, Patrick. It's now 4:31 p.m. in Paris, Paris Time, so we are at the end of this Q&A session. Thank you, everybody, for attending the meeting. Thank you Jean-Marc, thank you. Please, operator, can you give us the last instruction for closing this meeting?

Operator^ Absolutely, sir. Ladies and gentlemen, thank you for your participation. If your question has not been addressed during today's presentation, you will be able to ask your questions on the website, [www.investors.axway.com](http://www.investors.axway.com) in the Contact section. This concludes today's presentation and you may now disconnect your lines. Thank you.