

Axway

Presentation of 2014 results

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Introduction

Meeting coordinator Patrick Gouffran,

Corporate Secretary of Axway

Ladies and gentlemen, it is my pleasure to welcome you to this presentation of Axway's 2014 annual results. My heartfelt thanks for your presence this afternoon. This conference will follow the usual format because it will take place in two parts. The first part will focus on the company's and the management's presentation of the 2014 results. These will be presented by Christophe Fabre, the Chief Executive Officer of Axway, and Chief Financial Officer Patrick Donovan. The second part will be a question-and-answer session, during which you can ask the management any questions you may have. In the first part, as is the custom, the presentations will be given in French by Christophe Fabre and in English by Patrick Donovan. The conference should last from 50 to 60 minutes. I will have the thankless responsibility of watching the clock. I know that all of you have obligations and demands on your time, but it shouldn't require much effort on our part to keep the length of the conference between 50 minutes to an hour, especially since at the end of it, in the adjoining room, there will be a cocktail reception, during which you can continue your conversations with the management of the company.

I'll end simply by inviting you to check that your mobile phones are in silent mode, for everyone's benefit.

I will now cede the floor to Christophe Fabre, Chief Executive Officer of Axway.

Business analysis

Christophe Fabre
Chief Executive Officer

(Slide 3)

Good afternoon, everyone. Welcome to today's conference, during which we will present our 2014 results. I'll also give you a few projections for 2015. I will begin with an analysis of the year. Patrick will take over to comment on the financial statements and some financial issues. I will then take the floor for the positioning and strategy part of the presentation.

The third quarter of 2014 was marked by disappointing performance and a profit warning. The fourth quarter was excellent. Ultimately, we were able to make up for the shortfalls we had experienced in the third quarter. In the end, it was a solid year. In middleware, our performance was good.

Several key events occurred during the year. We acquired Systar which, in the second half of the year, was not as profitable as Axway. Nevertheless, Systar was still an acquisition of good value in which we have faith, especially when it comes to the new generation of Operational Intelligence products, in which we have had some success. Furthermore, we have an impressive customer base in the financial sector. Systar's experienced and highly qualified staff proves that the acquisition was a wise one. At the beginning of the year, we also acquired an Australian distributor, which had a very successful first year. At the end of 2013, we had acquired a Brazilian distributor, which also had a very good 2014.

(Slide 7)

I will now focus on the situation region-by-region. France's performance was outstanding in the fourth quarter, at the end of a very solid year, thus demonstrating its sales and delivery capability across Axway's extremely satisfactory range of products. The United States, for its part, did not achieve the hoped-for level for that region. However, since the end of 2013, we began a restructuring of the sales force that will gradually bear fruit. In addition, the entire range of products is not fully available on the US market. There was also excellent positioning on our product offer during the year. The Axway 5 suite is becoming more popular, as are Axway's API gateway and cloud services, especially in the United States.

Looking at results by region, France had organic growth of 8.8%. This is a very good result. Quarter after quarter, we are achieving satisfying results that are proof of a real transformation of our performance in France. Organic growth in the rest of Europe was 2.7%. The United States, on the other hand, declined -4.2%. We unquestionably have many improvements to make in the short term in the United States. Asia, which represents a smaller amount, continues to perform with rates of 40% to 50%. Overall, Axway's organic growth was 3.6%. Total growth amounted to 10.1 points.

(Slide 8)

By type of income, growth in licences was more or less stable (-1.8%), while growth in maintenance was excellent (+6.8%). Growth in services, meanwhile, was +4.6%. For services, this includes cloud subscriptions and cloud-related services, which were the main driver of growth.

(Slides 9, 10)

The fourth quarter was very strong in France, with growth of +22.6%. Organic growth for Axway reached +9.4% in the fourth quarter. In terms of track record, we had excellent performance in licences. This was a record quarter, with growth of +18.3% compared with 2013.

(Slide 11)

We now turn to an analysis of the business. The distribution of the business model by region shows that there are two "centres of gravity", France and the United States (each representing about one-third of the total revenue). Another area is also significant, and perhaps I should say a few words about it. This region is the rest of Europe, in particular Germany and the UK, which now represents 23% of total revenue. Finally, Asia's percentage was 4%. Asia remains important for Axway, as it enables us to offer solutions to key accounts all around the world.

By activity, publishing still dominates, with product income that represents 76% of activity. Maintenance's share was 46%, licensing activity accounted for 30% and services, which include a part of the cloud, had a 24% share.

(Slide 12)

Every year, we analyse our licensing. In 2014, we experienced a decline of about 10% in the number of licences, but we're taking this in our stride because Axway is a company designed for key accounts and their ecosystem. In this regard, it is interesting to note that the share of licences worth over 250,000 euros has substantially increased. Although this represents only 2.4% of all licences, in terms of value it represents a rate of 42% of the total amount of all licences. Accordingly, we will continue to improve our key accounts profile. Indirect activity's share remained stable compared to 2013, at around 10%. There is potential for improvement that I will get back to later. The percentage of new customers stood at 9% on average. For special offers like API, this figure was as high as 30%. The average price is obviously growing, since the number of licenses is declining while licensing income is stable.

(Slide 13)

By vertical line, the banking, finance and insurance sector claims a predominant share, with 41%. The immediate cause of this result is the acquisition of Systar, which is active primarily in banking. Nevertheless, Axway as we knew it before the acquisition of Systar also had excellent performance in France and the United States in this sector. The supply chain sector, the health sector and the public sector, however, recorded a slight decline, mainly because of poor performance in the United States, which represents a large portion of this activity.

(Slide 14)

As regards maintenance, which accounts for 46% of total revenue (120 million euros), the two classical metrics we follow are the rate of maintenance for business licences (euros for maintenance earned for a licence sale of 100 euros; the average figure in 2014 was 20 euros, which is excellent and must be maintained) and the rate of turnover. On this last point, we went from a rate of 93% to a rate of 93.5%. Compared to the rest of the market, this performance is excellent. We now think we can maintain our maintenance activity at a very favourable level.

(Slide 15)

The cloud is a major part of service revenue. Allow me to cite a few numbers. I'm talking about a real cloud, that is to say, a model as a service, a technology leasing model. Recognised subscriptions in 2014 were up to 6.2 million euros, for +53% growth from 2013. The amount of ASRs is also interesting. At 31 December 2014, the amount of cloud subscriptions that are secure and can be recognised in 2015 was 7.5 million euros. As a result, for orders taken for 2015, we are already guaranteed higher revenue than in 2014.

The 2015 figure will be due to the addition of that 7.5 million euros and the amount of new business signed this year that we can recognise.

For the cloud, there are two things to say about this number. First of all, it was not achieved by cannibalising our traditional businesses. The figure was not due to demand from key accounts switching to the cloud. These are new projects, agreements with existing or new customers that are, with the exception of the health sector in the United States, in the middle market. The middle market tends to buy over the cloud rather than on-premise. On the contrary, key accounts, including those in health care in the United States, purchase on-premise. The second comment concerns the fact that the Axway cloud offer is not comparable to the middle market. It is actually an offer for key accounts and workflow governance. This offer is ultimately a response to the needs expressed by our customers.

(Slide 16)

In addition, at the end of 2014, Axway had 1,961 employees, an increase of 10% compared with 2013. This growth comes mainly from the Systar employees who joined us. When compared to the 10% growth in revenue volumes, this shows that we maintained our investments for the future. We may have some standardisation to do. Overall, we are still expecting growth to occur, and for this reason, we will continue to maintain our foundations.

2014 Key Figures

To end, here is some information about the key figures for 2014, before I give the floor to Patrick, who will comment on how we have reached these levels of performance. Revenue is up 10.1% to 261.6 million euros. The Group profit from operating activities totalled 39.7 million euros, or 15.2% of total revenue, a slight decline compared to last year, due to the shortfall in licenses and the impact from Systar. Net profit stood at 26.7 million euros, or 10.2% of revenue.

Patrick, the floor is yours for the accounting and financial part of the presentation.

Financial results

Patrick Donovan

Directeur Administratif et Financier / Chief Financial Officer, Axway

Revenues (Slides 18, 19)

Overall

Firstly, as Christophe mentioned, we finished Fiscal Year 2014 with EUR261.61 million, a 10.1% increase over the EUR237.5 million for Fiscal Year 2013. You will notice that our allocation of revenue between licenses and maintenance services remains stable over all three periods presented. I also want to remind everybody that in April of 2014 we acquired Systar, so these accounts for revenue and cost include nine months of Systar activity.

You will notice that we have increased our gross profit slightly, period over period, increasing to 69.8% of our revenue for 2014 from 69.6% in 2013. Our total operating expenses for 2014 finished at EUR143 million, or 54.7% of our revenue. EUR13 million of our total costs came from the Systar acquisition, from our total cost growth of EUR22 million in 2014. Additional investment was made in our distribution network in key management and key areas of investment as well as advancing our A5 suite, which included our API and Decision Insight technologies from our recent acquisition.

Profit on Operating Activities

Our profit on operating activities for 2014 ended at EUR39.7 million, or 15.2% of our revenue, which is a EUR2.2 million absolute value increase over 2013, which was EUR37.5 million or 15.8%. Our profit on operating activities remained relatively stable as a percentage of revenue over the three periods presented, increasing in absolute value by a few million each year.

Amortization

We increased our amortisation of intangible assets in 2014 through the amortisation of the intangible assets coming from Systar, and, for memory, in 2013 we had a EUR5.3 million charge from our cell net with the GSA matter in the United States. Our other income and expenses in 2014 primarily come from our acquisition cost. Therefore, for 2014, our operating profit ended at EUR31.3 million versus EUR27.2 million in 2013, and our net profit finished at EUR26.7 million for the year, or 10.2% of our revenue. This translates to EUR1.29 earnings per share value versus a 2013 result of EUR35.6 million or 15% of our revenue.

When you take out the exceptional items in 2013, our earnings per share would have been EUR1.33.

Goodwill and Intangible Assets (Slides 20, 21)

Our goodwill increased at EUR236.5 million, with EUR33 million of that coming from the Systar acquisition and the rest coming from foreign currency translation increase from the Dollar to Euro. Our intangible assets increased EUR17 million from the intangible assets of Systar, and our trade receivables increased to EUR84.9 million from EUR64.4 million the year prior, which represents 105 days' sales outstanding versus 90 days' sales outstanding in 2013. This increase in DSO is from strong fourth-quarter license sales, which end up in our receivables.

Just for memory, in 2012 we also had a strong Q4 in license revenue, and our DSOs finished at 102 in that year. Our cash ended up at EUR44.6 million versus EUR49.2 million at the end of 2013, and our total assets increased to EUR478.7 million for the year.

Debt and Equity

Our shareholders' equity finished in 2014 at EUR298.5 million, an increase from the EUR258 million in 2013. Our bank debt ended at EUR44.5 million, so, with the treasury of EUR44.6 million, we have no net bank debt. We had EUR35 million of bank debt in 2013. Our other current liabilities include an increase in deferred maintenance revenues ending at EUR61 million versus the EUR40 million at the end of 2013.

Conversion Rate (Slide 22)

The US Dollar-Euro conversion rate moved a lot over the 2013 to 2014 period. You will see that we took a gain of EUR20 million to our capital prop on the translation adjustment of our US Dollar balance sheet in 2014, but, interestingly enough, we did not really have any impact in income statement, and I will explain why. The rate in 2014 at yearend, which is the rate you use for the conversion of the balance sheet, was USD1.21 per Euro. The rate at the end of 2013 was USD1.37, and so that apparently large swing caused us to take a gain from our US Dollar translation of the balance sheet into Euro. This gain was primarily in our goodwill.

However, for the income statement, we use the average rate for the year, and so, for 2013 and 2014, the average currency exchange rate was USD1.33 per Euro, even though at the end of 2014 we saw a sharp strengthening of the Dollar in the fourth quarter.

Cash Flows (Slides 23, 24)

Cash flow for the year included a positive change in operating working capital requirements, BFR, of EUR11 million. We were able to monetize our tax credit receivables in 2014 to the amount of EUR16 million, which provided us a nice net cash from operating activities of EUR47.3 million, compared to EUR28.3 million in 2013. My net cash from investing activities in 2014 is primarily all due to the Syster acquisition, and in 2012 is due to the Vordel acquisition.

Therefore, in total, our cash balance ended at EUR44.6 million, down slightly from the EUR49.2 million at the end of 2013, and mostly coming from the use of cash in the acquisition in 2014. Therefore, in July of 2014, we renewed our credit facility for EUR125 million, which was an increase from the EUR100 million we had before. However, with no net bank debt, all of our bank covenants are in line and quite strong.

(Slide 25)

I had a stable shareholder structure for 2014, and the shareholder pact controlled 67% of the voting rights. I will now hand it back over to Christophe.

Axway market positioning and strategy

Christophe Fabre
Chief Executive Officer

(Slide 27)

Speaking of positioning and strategy, I would like to return to the Axway's fundamental business activity. First, we must examine Axway's market drivers in 2014 and 2015. We can see that, compared to the project presented in 2011, some trends have emerged. The first of these has to do with digital. It has to do with all the technologies related to the cloud, mobile phones, social networks and the Internet of Things. Axway has well-defined offers in API and Axway Suite, which enables companies to opt for digital. We do not sell every digital offer. We do, however, offer digital options that make it possible to manage data flows between new applications on a mobile device or in the cloud and the rest of the information system, which still contains the core data. This driver has accelerated considerably over the past year. It raises a number of questions about the Axway project.

The second driver is more traditional. In 2014, we also recorded an increase that relates first and foremost to security. Our tools facilitate the exchange of information and data with a network of partners and customers. Servers are potential targets for hackers or others who wish to do harm. Our servers are extremely secure. This driver therefore is about securing existing offerings, to allow companies in the financial world to pass their audits risk-free. We also have compliance. The new laws in the field of pharmacy, for example, trace chains of drugs to guarantee the origin of the drugs sold in pharmacies. This is also one of our drivers.

We offer not only top-line drivers, but also bottom-line drivers, which determine the way to benefit from better operational efficiency in increasing management flows. This gives visibility to the profession on how to run business processes. This is operational intelligence. What is the status of commitments from a partner or a customer (for example, sending payments according to the schedule set every day)? Operational efficiency also consists of being able to act quickly with that company when we sign an agreement with a new corporate customer in a bank. This option is called *onboarding*. From performing version upgrades to suggesting new offers, we have to manage the ecosystem. Most importantly, with the cloud, there is the phenomenon of working more quickly and more easily. IT tends to disappear from the landscape. With a new customer with a new workflow to put in place, you just have to press a button to configure the activity.

Another driver is becoming increasingly powerful due to the presence of digital and the increasing number of data in circulation. This driver is increasing volume. Business workflow infrastructures handle volumes that constantly increase, until the existing infrastructure needs to be updated. Sometimes, we also have to move on to new generations. I believe that file exchanges, in particular, will quadruple in the next five years. We have to be properly equipped, since the SLA and our partners are involved.

Hybrid integration, or connecting cloud and mobile applications with IT system applications, is another driver. Finally, architectures are increasingly based on APIs. As a result, this digital technology is starting to take shape everywhere in businesses.

On Axway's historical positions and our know-how, we have always occupies the leading position. When it comes to Suites, to managed file transfer, B2B, or APIs, the Axway 5 offer does an amazing job. It always gets a very favourable reception.

(Slides 29, 30)

Using a few customers as examples, I'd like to give you a taste of how the market is changing.

We created the leading visual reference with our partner Sopra Banking Software, which implements our offers to La Banque Postale. This data flow architecture project is both digital and traditional. The project combines two offers. This project is very large and has a vertical dimension, which has brought us success with this customer.

The second example is a bank in Australia. This project is a prime example of digital banking. NAB uses the Axway offer to give its customers a multi-channel experience. The experience for users is identical, whether from the browser on their mobile or face-to-face at one of our offices.

The third example relates to Managed File Transfer, which has existed for many years and is currently all the rage. There is also growth potential via digital. This arrangement is with Peugeot, where file transfers are initiated by digital technologies.

The next arrangement was made with Crédit Agricole. It concerns the new generation of Systar products. There is a need for operational intelligence. It is particularly interesting to note that we signed a few deals last year in other vertical businesses, not only in banking. We believe that operational intelligence also has a future in sectors other than banking, where identical issues arise.

The arrangement with the IRS, the US government tax authority, is certainly the most important one Axway has ever entered into. The term of the contract is four or five years. The commitment is renewed every year. The IRS chose us, along with our partner Unisys, to implement the FATCA platform, in accordance with a new treaty that enables countries to collaborate in the collection of taxes. 600,00 financial institutions have to report income earned in their countries by US tax residents to the IRS. A US tax resident who receives income in France, Germany or Brazil, for example, is affected. 15 countries have signed the agreement. These institutions must report profits to the IRS, which can thus be assured that US nationals declare the income they received from abroad. The return on investment for the US Government is 21 billion dollars. Our revenue is lower than that, I can assure you. The method we use is the cloud. The IRS did not want to have to manage connections with 600,000 financial institutions directly. So we created a cloud platform on our partner Amazon, where we are responsible for collection and monitoring and securing of data flows before sending them on to the IRS, which will continue working on them. We were chosen because we had the best offer. This cloud file transfer system for key accounts is extremely secure. In addition, the IRS is a historic client. Finally, we maintain excellent relations with the integrator Unisys, which is also the IRS's historic integrator.

(Slide 31)

These different arrangements allow us to illustrate underlying market trends that have already been discussed all over the computer press. The world of middleware is evolving considerably. Development has been gradual since 2011. Last year, we experienced an acceleration. The components of growth are related to the digital transformation of business models. Today, this transformation represents a challenge for every large company. Large companies have created new services on these new media. They need to connect these applications with existing ones. Middleware ultimately boils down to technologies that enable applications to synchronize with each other. Middleware isn't going anywhere soon. This activity currently represents 25 billion dollars. However, middleware must continuously absorb new technology trends to connect the old with the new. This driver has been challenging all established positions on the market for ten years, and the cloud adds the fact that this technology can now be consumed on-premise or in the cloud, according to the customer's wishes.

(Slide 32)

Five factors have changed the middleware market since 2011, first gradually, then with increasing acceleration (the results of all the actors in middleware results show the impact

of this change). The first of these relates to the fact that from 2011, business digital became mandatory in all large companies. It has become an imperative for survival. Traditional investments were frozen, and this was followed by a gradual transformation of the governing bodies, new prioritisation, increasingly massive use of the cloud as a platform for these new computer applications (not only were new applications installed on an information system, but Amazon or others were used to develop new assets), with its resulting impact on our product offer, along with hybrid needs. Faced with this last point, we must be able to integrate services into the cloud and on-premise. These requirements are currently extremely strong, with an impact on the middleware offer.

The first effect can be seen in the saturation of the ESB market. ESB is one of the flagship middleware markets and one of the flagship markets for our competitors. Axway was never involved in this field before. It has now turned this to its advantage. There is also a difference in terms of architecture, in terms of system design. Digital must, indeed, progress rapidly. It must be extremely high-performance. Production cycles are different. We are seeing the emergence of API as a major technology. I am not asserting that the middleware market, which totals 25 billion dollars, will turn into an API market, but API will become a major technology that all of the players in the market will have to take into account.

This change occurred in three phases. In the first phase, the API was born de facto with digital technologies. API was the middleware of digital. The second phase arrived with, for example, the multi-channel experience in banking. Multi-channel becomes necessary once a B2B relationship is created. Ultimately, digital is always a B2B activity. It consists of connecting with partners and customers. Digital is B2B or B2C. Consequently, convergence offers between B2B, MFT and API like ours appear more and more interesting. Finally, the technology used for digital becomes a standard within the information system. Currently, API is becoming an alternative to BSE internally, even if BSE is nowhere near dead. There is thus a strong impact on the offer. As regards the offer, we positioned Axway 5 activity favourably. We have been pioneers of API. Today, it is an opportunity for us to capitalize. We have the offer. We certainly need to improve, but our offer is strong enough that we can adapt. Simply put, our challenge is to also adapt as quickly as the market does.

(Slide 33)

These digital arrangements are a new world for us, in which the parties involved are different from those in conventional arrangements. Before 2011, Axway sold to IT. With digital, the situation is changing. Digital actors in a business are the ones responsible for the business lines, the Chief Digital Officer and the people who run the APIs. The key point lies in the fact that the API becomes the product. Even by selling retail or banking services, the product used by the partners and customers is ultimately a computer product called API. We are therefore witnessing a "productisation" of the tool, and Product Managers, managers APIs and Enterprise Architects are responsible for improving the information system to meet demand. Above all, the security officer notices that an information system can be opened and consulted from anywhere. He or she must ensure that there are no security problems for the company.

The transformation of business models ultimately becomes a reality. It causes new behaviours among actors. Offers must be faster, better and cheaper, on new, extremely fast cycles. As regards sales, multiple profiles become important in the purchasing phases and business lines, of course, and in the computer lines. It becomes necessary to know how to talk to both the business and computer lines. This is an essential driver of our transformation as regards the sales network. We need to have vendors who are able to speak about a business case with a business line and about computer use with an IT department. Finally, this set of conditions creates new data streams, in addition to the existing ones, that eventually create new governance needs to manage the life cycle and updating of and changes to the API ecosystem. It truly is a new world.

(Slide 34)

Axway has been adapting successfully since 2011. We positioned ourselves effectively through our Axway 5 suite. More specifically, we anticipated the convergence of B2B with APIs. We are currently moving towards an architecture based on APIs. We have also innovated to give value to traditional technologies. Above all, we have begun a transformation to adapt to the new challenges of multi-headed marketing and sales. We have begun a considerable effort to improve on the sales network, and it had an impact last year that we must now continue to capture the market.

(Slide 35)

In summary, we've been working on the offer. Our offer is positioned favourably. We should certainly continue to improve it. Nonetheless, it is still excellent. Our positioning is extremely favourable. We can capitalise on our movements regarding Vordel and Systar in advance. We have worked on the sales network, especially in the United States, to adapt it to the new marketing environment. We had to satisfy a large number of parameters. The vertical-market approach and transformation projects include major integrators such as Sopra-Steria. They encourage us to reflect again on the project to be delivered, on growth, the margin and the impact of the cloud. Therefore, we will work on this strategic project. We will update you on it mid-year. We are therefore not publishing any guidance data today. We expect that the required work has been completed. However, we can also say that the business portfolio from earlier this year is good. The first quarter got off to a satisfactory start. Consequently, the beginning of the year presents itself in a rather favourable light.

This is the end of our presentation. We can now answer your questions. I think there are microphones available for you to use.

Discussion

Grégory Ramirez, Brian Garnier

Good afternoon. I have two questions to ask you. The first one is about business transformation. It seems to be well underway in the United States. It seems to be at a less advanced stage in Europe, particularly in France, probably because market needs are more basic, with a larger installed base. Can you pinpoint when the business transformation will fully bear its fruit, especially in terms of full business productivity, with transformation of employees and productivity that would be optimal?

Christophe Fabre

Business transformation is indeed well underway in the United States because the United States was where the level of business was least satisfactory. In France, I think we have a satisfactory sales team. It is already performing up to our expectations. However, we still have work we need to do. We need to work on the workforce and methodology. We worked on Solution Selling, which let us formalise how to convince a business line of the value of our technology and how it can benefit from it. We worked on how to classify a pipe. These are basic elements that will, however, bear fruit. Business transformation therefore has also begun in France, but its effectiveness was almost instantaneous because the employees in place were already used to the method adopted. In the United States, the situation was less favourable. The American workforce, at the end of 2013, came from Cyclone and Tumbleweed with a few hires. It was a startup-type workforce. We had to develop the profiles. On the contrary, our workforce in France already had a profile more oriented to key accounts, and it was more vertical.

Nonetheless, the transformation has yet to be continued in the rest of Europe. However, the United States was not the first step. It was certainly the most important step. However, the situation in France is extremely satisfactory. Potentially, the situation in the rest of Europe also appears to be extremely favourable.

When will the transformation bear fruit? I hope that this will happen as soon as possible. But change occurs gradually. Finally, the volumes of signatures are a sign that a transformation has been achieved.

Grégory Ramirez

My second question concerns your acquisitions policy. What do you think is currently keeping your offer from being fully developed when it comes to the sale of your solutions?

Christophe Fabre

As I stated, we are positioned favourably with respect to the current drivers. This issue now has to go through a strategic planning phase. We must resume the vertical aspects of our objectives and how we develop. So, I think I'll get back to you about your question in mid-year.

Jean-François Delcaire, HMG Finance SA

I have two questions to ask you. First, I'd like you to go back to the -4% decline recorded in the United States. Can you say more about the workforce and management? The second point concerns indirect distribution. You pointed out that you won contracts with integrators. I believe that the share of indirect distribution is currently still low. It may perhaps still be too early to talk about the strategic plan for next June. Just the same, how far along are your reflections on this topic?

Christophe Fabre

The -4% decline in the United States actually represents disappointing results from licensing. On the other hand, we did excellent business in cloud services. However, the cloud is recognisable by its use, since we earn revenue with costs each month. These elements have become more difficult, but they will produce results later. As for business restructuring, we have taken some strong measures. The end of 2013, we hired a global sales manager. It boosted transformation in methodology and among employees. At the end of the first half of 2014, we hired a new United States manager, who was actually the successor to the global manager at the head of the entity of our competitor Sterling. He is one of the experts in all of the sales where we position ourselves.

Furthermore, we replaced 40% of the US sales team. It is certain that the upgrade of our offers takes time. Time is needed to build pipe. More time will be needed before we can issue a favourable opinion. However, we began tackling the challenge at the end of 2013. We made substantive changes.

We did a lot of work in indirect distribution. We encountered favourable situations. We are working effectively with Unisys on the contract with the IRS. It is true that in the US, it is easier to work with systems integrators. In Europe, especially in France, we are working with Sopra, as the contract with La Banque Postale and others demonstrates. But the fact remains that we can probably further improve our cooperation with Sopra. We can also improve in other areas. For a publisher, an indirect activity share of 9% is actually still marginal. This question will probably be part of the upcoming strategic reflection.

Derric Marcon, Société Générale

Please pardon my question. I'm going to be more severe than the previous speakers. When you compare your expectations at the beginning of 2014 in terms of license sales and the actual results, do you analyse the causes of certain shortfalls? Do trends emerge? Are the contracts in question lost? Is it simply a question of shortfalls because you didn't manage to sell on value, etc.? When you look twelve months back, what lessons do you draw from this year? That's my first question.

My second question relates to the completeness of the offer. The items you show regarding the transformation of the market are interesting. We see that all companies present have adopted an acquisitions method. They are also currently expanding their range of products. I understand that you also made acquisitions, including the extremely satisfactory purchase of Vordel, which you saw before everyone else. However, don't you feel that your product offerings are narrow, with only three engines and no platform? Yes, you have a governance module, but can it support three engines? Is there not a need to accelerate the expansion of the product range to enter M2M markets, for example?

Christophe Fabre

Regarding licensing performance in 2014, the second half of the year was stronger. The important criterion to take into account at the start of the year is whether or not the market is "biting". We may or may not register carry-forwards in the third quarter or the fourth quarter. Overall, we have lost a small number of customers. The situation is the result of a different mix between products. At the end of the year, results were certainly almost stable. The cloud, APIs, and MFT governance showed favourable growth. Other items were not growing. Some situations were in line with market trends, while others were not. This is a key element to be taken into account in strategic thinking. We need to define where to place our priorities. Beyond that, in the United States, a light portfolio has added to this situation. The portfolio was not built. Employees did not perform well. A new set of employees joined us. It rebuilt the portfolio. We needed time. However, we built pipe, even for existing segments. In France, on the contrary, we recorded excellent performance, thanks precisely to satisfactory performance and the fact that we increased business.

It is certain that in its historical sectors such as MFT or B2B, we almost need to create demand. If you talk of APIs and digital transformation to customers, they immediately tell

you that it's a priority issue for them. When it comes to MFT or B2B, we are in a phase of innovation. There is a market for offers. We have to introduce our offers and convince clients of the merits of our innovations, which are likely to bring them better operational efficiency. Customers see it. In France in particular, the volume of revenue for the fourth quarter of 2014 has taken this dimension into account. I think without the innovations in MFT and B2B, we would not have recorded the performance we did in fourth quarter. The sales cycle is different. When you sell a product to a person who is not aware that he is experiencing a difficulty, the sales level must be extremely high.

With regard to the completeness of the offer, our approach to governance by operational intelligence, the centralised administration module and APIs represents a true competitive advantage. It is not merely one component between three engines. There is real value. Moreover, customer commitment in the fourth quarter in France shows that they discovered its value. They wanted to invest.

Do we need new technologies to invest in other segments? It is clear that we want to build something ambitious. We must therefore ask ourselves about the possibility of penetrating other middleware markets. These issues are important. They are part of our agenda.

The acquisition strategy is obviously important. It is a part of the strategic project.

Derric Marcon

I understand that the research tax credit is the 2011 credit, which you got back in 2014. Was the research tax credit level different in 2011, 2012 and 2013, or was it stable each year?

Christophe Fabre

It's a question for you, Patrick. The research tax credit, was it different every year?

Patrick Donovan

Yes. For the periods presented, in 2012, if my memory serves correctly, it was 6.8 million euros, rising to 7.3 million euros in 2013 and 9.4 million euros in 2014.

Christophe Fabre

Is the indication in 2014 for the previous three years?

Patrick Donovan

It is for the 2011, 2012 and 2013 payments we have not received as of this year; if you do not have a taxable income at a high enough level, it gets brought back over a period of three years, and we were able to monetize 16 million euros of that remaining 2013, 2012 and 2011 balance.

Derric Marcon

The other follow-up concerned Software AG, which decided to increase its maintenance rate to 22%, which seems to have become the standard in the software industry. Are you likely to follow this trend? I believe your rate is currently 20% for the premium?

Christophe Fabre

The rate of 20% is an average rate. Actually, we have offers with a rate over 20%, as high as 25%. The mission critical reached 25%. Then the second level of offers was 20%, before it was changed to 18%. With time, some customers negotiated relatively good rates that it is difficult to increase. We, however, provided a level of maintenance in the same catalogue. The question is whether to sell the more secure offer for the customer, which is

mission critical. The fact remains that our catalogue is in line with the other players in the sector. Our prices are aligned.

Derric Marcon

I didn't understand. What is the amount of the standard offer currently?

Christophe Fabre

The standard offer made by default has a rate of 25% for mission critical. Often, customers respond that they don't have wider needs. And they opt for a lesser offer.

Do you have any other questions?

Patrick Gouffran

I believe that we've reached the end of this meeting. If you have no other questions, thank you for coming. You can continue to interact with Axway management and employees during the cocktail reception. Thank you very much.

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