

Axway Software Investor Presentation

October 2019



Forward-looking statements

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

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Company Overview



Axway at a glance

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

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



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



Figures as of 31/12/2018



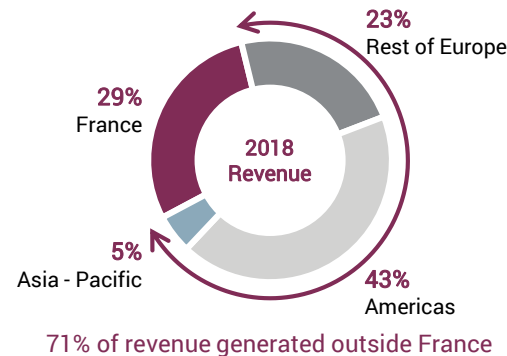
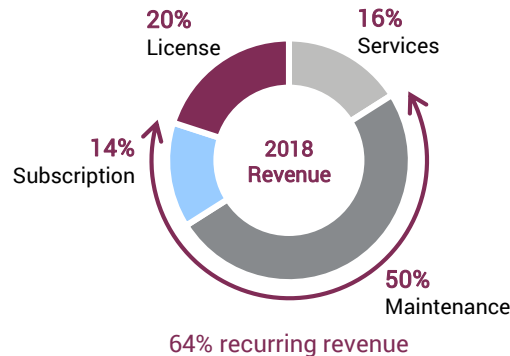
AXW
LISTED
EURONEXT

Euronext Paris – Compartment B
Bloomberg : AXW:FR
Reuters : AXW.PA
Market Cap (31/12/18) : €264m

Main Indexes

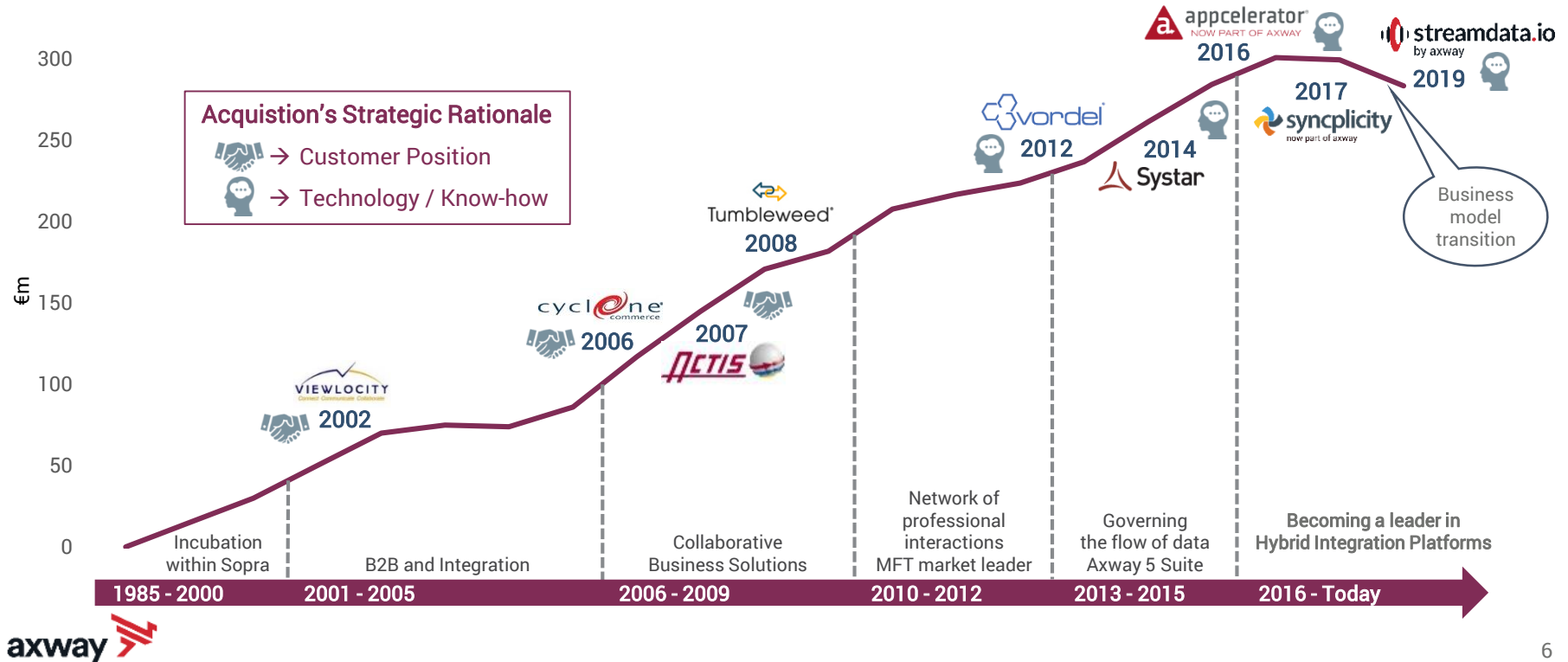
→ CAC Mid Small
→ CAC TECHNOLOGY
→ ENT TECH 40

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



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

A balanced history of organic and external growth



Axway enables business to leverage change

Data Integration

Engagement



Fannie Mae™

SIEMENS

Enterprise
transitions

Integration
broker

Automating
supply chains

Securing file
transfer

Protecting SOA and
services through APIs

Increasing
business visibility

Unifying app
development

Securing
collaboration

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



458M
internet users
(7.6% world)



Goes
live



Apple iPhone changes
smartphone market



1.86B
smartphone users



15B connected IoT
devices



4.17B
internet users
(54.6% world)



2.8B
smartphone users



28B connected
IoT devices



Axway Partners

Cloud Providers



Global System Integrators



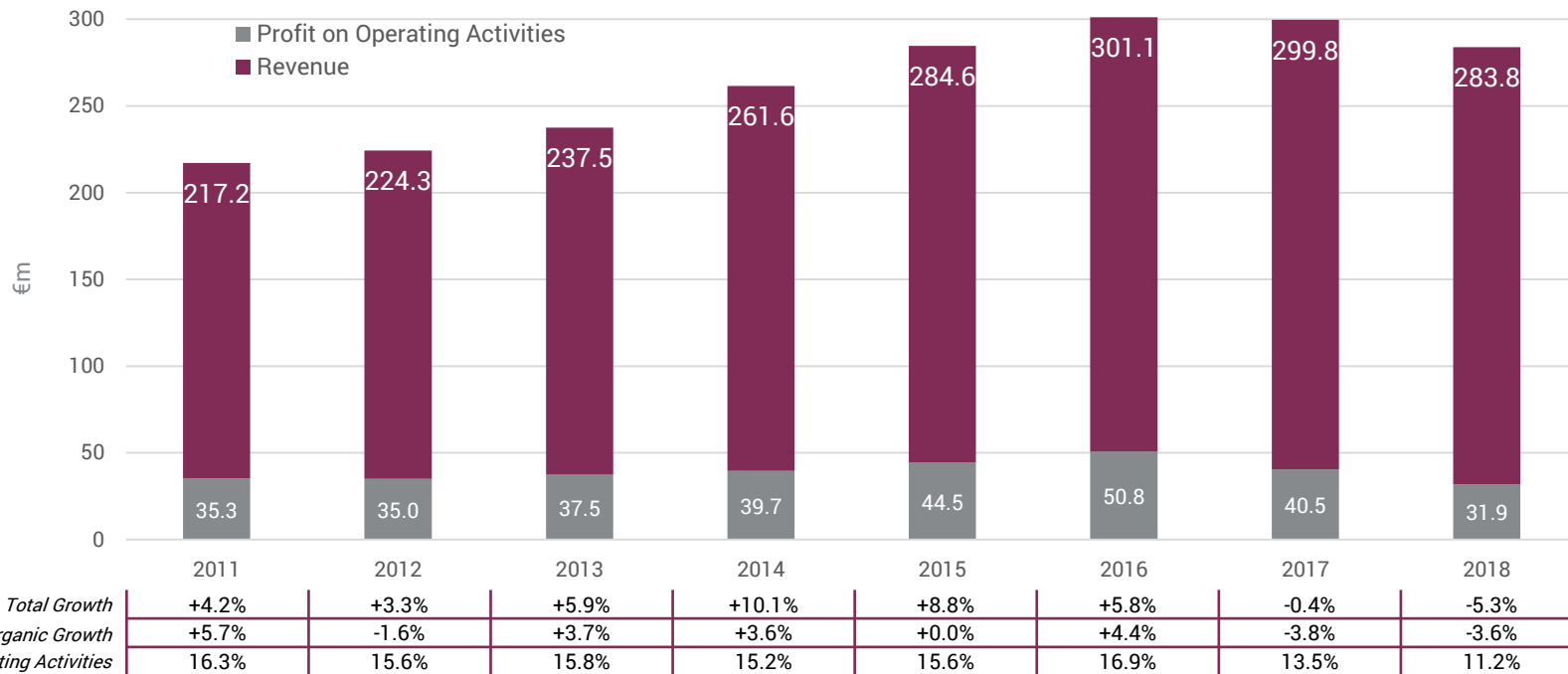
Digital Solution Providers



Resellers



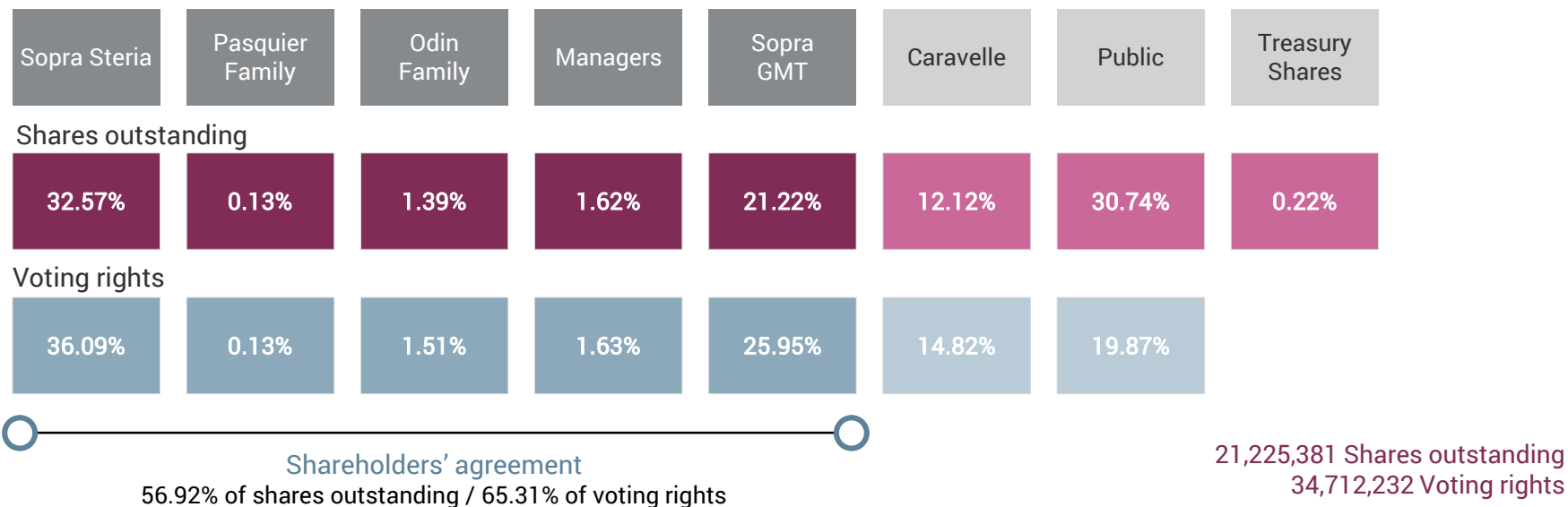
Axway's historical performance



Axway's historical net profit & dividend



A shareholding structure backing the corporate project



Axway's Corporate Social Responsibility

2018 Initiatives & Labels

→ Member of the UN Global Compact



→ Awarded Silver Ecovadis CSR Label



→ Selected for the Gaïa Index



→ Reinforced Ethics Charter & Alert System



Governance

Board of Directors:

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

Environment

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

Human Resources

Axway University:

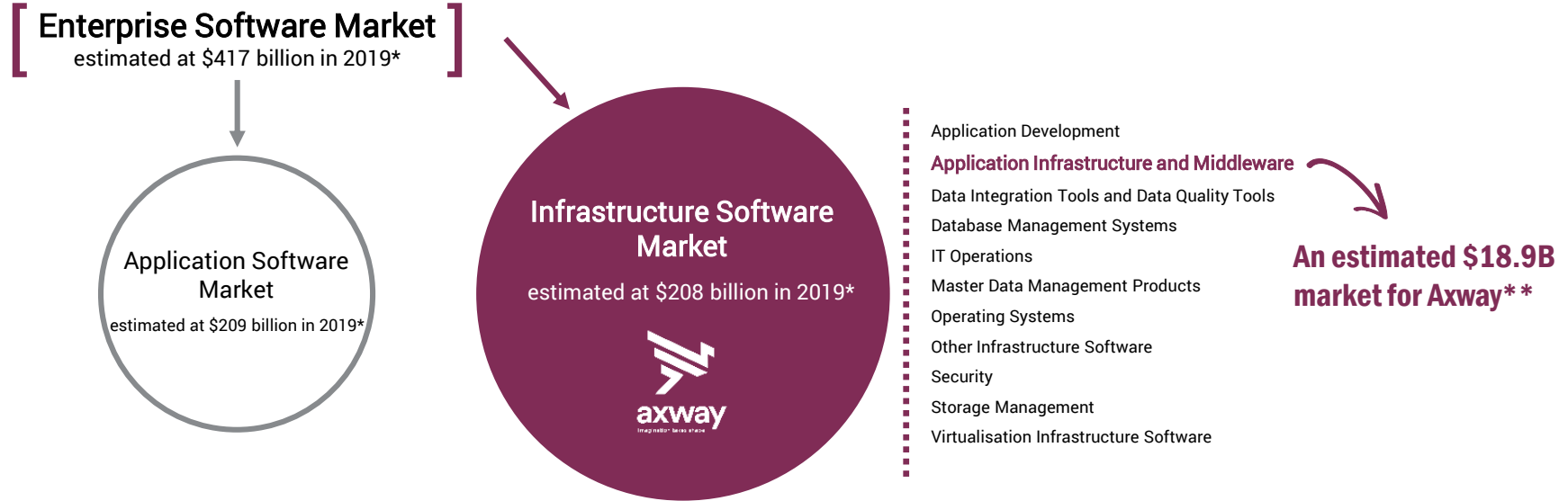
- 36K+ Hours of training for more than 1,250 Axwegians



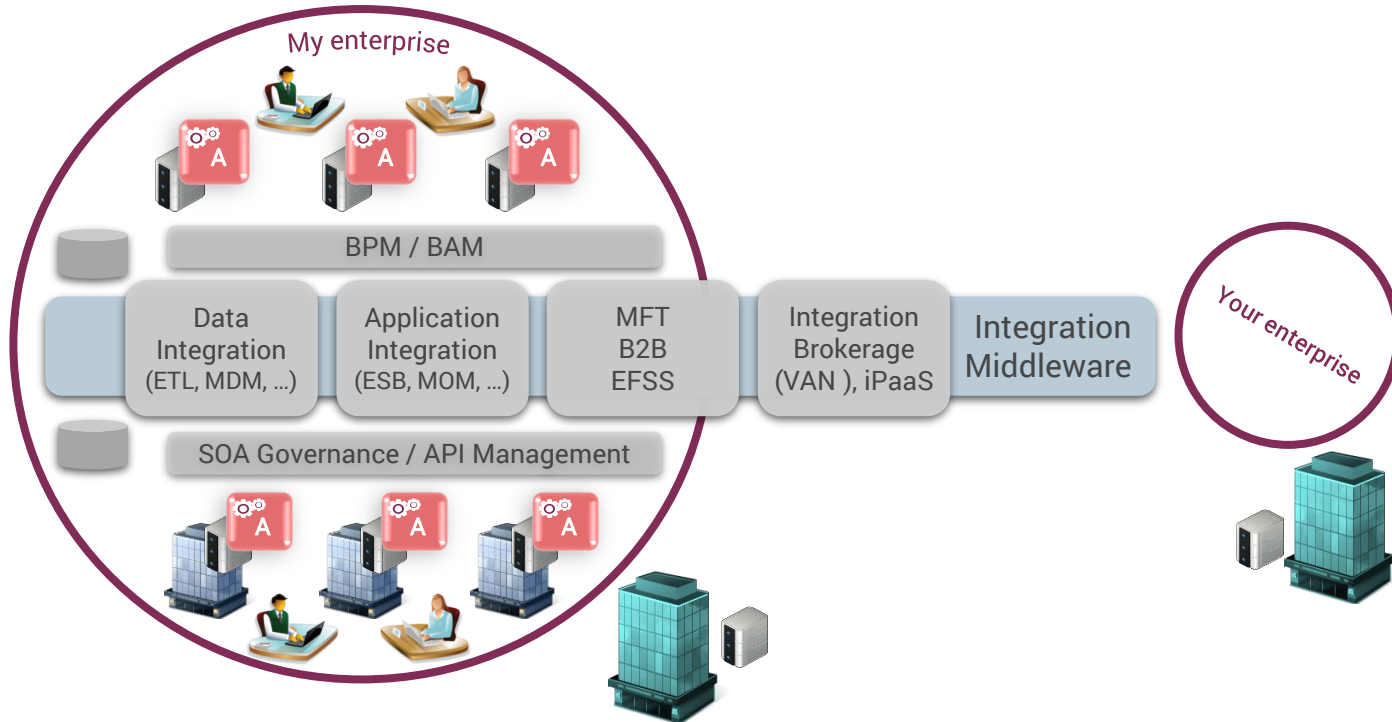
Market Overview



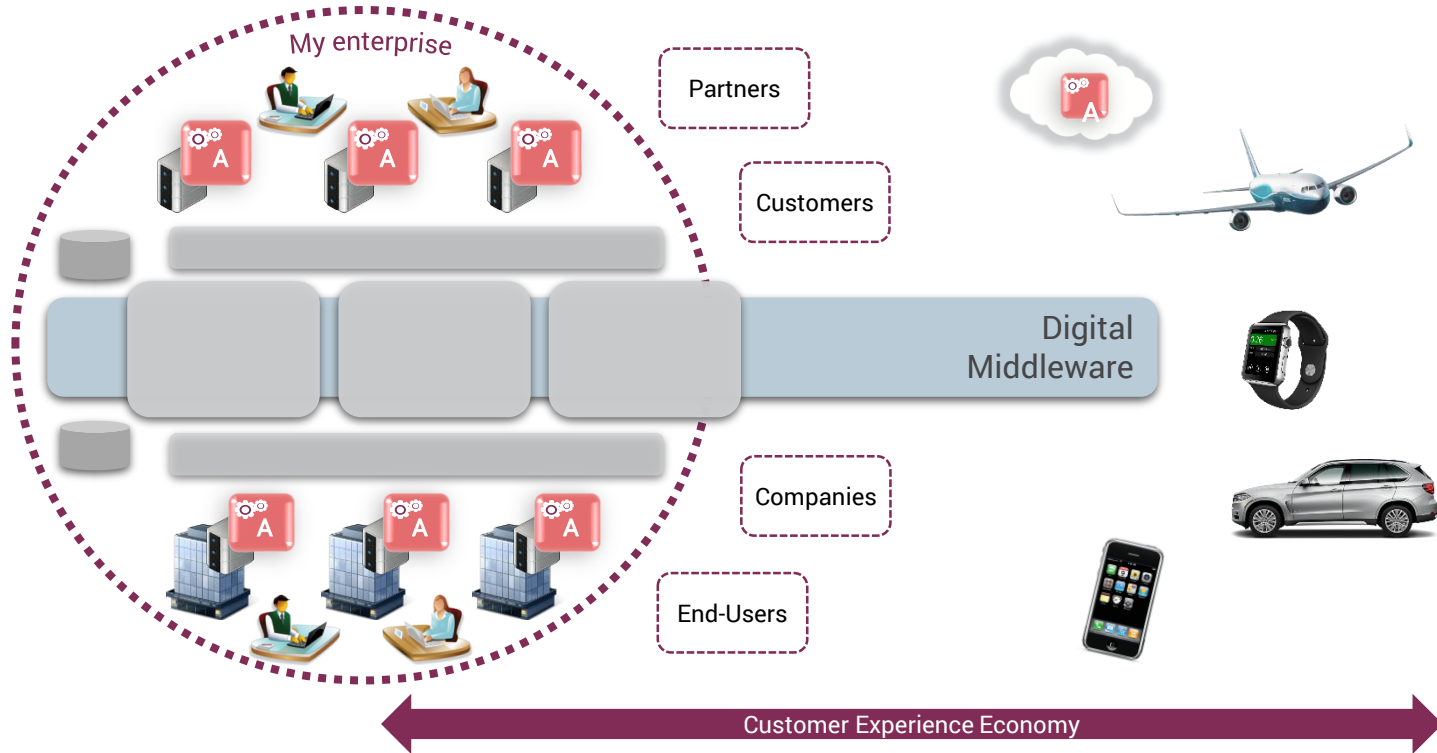
Axway's market in the Software industry



Axway's historical Middleware market...



... and its digital evolution !



Axway's purpose remains the same

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

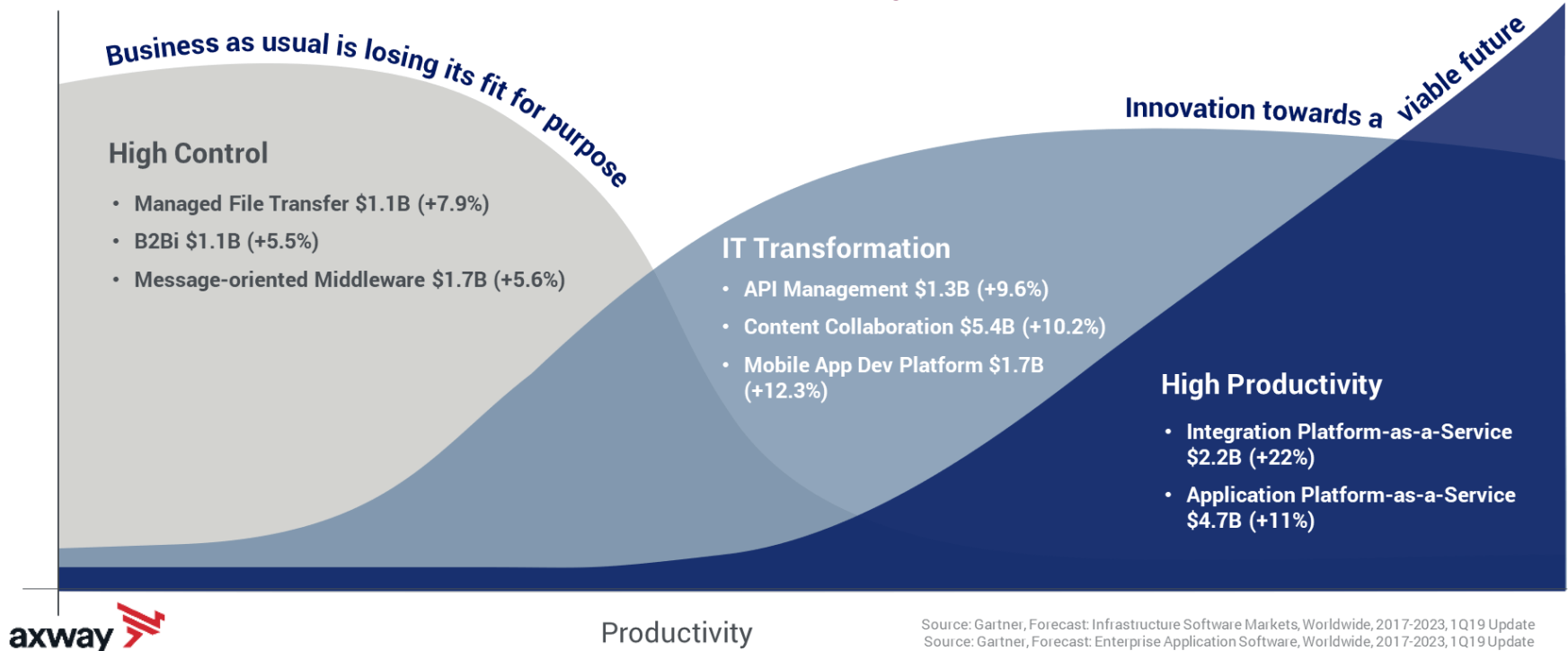
We will still move, integrate and expose data securely
for businesses



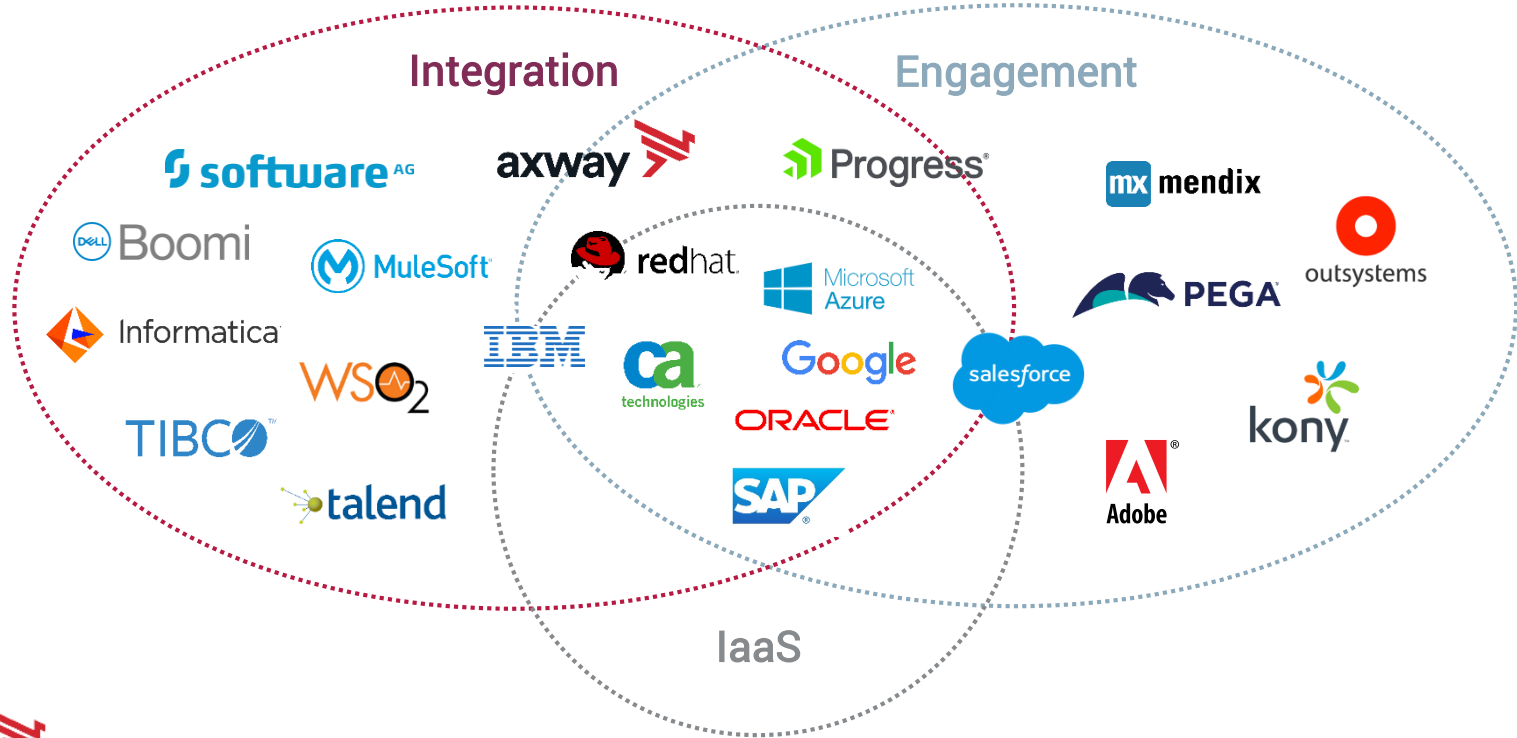
Axway's mission remains the same, we are merely implementing our market strategy:

2019 Market Forecast and 2019-2022 CAGR

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



Competitive landscape



Evolution of practices in a Subscription world

Sequences of a perpetual License offering



Cycle of a Subscription offering



IT Focus



Business Focus

Customer Acquisition



Customer Growth

Upfront Revenue



Lifetime Revenue

Episodic engagement



Continuous engagement

Reactive support



Proactive Value

Implementation services



Customer Outcomes

Update on the transformation project



Transformation project

Upgrading the product portfolio



Strengthening the management team and engaging employees



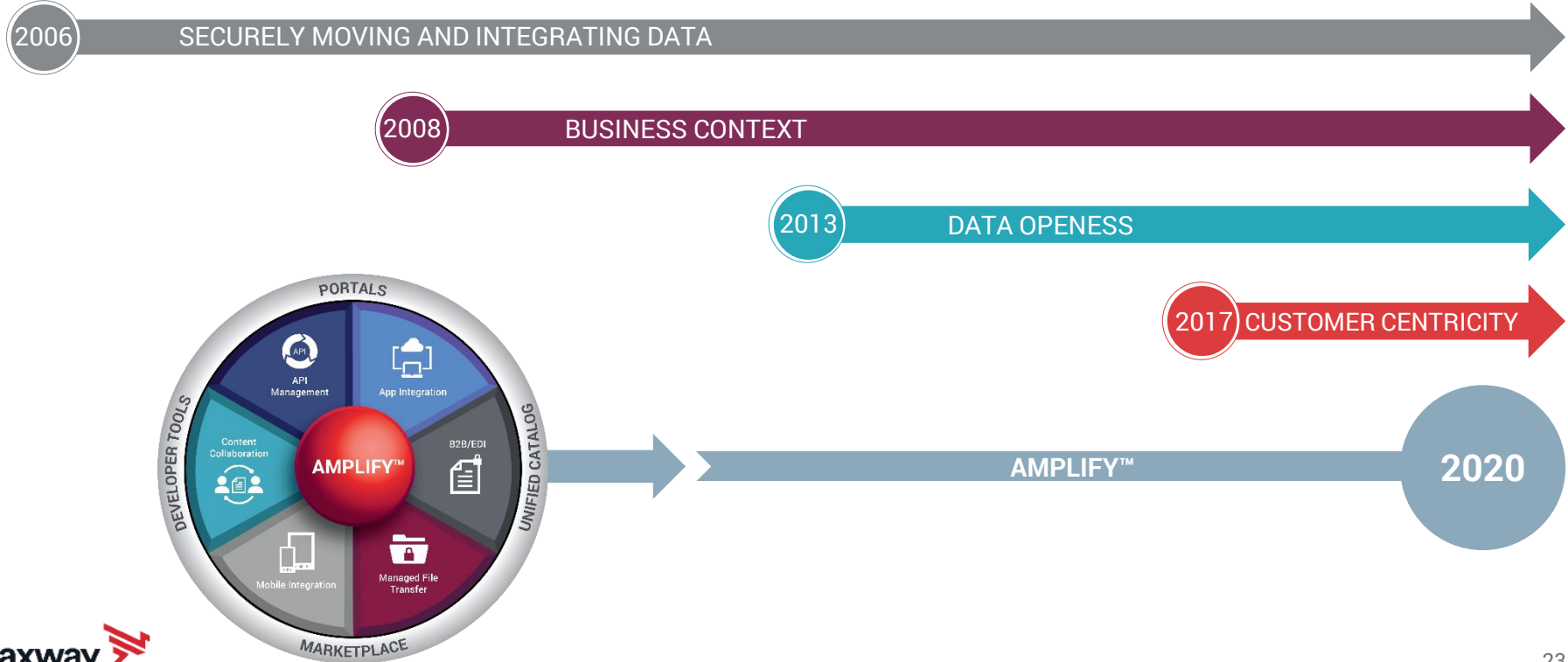
Implementing a structure adapted to changes in the business model



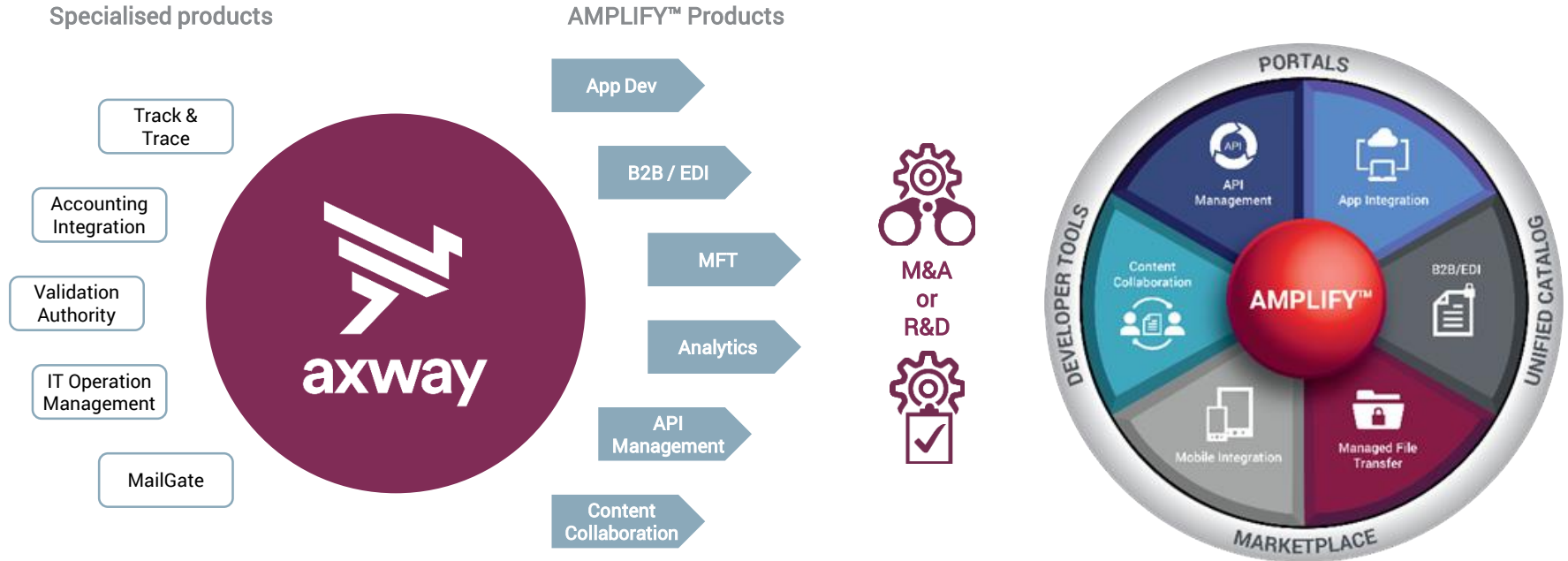
Increasing awareness and sustaining a growth dynamic

In Progress

AMPLIFY™: 15 years of strategic evolution

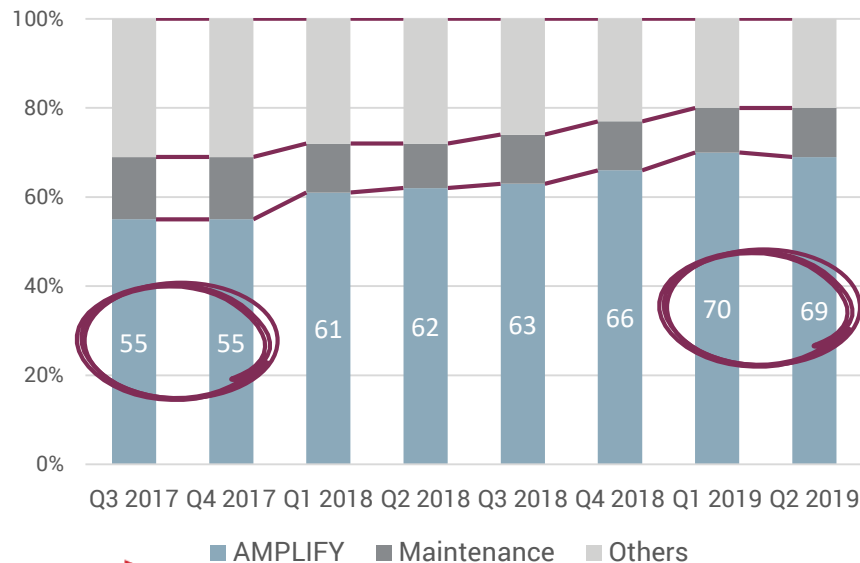


Axway's solutions evolution



AMPLIFY™: Continued investments, Strengthened offer

Allocation of R&D resources (%)

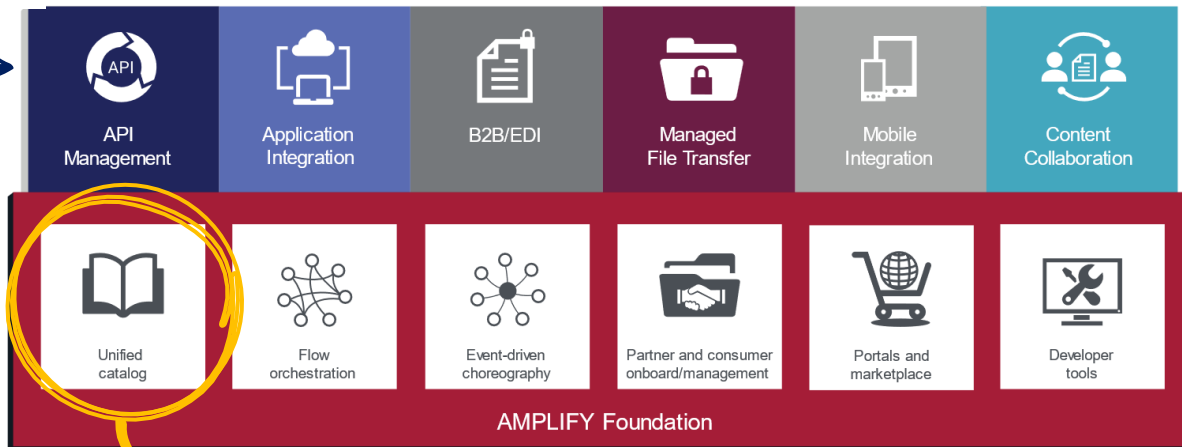


AMPLIFY™ Investments

up + 49 % in H1 2019 vs. H2 2017

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

AMPLIFY™: Continued investments, Strengthened offer



AVAILABLE



since
April 2019

Unified Catalog
for multiple integration patterns

AMPLIFY™: Setting the standard for HIP

Endpoints

CRMs

Cloud Services

General Ledgers

Legacy Systems

etc.



AMPLIFY Catalog

AMPLIFY™ Products



App Development



B2B / EDI



MFT



Analytics



API Management



Content Collaboration

Better Together

Strengthened management team

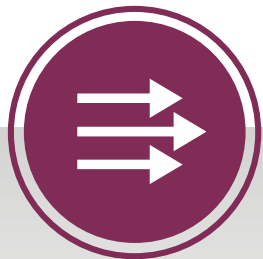
- Appointment of D. Fougerat, EVP Human Resources and C. Allmacher, Chief Financial Officer
- Entry into function of 3 new business leaders in Europe, the United States and the Asia-Pacific region
- Creation of a dedicated Go-to-Market team, supported by product experts, under the responsibility of Paul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

Renewed employee engagement

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

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

Customer Success Organisation



Objectives

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



Customer Centric

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



Organisation

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

Customer Success Organisation – H1 2019 evolution



Organisation

New Regional Leadership

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



Customer Success

Evolve our Customer Success Management Team

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



Go-To-Market

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

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

Go-To-Market – Axway Catalysts Team and Offerings



Axway Catalysts

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



Thought Leadership

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



Axway Accelerate

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

Our customers' success is our success



Mission Critical

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



AMPLIFY™

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



Customer Centric

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



H1 & Q3 2019 Highlights & Performance



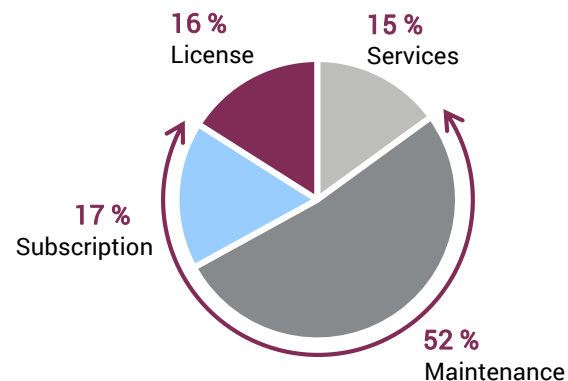


H1 2019

2019 Half-Year - Revenue by Activity

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

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



69% Recurring revenue
vs. 61.0% in H1 2018

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

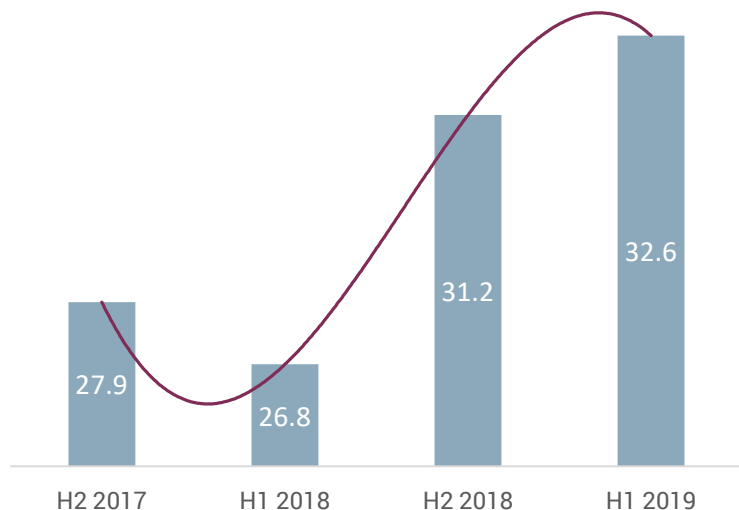
2019 Half-Year - Income Statement

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

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

AMPLIFY™: Continued investments, Strengthened offer

R&D Investments (€m)



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

Advancing our innovation

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

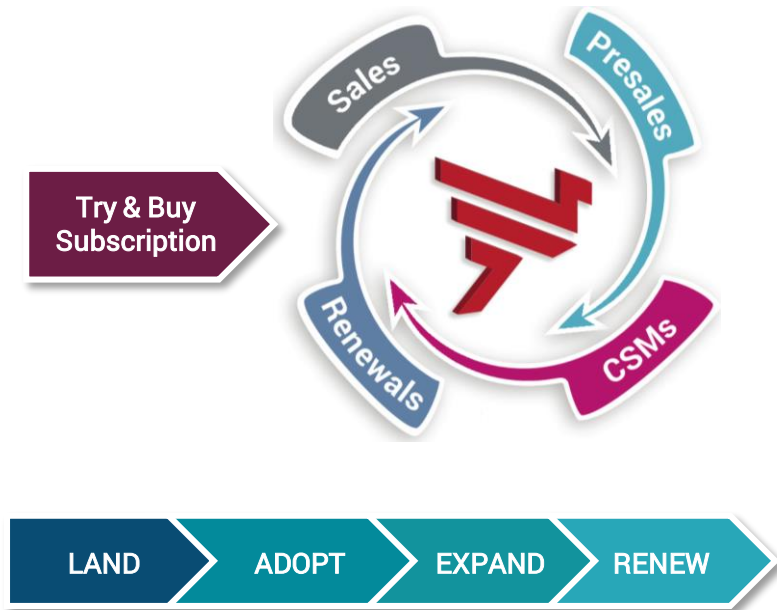
2019 Half-Year - Signatures tracking

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

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

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

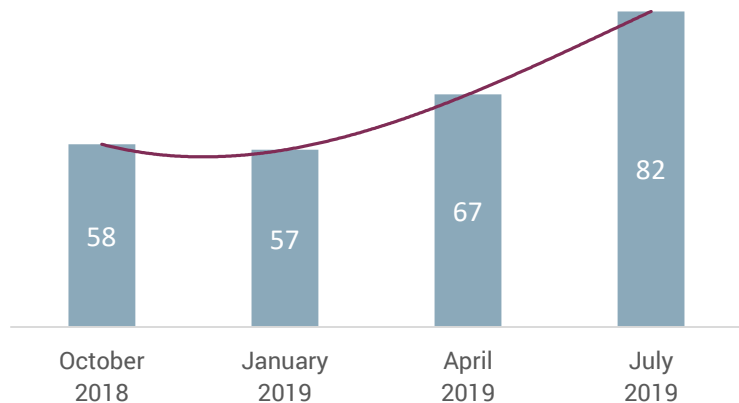
Market Shift to Subscription



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

AMPLIFY™ API Management : Pipeline and Successes

APIM Pipeline trends (€m)



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



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



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



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

Main Balance Sheet items at 30/06/2019

Cash and equivalents

€32.3m

vs. €35.8m at 31/12/2018

DSO

61 days

vs. 63 days at 30/06/2018

Total Assets

€569.5m

vs. €553.8m at 31/12/2018

Net debt

€12.3m

vs. €10.2m at 31/12/2018

Current deferred revenues

€85.6m

vs. €75.2m at 31/12/2018

Total Equity

€356.4m

vs. €362.7m at 31/12/2018

Cash flows & Covenants at 30/06/2019

In millions of euros

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

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

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

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



Q3 & 9M
2019

Q3 2019 Highlights

[€m]	Q3 2019	Q3 2018 Restated*	Q3 2018 Reported	Total Growth	Organic Growth*
License	11.4	13.9	13.9	-18.0%	-18.1%
Subscription	13.4	11.7	10.8	24.6%	14.9%
Maintenance	36.9	37.7	36.3	1.8%	-2.2%
Services	9.4	11.0	10.7	-11.3%	-14.0%
Axway	71.2	74.3	71.6	-0.6%	-4.2%

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

Highlights of the 3rd quarter 2019

- **Strong growth in Subscription revenue** (+14.9%), in line with the roadmap
- **Maintenance resilience** (-2.2%)
- Significant progression in pipeline around new AMPLIFY™ offers
- Recognition of Axway's leadership in API management

9M Performance

[€m]	9M 2019	9M 2018 Restated*	9M 2018 Reported	Total Growth	Organic Growth*
License	33.2	38.2	37.6	-11.7%	-13.1%
Subscription	36.6	31.4	29.4	24.1%	16.3%
Maintenance	109.0	109.5	106.2	2.7%	-0.4%
Services	31.0	34.1	33.3	-7.0%	-9.1%
Axway	209.8	213.2	206.5	1.6%	-1.6%

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

Targets & Ambitions

Targets & Ambitions

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

Appendices





FY 2018

Full-Year 2018 - Income Statement

In millions of euros

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

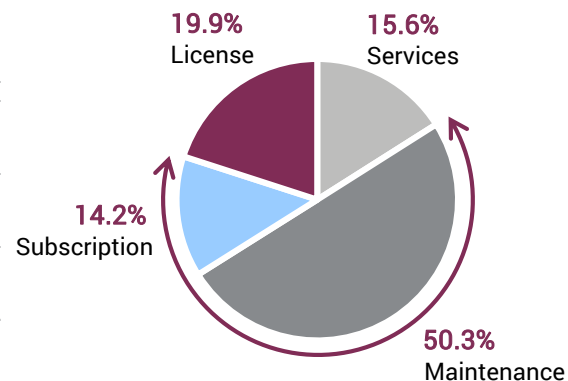
- Revenue down 3.6% organically*, 2.7% at constant exchange rates, 5.3% in total
- Profit on operating activities maintained at 11.2% through sound cost management
- Net profit of €11.0 million (3.9% of revenue) or €0.52 per share compared with €0.21 in 2017

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

Full-Year 2018 - Revenue by Activity

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

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



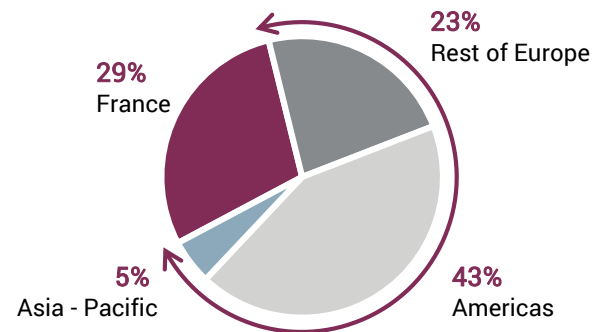
64.5% recurring revenue
vs. 61.0% in 2017

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

Full-Year 2018 - Revenue by Geography

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

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



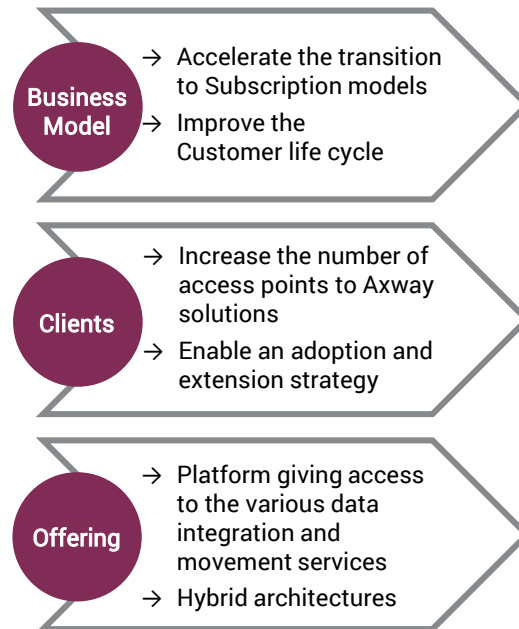
71% of revenue generated outside France stable compared to 2017

Full-Year 2018 - Advancement toward our new business model

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

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

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



Main Balance Sheet items at 31/12/2018

Cash and equivalents

€35.8m

vs. €28.1m at 31/12/2017

DSO

77 days

stable vs. 31/12/2017

Total Assets

€553.8m

vs. €551.1m at 31/12/2017

Net debt

€10.2m

vs. €24.1m at 31/12/2017

Current deferred revenues

€75.2m

vs. €67.3m at 31/12/2017 (+11.8%)

Total Equity

€362.7m

vs. €344.1m at 31/12/2017

Simplified Balance Sheet at 31/12/2018

In millions of euros

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

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

Cash flows & Covenants at 31/12/2018

In millions of euros

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

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

31/12/2018

31/12/2017

EBITDA
Cost of debt
(covenant > 5)

45.2

40.2

Net debt
EBITDA
(covenant < 3)

0.31

0.47

Net debt
Equity
(covenant < 1)

0.03

0.06

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

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

In millions of euros

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

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

In €

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

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

Full-Year 2018 - Headcount

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

→ Recruitment stepped up significantly in the second half of 2018

Alternative Performance Measures

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