

2019 Full-Year Results

Analysts Conference – February 20, 2020

Cloud Business Center - Paris



Forward-looking statements

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

Agenda



Patrick Donovan
Chief Executive Officer



Roland Royer
Chief Customer Officer

1 - Success of 2019 targets & Continuation of the transformation

2 - Customer Success Organisation: Momentum & Impact

3 - 2019 Financial Results

4 - 2020 Targets & Mid-term ambitions

5 - Q&A

Success of 2019 targets & Continuation of the transformation



Patrick Donovan
Chief Executive Officer

Success of 2019 targets



Revenue above expectations

€300m

organic growth

+3.3%



Profit on Operating Activities in line with guidance

8.6%

or

€25.9m



Strong growth in the Subscription business

+41.7%

or

€59.6m



Significant increase in ACV*

+33.3%

or

€17.5m



Growth of the Signature Metric* (License + 3xACV)

+8.3%

or

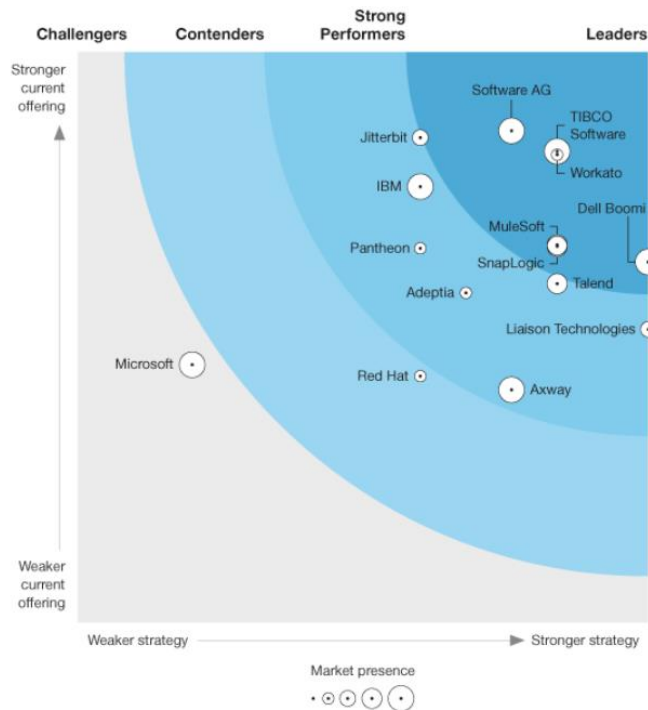
€105.3m



AMPLIFY™ and AMPLIFY API among the best offers on the market

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

Leadership in the Hybrid Integration Platforms Market



AXWAY A LEADER
in the Gartner™ Magic Quadrant
for Full Life Cycle API Management
(October 2019)

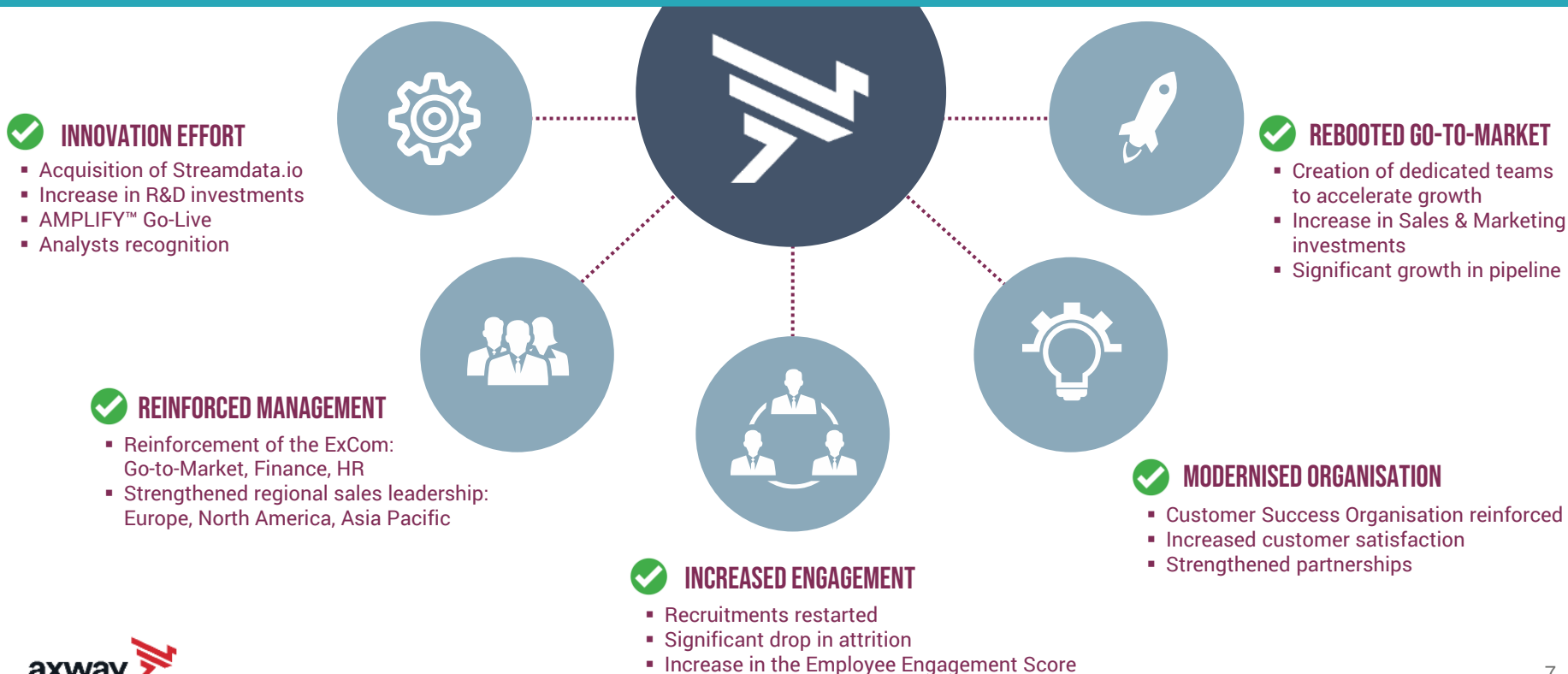


AXWAY A STRONG PERFORMER
in The Forrester Wave™:
Strategic iPaaS and Hybrid Integration Platforms
(Q1 2019)



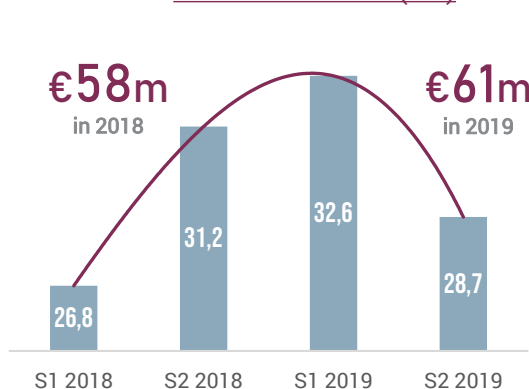
Source: Gartner (October 2019)

Transformation of the Group in 2019

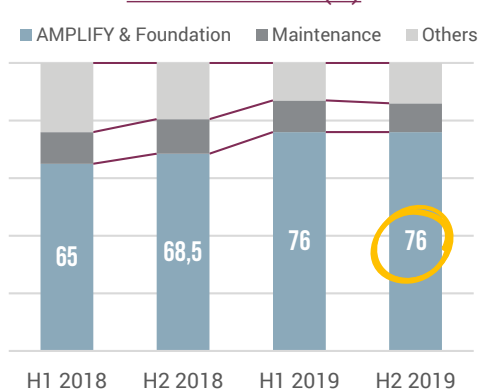


Accelerated innovation, stabilized R&D investments

R&D Investments (€m)



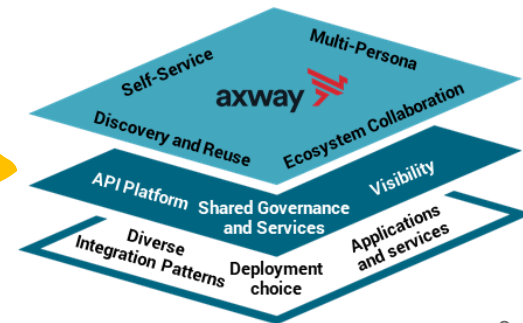
R&D Allocation (%)



Strategic M&A



- R&D resource allocation refocused on AMPLIFY™
- Integration of Streamdata.io and AMPLIFY™ Go-Live (March 2019)
- Significant decrease in R&D staff attrition (-19% in 2019)
- Stabilisation of investments in Research and Development



Reinforcement of the management team

→ Appointments to the Executive Committee



C.Allmacher
Chief Financial Officer



D.Fougerat
EVP People & Culture



P.French
EVP Go-to-Market



Stronger employee engagement

Return to recruitments

+308

or +2% net increase in the workforce

Improved Employee Engagement Score

+18%

or 58% in 2019 vs. 49% in 2018

Lower Attrition

-15%

i.e. 17.7% yearly attrition rate

→ Employee engagement boosted

- Launch of Axway University 2.0
- Half-yearly Employee Opinion Surveys
- New talent management program
- Implementation of a Group free share grant plan vesting in 2022



Customer Success Organisation: Momentum & Impact

Roland Royer
Chief Customer Officer



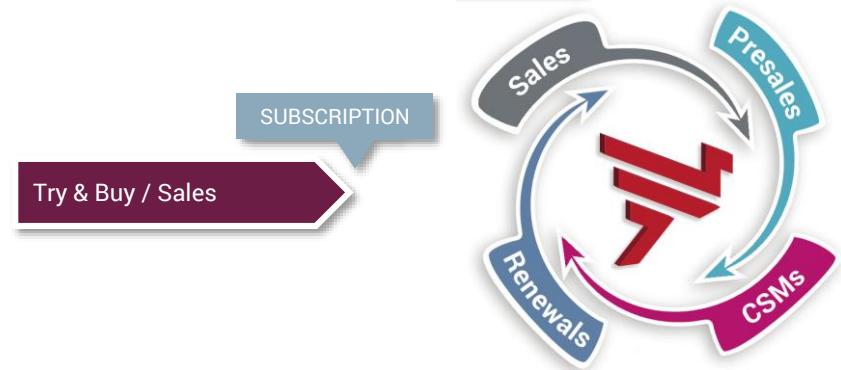
Our Customer Success Journey started mid-2018...

Sequences of a perpetual license offer



- Can lead to disconnects in handoff's
- Perception of "Hit & Run" for the customer
- Can lead to customer expectation of gaps if project stalls

Cycle of a subscription offer



ONGOING CLIENT ENGAGEMENT

Revamping our Brand & Go-to-Market Strategy



Build Brand Awareness

Renewed investment in solution marketing & Axway branding



Business Value Messaging

Highlighting Customer Success and business value over product features



Position Axway as Digital Strategists

The Axway Catalyst team takes consulting to a new level, acting as trusted advisors and helping our customers make the right decisions on digital strategy, design and technology

Driving Excellence in Sales Execution

→ New General Managers



B. Kearney
GM APAC



S. Torvik
GM North America



A. Saad
GM EMEA



- New General Managers in 3 Regions out of 4
- Accelerated recruitment of API Management experts
- Regional Inside Sales teams
- Regional alignment and reinforcement of Customer Success Management team
- Culture of discipline & strong execution

Measuring Success



Customer Loyalty

Leading indicator based on Customer feedback



Signatures growth in AMPLIFY API Management

API Management the “doorway” to AMPLIFY™

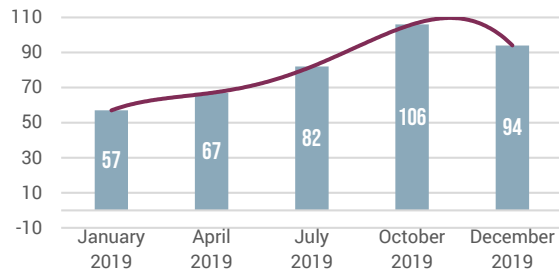


Subscription Revenue Growth

Transition to Consumption based model

Pipeline & Signatures growth in AMPLIFY API Management

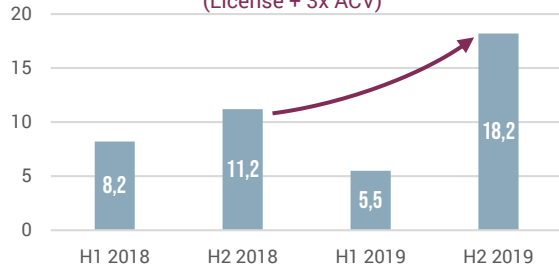
APIM Pipeline Trend (€m)



+65%

compared to
January 19

APIM Signatures Trend (€m)
(License + 3x ACV)



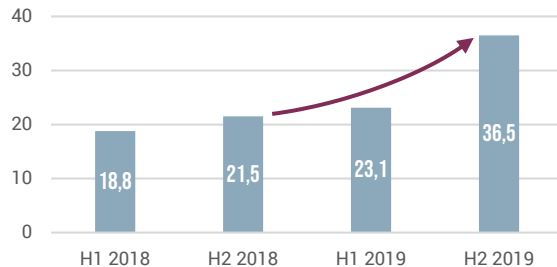
+22%

year-over-year

- Axway API Management solution identified as leader
- Q4 impact of new Go-to-Market strategy & Catalysts
- Several Win Back against competition
- Huge Q4 rebound in North America

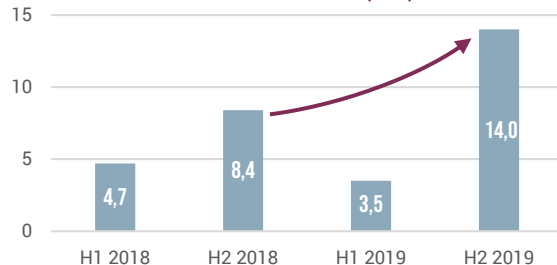
Significant increase in Subscription Revenue & New ACV

Subscription Revenue Trend (€m)



+42%
year-over-year

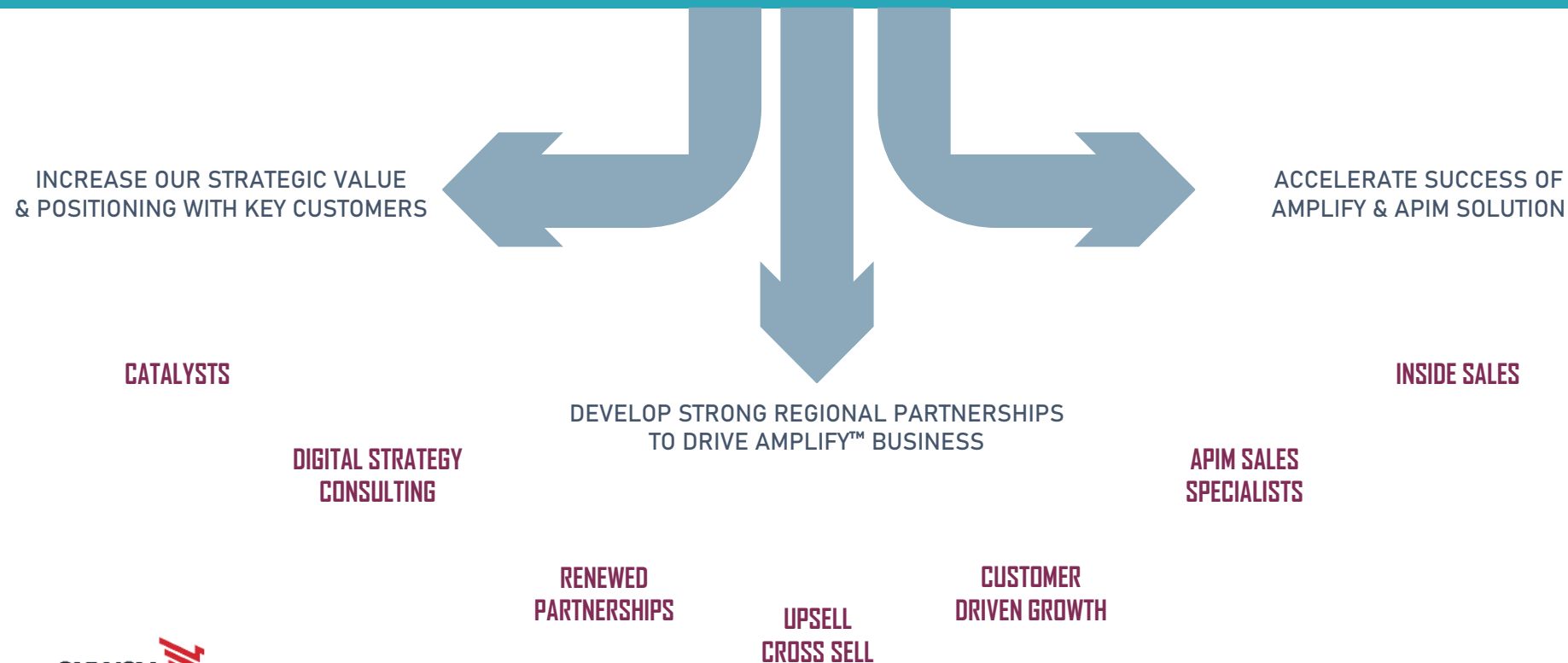
New ACV Trend (€m)



+33%
year-over-year

- All major offerings available in subscription mode since mid-2019
- Sales enablement and incentive reviewed in H2 2019
- Accelerated transition to subscription model across verticals and across regions
- AMPLIFY™ Renewal rate > 88%

2020 Success: Direction and Priorities



Taking Customer Success to the Next Level



Go-To-Market strategy
& Brand awareness



Sales
Execution



Customer
Success Management



2019 Financial Results

Patrick Donovan
Chief Executive Officer



Full-Year 2019 - Income Statement

In millions of euros

	2019		2018	
Revenue	300.0		283.8	
Cost of sales	88.4		84.2	
Gross Profit (% of Revenue)	211.5	70.5%	199.7	70.3%
Operating expenses	185.6		167.8	
<i>of which Sales and marketing</i>	<i>99.1</i>		<i>83.3</i>	
<i>of which Research and development</i>	<i>61.3</i>		<i>58.0</i>	
<i>of which General and administrative</i>	<i>25.1</i>		<i>26.4</i>	
Profit on operating activities	25.9	8.6%	31.9	11.2%
Profit from recurring operations	14.6	4.9%	22.5	7.9%
Operating profit	14.3	4.8%	18.3	6.4%
Income taxes	-6.8		-5.6	
Net profit (% of Revenue)	5.4	1.8%	11.0	3.9%
Basic earnings per share (in €)	0.25		0.52	

Organic growth of

+3.3%

in revenue

Total growth of

+5.7%

in revenue

Increase of

+19%

in Sales & Marketing
investments

Stabilisation at

±20% of Rev.

for Research & Development
investments

Profit on Operating Activities of

€25.9m

or 8.6% of revenue

Net profit of

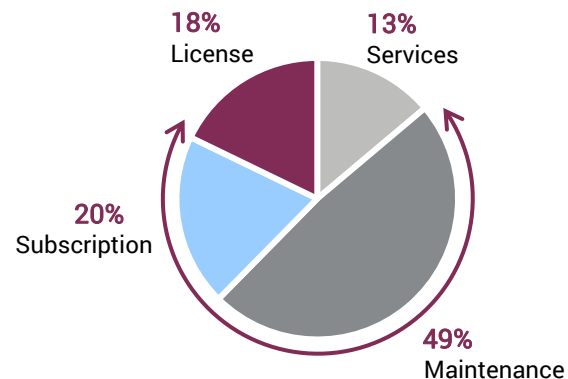
€5.4m

or € 0.25 per share

Full-Year 2019 - Revenue by Activity

[€m]	2019	2018 Restated*	2018 Reported	Total Growth	Organic Growth*
License	52.8	57.6	56.5	-6.5%	-8.3%
Subscription	59.6	42.1	40.3	+47.8%	+41.7%
Maintenance	146.7	145.9	142.8	+2.7%	+0.6%
Services	40.8	44.9	44.2	-7.6%	-9.1%
Axway	300.0	290.5	283.8	+5.7%	+3.3%

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



69% Recurring revenue
vs. 64.5% in 2018

- Strong growth in the Subscription activity (+41.7%) to 20% of Group revenue
- Maintenance revenue held steady, with organic sales growth of 0.6%
- Decrease in License and Services activities
- Increase of 4.5 points in the share of recurring revenue, to 69% of Group consolidated sales

Full-Year 2019 - Focus on Subscription activity

[€m]	2019	2018 Restated*	2018 Reported	Organic Growth*
Subscription	59.6	42.1	40.3	+41.7%
<i>of which Q4 19</i>	<i>23.0</i>	<i>10.6</i>	<i>10.9</i>	<i>+116.7%</i>
New ACV	17.5	13.1	13.1	+33.3%

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

- Sharp up-turn in Subscription revenue growth (+41.7%)
- Very strong acceleration in business at the end of the year, with organic sales growth of 116.7% in Q4 2019
- Significant increase (+33.3%) in Annual Contract Value (ACV) of new Subscription contracts

Full-Year 2019 - Focus on License & Maintenance activities

[€m]	2019	2018 Restated*	2018 Reported	Organic Growth*
License	52.8	57.6	56.5	-8.3%
<i>of which Q4 19</i>	<i>19.6</i>	<i>19.4</i>	<i>18.9</i>	<i>+1.2%</i>
Maintenance	146.7	145.9	142.8	+0.6%

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

- Organic decline in License revenue of 8.3% in 2019, despite a positive 4th quarter
- Resilient Maintenance activities in line with previous announcements and the Group's ambitions

Full-Year 2019 – Signatures Metric

[€m]	New Signatures Value	Weighting Factor	Weighted New Signatures
License	52.8	1x	52.8
New Subscription (ACV*)	17.5	3x	52.5
2019 Weighted Signatures			105.3
Organic Growth*			+8.3%

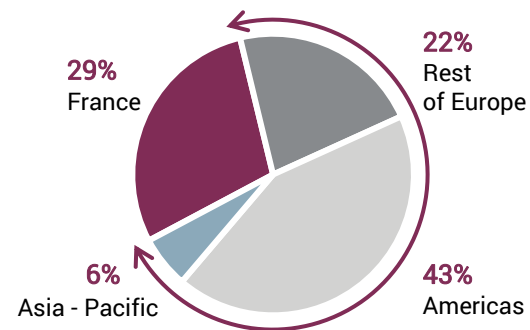
** Alternative performance measures are defined in the glossary at the end of this document*

- New ACV up 33.3% organically
- 8.3% organic growth in the signatures metric, continuing the 7.8% growth in 2018
- Equal contribution of Licenses and Subscription to Signatures Metric growth

Full-Year 2019 - Revenue by Geography

[€m]	2019	2018 Restated*	2018 Reported	Total Growth	Organic Growth*
France	86.4	80.9	80.9	+6.7%	+6.7%
Rest of Europe	67.3	65.7	65.7	+2.4%	+2.4%
Americas	129.8	128.7	122.3	+6.1%	+0.8%
Asia / Pacific	16.5	15.1	14.9	+11.0%	+9.1%
Axway	300.0	290.5	283.8	+5.7%	+3.3%

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



71% of revenue generated outside France
stable on 2018

Main Balance Sheet items at 31/12/2019

Cash and equivalents

€21.1m

vs. €35.8m at 31/12/2018

DSO

77 days

stable vs. 31/12/2018

Total Assets

€568.8m

vs. €553.8m at 31/12/2018

Net debt

€21.6m

vs. €10.2m at 31/12/2018

Current deferred revenues

€60.6

vs. €75.2m at 31/12/2018

Total Equity

€362.6m

vs. €362.7m at 31/12/2018

Cash flows & Covenants at 31/12/2019

In millions of euros

	31/12/2019	31/12/2018
Net profit for the period	5.4	11.0
<i>Change in operating working capital requirements</i>	<i>-19.3</i>	<i>-3.6</i>
Net cash from operating activities	13.6	22.6
<i>Free cash flow</i>	<i>0.6</i>	<i>17.5</i>
Net cash used in investing activities	-5.2	-4.0
Net cash from (used in) financing activities	-23.2	-10.7
Net change in cash and cash equivalents	-14.7	7.6
Opening cash position	35.8	28.1
Closing cash position	21.1	35.8

→ Free cash flow of €0.6m in 2019 vs. €17.5m at 31/12/2018

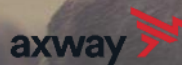
	31/12/2019	31/12/2018	31/12/2017
<u>EBITDA</u> Cost of debt (covenant > 5)	43.9	45.2	40.19
<u>Net debt</u> EBITDA (covenant < 3)	0.70	0.31	0.47
<u>Net debt</u> Equity (covenant < 1)	0.06	0.03	0.06

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

2020

2019

2018



2020 Targets & Mid-terms ambition

Patrick Donovan
Chief Executive Officer

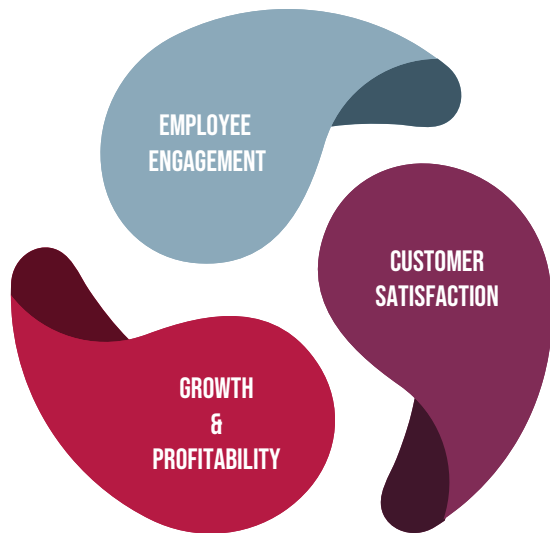


Unchanged technological ambition

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

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

2020 Targets



Axway raises its revenue target and now aims for revenue in excess of €310 million

The Group anticipates a rebound in profitability, enabling it to achieve an **operating margin on business activity >10%**

The Group also aspires to an **improvement in net income over the next 12 months**

Mid-term ambitions

Achieve revenue of €500 million
through organic growth in sales and acquisitions

Return to operating margin on business activity rates above 15%
and gradually move towards 20%

Sustainably increase earnings per share to above €1



Q&A

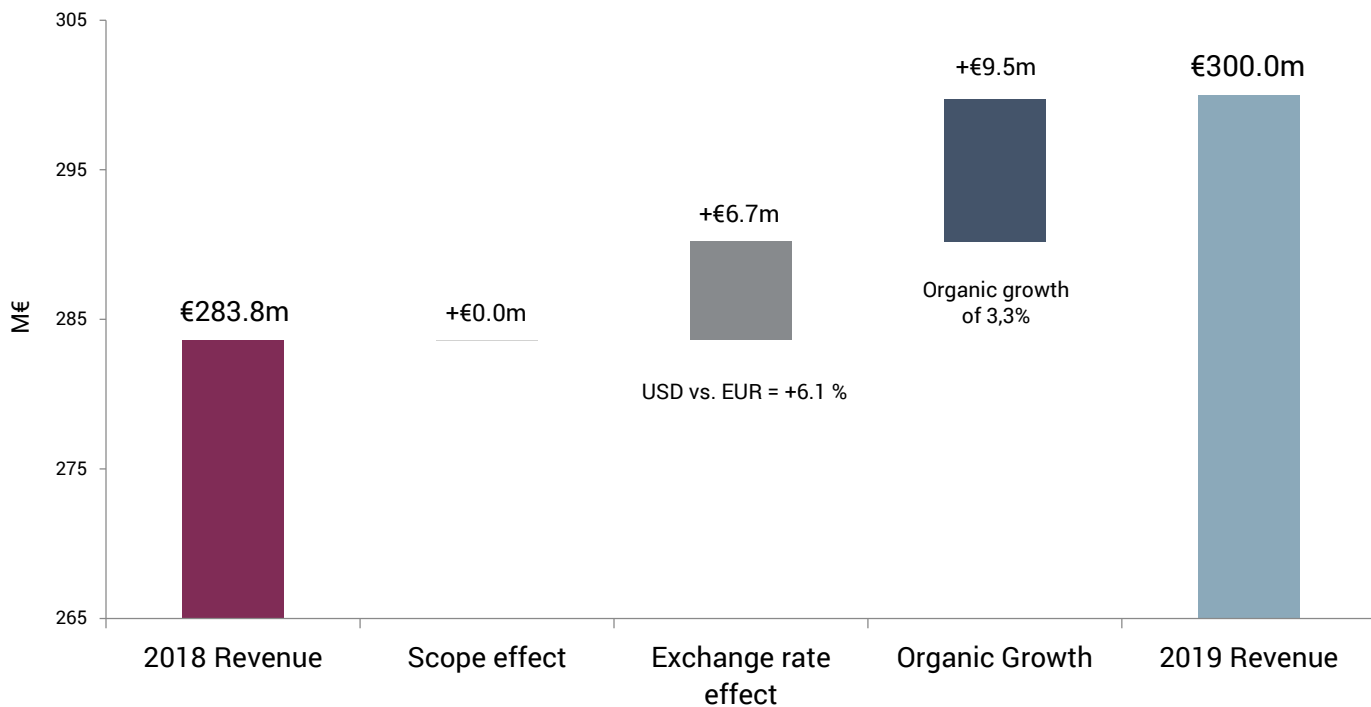
Microphones are at your disposal



Annexes



Full-Year 2019 – Change in revenue



Simplified Balance Sheet at 31/12/2019

In millions of euros

	31/12/2019	31/12/2018
Assets		
Goodwill	350.0	344.1
Non-current assets	442.7	422.7
Trade receivables	71.9	65.6
Other current assets	33.2	29.7
Cash and cash equivalents	21.1	35.8
Current assets	126.2	131.1
Total Assets	568.8	553.8
Equity and Liabilities		
Equity	362.6	362.7
Financial debt - long-term portion	39.2	41.8
Lease liabilities - long-term portion	22.9	-
Other non-current liabilities	13.6	11.4
Non-current liabilities	75.7	53.2
Financial debt - short-term portion	3.5	4.2
Lease liabilities - short-term portion	6.8	-
Deferred Revenues	60.6	75.2
Other current liabilities	59.7	58.4
Current liabilities	130.6	137.9
Total Liabilities	206.2	191.1
Total Equity and Liabilities	568.8	553.8

- Cash and cash equivalents of €21.1m
- DSO at 77 days, stable on 31/12/2018
- Bank debt of €42.7m, net debt of €21.6m
- Current deferred revenues of €60.6m

Changes in equity and Earnings per share at 31/12/2019

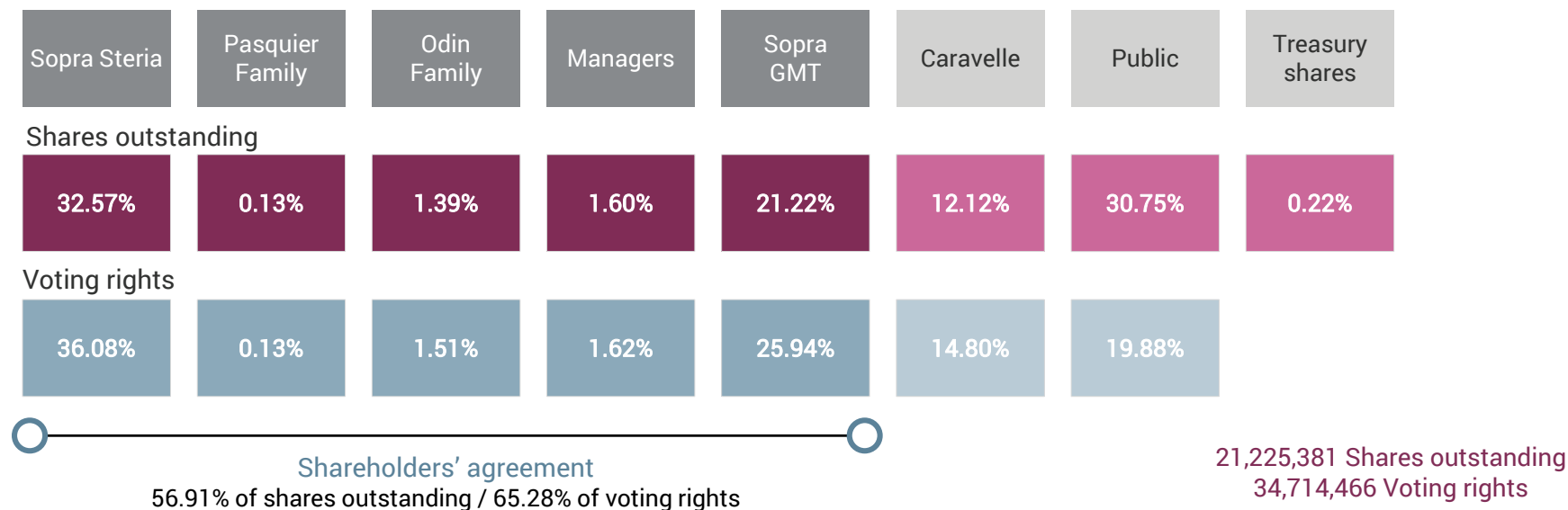
<i>In millions of euros</i>	31/12/2019	31/12/2018	31/12/2017
Equity at Beginning of Period	362.7	344.1	374.8
Profit for the period	5.4	11.0	4.4
Dividends	-8.5	-4.2	-8.5
Capital increase	0.0	0.2	3.2
First-time application of IFRS16	-0.7	0.0	0.0
Other	0.8	1.0	1.5
Foreign exchange translation adjustments	2.8	10.7	-31.3
Equity at End of Period	362.6	362.7	344.1

<i>In €</i>	31/12/2019	31/12/2018
Net profit for the period	5.4	11.0
Weighted average number of shares excluding treasury shares	21.23M	21.22M
Basic earnings per share	0.25	0.52
Theoretical potential weighted average number of shares	22.18M	21.71M
Diluted earnings per share (in €)	0.24	0.50

Full-Year 2019 - Headcount

	31/12/2019	31/12/2018
France	466	468
Rest of Europe	831	771
Americas	526	537
Asia - Pacific	62	72
Axway	1,885	1,848

Shareholding structure at 31/12/2019



Alternative Performance Measures

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