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Press release

AXWAY: €m142.8 in revenue for the first half of 2017 and 4.2% profit on operating activities

Paris, July 26, 2017 - Axway (Euronext: AXW.PA) - Axway Software's Board of Directors, convened on July 26 under the chairmanship of Pierre Pasquier, approved the financial statements for the first half of 2017, which show the following, in comparison with the first half of 2016:

- total revenue of €142.8 million, or -6% in organic growth;
- revenue from Cloud activity of €17.2 million, +14.8% in organic growth;
- revenue from Licenses of €25.0 million, or -34.0% in organic growth;
- profit on operating activities of €6 million, or 4.2% of revenue.

Note: Readers are reminded that a press release was sent out on July 18, 2017 concerning "Axway preliminary Half Year 2017 accounts".

	1er Sem. 2017		1er Sem. 2016		FY 2016	
	(€m)	(Rev)	(€m)	(% Rev)	(€m)	(% Rev)
Key income statement items						
Revenue	142.8		144.7		301.1	
<i>Organic growth</i>	-6.0%		5.7%		4.4%	
Profit on operating activities	6.0	4.2%	16.3	11.3%	50.8	16.9%
Profit from recurring operations	1.0	0.7%	12.3	8.5%	41.8	13.9%
Other income and expense	-1.3		-1.5		-6.7	
Net financial costs and currency impact	0.5		0.8		0.1	
Income Taxes	2.5		-0.5		-3.7	
Net profit	2.6	1.8%	11.0	7.6%	31.5	10.5%
	(€)		(€)		(€)	
Basic net earnings per share	0.12		0.53		1.51	

Alternative performance indicators are defined in the glossary that appears at the end of the document.

Comments on H1 2017 activity

Axway's activity in the first half of 2017 was characterized by a downturn in licensing revenue and substantial growth in Cloud revenue over the first half of 2016 for these activities. The volume of growth in subscription revenue did not offset the decline in licensing revenues, and thus resulted in a half-year in organic decline (-6%) compared to the first half of 2016. Cloud revenue stood at €17.2 million or 14.8% growth, representing 12% of activity for the half-year. Licenses, with revenue of €25 million, down by -34.0%, now represent 18% of activity. Services, an activity which is now presented without Cloud subscription, realized revenue of €27.1 million or a decline of -3.9%. Maintenance confirmed several years of steady performance with revenue of €73.5 million or 3.7% growth over the same period in 2016. The acquisition of Syncplicity early in the year led to the integration and development of synergies and mobilized the company, specifically its sales network, for the first six months.

Profit on operating activities stood at 4.2% of revenue, compared to 11.3% in the first half of 2016. This downturn is exclusively the result of the loss of licensing revenue in the first half of 2017.

Revenue by region (in €m)

	2017	2016 Reported	2016 Restated	Total Growth	Organic Growth ¹
1st Quarter					
France	19.5	20.1	20.1	-2.6%	-2.6%
Rest of Europe	15.8	14.6	14.1	8.5%	11.8%
America's	29.5	27.5	30.3	7.6%	-2.4%
Asia/Pacific	3.6	3.3	3.4	11.6%	6.6%
Axway	68.5	65.3	67.9	4.9%	0.9%
2nd Quarter					
France	19.1	23.8	23.8	-19.7%	-19.8%
Rest of Europe	17.9	17.3	16.9	3.3%	6.1%
America's	33.2	34.1	39.1	-2.7%	-15.2%
Asia/Pacific	4.1	4.2	4.3	-2.1%	-3.7%
Axway	74.3	79.4	84.1	-6.5%	-11.7%
1st Semester					
France	38.7	43.9	43.9	-11.9%	-11.9%
Rest of Europe	33.7	31.8	31.0	5.7%	8.7%
America's	62.7	61.5	69.4	1.9%	-9.6%
Asia/Pacific	7.8	7.4	7.7	3.9%	0.9%
Axway	142.8	144.7	151.9	-1.3%	-6.0%

(1) at constant exchange rates and scope of consolidation

For the first half of 2017, France suffered a significant negative comparison effect with organic growth of -11.9%, due in particular to the performance of licenses in the first half of 2016, which had signed an important contract. It also had a more complicated second quarter for maintenance, with a decline in the renewal rate.

The rest of Europe benefited from several excellent signatures, notably in Belgium and the Netherlands, enabling +8.7% growth.

The United States, with €62.7 million in revenue, was also penalized by an unfavorable comparison basis in licenses, with a significant win in June 2016. The strong growth of Cloud activity does not offset the loss in sales of licenses and brings overall growth for the region to -9.6% for the first half, compared to +18.1% in 2016 over the same period.

Asia Pacific held steady with positive growth of 0.9%, driven by good performance in maintenance, services, and the Cloud.

Revenue by activity (in €M)

	2017	2016 Reported	2016 Restated	Total Growth	Organic Growth ¹
1st Quarter					
Licenses	9.6	12.4	12.6	-22.8%	-24.2%
Cloud	7.3	-	5.9	-	23.7%
Maintenance	37.3	34.7	35.3	7.0%	5.7%
Services	14.4	18.2	14.1	-20.7%	2.0%
Axway	68.5	65.3	67.9	4.9%	0.9%
2nd Quarter					
Licenses	15.4	25.1	25.3	-38.5%	-38.9%
Cloud	9.8	-	9.0	-	9.0%
Maintenance	36.2	35.4	35.6	2.3%	1.7%
Services	12.8	18.9	14.2	-32.4%	-9.8%
Axway	74.3	79.4	84.1	-6.5%	-11.7%
1st Semester					
Licenses	25.0	37.4	37.9	-33.3%	-34.0%
Cloud	17.2	-	15.0	-	14.8%
Maintenance	73.5	70.2	70.8	4.6%	3.7%
Services	27.1	37.1	28.2	-26.7%	-3.9%
Axway	142.8	144.7	151.9	-1.3%	-6.0%

(1) at constant exchange rates and scope of consolidation

The decrease in licenses continued in the second quarter, following the trend seen over the first three months. This was due to delays in signatures in licenses during the quarter as well as the unfavorable effect of the comparison basis for the same quarter of 2016. In addition, the integration of the last two acquisitions (Appcelerator and Syncplicity) required that the sales teams appropriate the new technologies (Mobile and EFSS) and the subscription business model. By technology, market demand for API (Application Programming Interface) remains extremely high, and Axway's competitive position remains very favorable.

Cloud activity, with strong revenue growth over the half-year, also delivered new signatures (ACV of more than €4.3 million and TCV of more than €7.3 million) generating embedded revenue for the coming years. However, the accounting recognition mechanism for Cloud activity does not allow offsetting of the downturn in licenses over the half-year.

Maintenance performance was highly satisfactory over the half-year. The slowdown in growth over the second quarter reflects the accounting recognition of annual cancellations and does not comprise a trend for this activity.

The company's priority regarding Services activity (excluding the Cloud) is improving the activity's gross profit, and the first half is in line with this target (gross profit of 13.3%). The slowdown in revenue from services is the result of a lower volume of implementation projects due to reduced licenses.

The downturn in licenses (€12.5 million compared to the first half of 2016) directly impacted gross profit and then profit on operating activities, which was €6.0 million, or €10.3 million less than profit on operating activities in the first half of 2016. Note that Cloud activity, which reached breakeven in 2016, has achieved gross profit of over 38% as of this half-year.

Financial position

At June 30, 2017, Axway's financial position remains solid, with €27.1 million in cash and cash equivalents.

Bank debt at the same date is €55.9 million.

These financial items include the substantial investments made in the first half with the acquisition of Syncplicity.

Shareholders' equity at June 30, 2017 was €352.5 million, including the dividend payment (€8.5 million) made in June.

Earnings per share amounted to €0.12 at June 30, 2017 compared with €0.53 at June 30, 2016.

The consolidated interim financial statements were subject to an audit. The limited audit report is in the process of being published by the auditors.

Workforce

As at June 30, 2017, Axway employed 1,941 people (576 in France and 1,365 in other countries), virtually stable compared with December 31, 2016.

Strategy & Outlook

Axway's positioning since early 2016 around digital transformation resulted notably in a transformation of the company's business model. The Medium-Term Plan drawn up by the company planned for a "hold, at best" performance in licensing revenue (driven by the historic Foundation offer), coupled with substantial growth in subscription revenue (galvanized by the Digital offer). The first half of 2017 saw an acceleration of this transformation with a swifter decline than anticipated on the weak momentum of licenses.

However, the year's performance in licenses is traditionally delivered in the second half and, although the observed downturn is indeed a signal, it cannot be extrapolated across the full fiscal year. Analysis of the pipeline suggests that the delay in licenses observed in the first half cannot be made up by the end of the year. Nevertheless, the company is confident in its ability to achieve the same level in licenses in the second half as in 2016. Moreover, growth in the Cloud in the second half will continue the pattern set in the first six months of the year. Under these conditions, the company is targeting stabilization of overall revenue (in organic growth) for the full year 2017.

The simultaneous establishment of a cost-savings plan during the second half (as the company has already done in the past) should make it possible to achieve profit on operating activities in excess of 13% over the year. At the same time as these short-term actions, the Group will naturally continue to conduct a more in-depth review to evaluate the changes to be made to accelerate the transformation of the business model as well as the growth in the proportion of recurring revenue in the company's total revenue.

Income statement

<i>(in thousands of euros)</i>	1er Sem. 2017	1er Sem. 2016	FY 2016
Revenue :			
Licenses	25 021	37 448	81 280
Cloud	17 179	9 031	19 106
Maintenance	73 462	70 166	142 967
Total Product Revenue	115 662	116 645	243 353
Services	27 125	28 046	57 725
Total Revenue :	142 787	144 691	301 077
Costs of sales:			
Product Revenue	13 216	12 454	23 652
Cloud	10 582	6 453	12 659
Services	23 529	25 496	50 321
Total Costs of sales :	47 327	44 403	86 632
Gross profit:	95 459	100 287	214 446
<i>as a % of Revenue</i>	66.9%	69.3%	71.2%
Operating expenses :			
Sales and marketing	42 710	42 186	81 937
Research and development	31 520	27 000	53 318
General and administrative	15 245	14 795	28 419
Total operating expenses :	89 476	83 981	163 674
Profit on operating activities	5 983	16 306	50 771
<i>as a % of Revenue</i>	4.2%	11.3%	16.9%
Stock option related expenses	(542)	(208)	(1 089)
Amortization of intangible assets	(4 459)	(3 833)	(7 863)
Profit from recurring operations	982	12 265	41 818
<i>as a % of Revenue</i>	0.7%	8.5%	13.9%
Other income and expenses	(1 340)	(1 522)	(6 738)
Operating profit	(358)	10 742	35 080
Cost of net financial debt	(21)	(154)	(380)
Other financial revenues and expenses	485	946	522
Income taxes	2 529	(494)	(3 745)
Net Profit	2 635	11 040	31 477
<i>as a % of Revenue</i>	1.8%	7.6%	10.5%
Basic net earnings per share (in Euro)	0.12	0.53	1.51



Simplified Balance Sheet

	30/6/2017	30/6/2016	31/12/2016
	(in €m)	(in €m)	(in €m)
ASSETS			
Goodwill	339.8	279.9	288.8
Intangible assets	61.1	52.3	49.8
Property, plant and equipment	14.9	8.5	14.5
Other non-current assets	52.1	53.3	49.6
Non-current assets	467.8	394.1	402.7
Trade receivables	48.7	69.9	78.2
Other current assets	28.5	23.6	25.3
Cash and cash equivalents	27.1	41.7	51.7
Current assets	104.2	135.2	155.2
TOTAL ASSETS	572.1	529.4	557.8
SHAREHOLDERS' EQUITY AND LIABILITIES			
Share capital	42.4	41.6	42.0
Capital reserves and results	310.1	296.8	332.8
Total shareholders' equity	352.5	338.4	374.8
Financial debt - long-term portion	53.5	31.9	35.5
Other non-current liabilities	20.7	14.8	10.3
Non-current liabilities	74.2	46.7	45.7
Financial debt - short-term portion	5.9	2.9	3.7
Deferred Revenues	84.5	86.9	74.5
Other current liabilities	55.0	54.5	59.1
Current liabilities	145.4	144.3	137.3
TOTAL LIABILITIES	219.6	191.0	183.0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	572.1	529.4	557.8

Cash Flow Statement

	1er Sem. 2017	1er Sem. 2016	FY 2016
	(in €m)	(in €m)	(in €m)
Net profit for the period	2.6	11.0	31.5
Net charges to amortizations, depreciations and provisions	6.3	2.8	10.0
Other income and expense items	0.6	-	1.9
Cash from operations after cost of net debt and tax	9.6	13.8	43.5
Changes to operating working capital requirements	16.5	8.7	(5.9)
Costs of net financial debt	0.0	0.2	0.4
Income tax paid net of accrual	(4.1)	(0.6)	0.5
Net cash from operating activities	22.0	22.0	38.4
Net cash used in investing activities	(60.4)	(50.4)	(57.3)
Proceeds on shares issued	2.8	0.1	3.4
Dividends paid	(8.5)	-	(8.3)
Change in loan	19.0	24.8	31.3
Net interest paid	(0.0)	(0.2)	(0.4)
Other changes	(0.2)	(0.2)	(0.1)
Net cash from (used in) financing activities	13.1	24.6	26.0
Effect of foreign exchange rate changes	(1.1)	(0.6)	0.8
NET CHANGE IN CASH AND CASH EQUIVALENTS	(26.4)	(4.4)	7.8
Opening cash position	51.7	43.9	43.9
CLOSING CASH POSITION	25.3	39.5	51.7

Financial Calendar 2017

- Thursday, July 27: Live conference and webcast at 2:30 p.m. at the Cloud Business Center Paris
- Wednesday, August 30, 2017: Publication of interim financial report
- Tuesday, October 24, 2017: Publication of 3rd Quarter 2017

Notes on the financial tables

The main accounting methods used by the Group are described in the notes to the annual financial statements of the Registration Document.

Glossary

Restated revenue: Revenue for the prior year, expressed on the basis of the scope and exchange rates for the current year.

ACV/VAC Annual Contract Value is the signed revenue still to come during the year.

TCV/VTC Total Contract Value is the signed revenue still to come until the end of the contract.

Organic growth in revenue: Growth of operations between revenue for the period and the reprocessed revenue data for the same period of the preceding fiscal year.

Profit on operating activities: This indicator, such as defined in the Registration Document, corresponds to profit from the reprocessed counting operations data of the charge pertaining to the cost of services rendered by the beneficiaries of stock options and of restricted shares and of the provisions to amortization of the affected intangible assets.

Profit from recurring operations: This indicator corresponds to the operating profit prior to taking into account other operating income and expenses which correspond to unusual, abnormal, infrequent, non-predictive operating income and expenses, and of a particularly significant amount, presented in a distinct manner in order to facilitate understanding of the performance connected to current operations.

Forward Looking Statements

The forecasts in this document are contingent upon risks and uncertainties as to the Group's future growth and profitability, in particular in cases of acquisitions. Readers are reminded that license agreements, which often represent investments for our clients, are more significant in the second half of the year and may therefore have a more or less favorable impact on full-year performance. Readers are also reminded that potential acquisitions could have an impact on the financial data provided above.

The outcome of events or actual results may differ from those described in this document as a result of various risks and uncertainties set out in the 2016 Registration Document submitted to the *Autorité des Marchés Financiers* on April 24, 2017 under number D. 17-0420.

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About Axway

Axway (Euronext: AXW.PA) is a catalyst for transformation. Axway AMPLIFY™, our data integration and Digital Business Enablement platform, available in Cloud mode, allows digital leaders to anticipate, adapt to, and meet their clients' growing expectations. Our unified, API-First approach connects data from anywhere, develops collaboration, fuels millions of apps and delivers real-time analytics to build customer experience networks. From idea to execution, we help make the future possible for more than 11,000 organizations in 100 countries. Learn more about Axway by visiting www.investors.axway.com or via the Axway IR mobile application available at Apple Store & Android.