

Contacts

Investor Relations: Arthur Carli – +33 (0)1 47 17 24 65 – acarli@axway.com

Press Relations: Sylvie Podetti – +33 (0)1 47 17 22 40 – spodetti@axway.com

Press release
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Axway Software – 3rd Quarter 2020: Continued growth thanks to dynamic Subscription activity and solid customer base

- Q3 revenue of €72.8 million, with organic growth of 5.2%
- Subscription activity up organically by 69.7% offsetting the 25.7% decline in License revenue
- Signature metric up 45.2% for the quarter
- Further recognition of Axway's global leadership in API Management

In Q3 2020, Axway (Euronext: AXW.PA) continued to adapt with agility to the ongoing uncertain global health and economic environment. It quickly decided to maintain maximum flexibility in working methods until the end of the year and Axway's teams successfully adapted their practices to the constraints and restrictions imposed by the COVID-19 pandemic. The resilience of the new business model and the robustness of Axway's client portfolio enabled to accelerate the pace of organic revenue growth during the quarter.

As expected, growth was primarily driven by the Subscription business in Q3, as in the first half of the year. In highly disrupted environment, customers continued to rely on Axway to accelerate their digital transformation. To do so, the company capitalized on an unprecedented level of customer satisfaction. In all the regions, Axway benefited from its extensive portfolio of customers, who largely solicited the flexibility of the AMPLIFY™ offers.

To become a leader in the Hybrid Integration Platform market, Axway has built an open platform leveraging the proven capabilities of its API Management Platform, enhanced with powerful integration tooling, support for complex organizational structures and integrations with its market-leading MFT and B2B solutions. Axway is delighted that the company was recognized as a market leader by several of the industry's leading research firms in Q3 2020, for its full lifecycle API management solution, on which its API management platform is built¹.

At a time when Axway is finalizing its transformation plan launched in 2018 and will soon present its new mid-term development strategy, the company continues to invest in sales and marketing as planned. This can particularly be seen in the deployment of the *Open Everything* campaign, which reflects Axway's recognized vision of developments in its markets and customers' needs. Launched in the various geographic regions where Axway operates, this campaign aims to strengthen its brand image and its recognition as a global leader.

Patrick Donovan, Chief Executive Officer, declared:

"The uncertain period that we have all been going through for several months now unfortunately seems to be continuing. Nevertheless, during the quarter, Axway's teams have once again shown significant agility, to continue carrying out their activities and satisfying our customer base. Business continuity plans and digital sales initiatives have borne fruit, enabling the company to record organic revenue growth and a further increase in new signatures. I admire the ongoing commitment of our employees to their company's project. Thanks to them, even in these difficult times, Axway's transformation is progressing and it is already looking forward to the next chapter in its history. Our API First vision convinces our customers and, combined with our relationship of trust, enables us to support them over the long term in their most complex hybrid integration projects. The fourth quarter is always a decisive period for a software company like Axway, but we're on the right track."

¹ Sources:

- Gartner 2020 Magic Quadrant for Full Life Cycle API Management, P. Malinverno, K. Iijima, M. O'Neill, J. Santoro, S. Pillai, A. Jain, September 22, 2020. [Learn more](#)
- The Forrester Wave™: API Management Solutions, Q3 2020, Forrester Research, Inc., August 4, 2020. [Learn more](#)

Comments on Q3 2020 activity

Axway Software: Consolidated revenue

3 rd Quarter 2020 (€m)	Q3 2020	Q3 2019 Restated	Q3 2019 Reported	Total Growth	Organic Growth	Constant Currency Growth
Revenue	72.8	69.2	71.2	2.2%	5.2%	5.2%

In Q3 2020, Axway posted revenue of €72.8 million, representing organic growth of 5.2%. Currency fluctuations had a negative impact of €2.0 million on revenue. In total, revenue increased by 2.2% compared to Q3 2019.

Axway Software: Revenue by business line

3 rd Quarter 2020 (€m)	Q3 2020	Q3 2019 Restated*	Q3 2019 Reported	Total Growth	Organic Growth
License	8.3	11.1	11.4	-27.3%	-25.7%
Subscription	21.9	12.9	13.4	63.5%	69.7%
Maintenance	33.6	35.9	36.9	-8.9%	-6.4%
Services	8.9	9.2	9.4	-5.5%	-2.7%
Axway Software	72.8	69.2	71.2	2.2%	5.2%

* Revenue at 2020 scope and exchange rates

License revenue was €8.3 million in Q3 2020 (12% of total revenue), an organic decrease of 25.7%. Although the decline slowed compared to the first half of the year, the License activity remained under strong pressure during the quarter. This trend can be explained by the accelerated adoption of Subscription offers, which are more flexible in times of crisis, at both an economic and technology level.

The **Subscription** activity grew organically by 69.7% in Q3 2020, with revenue of €21.9 million (30% of total revenue). Overall, revenue growth was 63.5% for the period. During the quarter, the annual contract value (ACV) of new Subscription contracts signed was €8.1 million, an increase of 145% compared to Q3 2019. This performance was driven by the accelerated migration of customers to the new offers.

The signature metric was up 45.2% in Q3 2020; over the first nine months of the year the metric grew by 31.7%. The net signature metric², restated for Maintenance attrition, would have risen 19.6% for the quarter and 5.8% for the first nine months of the year.

Maintenance revenue was €33.6 million (46% of total revenue) in Q3 2020, an organic decline of 6.4% year-on-year. The continued decline in license sales and the migration of several customers to Subscription contracts are the main factors behind this decrease in activity.

During the quarter, Axway's recurring revenue, which includes multi-year contracts in the Subscription and Maintenance activities, represented 76% of total revenue, or €55.5 million.

Services saw revenue decline by 2.7% organically over the quarter to €8.9 million (12% of total revenue). Activity was slowed by COVID-19 restrictions and has been particularly impacted in countries where Services are traditionally performed on-site, at the customer's premises, as is the case in France, for example.

² See Glossary – Alternative Performance Measures

Axway Software: Revenue by geographic area

3 rd Quarter 2020 (€m)	Q3 2020	Q3 2019 Restated*	Q3 2019 Reported	Total Growth	Organic Growth
France	20.3	18.3	18.3	10.8%	10.8%
Rest of Europe	14.2	15.2	15.2	-6.8%	-6.9%
Americas	33.2	32.0	33.8	-2.0%	3.8%
Asia/Pacific	5.2	3.7	3.8	34.3%	39.3%
Axway Software	72.8	69.2	71.2	2.2%	5.2%

* Revenue at 2020 scope and exchange rates

France generated revenue of €20.3 million in Q3 2020 (28% of total revenue), representing organic growth of 10.8%. The extremely strong growth in Subscription activities in the country (> 200%) offset the decline in the other businesses and particularly in Licenses, which fell sharply. In the vertical markets, the public sector was particularly buoyant during the period.

Rest of Europe, with revenue of €14.2 million (19% of total revenue), declined 6.9% organically over the quarter. Although there was significant organic growth in the Subscription activity across all markets in the region, the situation was mixed in the different countries. Due to COVID-19 impacts, Axway suffered in Germany from weakness in the automotive industry, while business grew in the United Kingdom and the company was able to strengthen its competitive position.

The **Americas** (USA & Latin America) generated revenue of €33.2 million (46% of total revenue) in Q3 2020, with organic growth of 3.8%. In addition to the success of the Subscription offerings, Services grew during the quarter.

In **Asia/Pacific**, Axway posted revenue of €5.2 million in Q3 2020 (7% of total revenue), representing organic growth of 39.3%. Thanks to Subscription business growth of more than 300% over the quarter, reflecting a gradual return to normal business levels, Axway was able to offset its difficult start to the year in the region.

Financial position at September 30, 2020

At September 30, 2020, Axway has cash of €24.2 million and net debt of €19.0 million.

Axway highlights that, if necessary, it has access to unutilized financing capacity under its existing revolving credit facility.

2020 Targets & Outlook

While emphasizing the historical importance of the fourth quarter in its annual performance, Axway is targeting revenue and operating profit for 2020 within the same range as 2019.

Axway confirms its mid-term ambitions:

- to achieve revenue of €500 million through organic growth in sales and acquisitions
- to return to operating margin rates above 15% and gradually move towards 20%
- to sustainably increase earnings per share to above €1.

Financial Calendar

Wednesday, February 24, 2021 (after closing): Publication of the 2020 Full-Year Results.

- ***Given the current context related to the COVID-19 pandemic, the way we present the 2020 full-year results to the financial community may change in the coming weeks. Axway will communicate as soon as possible on the format and date chosen for the meeting.***

Glossary – 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 revenue 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.

Net Signature metric: Signature metric net of three times the annual contract value of Maintenance attrition by migration to new Subscription contracts

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.

NPS: Net Promoter Score – Customer satisfaction and recommendation indicator for a product or a service.

Disclaimer

This press release contains forward-looking statements that may be subject to various risks and uncertainties concerning the Axway's growth and profitability, notably in the event of future acquisitions. Axway highlights that signatures of License contracts, which often represent investments for customers, are more significant in the second half of the year and may therefore have a more or less favourable impact on full-year performance. In addition, Axway notes that potential acquisition(s) could also impact this financial data. 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 2019 Universal registration document filed with the French Financial Markets Authority (*Autorité des Marchés Financiers*, AMF) on April 14, 2020 under number D.20-0289. The distribution of this document in certain countries may be subject to prevailing laws and regulations. Natural persons present in these countries and in which this document is disseminated, published, or distributed, should obtain information about such restrictions, and comply with them.

About Axway

Axway (Euronext: AXW.PA) empowers customers to succeed using hybrid integration to connect people, systems, businesses, and digital ecosystems. Axway's hybrid integration platform, AMPLIFY, helps enterprise power users, IT specialists, developers, and partners accelerate digital transformation, create captivating experiences, and innovate new services. AMPLIFY speeds integrations by combining traditional integration patterns with API Management and Application Integration (providing over 150 prebuilt connectors). Over 11,000 organizations in 100 countries rely on Axway for their data integration challenges.

To learn more, visit www.investors.axway.com/en

Appendices
Axway Software: Revenue by business line

YTD - 9 Months 2020 (€m)	9M 2020	9M 2019 Restated*	9M 2019 Reported	Total Growth	Organic Growth
License	18.8	33.0	33.2	-43.4%	-43.1%
Subscription	59.2	36.4	36.6	61.9%	62.5%
Maintenance	104.3	108.4	109.0	-4.3%	-3.8%
Services	27.1	30.7	31.0	-12.6%	-11.8%
Axway Software	209.4	208.6	209.8	-0.2%	0.4%

* Revenue at 2020 scope and exchange rates

Axway Software: Revenue by geographic area

YTD - 9 Months 2020 (€m)	9M 2020	9M 2019 Restated*	9M 2019 Reported	Total Growth	Organic Growth
France	61.1	59.1	59.1	3.5%	3.5%
Rest of Europe	43.7	46.2	46.2	-5.3%	-5.3%
Americas	92.5	92.3	93.2	-0.8%	0.2%
Asia/Pacific	12.0	11.1	11.3	6.3%	8.6%
Axway Software	209.4	208.6	209.8	-0.2%	0.4%

* Revenue at 2020 scope and exchange rates

Axway Software: Impact on revenue of changes in scope and exchange rates

YTD - 9 months 2020 (€m)	9M 2020	9M 2019	Growth
Revenue	209.4	209.8	-0.2%
Changes in exchange rates		-1.1	
Revenue at constant exchange rates	209.4	208.6	0.4%
Changes in scope		+0.0	
Revenue at constant scope and exchange rates	209.4	208.6	0.4%

Axway Software: Changes in exchange rates

YTD - 9 months 2020	Average rate 9M 2020	Average rate 9M 2019	Change
For 1€			
US Dollar	1.125	1.124	- 0.1%