

Contact

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

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Axway Software – 3rd Quarter 2019: Pipeline growth boosted by the AMPLIFY™ offer

- Q3 revenue of €71.2 million, driven by double-digit Subscription growth
- Significant growth in pipeline around new AMPLIFY™ offers
- Resilient Maintenance activity
- Recognition of Axway's leadership in API management

In Q3 2019, Axway (Euronext: AXW.PA) continued to drive its transformation strategy, aimed at becoming a market leader in hybrid integration platforms by the end of 2020. The Group, with its recently strengthened management team, continued the investment efforts necessary to build durable, strong commercial momentum around its new offers. Against this backdrop, significant pipeline growth was observed on key components of the AMPLIFY™ platform, which are spurring the gradual adoption of a hybrid integration strategy by the Group's customers.

Over the first nine months of 2019, the Group's business mix rapidly shifted towards Subscription offers, which posted organic growth in excess of 16%. During the same period, Axway reported revenue of €209.8 million, up 1.6% overall and down slightly organically (-1.6%).

Alongside these business developments, Axway has just been positioned by Gartner in the Leaders quadrant of the Gartner 2019 Magic Quadrant for Full Life Cycle API Management¹. The study notably highlights Axway's ability to execute and completeness of vision through its Full Life cycle API Management solutions. This recognition rewards the Group's far-reaching work on its product portfolio over the past 18 months and is a key step towards achieving medium-term strategic objectives.

Patrick Donovan, Chief Executive Officer, declared:

"In operational terms, the third quarter of 2019 followed on from the first half of the year: we continued our transformation to ensure the Group returns to faster growth from 2020. We now have a portfolio of offers, including API Management solutions, that allow us to be ambitious. The latest market studies prove the relevance of our recent investments. Our vision is gradually being adopted by our customers and we aim to become the leading independent software vendor on the Hybrid Integration and API Management markets. For the time being, this is reflected by significant growth in our AMPLIFY™ pipeline. We must now more quickly convert the numerous opportunities open to us. The successful go-to-market of our offerings is the Group's top priority over the coming year and our current investments should enable us to complete this next step of our roadmap. I'm confident in our ability to push signature growth to support the development of an increasingly recurring revenue stream in the coming quarters."

¹ Source: Gartner, Magic Quadrant for Full Life Cycle API Management, Paolo Malinverno, Mark O'Neill, Aashish Gupta, Kimihiko Iijima, 9 October 2019. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

Comments on Q3 2019 activity
Axway Software: Consolidated revenue

3 rd Quarter 2019 (€m)	Q3 2019	Q3 2018 Restated	Q3 2018 Reported	Total Growth	Organic Growth	Constant Currency Growth
Revenue	71.2	74.3	71.6	-0.6%	-4.2%	-4.2%

In Q3 2019, Axway reported revenue of €71.2 million, down 0.6% in total and 4.2% organically. At constant exchange rates, revenue also declined 4.2%. Currency fluctuations had a positive impact of €2.7 million on revenue for the quarter.

Axway Software: Revenue by business line

3 rd Quarter 2019 (€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 Software	71.2	74.3	71.6	-0.6%	-4.2%

* Revenue at 2019 scope and exchange rates

License revenue totaled €11.4 million in Q3 2019 (16% of Group revenue), down 18.1% organically, mainly due to a particularly high comparison basis in Q3 2018 (+17.5%). License revenue should remain under pressure in the coming periods, as an increasing number of Group customers take advantage of subscription-based offers.

The **Subscription** activity grew organically by 14.9% in Q3 2019 thanks to revenue of €13.4 million (19% of Group revenue). Overall, activity growth amounted to 24.6% over the period. For the third consecutive quarter, Subscription revenue posted double-digit organic growth. The annual contract value (ACV) of new subscription contracts signed totaled €3.3 million in Q3 2019, compared to €4.0 million in the year-ago period. As the Group continues its transition to new offering models, this slowdown is mainly explained by the observed lengthening of sales cycles, which now average 6 to 9 months. The gradual adaptation of the Group's customers to the new contractualization methods and the ramp-up of the AMPLIFY™ offers, already reflected by greater business opportunities, allow the Group to envisage a return to growth in new subscription contracts' ACV from Q4 2019.

Given these factors and considering a high comparison basis, the signature metric for Q3 2019 declined 17.5% compared to Q3 2018.

Maintenance revenue amounted to €36.9 million (52% of Group revenue) in Q3 2019, representing total growth of 1.8% and an organic decline of 2.2% compared to the previous year.

Axway's recurring revenue flows, which include multi-year Subscription and Maintenance contracts, contributed 71% of the Group's revenue for the quarter, or €50.3 million.

The **Services** activity saw its revenue decrease by 14.0% organically over the quarter to €9.4 million (13% of Group revenue), directly impacted by the decline in License sales and related Services projects.

Axway Software: Revenue by geographic area

3 rd Quarter 2019 (€m)	Q3 2019	Q3 2018 Restated*	Q3 2018 Reported	Total Growth	Organic Growth
France	18.3	20.6	20.6	-11.4%	-11.4%
Rest of Europe	15.2	14.2	14.9	2.2%	7.0%
Americas	33.8	36.1	32.6	3.8%	-6.2%
Asia-Pacific	3.8	3.4	3.5	11.2%	13.9%
Axway Software	71.2	74.3	71.6	-0.6%	-4.2%

* Revenue at 2019 scope and exchange rates

France generated revenue of €18.3 million in Q3 2019 (26% of Group revenue), an organic decline of 11.4%. The very strong growth in Subscription activity did not offset the significant decrease in License activity over the quarter.

Rest of Europe posted organic growth of 7.0% over the quarter thanks to revenue of €15.2 million (21% of Group revenue). Despite a range of situations across the different countries, both Subscription and License activities experienced significant growth in the region.

The **Americas** (USA & Latin America) generated revenue of €33.8 million (47% of Group revenue) in Q3 2019, representing an organic decline of 6.2%. This was mainly due to lower Maintenance and Services activities, both under pressure during the quarter.

In the **Asia-Pacific** region, revenue amounted to €3.8 million in the quarter (6% of Group revenue), representing organic growth of 13.9%.

Financial position at September 30, 2019

At September 30, 2019, Axway had a solid financial position, with cash of €25.2 million and bank debt of €59.2 million.

2019 Targets & 2020 Outlook

For 2019, the Group confirms it anticipates:

- A return to organic business growth, that should continue into 2020 and enable Axway to achieve revenue of around €300 million,
- An operating margin on business activity of between 8% and 10%, representing a low point during the transformation of the business model, before a rebound in profitability expected in 2020.

Financial Calendar

Wednesday, February 19, 2020 (after closing): Publication of the 2019 Full-Year Results.

Thursday, February 20, 2020, 9:00am: 2019 Full-Year Results Presentation Meeting – Cloud Business Center, Paris.

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 consolidated 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.

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.

Disclaimer

This presentation contains forward-looking statements that may be subject to various risks and uncertainties concerning the Group's growth and profitability, notably in the event of future acquisitions. The Group highlights that signatures of License contracts, which often represent investments for 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. In addition, the Group 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 2018 Registration Document filed with the French Financial Markets Authority (*Autorité des Marchés Financiers*, AMF) on April 26, 2019 under number D.19-0404. 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). 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 2019 (€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 Software	209.8	213.2	206.5	1.6%	-1.6%

* Revenue at 2019 scope and exchange rates

Axway Software: Revenue by geographic area

YTD - 9 months 2019 (€m)	9M 2019	9M 2018 Restated*	9M 2018 Reported	Total Growth	Organic Growth
France	59.1	57.8	57.8	2.2%	2.1%
Rest of Europe	46.2	46.6	47.3	-2.4%	-0.9%
Americas	93.2	98.4	91.0	2.5%	-5.3%
Asia-Pacific	11.3	10.3	10.4	9.2%	9.4%
Axway Software	209.8	213.2	206.5	1.6%	-1.6%

* Revenue at 2019 scope and exchange rates

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

YTD - 9 months 2019 (€m)	9M 2019	9M 2018	Growth
Revenue	209.8	206.5	1.6%
Changes in exchange rates		+6.7	
Revenue at constant exchange rates	209.8	213.2	-1.6%
Changes in scope		+0.0	
Revenue at constant scope and exchange rates	209.8	213.2	-1.6%

Axway Software: Changes in exchange rates

YTD - 9 months 2019	Average rate	Average rate	Change
For 1€	9M 2019	9M 2018	
US Dollar	1.124	1.195	+6.4%