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Press Release

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Axway Software

Dynamism of License and Subscription activities in the 3rd quarter of 2018

- Strong organic growth¹ in License sales (+17.5%), acceleration in Subscription activity (+9.3%)
- Annual Contract Value (ACV) of new Subscription contracts up substantially (+81.8%)
- Significant improvement in the Signature metric (+40.5%)

In the third quarter of 2018, Axway (Euronext: AXW.PA) continued to accelerate its strategic transformation and several positive signals confirmed the progressive evolution of its business model towards Subscription offers. To better meet the needs and new usage patterns of its 11,000 customers worldwide, the Group launched several key products on its AMPLIFY™ hybrid integration platform during the period. This enrichment of the offer portfolio will continue in the coming semesters.

The efforts made in terms of Research & Development have paved the way for some pivotal deals, contributing structurally to the evolution of Axway's business mix. For example, the Group was able to sign the first sales of its AMPLIFY™ MFT via a Subscription offer and won several contracts involving AMPLIFY™ API Management.

These new projects, backed by the resilience of the historical License model, confirm the consistency and viability of Axway's strategy for gradually establishing itself as a market leader in hybrid integration platforms by the end of 2020.

Commenting on the third quarter of 2018, Patrick Donovan, Chief Executive Officer, said:

"I am very satisfied with Axway's third-quarter performance. By generating organic growth, we were able to offset some of our difficulties from the first semester and we are close to a flat revenue for the Group over the first nine months of the year. The transformation we are undergoing will require several more semesters and our Subscription offers must continue to grow, but we are on the right track. Over the last three months, not only have we signed the License agreements we needed, but we have also been able to significantly increase the ACV of new Subscription contracts. Over nine months, the Signature metric, which corresponds to the amount of License sales plus 3 times the ACV of new Subscription contracts, grew by 16.6% organically compared with 2017. These first signs of acceleration reflect the excellent work of our teams in the field, and, while not yet a trend, are very promising for Axway."

¹ Alternative performance measures are defined in the glossary at the end of this document.

Comments on the 3rd quarter 2018 activity

Axway Software: Consolidated revenue

3 rd Quarter 2018 (€m)	Q3 2018	Q3 2017 Restated	Q3 2017 Reported	Total Growth	Organic Growth	Constant Currency Growth
Revenue	71.6	70.4	70.5	1.5%	1.6%	1.6%

In the third quarter of 2018, Axway Software's revenue amounted to €71.6 million, representing organic growth of 1.6%. Growth at constant currency rates was also 1.6%, while total revenue growth was 1.5%. Currency fluctuations had a negative impact of €0.1 million on revenue for the quarter, while the consolidation scope remained unchanged.

Over the first nine months of 2018, Axway's revenue decreased organically by 0.8% to €206.5 million.

Axway Software: Revenue by business line

3 rd Quarter 2018 (€m)	Q3 2018	Q3 2017 Restated	Q3 2017 Reported	Total Growth	Organic Growth
License	13.9	11.8	12.0	15.7%	17.5%
Subscription	10.8	9.9	9.8	9.9%	9.3%
Maintenance	36.3	36.3	36.3	-0.1%	-0.1%
Services	10.7	12.4	12.4	-14.1%	-14.4%
Axway Software	71.6	70.4	70.5	1.5%	1.6%

In the third quarter of 2018, the **License** business generated revenue of €13.9 million, representing organic growth of 17.5% and total growth of 15.7%. In line with the first half of the year, sales of AMPLIFY™ MFT solutions were particularly buoyant during the quarter and several new AMPLIFY™ API Management references were recorded. However, owing to the fourth quarter's historically low visibility and a particularly high basis of comparison for Axway over Q4 2017, the Group reiterates its forecast: a full-year organic decline of between 3% and 5% for the License activity.

Subscription revenue grew organically by 9.3% in the quarter to €10.8 million. Total growth amounted to 9.9%. The Annual Contract Value (ACV) of new Subscription deals signed during the quarter was €4.0 million, a more than 80% increase compared with the third quarter of 2017. Strategic adjustments to accelerate the adaptation of Axway's business model to its customers' new usage patterns continued and made it possible to sign pivotal deals during the period.

Maintenance revenue amounted to €36.3 million in Q3 2018, stable organically (-0.1%) compared with the third quarter of 2017.

Over the period, Axway's recurring revenues, based on multi-year Subscription and Maintenance contracts, represented 66% of Group revenue, or €47.1 million.

Finally, **Services** revenue decreased by 14.4% organically over the quarter to €10.7 million. This decline in business volume, in line with the trend observed since the beginning of the year, should ease over the last three months of the year. In the coming quarters, Axway will continue its focus on the most strategic Services, some of them becoming managed services around its core offerings. As a result, Services revenue may not grow during this period.

Axway Software: Revenue by geographic area

3 rd Quarter 2018 (€m)	Q3 2018	Q3 2017 Restated	Q3 2017 Reported	Total Growth	Organic Growth
France	20.6	17.3	17.3	19.3%	19.4%
Rest of Europe	14.9	16.4	16.4	-9.3%	-9.2%
Americas	32.6	32.6	32.8	-0.6%	0.0%
Asia/Pacific	3.5	4.2	4.0	-13.5%	-16.8%
Axway Software	71.6	70.4	70.5	1.5%	1.6%

France generated revenue of €20.6 million in the third quarter (29% of Group revenue), representing organic growth of 19.4%. This strong increase is mainly due to the high level of signatures in License during the quarter as well as signatures of new ACV in the Subscription business.

The **Rest of Europe** was down 9.2% organically over the quarter, with revenues of €14.9 million. The Subscription activity grew strongly in Germany and the United Kingdom but was unable to offset the decline in License and Services activities in the region.

The **Americas** (USA & Latin America) accounted for 46% of Axway's revenue in Q3 2018. The activity, organically stable, generated revenue of €32.6 million. Whereas new Subscription ACV signatures grew, especially on the new AMPLIFY™ MFT offering, the Services revenue decreased by approximately 9% over the period.

Finally, in the **Asia-Pacific** region, revenue amounted to €3.5 million for the quarter, down 16.8% organically. Subscription activity grew strongly, while License and Services suffered from the slippage of several contract signatures in October.

Financial position at September 30, 2018

At September 30, 2018, Axway's financial position remained solid with cash of €34.9 million and bank debt limited to €46.6 million.

Change in the workforce

At September 30, 2018, Axway had 1,802 employees (26% in France and 74% internationally) compared to 1,780 at June 30, 2018.

2018 Targets & 2020 Outlook

The last three months of the year, historically subject to strong seasonality, will suffer in 2018 from the particularly high basis of comparison of the fourth quarter of 2017. The Group expects its revenue to decline organically by between -3% and 0% over the full year.

In addition, Axway confirms an additional investment dedicated to the AMPLIFY™ platform of between 3 and €5 million in 2018.

These factors allow Axway to expect an operating margin rate of between 8% and 11% for 2018.

Finally, Axway reaffirms its ambitions for the end of 2020:

- Become a market leader in Hybrid Integration Platforms (HIP),
- Maintain revenue at approximately €300 million ("organically stable compared with 2017") while transitioning the revenue mix from License to Subscription,
- Seize acquisition opportunities that support this strategy.

Financial Calendar

Wednesday, February 20, 2019 (After closing): 2018 Full-Year Results announcement.

Thursday, February 21, 2019, 5:30 p.m.: 2018 Full-Year Results presentation – 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 currency rates: Growth in revenue between the period under review and the prior period restated for exchange rate impacts.

ACV: Annual Contract Value – Average annual contract value of the Subscription agreement.

TCV: Total Contract Value – Full value of the Subscription agreement including both recurring revenue over the contract term and one-time payments.

Signature metric: Amount of License sales plus three times the average 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 2017 Registration Document filed with the French Financial Markets Authority (*Autorité des Marchés Financiers*, AMF) on April 26, 2018 under number D.18-0393. 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), as a software company, unlocks digital experiences by connecting individuals, systems, businesses and customer ecosystems with digital infrastructure solutions. AMPLIFY™, Axway's hybrid integration platform, connects data from any device anywhere, expands collaboration, fuels millions of apps and supplies real-time analytics to build customer experience networks. From idea to execution, Axway's expertise in API management, secure file exchange and B2B/EDI integration have solved the toughest data challenges for more than 11,000 organizations in 100 countries. To learn more, visit <http://www.investors.axway.com/en> or Axway IR mobile App available on Apple Store & Android.

Annexes
Axway Software: Revenue by business line

YTD - 9 Months 2018 (€m)	9M 2018	9M 2017 Restated	9M 2017 Reported	Total Growth	Organic Growth
License	37.6	35.6	37.0	1.6%	5.7%
Subscription	29.4	28.1	27.0	9.1%	4.9%
Maintenance	106.2	106.0	109.8	-3.3%	0.1%
Services	33.3	38.5	39.5	-15.7%	-13.5%
Axway Software	206.5	208.1	213.3	-3.2%	-0.8%

Axway Software: Revenue by geographic area

YTD - 9 Months 2018 (€m)	9M 2018	9M 2017 Restated	9M 2017 Reported	Total Growth	Organic Growth
France	57.8	55.9	55.9	3.5%	3.4%
Rest of Europe	47.3	49.8	50.1	-5.6%	-4.9%
Americas	91.0	91.1	95.5	-4.7%	0.0%
Asia/Pacific	10.3	11.4	11.8	-12.5%	-9.1%
Axway Software	206.5	208.1	213.3	-3.2%	-0.8%

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

YTD - 9 Months 2018 (€m)	9M 2018	9M 2017	Growth
Revenue	206.5	213.3	-3.2%
Changes in exchange rates		-8.0	
Revenue at constant exchange rates	206.5	205.3	0.6%
Changes in scope		+2.8	
Revenue at constant scope and exchange rates	206.5	208.1	-0.8%

Axway Software: Changes in exchange rates

YTD - 9 Months 2018	Average rate 9M 2018	Average rate 9M 2017	Change
For 1€			
US Dollar	1.195	1.113	- 6.8%