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Press release
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Axway Software – Half-Year 2019: Continuation of strategic transformation and investments

- Revenue of €138.6 million, profit on operating activities of €2.5 million (1.8% of revenue)
- Significant growth in Subscription activity, decrease in License, resilience of Maintenance
- Confirmation of the 2019 annual targets and 2020 ambitions

Paris, July 24, 2019 – Axway Software's Board of Directors, chaired by Pierre Pasquier, today approved the financial statements for the first half of 2019, which were subject to a limited review by the statutory auditors¹.

Axway Software: 2019 Half-year results

Key income statement items*	Half-year 2019		Half-year 2018	
	(€m)	(% Rev)	(€m)	(% Rev)
Revenue	138.6		134.9	
<i>Organic growth</i>	-0.2%			
<i>Growth at constant exchange rates</i>	-0.2%			
<i>Total growth</i>	2.7%			
Profit on Operating Activities	2.5	1.8%	12.3	9.1%
Profit from Recurring Operations	-2.7	-1.9%	7.8	5.7%
Operating Profit	-3.0	-2.1%	5.0	3.7%
Net Profit attributable to the Group	-6.1	-4.4%	3.9	2.9%
Basic earnings per share (in €)	-0.29		0.18	

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

Patrick Donovan, Chief Executive Officer, declared:

"In the first half of 2019, we continued our efforts to achieve our 2020 ambitions. Thanks to the hard work of our Research & Development teams over the past 12 months, at the end of March, we were able to launch, several new technological components extending our AMPLIFY offer. Over the first half of the year, in addition to advancing our offering, we continued to accelerate our investments in Sales & Marketing in line with our roadmap. The objective is to successfully commercialize our new offers and take our vision to the market. Alongside these operations, the first half of the year was marked by several major changes in the Group's management team. Since January, several new sales executives have joined us and the Executive Committee, for which I'm responsible, has been strengthened. While our Subscription activity benefited in the first half of 2019 from the numerous signatures that came at the end of 2018, the next step in our journey is to perpetuate strong commercial momentum around our new offers. The changes are important and take time, but we remain focused on our objective of becoming a market leader in Hybrid Integration Platforms by the end of 2020."

¹ The interim consolidated financial statements were subject to limited review procedures. The limited review report is in the process of being issued by the auditors.

Continuation of strategic transformation and investments

In the first half of 2019, Axway continued to implement its transformation strategy to become a market leader in Hybrid Integration Platforms by the end of 2020.

The first six months of 2019 saw several key events:

- Presentation and launch of the AMPLIFY platform at the end of the first quarter of 2019
- Reinforcement of the API management offer through the technology acquisition of Streamdata.io in March 2019
- Appointment of Dominique Fougerat, EVP Human Resources, and Cécile Allmacher, Chief Financial Officer
- Acceleration of investments related to the evolution of the business model:
 - Research & Development investments up +22% compared to the first half of 2018
 - Sales & Marketing investments up +14% compared to the first half of 2018
- Strengthening of the Customer Success Organisation:
 - Appointment of new sales leadership in 3 of the 4 geographic regions in which Axway operates
 - Creation of a go-to-market team for the Group's offers
- Incentivisation of all employees, aligned with the company's strategy, through the allocation of free shares by 2022

These developments should support the ramp-up of Axway's new business model in the coming months.

Comments on business activity and operating performance for the first half of 2019

Between January and June 2019, Axway generated revenue of €138.6 million, stable organically and increasing 2.7% in total. Although the scope of consolidation changed only marginally despite the integration of Streamdata.io on April 1, 2019, currency fluctuations had positive impact of €4.0 million on the Group's half-year revenue. At constant exchange rates, Axway's revenue would have been stable over the first half of the year. Profit on operating activities reached €2.5 million, or 1.8% of revenue, compared with 9.1% in the first half of 2018. This decrease in profitability is mainly due to the significant planned acceleration in operating investments compared to the first half of 2018.

Axway Software: Revenue by business line

Half-year 2019 (€m)	H1 2019	H1 2018 Restated*	H1 2018 Reported	Total Growth	Organic Growth
License	21.8	24.3	23.8	-8.3%	-10.3%
Subscription	23.1	19.7	18.8	23.1%	17.2%
Maintenance	72.1	71.7	69.9	3.1%	0.5%
Services	21.5	23.1	22.5	-4.3%	-6.8%
Axway Software	138.6	138.9	134.9	2.7%	-0.2%

* Revenue at 2019 scope and exchange rates

License revenue amounted to €21.8 million (16% of Group revenue) in the first half of 2019, down 10.3% organically and 8.3% in total. After a first quarter of growth, the License activity suffered from a weaker momentum in the second quarter of 2019. Once again, the Group highlights that the business model shift towards Subscription generates significant variations in the License activity's quarterly revenue. It does not, however, impact the objective of stabilising the Group's total revenue at around €300 million by the end of 2020.

The **Subscription** activity grew organically by 17.2% in the first half of 2019, reaching revenue of €23.1 million (17% of Group revenue). In total, Subscription activity growth was 23.1%. The annual contract value (ACV) of new subscription contracts signed during the first 6 months of the year decreased to €3.5 million from €4.7 million in the first half of 2018. The interest generated by the new offers, combined with the investment efforts dedicated both to strengthening the sales force and promoting the offers, should allow a gradual reacceleration of new signatures growth as we move into 2020.

The **Maintenance** offer generated revenue of €72.1 million (52% of Group revenue) in the first half of 2019. In line with previous announcements and its medium-term ambitions, the Group was able to stabilize revenue from this activity in the first half of the year with an organic increase of 0.5%.

As a result, Axway's recurring revenue, which includes multi-year contracts signed for Subscription and Maintenance activities, totalled €95.2 million in the first half of 2019, or 69% of the Group's revenue, compared with 61% in the first half of 2018.

The **Services** activity saw its revenue reach €21.5 million (15% of Group revenue) in the first half of 2019, an organic decrease of 6.8%. As the strategic refocus of the business on profitability and high value-added contracts comes to an end, the overall trend in the Services market has, not surprisingly, remained negative, in a context of lower license sales.

Axway Software: Revenue by geographic area

Half-year 2019 (€m)	H1 2019	H1 2018 Restated*	H1 2018 Reported	Total Growth	Organic Growth
France	40.8	37.2	37.3	9.3%	9.6%
Rest of Europe	31.0	32.4	32.4	-4.4%	-4.4%
Americas	59.4	62.3	58.4	1.7%	-4.7%
Asia/Pacific	7.5	7.0	6.8	9.9%	7.2%
Axway Software	138.6	138.9	134.9	2.7%	-0.2%

* Revenue at 2019 scope and exchange rates

France generated revenue of €40.8 million in the first half of 2019 (29% of Group revenue), representing organic growth of 9.6%. This strong increase in activity is mainly due to significant growth in License and Subscription over the period.

Rest of Europe posted an organic decline of 4.4% over the first half of the year with revenues of €31.0 million (22% of Group revenue). In line with the first quarter of 2019, the Subscription activity grew strongly in all countries in the region, but not enough to offset the decline in License and Services activities.

The **Americas** (USA & Latin America) generated revenue of €59.4 million (43% of Group revenue) in the first half of 2019, an organic decrease of 4.7%. This slowdown is due to limited License demand, which was only attenuated by the slow growth in Subscription.

Finally, in the **Asia-Pacific** region, Axway's revenue amounted to €7.5 million in the first half (6% of Group revenue). This organic growth of 7.2% was due to a marked increase in both License and Subscription activities.

Comments on net profit for the first half of 2019

The loss from recurring operations was -€2.7 million in the first half of 2019 including allocated intangible asset amortization charges of €4.3 million.

The operating loss amounted to -€3.0 million for the first six months of 2019.

Finally, Axway's net loss amounted to -€6.1 million in the first half of 2019.

Financial position at June 30, 2019

At June 30, 2019, Axway had a solid financial position, with cash of €32.3 million and bank debt limited to €44.6 million.

Free cash flow amounted to €4.7 million in the first half of 2019 compared with €21.8 million a year earlier.

Shareholders' equity was €356.4 million at 30 June 2019 compared with €353.9 million at the end of June 2018.

At the beginning of 2019, as previously reported, the Group renegotiated its bank lines for 5 years (with a possible extension until 2026), thereby securing financing of up to €125.0 million.

Application of IFRS 16 since January 1, 2019

In accordance with the new accounting standard IFRS 16, the accounting treatment of leases was modified from January 1, 2019. Under IFRS 16 all leases are recognised on the balance sheet.

Axway leases relate to buildings (96.8%) and vehicles (3.2%).

The impacts at June 30, 2019, were as follows: non-significant impact on free cash flow, marginally positive impact on operating profit on business activity, virtually neutral impact on net profit, positive impact of approximately €3.5 million on EBITDA and recognition of a lease liability of around €28.5 million and an associated right-of-use asset of €23.9 million with an equity impact of €0.7 million. The remaining difference corresponds to a working capital requirement impact due to the restatement of rent-free periods.

At the end of 2019, the positive impact on EBITDA should be around €7.0 million and the other impacts should be in line with those observed at June 30, 2019.

Change in the workforce

At June 30, 2019, Axway had 1,888 employees (24% in France and 76% outside France) compared to 1,848 at December 31, 2018.

2019 Targets & 2020 Outlook

For 2019, the Group confirms that 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.

2019 Half-Year Results Presentation Meeting

The 2019 Half-Year Results will be presented to the financial community at a meeting to be held on Thursday, July 25, 2019 at 9:00am (CEST) at the Cloud Business Center in Paris. The meeting will be held in English and simultaneously translated into French.

This presentation can also be followed remotely via a dedicated bilingual webcast:

- English webcast registration: <https://edge.media-server.com/mmc/p/w8455fnz>
- French webcast registration: <https://edge.media-server.com/mmc/p/w8455fnz/lan/fr>

Or by phone:

- From France: +33 (0)1 76 70 07 94
- From the United States: +1 631 510 7495
- From the United Kingdom: +44 (0)207 192 8000
- Other countries: please use one of the numbers above

For the choice of language please use the following PIN codes: English = 7778005 / French = 5888506

Practical information about the conference can be found on Axway's website: <http://www.investors.axway.com/en>

Financial Calendar

Thursday, July 25, 2019 - 9:00am: 2019 Half-Year Results Presentation Meeting – Cloud Business Center, Paris.

Thursday, September 5, 2019: Publication of the 2019 Interim Financial Report.

Wednesday, October 23, 2019 (after closing): Publication of Q3 2019 Revenue.

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 favourable 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 <http://www.investors.axway.com/en>.

Appendices (1/4)
Axway Software: Revenue by business line

1 st Quarter 2019 (€m)	Q1 2019	Q1 2018 Restated*	Q1 2018 Reported	Total Growth	Organic Growth
License	9.1	8.5	8.2	11.0%	6.7%
Subscription	10.9	9.8	9.1	19.1%	11.2%
Maintenance	36.2	35.9	34.7	4.2%	0.8%
Services	10.9	11.5	11.2	-2.7%	-5.1%
Axway Software	67.0	65.7	63.2	6.0%	2.1%

2 nd Quarter 2019 (€m)	Q2 2019	Q2 2018 Restated*	Q2 2018 Reported	Total Growth	Organic Growth
License	12.7	15.8	15.5	-18.0%	-19.5%
Subscription	12.3	10.0	9.5	29.1%	23.1%
Maintenance	35.9	35.8	35.2	2.1%	0.3%
Services	10.6	11.6	11.5	-7.6%	-8.4%
Axway Software	71.5	73.2	71.7	-0.2%	-2.3%

* Revenue at 2019 scope and exchange rates

Axway Software: Revenue by geographic area

1 st Quarter 2019 (€m)	Q1 2019	Q1 2018 Restated*	Q1 2018 Reported	Total Growth	Organic Growth
France	20.5	17.3	17.3	18.0%	18.0%
Rest of Europe	13.7	14.5	14.5	-5.7%	-6.0%
Americas	29.3	30.3	28.0	4.5%	-3.4%
Asia/Pacific	3.6	3.5	3.4	7.0%	4.0%
Axway Software	67.0	65.7	63.2	6.0%	2.1%

2 nd Quarter 2019 (€m)	Q2 2019	Q2 2018 Restated*	Q2 2018 Reported	Total Growth	Organic Growth
France	20.3	19.9	19.9	2.3%	2.3%
Rest of Europe	17.3	17.9	18.0	-3.6%	-3.1%
Americas	30.0	32.0	30.3	-0.7%	-6.0%
Asia/Pacific	3.9	3.5	3.5	10.4%	10.3%
Axway Software	71.5	73.2	71.7	-0.2%	-2.3%

* Revenue at 2019 scope and exchange rates

Appendices (2/4)
Axway Software : Consolidated Income Statement

Half-year 2019	H1 2019		H1 2018		Full-year 2018	
	€m	% Rev.	€m	% Rev.	€m	% Rev.
Revenue	138.6		134.9		283.8	
<i>of which License</i>	21.8		23.8		56.5	
<i>of which Subscription</i>	23.1		18.8		40.3	
<i>of which Maintenance</i>	72.1		69.9		142.8	
Sub-total License, Subscription & Maintenance	117.1		112.5		239.7	
Services	21.5		22.5		44.2	
Cost of sales	45.9		42.8		84.2	
<i>of which License and Maintenance</i>	11.9		11.7		23.1	
<i>of which Subscription</i>	13.0		11.2		21.7	
<i>of which Services</i>	21.1		19.9		39.4	
Gross profit	92.6	66.8%	92.1	68.3%	199.7	70.3%
Operating expenses	90.2		79.8		167.8	
<i>of which Sales and marketing</i>	44.3		39.0		83.3	
<i>of which Research and development</i>	32.6		26.8		58.0	
<i>of which General and administrative</i>	13.3		14.0		26.4	
Profit on operating activities	2.5	1.8%	12.3	9.1%	31.9	11.2%
Stock option expense	-0.9		-0.4		-1.1	
Amortization of intangible assets	-4.3		-4.1		-8.3	
Profit from recurring operations	-2.7	-1.9%	7.8	5.7%	22.5	7.9%
Other income and expenses	-0.3		-2.8		-4.2	
Operating profit	-3.0	-2.1%	5.0	3.7%	18.3	6.4%
Cost of net financial debt	-0.9		-0.5		-0.7	
Other financial revenues and expenses	-0.3		-0.4		-0.9	
Income taxes	-1.9		-0.2		-5.6	
Net profit	-6.1	-4.4%	3.9	2.9%	11.0	3.9%
Basic earnings per share (in €)	-0.29		0.18		0.52	

Appendices (3/4)
Axway Software: Simplified Balance Sheet

Half-year 2019	30/06/2019 (€m)	30/06/2018 (€m)	31/12/2018 (€m)
Assets			
Goodwill	347.2	339.5	344.1
Intangible assets	37.7	45.1	42.3
Property, plant and equipment	37.2	13.9	13.4
Other non-current assets	23.9	25.5	22.9
Non-current assets	446.0	424.0	422.7
Trade receivables	52.8	55.6	65.6
Other current assets	38.4	30.3	29.7
Cash and cash equivalents	32.3	47.6	35.8
Current assets	123.5	133.5	131.1
Total Assets	569.5	557.5	553.8
Equity and Liabilities			
Share capital	42.5	42.4	42.5
Reserves and net profit	313.9	311.5	320.3
Total Equity	356.4	353.9	362.7
Financial debt - long-term portion	61.6	45.4	41.8
Other non-current liabilities	10.5	8.9	11.4
Non-current liabilities	72.1	54.2	53.2
Financial debt - short-term portion	11.4	5.6	4.2
Deferred Revenues	85.6	94.4	75.2
Other current liabilities	44.0	49.4	58.4
Current liabilities	141.1	149.3	137.9
Total Liabilities	213.1	203.6	191.1
Total Equity and Liabilities	569.5	557.5	553.8

Appendices (4/4)
Axway Software: Cash Flow Statement

Half-year 2019	H1 2019 (€m)	H1 2018 (€m)	Full-year 2018 (€m)
Net profit for the period	-6.1	3.9	11.0
Net charges to amortization, depreciation and provisions	10.1	6.4	12.9
Other income and expense items	1.0	1.0	0.3
Cash from operations after cost of net debt and tax	4.9	11.3	24.2
Change in operating working capital requirements (incl. employee benefits liability)	3.0	16.0	-3.6
Cost of net financial debt	0.9	0.5	0.7
Income tax paid net of accrual	-0.2	-2.3	1.2
Net cash from operating activities	8.6	25.5	22.6
Net cash used in investing activities	-4.5	-3.2	-4.0
Proceeds on share issues	-	0.2	0.2
Dividends paid	-	-	-4.2
Change in loans	-2.3	-2.2	-2.9
Net interest paid	-0.8	-0.5	-0.9
Other flows	-4.7	-	-3.0
Net cash from (used in) financing activities	-7.8	-2.5	-10.7
Effect of foreign exchange rate changes	0.0	-0.4	-0.3
Net change in cash and cash equivalents	-3.6	19.4	7.6
Opening cash position	35.8	28.1	28.1
Closing cash position	32.1	47.5	35.8

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

Half-year 2019 (€m)	H1 2019	H1 2018	Growth
Revenue	138.6	134.9	2.7%
Changes in exchange rates		+4.0	
Revenue at constant exchange rates	138.6	138.9	-0.2%
Changes in scope		+0.0	
Revenue at constant scope and exchange rates	138.6	138.9	-0.2%

Axway Software: Changes in exchange rates

Half-year 2019	Average rate	Average rate	Change
For 1€	H1 2019	H1 2018	
US Dollar	1.130	1.210	+ 7.1%