

softwareone

Q1 2024 Trading Update

15 May 2024

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Agenda

- 01** Q1 2024 highlights
- 02** Financial performance & outlook
- 03** Outlook & key takeaways
- 04** Q&A



Brian Duffy, CEO



Rodolfo Savitzky, CFO

Q1 2024 highlights

Brian Duffy
CEO

Vision 2026 – a new chapter of growth

- 01** Highly attractive **market opportunity** enhanced by **strategic growth priorities**
- 02** **Solid foundation** with new leadership team and organisation strengthened through operational excellence
- 03** Focus on leveraging **value proposition** based on “lead” business and high-growth “expand” offerings
- 04** **Sharpened execution** driven by **transformed GTM approach**
- 05** **Vision 2026:** strongly positioned to deliver profitable growth and shareholder value



Mid-teens
Revenue
growth⁽¹⁾



Adj. EBITDA
margin
approaching
28%



Dividend pay-
out
30-50% adj.
profit

Solid start to 2024 with over 7% revenue growth

Q1 2024 group results

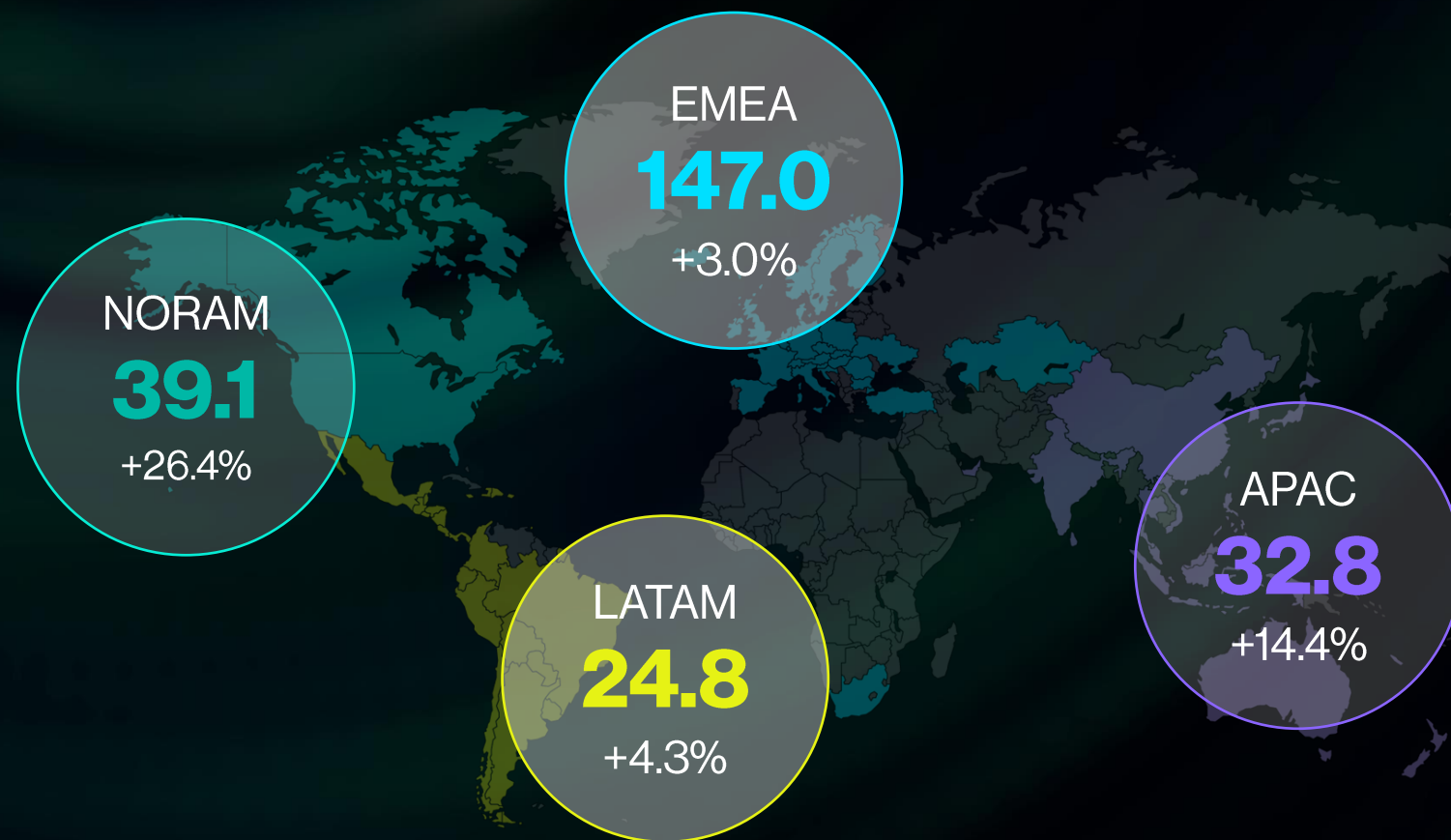
CHFm, % YoY (ccy)

Revenue	246.9	+7.4%
Adj. EBITDA	45.4	+18.8%
Margin	18.4%	+1.8pp

Acceleration in NORAM and LATAM

Q1 2024 group revenue⁽¹⁾

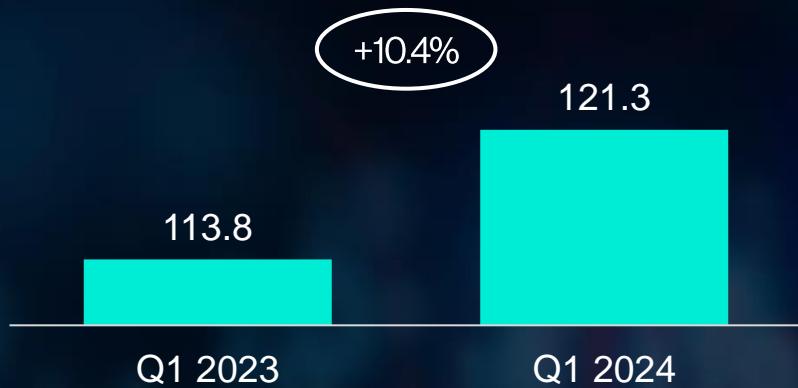
CHFm, % YoY (ccy)



Broad-based growth across business lines

Software & Cloud Services

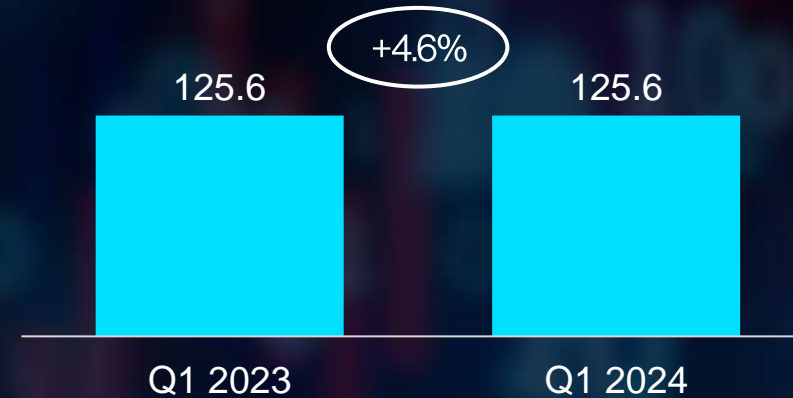
Revenue, CHFm, % YoY growth (ccy)



- Growth in Q1 2024 driven by Cloud Services and SS&PM
- Growth in xSimples⁽¹⁾ of 29.0% ccy in Q1 2024
- 73% of LTM (to 31 March 2024) group revenue from 15.9k clients purchasing both software and services, vs. 15.5k a year ago⁽¹⁾

Software & Cloud Marketplace

Revenue, CHFm, % YoY growth (ccy)



- Microsoft gross billings at USD 4.3 billion in Q1 2024, up 6% YoY
- Revenue growth in the Microsoft business continues to offset lower growth in other ISVs

Ambition to become #1 Copilot partner on track

Value proposition

ROI

Providing clear guidance
on use case scenarios

Risk

Contributing deep security,
data and platform expertise

Readiness

Delivering integration,
programme management,
adoption and change
management

Market opportunity

12.5m

Addressable 365 seats

+

15%

Adoption rate

=

\$100m

Market opportunity

KPIs (Q1 2024)



325,000+

Copilot users



325+

services
engagements

Case study: SoftwareOne helps QNET implement workplace AI

QNET

QNET is a leading wellness and lifestyle company operating across five continents and one of the first organisations in the APAC region to explore wide adoption of Copilot for Microsoft 365 for multiple uses.

"Our journey with AI in the workplace is still in its early stages, but people are already very excited about the possibilities. We look forward to SoftwareOne's continued support in helping us choose the right path forward."

Ivan Woo,
CIO, QNET Ltd.



Challenge

- To explore the best ways to use Copilot for Microsoft 365 to help employees become more productive and to drive innovation, while following strict legal, regulatory and ethics rules

Solution

- SoftwareOne as trusted partner for 10+ years, helping QNET switch to Microsoft 365 in the past
- Copilot Advisory Service helped key individuals at QNET gain better understanding of the capabilities of Copilot and address concerns
- Decision to start with a small group of early adopters from different departments, prior to company-wide roll-out



Outcome

- 300 selected users completed their assessment of the tool's potential by early 2024
- Continued workshops to maintain a high level of enthusiasm
- Hands-on experience with multiple use cases enabled tailored solutions before global roll-out

Ongoing implementation of transformed GTM model

2024 priorities

Q1 2024 initiatives

	Simplify and standardise	<ul style="list-style-type: none"> • Harmonise GTM across all regions • Develop high performing sales & marketing team 	<ul style="list-style-type: none"> • GTM roll-out in key regions (covering c. 65% of revenue) in Q2, with remainder by year-end • Digital sales hub to launch in Nashville; grow Manila hub and expand across region
	Grow market share	<ul style="list-style-type: none"> • Accelerated growth in NORAM • Double down on focus ISVs and hyperscalers 	<ul style="list-style-type: none"> • NORAM growth +26% YoY, under new leadership • Prioritised set of ISVs to create joint plans, programmes and targets for profitable growth and better portfolio reach
	Gain wallet share	<ul style="list-style-type: none"> • Increase renewal rates and pricing excellence to boost topline & margins • Accelerate Marketplace Platform adoption 	<ul style="list-style-type: none"> • Pricing and renewals excellence initiatives launched • Developed new version of Marketplace Platform enhancing subscription management and ordering modules

Marketplace Platform gaining traction



No. of clients

17k+



No. of subscriptions

34k+



Gross sales transacted⁽¹⁾

CHF 668.1m

Financial performance

Rodolfo J Savitzky
CFO

Solid revenue growth and improved margin

P&L summary

CHFm	Q1 2024	Q1 2023	% Δ Rep	% Δ CCY ⁽¹⁾
Revenue	246.9	239.4	3.1%	7.4%
Delivery costs	(87.7)	(91.4)	(4.1)%	(1.1)%
Contribution margin	159.3	148.0	7.6%	12.6%
<i>Contribution margin (% revenue)</i>	64.5%	61.8%	+2.7pp	-
SG&A	(113.9)	(108.4)	5.1%	10.3%
Adj. EBITDA	45.4	39.6	14.5%	18.8%
<i>Adj. EBITDA margin (% revenue)</i>	18.4%	16.6%	+1.8pp	-

- Revenue growth across business lines and regions
- Delivery costs optimisation more than offsetting mix
- SG&A reflecting operational excellence savings and growth investments
- FX partially mitigated by natural hedge between revenue and costs

Adj. EBITDA increase driven by revenue growth and operational excellence

Adjusted EBITDA bridge⁽¹⁾

CHFm



- Improved delivery costs by insourcing capabilities
- Investing in Sales & Marketing to drive growth
- Savings in admin personnel costs with investment in systems and automation

(1) Changes displayed are in CCY



Improved contribution margin across both business lines

Business line P&L⁽¹⁾

CHFm	Software & Cloud Services		Software & Cloud Marketplace	
	Q1 2024	% Δ CCY ⁽²⁾	Q1 2024	% Δ CCY ⁽²⁾
Revenue	121.3	10.4%	125.6	4.6%
Delivery costs	(70.2)	(0.3)%	(17.4)	(4.0)%
Contribution margin	51.1	29.2%	108.2	6.1%
<i>Contribution margin (% revenue)</i>	<i>42.1%</i>	<i>5.8pp</i>	<i>86.1%</i>	<i>1.2pp</i>
SG&A	(46.7)	24.8%	(50.2)	(0.5)%
Adj. EBITDA	4.4	93.6%	57.9	13.0%
<i>Adj. EBITDA margin (% revenue)</i>	<i>3.6%</i>	<i>1.6pp</i>	<i>46.1%</i>	<i>3.6pp</i>

- Lower delivery costs in both business lines
- SG&A increase in S&C Services driven by BDE hires

Operational excellence programme on track for CHF 70 million target

Execution against 2024 plan

Key initiatives


Commercial effectiveness




- Global GTM programme launched
- Improved sales productivity through digital hubs
- Disciplined sales execution framework


Efficient delivery model



- Modularising services portfolio
- End-to-end optimisation of Marketplace delivery
- Dedicated pre-sales process activated


Right-sized support functions



- Ongoing reorganisation in IT
- Scaled HR shared service centres; Workday launched
- Complete Finance shared service centre transitions

Additional cost savings of CHF 7 million in Q1 2024
CHF 47 million achieved in 2023

2024 guidance reiterated

	2024	Vision 2026
	Transition to higher growth	Profitable growth and shareholder value
Guidance		
Revenue growth ⁽¹⁾	8-10%	Mid-teens
Adj. EBITDA margin (% revenue)	24.5-25.5%	Approaching 28%
Dividend policy	30-50% adjusted profit for the year	30-50% adjusted profit for the year

Key takeaways

Brain Duffy
CEO

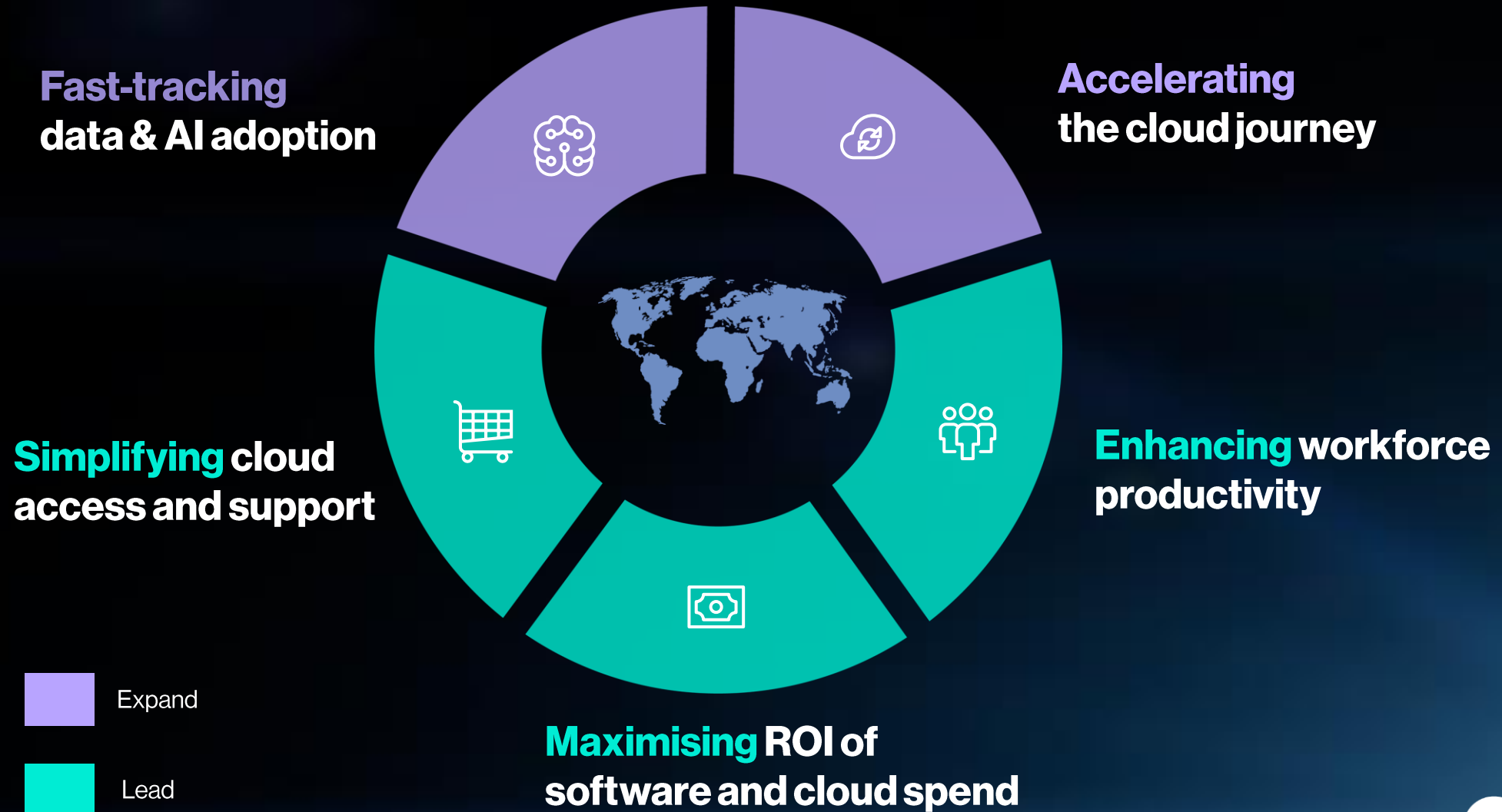
Key takeaways

- 01 Solid start to 2024 with over 7% YoY ccy growth and improved margin
- 02 Execution of Vision 2026 progressing as planned
- 03 Ambition to become #1 Copilot partner on track
- 04 GTM transformation ongoing with phased roll-out to largest markets starting in Q2 2024
- 05 Outlook for 2024 reiterated based on YTD performance and stabilising market environment

Q&A

Appendix

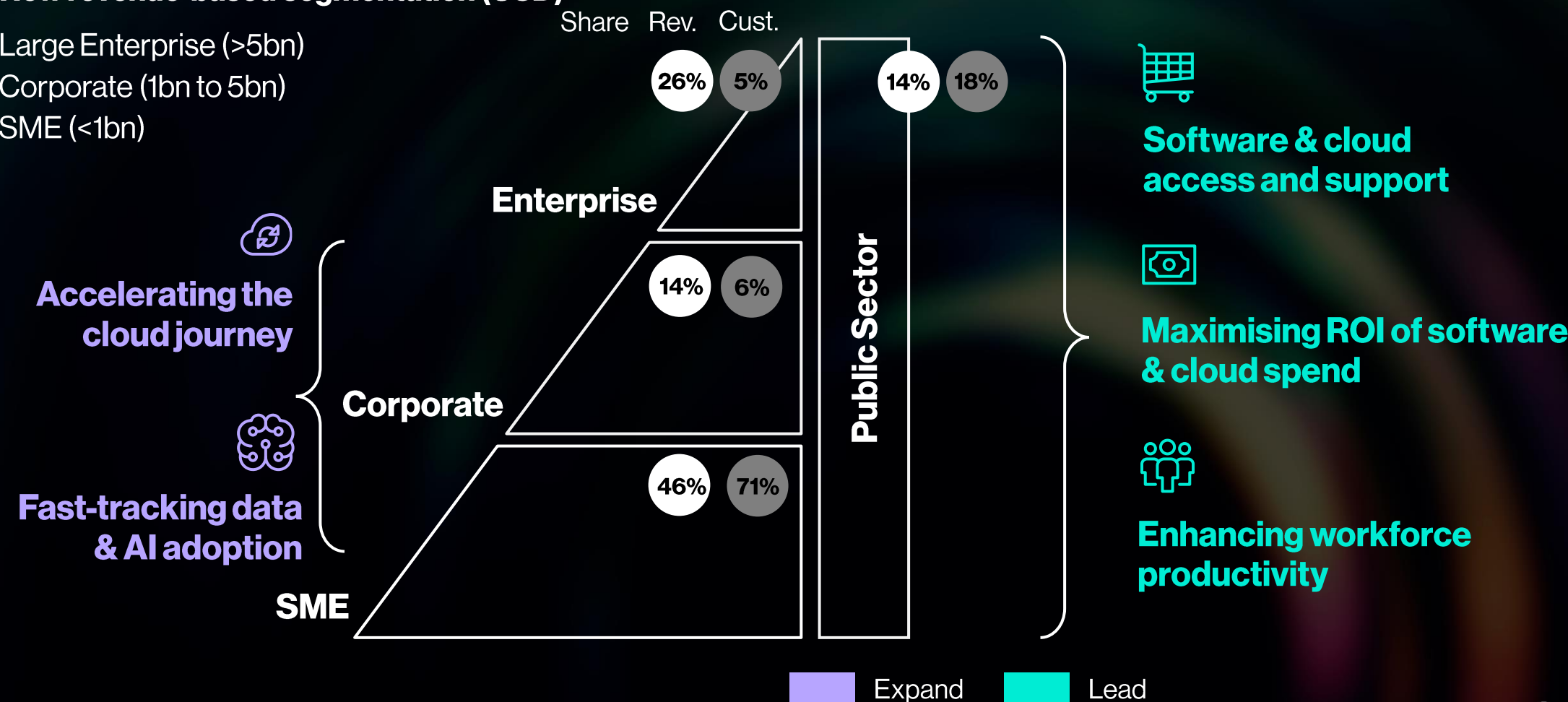
Focus on lead business, expanding to high-growth segments



Targeting our portfolio across customer segments

New revenue-based segmentation (USD)

Large Enterprise (>5bn)
Corporate (1bn to 5bn)
SME (<1bn)



Growth priorities to capture market opportunity

- 01** Deepen partnership with hyperscalers
- 02** Drive global Microsoft Copilot roll-out
- 03** Capitalise on data & AI
- 04** Execute on focused ISV strategy
- 05** Leverage Marketplace Platform

Sharpening execution of strategy

01 Transformed go-to-market

- Commercial excellence with fully integrated salesforce
- Global alliances with hyperscalers and top ISVs
- AI-powered cross-sell / up-sell
- Optimised segmentation and coverage design

02 Portfolio innovation

- Productised and modularised offerings
- Outcome-oriented solutions adapted to client needs
- Expand our addressable market through Marketplace platform

03 Delivery excellence

- Competitive global footprint coupled with strong local presence for seamless delivery
- Further leveraging expertise in data & AI

04 Talent ecosystem

- Global, diverse and highly qualified talent base
- Continuous upskilling to meet future business needs

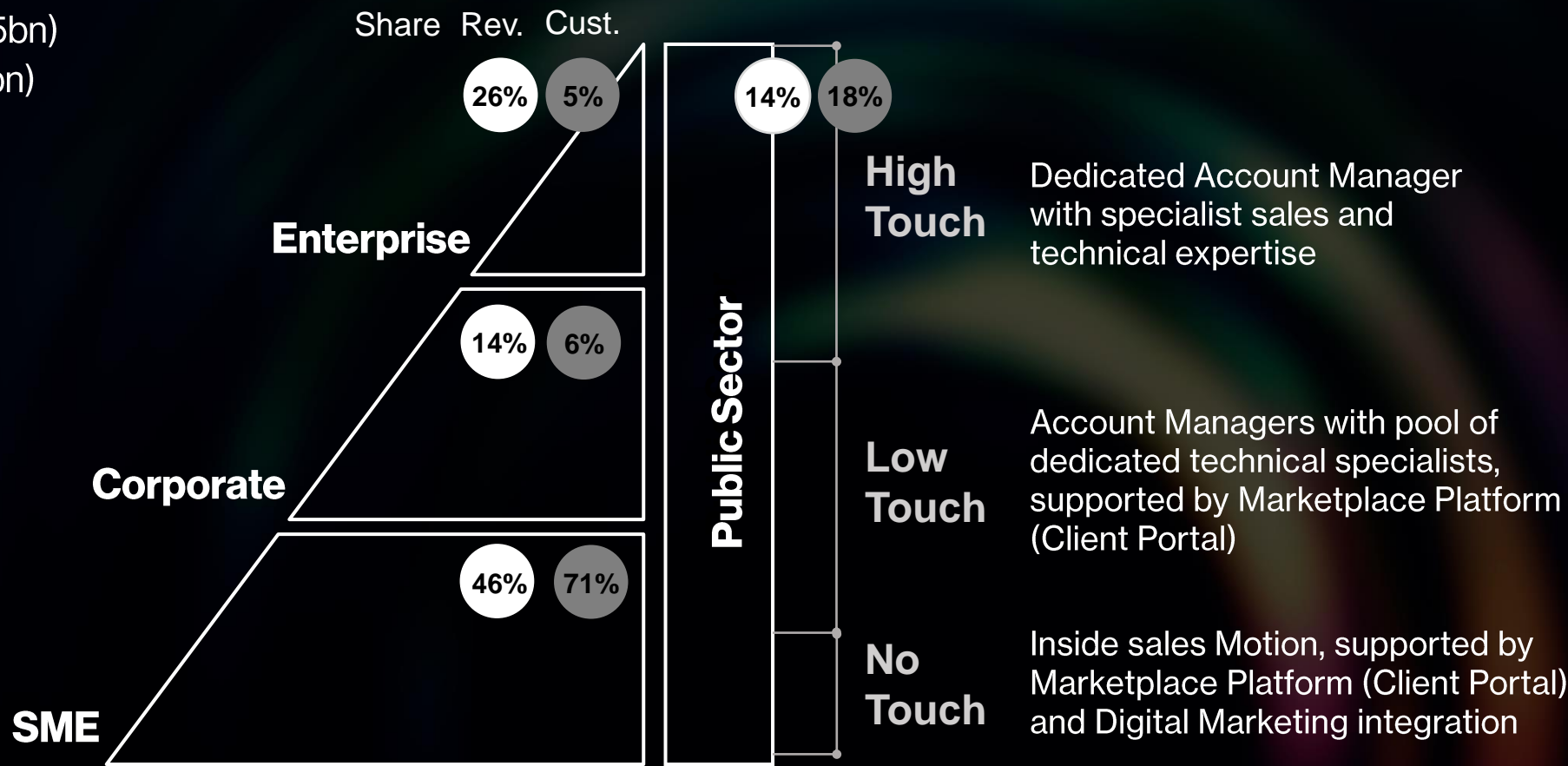
Differentiated coverage model by segment to drive cost-effective, yet scalable revenue growth

New revenue-based segmentation (USD)

Large Enterprise (>5bn)

Corporate (1bn to 5bn)

SME (<1bn)



Definitions of key alternative performance measures

Adjusted EBITDA is defined as the underlying earnings before net financial items, tax, depreciation and amortisation, adjusted for items affecting comparability in operating expenses.

Adjusted EBITDA margin is defined as adjusted EBITDA divided by revenue

Adjusted profit for the period is defined as the (loss)/profit for the period, adjusted for items impacting comparability in operating expenses and net finance income/(expenses) as well as the related tax impact.

Contribution margin is defined as total revenue net of third-party service delivery costs and directly attributable internal delivery costs.

Free cash flow is defined as the group net cash generated from/(used in) operating activities, plus net cash from/(used in) investing activities, minus net cash from acquisition of businesses (net of cash acquired), sale of subsidiary (net of cash disposed) and proceeds from sale of financial assets.

Growth at constant currencies is defined as the change between two periods presented on a constant currency basis for comparability purposes and to assess the group's underlying performance. Period profit and loss figures are translated from the subsidiaries' respective local currencies into Swiss francs at the applicable average exchange rate of the prior year period. This calculation is based on the underlying management accounts.

Net debt / (cash) comprises group bank overdrafts, other current and non-current financial liabilities less cash and cash equivalents and current financial assets

Net working capital is defined as the group's trade receivables, current other receivables, prepayments and contract assets minus trade payables, current other payables and accrued expenses and contract liabilities.

Adjusted EBITDA bridge

CHFm	Q1 2024	Q1 2023
Reported EBITDA	28.7	29.9
Impact of change in revenue recognition of Microsoft Enterprise Agreements	0.3	1.4
Share-based compensation	-	-
Integration, M&A and earn-out expenses	3.1	3.9
Operational excellence restructuring expenses	4.1	4.4
GTM restructuring expenses	5.1	-
Discontinuation of MTWO vertical	3.0	-
Russia-related loss	-	0.1
Other non-recurring items	1.0	-
Adjusted EBITDA	45.4	39.6

Business line profit & loss summary

CHFm	Software & Cloud Services			Software & Cloud Marketplace			Corporate	
	Q1 2024	% Δ CCY ⁽¹⁾	% Δ Rep	Q1 2024	% Δ CCY ⁽¹⁾	% Δ Rep	Q1 2024	Q1 2023
Revenue	121.3	10.4%	6.6%	125.6	4.6%	0.0%	-	-
Delivery costs	(70.2)	(0.3)%	(3.1)%	(17.4)	(4.0)%	(8.1)%	-	-
Contribution margin	51.1	29.2%	23.5%	108.2	6.1%	1.5%	-	-
Contribution margin (% revenue)	42.1%	5.8pp	-	86.1%	1.2pp	-	-	-
SG&A	(46.7)	24.8%	19.6%	(50.2)	(0.5)%	(5.7)%	(16.9)	(16.0)
Adjusted EBITDA ⁽²⁾	4.4	93.6%	89.1%	57.9	13.0%	8.6%	(16.9)	(16.0)
Adjusted EBITDA margin (% revenue)	3.6%	1.6pp	-	46.1%	3.6pp	-	-	-

Quarterly summary by business line

CHFm	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	FY 2023	Q1 2024
Revenue Solutions & Cloud Marketplace	123.5	144.2	112.3	153.7	533.6	121.9	152.8	119.4	151.2	545.3	125.6	151.0	121.0	152.2	549.7	125.6
Revenue Software & Cloud Services ⁽¹⁾	75.5	92.5	86.6	109.0	363.4	101.4	116.2	105.2	114.6	437.4	113.8	116.4	112.4	118.5	461.2	121.3
Total revenue	198.9	236.6	198.8	262.7	897.1	223.3	269.0	224.6	265.8	982.8	239.4	267.4	233.4	270.7	1,010.9	246.9
Delivery costs	(65.2)	(77.9)	(70.7)	(88.1)	(302.0)	(86.8)	(90.6)	(82.4)	(86.5)	(346.3)	(91.4)	(86.8)	(85.4)	(84.0)	(347.6)	(87.7)
Contribution margin S&C Marketplace	105.2	125.6	94.5	135.6	460.9	101.9	135.3	102.0	132.0	471.3	106.6	132.3	104.2	134.7	477.8	108.2
Contribution margin S&C Services	28.6	33.1	33.6	38.9	134.2	34.6	43.1	40.2	47.3	165.1	41.4	48.3	43.9	52.0	185.6	51.1
Total contribution margin	133.8	158.7	128.1	174.5	595.1	136.5	178.4	142.2	179.3	636.4	148.0	180.6	148.0	186.7	663.3	159.3
<i>Contribution margin (% of revenue)</i>	<i>67.2%</i>	<i>67.1%</i>	<i>64.4%</i>	<i>66.5%</i>	<i>66.3%</i>	<i>61.1%</i>	<i>66.3%</i>	<i>63.3%</i>	<i>67.4%</i>	<i>64.8%</i>	<i>61.8%</i>	<i>67.6%</i>	<i>63.4%</i>	<i>69.0%</i>	<i>65.6%</i>	<i>64.5%</i>
SG&A	(92.5)	(90.9)	(93.0)	(99.4)	(375.7)	(94.4)	(102.6)	(97.3)	(101.6)	(396.0)	(108.4)	(108.6)	(100.1)	(101.1)	(418.1)	(113.9)
Adjusted EBITDA S&C Marketplace	60.1	80.5	51.4	89.3	281.4	58.8	87.4	58.1	84.7	289.1	53.3	82.5	63.2	83.3	282.4	57.9
Adjusted EBITDA S&C Services	(4.2)	(2.0)	(2.8)	3.1	(5.8)	(3.6)	5.9	1.4	9.9	13.6	2.3	4.8	1.3	19.6	28.1	4.4
Corporate costs	(14.6)	(10.7)	(13.5)	(17.3)	(56.2)	(13.1)	(17.5)	(14.7)	(17.0)	(62.2)	(16.0)	(15.2)	(16.6)	(17.4)	(65.2)	(16.9)
Adjusted EBITDA⁽²⁾	41.3	67.8	35.1	75.2	219.4	42.1	75.8	44.9	77.7	240.4	39.6	72.1	47.9	85.6	245.2	45.4
<i>Adjusted EBITDA margin (% of revenue)</i>	<i>20.8%</i>	<i>28.7%</i>	<i>17.7%</i>	<i>28.6%</i>	<i>24.5%</i>	<i>18.8%</i>	<i>28.2%</i>	<i>20.0%</i>	<i>29.2%</i>	<i>24.5%</i>	<i>16.6%</i>	<i>27.0%</i>	<i>20.5%</i>	<i>31.6%</i>	<i>24.3%</i>	<i>18.4%</i>

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