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# Q3 2023 Trading update

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15 November 2023

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# Today's agenda

- 1 Q3 2023 highlights
- 2 Financial performance and outlook
- 3 Q&A



**Brian Duffy, CEO**



**Rodolfo Savitzky, CFO**

# Q3 2023 highlights

Brian Duffy, CEO



# Solid Q3 performance with 8.4% revenue growth

CHFm, % YoY (ccy) <sup>(1)</sup>	Q3 2023		9M 2023	
<b>Revenue</b>	<b>233.4</b>	+8.4%	<b>740.2</b>	+8.5%
<b>Adjusted EBITDA</b>	<b>47.9</b>	+14.1%	<b>159.6</b>	+2.7%
<b>Margin (% revenue)</b>	<b>20.5%</b>	+0.6pp	<b>21.6%</b>	(1.1)pp

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5 (1) Q3 2022 and 9M 2022 revenue for Software & Cloud Services restated as a result of implementation of the IFRS IC agenda decision on IFRS 15, with further contracts identified which should have been accounted for on an agent basis

# Positive momentum driven by EMEA and APAC

## Revenue by region

CHFm, % YoY growth (ccy)

### NORAM

Q3 2023 9M 2023

**36.0** **111.8**

+4.7% +4.0%

### EMEA

Q3 2023 9M 2023

**136.7** **443.8**

+9.6% +8.7%

### APAC

Q3 2023 9M 2023

**35.9** **108.2**

+19.8% +22.1%

### LATAM

Q3 2023 9M 2023

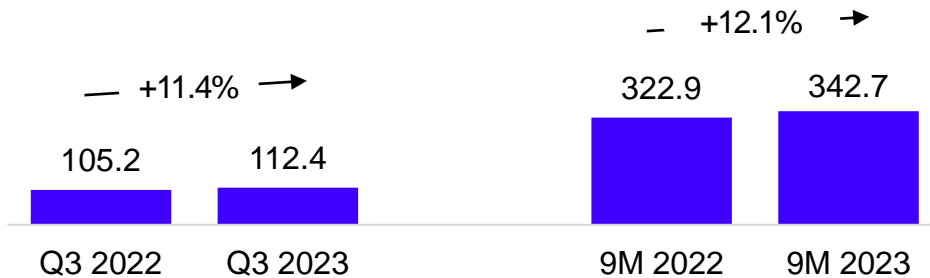
**24.3** **72.0**

(3.6)% (1.3)%

# Broad-based growth in S&C Services; Momentum in S&C Marketplace maintained

## Software & Cloud Services

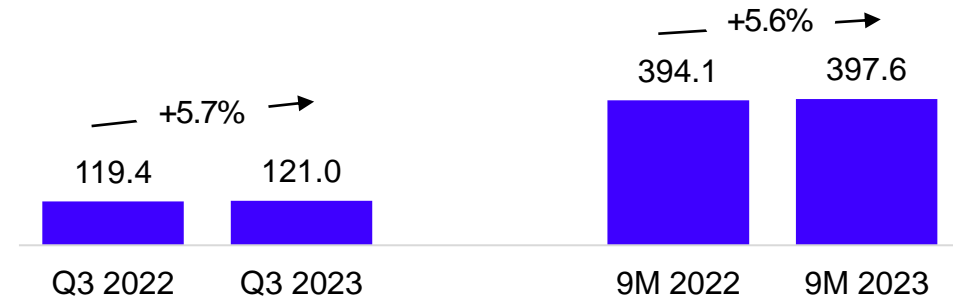
Revenue, CHFm, % YoY growth (ccy) <sup>(1)</sup>



- Growth driven by core service lines, Software Sourcing & Portfolio Management<sup>(2)</sup> and Digital Workplace; Continued impact from decline in legacy services as expected
- 72% of LTM (to 30 September 2023) group revenue from 15.8k clients purchasing both software and services, vs. 15.1k a year ago<sup>(3)</sup>

## Software & Cloud Marketplace

Revenue, CHFm, % YoY growth (ccy)



- Microsoft gross billings at USD 3.9 billion in Q3 2023, up 9% YoY; revenue growth broadly in line with Q2 2023
- Slight improvement in other ISVs compared to Q2 2023

(1) Q3 2022 and 9M 2022 revenue for Software & Cloud Services restated as a result of implementation of the IFRS IC agenda decision on IFRS 15, with further contracts identified which should have been accounted for on an agent basis

(2) Previously known as ITAM

(3) Revenue growth in xSimples not meaningful in Q3 2023 due to impact of shift from legacy CSP to NCE and associated pull forward effect

# Selected Q3 2023 wins: delivering value-adding solutions to meet customer needs



Canton of  
Basel-Landschaft

*Switzerland*

Five-year framework contract for consulting and development services for the digital transformation of all cantonal departments

Added value for our clients

- ✓ **Capabilities and resources** to run a major project in the public sector space
- ✓ Unmatched experience in **application modernisation**



*APAC*

Reselling agreement to procure Microsoft and other ISV licenses to employees in 14 countries across APAC

- ✓ **Centralised IT procurement**
- ✓ Efficient, high-quality **end-to-end services to support all regions**
- ✓ Extensive **network of partnerships**, reducing vendor and legal review time for customer



*US*

Replacement of desktop application to fully managed Desktop-as-a-Service solution on AWS, reducing customer onboarding time, while improving security and performance

- ✓ Extensive experience in **end-user computing** and a track record of **automating cloud infrastructure** deployments
- ✓ **AWS Premier Tier Services partner** with multiple comprehensive competencies



# Significant progress on 'Ignite, Focus, Accelerate'

## IGNITE



- ✓ New leadership hires to drive sales excellence and execute on partner & alliance strategy
- ✓ Business lines further integrated to promote outcomes-based approach for clients
- ✓ Sales incentives aligned with growth initiatives

## FOCUS



- ✓ Certified and enabled resources to drive implementation of Microsoft 365 Copilot at scale
- ✓ Upgraded management dashboards to scrutinize and improve execution
- ✓ Designed ISV strategy for largest partners

## ACCELERATE



- ✓ Generative AI offering under development
- ✓ New leadership for SoftwareOne Client Portal to execute on roadmap

Market outperformance and industry-leading margins

**Productivity Line**

Find out more at [softwareone.com/copilot-ready](https://softwareone.com/copilot-ready)

**If Microsoft Copilot is your destination...**



**SoftwareOne Copilot Advisory**

Your journey to an AI-powered workplace starts today. Stay on track with SoftwareOne.

**make software one your first stop.**

**Estimated market opportunity**

**12.5m** + **15%** = **>\$100m**  
 Addressable 365 seats      Adoption rate      Revenue opportunity



# Financial performance

Rodolfo Savitzky, CFO



# Revenue growth of 8.4% with adj. EBITDA up 14.1%

## P&L summary

CHFm	Q3 2023	% Δ Rep	% Δ CCY <sup>(2)</sup>	9M 2023	% Δ Rep	% Δ CCY <sup>(2)</sup>
<b>Revenue<sup>(1)</sup></b>	<b>233.4</b>	<b>3.9%</b>	<b>8.4%</b>	<b>740.2</b>	<b>3.3%</b>	<b>8.5%</b>
Delivery costs	(85.4)	3.6%	7.4%	(263.6)	1.4%	7.0%
<b>Contribution margin</b>	<b>148.0</b>	<b>4.1%</b>	<b>9.0%</b>	<b>476.7</b>	<b>4.3%</b>	<b>9.4%</b>
<i>Contribution margin (% revenue)</i>	<i>63.4%</i>	<i>0.1pp</i>	<i>-</i>	<i>64.4%</i>	<i>0.6pp</i>	<i>-</i>
SG&A	(100.1)	2.8%	6.7%	(317.0)	7.7%	13.0%
<b>Adj. EBITDA</b>	<b>47.9</b>	<b>6.8%</b>	<b>14.1%</b>	<b>159.6</b>	<b>(1.9)%</b>	<b>2.7%</b>
<i>Adj. EBITDA margin (% revenue)</i>	<i>20.5%</i>	<i>0.6pp</i>	<i>-</i>	<i>21.6%</i>	<i>(1.1)pp</i>	<i>-</i>

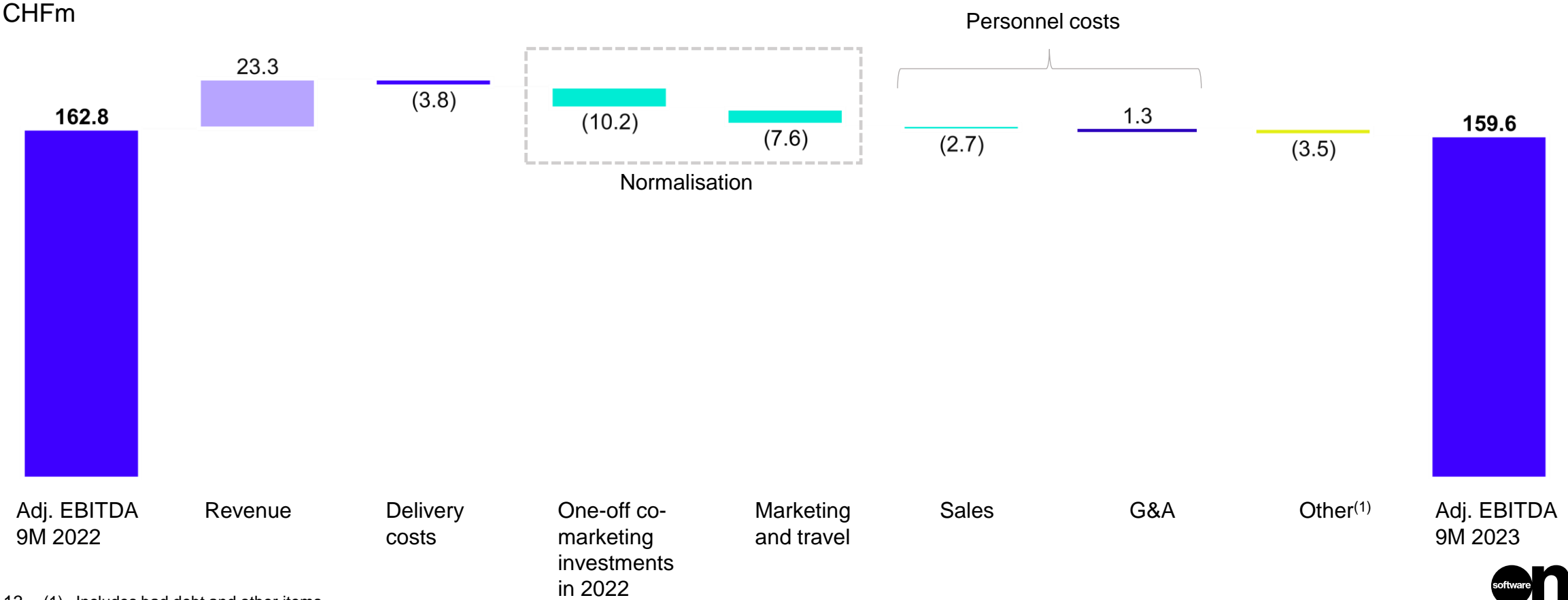
- Solid growth in Q3 2023 across both business lines
- Further improvement in contribution margin
- Limited SG&A growth driven by operational excellence and general cost control
- FX partially mitigated by natural hedge between revenue and costs

(1) Q3 2022 and 9M 2022 revenue for Software & Cloud Services restated as a result of implementation of the IFRS IC agenda decision on IFRS 15, with further contracts identified which should have been accounted for on an agent basis

(2) In constant currency; current period translated at average exchange rate of prior-year period based on management accounts

# Adj. EBITDA growth impacted by post-Covid normalisation of commercial activities

## Adjusted EBITDA bridge



13 (1) Includes bad debt and other items



# Improved contribution margin across both business lines

## Business line P&L<sup>(1)</sup>

CHFm	Software & Cloud Services <sup>(2)</sup>		Software & Cloud Marketplace	
	Q3 2023	% Δ CCY <sup>(3)</sup>	Q3 2023	% Δ CCY <sup>(3)</sup>
<b>Revenue</b>	<b>112.4</b>	<b>11.4%</b>	<b>121.0</b>	<b>5.7%</b>
Delivery costs	(68.5)	9.2%	(16.9)	0.7%
<b>Contribution margin</b>	<b>43.9</b>	<b>15.1%</b>	<b>104.2</b>	<b>6.6%</b>
<i>Contribution margin (% revenue)</i>	<i>39.0%</i>	<i>0.9pp</i>	<i>86.1%</i>	<i>0.6pp</i>
SG&A	(42.6)	13.6%	(41.0)	(2.9)%
<b>Adj. EBITDA</b>	<b>1.3</b>	<b>2.8%</b>	<b>63.2</b>	<b>16.0%</b>
<i>Adj. EBITDA margin (% revenue)</i>	<i>1.2%</i>	<i>(0.1)pp</i>	<i>52.2%</i>	<i>3.5pp</i>

- Further optimisation of delivery costs driven by operational excellence programme
- SG&A increase in S&C Services driven by new business development hires

(1) Corporate costs of CHF 16.6m for Q3 2023; % Δ CCY 17.0%

(2) Q3 2022 and 9M 2022 revenue for Software & Cloud Services restated as a result of implementation of the IFRS IC agenda decision on IFRS 15, with further contracts identified which should have been accounted for on an agent basis

(3) In constant currency; Current period translated at average exchange rate of prior-year period based on management accounts

# Operational excellence programme delivering ahead of plan

  
Commercial effectiveness

Execution against plan




Current status

- Ongoing implementation of customer tiering and new coverage model for sales
- AI-driven cross-sell pilot ongoing in APAC and scaled up in NORAM
- Pricing levers pilot ongoing in the UK and Ireland

  
Efficient service delivery model



- Majority of planned personnel transitions executed
- Pre-sales process revamped, with organization-wide rollout underway
- Operating model redesign with greater integration between Marketplace and Services

  
Right-sized support functions



- Most of the planned transitions from country finance to shared service centers completed; on-track for Q4 plan
- Launched HR shared service center pilot in EMEA; APAC to follow
- Revamp of HRIS tool initiated; tech partner onboarded

Cost savings achieved by end-September 2023 of CHF **27** million, with implementation on track to deliver CHF **50** million annual savings by 2024, with up to **50%** re-invested in strategic growth areas

# 2023 revenue guidance revised; mid-term guidance maintained

## 2023 outlook and mid-term guidance

	<b>FY 2023</b>	<b>Mid-term</b>
Revenue growth <sup>(1)</sup>	<b>High single-digit</b> <i>(Previously: double-digit)</i>	Mid-teens
Adj. EBITDA margin (% revenue)	24-25% <i>(Unchanged)</i>	>25%
Dividend policy	30-50% adj. profit for the year <i>(Unchanged)</i>	30-50% adj. profit for the year

16 (1) In constant currency





# Key takeaways

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- 1** Solid Q3 results with 8.4% YoY ccy revenue growth
- 2** Operational excellence cost savings well exceeding full-year 2023 target
- 3** Strong progress on 'Ignite, Focus, Accelerate'
- 4** FY2023 revenue guidance revision to high single-digit growth driven primarily by macro-economic conditions
- 5** Strategic review proceeding as planned

# Capital Markets Day 2024

**Save-the-date**

15 February 2024 from 14 CET

Zurich and broadcast live

# Q&A



# Appendix

# 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	Q3 2023	Q3 2022	9M 2023	9M 2022
<b>Reported EBITDA</b>	<b>21.6</b>	<b>31.6</b>	<b>112.9</b>	<b>73.6</b>
Impact of change in revenue recognition of Microsoft Enterprise Agreements	0.3	1.1	0.8	4.9
Share-based compensation <sup>(1)</sup>	-	1.2	-	4.6
Integration, M&A and earn-out expenses	8.1	9.9	15.9	34.3
Restructuring expenses	9.5	1.1	22.0	9.6
Russia-related loss	-	-	(0.3)	35.8
Other non-recurring items	8.4	-	8.4	-
<b>Adjusted EBITDA</b>	<b>47.9</b>	<b>44.9</b>	<b>159.6</b>	<b>162.8</b>

- Adjustments:
  - Change in revenue recognition of Microsoft Enterprise Agreements
  - Share-based compensation<sup>(1)</sup>
  - Integration, M&A and earn-out expenses
  - Restructuring expenses
  - Loss relating to sale of Russian operations
  - Other non-recurring items

21 (1) Refers to Management Equity Plan (MEP), which was fully funded pre-IPO by major shareholders with no cash or equity impact, and the employee free share grant

# Business line profit & loss summary

CHFm	Software & Cloud Services <sup>(1)</sup>				Software & Cloud Marketplace				Corporate	
	Q3 2023	% Δ CCY <sup>(2)</sup>	9M 2023	% Δ CCY <sup>(2)</sup>	Q3 2023	% Δ CCY <sup>(2)</sup>	9M 2023	% Δ CCY <sup>(2)</sup>	Q3 2023	9M 2023
<b>Revenue</b>	<b>112.4</b>	<b>11.4%</b>	<b>342.7</b>	<b>12.1%</b>	<b>121.0</b>	<b>5.7%</b>	<b>397.6</b>	<b>5.6%</b>	-	-
Delivery costs	(68.5)	9.2%	(209.1)	7.8%	(16.9)	0.7%	(54.5)	3.9%	-	-
<b>Contribution margin</b>	<b>43.9</b>	<b>15.1%</b>	<b>133.6</b>	<b>19.6%</b>	<b>104.2</b>	<b>6.6%</b>	<b>343.1</b>	<b>5.8%</b>	-	-
<i>Contribution margin (% revenue)</i>	<i>39.0%</i>	<i>0.9pp</i>	<i>39.0%</i>	<i>2.5pp</i>	<i>86.1%</i>	<i>0.6pp</i>	<i>86.3%</i>	<i>0.2pp</i>	-	-
SG&A	(42.6)	13.6%	(125.2)	14.9%	(41.0)	(2.9)%	(144.0)	12.1%	(16.6)	(47.8)
<b>Adjusted EBITDA<sup>(3)</sup></b>	<b>1.3</b>	<b>2.8%</b>	<b>8.4</b>	<b>135.3%</b>	<b>63.2</b>	<b>16.0%</b>	<b>199.0</b>	<b>2.0%</b>	<b>(16.6)</b>	<b>(47.8)</b>
<i>Adjusted EBITDA margin (% revenue)</i>	<i>1.2%</i>	<i>(0.1)pp</i>	<i>2.5%</i>	<i>1.3pp</i>	<i>52.2%</i>	<i>3.5pp</i>	<i>50.1%</i>	<i>(1.8)pp</i>	-	-

(1) Q3 2022 and 9M 2022 revenue for Software & Cloud Services restated as a result of implementation of the IFRS IC agenda decision on IFRS 15, with further contracts identified which should have been accounted for on an agent basis

(2) In constant currency; Current period translated at average exchange rate of prior-year period based on management accounts

22 (3) Includes adjustments for impact of change in revenue recognition of Microsoft Enterprise Agreements, share-based compensation, integration, M&A & earn-out expenses, restructuring expenses, Russia-related loss and other non-recurring items

# Quarterly summary by business line

CHFm	Q1 2021	Q2 2021	Q3 2021	Q4 2021	FY2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	FY 2022	Q1 2023	Q2 2023	Q3 2023
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
Revenue Software & Cloud Services <sup>(1)</sup>	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
<b>Total revenue</b>	<b>198.9</b>	<b>236.6</b>	<b>198.8</b>	<b>262.7</b>	<b>897.1</b>	<b>223.3</b>	<b>269.0</b>	<b>224.6</b>	<b>265.8</b>	<b>982.8</b>	<b>239.4</b>	<b>267.4</b>	<b>233.4</b>
<b>Delivery costs</b>	<b>(65.2)</b>	<b>(77.9)</b>	<b>(70.7)</b>	<b>(88.1)</b>	<b>(302.0)</b>	<b>(86.8)</b>	<b>(90.6)</b>	<b>(82.4)</b>	<b>(86.5)</b>	<b>(346.3)</b>	<b>(91.4)</b>	<b>(86.8)</b>	<b>(85.4)</b>
Contribution margin Solutions & Cloud 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
Contribution margin Solutions & Cloud 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
<b>Total contribution margin</b>	<b>133.8</b>	<b>158.7</b>	<b>128.1</b>	<b>174.5</b>	<b>595.1</b>	<b>136.5</b>	<b>178.4</b>	<b>142.2</b>	<b>179.3</b>	<b>636.4</b>	<b>148.0</b>	<b>180.6</b>	<b>148.0</b>
<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>
<b>SG&amp;A</b>	<b>(92.5)</b>	<b>(90.9)</b>	<b>(93.0)</b>	<b>(99.4)</b>	<b>(375.7)</b>	<b>(94.4)</b>	<b>(102.6)</b>	<b>(97.3)</b>	<b>(101.6)</b>	<b>(396.0)</b>	<b>(108.4)</b>	<b>(108.6)</b>	<b>(100.1)</b>
Adjusted EBITDA Solutions & Cloud 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
Adjusted EBITDA Software & Cloud 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
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)
<b>Adjusted EBITDA<sup>(2)</sup></b>	<b>41.3</b>	<b>67.8</b>	<b>35.1</b>	<b>75.2</b>	<b>219.4</b>	<b>42.1</b>	<b>75.8</b>	<b>44.9</b>	<b>77.7</b>	<b>240.4</b>	<b>39.6</b>	<b>72.1</b>	<b>47.9</b>
<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>

(1) 2021 and 2022 revenue for Software & Cloud Services restated as a result of implementation of the IFRS IC agenda decision on IFRS 15, with further contracts identified which should have been accounted for on an agent basis

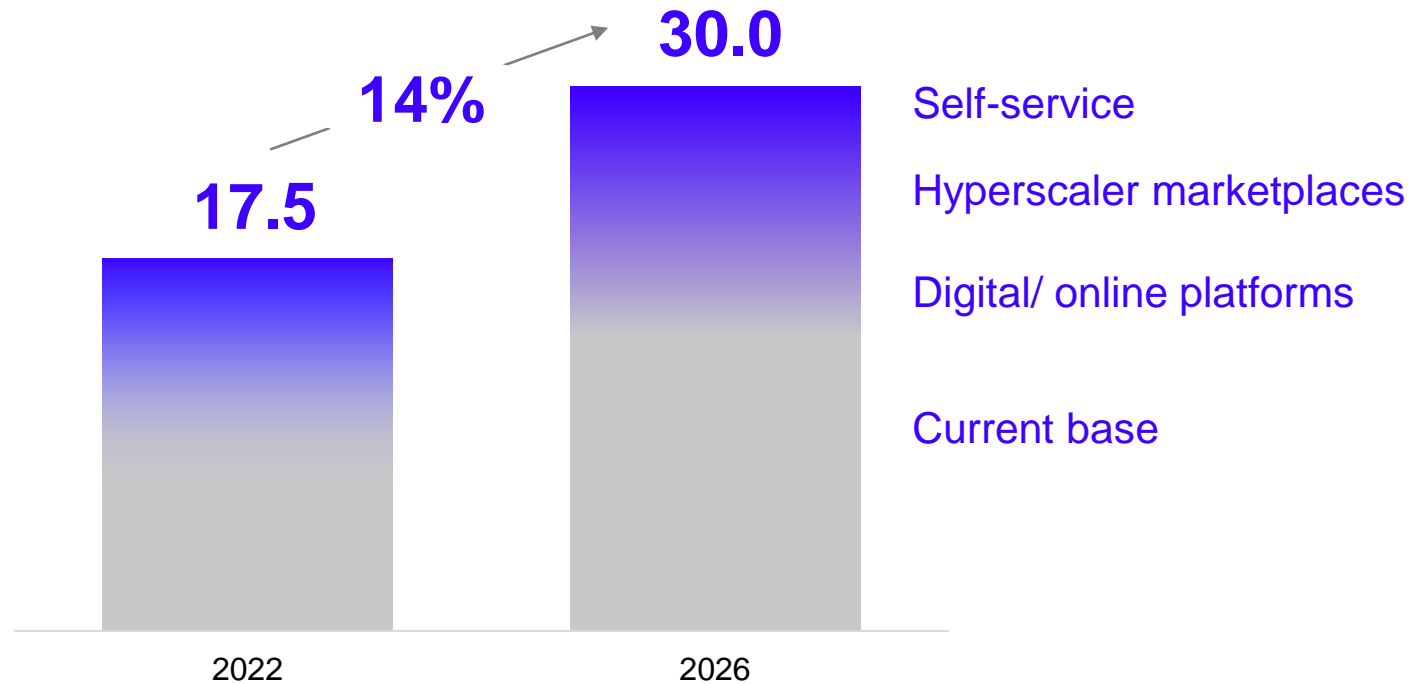
23 (2) Includes adjustments for impact of change in revenue recognition of Microsoft Enterprise Agreements, share-based compensation, integration, M&A & earnout expenses, restructuring expenses, Russia-related loss and other non-recurring items



# Large, fast-growing addressable market for S&C Marketplace

## Software & Cloud Marketplace SAM<sup>(1)</sup>

USD bn, % CAGR



Source: BCG analysis, IDC

24 (1) Based on total addressable spend of USD 637 billion less not serviceable and direct spend and a reseller margin

- Strong market growth driven by underlying spend in software & cloud
- Customer trending towards digital buying and self-service
- SoftwareOne offers one of the largest marketplaces with 7,500+ partners
- New Client Portal provides a single digital entry point for existing PyraCloud and new clients

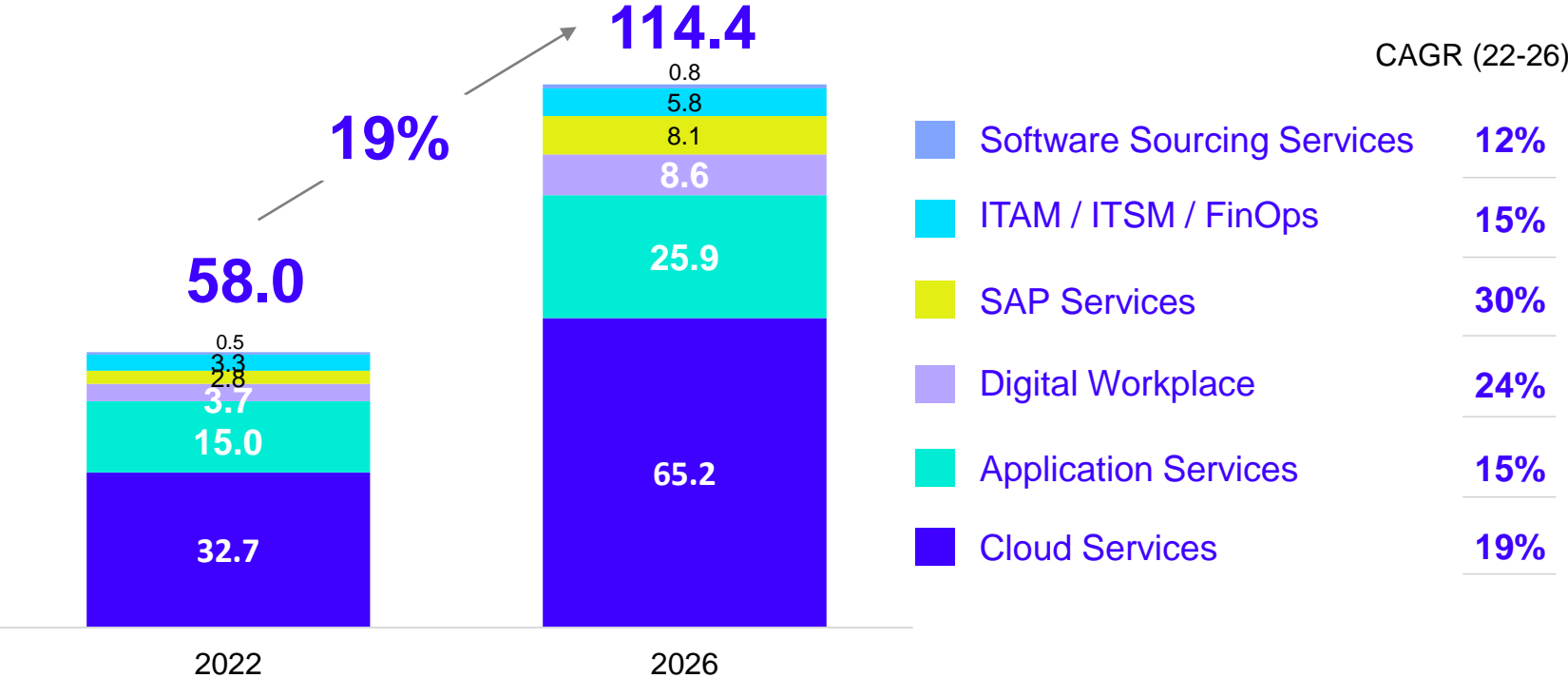




# Significant headroom to grow for S&C Services

## SoftwareOne SAM<sup>(1)</sup>

USD bn, % CAGR



- Services increasingly critical in a cloud and subscription world
- SoftwareOne has unique insights on customer pain points, purchasing patterns and cloud journeys
- Broad portfolio to cover customer needs from cross-selling opportunities

Source: BCG analysis, IDC

25 (1) Filtered for offerings, customer segments and geographical presence where SoftwareOne competes today

