



Media Release – ad hoc announcement pursuant to Art. 53 LR

SoftwareONE delivers solid results with accelerated investments in growth in H1 2021

Stans, Switzerland | 26 August 2021 – **SoftwareONE Holding AG, a leading global provider of end-to-end software and cloud technology solutions, today announced its H1 2021 results with a strong performance in Solutions & Services, underpinned by accelerating investments in strategic growth areas. At the group level, gross profit grew 12.3% YoY in constant currency¹. Full-year guidance is maintained, with strong growth prospects for the second half of 2021.**

- At the group level, gross profit grew 12.3% YoY in constant currency to CHF 414.4 million
- Gross profit growth in Solutions & Services accelerated to 53.4% YoY in constant currency to CHF 146.7 million, driven by customers' prioritization of cloud-first digital transformation; Solutions & Services now represents 35% of group gross profit, up from 26% in H1 2020
- Gross profit in Software & Cloud declined by 2.1% YoY in constant currency, driven by residual COVID-19-related software purchasing weakness among SMEs and a continued shift to pay-as-you-go; By region, LATAM was impacted by a weak COVID-19-related macro-economic environment
- Adjusted EBITDA corresponded to CHF 109.1 million, implying a margin of 26.3%, reflecting accelerated investments in strategic growth areas
- Microsoft strategic agreement for application services and SAP on Azure announced in late March 2021, with foundation built and significant growth in pipeline
- Six acquisitions announced since the beginning of 2021, with a focus on SAP cloud expertise and delivery capabilities, as well as strengthening the company's AWS and Google practices
- Rodolfo J. Savitzky to join SoftwareONE as CFO and member of the Executive Board effective 1 January 2022, succeeding Hans Grüter who has decided to retire from operational activities, as announced in separate media release
- Executive Board expanded with Bernd Schlotter, who joined in August 2021 as President of Services, in line with ambition to build Solutions & Services to 50% of group gross profit to increase the proportion of recurring revenues
- Full-year guidance re-iterated based on an expected recovery in Software & Cloud and a strong backlog in Solutions & Services, with EBITDA margin profile expected to benefit from front-loaded investments and improved operating leverage in H2 2021
- Audio webcast for investors, analysts and media to be held today at 9.00 CEST

Dieter Schlosser, CEO of SoftwareONE said, "During a year marked by strategic investments, I am encouraged by our first-half results and return to a solid level of growth. This is a testament to our growth strategy, ability to execute, and most importantly, the unwavering commitment of my colleagues who continued to deliver world-class customer experiences globally."

¹ Except where specified otherwise, InterGrupo is included in all gross profit growth figures; InterGrupo was fully acquired in early 2021 and consolidated from November 2020 onwards, contributing CHF 15.9 million in H1 2021, corresponding to approximately 4% YoY growth

Spurred by the COVID-19 pandemic, organizations are forging ahead with cloud-first digital transformation journeys. With our expanding next-generation services portfolio and PyraCloud platform, we can now meet even more of their changing and complex needs.

With our focus on growth investments and recurring customer relationships, we have laid a solid foundation for SoftwareONE's future growth journey and look forward to providing further insights into our strategy at our Capital Markets Day in October."

Key figures

CHFm (unless otherwise indicated)	H1 2021	H1 2020	% Δ	% Δ at CCY
Adjusted				
Gross profit from Software & Cloud	267.6	274.6	(2.5)%	(2.1)%
Gross profit from Solutions & Services	146.7	96.2	52.5%	53.4%
Gross profit	414.4	370.8	11.7%	12.3%
Operating expenses	(305.3)	(250.8)	21.7%	22.5%
EBITDA	109.1	120.0	(9.1)%	(9.0)%
EBITDA margin (%)	26.3%	32.4%	(6.0)pp	-
EPS (diluted)	0.35	0.44	(20.2)%	-
IFRS reported				
Net cash generated from/(used in) operating activities	(32.4)	206.7	-	-
Net debt/(cash) ¹	(385.5)	(366.2)	-	-
Net working capital (after factoring) at period-end	(59.4)	(173.4)	-	-
Headcount (in FTEs)	8,269	5,826	41.9%	-

Performance by business

Software & Cloud

Gross profit from Software & Cloud decreased 2.1% YoY in constant currency to CHF 267.6 million in H1 2021, compared to CHF 274.6 million during the prior year period. This development was primarily driven by residual COVID-19-related software purchasing weakness amongst SMEs across both the Microsoft and Multi-vendor businesses, along with a continued shift towards pay-as-you-go in the Microsoft business. By region, LATAM was impacted by a weak COVID-19-related macro-economic environment which affected purchasing across customer segments.

Microsoft

At the gross billings level, SoftwareONE's Microsoft business developed in line with the overall market in H1 2021 driven by strong renewals and growing demand for Microsoft's software and cloud products. Microsoft Cloud billings, comprising 365, Azure and Dynamics, continued to see double-digit growth compared to the prior year period while On-premise declined.

By customer segment, SMEs – which typically serve as the group's growth and profitability engine – exhibited residual COVID-19-related software purchasing weakness, with a partial recovery seen towards the end of H1 2021. Large enterprises, which demonstrate lower profitability, continued to perform strongly in terms of billings growth. Meanwhile, public sector

¹ Including change in net debt definition with reclassification of non-current supplier liabilities to non-current other payables in both periods

spending slowed down in comparison to the exceptional level seen in 2020. Overall, this mix effect continued to negatively impact the Microsoft business at the gross profit level.

Furthermore, gross profit growth in pay-as-you-go (i.e. xSimple bundles such as 365Simple and AzureSimple) accelerated to >70% YoY, compared to >50% YoY during the prior year period. While positive in terms of promoting 'stickier' customer relationships and more recurring revenue streams, this development continued to adversely affect results in the Microsoft business due to (i) less revenue recognized upfront and (ii) the entire services component (i.e. customer mark-up for the managed service and the PyraCloud platform) being booked under Solutions & Services, which delivers highly scalable, IP-driven services.

Multi-vendor

SoftwareONE's multi-vendor business includes many market-leading software companies, including Adobe, AWS, Citrix, Google Cloud, Oracle, Red Hat, VMware, Sophos, Symantec and Veeam. While purchasing behavior varied greatly depending on the type of software, SoftwareONE generally saw healthy growth in procurement and consumption of mission-critical enterprise software solutions, with an acceleration towards the end of H1 2021, but at levels not yet comparable to pre-COVID 19.

Solutions & Services

Solutions & Services achieved strong gross profit growth of 53.4% YoY in constant currency to CHF 146.7 million in H1 2021, up from CHF 96.2 million during the prior year period. This result includes a gross profit contribution from InterGrupo of CHF 15.9 million, following its consolidation from November 2020 onwards. Excluding InterGrupo, the gross profit growth rate of Solutions & Services corresponded to 36.0% YoY in H1 2021.

The strong performance in Solutions & Services was broad-based across SoftwareONE's services offering, customers and geographies. This business line now represents 35% of group gross profit, up from 26% in H1 2020.

The Commercial and Technology Transformation portfolios grew 15% and 39% YoY in gross profit, respectively, while the group's strategic growth areas, including Application Services, SAP on Cloud and Industry Vertical Solutions, delivered growth in excess of 100% YoY.

Managed cloud support in particular demonstrated excellent growth, with 5.4 million users now supported 24/7 in 13 languages in the cloud.

During H1 2021, SoftwareONE also continued to expand its hyperscaler offering to include AWS and Google Cloud-related services to support customers with their multi-cloud strategies.

Performance by geography

On a geographical basis, performance varied depending on the extent of continued disruption from COVID-19-related restrictions and economic recovery. EMEA delivered a solid performance with gross profit up 8.2% YoY in H1 2021, with DACH performing strongly while certain other countries in the region lagged behind. APAC experienced exceptional gross profit growth of 25.1% YoY and NORAM demonstrated increasing strength through the period at 11.3% YoY. LATAM was impacted by COVID-19 and a weak macro-economic environment in key markets such as Brazil and Mexico, resulting in gross profit decreasing 5.4% YoY, excluding InterGrupo.

Accelerated investments across strategic growth areas

Total adjusted operating expenses increased by 22.5% YoY in constant currency to CHF 305.3 million in H1 2021, up from CHF 250.8 million during the prior year period, excluding share-based

compensation¹, IPO, integration and M&A and earn-out expenses which amounted to CHF 16.6 million in total.

The development of SoftwareONE's cost base reflected significant investments in strategic growth areas to increase recurring revenues and drive future profitable growth, as well as in sales and marketing and global and local delivery capabilities. The additional personnel expenses relating to these investments, as well as the consolidation of InterGrupo, amounted to approximately CHF 55 million in H1 2021 compared to the prior year period.

The number of FTEs stood at 8,269 as at 30 June 2021, an increase of 2,050 compared to 6,219 as at 31 December 2020, of which approximately 1,450 were related to the InterGrupo acquisition.

With regards to the integration of Comparex, SoftwareONE achieved run-rate cost synergies of CHF 41.9 million by 30 June 2021, thereby exceeding the targeted amount of CHF 40 million of cost savings on schedule.

Adjusted EBITDA for H1 2021 was CHF 109.1 million, compared to CHF 120.0 million for the prior year period. This implies a margin of 26.3% and 32.4% in H1 2021 and H1 2020, respectively, reflecting the aforementioned strategic investments.

Adjusted profit for the period was CHF 54.3 million in H1 2021, representing a decrease of 20.0% YoY in reported currency, compared to CHF 67.9 in the prior year period.

IFRS reported profit for the period decreased 42.5% YoY in reported currency to CHF 38.3 million in H1 2021, compared to CHF 66.7 in the prior year period. This result includes the aforementioned adjustments and related tax impact, as well as a depreciation in SoftwareONE's shareholding in Norwegian listed company Crayon of CHF 1.2 million in H1 2021. In H1 2020, the shareholding in Crayon appreciated by CHF 13.3 million.

For a reconciliation of IFRS reported profit to adjusted profit for the period, see page 6 of this media release.

Strong liquidity and unlevered balance sheet

Net cash generated from operating activities amounted to CHF (32.4) million in H1 2021, driven primarily by an increase in net working capital (NWC) due to seasonal effects and business growth. Excluding the impact of COVID-19-related vendors' deferred payment programs in the amount of approximately CHF 250 million, the level of NWC decreased compared to 30 June 2020 driven by continuous improvements in the collection of receivables and prudent management of payment terms.

Capital expenditure totaled CHF 14.3 million in H1 2021, mainly relating to investments in the PyraCloud platform and other intangible assets generated internally, compared to CHF 10.8 million in the prior year period. Cash outflow relating to acquisitions of businesses amounted to CHF 34.8 million in H1 2021, including earn-out payments relating to prior acquisitions. Free cash flow was CHF (46.1) million during H1 2021.

Net cash position was CHF 385.5 million as at 30 June 2021 compared to CHF 366.2 million one year earlier.

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

Outlook

With a solid foundation for future growth in place, SoftwareONE re-iterates its guidance for 2021, based on the assumption of no material deterioration in the environment due to COVID-19:

- Gross profit growth above 10% for the group in constant currency, excluding InterGrupo, which is expected contribute approximately 4% in YoY growth;
- Adjusted EBITDA margin of approximately 30%;
- Dividend pay-out ratio of 30-50% of adjusted profit for the year.

This outlook is supported by early signs of more normalized levels of purchasing activity, particularly among SMEs, driving a recovery in Software & Cloud as well as a strong backlog in Solutions & Services. Overall, this is expected to drive a further acceleration in gross profit growth in H2 2021.

Furthermore, the company's cost base is expected to remain at approximately the same level in H2 2021 compared to H1 2021 as a result of investments being predominantly frontloaded earlier in the year.

Beyond 2021, SoftwareONE continues to expect gross profit growth in the 'mid-teens' in constant currency, with EBITDA growth in excess of gross profit growth.

RESULTS OVERVIEW

Profit & loss summary

CHFm (unless otherwise indicated)	IFRS reported		Adjusted			
	H1 2021	H1 2020	H1 2021	H1 2020	% Δ	% Δ at CCY
Revenue from Software & Cloud	4,170.2	3,941.2	4,170.2	3,941.2	5.8%	6.5%
Cost of software purchased	(3,902.5)	(3,666.5)	(3,902.5)	(3,666.5)	6.4%	
Gross profit from Software & Cloud	267.6	274.6	267.6	274.6	(2.5)%	(2.1)%
Revenue from Solutions & Services	196.3	145.9	196.3	145.9	34.5%	35.2%
Third party service delivery costs	(49.6)	(49.8)	(49.6)	(49.8)	(0.2)%	
Gross profit from Solutions & Services	146.7	96.2	146.7	96.2	52.5%	53.4%
Gross profit total	414.4	370.8	414.4	370.8	11.7%	12.3%
Operating expenses	(321.8)	(268.5)	(305.3)	(250.8)	21.7%	22.5%
EBITDA	92.5	102.3	109.1	120.0	(9.1)%	(9.0)%
Depreciation, amortisation & impairment ¹	(27.2)	(29.7)	(27.2)	(29.7)	(8.3)%	-
EBIT	65.3	72.6	81.9	90.3	(9.4)%	-
Net financial items	(9.6)	11.6	(8.4)	(1.7)	-	-
Earnings before tax	55.7	84.2	73.5	88.6	(17.1)%	-
Income tax expense	(17.4)	(17.5)	(19.2)	(20.8)	(7.7)%	-
Profit for the period	38.3	66.7	54.3	67.9	(20.0)%	-
EBITDA margin (%)	22.3%	27.6%	26.3%	32.4%	(6.0)%	-
EPS (diluted)	0.25	0.43	0.35	0.44	(8.9)%	-

Reconciliation – IFRS reported to Adjusted profit

CHFm (unless otherwise indicated)	H1 2021	H1 2020
IFRS reported profit for the period	38.3	66.7
Share-based compensation	7.8	12.4
IPO, integration and M&A and earn-out expenses	8.7	5.3
Total operating expense adjustments	16.6	17.7
Depreciation / (appreciation) of Crayon shareholding	1.2	(13.3)
Tax impact of adjustments	(1.8)	(3.2)
Adjusted profit for the period	54.3	67.9

Source: Management view

Alternative Performance Measures

Please see the 2021 Half-year report (page 12 of the PDF version) for a definition of [Alternative Performance Measures](#) used in this media release.

H1 2021 RESULTS DOCUMENTS

The H1 2021 results documents can be found on SoftwareONE's website in the [Results Center](#).

¹ Includes PPA amortization (including impairments, if applicable) of CHF 7.1 million and CHF 10.7 million in H1 2021 and H1 2020, respectively

CALL FOR INVESTORS, ANALYSTS AND THE MEDIA

An investor, analyst and media audio webcast with Dieter Schlosser, CEO, Hans Grüter, CFO and Alex Alexandrov, COO will be held today at 9.00 CEST and may be joined via the link [Audio webcast](#).

To actively participate in the Q&A session, please join via telephone instead:

Switzerland: +41 445807145

Germany: +49 3052002085

UK: +44 8444819752

US: +1 6467413167

Enter the PIN: 8298320#

Other international numbers are available [here](#). Please join 10-15 minutes before the webcast is due to start.

The webcast will be archived and a digital playback will be available approximately one hour after the event in the [Results Center](#).

CORPORATE CALENDAR

2021 Virtual Capital Markets Day	20 October 2021
2021 Full-year results & Annual report	3 March 2022
2022 Annual General Meeting (AGM)	5 May 2022
2022 Half-year results & Half-year report	25 August 2022

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ABOUT SOFTWAREONE

SoftwareONE is a leading global provider of end-to-end software and cloud technology solutions, headquartered in Switzerland. With an IP and technology-driven services portfolio, it enables companies to holistically develop and implement their commercial, technology and digital transformation strategies. This is achieved by modernizing applications and migrating critical workloads on public clouds, while simultaneously managing and optimizing the related software and cloud assets and licensing. SoftwareONE's offerings are connected by PyraCloud, its proprietary digital platform, which provides customers with data-driven, actionable intelligence. With around 8,300 employees and sales and service delivery capabilities in 90 countries, SoftwareONE provides around 65,000 business customers with software and cloud solutions

from over 7,500 publishers. SoftwareONE's shares (SWON) are listed on SIX Swiss Exchange. For more information, please visit [SoftwareONE.com](https://www.softwareone.com).

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