



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

SoftwareOne delivers solid growth and improved margin in Q3 2023

Stans, Switzerland | 15 November 2023 – **SoftwareOne Holding AG, a leading global software and cloud solutions provider, today published its Q3 2023 trading update.**

- Group revenue up 8.4% YoY ccy to CHF 233.4 million in Q3 2023
- Adjusted EBITDA up 14.1% YoY ccy to CHF 47.9 million, with a margin of 20.5% reflecting continued cost discipline
- Operational excellence programme delivering ahead of plan, with cost savings of CHF 27 million achieved by end-September 2023 compared to CHF 15 million full-year target
- Full-year 2023 revenue growth guidance revised to high single-digit (*previously double-digit*), with unchanged adjusted EBITDA margin target of 24-25%; mid-term guidance maintained
- Strategic review announced by Board of Directors on 24 July 2023 proceeding as planned
- Organisational changes to drive future performance, with strategic appointments including Chief Strategy & Partner Officer, Chief Information Officer, President of LATAM and Regional President DACH

Brian Duffy, CEO of SoftwareOne said, “Against a backdrop of increasingly volatile geopolitical and macroeconomic conditions, we leveraged the breadth of our portfolio, expertise and global reach to drive business outcomes for clients and solid results for Q3 2023.

During the quarter, EMEA remained resilient and APAC demonstrated continued excellent momentum, while NORAM saw more cautious purchasing behaviour by clients and longer sales cycles, predominantly as a result of macroeconomic concerns. Given this mixed outlook, we have revised our full-year 2023 revenue guidance to high single-digit growth. Thanks to our focus on operational excellence and cost control, we have maintained our adjusted EBITDA margin target of 24-25%.

We continue to make significant progress in building a strong foundation for sharpened execution through the implementation of ‘*Ignite, Focus, Accelerate*’. The new leadership appointments will further help to drive sales excellence and strengthen key partnerships and alliances. We have also now enabled our teams around the world to support client readiness and drive implementation of Microsoft 365 Copilot at scale. Organisationally, we have brought our two business lines – Marketplace and Services – closer together under Bernd Schlotter, President of Software & Cloud, to promote an outcomes-based approach for clients as we continue on our transformation journey.”

Rodolfo Savitzky, CFO of SoftwareOne added, “Our focus on profitable growth delivered solid results in Q3 2023, including strong margin progression.

By end-September, we had achieved CHF 27 million of cost savings as part of the operational excellence programme, well ahead of our CHF 15 million target, with continued progress across all three pillars. On the commercial side, we successfully rolled out AI-driven cross-selling tools globally and implemented pricing initiatives in selected markets. Meanwhile, we are nearing completion in terms of optimising our services delivery network and transitioning resources to shared service centres.

We remain even more confident and fully committed to delivering on our target of CHF 50 million of annual cost savings by next year.”

Key figures – Group

CHFm	Q3 2023	Q3 2022	% Δ	% Δ (CCY)	9M 2023	9M 2022	% Δ	% Δ (CCY)
Software & Cloud Marketplace	121.0	119.4	1.4%	5.7%	397.6	394.1	0.9%	5.6%
Software & Cloud Services ¹	112.4	105.2	6.8%	11.4%	342.7	322.9	6.1%	12.1%
Total revenue	233.4	224.6	3.9%	8.4%	740.2	716.9	3.3%	8.5%
Delivery costs	(85.4)	(82.4)	3.6%	7.4%	(263.6)	(259.8)	1.4%	7.0%
Contribution margin	148.0	142.2	4.1%	9.0%	476.7	457.1	4.3%	9.4%
SG&A	(100.1)	(97.3)	2.8%	6.7%	(317.0)	(294.3)	7.7%	13.0%
Adj. EBITDA	47.9	44.9	6.8%	14.1%	159.6	162.8	(1.9)%	2.7%
<i>Adj. EBITDA margin (% revenue)</i>	<i>20.5%</i>	<i>20.0%</i>	<i>0.6pp</i>	<i>-</i>	<i>21.6%</i>	<i>22.7%</i>	<i>(1.1)pp</i>	<i>-</i>

In Q3 2023, revenue at the group level grew 8.4% and 3.9% YoY in constant (ccy) and reported currency, respectively, to CHF 233.4 million, compared to CHF 224.6 million in the prior year period.

The strengthening of the CHF versus several major currencies, including the EUR, USD and GBP led to a negative FX translation impact of around 4.5 percentage points on revenue.

Solid growth in key markets

By region, EMEA delivered another solid quarter, with revenue up 9.6% YoY ccy to CHF 136.7 million driven by strong momentum in the UK, Netherlands and Spain, with a solid performance in DACH.

NORAM grew revenue by 4.7% YoY ccy to CHF 36.0 million in Q3 2023, on the back of cautious spending by clients and longer sales cycles.

Revenue by region

CHFm	Q3 2023	Q3 2022	% Δ (CCY)	9M 2023	9M 2022	% Δ (CCY)
EMEA	136.7	127.9	9.6%	443.8	425.3	8.7%
NORAM	36.0	37.8	4.7%	111.8	113.8	4.0%
LATAM	24.3	25.8	(3.6)%	72.0	78.2	(1.3)%
APAC	35.9	33.2	19.8%	108.2	96.6	22.1%

APAC sustained strong revenue growth, up 19.8% YoY ccy to CHF 35.9 million in Q3 2023, driven by continued excellent results across the region in both business lines.

Revenue in LATAM decreased by 3.6% YoY ccy to CHF 24.3 million in Q3 2023 driven by weak results in key markets, including Brazil. New leadership has been in place since 1 October to drive improved performance.

Continued growth momentum across business lines

Software & Cloud Marketplace

Revenue in Software & Cloud Marketplace grew 5.7% YoY ccy to CHF 121.0 million in Q3 2023, compared to CHF 119.4 million in the prior year period.

Gross billings in the Microsoft business amounted to USD 3.9 billion in Q3 2023, up 9% compared to Q3 2022. Revenue growth in the Microsoft business in Q3 2023 was broadly in line with 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

Revenue growth in other ISVs improved slightly compared to Q2 2023 performance.

Key figures – Software & Cloud Marketplace

CHFm	Q3 2023	Q3 2022	% Δ (CCY)	9M 2023	9M 2022	% Δ (CCY)
Revenue	121.0	119.4	5.7%	397.6	394.1	5.6%
Contribution margin	104.2	102.0	6.6%	343.1	339.3	5.8%
<i>Contribution margin (% of revenue)</i>	<i>86.1%</i>	<i>85.5%</i>	<i>-</i>	<i>86.3%</i>	<i>86.1%</i>	<i>-</i>
Adjusted EBITDA	63.2	58.1	16.0%	199.0	204.4	2.0%
<i>Adjusted EBITDA margin (% of revenue)</i>	<i>52.2%</i>	<i>48.7%</i>	<i>-</i>	<i>50.1%</i>	<i>51.9%</i>	<i>-</i>

Contribution margin grew by 6.6% YoY ccy to CHF 104.2 million in Q3 2023, with the margin improving to 86.1% of revenue.

Adjusted EBITDA grew by 16.0% YoY ccy to CHF 63.2 million in Q3 2023, compared to CHF 58.1 million in the prior year period.

Software & Cloud Services

Software & Cloud Services delivered revenue growth of 11.4% YoY ccy to CHF 112.4 million in Q3 2023, up from CHF 105.2 million in the prior year period. Growth was driven by the core service lines, Digital Workplace and Software Sourcing & Portfolio Management (*previously known as ITAM*), with particularly strong momentum in Beniva, a ServiceNow partner acquired in mid-2023. The decline in legacy services slowed down from a lower base.

Key figures – Software & Cloud Services

CHFm	Q3 2023	Q3 2022	% Δ (CCY)	9M 2023	9M 2022	% Δ (CCY)
Revenue	112.4	105.2	11.4%	342.7	322.9	12.1%
Contribution margin	43.9	40.2	15.1%	133.6	117.9	19.6%
<i>Contribution margin (% of revenue)</i>	<i>39.0%</i>	<i>38.2%</i>	<i>-</i>	<i>39.0%</i>	<i>36.5%</i>	<i>-</i>
Adjusted EBITDA	1.3	1.4	2.8%	8.4	3.7	135.3%
<i>Adjusted EBITDA margin (% of revenue)</i>	<i>1.2%</i>	<i>1.3%</i>	<i>-</i>	<i>2.5%</i>	<i>1.1%</i>	<i>-</i>

Focus on cross-selling continued with 72% of LTM (to 30 September 2023) revenue generated by c. 15.8k clients purchasing both software and services, up from 15.1k a year ago

Contribution margin increased to CHF 43.9 million in Q3 2023, driving the margin to 39.0%, driven by optimisation of the delivery network.

Adjusted EBITDA was CHF 1.3 million in Q3 2023, compared to CHF 1.4 million in the prior year period. The margin was 1.2%, broadly in line with one year ago, reflecting investments in business development to drive further growth.

Focus on profitable growth

Adjusted EBITDA for Q3 2023 was CHF 47.9 million, increasing 14.1% YoY ccy driven by limited SG&A growth of 6.7% YoY ccy as a result of operational excellence measures.

During the first nine months of 2023, the company achieved cost savings of CHF 27 million against a full-year target of CHF 15 million, driven by re-balancing of sales resources and AI-driven cross-selling initiatives, optimisation of the services delivery network and transitioning resources to shared service centres.

Cost savings are expected to reach CHF 50 million on an annualised basis from 2024 onwards, with up to 50% being re-invested into strategic growth areas.

Revised revenue guidance for full-year 2023

Predominantly as a result of a deterioration in the macro-economic environment, SoftwareOne updates its 2023 full-year revenue guidance as follows:

- High single-digit (*previously double-digit*) revenue growth for the group in constant currency;
- Adjusted EBITDA margin of 24-25% of revenue (*unchanged*);
- Dividend pay-out ratio of 30-50% of adjusted profit for the year (*unchanged*).

Mid-term guidance is maintained, with mid-teens revenue growth, adjusted EBITDA margin over 25% and a dividend pay-out ratio of 30-50% of adjusted profit for the year.

Strategic review

The strategic review announced by the Board of Directors on 24 July 2023 is proceeding as planned.

The Board continues to make significant progress in evaluating various options for value creation, including continuing to operate as a public company, a merger or sale of the Company, as well as other possible strategic transactions. The Board remains focused on driving shareholder value and acting in the best interest of the company and all stakeholders.

The Board expects to share a further update on the strategic review in due course.

Reconciliation – Reported to adjusted EBITDA

CHFm	Q3 2023	Q3 2022	9M 2023	9M 2022
Reported EBITDA	21.6	31.6	112.9	73.6
Impact of change in revenue recognition of Microsoft Enterprise Agreements	0.3	1.1	0.8	4.9
Share-based compensation	-	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	-
Adjusted EBITDA	47.9	44.9	159.6	162.8

Q3 2023 RESULTS DOCUMENTS

The Q3 2023 Trading update documents can be found on SoftwareOne's website in the [Results centre](#).

CALL FOR INVESTORS, ANALYSTS AND THE MEDIA

A webcast for investors, analysts and the media with Brian Duffy, CEO and Rodolfo Savitzky, CFO will be held today at 9.00 CET and may be joined via the link [Audio webcast](#).

If you wish to actively participate in the Q&A session or are unable to join via the webcast, please register [here](#) to obtain joining details. Upon registration, you will immediately receive a personal PIN, which will also be sent to you via email. Please join by dialing one of the provided local or toll-free phone numbers and entering your personal PIN, or select the 'Call me' option and type in your own phone number for the system to connect you instantly to the call.

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

CORPORATE CALENDAR

- FY 2023 Results and Capital Markets Day 15 February 2024
- 2023 Annual Report 28 March 2024

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ABOUT SOFTWAREONE

SoftwareOne is a leading global software and cloud solutions provider that is redefining how organizations build, buy and manage everything in the cloud. By helping clients to migrate and modernize their workloads and applications – and in parallel, to navigate and optimise the resulting software and cloud changes – SoftwareOne unlocks the value of technology. The company's 9,250 employees are driven to deliver a portfolio of 7,500 software brands with sales and delivery capabilities in 90 countries. Headquartered in Switzerland, SoftwareOne is listed on the SIX Swiss Exchange under the ticker symbol SWON. Visit us at www.softwareone.com

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This media release may contain certain forward-looking statements relating to the group's future business, development and economic performance. Such statements may be subject to a number of risks, uncertainties and other important factors, such as but not limited to force majeure, competitive pressures, legislative and regulatory developments, global, macroeconomic and political trends, the group's ability to attract and retain the employees that are necessary to generate revenues and to manage its businesses, fluctuations in currency exchange rates and general financial market conditions, changes in accounting standards or policies, delay or inability in obtaining approvals from authorities, technical developments, litigation or adverse publicity and news coverage, each of which could cause actual development and results to differ materially from the statements made in this media release. SoftwareOne assumes no obligation to update or alter forward-looking statements whether as a result of new information, future events or otherwise.