



Media Release

SoftwareONE delivers strong acceleration in Solutions & Services and increased profitability in H1 2020

Stans, Switzerland | 16 September 2020 – **SoftwareONE Holding AG, a leading global provider of end-to-end software and cloud technology solutions, today announced strong overall H1 2020 performance in a challenging environment marked by the Covid-19 pandemic and a strengthening of the Swiss franc. Gross profit grew 4.3% at constant currency, with ‘mid-teens’ growth in Solutions & Services and Software & Cloud up 0.9%. Adjusted EBITDA and cash flow developed positively.**

- On an adjusted basis¹, gross profit grew 4.3% YoY at constant currency, totaling CHF 370.8 million in H1 2020
- Gross profit growth in Solutions & Services accelerated to 15.1% YoY, while Software & Cloud grew 0.9%, both at constant currency
- Adjusted EBITDA increased 18.2% YoY at constant currency to CHF 120.0 million, implying a margin of 32.4% (up from 28.3% in H1 2019), driven by SoftwareONE’s global delivery model, increasing standardization and automation, as well as execution
- Additional cost synergies of CHF 15.6 million achieved in H1 2020, implying a run-rate of CHF 31.9 million since the acquisition of Comparex on 31 January 2019
- Continued investment in key strategic areas of the business to support customers’ digital transformation needs, with over 380 net new hires during H1 2020
- Two strategic acquisitions completed², adding capabilities and IP in managed cloud, cost optimization and security on AWS, as well as in Software Lifecycle Management
- SoftwareONE named a leader in the 2020 Gartner ‘Magic Quadrant’ report for Software Asset Management (SAM) Managed Services in August 2020
- Beat Curti has decided to step down as Vice Chairman, while remaining a member of the Board of Directors
- Audio webcast for investors, analysts and media to be held today at 9.00am CEST

¹ Unless otherwise indicated, all references to YoY percentage changes in the profit & loss statement between H1 2020 and H1 2019 are on an adjusted basis, including proforma adjustments to present H1 2019 as if the acquisition of Comparex had occurred on 1 January 2019, as well as other adjustments detailed on page 7 of this media release

² Acquisitions of GorillaStack and B-lay were announced and closed on 20 May and 13 July 2020, respectively

Dieter Schlosser, CEO of SoftwareONE said, "Given the exceptional circumstances in H1 2020, we are pleased to report overall strong results with an acceleration in our Solutions & Services business. Also, our adjusted EBITDA margin approached its mid-term target of 35%, demonstrating our operating model at work. I am proud of my SoftwareONE colleagues worldwide and how we helped our customers utilize technology and cloud solutions to deal with uncertainty and transition to a virtual environment. While the overall Covid-19 situation remains unpredictable, there is no doubt that building digital capabilities for the future will be critical for our customers. We remain focused on investing in our organization to capture this growth opportunity ahead of us."

Key figures

CHFm (unless otherwise indicated)	H1 2020	H1 2019	% Δ	% Δ at CCY
Adjusted¹				
Gross profit from sale of software and other revenue	274.6	289.7	(5.2)%	0.9%
Gross profit from solutions and services	96.2	89.4	7.6%	15.1%
Gross profit	370.8	379.0	(2.2)%	4.3%
Operating expenses	(250.8)	(271.6)	(7.7)%	(1.2)%
EBITDA	120.0	107.4	11.7%	18.2%
EBITDA margin (%)	32.4%	28.3%	4.0pp	-
EPS (diluted)	0.44	0.44	0.6%	-
IFRS reported				
Net cash from operating activities	206.7	(15.1)	-	-
Net debt/(cash)	(333.4)	35.0	-	-
Net working capital (after factoring) at period-end	(173.4)	104.0	-	-
Headcount (in FTEs)	5,826	5,442²	7.1%	-

Overall strong performance during Covid-19 pandemic

SoftwareONE delivered an overall strong performance in H1 2020 during exceptional circumstances due to the Covid-19 pandemic, which led to lockdowns and restrictive measures of varying severity across its key markets globally. In response, SoftwareONE moved swiftly to implement remote working and other appropriate measures across the group's locations, including its global shared service centers, to ensure the safety of its employees and customers. This seamless internal transition enabled SoftwareONE to focus on its customers' needs, helping them utilize technology and cloud solutions to transition to a virtual environment.

In this environment, SoftwareONE generated total revenue of CHF 4,087.1 million in H1 2020, up 4.4% YoY in constant and down 1.5% YoY in reported currency.

¹ Includes proforma adjustments to present H1 2019 as if the acquisition of Comparex had occurred on 1 January 2019, as well as other adjustments detailed on page 7 of this media release

² As at 31 December 2019

Gross profit increased by 4.3% YoY in constant currency, totaling CHF 370.8 million in H1 2020, which corresponds to a decline of 2.2% in reported currency. The negative currency translation effect was due to the appreciation of the Swiss franc (CHF), SoftwareONE's reporting currency, primarily against the EUR, USD, GBP and BRL.

Management considers gross profit to be a meaningful metric for the group's earnings capacity as it excludes flow-through costs from revenue, specifically costs for software purchases on behalf of clients as well as third-party service delivery costs.

Performance by business

Gross profit from Software & Cloud increased 0.9% in constant currency, totaling CHF 274.6 million in H1 2020. As the Covid-19 pandemic escalated in mid-March, there was heightened demand from customers for remote enablement, including unified communication and collaboration as well as cloud-based business solutions. Offsetting this positive impact was weakness in small and medium-sized enterprise (SME) business purchasing, particularly with regards to discretionary or one-off transactions which are typically project-related.

SoftwareONE's Microsoft business developed well during H1 2020 driven by strong renewals and growing demand for Microsoft's software and cloud products for enterprises and SMEs. However, revenue and gross profit were negatively impacted by SoftwareONE's relatively higher dependency on SME purchasing, which slowed down compared to H1 2019. Furthermore, the shift to 'pay-as-you-go' subscriptions (from multi-year enterprise agreements) for Microsoft 365 and Azure, implying less revenue recognized upfront, and incentive structures being linked to consumption/usage adversely affected results. Although impacting short-term business performance, these developments are positive in terms of promoting closer customer relationships and revenue upside as adoption of cloud products increases.

SoftwareONE's multi-vendor (i.e. non-Microsoft) business has exposure to many market-leading software companies, including Adobe, AWS, Citrix, 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 underlying mission-critical software, with some weakness related to discretionary or project-related software in H1 2020.

Solutions & Services achieved strong gross profit growth of 15.1% YoY in constant currency to CHF 96.2 million. As previously reported, key Comparex integration steps such as the implementation of a harmonized services portfolio and compensation structure across the combined group as well as the discontinuation of non-strategic activities were undertaken in late 2019. These measures positioned the business well for 2020 as it benefited from stronger demand for cloud-based solutions and digital transformation services compared to H2 2019. While professional services, which represent approximately 50% of Solutions & Services, experienced some deferrals during the Covid-19 environment, managed services enjoyed strong renewals and growth as customers sought out trusted partners to help them with their immediate needs and long-term transformation journeys.

On a geographical basis, performance varied depending on the extent of lockdown measures, as well as other disruptive events during H1 2020. EMEA (66.3% of H1 2020 gross profit), APAC (11.1%) and LATAM (8.0%) delivered strong growth at gross profit level in constant currency, while NORAM's (14.6%) development was weaker.

Overall, SoftwareONE benefited from its high degree of diversification across customers, sectors and geographies.

Increased EBITDA driven by SoftwareONE's operating model

Total adjusted operating expenses decreased by 1.2% YoY in constant currency to CHF 250.8 million in H1 2020, excluding certain share-based compensation¹, IPO, integration and M&A and earn-out expenses which amounted to CHF 17.7 million in total.

Development of SoftwareONE's cost base reflected continued investments in the business and talent, offset by cost synergies and savings relating to travel, marketing events and variable compensation. The number of FTEs stood at 5,826 as at 30 June 2020, up 7.1% from 5,442 six months earlier. The group invested in talent across its strategic growth areas, particularly within Solutions & Services. New hires included professional and managed services delivery, sales and technical pre-sales personnel, as well as specialists in digital transformation services such as application modernization, critical workload migration and security.

Adjusted EBITDA increased 18.2% YoY at constant currency to CHF 120.0 million, implying a margin of 32.4% in H1 2020, demonstrating progression towards the group's mid-term target of 35% by 2022.

Adjusted profit for the period was CHF 67.9 million in H1 2020, representing an increase of 3.4% YoY in reported currency.

IFRS reported profit for the period decreased 0.8% YoY in reported currency to CHF 66.7 million in H1 2020. This result includes the above-mentioned adjustments as well as a non-taxable appreciation in SoftwareONE's shareholding in Norwegian listed company Crayon of CHF 13.3 million (CHF 11.5 million in H1 2019).

For a reconciliation of IFRS reported profit to adjusted profit for the period, see page 8 of this media release.

Strong liquidity and unlevered balance sheet

Net cash flow from operations amounted to CHF 206.7 million in H1 2020. The positive development was mainly driven by vendors' deferred payment programs which allowed for extended payment terms as a result of Covid-19. Even in absence of these programs, some underlying improvement in the net working capital level was achieved. Looking ahead to H2 2020, terms are expected to normalize and an outflow of up to CHF 250 million is anticipated as

¹ Management equity plan (MEP) and employee free share grant

those payables with extended terms become due. Regardless of these impacts, SoftwareONE expects solid cash flow generation for the full year 2020.

Capital expenditure totaled CHF 10.8 million in H1 2020, mainly relating to investments in PyraCloud and purchases of IT equipment. Cash outflow relating to acquisitions of businesses amounted to CHF 35.0 million, including earn-out payments relating to the acquisitions of Comparex and GorillaStack. Free cash flow was CHF 196.2 million during H1 2020.

SoftwareONE has closely monitored the credit situation among customers since the escalation of the Covid-19 pandemic, but has only seen a minor impact on its ability to collect funds from customers during H1 2020. The bad debt provision as a percentage of trade receivables increased from 0.88% as at 31 December 2019 to 0.96% as at 30 June 2020. The proportion of insured receivables remained high at approximately 47%, with an additional 33% being from governments or highly creditworthy customers as at 30 June 2020.

Net cash position was CHF 333.4 million as at 30 June 2020 compared to CHF 190.7 million as at 31 December 2019.

Overall, SoftwareONE continues to be in a position of financial strength, with significant liquidity, unused credit lines and strong cash flow generation.

Comparex synergy achievement ahead of schedule

The continued integration of Comparex was a key focus during H1 2020 and primarily included remaining country-specific system migrations. By 30 June 2020, SoftwareONE had achieved run-rate cost synergies of CHF 31.9 million and is ahead of schedule to deliver approximately CHF 40 million of cost synergies per annum by the end of 2021. As a result, SoftwareONE now expects to deliver 80-85% (previously 60%) of the targeted cost synergies by end of 2020.

Changes to the Board of Directors

Beat Curti has decided to step down as Vice Chairman, while remaining a member of the Board of Directors of SoftwareONE. Going forward, Peter Kurer, Lead Independent Director, will chair the Board, and any general meeting, in the absence of the Chairman.

Outlook

The Covid-19 pandemic has created significant uncertainty and economic disruption, with varying levels of impact across geographies and sectors. Although less affected than many other sectors, global IT spend is expected to decline by approximately 4-6% in 2020 with software spend down approximately 0-3%, according to industry experts IDC and Gartner¹. SoftwareONE remains well-positioned to outperform the market given its unique operating model, global scale and offering.

¹ Based on 'State of the Market: IDC Worldwide Black Book' (14 July 2020) and Gartner forecasts for Enterprise IT Spending (June 2020)

On 31 March 2020, SoftwareONE withdrew its guidance at the gross profit level due to the escalation of the Covid-19 pandemic and resulting uncertainty. Although future developments with regards to Covid-19 remain unpredictable, recent trends suggest a normalization in the customer operating environment. Improved purchasing levels as well as strong momentum in cloud-based services and backlog signal a gradual recovery during the second half of this year.

Assuming no material deterioration in the environment due to Covid-19, and based on the positive momentum seen since the beginning of the year, SoftwareONE expects to maintain the gross profit growth levels seen in Software & Cloud and Solutions & Services in H1 2020 versus H1 2019 for the full year 2020 compared to 2019 (both at constant currency). The group's full-year 2020 adjusted EBITDA margin is expected to remain at approximately the level reached in H1 2020 and its dividend policy of 30-50% is unchanged.

For 2021-2022, SoftwareONE re-affirms its mid-term guidance, based on the assumption of no material deterioration in the environment due to Covid-19, which includes:

- Double-digit gross profit growth resulting from Software & Cloud growth in the 'high single digits' and Solutions & Services growth in the 'high teens' at constant currency
- Adjusted EBITDA margin approaching 35%, with adjusted EBITDA growth in excess of gross profit growth
- Progressive dividend policy with pay-out ratio of 30-50% of the profit for the year

SoftwareONE is confident that digital transformation will remain a priority for customers seeking to build resilience and competitive advantage. As a global end-to-end provider of software and cloud-only solutions, SoftwareONE remains ideally positioned to digitally empower customers to achieve their goals. Supported by a strong balance sheet and significant liquidity, SoftwareONE will continue to invest in its business to capture this long-term opportunity.

RESULTS OVERVIEW

Profit & loss summary

CHFm (unless otherwise indicated)	IFRS reported		Adjusted			
	H1 2020	H1 2019	H1 2020	H1 2019	% Δ	% Δ at CCY
Revenue from sale of software and other revenue	3,941.2	3,730.3	3,941.2	3,960.7	(0.5)%	5.4%
Cost of software purchased	(3,666.5)	(3,464.3)	(3,666.5)	(3,671.0)	(0.1)%	-
Gross profit from sale of software and other revenue	274.6	266.0	274.6	289.7	(5.2)%	0.9%
Revenue from solutions and services	145.9	170.0	145.9	188.7	(22.7)%	(15.9)%
Third party service delivery costs	(49.8)	(87.2)	(49.8)	(99.4)	(49.9)%	-
Gross profit from solutions and services	96.2	82.8	96.2	89.4	7.6%	15.1%
Gross profit total	370.8	348.8	370.8	379.0	(2.2)%	4.3%
Operating expenses	(268.5)	(253.8)	(250.8)	(271.6)	(7.7)%	(1.2)%
EBITDA	102.3	95.0	120.0	107.4	11.7%	18.2%
Depreciation and amortisation ¹	(29.7)	(24.1)	(29.7)	(25.1)	18.4%	-
EBIT	72.6	70.9	90.3	82.4	9.7%	-
Net financial items	11.6	10.9	(1.7)	(1.8)	(5.6)%	-
Earnings before tax	84.2	81.8	88.6	80.5	10.0%	-
Income tax expense	(17.5)	(14.5)	(20.8)	(14.9)	39.4%	-
Profit for the period	66.7	67.3	67.9	65.6	3.4%	-
EBITDA margin (%)	27.6%	27.2%	32.4%	28.3%	4.0pp	-
EPS (diluted)	0.43	0.45	0.44	0.44	0.6%	-

Adjustments summary

CHFm (unless otherwise indicated)	H1 2020	H1 2019 Adjustments		
	Adjustments ²	Adding Comparex ³	Other ^{2,4}	Total
Revenue from sale of software and other revenue	-	230.4	-	230.4
Cost of software purchased	-	(208.9)	2.2	(206.7)
Gross profit from sale of software and other revenue	-	21.5	2.2	23.7
Revenue from solutions and services	-	18.7	-	18.7
Third party service delivery costs	-	(12.1)	-	(12.1)
Gross profit from solutions and services	-	6.5	-	6.5
Gross profit total	-	28.0	2.2	30.2
Operating expenses	17.7	(20.5)	2.7	(17.8)
EBITDA	17.7	7.5	4.9	12.5
Depreciation and amortisation	-	(1.0)	-	(1.0)
EBIT	17.7	6.5	4.9	11.5
Net financial items	(13.3)	(1.1)	(11.5)	(12.7)
Earnings before tax	4.4	5.4	(6.6)	(1.2)
Income tax expense	(3.2)	0.3	(0.6)	(0.4)
Profit for the period	1.2	5.7	(7.3)	(1.6)

¹ Includes PPA amortization (including impairments) of CHF 10.7 million and CHF 5.5 million in H1 2020 and H1 2019, respectively

² Includes adjustments for certain share-based compensation, IPO, integration and M&A and earn-out expenses and appreciation of the shareholding in Crayon and related tax impact of adjustments

³ Proforma adjustments including the addition of Comparex financials for the month of January 2019 as well as adjustments for alignment of accounting policies, reclassification and currency translation

⁴ Includes reclassification of bad debt from gross profit to operating expenses of CHF 2.2 million according to IFRS

Reconciliation – IFRS reported to Adjusted profit

CHFm (unless otherwise indicated)	H1 2020	H1 2019
IFRS reported profit for the period	66.7	67.3
Proforma adjustments for Comparex acquisition	-	5.7
Share-based compensation	12.4	-
IPO, integration and M&A and earn-out expenses	5.3	4.9
Total operating expense adjustments	17.7	4.9
Depreciation / (appreciation) of Crayon shareholding	(13.3)	(11.5)
Tax impact of adjustments	(3.2)	(0.6)
Adjusted profit for the period	67.9	65.6

Source: Management view

Alternative Performance Measures

Please see the 2020 Half-Year Report for a definition of [Alternative Performance Measures](#) (page 10 of the PDF version) used in this media release.

H1 2020 RESULTS DOCUMENTS

The H1 2020 results documents can be found on SoftwareONE's website under the following link [H1 2020 results](#).

CALL FOR INVESTORS, ANALYSTS AND THE MEDIA

An investor, analyst and media audio webcast with Dieter Schlosser, CEO and Hans Grüter, CFO will be held today at 9.00 a.m. CEST.

The presentation can be followed via [Direct access](#) or telephone, using the following numbers:

Dial-in number Switzerland: +41 (0) 58 310 50 00

Dial-in number UK: +44 (0) 207 107 06 13

Dial-in number USA: +1 (1) 631 570 56 13

Other international numbers available [here](#).

Please dial in 10-15 minutes before the conference and ask for SoftwareONE's H1 2020 results.

The audio webcast will be archived and a digital playback will be available approximately one hour after the event – see [H1 2020 results](#).

CORPORATE CALENDAR

2020 Full-year results & Annual Report 25 March 2021

2020 Annual General Meeting (AGM) 20 May 2021

2021 Half-year results & Half-Year Report 26 August 2021

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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 capabilities across the entire value chain, it helps companies design and implement their technology strategy, buy the right software and cloud solutions at the right price, and manage and optimize their software estate. Its offerings are connected by PyraCloud, SoftwareONE's proprietary digital platform, that provides customers with data-driven, actionable intelligence. With around 5,800 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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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING AND NON-IFRS INFORMATION

This media release may contain certain forward-looking statements relating to SoftwareONE Holding AG and each of its subsidiaries and affiliates (jointly referred to as 'SoftwareONE' or the 'group') and its 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.

Certain financial data included in this media release consists of non-IFRS or adjusted financial measures. These non-IFRS or adjusted financial measures may not be comparable to similarly titled measures presented by other companies, nor should they be construed as an alternative to other financial measures determined in accordance with IFRS. You are cautioned not to place undue reliance on any non-IFRS or adjusted financial measures and ratios included herein. In addition, certain financial information contained herein has not been audited, confirmed or otherwise covered by a report by independent accountants and, as such, actual data could vary, possibly significantly, from the data set forth herein.

In addition, this media release contains selected financial statement line items and non-IFRS or adjusted financial measures prepared on a proforma basis. The proforma financial information for 2019 and the six months ended 30 June 2019 has been prepared by aggregating (i) the audited IFRS reported financial information for the financial year 2019 and six months ended 30 June 2019 (consisting of twelve and six months of the group (excluding Comparex AG and its consolidated subsidiaries ("Comparex")), respectively, and eleven and five months of Comparex), respectively, and (ii) the month of January of Comparex. The proforma financial information has been prepared by taking into account the group's acquisition of Comparex as if such acquisition had taken place on 1 January 2019 and has not been audited, reviewed or otherwise verified. Accordingly, such proforma financial information should be treated as merely indicative of the performance of the group as if the acquisition of Comparex had taken place on 1 January 2019 and the group's actual performance for the relevant period could vary, possibly significantly, from the information set forth in the proforma financial information.