softwareone

# Q3 2024 Trading update

13 November 2024

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# Agenda

01 CEO introduction

02 Q3 2024 update

03 Financial performance & outlook

04 Final remarks

05 Q&A

**Raphael Erb, CEO**

**Rodolfo Savitzky, CFO**

# CEO introduction

**Raphael Erb**
**CEO**

# Initial perspectives & key priorities

01 Large market opportunity as organisations embrace the cloud and AI

02 Solid foundation with unparalleled global presence, large 65k client base, strong recurring revenue streams, and deep partner relationships

03 Loss of client focus, as demonstrated by mismanaged GTM implementation, led to sales execution issues and slower response to vendor incentive shifts

**Decisive action to restore client centricity and drive profitable growth:**

- Focus on resolving GTM issues with phased approach for remaining markets
- Targeting CHF >50m in cost savings by Q2 2025 through reduction of management layers and corporate overheads
- Empowerment of country teams with clear accountabilities

# Q3 2024 update

## Raphael Erb
## CEO

# Q3 2024 revenue growth and adj. EBITDA margin below expectations

| CHFm, % YoY (ccy) | Q3 2024 | | 9M 2024 | |
|---|---|---|---|---|
| Revenue | 236.7 | +3.1% | 766.6 | +5.8% |
| Contribution margin | 153.5 | +5.2% | 512.8 | +10.1% |
| Adj. EBITDA | 39.2 | (15.8)% | 161.0 | +3.2% |
| Adj. EBITDA margin | 16.6% | (4.0)pp | 21.0% | (0.6)pp |

# Mixed geographical performance, with double-digit growth in DACH and APAC

## Revenue by region[1]

CHFm, % YoY (ccy)

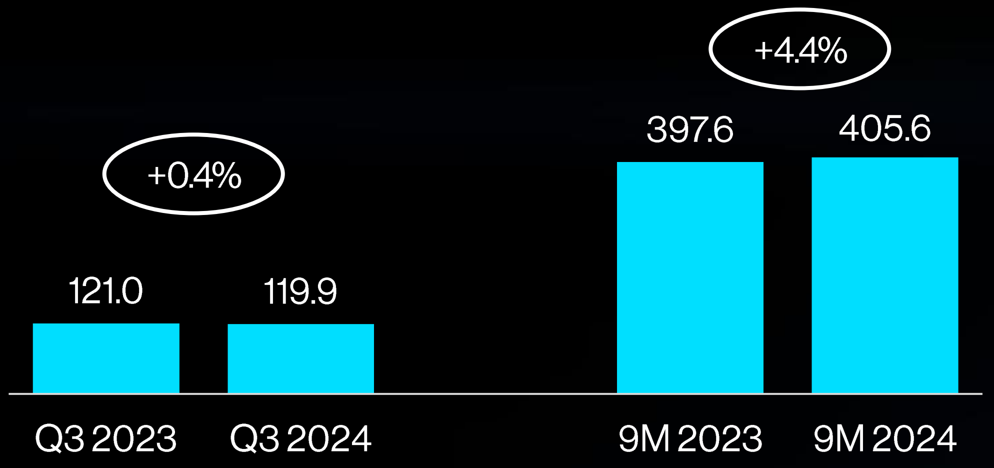
| Region | Q3 2024 | Q3 2024 % YoY | 9M 2024 | 9M 2024 % YoY |
|---|---|---|---|---|
| NORAM | 29.8 | (15.4)% | 115.0 | +5.4% |
| DACH | 69.2 | +11.3% | 225.8 | +5.6% |
| rEMEA | 68.2 | (6.5)% | 222.5 | +0.8% |
| LATAM | 21.4 | (6.1)% | 74.9 | +4.6% |
| APAC | 44.3 | +24.3% | 120.7 | +14.8% |

(1) DACH and Rest of EMEA reported separately going forward due to IFRS requirements, following division of operational leadership in early 2024

# Revenue growth driven by other ISVs and Services

## Software & Cloud Marketplace

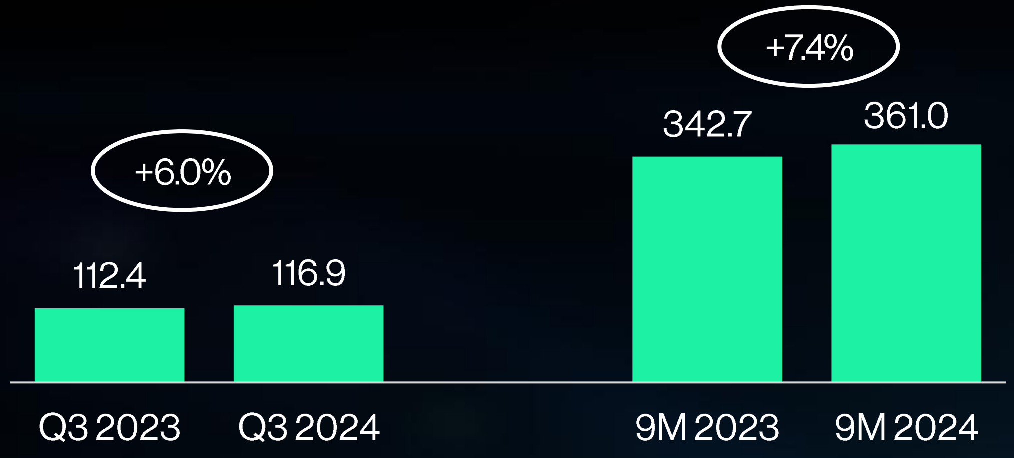
Revenue, CHFm, % YoY growth (ccy)




- Microsoft gross billings at USD 4.7 billion in Q3 2024, up 6.8% YoY [1]
- Revenue declined in Q3 2024 driven by a reduction in incentives, which were not fully compensated for as in H1 2024
- 120,000 new Copilot 365 users in Q3 2024, with over 150 new services engagements
- Revenue growth in other ISVs remained double-digit in Q3 2024

## Software & Cloud Services

Revenue, CHFm, % YoY growth (ccy)




- Growth driven by Cloud Services and SAP Services; Application Services impacted by change of government in Colombia
- Growth in xSimples[2] of 9% YoY ccy in Q3 2024
- 75% of LTM (to 30 September 2024) group revenue from 16.2k clients purchasing both software and services, vs. 15.8k a year ago



(1) Based on Q3 2023 gross billings restated to USD 4.4 billion by Microsoft
(2) Refers to total revenue reported in both Software & Cloud Marketplace and Services for AzureSimple, 365 Simple and AWS

# Microsoft and SoftwareOne's successful partnership

**30+ years**

of successful partnership

**6**

Solution partner designations

**17**

Specializations & Azure Expert MSP

**2,9k**

Microsoft certifications

**720k**

Copilot users since launch

"We are excited by the energy, investment, and focus SoftwareOne, a strategic Microsoft partner, is dedicating to its services-led transformation to better serve our SMB and Corporate customers globally.

This commitment aligns closely with Microsoft's key priorities: Copilot, AI, Security, Microsoft 365, and Migrations, as SoftwareOne continues to deliver exceptional value to our customers."

**David Smith**
VP, Global Channel Sales
Microsoft

# Microsoft – strategic shift towards cloud & pre-/post-sales services

## Microsoft incentive shifts

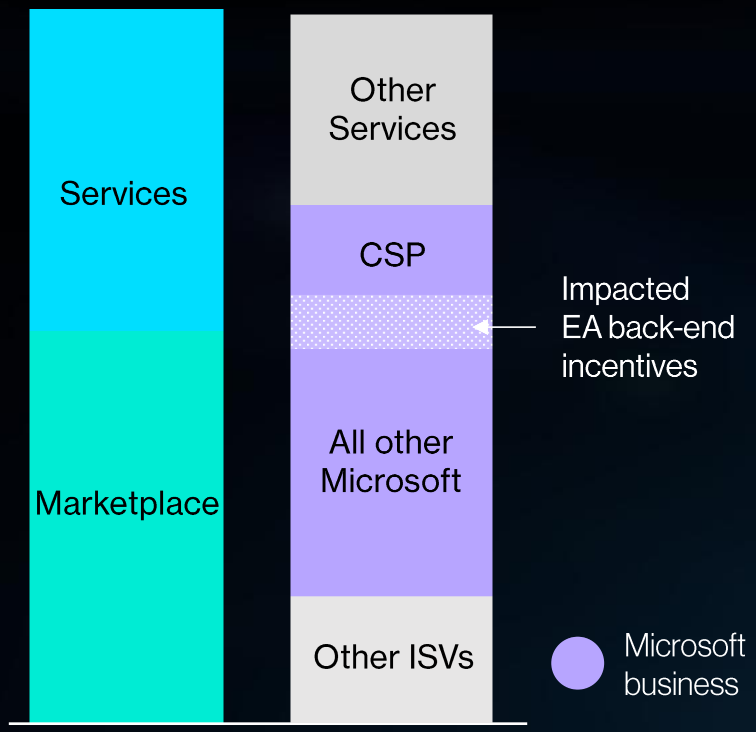
| Enterprise Agreements | Cloud Solution Provider |
|---|---|
| Direct EAs - Commercial<br>Indirect EAs – Commercial<br>Indirect EAs - Public Sector | Strategic accelerator for new Cloud Solution Provider (CSP) customers |

| Services | Drivers |
|---|---|
| Pre-sales Services<br>Post-sales Services | • Data/AI<br>• Security<br>• Cloud Migration (Azure)<br>• Copilot |

## SoftwareOne business mix

Indicative

Group revenue
~CHF 1 bn

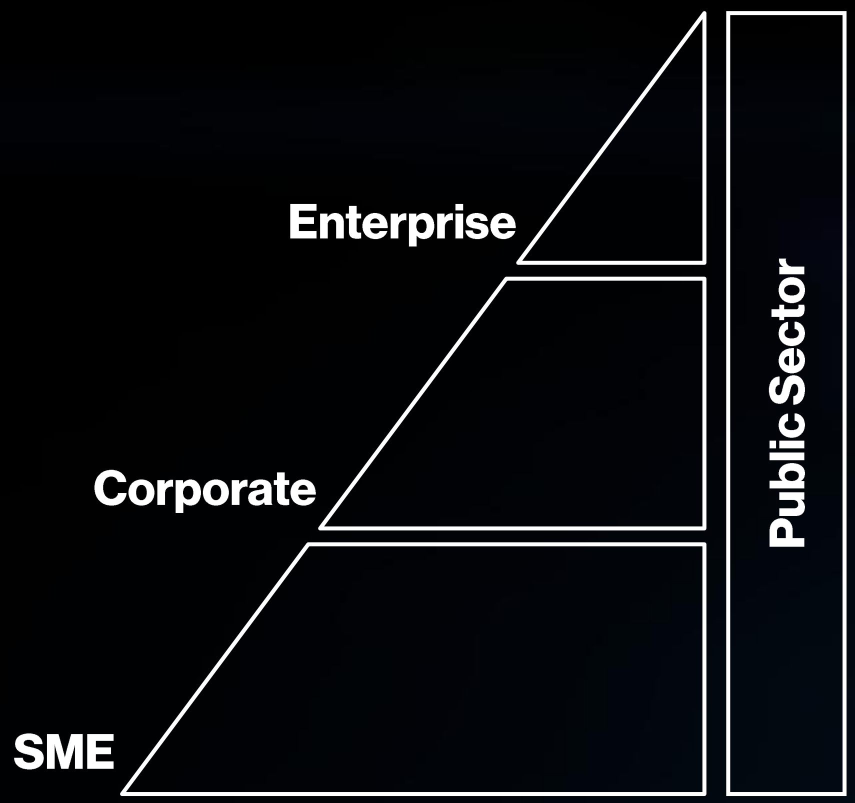



- Total Microsoft channel incentive pot increasing over years
- SoftwareOne has successfully managed incentive changes for many years
- EA incentives to bottom out in 2025
- 2-3% negative impact on revenue growth in 2025

# GTM transformation – the right model to drive customer centricity and scalable growth

## Revenue-based segmentation (USD)

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




Dedicated teams, knowledgeable and focused on meeting each client segment's needs

# Decisive action to resolve GTM-related sales execution issues

| | Implementation challenges | Ongoing actions |
|---|---|---|
| **Timeline** | • Accelerated timeline in key markets, including DACH, NORAM, the UK & Ireland and Mexico during Q3 2024 | • Phased roll-out for remaining markets (Rest of EMEA excl. UK, APAC)<br>• Clear accountabilities defined and measures to safeguard client relationships during transitional phase<br>• Lessons learned retained |
| **People** | • Redefinition of roles, internal transitions and reshuffling of client accounts, including to the new digital sales hubs<br>• Increased employee turnover | • Further onboarding and training of employees in new roles<br>• Right people in the right place |
| **Performance** | • Missed sales opportunities and unsatisfactory quota attainment | • Close engagement with clients<br>• Focus on new pipeline generation by leveraging key partnerships and alliance organization; CSP sales motion<br>• Improved forecasting cadence and productivity tracking |

# Financial performance

## Rodolfo J Savitzky
## CFO

# Q3 2024 revenue up 3%, with margin reflecting lower-than-expected growth

## P&L summary

CHFm

| | Q3 2024 | % Δ Rep | % Δ CCY[1] | 9M 2024 | % Δ Rep | % Δ CCY[1] |
|---|---|---|---|---|---|---|
| **Revenue** | **236.7** | **1.4%** | **3.1%** | **766.6** | **3.6%** | **5.8%** |
| Delivery costs | (83.2) | (2.6)% | (0.5)% | (253.9) | (3.7)% | (2.1)% |
| **Contribution margin** | **153.5** | **3.7%** | **5.2%** | **512.8** | **7.6%** | **10.1%** |
| *Contribution margin (% revenue)* | *64.9%* | *1.4pp* | - | *66.9%* | *2.5pp* | - |
| SG&A | (114.4) | 14.2% | 15.2% | (351.7) | 11.0% | 13.7% |
| **Adj. EBITDA** | **39.2** | **(18.3)%** | **(15.8)%** | **161.0** | **0.9%** | **3.2%** |
| *Adj. EBITDA margin (% revenue)* | *16.6%* | *(4.0)pp* | - | *21.0%* | *(0.6)pp* | - |

- Mixed regional performance
- Strong growth in contribution margin
- Higher sales and corporate expenses
- FX partially mitigated by natural hedge between revenue and costs

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

# Adj. EBITDA driven by revenue growth offset by increased sales & marketing costs

## Adjusted EBITDA bridge[1]


- Improved delivery costs by insourcing capabilities and optimising global footprint
- Sales & marketing expenses reflect GTM model ramp-up
- Increased corporate overhead and one-off expenses

(1) Changes displayed are in constant currency

# Improvement in Marketplace contribution margin offset by increased SG&A

## Business line P&L

| CHFm | Software & Cloud Marketplace | | | |
|---|---|---|---|---|
| | Q3 2024 | % Δ CCY[1] | 9M 2024 | % Δ CCY[1] |
| **Revenue** | **119.9** | **0.4%** | **405.6** | **4.4%** |
| Delivery costs | (15.3) | (7.3)% | (48.5) | (8.7)% |
| **Contribution margin** | **104.6** | **1.6%** | **357.1** | **6.5%** |
| *Contribution margin (% revenue)* | *87.3%* | *1.2pp* | *88.0%* | *1.7pp* |
| SG&A | (52.1) | 28.4% | (161.2) | 14.6% |
| **Adj. EBITDA** | **52.5** | **(15.0)%** | **195.9** | **0.6%** |
| *Adj. EBITDA margin (% revenue)* | *43.8%* | *(8.4)pp* | *48.3%* | *(1.8)pp* |

- Decline in Microsoft revenue impacted by lower incentives
- Double-digit growth in other ISVs
- Increased delivery costs efficiency
- Increased sales specialists as part of GTM model

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

# Continued improvement in Services adj. EBITDA margin

## Business line P&L

| CHFm | Software & Cloud Services Q3 2024 | % Δ CCY[1] | 9M 2024 | % Δ CCY[1] |
|---|---|---|---|---|
| **Revenue** | **116.9** | **6.0%** | **361.0** | **7.4%** |
| Delivery costs | (67.9) | 1.2% | (205.3) | (0.4)% |
| **Contribution margin** | **48.9** | **13.6%** | **155.7** | **19.6%** |
| *Contribution margin (% revenue)* | *41.9%* | *2.8pp* | *43.1%* | *4.1pp* |
| SG&A | (43.4) | 3.5% | (132.4) | 8.6% |
| **Adj. EBITDA** | **5.5** | **313.7%** | **23.3** | **181.9%** |
| *Adj. EBITDA margin (% revenue)* | *4.7%* | *3.5pp* | *6.4%* | *4.0pp* |

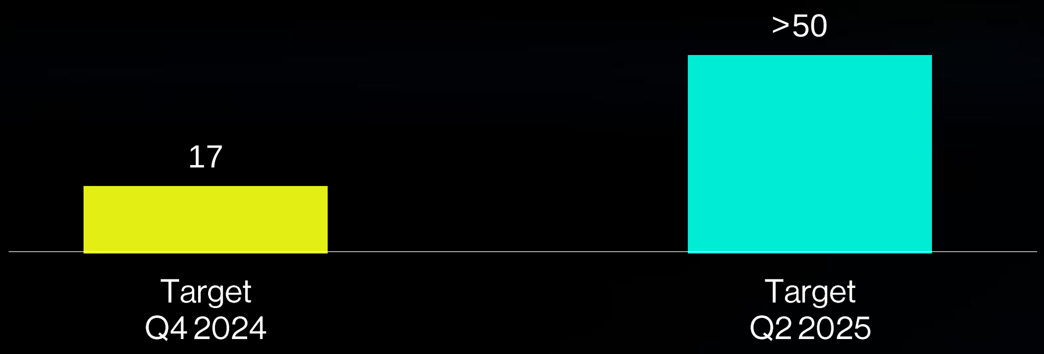
- Growth driven by AWS Cloud Services and SAP Services
- Increased insourcing of delivery capabilities and global footprint optimisaiton
- Reduction in sales specialists as part of GTM model

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

# >CHF 50m annual cost savings targeted by end Q2 2025

## Annualised cumulative cost savings

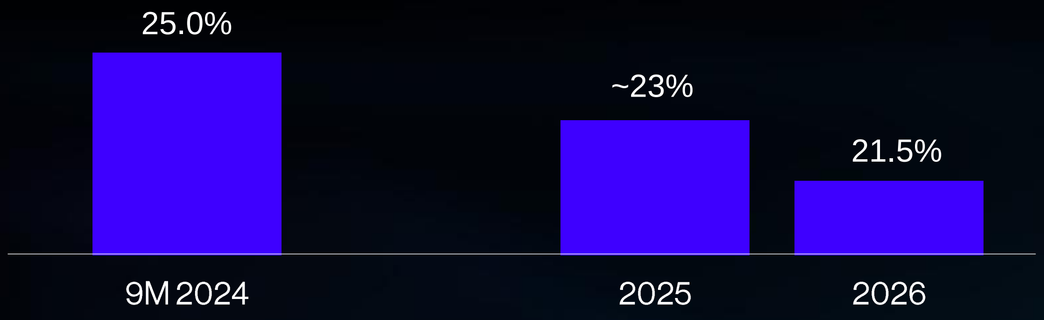
CHFm




- Reshaping organization with reductions of corporate overheads, while improving productivity through elimination of sales management layers

## Increased sales productivity

Local sales & marketing costs (% of revenue)




- Improvement in sales productivity, reaching ~23% target in 2025 in line with our glide path of 21.5% by 2026

# 2024 and mid-term revenue guidance

| Guidance | 2024 | 2026 |
|---|---|---|
| | H2 impacted by GTM implementation | Delayed ramp up of GTM |
| Revenue growth[(1)] | 2-5% | Double-digit |
| Adj. EBITDA margin (% revenue) | 21-23% | Approaching 27% |
| Dividend policy | 30-50% of adj. profit for the year | 30-50% of adj. profit for the year |

- Positive revenue growth in 2025, with improving adj. EBITDA margin driven by cost savings
- 2025 guidance to be confirmed with FY 2024 results in February

(1) In constant currency

# Final remarks

**Raphael Erb**
**CEO**

# Final remarks

01 Attractive addressable market growing above double digit, with right business model in place

02 Empower country organisations, while realigning cost base to a more customer-centric organisation

03 Mid and long-term growth and profitability prospects remain fully intact

**Focus on execution, execution, execution!**

# 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 2024 | Q3 2023 | 9M 2024 | 9M 2023 |
|---|---|---|---|---|
| **Reported EBITDA** | 12.4 | 21.6 | 94.6 | 112.9 |
| Impact of change in revenue recognition of Microsoft Enterprise Agreements | 0.2 | 0.3 | 0.1 | 0.8 |
| Share-based compensation | - | - | - | - |
| Integration, M&A and earn-out expenses | 4.0 | 8.1 | 9.2 | 15.9 |
| Operational excellence restructuring expenses | 4.1 | 9.5 | 13.5 | 22.0 |
| GTM restructuring expenses | 12.4 | - | 26.7 | - |
| Discontinuation of MTWO vertical | 2.9 | - | 7.1 | - |
| Russia-related loss | - | - | - | (0.3) |
| Other non-recurring items | 3.1 | 8.4 | 3.8 | 8.4 |
| Impact of extraordinary provision for overdue receivables[1] | - | - | 6.0 | - |
| **Adjusted EBITDA** | 39.2 | 47.9 | 161.0 | 159.6 |

(1) Relates to overdue receivables over 180 days outstanding and under legal dispute, with success rate of collection by SoftwareOne taken down to zero as a conservative measure

# Business line profit & loss summary

| CHFm | Software & Cloud Marketplace Q3 2024 | % Δ CCY[1] | 9M 2024 | % Δ CCY[1] | Software & Cloud Services Q3 2024 | % Δ CCY[1] | 9M 2024 | % Δ CCY[1] | Corporate Q3 2024 | 9M 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Revenue** | **119.9** | **0.4%** | **405.6** | **4.4%** | **116.9** | **6.0%** | **361.0** | **7.4%** | - | - |
| Delivery costs | (15.3) | (7.3)% | (48.5) | (8.7)% | (67.9) | 1.2% | (205.3) | (0.4)% | - | - |
| Contribution margin | 104.6 | 1.6% | 357.1 | 6.5% | 48.9 | 13.6% | 155.7 | 19.6% | - | - |
| *Contribution margin (% revenue)* | *87.3%* | *1.2pp* | *88.0%* | *1.7pp* | *41.9%* | *2.8pp* | *43.1%* | *4.1pp* | - | - |
| SG&A | (52.1) | 28.4% | (161.2) | 14.6% | (43.4) | 3.5% | (132.4) | 8.6% | (18.9) | (58.1) |
| **Adjusted EBITDA[2]** | **52.5** | **(15.0)%** | **195.9** | **0.6%** | **5.5** | **313.7%** | **23.3** | **181.9%** | **(18.9)** | **(58.1)** |
| *Adjusted EBITDA margin (% revenue)* | *43.8%* | *(8.4)pp* | *48.3%* | *(1.8)pp* | *4.7%* | *3.5pp* | *6.4%* | *4.0pp* | - | - |



(1) In constant currency; Current period translated at average exchange rate of prior-year period based on management accounts
(2) 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, other non-recurring items and impact of extraordinary provision for overdue receivables

# 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 | Q4 2023 | FY 2023 | Q1 2024 | Q2 2024 | Q3 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 | 160.2 | 119.9 |
| 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 | 122.8 | 116.9 |
| **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** | **283.0** | **236.7** |
| **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)** | **(83.0)** | **(83.2)** |
| 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 | 144.3 | 104.6 |
| 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 | 55.6 | 48.9 |
| **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** | **200.0** | **153.5** |
| *Contribution margin (% of revenue)* | *67.2%* | *67.1%* | *64.4%* | *66.5%* | *66.3%* | *61.1%* | *66.3%* | *63.3%* | *67.4%* | *64.8%* | *61.8%* | *67.6%* | *63.4%* | *69.0%* | *65.6%* | *64.5%* | *70.7%* | *64.9%* |
| **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)** | **(123.5)** | **(114.4)** |
| 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 | 85.4 | 52.5 |
| 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 | 13.4 | 5.5 |
| 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) | (22.3) | (18.9) |
| **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** | **76.5** | **39.2** |
| *Adjusted EBITDA margin (% of revenue)* | *20.8%* | *28.7%* | *17.7%* | *28.6%* | *24.5%* | *18.8%* | *28.2%* | *20.0%* | *29.2%* | *24.5%* | *16.6%* | *27.0%* | *20.5%* | *31.6%* | *24.3%* | *18.4%* | *27.0%* | *16.6%* |

(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

(2) 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, other non-recurring items and impact of extraordinary provision for overdue receivables



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