



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

## SoftwareOne announces Q3 2024 Trading update

Stans, Switzerland | 13 November 2024 – **SoftwareOne Holding AG, a leading global software and cloud solutions provider, today announced its Q3 2024 Trading update.**

- Group revenue up 3.1% YoY in constant currency (ccy) and 1.4% YoY in reported currency to CHF 236.7 million in Q3 2024
- Contribution margin up 5.2% YoY ccy to CHF 153.5 million, driven by continued optimisation of delivery network
- Adjusted EBITDA down 15.8% YoY ccy to CHF 39.2 million, with margin down 4 percentage points to 16.6%, primarily reflecting lower-than-expected growth
- Mixed regional performance, with double-digit revenue growth in APAC and DACH, while Rest of EMEA, NORAM and LATAM under-performed due to sales execution issues following the new GTM implementation, impacting ability to respond to vendor incentive shifts, and a more cautious spending environment
- New leadership focused on restoring client centricity and sustainable profitable growth by resolving current execution issues, empowering country organisations and reducing corporate overheads and management layers, with over CHF 50 million annual cost savings targeted by end of Q2 2025
- Discussions with interested parties led by Transaction Committee regarding a potential going-private transaction are ongoing; Board of Directors to present an attractive offer to shareholders or conclude discussions by February 2025, in conjunction with FY2024 results
- Full-year 2024 guidance of revenue growth of 2-5% YoY ccy and adjusted EBITDA margin of 21-23%; positive trajectory during 2025 to reach 2026 targets of double-digit revenue growth in constant currency and adjusted EBITDA margin approaching 27%

**Raphael Erb, CEO of SoftwareOne** said, “I deeply care for this company that I joined 25 years ago. SoftwareOne has a very solid foundation, with an unparalleled global presence, deep relationships with partners such as Microsoft, strong recurring revenue streams, as well as a highly qualified talent base.

However, our third-quarter results were disappointing. This was due to a combination of factors, including the rushed implementation of our new GTM model, which led to sales execution issues impacting our ability to effectively respond to changed vendor incentives, as we have done in the past. I am convinced the GTM model is the right approach. We have identified the execution issues and our top priority is to fix them, while adjusting our roll-out plans for the remaining markets.

Looking ahead, I see a large market opportunity as organisations continue to embrace the cloud and AI, but it is crucial for SoftwareOne to reclaim the agility and client-centric approach that defines us. The reality is that the company has recently shifted towards a more top-heavy organisation, and we must restore the right balance. The changes we are implementing will empower our frontline and country organisations by reducing corporate overheads and management layers. This will also lead to significant cost savings and allow us to drive sustainable profitable growth.

**Rodolfo Savitzky, CFO of SoftwareOne** added, “While certain regions continued to demonstrate momentum in Q3 2024, our overall performance did not meet expectations. With operational excellence and the GTM concept, we have built a solid foundation and now the focus must be fully on execution. We already

see progress in many areas such as the significant improvement in contribution margin, and our goal now is to extend the strong execution to all areas of the company.

We will also be further adjusting our cost structure to reflect our renewed focus on client centricity, targeting over CHF 50 million in annual savings by H1 2025, of which CHF 17 million are expected to be realized in Q4 2024.

As we progress through the fourth quarter, we are confident in achieving our revised guidance of revenue growth of 2-5% YoY ccy and an adjusted EBITDA margin of 21-23% of revenue.”

## Key figures – Group

CHFm	Q3 2024	Q3 2023	% Δ	% Δ (CCY)	9M 2024	9M 2023	% Δ	% Δ (CCY)
Software & Cloud Marketplace	119.9	121.0	(0.9)%	0.4%	405.6	397.6	2.0%	4.4%
Software & Cloud Services	116.9	112.4	4.0%	6.0%	361.0	342.7	5.4%	7.4%
<b>Total revenue</b>	<b>236.7</b>	<b>233.4</b>	<b>1.4%</b>	<b>3.1%</b>	<b>766.6</b>	<b>740.2</b>	<b>3.6%</b>	<b>5.8%</b>
Delivery costs	(83.2)	(85.4)	(2.6)%	(0.5)%	(253.9)	(263.6)	(3.7)%	(2.1)%
<b>Contribution margin</b>	<b>153.5</b>	<b>148.0</b>	<b>3.7%</b>	<b>5.2%</b>	<b>512.8</b>	<b>476.7</b>	<b>7.6%</b>	<b>10.1%</b>
SG&A	(114.4)	(100.1)	14.2%	15.2%	(351.7)	(317.0)	11.0%	13.7%
<b>Adj. EBITDA</b>	<b>39.2</b>	<b>47.9</b>	<b>(18.3)%</b>	<b>(15.8)%</b>	<b>161.0</b>	<b>159.6</b>	<b>0.9%</b>	<b>3.2%</b>
<i>Adj. EBITDA margin (% revenue)</i>	<i>16.6%</i>	<i>20.5%</i>	<i>(4.0)pp</i>	<i>-</i>	<i>21.0%</i>	<i>21.6%</i>	<i>(0.6)pp</i>	<i>-</i>

## Key Q3 2024 developments

### *Group performance below expectations*

Group revenue grew 3.1% YoY ccy and 1.4% in reported currency to CHF 236.7 million in Q3 2024, compared to CHF 233.4 million in the prior year period.

The strengthening of the CHF versus in particular the Euro, US dollar and Brazilian real led to a negative FX translation impact of 1.7 percentage points on group revenue.

The lower-than-expected revenue growth reflects a loss of sales momentum due to the accelerated implementation of the GTM model in July across key markets, which impacted the company’s ability to effectively respond to vendor incentive shifts, as well as more cautious customer spending behaviour in key markets.

Group adjusted EBITDA for Q3 2024 was CHF 39.2 million, decreasing 15.8% YoY ccy from CHF 47.9 million in the prior year period. The adjusted EBITDA margin was down by 4.0pp YoY, reflecting an improved contribution margin, partially offset by higher SG&A as a result of GTM-related investments and higher corporate overhead.

### *Implementation of GTM transformation*

In early 2024, SoftwareOne introduced a global GTM transformation to better align sales resources to the needs of its different client segments and to drive sales productivity. As part of the model, large enterprises and corporates are served by account managers – with different roles for coverage of existing relationships and acquisition of new clients – supported by specialist sales and technical experts. Meanwhile, SMEs are served with an inside sales motion, including via digital sales hubs.

Implementation of the model began towards the end of Q2 2024 in key markets, including NORAM, DACH, UK & Ireland, Mexico, Brazil and India. The changes involved redefining sales roles, internal transitions and

reshuffling of certain client accounts, as well as new hires and exiting of employees. At the same time, digital sales hubs were opened in June in Nashville and Barcelona, which required onboarding of new employees and enablement to drive net new business and take over existing client accounts. This accelerated timetable led to significant sales execution issues, which were identified in the course of Q3 2024, in particular in NORAM, UK and Mexico, resulting in missed sales opportunities and unsatisfactory quota attainment.

Under the leadership of the new CEO, broad and decisive action has been taken to mitigate the immediate impact, generate new sales pipeline and resolve the issues as swiftly as possible.

### Mixed performance by region

#### Revenue by region<sup>1</sup>

CHFm	Q3 2024	Q3 2023	% Δ (CCY)	9M 2024	9M 2023	% Δ (CCY)
DACH	69.2	62.7	11.3%	225.8	217.0	5.6%
Rest of EMEA	68.2	74.0	(6.5)%	222.5	226.9	0.8%
NORAM	29.8	36.0	(15.4)%	115.0	111.8	5.4%
LATAM	21.4	24.3	(6.1)%	74.9	72.0	4.6%
APAC	44.3	35.9	24.3%	120.7	108.2	14.8%
Group, FX and Other	3.9	0.5	-	7.7	4.4	-
<b>Group</b>	<b>236.7</b>	<b>233.4</b>	<b>3.1%</b>	<b>766.6</b>	<b>740.2</b>	<b>5.8%</b>

By region, DACH grew revenue by 11.3% YoY ccy to CHF 69.2 million in Q3 2024, compared to CHF 62.7 million in the prior period, with strong momentum in other ISVs and services offsetting a decline in the Microsoft business. Performance was supported by several key client wins in the large enterprise and public sector segments in September.

Rest of EMEA was down 6.5% YoY ccy in Q3 2024 to CHF 68.2 million, compared to CHF 74.0 million in the prior year period, largely driven by weak results in the UK & Ireland on the back of more cautious client purchasing behaviour, as well as GTM-related sales execution issues. After a strong Q2 2024, Southern Europe declined slightly driven primarily by France, although services delivered strong double-digit growth.

Revenue in NORAM declined by 15.4% YoY ccy to CHF 29.8 million in Q3 2024, compared to CHF 36.0 in the prior year period, with negative growth across business lines driven by sales execution issues.

Revenue in LATAM decreased by 6.1% YoY ccy to CHF 21.4 million in Q3 2024, compared to CHF 24.3 million in the prior year period, following a strong performance in Q2 2024. Revenue growth in Colombia continued to be impacted by the loss of a large public sector managed services contract, while Mexico also delivered soft results in the quarter driven by sales execution issues and increased employee turnover.

APAC delivered strong revenue growth of 24.3% YoY ccy to CHF 44.3 million in Q3 2024, compared to CHF 35.9 million in the prior year period, with strong performance across business lines and key markets in the region. Although the macroeconomic environment remained challenging, China delivered positive revenue growth, supported by the Medasoft acquisition. Other key markets such as Hong Kong, India and Malaysia demonstrated double-digit growth.

<sup>1</sup> DACH and Rest of EMEA reported separately going forward due to IFRS requirements, following division of operational leadership in early 2024

## Strong momentum in other ISVs

### Software & Cloud Marketplace

#### Key figures – Software & Cloud Marketplace

CHFm	Q3 2024	Q3 2023	% Δ (CCY)	9M 2024	9M 2023	% Δ (CCY)
<b>Revenue</b>	<b>119.9</b>	<b>121.0</b>	<b>0.4%</b>	<b>405.6</b>	<b>397.6</b>	<b>4.4%</b>
<b>Contribution margin</b>	<b>104.6</b>	<b>104.2</b>	<b>1.6%</b>	<b>357.1</b>	<b>343.1</b>	<b>6.5%</b>
<i>Contribution margin (% of revenue)</i>	<i>87.3%</i>	<i>86.1%</i>	<i>1.2pp</i>	<i>88.0%</i>	<i>86.3%</i>	<i>1.7pp</i>
<b>Adjusted EBITDA</b>	<b>52.5</b>	<b>63.2</b>	<b>(15.0)%</b>	<b>195.9</b>	<b>199.0</b>	<b>0.6%</b>
<i>Adjusted EBITDA margin (% of revenue)</i>	<i>43.8%</i>	<i>52.2%</i>	<i>(8.4)pp</i>	<i>48.3%</i>	<i>50.1%</i>	<i>(1.8)pp</i>

Revenue in Software & Cloud Marketplace grew 0.4% YoY ccy to CHF 119.9 million in Q3 2024, compared to CHF 121.0 million in the prior year period.

Gross billings in the Microsoft business amounted to USD 4.7 billion in Q3 2024, up 6.8% compared to Q3 2023. Revenue declined in Q3 2024 driven by lower vendor incentives, as a result of the GTM-related sales execution issues which impacted the company's ability to effectively respond to incentive shifts.

Following a strong start in H1 2024, SoftwareOne added approximately 120,000 new Copilot users during Q3 2024 to over 720,000 users at 30 September, with 150 new services engagements in the third quarter. Sales momentum was particularly strong in the company's CSP client base.

Revenue growth in other ISVs remained double-digit in Q3 2024, benefitting from an increased focus on prioritised partners.

Contribution margin grew 1.6% YoY ccy to CHF 104.6 million in Q3 2024, compared to CHF 104.2 million in Q3 2023, reflecting an increased margin of 87.3%.

Adjusted EBITDA decreased by 15.0% YoY ccy to CHF 52.5 million in Q3 2024, compared to CHF 63.2 million in the prior year period. The adjusted EBITDA margin decreased to 43.8%, compared to 52.2% in the prior year period, reflecting increased sales resources and SG&A allocation.

### Software & Cloud Services

#### Key figures – Software & Cloud Services

CHFm	Q3 2024	Q3 2023	% Δ (CCY)	9M 2024	9M 2023	% Δ (CCY)
<b>Revenue</b>	<b>116.9</b>	<b>112.4</b>	<b>6.0%</b>	<b>361.0</b>	<b>342.7</b>	<b>7.4%</b>
<b>Contribution margin</b>	<b>48.9</b>	<b>43.9</b>	<b>13.6%</b>	<b>155.7</b>	<b>133.6</b>	<b>19.6%</b>
<i>Contribution margin (% of revenue)</i>	<i>41.9%</i>	<i>39.0%</i>	<i>2.8pp</i>	<i>43.1%</i>	<i>39.0%</i>	<i>4.1pp</i>
<b>Adjusted EBITDA</b>	<b>5.5</b>	<b>1.3</b>	<b>313.7%</b>	<b>23.3</b>	<b>8.4</b>	<b>181.9%</b>
<i>Adjusted EBITDA margin (% of revenue)</i>	<i>4.7%</i>	<i>1.2%</i>	<i>3.5pp</i>	<i>6.4%</i>	<i>2.5%</i>	<i>4.0pp</i>

Software & Cloud Services delivered revenue growth of 6.0% YoY ccy to CHF 116.9 million in Q3 2024, up from CHF 112.4 million in the prior year period. Growth was driven by Cloud Services and SAP Services.

Focus on cross-selling continued with 75% of LTM (to 30 September 2024) revenue generated by c. 16.3k clients purchasing both software and services, up from 15.8k a year ago.

Revenue in xSimples<sup>2</sup> was up 9% YoY ccy in Q3 2024, driven by clients continuing to transition to the CSP model.

<sup>2</sup> Refers to revenue reported in both Software & Cloud Marketplace and Services for AzureSimple, 365 Simple and AWS

Contribution margin increased to CHF 48.9 million in Q3 2024, with a margin of 41.9%, up from 39.0% in the prior year period driven by continued optimisation of the delivery network.

Adjusted EBITDA was CHF 5.5 million in Q3 2024, compared to CHF 1.3 million in the prior year period. The margin improved to 4.7% compared to 1.2% in the prior year period, driven by a strong contribution margin and operating leverage as the business continues to scale, as well as a more favourable SG&A allocation.

### **Client centricity and cost reduction**

SoftwareOne will implement the following measures to restore client centricity and drive sustainable profitable growth:

- Onboarding and training of employees in new roles, along with focus on new pipeline generation in countries impacted by sales execution issues following the GTM implementation;
- Remaining markets to be transitioned to the GTM model with a phased approach, with Rest of EMEA and APAC to complete by end of Q1 2025 and Q4 2025, respectively;
- Country organisations to be strengthened and empowered, with accountability for P&L, reductions of management layers and corporate overheads to promote a lean corporate structure with an agile frontline; and
- Cost savings programme leading to annualized cost reductions with a target of more than CHF 50 million by end of Q2 2025, including reducing the Executive Board costs by half compared to 2024. The company expects to achieve annualized savings of CHF 17 million by end of Q4 2024.

### **Appointment of Oliver Berchtold as President Software & Cloud**

Oliver Berchtold, who has worked in various functions at SoftwareOne since 2004 and is currently Regional Services Lead in DACH, has been appointed as new President Software & Cloud and Executive Board member effective 1 December 2024. He is replacing Bernd Schlotter, who has decided to leave the company at the end of November 2024. The Board of Directors thank him for his contributions and wish him all the best for the future.

### **Ongoing discussions regarding a potential going-private**

The Board of Directors reiterates that discussions led by the Transaction Committee with interested parties regarding a potential going-private transaction are progressing, but remain challenging given the general business environment.

The Board intends to present an attractive offer to shareholders or conclude discussions by February 2025, in conjunction with FY2024 results.

### **Financial guidance**

In line with the company's announcement on 31 October 2024, SoftwareOne's full-year 2024 guidance is as follows:

- Revenue growth of 2-5% for the group in constant currency;
- Adjusted EBITDA margin of 21-23% of revenue;
- Dividend pay-out ratio of 30-50% of adjusted profit for the year.

The 2026 targets are double-digit revenue growth in constant currency with an adjusted EBITDA margin approaching 27%. The company expects positive revenue growth for full year 2025, with an improving adjusted EBITDA margin driven by cost savings. 2025 guidance will be confirmed with FY2024 results in February.

## Reconciliation – Reported to adjusted EBITDA

CHFm	Q3 2024	Q3 2023	9M 2024	9M 2023
<b>Reported EBITDA</b>	<b>12.4</b>	<b>21.6</b>	<b>94.6</b>	<b>112.9</b>
Impact of change in revenue recognition of Microsoft Enterprise Agreements	0.2	0.3	0.1	0.8
Share-based compensation	-	-	-	-
Integration expenses, 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 <sup>3</sup>	-	-	6.0	-
<b>Adjusted EBITDA</b>	<b>39.2</b>	<b>47.9</b>	<b>161.0</b>	<b>159.6</b>

<sup>3</sup> 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

## Q3 2024 TRADING UPDATE DOCUMENTS

The Q3 2024 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 Raphael Erb, 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, you may call the following numbers, 10 – 15 minutes before the conference start

Switzerland / Europe: +41 22 595 47 28

United Kingdom: +44 1 212 81 80 04

United States: +1 718 705 87 96

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

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## ABOUT SOFTWAREONE

SoftwareOne is a leading global software and cloud solutions provider that is redefining how organisations 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 ~9,300 employees are driven to deliver a portfolio of 7,500 software brands with a presence in over 60 countries. Headquartered in Switzerland, SoftwareOne is listed on the SIX Swiss Exchange under the ticker symbol SWON. Visit us at [www.softwareone.com](http://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.*