

# Q2 2016 FINANCIAL REVIEW

COPENHAGEN, 26 AUGUST 2016



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The turmoil in the global financial markets with significantly increased volatility can potentially impact SimCorp's customers, leading to lower earnings and prolonged decision processes for investments in new software which can have a negative impact on SimCorp's revenue.

The slides shown in this presentation is part of the investor presentation and comments are given to the slides adding content that cannot be seen from the slides on a stand alone basis. The slides should thus not be viewed on a stand alone basis but together with the oral presentation given by management.

# AGENDA

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- **Q2 2016 KEY HIGHLIGHTS**
- Q2 2016 FINANCIAL REVIEW
- 2016 OUTLOOK
- Q&A

# Q2 2016 AT A GLANCE

## RECORD HIGH ORDER BOOK

### Order intake

**EUR 13.9m**

*A decline of EUR 4.0m y-o-y. One new SimCorp Dimension and one SimCorp Coric contract was signed in Q2 2016*

### Revenue growth (LC)

**3.7% y-o-y**

*Q2 2016 revenue increased 3.7% y-o-y in local currencies. Adjusted non-GAAP revenue increased 3.4% y-o-y in LC*

### EBIT

**EUR 13.7m**

*Q2 2016 EBIT was down EUR 3.0m y-o-y. Adjusted non-GAAP EBIT was EUR 13.5m in Q2 2016*

### Recurring revenue

**EUR 40.9m**

*Recurring revenue in Q2 2016 was EUR 40.9m from EUR 39.7m last year*

### Order book

**EUR 32.4m**









*The order book stood at EUR 32.4m at 30 June 2016 – the highest order book ever*

### Free cash flow

**EUR 9.9m**

*Changed from a free cash flow of EUR 6.3m in Q2 last year*

# NEW CLIENTS IN 2016

	Product	Country	Client	Type
Q1 2016	SimCorp <b>Dimension</b>		The Texas Treasury Safekeeping Trust Company	Back-office
	SimCorp <b>Dimension</b>		Undisclosed financial services provider	Middle- and back-office
	SimCorp <b>Dimension</b>		Undisclosed financial services provider	Front-to-back/IBOR
	SimCorp <b>Coric</b>		Undisclosed financial services provider	Client reporting
Q2 2016	SimCorp <b>Dimension</b>		Exane	Back-office
	SimCorp <b>Coric</b>		Marathon Asset Management	Client reporting
Q3 2016	SimCorp <b>Dimension</b>		Undisclosed financial services provider	Front- and middle-office/IBOR
	SimCorp <b>Dimension</b>		Belfius	Front- and middle-office/IBOR



# SIMCORP RECOGNIZED FOR ITS IBOR

SIMCORP DIMENSION WINS FTF NEWS 2016 TECHNOLOGY INNOVATION AWARDS FOR 'BEST IBOR SOLUTION' AND 'BEST BUY-SIDE OPERATIONS SOLUTION'



SimCorp has won the 2016 Technology Innovation Awards from FTF in the categories of 'Best IBOR Solution' and 'Best Buy-Side Operations Solution'

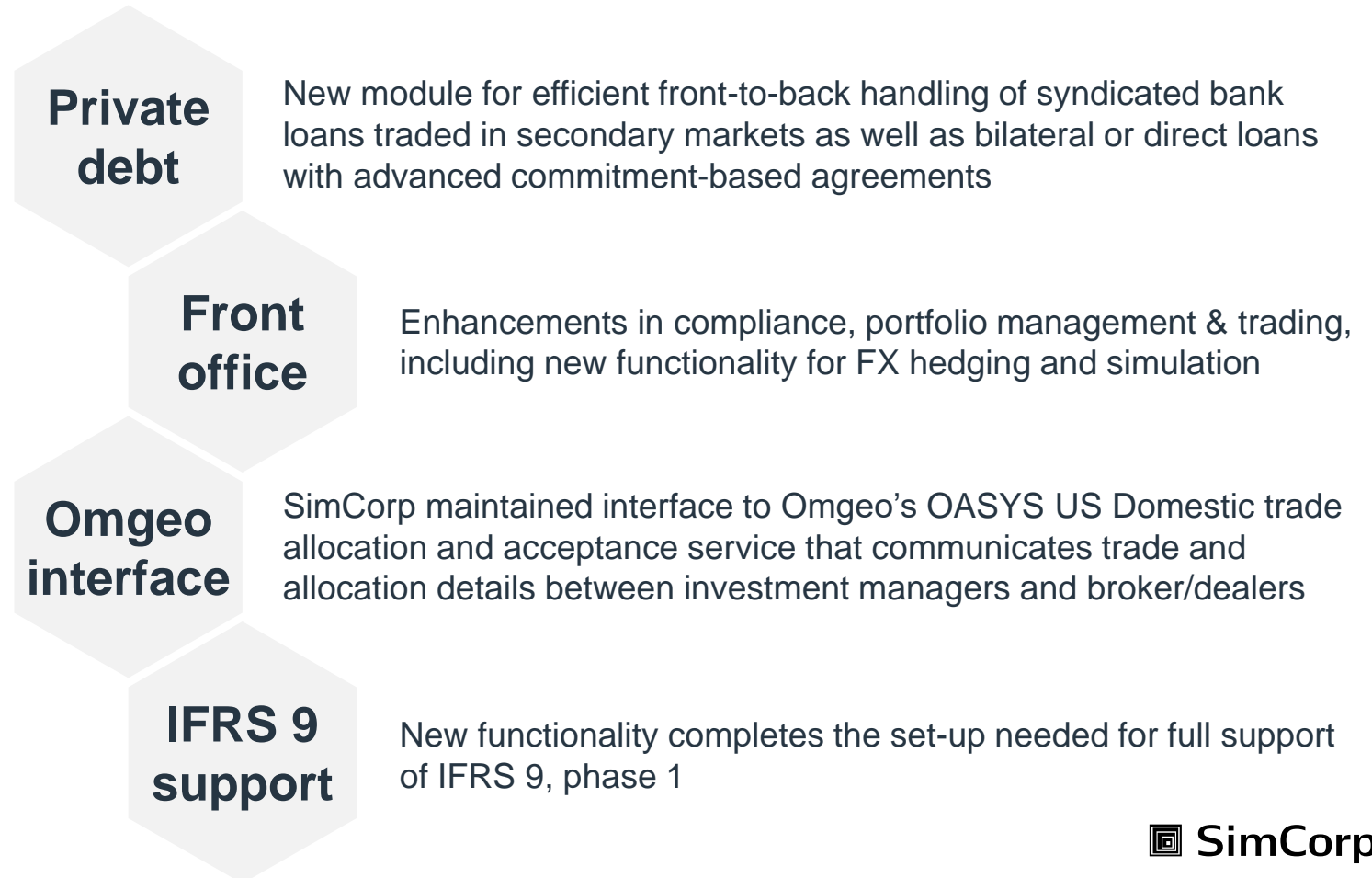
This is the second year running that SimCorp has won in the IBOR (investment book of record) category

# SIMCORP DIMENSION RELEASE 6.0

## STRENGTHENS FRONT OFFICE, PERFORMANCE & RECONCILIATION FUNCTIONALITY

### Comments

- The new release 6.0 adds a number of new modules and enhancements across front, middle and back office
- New module, 'General Reconciliation – Static Data' facilitates reconciliation, such as maturity date of a bond or expected dividend on an equity, against data reported by third party
- New functionality added to SimCorp's Factor-based FIPA (fixed-income performance attribution) solution



# MARKET UNIT REVIEW FOR H1 2016

## INCREASING DEMAND FOR PROFESSIONAL SERVICES SUPPORTED BY CONTINUED NEW SERVICE OFFERINGS

### Comments

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#### North America



- Strong start of 2016 with three new clients signed
- Promising pipeline for the remaining part of 2016

#### United Kingdom



- Signed two new SimCorp Coric client in H1
- Signed a large add-on in Q2 with a large Middle East government owned investment fund

#### Nordic



- Signed a large ALF in Q1
- Promising pipeline for the remaining part of 2016

#### Western Europe



- Signed Exane in Q2 and Belfius in Q3
- Signed a large add-on with Nomura (Luxembourg) in Q2

#### Central Europe



- Promising pipeline for signing new clients
- Still solid ALF potential

#### APAC



- Signed one new SimCorp Dimension client in Q3



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# Q2 2016 FINANCIAL HIGHLIGHTS

## Q2 REVENUE UP 3.7% IN LOCAL CURRENCIES

### Comments

- Q2 reported revenue was EUR 68.5m – up 0.7% in EUR and 3.7% in local currencies
- H1 reported revenue was EUR 128.1m – up 2.9% in EUR and 5.1% in local currencies
- EBIT in Q2 was EUR 13.7m, compared with EUR 16.7m in the year-earlier period
  - Currency rate fluctuations reduced EBIT by EUR 0.9m
- H1 EBIT was EUR 19.5m compared with EUR 22.2m last year
  - Currency fluctuations impacted EBIT negatively by EUR 1.2m

### Q2 2016 financial highlights

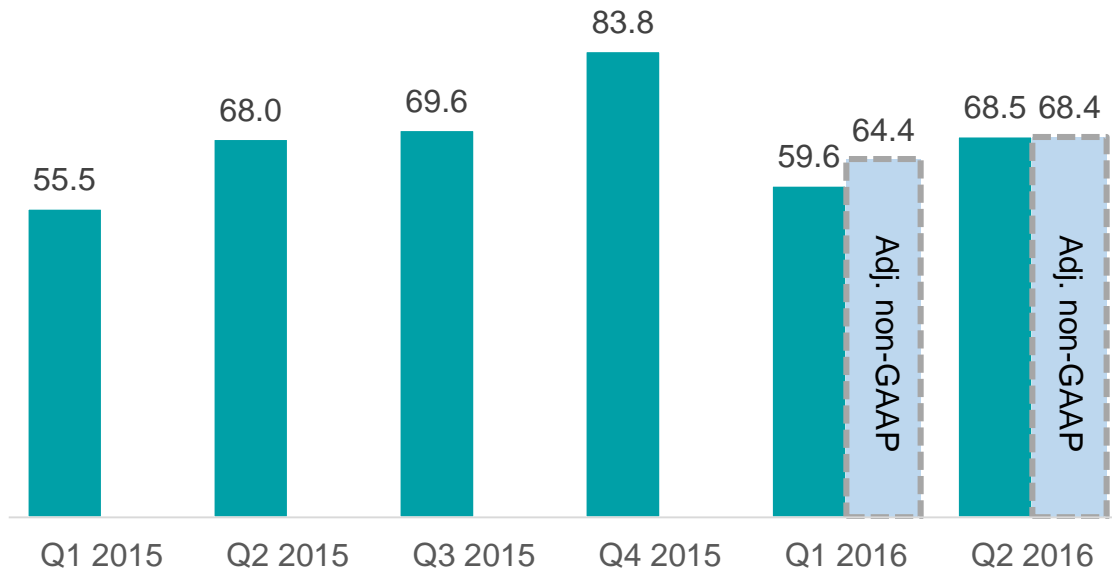
(EURm)	Q2 2016	Q2 2015	y-o-y	H1 2016	H1 2015	y-o-y
<b>Total revenue</b>	<b>68.5</b>	<b>68.0</b>	<b>0.8%</b>	<b>128.1</b>	<b>124.5</b>	<b>2.9%</b>
Opr. costs & other inc.	(54.9)	(51.3)	7.0%	(108.6)	(101.2)	7.3%
<b>EBIT</b>	<b>13.7</b>	<b>16.7</b>	<b>(18.3)%</b>	<b>19.5</b>	<b>23.3</b>	<b>(16.2)%</b>
<i>EBIT margin</i>	19.9%	24.6%	(4.6)%	15.2%	18.7%	(3.5)%
Net financials	(0.0)	(0.4)	<i>n.m.</i>	0.0	(1.1)	<i>n.m.</i>
<b>Pre-tax profit</b>	<b>13.6</b>	<b>16.3</b>	<b>(16.3)%</b>	<b>19.6</b>	<b>22.2</b>	<b>(11.8)%</b>
<i>Pre-tax profit margin</i>	19.9%	24.0%	(4.1)%	15.3%	17.8%	(2.6)%
Tax	(3.6)	(3.8)	(5.3)%	(5.0)	(5.3)	(7.0)%
<b>Net profit</b>	<b>10.1</b>	<b>12.6</b>	<b>(19.6)%</b>	<b>14.6</b>	<b>16.8</b>	<b>(13.3)%</b>
<i>Net profit margin</i>	14.7%	18.5%	(3.7)%	11.4%	13.5%	(2.1)%

# ADJUSTED NON-GAAP REVENUE AND EBIT

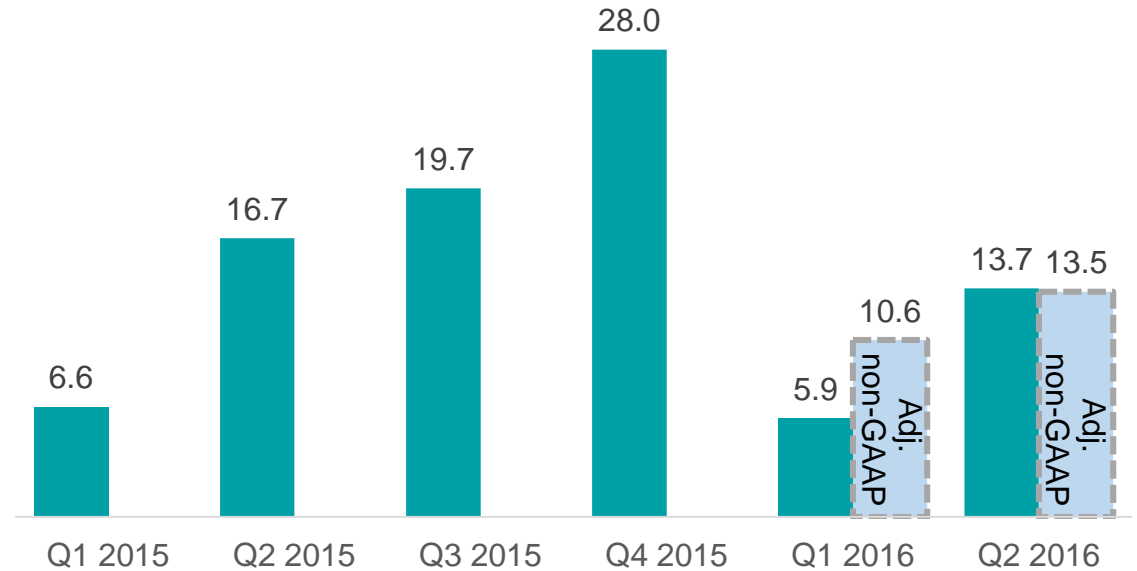
## Comments

- Q2 adjusted non-GAAP revenue was EUR 68.4m up 0.5% relative to reported revenue in Q2 2015
- Adjusted non-GAAP revenue is lower than reported revenue as the EUR 3.4m increase in the order book is comprised by Coric license deals and Dimension perpetual license deals with acceptance criteria where no adjustments to reported revenue are made

## Adjusted non-GAAP revenue (EURm)



## Adjusted non-GAAP EBIT (EURm)



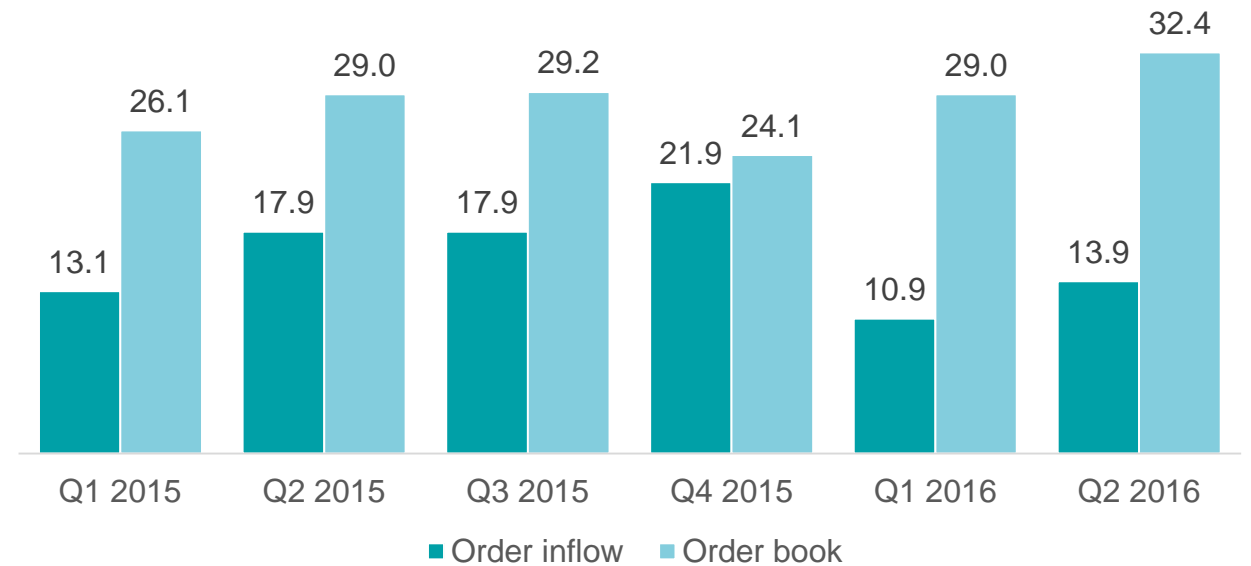
# ORDER INFLOW AND ORDER BACKLOG

## RECORD HIGH ORDER BOOK

### Comments

- One new SimCorp Dimension contract signed in France and one new SimCorp Coric contract signed in UK in Q2 2016
- Two large add-on SimCorp Dimension license contracts were signed in Q2 – one in the Middle East and one in Luxemburg – and further one Coric subscription contract was renewed in the US market
- Q2 total order intake was EUR 13.9m compared with EUR 17.9m in the same period last year
  - Last year was impacted by signing M&G Investments
- The order book was EUR 32.4m at 30 June 2016 – record high order book

### Quarterly order inflow and order book (EURm)



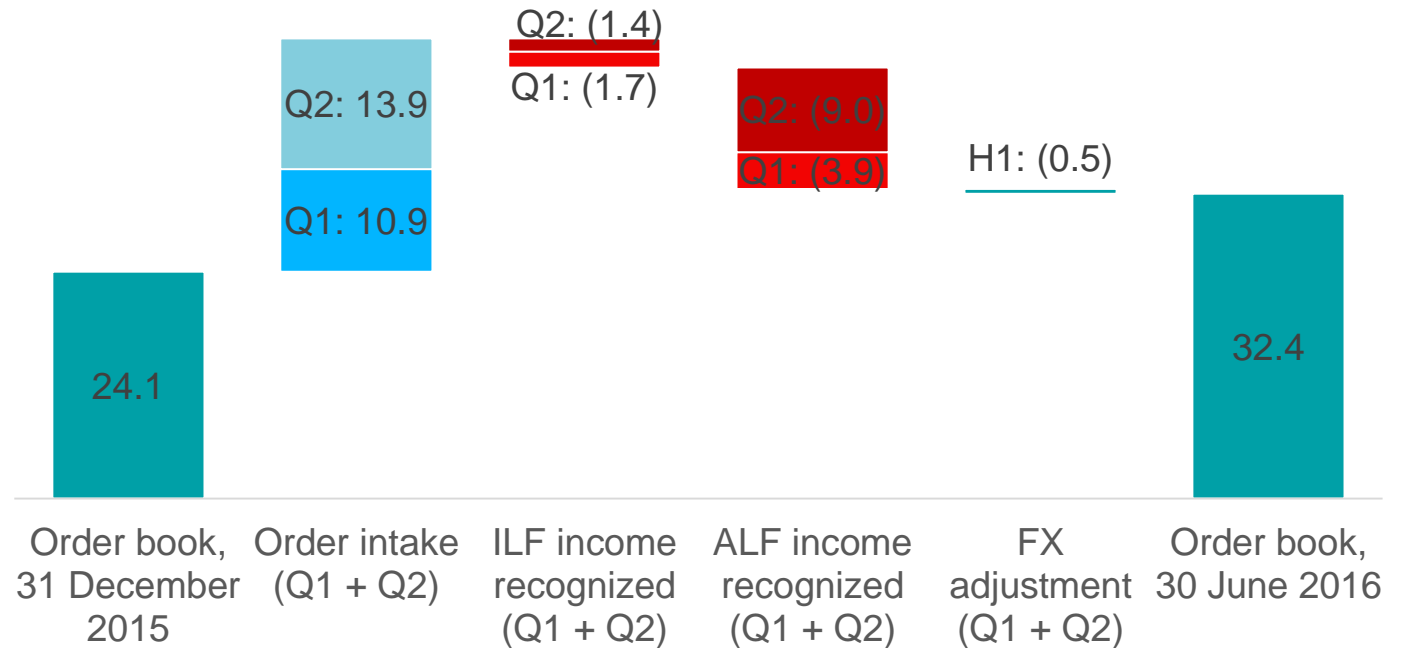
# ORDER INFLOW, ORDER BACKLOG AND REVENUE

## STRONGEST ORDER BOOK EVER

### Comments

- The order book net increased by EUR 8.3m from the beginning of the year to EUR 32.4m at 30 June 2016
- The order book representing the difference between actual order inflow and income recognized from software licenses adjusted for the effect of exchange rate changes

### Order inflow, order backlog and revenue (EURm)



\* Includes both recurring and non-recurring revenue



# REVENUE DEVELOPMENT ON REVENUE TYPE

## SHARE OF RECURRING REVENUE CONTINUES TO INCREASE

### Comments

- Q2 recurring revenue was up 3.0% to EUR 40.9m compared with EUR 39.7m last year
  - Mainly driven by higher maintenance revenue that continues to increase with the completion of client installations
- Non-recurring revenue in Q2 was down 2.5% in EUR to EUR 27.6m but up 1.0% measured in local currencies, driven by
  - Increase related to professional services
  - Decline in new sales based on perpetual license
- H1 recurring revenue was up 3.1%, while the H1 non-recurring revenue was up 2.7% in H1

### Q2 2016 distribution of revenue

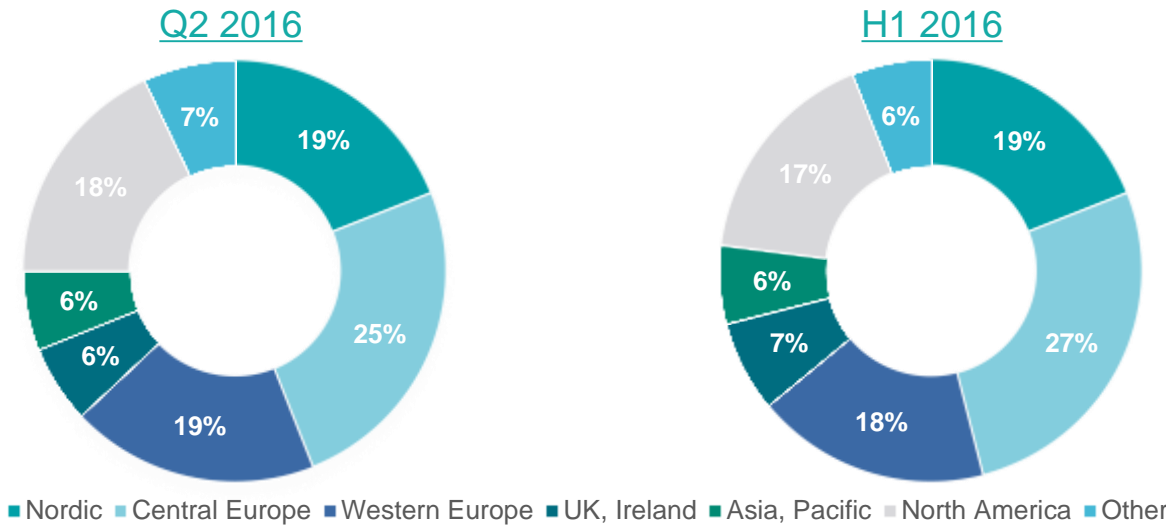
(EURm)	Q2 2016	Q2 2015	y-o-y	H1 2016	H1 2015	y-o-y
<b><u>Recurring revenue</u></b>						
Subscription - new sales	1.6	1.6	(1.3)%	3.3	3.0	12.0%
Subscription - add-on sales	1.0	0.5	128.6%	2.0	0.8	153.5%
Professional services	6.5	7.4	(11.6)%	10.7	12.7	(15.5)%
Maintenance	31.2	30.1	3.7%	61.8	59.5	3.8%
Hosting and other	0.6	0.1	<i>n.m.</i>	0.8	0.2	<i>n.m.</i>
<b>Total recurring revenue</b>	<b>40.9</b>	<b>39.7</b>	<b>3.0%</b>	<b>78.6</b>	<b>76.2</b>	<b>3.1%</b>
<b><u>Non-recurring revenue</u></b>						
Perpetual license - new sales	0.6	4.2	(84.5)%	1.5	6.5	(76.2)%
Perpetual license - add-on	8.0	9.2	(13.1)%	10.9	11.0	(0.5)%
Professional services	18.0	14.0	28.0%	35.0	28.7	22.1%
Other	1.0	0.9	8.3%	2.1	2.1	(5.1)%
<b>Total non-recurring revenue</b>	<b>27.6</b>	<b>28.3</b>	<b>(2.5)%</b>	<b>49.5</b>	<b>48.3</b>	<b>2.7%</b>
<b>Total revenue</b>	<b>68.5</b>	<b>68.0</b>	<b>0.7%</b>	<b>128.1</b>	<b>124.5</b>	<b>2.9%</b>

# GEOGRAPHICAL REVENUE SPLIT

## Comments

- Strong performance in Q2 2016 in the two growth markets – North America and France (Western Europe):
- The third growth market (the UK) accounts for less in Q2 2016 compared to Q2 2015, which is due to strong activity in Q2 last year
- Consequently, the more mature markets such as the Nordic and Central Europe region accounts for less of the revenue in Q2 2016 compared to last year

## Geographical revenue split



% of total revenue	Q2 2016	Q2 2015	H1 2016	H1 2015
Nordic	19%	23%	19%	22%
Central Europe	25%	26%	27%	27%
Western Europe	19%	14%	18%	15%
UK, Ireland	6%	12%	7%	10%
Asia, Pacific	6%	7%	6%	7%
North America	18%	15%	17%	16%
Other	7%	3%	6%	3%

# COSTS DEVELOPMENT

## INCREASE IN COSTS RELATED TO BUILDING CAPACITY FOR ANTICIPATED INCREASE IN BUSINESS ACTIVITY

### Comments

- Total operating costs of EUR 54.9m in Q2 – an increase of 7.0% y-o-y
  - FX reduced the total costs with EUR 0.8m (or 1.6%)
- Total operating costs of EUR 108.8m in H1 compared with EUR 101.2 – an increase of 7.5% y-o-y
  - FX reduced total costs by EUR 1.5m (0.6%-points)
- The increase in costs is mainly related to building capacity for the anticipated full year increase in the business activity which has led to an increase in the average number of employees

### Q2 2016 costs split

(EURm)	Q2 2016	Q2 2015	y-o-y	H1 2016	H1 2015	y-o-y
Cost of sales	27.1	24.3	11.5%	53.8	48.7	10.3%
R&D costs	14.8	13.8	7.1%	29.1	27.2	6.8%
Sales and distribution costs	8.7	8.9	(3.7)%	16.9	16.5	2.6%
Administrative costs	4.4	4.3	2.9%	9.0	8.8	2.7%
<b>Total operational costs</b>	<b>54.9</b>	<b>51.3</b>	<b>7.0%</b>	<b>108.8</b>	<b>101.2</b>	<b>7.5%</b>

# HEADCOUNT DEVELOPMENT

## INVESTING FOR GROWTH

### Comments

- As of end-Q2 2016, SimCorp had 1,324 employees – an y-o-y increase of 66 headcounts
- The increase of employees is in line with building up competencies for the ASP offering as well as focus on the growth markets
- Professional service's headcount increased due to expected strong activity

### Headcount development

Headcounts	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016	Q2 2016
Product division	456	468	460	456	459	485
Nordic	86	84	82	80	80	76
UK	54	59	63	69	70	66
Western Europe	87	93	95	102	104	108
Central Europe	159	160	163	161	159	158
North America	99	97	98	99	100	101
APAC	28	26	28	25	26	27
Coric	47	48	51	47	56	55
Other	217	223	224	229	238	248
<b>Group, total</b>	<b>1,233</b>	<b>1,258</b>	<b>1,264</b>	<b>1,268</b>	<b>1,292</b>	<b>1,324</b>

# FX IMPACT

## FX IMPACTED EBIT NEGATIVELY BY EUR 0.9M IN THE QUARTER

### Comments

- FX impacted EBIT negatively by EUR 0.9m in the quarter
  - Main contributors was NOK, GBP and CHF
- SimCorp's policy towards currency risk is not to hedge currencies as long as the impact is below a certain EBIT impact threshold
- SimCorp thrives to have a natural hedge by matching potential revenue with the cost base to the extent possible

### Q2 2016 FX impact

EURm	Revenue*	Costs	Net	FX impact
EUR	25.0	10.8	14.2	0.0
DKK	5.0	22.4	(17.3)	(0.1)
NOK	4.0	0.6	3.3	(0.3)
USD	10.0	7.1	2.9	(0.0)
GBP	9.7	7.0	2.6	(0.2)
CHF	5.7	1.8	3.9	(0.2)
Other	9.1	5.1	4.0	(0.2)
<b>Total</b>	<b>68.6</b>	<b>54.9</b>	<b>13.7</b>	<b>(0.9)</b>

\* Includes other operating income



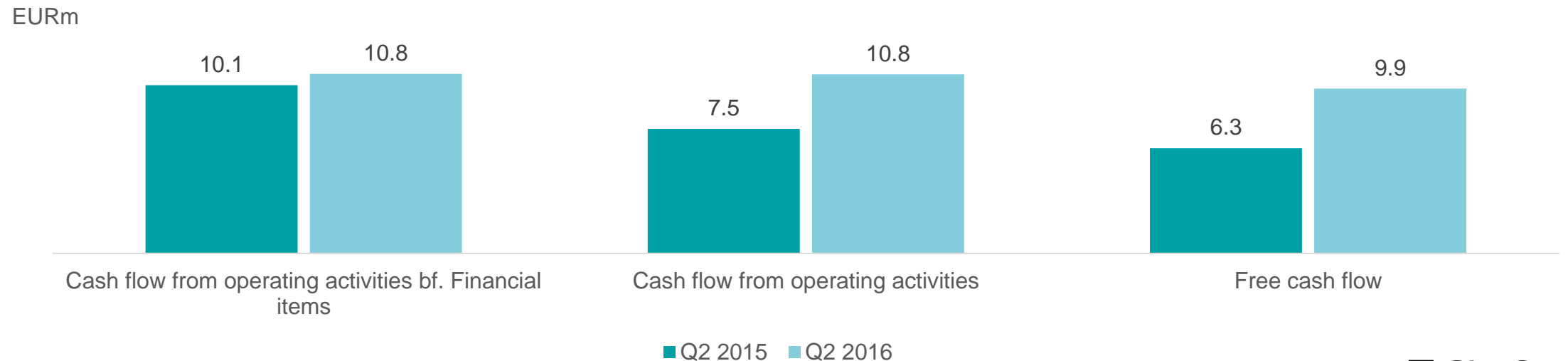
# CASH FLOW DEVELOPMENT

## FREE CASH FLOW IMPROVEMENT

### Comments

- In Q2 2016, SimCorp generated free cash flow of EUR 9.9m – a significant improvement from the EUR 6.3m in Q2 2015 partly driven by:
  - Payment of income taxes amounted to EUR 0.1m, against EUR 2.5m in Q2 2015. The lower amount of income taxes paid relates to lower prepayment of income taxes for the parent company
- In H1 2016, SimCorp generated free cash flow of EUR 31.2m – a significant improvement from the EUR 20.1m in H1 2015

### Cash flow development



# BALANCE SHEET

## SOLID BALANCE SHEET

### Comments

- Cash holdings amounted to EUR 29.9m, some EUR 5.2m more than a year earlier

### Balance sheet

(EURm)	30 June 2016	30 June 2015	31 December 2015
Total intangible assets	10.2	12.5	11.8
Property, plant and equipment	4.5	4.8	4.3
Other non-current assets	11.1	10.7	11.8
Receivables	61.2	59.5	68.1
Other current assets	9.2	10.2	10.1
Cash and cash equivalents	29.9	24.7	43.3
<b>Total assets</b>	<b>126.1</b>	<b>122.3</b>	<b>149.5</b>
Equity	62.2	64.7	89.8
Non-current liabilities	7.5	7.1	8.0
Current liabilities	56.4	50.5	51.7
<b>Total liabilities and equity</b>	<b>126.1</b>	<b>122.3</b>	<b>149.5</b>
Net working capital	25.1	24.9	25.9
Equity ratio	49.3%	52.9%	60.1%

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# 2016 FULL YEAR GUIDANCE

## GUIDANCE MAINTAINED

### Comments

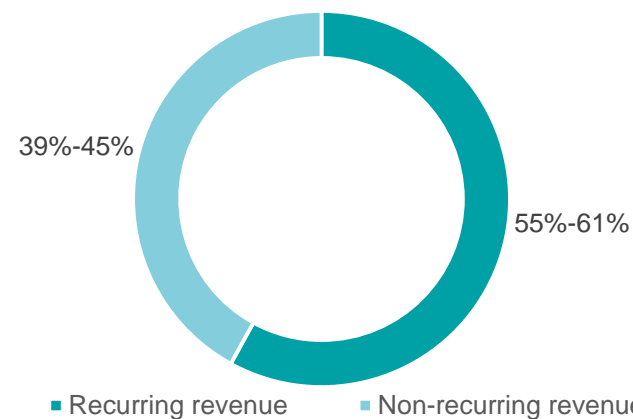
- Maintain expectations for reported revenue growth and EBIT margin measured in local currency for 2016 of 3% - 8% and 21% - 24% in 2016 respectively
- Maintain expectations for adjusted non-GAAP revenue in local currencies to be between 8% and 15%, and the expectations for adjusted non-GAAP EBIT margin measured in local currencies remains between 24% and 28%
- Based on exchange rates prevailing at 31 July 2016, SimCorp expects a negative impact from currency fluctuations on revenue growth of around 2% (unchanged) and a negative impact on EBIT margin of around 0.2% (unchanged)

### 2016 guidance

	Q2 2016 26-aug-16	Q1 2016 10-May-16	Ann. Report 2015 22-feb-16	Realized 2015
<b>All guidance given in local currency</b>				
Revenue	3%-8%	3%-8%	3%-8%	10.1%
Adjusted non-GAAP revenue*	8%-15%	8%-15%	8%-13%	
EBIT margin	21%-24%	21%-24%	21%-24%	24.4%
Adjusted non-GAAP EBIT-margin*	24%-28%	24%-28%	24%-27%	

\* SimCorp Dimension order inflow made on subscription-based terms to be income recognized in the year the order is signed, as if the orders had been signed on perpetual license terms

### 2016 expected revenue distribution



■ Recurring revenue ■ Non-recurring revenue

# Q&A



IBOR