Q2 Results Demonstrate the Strength of SUSE's Mission-Critical Subscription Business

- SUSE demonstrated the strength of its mission-critical business in Q2 with total ACV of $139.4 million, up 28%, 32% at constant currency
- Core ACV growth was 20%, 23% at constant currency, supported by pricing improvements, and Emerging ACV growth was 79%, 84% at constant currency
- Adjusted Revenue growth was 18%, 19% at constant currency
- Group ARR was $619.1 million, up 15%, underlining continued growth in SUSE's subscription business
- Adjusted EBITDA margin was 36%, with investments in sales teams across all regions and product development partly offset by favorable realized FX and timing differences
- Adjusted Unlevered Free Cash Flow was $37.7 million, with Cash Conversion of 64%, impacted by the timing of billings and customer payments reflecting normal cash cycles
- Change in Deferred Revenue was $17.3 million, up from $6.2 million in the prior year, as customers continued to sign significant long-term contracts and pay up front
- Significant enhancements to SUSE Rancher, NeuVector and Linux products highlight SUSE's commitment to cloud-native security and support a strong order pipeline for future growth
- SUSE expects the results for the full year to be broadly in line with previous guidance. The wider macro-economic environment is having some impact on our business, primarily in our Emerging segment - while Emerging ACV growth remains strong, we now expect growth of around 50% in 2022. FX rate movements are also impacting reported financials

	3 Months ended 30 April 2022 Actual FX USD $M	**3 Months ended 30 April 2021 Actual FX USD $M**	**Year on Year Movement % Actual FX**	**Year on Year Movement % CCY FX**	**6 Months ended 30 April 2022 Actual FX USD $M**	**6 Months ended 30 April 2021 Actual FX USD $M**	**Year on Year Movement % Actual FX**	**Year on Year Movement % CCY FX**
ACV	139.4	109.0	28%	32%	283.2	246.6	15%	18%
ARR (three months in arrears)	619.1	539.6	15%		619.1	539.6	15%	
Adjusted Revenue	161.3	136.8	18%	19%	316.3	270.9	17%	18%
Adjusted EBITDA	58.6	48.2	22%	16%	110.9	108.9	2%	-1%
Adjusted EBITDA Margin	*36%*	*35%*			*35%*	*40%*		
Adjusted Cash EBITDA	75.9	54.4	40%		169.0	161.5	5%	
Adjusted Cash EBITDA Margin	*47%*	*40%*			*53%*	*60%*		
Adjusted uFCF	37.7	67.6	-44%		82.3	106.4	-23%	
Cash conversion	64%	140%			74%	98%		

Note: This table contains Alternative Performance Measures as defined in Appendix 3 of this document. The presentation is based on pro forma numbers including Rancher on a coterminous basis in 2021 as if acquired on November 1, 2020. NeuVector is included from November 1, 2021, in all APMs, and no prior year numbers are included, being immaterial to the group.

Constant Currency movement has been provided for ACV, Adjusted Revenue and Adjusted EBITDA. The definition of constant currency is included within Appendix 3.

Statutory data for the financial period is reported in SUSE's separate interim report. Reconciliations to IFRS measures are shown in Appendix 1.

Luxembourg – July 7, 2022 – SUSE S.A. (the "Company" or "SUSE"), an independent leader in open source software specializing in Enterprise Linux operating systems, Enterprise Container Management and Edge software solutions, today announced its results for the second quarter of financial year 2022, which ended April 30, 2022.

"Our strong Q2 performance demonstrates the momentum of our business and our ability to grow with existing customers while attracting new customers," said Melissa Di Donato, CEO of SUSE. "With the new General Managers and Sales structure, we will continue to serve our customers and innovate with our product offerings. Our renewed focus on security puts us in a leading position to provide the sustainable solutions our customers depend upon for their continued growth. We remain confident in the resilience of our business as we look to increase our share in the cloud, edge and container management markets."

"Q2 has again demonstrated the strength of our business model, with high growth, profitability and cash conversion," said Andy Myers, CFO of SUSE. "Our ARR growth of 15% demonstrates strong progress and we continue to invest in new staff to drive further sales and product development. The current economic environment has created some concerns in the business community and we are experiencing FX headwinds, but we still expect to deliver FY 2022 results broadly in line with guidance as we continue to invest for the future."

Summary KPIs and Adjusted Profit and Loss Account for Q2 2022

	3 Months ended 30 April 2022 Actual FX USD $M	3 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement % Actual FX	Year on Year Movement % CCY FX	6 Months ended 30 April 2022 Actual FX USD $M	6 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement % Actual FX	Year on Year Movement % CCY FX
ACV by Solution								
Core	113.6	94.6	20%	23%	233.5	205.9	13%	17%
Emerging	25.8	14.4	79%	84%	49.7	40.7	22%	25%
Total ACV	**139.4**	**109.0**	**28%**	**32%**	**283.2**	**246.6**	**15%**	**18%**
ARR - Total (as at January)	**619.1**	**539.6**	**15%**		**619.1**	**539.6**	**15%**	
NRR - Total as % (as at January)	**109.4%**	**109.4%**	**0.0%**		**109.4%**	**109.4%**	**0.0%**	
Adjusted Revenue by Solution								
Core	133.9	121.4	10%	11%	264.1	240.0	10%	11%
Emerging	27.4	15.4	78%	78%	52.2	30.9	69%	69%
Total Adjusted Revenue	**161.3**	**136.8**	**18%**	**19%**	**316.3**	**270.9**	**17%**	**18%**
Cost of Sales	13.1	10.5	25%	28%	24.9	18.6	34%	38%
Adjusted Gross Profit	**148.2**	**126.3**	**17%**	**18%**	**291.4**	**252.3**	**15%**	**16%**
Adjusted Gross Profit Margin	**92%**	**92%**			**92%**	**93%**		
Sales, Marketing & Operations	46.3	35.9	29%	32%	89.3	67.4	32%	36%
Research & Development	27.1	22.4	21%	24%	54.1	44.4	22%	25%
General & Administrative	16.2	19.8	-18%	-10%	37.1	31.6	17%	26%
Total Operating Expenses	**89.6**	**78.1**	15%	19%	**180.5**	**143.4**	26%	30%
Adjusted EBITDA	**58.6**	**48.2**	**22%**	**16%**	**110.9**	**108.9**	**2%**	**-1%**
Adjusted EBITDA Margin	*36%*	*35%*			*35%*	*40%*		
Depreciation & Amortization	6.2	4.9	27%		11.2	10.1	11%	
Adjusted EBIT	**52.4**	**43.3**	21%		**99.7**	**98.8**	1%	
Net Finance Costs	10.0	23.4	-57%		21.6	30.0	-28%	
Adjusted Profit before Tax	**42.4**	**19.9**	113%		**78.1**	**68.8**	13%	
Notional Tax	12.9	Not Reported			23.0	Not Reported		
Adjusted Earnings	**29.5**	Not Reported			**55.1**	Not Reported		
Number of Shares	169.0	n.m			169.0	n.m		
Adjusted Earnings Per Share	0.17	n.m			0.33	n.m		

Note: ARR and NRR are reported one quarter in arrears in USD millions at actual FX rates. Operating expenses exclude non-recurring items, as shown in the IFRS operating loss to Adjusted EBITDA reconciliation in Appendix 1. The presentation is based on pro forma numbers including Rancher on a coterminous basis in 2021 as if acquired on November 1, 2020. NeuVector is included from November 1, 2021, in all APMs, and no prior year numbers are included, being immaterial to the group.

Constant Currency movement has been provided for ACV, Adjusted Revenue, Cost of Sales, Adjusted Gross Profit, Opex and Adjusted EBITDA. The definition of Constant Currency is included within Appendix 3.

Adjusted Earnings Per Share is calculated on the basis of the weighted average number of ordinary shares in issue during the period. The number of ordinary shares in issue as at April 30, 2022, was 169,027,117.

In Q2 2022, SUSE updated its ARR methodology. Q2 2022 ARR has been reported based on the updated methodology, and Q1 2022 and 2021 were restated based on the new methodology. NRR has also been updated to reflect the new methodology with limited impact on reported figures.

See Appendix 2 for historical ARR and NRR values under the new methodology.

Financial and Business Review

The information in this section is based on the presentation of Alternative Performance Measures as defined in Appendix 3 and has not been audited. Historical data is also based on pro forma figures including Rancher prior to its acquisition by SUSE in November 2020. The Q1 numbers for 2021 include three months for Rancher on a pro forma basis. NeuVector is included in Q1 and Q2 2022; prior year numbers have not been restated on a pro forma basis for NeuVector.

A reconciliation to the IFRS financials is included in Appendix 1. Results are shown using actual exchange rates.

SUSE today also published its Interim Report. The report can be found on SUSE's website here: https://ir.suse.com/websites/suse/English/6000/financial-reports.html

Business Update

Q2 was another strong quarter for SUSE, demonstrating the momentum in the business and our ability to grow relationships with existing customers and attract new customers. SUSE continued to hire talented, committed individuals, launched innovative new products and features, and provided customers with interoperable and secure open source software for their mission-critical applications across the globe.

Despite ongoing uncertainty in global markets, the mega trends which are driving growth in our markets - including cloud transformation and the shift to Edge computing - remain unchanged, underpinning demand for our products. Enterprise customers continue to sign multi-year contracts with up-front payment, enabling us to remain confident in long-term, sustainable growth with high profit margins and high cash conversion.

In Q2 2022 we increased our workforce by 79, highlighting the strength of the SUSE brand in a tough hiring environment. Wage inflation is also elevated but continues to be in line with our expectations which we accounted for in our guidance for 2022.

SUSE's company-wide employee Net Promoter Score (eNPS) increased to 36 following our survey in March, a six-point increase since our survey in September. This is our highest eNPS score since we launched SUSE Pulse two years ago and represents overall satisfaction with SUSE as an employer.

In Q2 we launched our new General Manager (GM) structure. SUSE now has a GM for Business-critical Linux (BCL), Enterprise Container Management (ECM) and Edge Computing. Each GM provides a single point of accountability for product management, product strategy, engineering and market success, ensuring our products remain best-of-breed and our customers extract the maximum lifetime value from their SUSE products. This follows the re-organization of our sales teams into three divisions – Global Sales Organization, Customer for Life and Partnerships – earlier in the year.

We recently announced several significant enhancements to SUSE Rancher, SUSE NeuVector and SUSE Linux Enterprise products highlighting SUSE's commitment to cloud-native security.

In May we announced the release of SUSE NeuVector 5.0, the first major release of our container security platform since we open sourced NeuVector in January. SUSE NeuVector 5.0 is integrated with SUSE Rancher and works with other enterprise container platforms, including Amazon EKS, Google GKE and Microsoft AKS.

At the same time, we announced the release of SUSE Rancher 2.6.5. As part of the SUSE Rancher 2.6.5 release, users can access and be authenticated to manage SUSE NeuVector directly through the Rancher console. This version of SUSE Rancher also added enhanced Windows support.

In June, we launched major enhancements to SUSE Linux Enterprise Server 15 in a service pack, SP4, allowing SUSE customer to upgrade to the latest, most-secure version of our product without disruption to their operations.

We continue to innovate our Edge offerings, and in the quarter SUSE and HPE formed a partnership to create "edge-to-cloud" HPE GreenLake solutions. The partnership integrates engineering and go-to-market functions to leverage SUSE Linux Enterprise, SUSE Rancher and K3s capabilities.

In keeping with SUSE's commitment to the open source community, SUSE also announced the contribution of SUSE NeuVector's open source project, Open Zero Trust (OZT), to the Cloud Native Computing Foundation (CNCF).

In March, shares were granted to employees as part of our ongoing incentive programs in the form of restricted stock units (RSUs), vesting in equal tranches over three years, and share options, vesting over two and three years. The total number of unvested RSUs and options outstanding is now circa 4 million, reflecting the recent annual grant, grants to new employees, and the remaining grants from the IPO transitional scheme. Following the first RSU vesting in May, the total number of shares issued as at July 6 was 169.3 million.

SUSE continues to evaluate M&A opportunities in high-growth adjacent markets.

Market and Revenues

Total ACV for Q2 was $139.4 million, representing growth of 28% from the prior year. This was 32% on a constant currency basis as the growth was impacted by foreign exchange headwinds, primarily a stronger USD.

Core ACV for Q2 was $113.6 million, growth of 20% at actual FX rates and 23% at constant FX. This growth in Q2 was driven by End User product upsell and renewals, continued growth in our Cloud Service Providers (CSP) route to market as our customers migrate workloads to the Cloud, and some early pricing improvements.

Emerging ACV for Q2 was $25.8 million, growth of 79% at actual FX rates and 84% at constant FX. Renewals in Emerging more than doubled from the prior year, benefiting from the increasing customer base.

Our Emerging business is growing rapidly, driven primarily by new contracts and innovative new use cases. The current macro-economic environment has, however, led to slower purchase decision making for new products. We are also seeing churn in our sales force above historical norms, reflecting the wider market.

The LTM ACV continues to show steady progress, having grown 23% from Q2 2021 to Q2 2022.

Weighted average contract lengths, on a last-12-months basis, remained stable versus the prior quarter at 20 months, supported by multi-year subscriptions on Emerging products.

Adjusted Revenue growth for the quarter was 18% at actual FX rates and 19% at constant FX. Total Adjusted Revenue for the quarter was $161.3 million, of which $133.9 million was in Core and $27.4 million was in Emerging, representing annual growth rates of 10% and 78%, respectively.

SUSE

ACV – By Route to Market

	3 Months ended 30 April 2022 Actual FX USD $M	3 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement % Actual FX	6 Months ended 30 April 2022 Actual FX USD $M	6 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement % Actual FX
End User	111.5	87.0	28%	234.0	203.4	15%
IHV/Embedded	27.9	22.0	27%	49.2	43.2	14%
Total ACV	**139.4**	**109.0**	**28%**	**283.2**	**246.6**	**15%**

End User ACV (including the CSP route to market) grew 28% to $111.5 million in Q2, driven primarily by upsell and renewals across both Core and Emerging product lines. Within this, the CSP route to market continued to grow as our customers migrate workloads to the Cloud.

Independent Hardware Vendors (IHV) and Embedded ACV grew 27% in Q2 to $27.9 million, driven by strong performances from embedded customers, who ship devices with SUSE software built-in. Sales to IHVs continue to decline, due to hardware shortages and a shift to selling to the same end-customers through other routes to market, primarily through CSPs.

ACV – By Region

	3 Months ended 30 April 2022 Actual FX USD $M	3 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement % Actual FX	6 Months ended 30 April 2022 Actual FX USD $M	6 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement % Actual FX
Europe, Middle East and Africa	50.6	43.0	18%	118.3	120.8	-2%
North America	62.1	46.4	34%	117.9	86.7	36%
Asia Pacific and Japan	8.2	7.0	17%	17.7	17.1	4%
Greater China	9.6	9.6	0%	16.2	16.4	-1%
Latin America	8.9	3.0	197%	13.1	5.6	134%
Total ACV	**139.4**	**109.0**	**28%**	**283.2**	**246.6**	**15%**

Q2 ACV growth across all geographic regions was strong, with the exception of Greater China, which was in line with the prior year, reflecting challenging market conditions in the region.

Europe, Middle East and Africa growth of 18% was driven by upselling, primarily to End User customers, and growth in consumption through CSPs. The same trends supported Asia, Pacific and Japan growth of 17% in the quarter.

North America grew 34%, driven by Rancher renewals on a growing customer base, and higher sales to Embedded customers.

Within North America, our SUSE Rancher Government Services (RGS) business continues to gain traction. In a major validation of RGS, the Defense Information Systems Agency (DISA) announced in April that it has published and validated the Security Technical Implementation Guide (STIG) for SUSE Rancher. This validation allows U.S. Government and specifically Department of Defense (DoD) military agencies to deploy and use SUSE Rancher on DoD network systems, making it the only Kubernetes management platform to receive such a designation.

Exceptional growth in Latin America of 197% was underpinned by our pricing strategies, which started to take effect in the quarter, with one renewal generating an eight-times price increase. To capitalize on our success in the region and to increase our local presence, SUSE is opening a new office in Mexico.

Annual Recurring Revenue and Net Retention Rate

Annual Recurring Revenue (ARR) increased from $539.6 million in the prior year to $619.1 million in Q2 2022, representing 15% growth, driven by continued demand for our subscription-based products and services.

Net Retention Rate (NRR) remained consistent with the prior year at 109.4%, reflecting that customers continue to renew their subscriptions with SUSE and are willing to pay a higher price or purchase a more-expansive product selection.

Both metrics include NeuVector's contribution since acquisition in October 2021.

In Q2 2022, SUSE updated its ARR methodology as part of a stringent focus on ARR to track the performance on the business. The methodology now reflects the latest view of recurring bookings. Q2 2022 ARR has been reported based on the updated methodology, and Q1 2022 and 2021 have been restated based on this methodology.

Growth in ARR remains broadly consistent with the previous methodology.

NRR has also been updated to reflect the updated methodology with limited impact on reported figures.

See Appendix 2 for historical ARR and NRR values under the updated methodology.

ARR and NRR are reported three months in arrears as a significant portion of the revenues are invoiced retrospectively.

Costs

SUSE's Adjusted Gross Profit margin was 92% in Q2, in line with the prior year.

Sales, Marketing and Operations costs increased by 29% to $46.3 million in Q2 as SUSE invested in its sales force. This investment was focused on Sales Development Representatives, who are responsible for qualifying pipeline leads, and Channel sales and Customer Service Managers to strengthen our customer retention capabilities. In addition, we continued to invest in marketing, and in partner and customer relationships as Covid restrictions lifted, enabling face-to-face meetings and events.

Research and Development costs increased by 21% to $27.1 million in Q2, driven by continued investments in SUSE's R&D headcount. These investments enable our continued product innovation, as post quarter end we announced several significant enhancements to SUSE Rancher, SUSE NeuVector and SUSE Linux

Enterprise products, highlighting SUSE's commitment to cloud-native security with the release of SUSE NeuVector 5.0, SUSE Rancher 2.6.5 and SUSE Linux Enterprise Server 15 SP4.

General and Administrative costs reduced by 18% to $16.2 million in Q2. SUSE insourced several key roles in cybersecurity, business applications and IT operations in the quarter and invested in roles to support SUSE's position as a public company. This cost increase was more than offset by favorable realized foreign exchange impacts and timing differences in spend versus the prior year.

Profitability

	3 Months ended 30 April 2022 Actual FX USD $M	3 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement % Actual FX	6 Months ended 30 April 2022 Actual FX USD $M	6 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement % Actual FX
Adjusted EBITDA	**58.6**	**48.2**	**22%**	**110.9**	**108.9**	**2%**
Adjusted EBITDA Margin	*36%*	*35%*		*35%*	*40%*	
Change in deferred revenue	17.3	6.2	179%	58.1	52.6	10%
Adjusted Cash EBITDA	**75.9**	**54.4**	**40%**	**169.0**	**161.5**	**5%**
Adjusted Cash EBITDA Margin	*47%*	*40%*		*53%*	*60%*	

Adjusted EBITDA grew 22% to $58.6 million in Q2, as SUSE's revenue growth was further enhanced by margin expansion of 1 percentage point versus the prior year. Higher costs were driven by growth in sales teams across all regions.

Change in deferred revenue was $17.3 million, up from $6.2 million in the prior year, as our customers continued to sign significant long-term contracts and pay up front.

The increase in EBITDA and positive Change in Deferred Revenue led to Adjusted Cash EBITDA of $75.9 million in the quarter, up 40%.

Cash Flow

	3 Months ended 30 April 2022 Actual FX USD $M	3 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement % Actual FX	6 Months ended 30 April 2022 Actual FX USD $M	6 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement % Actual FX
Adjusted Cash EBITDA	**75.9**	**54.4**	**40%**	**169.0**	**161.5**	**5%**
Gross Capital Expenditure	(2.7)	(0.4)	**575%**	(4.7)	(0.8)	**488%**
Change in core working capital	(19.9)	24.1	**-183%**	(54.4)	(27.6)	**97%**
IFRS 15	(8.2)	(7.3)	**12%**	(13.3)	(17.3)	**-23%**
IFRS 16	(1.9)	(1.6)	**19%**	(3.8)	(3.6)	**6%**
Cash Taxes	(5.5)	(1.6)	**244%**	(10.5)	(4.0)	**163%**
Rancher pro-forma uFCF	0.0	0.0		0.0	(1.8)	**-100%**
Adjusted uFCF	**37.7**	**67.6**	**-44%**	**82.3**	**106.4**	**-23%**
Adj uFCF Conv from Adj EBITDA	64%	140%		74%	98%	

Adjusted Unlevered Free Cash Flow for the quarter was $37.7 million, down from $67.6 million in the prior year despite higher Adjusted Cash EBITDA, which was more than offset by a working capital outflow in the quarter due to the timing of customer billings and receipts. Gross capex increased due to investment in a data center move to ensure a future-proofed IT infrastructure. The increase in cash taxes was driven primarily by a non-recurring payment in the quarter. Going forward cash taxes are expected to remain at approximately 5-8% of Adjusted Profit before Tax.

Cash conversion was 64% for the quarter, below our guidance for the full year primarily due to the working capital outflow in the quarter, which results from timing and which is unwinding in Q3 as customers pay for the subscriptions invoiced in Q2.

Leverage

	As at 30 April 2022 USD $M	As at 30 April 2021 USD $M	Year on Year Movement % Actual FX
Net debt	654.5	1,204.8	46%
Adjusted Cash EBITDA - Pro-forma - LTM Q2	285.7	225.7	27%
Leverage	2.3	5.3	57%

Net Debt at the end of the second quarter was $654.6 million, significantly below the prior-year figure which was pre IPO. Compared to the first quarter, Net Debt reduced by $35 million as our strong cash flow enabled continued deleveraging.

As a result, our leverage ratio, calculated as the Net Debt divided by the last 12 months Adjusted Cash EBITDA, was 2.3x, down from 2.6x at the end of the first quarter and well within our commitment to keep leverage below 3.5x.

ESG

Environmental, Social and Governance (ESG) is at the heart of our business and sustainable growth.

We continue to deliver on our ESG roadmap with some great progress across our key commitments for FY22:

1. **Climate Action:** On track to set "near-term" emission targets and develop a workplan, having analyzed our key emission drivers. Our commitment to set these has been recognized by the Science Based Targets initiative (SBTi).
2. **Information Security:** Great progress toward strengthening our information security and data privacy, in line with ISO27k standards, enhancing our policies based on the first internal audit in May.
3. **Disclosure:** Improved the quality of data collected and metrics across focus areas, through several stakeholder workshops, preparing for the next annual disclosure in line with GRI standards and EU directives.
4. **External Assessment:** Preparing for a sustainability assessment with EcoVadis, an independent rating agency, to evaluate our material ESG impact.

Outlook

SUSE's outlook for the full year remains broadly in line with previous guidance, specifically for Adjusted Revenue and Adjusted EBITDA margin, as profitability remains strong.

The current macro-economic environment has, however, led to slower purchase decision making for new contracts, with some customers delaying projects. This is primarily impacting our Emerging business, which is growing rapidly, driven predominantly by new contracts and innovative new use cases.

We expect Core ACV growth to be in the mid-teens in 2022, prior to FX impacts.

Following the strong growth in Emerging ACV in Q2, we still expect to exceed 60% year-on-year growth in H2, giving growth for the full year of around 50%, prior to FX impacts.

FX rate movements, particularly the stronger US Dollar, are reducing reported ACV.

Adjusted Revenue is expected to be less impacted by the macro-environment and FX changes as a high proportion is already booked through long-term contracts, and so we continue to anticipate full-year growth of mid-to-high teens percent.

We also reiterate our Adjusted EBITDA margin guidance of mid-thirties percent, with reported margins supported by a small positive FX impact.

Guidance for Adjusted Unlevered Free Cash Flow conversion is also confirmed, although there may be a negative impact from FX.

Phasing of H2 results will be heavily weighted toward Q4, reflecting our usual sales cycle and available renewal pools, with Q3 comparables also impacted by a large retrospective consumption contract in Q3 2021.

Medium-term guidance is unchanged, reflecting the continued strong order pipeline, growth outlook in the markets and SUSE's competitive position.

Additional Information

About SUSE

SUSE is a global leader in innovative, reliable and secure enterprise-grade open source solutions, relied upon by more than 60% of the Fortune 500 to power their mission-critical workloads. We specialize in Business-critical Linux, Enterprise Container Management and Edge solutions, and collaborate with partners and communities to empower our customers to innovate everywhere – from the data center, to the cloud, to the edge and beyond. SUSE puts the "open" back in open source, giving customers the agility to tackle innovation challenges today and the freedom to evolve their strategy and solutions tomorrow. The company is headquartered in Luxembourg and employs more than 2,000 people globally. SUSE is listed in the regulated market (Prime Standard) of the Frankfurt Stock Exchange.

For more information, visit www.suse.com.

Contacts

Investors:
Jonathan Atack
Investor Relations, SUSE
Phone: +44 7741 136 019
Email: ir@suse.com

Matt Jones
Investor Relations, SUSE
Phone: +44 7809 690 336
Email: ir@suse.com

Media:
Finn McLaughlan
Kekst CNC
Phone: +44 77 1534 1608
Email: finn.mclaughlan@kekstcnc.com

Webcast Details

Melissa Di Donato (CEO) and Andy Myers (CFO) will host an analyst and investor conference call at 2:00 PM CET / 1:00 PM GMT on July 7, 2022, to discuss the results.

The audio webcast can be followed using this link: https://www.webcast-eqs.com/suse20220707 A replay will be available on the Investor Relations website. The accompanying presentation also can be downloaded from the Investor Relations website.

Important Notice

Certain statements in this communication may constitute forward-looking statements. These statements are based on assumptions that are believed to be reasonable at the time they are made, and are subject to significant risks and uncertainties, including, but not limited to, those risks and uncertainties described in SUSE's disclosures. You should not rely on these forward-looking statements as predictions of future events, and we undertake no obligation to update or revise these statements. Our actual results may differ materially and adversely from any forward-looking statements discussed in these statements due to several factors, including without limitation, risks from macroeconomic developments, external fraud, lack of innovation capabilities, inadequate data security and changes in competition levels.

The Company undertakes no obligation, and does not expect to publicly update, or publicly revise, any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to it or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this communication.

Financial Calendar

Date	Event
22 September 2022	Release of Q3 results
19 January 2023	Release of Q4 results and FY22 Annual Report

APPENDIX 1 Reconciliation from IFRS to Adjusted Pro Forma Figures

IFRS Revenue to Adjusted Revenue

	3 Months ended 30 April 2022 Actual FX USD $M	3 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement % Actual FX	6 Months ended 30 April 2022 Actual FX USD $M	6 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement % Actual FX
Revenue - IFRS	159.8	133.2	20%	313.3	259.7	21%
Adjustments						
Contract liability haircut amortized	1.5	3.6	-58%	3.0	7.5	-60%
Pro-Forma Rancher	0.0	0.0	-	0.0	3.7	n.m
Adjusted Revenue	**161.3**	**136.8**	**18%**	**316.3**	**270.9**	**17%**

Note: The Pro Forma Rancher adjustment is 1 month in Q1 2021.

IFRS Operating Loss to Adjusted EBITDA

	3 Months ended 30 April 2022 Actual FX USD $M	3 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement % Actual FX	6 Months ended 30 April 2022 Actual FX USD $M	6 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement % Actual FX
Operating loss - IFRS	(8.0)	(130.0)	**-94%**	(11.4)	(150.8)	**-92%**
Adjustments						
Depreciation and Amortization	39.7	40.5	**-2%**	78.5	78.8	**0%**
Separately reported items	0.0	4.6	**-100%**	0.0	9.2	**-100%**
Contract liability haircut amortized	1.5	3.6	**-58%**	3.0	7.5	**-60%**
Non-recurring items	6.3	6.3	**0%**	9.1	13.3	**-32%**
Share-based payments - charge	12.7	121.8	**-90%**	22.6	147.8	**-85%**
Share-based payments - ER taxes	0.5	5.8	**n.m**	0.9	5.8	**n.m**
Foreign exchange - unrealized	5.9	(4.4)	**n.m**	8.2	(0.9)	**n.m**
Adjusted EBITDA - Non pro forma	**58.6**	**48.2**	**22%**	**110.9**	**110.7**	**0%**
Pro forma Rancher	0.0	0.0	**n.m**	0.0	(1.8)	**n.m**
Adjusted EBITDA - pro forma	**58.6**	**48.2**	**22%**	**110.9**	**108.9**	**2%**

Note: The Pro Forma Rancher adjustment is 1 month in Q1 2021.

Adjusted Deferred Revenue to IFRS Deferred Revenue

	3 Months ended 30 April 2022 Actual FX USD $M	3 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement %	6 Months ended 30 April 2022 Actual FX USD $M	6 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement %
Movement in deferred revenue: Pro forma	(17.3)	(6.2)	179%	(58.1)	(52.6)	10%
Pro-forma Rancher	0.0	0.0	n.m	0.0	2.7	n.m
Movement in deferred revenue: Non Pro forma	**(17.3)**	**(6.2)**	**179%**	**(58.1)**	**(49.9)**	**16%**
Adjustments:						
Deferred revenue haircut amortized	(1.5)	(3.6)	-58%	(3.0)	(7.5)	-60%
Movement in deferred revenue - IFRS	**(18.8)**	**(9.8)**	**92%**	**(61.1)**	**(57.4)**	**6%**

Note: The Pro Forma Rancher adjustment is 1 month in Q1 2021.

IFRS Net Cash Inflow from Operating Activities to Adjusted uFCF

	3 Months ended 30 April 2022 Actual FX USD $M	3 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement % Actual FX	6 Months ended 30 April 2022 Actual FX USD $M	6 Months ended 30 April 2021 Actual FX USD $M	Year on Year Movement % Actual FX
Net cash inflow from operating activities	**25.0**	**38.8**	**-35%**	**51.1**	**51.8**	**-1%**
Interest paid	7.0	14.8	**-53%**	15.1	28.8	**-48%**
Tax paid	5.5	1.6	**246%**	10.5	4.0	**164%**
Cash generated from operations	**37.5**	**55.2**	**-32%**	**76.7**	**84.6**	**-9%**
Addbacks - non cash items	(63.1)	(164.4)	**-62%**	(119.5)	(236.1)	**-49%**
Movements - other working capital	21.9	(25.7)	**-185%**	66.7	25.8	**158%**
Movement in other pensions	0.2	0.1	**137%**	0.5	(0.1)	**-637%**
Movements in provisions	0.8	1.3	**-37%**	2.0	3.1	**-35%**
Movements in contract related assets	12.0	9.7	**24%**	20.3	21.8	**-7%**
Movements in deferred revenue	(17.3)	(6.2)	**179%**	(58.1)	(49.9)	**16%**
Settlement of VSOP Scheme	0.0	0.0	**0%**	0.0	0.0	**0%**
Operating loss per IFRS Statements	**(8.0)**	**(130.0)**	**-94%**	**(11.4)**	**(150.8)**	**-92%**
Depreciation and Amortization	39.7	40.5	**-2%**	78.5	78.8	**0%**
EBITDA per IFRS Statements	**31.7**	**(89.5)**	**-135%**	**67.1**	**(72.0)**	**-193%**
Separately reported items	0.0	4.6	**-100%**	0.0	9.2	**-100%**
Non-recurring items	6.3	6.3	**0%**	9.1	13.3	**-32%**
Share-based payments - charge	12.7	121.8	**-90%**	22.6	147.8	**-85%**
Share-based payments - ER taxes	0.5	5.8	**100%**	0.9	5.8	**100%**
Deferred revenue haircut	1.5	3.6	**-58%**	3.0	7.5	**-60%**
Foreign Exchange - Unrealized	5.9	(4.4)	**-234%**	8.2	(0.9)	**-1011%**
Adjusted EBITDA	**58.6**	**48.2**	**22%**	**110.9**	**110.7**	**0%**
Rancher pro-forma Adjustment	0.0	0.0	**-**	0.0	(1.8)	**-100%**
Adjusted EBITDA (SUSE & Rancher pro forma)	**58.6**	**48.2**	**22%**	**110.9**	**108.9**	**2%**
Movement in deferred revenue	17.3	6.2	**179%**	58.1	52.6	**10%**
Adjusted Cash EBITDA (SUSE & Rancher pro forma)	**75.9**	**54.4**	**40%**	**169.0**	**161.5**	**5%**
IFRS 15	(8.2)	(7.3)	**12%**	(13.3)	(17.3)	**-23%**
IFRS 16	(1.9)	(1.6)	**19%**	(3.8)	(3.6)	**6%**
Change in core working capital	(19.9)	24.1	**-183%**	(54.4)	(27.6)	**97%**
Gross capital expenditure	(2.7)	(0.4)	**575%**	(4.7)	(0.8)	**488%**
Tax expense	(5.5)	(1.6)	**244%**	(10.5)	(4.0)	**163%**
Other adjustments - Rancher pro forma		0.0	**n.m**	0.0	(1.8)	**-100%**
Adjusted Unlevered Free Cash Flow	**37.7**	**67.6**	**-44%**	**82.3**	**106.4**	**-23%**

Note: The Pro Forma Rancher adjustment is 1 month in Q1 2021.

SUSE

APPENDIX 2 Comparable Data for Prior Periods

USD $M		2021 Q1	2021 Q2	2021 Q3	2021 Q4	2022 Q1	2022 Q2
ACV by Solution	Core	111.3	94.6	101.5	98.7	119.9	113.6
	Emerging	26.3	14.4	17.5	26.3	23.9	25.8
	Total ACV	**137.6**	**109.0**	**119.0**	**125.0**	**143.8**	**139.4**
Adjusted Revenue by Solution	Core	118.6	121.4	133.2	133.4	130.2	133.9
	Emerging	15.5	15.4	17.8	20.6	24.8	27.4
	Total Adjusted Revenue	**134.1**	**136.8**	**151.0**	**154.0**	**155.0**	**161.3**
Cost of Sales		8.1	10.5	11.6	10.8	11.8	13.1
Adjusted Gross Profit		**126.0**	**126.3**	**139.4**	**143.2**	**143.2**	**148.2**
Adjusted Gross Profit Margin		*94%*	*92%*	*92%*	*93%*	*92%*	*92%*
Sales, Marketing & Operations		31.5	35.9	39.0	45.7	43.0	46.3
Research & Development		22.0	22.4	25.4	24.8	27.0	27.1
General & Administrative		11.8	19.8	19.8	24.7	20.9	16.2
Total Operating Expenses		**65.3**	**78.1**	**84.2**	**95.2**	**90.9**	**89.6**
Adjusted EBITDA		**60.7**	**48.2**	**55.2**	**48.0**	**52.3**	**58.6**
Adjusted EBITDA Margin		*45%*	*35%*	*37%*	*31%*	*34%*	*36%*
Change in deferred revenue		46.4	6.2	9.8	3.7	40.8	17.3
Adjusted Cash EBITDA		**107.1**	**54.4**	**65.0**	**51.7**	**93.1**	**75.9**
Adjusted Cash EBITDA Margin		*80%*	*40%*	*43%*	*34%*	*60%*	*47%*

Annual Recurring Revenue and Net Retention Rate – Prior Periods

In Q2 2022, SUSE updated its ARR methodology as part of a stringent focus on ARR to track the performance on the business. The methodology now reflects the latest view of recurring bookings. Q2 2022 ARR has been reported based on the updated methodology, and Q1 2022 and 2021 have been restated based on this methodology. The new improved methodology:

- Includes revenue previously excluded from ARR generated by SUSE's Long Term Service Pack Support (LTSS) subscriptions which offers up to three years of continued access to technical support, maintenance and security patches for selected products that have reached the end of general support date, as this has proved to be recurring and growing over time.
- Has been updated to include a more accurate subset of recurring services.

NRR has also been updated to reflect the updated methodology with limited impact on reported figures.

ARR and NRR are reported three months in arrears as a significant portion of the revenues are invoiced retrospectively.

USD $M except where otherwise stated

	2021				2022	
	Q1	Q2	Q3	Q4	Q1	Q2
	Note 1		Note 2			
Previous Methodology						
ARR	491.7	519.3	549.1	560.0	574.0	Not Reported
Year-on-year movement Actual FX	Not Reported	16%	20%	17%	17%	Not Reported
New Methodology						
ARR	508.5	539.6	562.3	574.9	590.5	619.1
Year-on-year movement Actual FX	Not Reported	17%	19%	17%	16%	15%

	2021				2022	
	Q1	Q2	Q3	Q4	Q1	Q2
Previous Methodology						
NRR	110.3%	109.1%	113.3%	110.4%	110.0%	109.4%
New Methodology						
NRR	106.7%	109.4%	110.8%	110.7%	110.9%	109.4%

Notes:

1. *ARR as at Q1 2021 growth rate not reported as this was pre-IPO.*
2. *ARR under previous methodology restated in Q4 2021.*

APPENDIX 3 Alternative Performance Measures (APM)

This document contains certain alternative performance measures (collectively, "APMs") including ACV, ARR, NRR, Adjusted Revenue, Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Cash EBITDA, Adjusted Cash EBITDA margin, Adjusted uFCF, Cash Conversion, and Net Debt and Leverage that are not required by, or presented in accordance with, IFRS, Luxembourg GAAP or any other generally accepted accounting principles. Certain of these measures are derived from the IFRS accounts of the Company and others are derived from management reporting or the accounting or controlling systems of the Group.

SUSE presents APMs because they are used by management in monitoring, evaluating and managing its business, and management believes these measures provide an enhanced understanding of SUSE's underlying results and related trends. The definitions of the APMs may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should, therefore, not be considered in isolation or as a substitute for analysis of SUSE's operating results as reported under IFRS or Luxembourg GAAP. APMs such as ACV, ARR, NRR, Adjusted Revenue, Adjusted Gross Profit, Adjusted Gross Profit Margin, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Cash EBITDA, Adjusted Cash EBITDA Margin, Adjusted uFCF, Cash Conversion, RPO and Net Debt and Leverage are not measurements of SUSE's performance or liquidity under IFRS, Luxembourg GAAP or German GAAP and should not be considered as alternatives to results for the period or any other performance measures derived in accordance with IFRS, Luxembourg GAAP, German GAAP or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

SUSE has defined each of the following APMs as follows:

"Annual Contract Value" or "ACV": ACV represents the first 12 months monetary value of a contract. If total contract duration is less than 12 months, 100% of invoicing is included in ACV;

"Annual Recurring Revenue" or "ARR": ARR represents the sum of the monthly contractual value for subscriptions and recurring elements of contracts in a given period, multiplied by 12. ARR is calculated three months in arrears, given backdated royalties relating to IHV and Cloud, and hence reflects the customer base as of three months prior;

"Net Retention Rate" or "NRR": expressed as a percentage, NRR indicates the proportion of ARR that has been retained over the prior 12-month period, which is inclusive of up-sell, cross-sell, down-sell, churn and pricing. It excludes ARR from net new logo end-user customers. The NRR is calculated three months in arrears, aligned to the calculation of ARR;

"Adjusted Revenue": Revenue as reported in the statutory accounts of the Group, adjusted for fair value adjustments;

"Adjusted Gross Profit": this APM represents Adjusted Revenue less operating costs adjusted for non-recurring items;

"Adjusted Gross Profit Margin" expressed as a percentage, this APM represents Adjusted Gross Profit divided by Adjusted Revenue;

"Adjusted EBITDA": this APM represents earnings before net finance costs, share of loss of associate and tax, adjusted for depreciation and amortization, share-based payments, fair value adjustment to deferred revenue, statutory separately reported items, specific non-recurring items and net unrealized foreign exchange (gains)/losses;

“Adjusted EBITDA Margin”: expressed as a percentage, this APM represents Adjusted EBITDA divided by Adjusted Revenue;

“Adjusted Cash EBITDA”: this APM represents Adjusted EBITDA plus changes in contract liabilities in the related period and excludes the impact of contract liabilities – deferred revenue haircut;

“Adjusted Cash EBITDA Margin”: expressed as a percentage, this APM represents Adjusted Cash EBITDA divided by Adjusted Revenue;

“Adjusted Profit before Tax” is Adjusted EBITDA (post IFRS 15 and 16), less D&A (excluding intangible amortization for Customer relationships, intellectual property and non-complete agreements) less net financial expense;

“Adjusted Profit after Tax” is Adjusted Profit before Tax less notional tax;

“Adjusted Earnings Per Share” represents Adjusted Profit after Tax less notional tax divided by the weighted average number of shares during the period;

“Adjusted Unlevered Free Cash Flow” or “Adjusted uFCF”: this APM represents Adjusted Cash EBITDA less capital expenditure related cash outflow, working capital movements (excluding deferred revenue, which is factored into Adjusted Cash EBITDA, and non-recurring items), cash taxes and the reversal of non-cash accounting adjustments relating to IFRS 15 and IFRS 16;

“Cash Conversion”: expressed as a percentage, this APM represents Adjusted uFCF divided by Adjusted EBITDA;

“Constant Currency”: Constant Currency for ACV and costs, is calculated by re-stating the prior year period results to reflect exchange rates prevailing during the reported period. Constant currency for Adjusted revenue, is calculated by re-stating the in-period revenue generated in the prior period from the prior period ACV to reflect exchange rates prevailing during the reported period. No such restatement is needed for revenues in prior periods unwinding from deferred revenue, as these revenues are locked into US denominated values when the associated ACV was generated;

“Contractual Liabilities and Remaining Performance Obligations” or “RPO”: RPO represents the unrecognized proportion of remaining performance obligations towards subscribers (e.g., the amount of revenue that has been invoiced, but not yet recognized as revenue) plus amounts for which binding irrevocable commitments have been received but have yet to be invoiced. Deferred Revenue is another term used for Contractual Liabilities;

“Leverage”: Expressed as a multiple, Leverage is Net Debt divided by Adjusted Cash EBITDA; and

“Net Debt”: This APM represents the sum of current and non-current interest bearing borrowings (net of un-amortized capitalized arrangement fees, gains or losses on loan modifications), current and non-current lease liabilities, less cash and cash equivalents.