# Leadership strengthened to drive performance improvements

- Q2 IFRS Revenue of $162 million was up 1%, and IFRS Operating Profit Before D&A was $12 million, down 63% primarily reflecting a higher unrealized foreign exchange loss
- IFRS Net Cash Inflow from Operating Activities was $4 million, down 83% driven by lower ACV and shorter contract lengths
- ARR (as at January 31, 2023) of $658 million was up 6% with continued growth from new and existing customers
- Adjusted Revenue of $162 million was up 1%, up 1% at constant currency
- Adjusted EBITDA Margin of 32%, down 4 ppt, reflects continued disciplined investments across the business, including an increase in R&D spending to drive product development
- Adjusted Unlevered Free Cash Flow of $18 million was down 53% driven by lower ACV and shorter contract lengths, with conversion of 34%
- SUSE reiterates its latest FY23 guidance

- On May 1, Dirk-Peter van Leeuwen joined SUSE as CEO
- SUSE announced a new regional sales structure, and sales leadership changes are underway, including appointment of new CRO Werner Knoblich, to enable closer customer relationships
- On June 30, CFO Andy Myers stepped down, with his replacement to be announced in due course
- SUSE delivered a new version of Rancher and added new paid-for components to enhance the value of Rancher Prime; and launched the latest version of its enterprise Linux platform, designed to deliver high-performance computing capabilities which are essential for AI workloads

| **All USD $m unless otherwise stated** | **FY23 Q2** | **FY22 Q2** | **YoY Actual** | **YoY CCY** | **FY23 H1** | **FY22 H1** | **YoY Actual** | **YoY CCY** |
|---|---|---|---|---|---|---|---|---|
| **Non-IFRS measures** | | | | | | | | |
| ACV | 130.6 | 139.4 | (6)% | (6)% | 277.6 | 283.2 | (2)% | 0% |
| ARR (as at January 31) | 657.5 | 619.1 | 6% | | 657.5 | 619.1 | 6% | |
| Adjusted Revenue | 162.4 | 161.3 | 1% | 1% | 331.4 | 316.3 | 5% | 5% |
| Adjusted EBITDA | 52.2 | 58.6 | (11)% | (14)% | 119.3 | 110.9 | 8% | 2% |
| Adjusted EBITDA Margin | 32% | 36% | | | 36% | 35% | | |
| Adjusted uFCF | 17.9 | 37.7 | (53)% | | 91.4 | 82.3 | 11% | |
| **IFRS measures** | | | | | | | | |
| Revenue | 161.9 | 159.8 | 1% | | 330.3 | 313.3 | 5% | |
| Gross Profit | 148.3 | 146.2 | 1% | | 303.1 | 287.9 | 5% | |
| Operating Profit Before D&A | 11.7 | 31.7 | (63)% | | 82.7 | 67.1 | 23% | |
| Net Cash Inflow From Operating Activities | 4.3 | 25.0 | (83)% | | 62.5 | 51.1 | 22% | |

***Luxembourg – July 6, 2023 –*** 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 2023, which ended April 30, 2023.

"I have spent my first two months getting to know SUSE and key stakeholders, and I am impressed with the culture of openness, innovation and excellence," said Dirk-Peter van Leeuwen, CEO of SUSE. "We have some challenges to address; I have already taken swift actions to unlock future growth and we will continue to set up our organization for success over the coming quarters. With these changes and the growth in our markets, open source model and strong product portfolio, I am very confident we are well placed to deliver on our long-term potential."

"We are navigating the current headwinds and we continue to grow, with high profit margins, and to generate cash," said Jonathan Atack, Interim CFO of SUSE. "By maintaining an appropriate level of investments across the business, we are ensuring that we will reaccelerate growth as our performance and markets recover."

## Notes

*This document contains Alternative Performance Measures as defined in Appendix 3.*

*Operating expenses exclude non-recurring items, as shown in the IFRS operating loss to Adjusted EBITDA reconciliation in Appendix 1.*

*Constant Currency movements (CCY) have 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.*

## Summary IFRS Income Statement, KPIs and Adjusted Profit and Loss for Q2 and H1 FY23, and Q2 and H1 FY22

### Summary IFRS Income Statement

| **All USD $m unless otherwise stated** | **FY23 Q2** | **FY22 Q2** | **YoY Actual** | **FY23 H1** | **FY22 H1** | **YoY Actual** |
|---|---|---|---|---|---|---|
| Revenue | 161.9 | 159.8 | 1% | 330.3 | 313.3 | 5% |
| Cost of sales | (13.6) | (13.6) | 0% | (27.2) | (25.4) | 7% |
| **Gross profit** | **148.3** | **146.2** | **1%** | **303.1** | **287.9** | **5%** |
| Operating expenses | (136.6) | (114.5) | 19% | (220.4) | (220.8) | 0% |
| Amortization of intangible assets | (34.3) | (36.1) | (5)% | (68.4) | (72.4) | (6)% |
| Depreciation - PPE | (1.1) | (1.0) | 10% | (2.1) | (1.9) | 11% |
| Depreciation - Right of Use Assets | (1.6) | (2.6) | (38)% | (3.0) | (4.2) | (29)% |
| **Operating profit/(loss)** | **(25.3)** | **(8.0)** | **216%** | **9.2** | **(11.4)** | **n.m.** |
| Net finance costs | (12.9) | (10.0) | 29% | (27.6) | (21.6) | 28% |
| Share of losses on associate | (0.2) | (0.5) | (60)% | (1.2) | (1.4) | (14)% |
| **Profit/(loss) before tax** | **(38.4)** | **(18.5)** | **108%** | **(19.6)** | **(34.4)** | **(43)%** |
| Taxation | 6.8 | 4.8 | 42% | (5.9) | 7.9 | n.m. |
| **Profit/(loss) for the period** | **(31.6)** | **(13.7)** | **131%** | **(25.5)** | **(26.5)** | **(4)%** |

Items reported separately due to their significance and non-operating nature are $1.4 million in net costs for the quarter ended April 30, 2023 (quarter ended April 30, 2022: nil). Further details are set out in Appendix 1.

## KPIs and Adjusted Profit and Loss

| All USD $m unless otherwise stated | FY23 Q2 | FY22 Q2 | YoY Actual | YoY CCY | FY23 H1 | FY22 H1 | YoY Actual | YoY CCY |
|---|---|---|---|---|---|---|---|---|
| **ACV by Solution** | | | | | | | | |
| Core | 107.5 | 113.6 | (5)% | (5)% | 226.0 | 233.5 | (3)% | (2)% |
| Emerging | 23.1 | 25.8 | (10)% | (10)% | 51.6 | 49.7 | 4% | 5% |
| **Total ACV** | **130.6** | **139.4** | **(6)%** | **(6)%** | **277.6** | **283.2** | **(2)%** | **0%** |
| | | | | | | | | |
| **ARR (as at January 31)** | **657.5** | **619.1** | **6%** | | **657.5** | **619.1** | **6%** | |
| **NRR (as at January 31)** | **102.0%** | **109.4%** | **(7)%** | | **102.0%** | **109.4%** | **(7)%** | |
| | | | | | | | | |
| **Adjusted Revenue by Solution** | | | | | | | | |
| Core | 132.0 | 133.9 | (1)% | (1)% | 269.5 | 264.1 | 2% | 2% |
| Emerging | 30.4 | 27.4 | 11% | 11% | 61.9 | 52.2 | 19% | 19% |
| **Total Adjusted Revenue** | **162.4** | **161.3** | **1%** | **1%** | **331.4** | **316.3** | **5%** | **5%** |
| Adjusted Cost of Sales | 13.4 | 13.1 | 2% | 4% | 26.8 | 24.9 | 8% | 11% |
| **Adjusted Gross Profit** | **149.0** | **148.2** | **1%** | **1%** | **304.6** | **291.4** | **5%** | **5%** |
| *Adjusted Gross Profit Margin* | *92%* | *92%* | | | *92%* | *92%* | | |
| | | | | | | | | |
| Sales, Marketing & Operations | 44.5 | 46.3 | (4)% | (2)% | 86.5 | 89.3 | (3)% | 0% |
| Research & Development | 31.7 | 27.1 | 17% | 20% | 59.7 | 54.1 | 10% | 14% |
| General & Administrative | 20.6 | 16.2 | 27% | 31% | 39.1 | 37.1 | 5% | 10% |
| **Total Operating Expenses** | **96.8** | **89.6** | **8%** | **11%** | **185.3** | **180.5** | **3%** | **6%** |
| | | | | | | | | |
| **Adjusted EBITDA** | **52.2** | **58.6** | **(11)%** | **(14)%** | **119.3** | **110.9** | **8%** | **2%** |
| *Adjusted EBITDA Margin* | *32%* | *36%* | | | *36%* | *35%* | | |
| Depreciation & Amortization | 5.3 | 6.2 | (15)% | | 10.1 | 11.2 | (10)% | |
| **Adjusted EBIT** | **46.9** | **52.4** | **(10)%** | | **109.2** | **99.7** | **10%** | |
| Net Finance Costs | 12.9 | 10.0 | 29% | | 27.6 | 21.6 | 28% | |
| **Adjusted Profit before Tax** | **34.0** | **42.4** | **(20)%** | | **81.6** | **78.1** | **4%** | |
| Notional Tax | 11.5 | 12.9 | (11)% | | 27.4 | 23.0 | 19% | |
| **Adjusted Profit after Tax** | **22.5** | **29.5** | **(24)%** | | **54.2** | **55.1** | **(2)%** | |
| Weighted average shares in issue | 170 | 169 | 0% | | 170 | 169 | 0% | |
| **Basic Adjusted Earnings Per Share** | **0.13** | **0.17** | **(24)%** | | **0.32** | **0.33** | **(3)%** | |
| **Diluted Adjusted Earnings Per Share** | **0.13** | **0.17** | **(25)%** | | **0.31** | **0.32** | **(4)%** | |

*Notes: Basic Adjusted Earnings Per Share is calculated on the basis of the weighted average number of ordinary shares in issue during the period. Diluted Adjusted Earnings Per Share takes into account potential dilution from outstanding share grants and options. The weighted average number of ordinary shares in issue, fully diluted, during the second quarter, was 173.3 million, and during the first half was 173.1 million.*

# 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.

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 and Markets Update**

SUSE continues to grow, with high profit margins and cash generation.

However, trading was softer than anticipated in the quarter ended April 30, 2023. The impact of the ongoing economic uncertainty on customers' decision making resulted in further delays to the completion of new contracts and a reduction in average contract lengths. Furthermore, the salesforce reorganization during Q1 did not gain the expected level of traction and impacted performance. Growth in sales through the Cloud route-to-market were also lower than anticipated. These have collectively led to downward pressure on current and expected revenues and cashflow in 2023.

SUSE's new CEO, Dirk-Peter van Leeuwen, joined on May 1 following Melissa Di Donato stepping down as CEO in March.

Werner Knoblich joined as Chief Revenue Officer (CRO) on July 1. Werner has been a senior commercial leader in open source for more than two decades. Most recently, Werner was Global CRO at SaaS provider Mambu, and prior to that he led the Europe, Middle East and Africa (EMEA) business at Red Hat for 18 years, where he grew it from $20 million in 2003 to over $1.5 billion in 2021.

SUSE has also announced a new regional sales structure to enable closer customer relationships, unlocking sales of SUSE's full portfolio through one single point of contact.

On June 30, CFO Andy Myers stepped down, with his replacement to be announced in due course. SUSE's Vice President of Treasury and Investor Relations, Jonathan Atack, joined the Management Board and is serving as interim CFO as of July 1.

Despite the current headwinds, SUSE's markets continue to grow. With its open source business model, SUSE remains well placed to deliver on its long-term potential.

SUSE's headcount remained broadly flat in Q2 versus the prior quarter, as SUSE continued to invest in R&D functions, offset by a modest decline in its sales force.

In the quarter, SUSE signed important deals with new and existing customers. These included cross-selling of Rancher to a leading semiconductor design company; a SLES renewal with upsell to a major German Automotive manufacturer; and high value SLES renewals at two of Japan's largest banks.

SUSE continues to drive innovation and in April launched Rancher 2.7.2. The latest version of Rancher includes a new extension framework, empowering users and independent software vendors to create customized user experiences, significantly enhancing the operationalization of their entire Kubernetes environment. SUSE also added new paid-for components to enhance the value of Rancher Prime, designed to help enterprise customers improve performance and resiliency of their Kubernetes clusters, including access to SUSE's customer engagement platform, SUSE Collective.

In April, SUSE also launched the latest version of SUSE Linux Enterprise Micro (SLE Micro), its lightweight operating system. SLE Micro is purpose-built for containerized and virtualized workloads, making it the optimal choice for edge devices.

In June, SUSE launched the latest version of its enterprise Linux platform, designed to deliver high-performance computing capabilities which are essential for AI workloads. Enhanced Confidential Computing offers customers an additional layer of security in cloud and edge environments.

The total number of shares in issue at the end Q2 was 170.0 million. At July 6, this had increased to 170.8 million shares following the vesting of Restricted Stock Units.

## ACV and Revenues

Q2 ACV was $130.6 million, down 6%, comprising Core ACV of $107.5 million, down 5%, and Emerging ACV of $23.1 million, down 10%. Movements are the same at constant currency.

Core ACV performance was driven by the impact of the ongoing economic uncertainty on customers' decision making. Furthermore, the salesforce reorganization during Q1 did not gain the expected level of traction and impacted performance. Growth in sales through the Cloud route-to-market was also lower than anticipated as customers optimize their cloud operations, which particularly impacted Core ACV.

Emerging ACV was also impacted by current macro uncertainty and the recent sales force reorganization.

Q2 Adjusted Revenue was $162.4 million, up 1%, comprising Core Revenue of $132.0 million, down 1%, and Emerging Revenue of $30.4 million, up 11%. Movements are the same at constant currency.

Adjusted Revenue was impacted by ongoing macroeconomic uncertainty, slower Cloud growth, and lower-than-expected traction from the sales force reorganization completed in Q1, leading to some downsell in Core. Continued growth in Emerging revenue was driven by new business and upselling.

Adjusted Revenue growth has also been negatively impacted by 1 ppt by the suspension of sales to Russian customers and legacy product run-off.

The average contract duration on a last-12-months basis was 18 months, 2 months lower than the prior quarter. This only considers contracts paid up front and reflects customers' preference to conserve cash in the current macroeconomic environment. Some customers are moving to multi-year commitments on annual payment terms, resulting in a 15% increase in SUSE's Remaining Performance Obligation at end Q2.

## ACV – By Route-to-Market

| **All USD $m unless otherwise stated** | **FY23 Q2** | **FY22 Q2** | **YoY Actual** | **FY23 H1** | **FY22 H1** | **YoY Actual** |
|---|---|---|---|---|---|---|
| End User & Cloud | 109.6 | 111.5 | (2)% | 235.8 | 234.0 | 1% |
| IHV & Embedded | 21.0 | 27.9 | (25)% | 41.8 | 49.2 | (15)% |
| **Total ACV** | **130.6** | **139.4** | **(6)%** | **277.6** | **283.2** | **(2)%** |

End User and Cloud ACV was down 2% in Q2, driven by lower sales through the End User route-to-market, partly offset by continued growth in Cloud ACV.

Independent Hardware Vendors (IHV) and Embedded ACV declined 25% in Q2, driven by lower hardware shipments, a shift to selling through other routes, primarily through Cloud Service Providers, and challenging market conditions in Greater China.

## ACV – By Region

| All USD $m unless otherwise stated | FY23 Q2 | FY22 Q2 | YoY Actual | FY23 H1 | FY22 H1 | YoY Actual |
|---|---|---|---|---|---|---|
| Europe, Middle East and Africa | 57.4 | 50.6 | 13% | 125.1 | 118.3 | 6% |
| North America | 54.8 | 62.1 | (12)% | 110.2 | 117.9 | (7)% |
| Asia Pacific and Japan | 9.9 | 8.2 | 21% | 19.4 | 17.7 | 9% |
| Greater China | 5.1 | 9.6 | (47)% | 11.4 | 16.2 | (29)% |
| Latin America | 3.4 | 8.9 | (62)% | 11.5 | 13.1 | (12)% |
| **Total ACV** | **130.6** | **139.4** | **(6)%** | **277.6** | **283.2** | **(2)%** |

ACV growth of 13% in Europe, Middle East and Africa included a significant renewal with upsell. Asia Pacific and Japan ACV growth of 21% was also supported by large renewals.

In North America and Latin America, phasing of renewals and fewer net new customers led to ACV declining 12% and 62% respectively. The decline of 47% in Greater China ACV was driven by some deal slippage and local market conditions, with customers prioritizing local service providers.

## Annual Recurring Revenue and Net Retention Rate

Total Annual Recurring Revenue (ARR) as at January 31, 2023, of $657.5 million, up 6%, was supported by growth in both Core and Emerging ARR versus the prior year. Growth was driven by higher ARR from existing customers, reflecting a Net Retention Ratio (NRR) of 102%, and by ARR from new customers.

SUSE's Net Retention Rate (NRR) as at January 31, 2023, of 102% demonstrates continued upsell to our existing customer base. Partly offsetting this, in the current macroeconomic uncertainty, we are seeing higher levels of downsell than in previous quarters.

ARR growth and NRR have both been negatively impacted by 2 ppt by the suspension of sales to Russian customers, legacy product run-off, and exchange rate movements.

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

## Costs

SUSE's Q2 Adjusted Cost of Sales grew broadly in line with Adjusted Revenue versus the prior year, resulting in a consistently high Adjusted Gross Profit margin of 92%.

Total Operating Expenses increased by 8% in Q2, 11% at constant currency, driven by investment in people across Research and Development (R&D) and General and Administrative (G&A) functions, and differences in timing of spend versus the prior year, partly offset by lower headcount in sales.

Sales, Marketing and Operations costs declined by 4%, and by 2% at constant currency, reflecting SUSE's disciplined approach to costs and lower headcount following the sales reorganization at the start of the financial year.

R&D costs increased by 17%, and by 20% at constant currency, as SUSE continued to expand its R&D headcount focused on product development.

G&A costs increased by 27% and by 31% at constant currency, driven by differences in timing of spend versus the prior year and some wage inflation, in line with market conditions.

## Profitability

| **All USD $m unless otherwise stated** | **FY23 Q2** | **FY22 Q2** | **YoY Actual** | **FY23 H1** | **FY22 H1** | **YoY Actual** |
|---|---|---|---|---|---|---|
| **Adjusted EBITDA** | **52.2** | **58.6** | **(11)%** | **119.3** | **110.9** | **8%** |
| *Adjusted EBITDA Margin* | *32%* | *36%* | | *36%* | *35%* | |
| Change in Deferred Revenue | (6.7) | 17.3 | n.m. | (4.2) | 58.1 | n.m. |
| **Adjusted Cash EBITDA** | **45.5** | **75.9** | **(40)%** | **115.1** | **169.0** | **(32)%** |
| *Adjusted Cash EBITDA Margin* | *28%* | *47%* | | *35%* | *53%* | |

Adjusted EBITDA declined 11% versus the prior year, with revenue growth offset by higher operating costs.

Change in Deferred Revenue was negative $6.7 million, driven by a lower gross increase in Deferred Revenue (total contract value), reflecting lower ACV and shorter contract lengths in Q2 versus the prior year.

The decreases in Adjusted EBITDA and negative Change in Deferred Revenue led to Adjusted Cash EBITDA of $45.5 million, down 40%.

In addition to Deferred Revenue, SUSE's Remaining Performance Obligation (RPO) reflects commitments to customers which are not yet invoiced. RPO increased by 15% versus the prior year to $141.8 million, representing an increase in contracts signed but not paid up-front, which will drive future increases in Deferred Revenue and support future cash flows.

## Cash Flow

| All USD $m unless otherwise stated | FY23 Q2 | FY22 Q2 | YoY Actual | FY23 H1 | FY22 H1 | YoY Actual |
|---|---|---|---|---|---|---|
| **Adjusted Cash EBITDA** | **45.5** | **75.9** | **(40)%** | **115.1** | **169.0** | **(32)%** |
| Gross tangible capital expenditure | (3.2) | (2.7) | **19%** | (5.6) | (4.7) | **19%** |
| Change in core working capital | (13.0) | (19.9) | **(35)%** | 3.1 | (54.4) | **n.m.** |
| Commissions paid (net of amortization) | (3.2) | (8.2) | **(61)%** | (8.3) | (13.3) | **(38)%** |
| Leases paid | (2.2) | (1.9) | **16%** | (4.2) | (3.8) | **11%** |
| Cash taxes | (6.0) | (5.5) | **9%** | (8.7) | (10.5) | **(17)%** |
| **Adjusted uFCF** | **17.9** | **37.7** | **(53)%** | **91.4** | **82.3** | **11%** |
| Adj uFCF Converson from Adj EBITDA | 34% | 64% | | 77% | 74% | |

Q2 Adjusted Unlevered Free Cash Flow was $17.9 million, down 53%, primarily reflecting the lower Adjusted Cash EBITDA. Change in Core Working Capital was a smaller outflow than the prior year, driven by a decrease in payables, and commission paid (net of amortization) was down 61%, reflecting the lower ACV and shorter contract lengths in Q2 versus the prior year. Capex, leases paid and cash taxes were broadly in line with the prior year.

## Leverage

| All USD $m unless otherwise stated | FY23 End Q2 | FY22 End Q2 | YoY Actual |
|---|---|---|---|
| Net Debt | 543.8 | 654.5 | (17)% |
| Adjusted Cash EBITDA (LTM) | 241.3 | 285.7 | (16)% |
| Leverage | 2.3 | 2.3 | (2)% |

Net Debt at the end of Q2 was $543.8 million, a reduction of $110.7 million versus the prior year, driven by SUSE's strong cash flow.

As a result, SUSE's Leverage, calculated as the Net Debt divided by the last-12-months Adjusted Cash EBITDA, was 2.3x, flat versus the prior year and well within SUSE's commitment to keep Leverage below 3.5x.

Versus the prior quarter Leverage of 2.0x, Leverage increased by 0.3x, driven by a small increase in Net Debt and lower last-12-months Adjusted Cash EBITDA.

## ESG

At SUSE, we are committed to integrating sustainable practices into our operations and driving positive impact. Here are some noteworthy accomplishments from the first half of the year:

- Environment: Our science-based targets were approved by Science Based Targets initiative (SBTi) as aligned to the "1.5ºC trajectory". We have also made progress in tackling direct emissions, including plans to further reduce our diesel fleet and optimize office space usage
- Social: Despite a period of significant change, our employee NPS remains stable and on-target (35), demonstrating a resilient workforce and strong engagement. In addition, we have seen a strong decline in our voluntary attrition, improved focus on Diversity, Equity, Inclusion & Belonging (DEI&B) and a purpose-driven culture
- Governance: To ensure compliance with EU directives, we have launched a Corporate Sustainability reporting Directive (CSRD) readiness program, laying the groundwork for future Annual Disclosures. In addition, in June, we submitted a Communication on Progress (CoP) to the United Nations Global Compact (UNGC) principles, reaffirming our steadfast commitment to the Sustainable Development Goals (SDG)
- External Assessment: We proudly announce our AAA rating, the highest possible rating, from MSCI and our PRIME status from ISS (Institutional Shareholder Services) Corporate Ratings, recognizing our exceptional ESG performance

Moving forward, we remain committed to advancing our ESG agenda and driving positive change within SUSE and beyond.

## Outlook

SUSE reiterates its guidance for FY23 and the medium-term.

As stated in SUSE's Q2 Trading Update, given the current trading conditions we now expect reported Adjusted Revenue growth for the year to be mid-single digits percent. This comprises reported Core Revenue growth of low-single digits percent, and Emerging Revenue growth around 10%.

We expect our Adjusted EBITDA margin to be in the mid-thirties percent, with reported opex slightly higher from exchange rate movements since FY22. We expect Adjusted Unlevered Free Cash Flow conversion to be in excess of 50%.

SUSE will maintain its disciplined approach to investment to balance growth and profitability beyond FY23, and in the medium-term expects Adjusted Revenue growth of mid-to-high teens percent p.a., and an Adjusted EBITDA margin in excess of 40%.

Medium-term revenue growth comprises Core Revenue growth in excess of 10% p.a., and Emerging Revenue growth in excess of 30% p.a., reflecting our latest medium-term view of market growth rates and SUSE's ability to gain share in its markets.

SUSE also expects Adjusted Unlevered Free Cash Conversion to be in excess of 80% in the medium-term, reflecting demand for long-term contracts with up-front payment.

SUSE expects to build steadily toward these performance levels over the coming years, subject to market and macroeconomic developments.

# 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.

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### Webcast Details

Dirk-Peter van Leeuwen (CEO) and Jonathan Atack (Interim CFO) will host an analyst and investor conference call at 10:00 AM CEST / 9:00 AM BST on July 6, 2023, to discuss the results.

If you would like to dial in and ask questions during the conference and have not pre-registered, please call +49 162 2059754 or email suse@kekstcnc.com for dial-in details.

The audio webcast can be followed in listen-only mode using this link:

https://www.webcast-eqs.com/suse-2023-q2

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 |
|---|---|
| September 21, 2023 | Release of Q3 FY23 results |
| January 18, 2024 | Release of Q4 FY23 results and publication of FY23 Annual Report |

# APPENDIX 1 Reconciliation from IFRS to Adjusted Pro Forma Figures

## IFRS Revenue to Adjusted Revenue

| All USD $m unless otherwise stated | FY23 Q2 | FY22 Q2 | YoY Actual | FY23 H1 | FY22 H1 | YoY Actual |
|---|---|---|---|---|---|---|
| Revenue - IFRS | 161.9 | 159.8 | 1% | 330.3 | 313.3 | 5% |
| *Adjustments* | | | | | | |
| Contract liability haircut amortized | 0.6 | 1.6 | (63)% | 1.2 | 3.2 | (62)% |
| Contract asset haircut amortized | (0.1) | (0.1) | 0% | (0.1) | (0.2) | (50)% |
| **Adjusted Revenue** | **162.4** | **161.3** | **1%** | **331.4** | **316.3** | **5%** |

## IFRS Operating Profit/(Loss) to Adjusted EBITDA

| All USD $m unless otherwise stated | FY23 Q2 | FY22 Q2 | YoY Actual | FY23 H1 | FY22 H1 | YoY Actual |
|---|---|---|---|---|---|---|
| Operating profit/(loss) - IFRS | (25.3) | (8.0) | 216% | 9.2 | (11.4) | n.m. |
| *Adjustments* | | | | | | |
| Depreciation and Amortization | 37.0 | 39.7 | (7)% | 73.5 | 78.5 | (6)% |
| Separately reported items | 1.9 | 0.0 | n.m. | 6.8 | 0.0 | n.m. |
| Contract liability haircut amortized | 0.6 | 1.6 | (63)% | 1.2 | 3.2 | (63)% |
| Contract asset haircut amortized | (0.1) | (0.1) | 0% | (0.1) | (0.2) | (50)% |
| Non-recurring items | 3.5 | 6.3 | (44)% | 4.8 | 9.1 | (47)% |
| Share-based payments - charge | 12.1 | 12.7 | (5)% | 24.0 | 22.6 | 6% |
| Share-based payments - ER taxes | 0.0 | 0.5 | (100)% | 0.6 | 0.9 | (33)% |
| Foreign exchange - unrealized | 22.5 | 5.9 | 281% | (0.7) | 8.2 | n.m |
| **Adjusted EBITDA** | **52.2** | **58.6** | **(11)%** | **119.3** | **110.9** | **8%** |

## Adjusted Deferred Revenue to IFRS Deferred Revenue

| All USD $m unless otherwise stated | FY23 Q2 | FY22 Q2 | YoY Actual | FY23 H1 | FY22 H1 | YoY Actual |
|---|---|---|---|---|---|---|
| Change in Deferred Revenue | (6.7) | 17.3 | n.m. | (4.2) | 58.1 | n.m. |
| *Adjustments* | | | | | | |
| Contract liability haircut amortized | 0.6 | 1.6 | (63)% | 1.2 | 3.2 | (63)% |
| Contract asset haircut amortized | (0.1) | (0.1) | 0% | (0.1) | (0.2) | (50)% |
| **Change in deferred revenue - IFRS** | **(6.2)** | **18.8** | **n.m.** | **(3.1)** | **61.1** | **n.m.** |

## IFRS Net Cash Inflow from Operating Activities to Adjusted uFCF

| All USD $m unless otherwise stated | FY23 Q2 | FY22 Q2 | YoY Actual | FY23 H1 | FY22 H1 | YoY Actual |
|---|---|---|---|---|---|---|
| **Net cash inflow from operating activities** | **4.3** | **25.0** | **(83)%** | **62.5** | **51.1** | **22%** |
| Interest paid | 12.4 | 7.0 | **77%** | 20.8 | 15.1 | **38%** |
| Tax paid | 6.0 | 5.5 | **9%** | 8.7 | 10.5 | **(17)%** |
| **Cash generated from operations** | **22.7** | **37.5** | **(39)%** | **92.0** | **76.7** | **20%** |
| Addbacks - non cash items | (78.1) | (63.1) | **24%** | (110.0) | (119.5) | **(8)%** |
| Movements - other working capital | 11.2 | 21.9 | **(49)%** | (2.8) | 66.7 | **n.m.** |
| Movement in other pensions | 0.4 | 0.2 | **100%** | 0.6 | 0.5 | **20%** |
| Movements in provisions | 2.1 | 0.8 | **163%** | 5.6 | 2.0 | **180%** |
| Movements in contract related assets | 8.4 | 12.0 | **(30)%** | 18.3 | 20.3 | **(10)%** |
| Movements in deferred revenue | 6.7 | (17.3) | **n.m.** | 4.2 | (58.1) | **n.m.** |
| Cash-settled share-based payments | 1.3 | 0.0 | **n.m.** | 1.3 | 0.0 | **n.m.** |
| **Operating profit/(loss) per IFRS** | **(25.3)** | **(8.0)** | **216%** | **9.2** | **(11.4)** | **n.m.** |
| Depreciation and Amortization | 37.0 | 39.7 | **(7)%** | 73.5 | 78.5 | **(6)%** |
| **EBITDA per IFRS Statements** | **11.7** | **31.7** | **(63)%** | **82.7** | **67.1** | **23%** |
| Separately reported items | 1.9 | 0.0 | **n.m.** | 6.8 | 0.0 | **n.m.** |
| Contract liability haircut amortized | 0.6 | 1.6 | **(63)%** | 1.2 | 3.2 | **(63)%** |
| Contract asset haircut amortized | (0.1) | (0.1) | **0%** | (0.1) | (0.2) | **(50)%** |
| Non-recurring items | 3.5 | 6.3 | **(44)%** | 4.8 | 9.1 | **(47)%** |
| Share-based payments - charge | 12.1 | 12.7 | **(5)%** | 24.0 | 22.6 | **6%** |
| Share-based payments - ER taxes | 0.0 | 0.5 | **(100)%** | 0.6 | 0.9 | **(33)%** |
| Foreign exchange - Unrealized | 22.5 | 5.9 | **281%** | (0.7) | 8.2 | **n.m.** |
| **Adjusted EBITDA** | **52.2** | **58.6** | **(11)%** | **119.3** | **110.9** | **8%** |
| Change in deferred revenue | (6.7) | 17.3 | **n.m.** | (4.2) | 58.1 | **n.m.** |
| **Adjusted Cash EBITDA** | **45.5** | **75.9** | **(40)%** | **115.1** | **169.0** | **(32)%** |
| Gross tangible capital expenditure | (3.2) | (2.7) | **19%** | (5.6) | (4.7) | **19%** |
| Change in core working capital | (13.0) | (19.9) | **(35)%** | 3.1 | (54.4) | **n.m.** |
| Commissions paid (net of amortization) | (3.2) | (8.2) | **(61)%** | (8.3) | (13.3) | **(38)%** |
| Leases paid | (2.2) | (1.9) | **16%** | (4.2) | (3.8) | **11%** |
| Cash taxes | (6.0) | (5.5) | **9%** | (8.7) | (10.5) | **(17)%** |
| **Adjusted Unlevered Free Cash Flow** | **17.9** | **37.7** | **(53)%** | **91.4** | **82.3** | **11%** |

## IFRS Working Capital Movements to Change in Core Working Capital

| All USD $m unless otherwise stated | FY23 Q2 | FY22 Q2 | YoY Actual | FY23 H1 | FY22 H1 | YoY Actual |
|---|---|---|---|---|---|---|
| **Working Capital Movements - IFRS** | | | | | | |
| Movements in trade receivables | (21.0) | (13.4) | 57% | 30.7 | (15.1) | n.m. |
| Movements in other receivables | (3.1) | (2.0) | 55% | (10.8) | (4.5) | 140% |
| Movements in trade payables | 5.5 | (3.7) | n.m. | (1.1) | (5.2) | (79)% |
| Movements in other payables | 7.4 | (2.7) | n.m. | (16.0) | (41.8) | (62)% |
| **Total Working Capital Movements - IFRS** | **(11.2)** | **(21.8)** | **(49)%** | **2.8** | **(66.6)** | **n.m.** |
| **Remove non-recurring items:** | | | | | | |
| Third party consulting fees | (0.3) | (0.6) | (50)% | 0.2 | (0.7) | n.m. |
| Transaction costs | 0.1 | 2.5 | (96)% | 1.3 | 12.9 | (90)% |
| Integration costs | (1.6) | 0.0 | n.m. | (1.2) | 0.0 | n.m. |
| **Total Working Capital Adjustments** | **(1.8)** | **1.9** | **n.m.** | **0.3** | **12.2** | **(98)%** |
| **Change in core working capital (within uFCF)** | **(13.0)** | **(19.9)** | **(35)%** | **3.1** | **(54.4)** | **n.m.** |

# APPENDIX 2 Comparable Data for Prior Periods

| All USD $m unless otherwise state | FY21 | | FY22 | | | | FY23 | |
|---|---|---|---|---|---|---|---|---|
| | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| **ACV by Solution** | | | | | | | | |
| Core | 101.5 | 98.7 | 119.9 | 113.6 | 93.2 | 102.4 | 118.5 | 107.5 |
| Emerging | 17.5 | 26.3 | 23.9 | 25.8 | 21.2 | 35.9 | 28.5 | 23.1 |
| **Total ACV** | **119.0** | **125.0** | **143.8** | **139.4** | **114.4** | **138.3** | **147.0** | **130.6** |
| **Adjusted Revenue by Solution** | | | | | | | | |
| Core | 133.2 | 133.4 | 130.2 | 133.9 | 142.9 | 139.8 | 137.5 | 132.0 |
| Emerging | 17.8 | 20.6 | 24.8 | 27.4 | 28.3 | 30.5 | 31.5 | 30.4 |
| **Total Adjusted Revenue** | **151.0** | **154.0** | **155.0** | **161.3** | **171.2** | **170.3** | **169.0** | **162.4** |
| Adjusted Cost of Sales | 11.6 | 10.8 | 11.8 | 13.1 | 13.3 | 12.7 | 13.4 | 13.4 |
| **Adjusted Gross Profit** | **139.4** | **143.2** | **143.2** | **148.2** | **157.9** | **157.6** | **155.6** | **149.0** |
| *Adjusted Gross Profit Margin* | *92%* | *93%* | *92%* | *92%* | *92%* | *93%* | *92%* | *92%* |
| Sales, Marketing & Operations | 39.0 | 45.7 | 43.0 | 46.3 | 45.0 | 45.1 | 42.0 | 44.5 |
| Research & Development | 25.4 | 24.8 | 27.0 | 27.1 | 27.1 | 26.0 | 28.0 | 31.7 |
| General & Administrative | 19.8 | 24.7 | 20.9 | 16.2 | 20.7 | 20.6 | 18.5 | 20.6 |
| **Total Operating Expenses** | **84.2** | **95.2** | **90.9** | **89.6** | **92.8** | **91.7** | **88.5** | **96.8** |
| **Adjusted EBITDA** | **55.2** | **48.0** | **52.3** | **58.6** | **65.1** | **65.9** | **67.1** | **52.2** |
| *Adjusted EBITDA Margin* | *37%* | *31%* | *34%* | *36%* | *38%* | *39%* | *40%* | *32%* |
| Change in deferred revenue | 9.8 | 3.7 | 40.8 | 17.3 | (18.9) | 14.1 | 2.5 | (6.7) |
| **Adjusted Cash EBITDA** | **65.0** | **51.7** | **93.1** | **75.9** | **46.2** | **80.0** | **69.6** | **45.5** |
| *Adjusted Cash EBITDA Margin* | *43%* | *34%* | *60%* | *47%* | *27%* | *47%* | *41%* | *28%* |

## APPENDIX 3 Alternative Performance Measures (APMs)

This document contains certain alternative performance measures (collectively, "APMs") as defined below 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. SUSE has defined each of its APMs as follows:

| | |
|---|---|
| Annual Contract Value or ACV | represents the first 12 months 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 | represents the sum of the monthly contractual value for subscriptions and recurring elements of contracts in a given one month period, multiplied by 12. ARR is calculated three months in arrears, given backdated royalties relating to IHV and Cloud Service Providers, and hence reflects the customer base as of three months prior. |
| Adjusted Cash EBITDA | represents Adjusted EBITDA plus changes in contract liabilities (also referred to as deferred revenue) in the related period and excludes the impact of contract liabilities haircut (also referred to as deferred revenue haircut). |
| Adjusted Cash EBITDA Margin | expressed as a percentage, this APM represents Adjusted Cash EBITDA divided by Adjusted Revenue. |
| Adjusted Gross Profit | represents Adjusted Revenue less cost of sales adjusted for non-recurring items. |
| Adjusted Gross Profit Margin | expressed as a percentage, this APM represents Adjusted Gross Profit divided by Adjusted Revenue. |
| Adjusted Earnings per share | represents Adjusted Profit after Tax divided by the weighted average number of ordinary shares in issue during the period. Diluted Adjusted Earnings Per Share takes into account potential dilution from outstanding share grants and options. |
| Adjusted EBITDA | represents earnings before net finance costs, share of loss on associate and tax, adjusted for depreciation and amortization of intangible assets, share–based payments, contract liabilities haircut, 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 Effective Tax Rate | represents the IFRS effective tax rate adjusted for the tax effect of adjusting items (those items adjusted for to arrive at Adjusted Profit before Tax). |
| Adjusted Profit Before Tax | represents Adjusted EBITDA, less depreciation and amortization (excluding intangible amortization for customer relationships, intellectual property and non-compete agreements) less net finance costs. |

| | |
|---|---|
| Adjusted Profit After Tax | represents Adjusted Profit Before Tax less notional tax. |
| Adjusted Revenue | represents Revenue as reported in the statutory accounts of the Group, adjusted for contract liability fair value adjustment (also referred to as deferred revenue haircut). |
| Adjusted unlevered Free Cash Flow or Adjusted uFCF | represents Adjusted Cash EBITDA less tangible capital expenditure related cash outflow, working capital movements (including commissions paid net of amortization of contract-related assets and excluding non-recurring items), cash taxes paid and leases paid. |
| Cash Conversion | expressed as a percentage, this APM represents Adjusted uFCF divided by Adjusted EBITDA. |
| Contractual Liabilities and Remaining Performance Obligations or "RPO" | a Contract Liability is an entity's obligation to transfer goods or services to a customer and is recognized in the Statement of Financial Position, when a payment from a customer is invoiced, before a related performance obligation is satisfied. A remaining performance obligation is a promise to transfer goods or services to a customer (with a contract agreed), at a point in the future, but is yet to be invoiced or recognized in the Statement of Financial Position. |
| Leverage | expressed as a multiple, Leverage is Net Debt divided by Adjusted Cash EBITDA. |
| Net Debt | represents the sum of current and non-current interest bearing borrowings (excluding un-amortized capitalized arrangement fees, gains or losses on loan modifications), current and non-current lease liabilities, less cash and cash equivalents. |
| 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. |
| Notional Tax | represents total income tax charge/credit for the year less the taxation charge/credit associated with adjusting items (those items adjusted for to arrive at Adjusted Profit before Tax). |