SUSE's Subscription Business Delivers Resilient Profitability In Q4

- As reported in its Q4 Trading Update, SUSE's strong close to its financial year delivered FY22 Adjusted Revenue of $658 million, up 14%, and an Adjusted EBITDA margin of 37%, in line with guidance. FY22 ACV of $536 million was up 9%
- Q4 IFRS Revenue of $170 million was up 12%, and Q4 IFRS Operating Profit was $8 million, up from a loss of $(20) million in the prior year
- Q4 ARR of $646 million, up 12%, demonstrates the continued strength of SUSE's subscription business
- Adjusted EBITDA margin was 39% for Q4, 37% for FY22, as SUSE maintained its disciplined approach to investments to balance growth and profitability, supported by foreign exchange movements
- Adjusted uFCF conversion was 67% for Q4, 78% for FY22, impacted by a working capital outflow in Q4 driven by timing of customer collections, which is expected to reverse in the coming quarters
- SUSE continued to drive innovation across all product lines, launching Rancher Prime, its prototype Adaptable Linux Platform (ALP) and SUSE Edge 2.0
- In November, SUSE simplified and re-focused its sales organization, including the creation of a specialized sales force dedicated to acquiring new and managing existing Emerging customers
- In FY23, SUSE expects to deliver Adjusted Revenue growth of 11-13% at constant currency, with reported growth around 2 ppt lower based on end Q4 exchange rates. SUSE also expects Adjusted EBITDA margin expansion from FY22
- In the medium-term, SUSE now expects Adjusted Revenue growth around mid-to-high teens percent p.a., and an Adjusted EBITDA margin in excess of 40%

All USD $m unless otherwise stated	**FY22 Q4**	**FY21 Q4**	**YoY Actual**	**YoY CCY**	**FY22 Full Year**	**FY21 Full Year**	**YoY Actual**	**YoY CCY**
Non-IFRS measures								
ACV	138.3	125.0	11%	16%	535.9	490.6	9%	13%
ARR (as of July 2022)	645.8	574.9	12%		645.8	574.9	12%	
Adjusted Revenue	170.3	154.0	11%	12%	657.8	575.9	14%	15%
Adjusted EBITDA	65.9	48.0	37%	17%	241.9	212.1	14%	8%
Adjusted EBITDA Margin	*39%*	*31%*			*37%*	*37%*		
Adjusted uFCF	43.9	54.8	(20)%		187.7	200.2	(6)%	
IFRS measures								
Revenue	169.6	151.8	12%		653.0	559.5	17%	
Gross Profit	156.5	140.6	11%		601.2	516.3	16%	
Operating Profit Before D&A	44.8	14.3	213%		152.6	(47.9)	n.m.	
Net Cash Inflow From Operating Activities	42.1	37.0	14%		147.2	2.8	5157%	

Luxembourg – January 19, 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 fourth quarter of financial year 2022, which ended October 31, 2022.

"Following our strong close to the year, we're fully focused on delivering another robust performance in FY23, underpinned by the evolution of our go-to-market approach," said Melissa Di Donato, CEO of SUSE. "Despite the challenging environment, our resilient business model, constant innovation, and our expanding markets make us confident in our sustainable growth in the years ahead."

"We delivered against our revenue and profitability guidance for FY22, and continued to generate strong cash flow," said Andy Myers, CFO of SUSE. "In the current macroeconomic uncertainty, we remain committed to profitable growth and margin expansion, enabled by our disciplined approach to investments."

Notes

This document contains Alternative Performance Measures as defined in Appendix 3. 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. NeuVector in included within the prior year's Net Debt, Leverage and Contractual Liabilities as part of the 31 October 2021 balance sheet.

ARR and NRR are reported one quarter in arrears in USD millions at actual FX rates. In Q2 FY22, SUSE updated its ARR methodology. Q2, Q3 and Q4 FY22 ARR have been reported based on the updated methodology, and Q1 FY22 and FY21 were restated based on the new methodology. NRR has also been updated to reflect the new methodology with limited impact on reported figures.

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 Annual Report. Reconciliations to IFRS measures are shown in Appendix 1.

SUSE

Summary IFRS Income Statement, KPIs and Adjusted Profit and Loss for Q4 and Full Years 2022 and 2021

Summary IFRS Income Statement

All USD $m unless otherwise stated	FY22 Q4	FY21 Q4	YoY Actual	FY22 Full Year	FY21 Full Year	YoY Actual
Revenue	169.6	151.8	12%	653.0	559.5	17%
Cost of sales	(13.0)	(11.2)	16%	(51.8)	(43.2)	20%
Gross profit	**156.6**	**140.6**	11%	**601.2**	**516.3**	16%
Operating expenses	(111.8)	(126.3)	(11)%	(448.6)	(564.2)	(20)%
Amortization of intangible assets	(34.5)	(30.9)	12%	(142.0)	(142.0)	0%
Depreciation - PPE	(1.0)	(1.1)	(9)%	(3.8)	(4.5)	(16)%
Depreciation - Right of Use Assets	(1.4)	(1.9)	(26)%	(7.3)	(6.5)	12%
Operating profit/(loss)	**7.9**	**(19.6)**	**n.m.**	**(0.5)**	**(200.9)**	(100)%
Net finance costs	(10.0)	(20.8)	(52)%	(40.7)	(58.9)	(31)%
Share of losses on associate	(0.6)	(0.5)	20%	(2.3)	(2.1)	10%
Loss before tax	**(2.7)**	**(40.9)**	(93)%	**(43.5)**	**(261.9)**	(83)%
Taxation	2.6	3.3	(21)%	4.0	54.3	(93)%
Loss for the period	**(0.1)**	**(37.6)**	(100)%	**(39.5)**	**(207.6)**	(81)%

KPIs and Adjusted Profit and Loss

All USD $m unless otherwise stated	FY22 Q4	FY21 Q4	YoY Actual	YoY CCY	FY22 Full Year	FY21 Full Year	YoY Actual	YoY CCY
ACV by Solution								
Core	102.4	98.7	4%	8%	429.1	406.1	6%	9%
Emerging	35.9	26.3	37%	43%	106.8	84.5	26%	30%
Total ACV	**138.3**	**125.0**	**11%**	**16%**	**535.9**	**490.6**	**9%**	**13%**
ARR (as at July)	**645.8**	**574.9**	**12%**		**645.8**	**574.9**	**12%**	
NRR as % (as at July)	**106.2%**	**110.7%**	**(4)%**		**106.2%**	**110.7%**	**(4)%**	
Adjusted Revenue by Solution								
Core	139.8	133.4	5%	6%	546.8	506.6	8%	9%
Emerging	30.5	20.6	48%	49%	111.0	69.3	60%	61%
Total Adjusted Revenue	**170.3**	**154.0**	**11%**	**12%**	**657.8**	**575.9**	**14%**	**15%**
Cost of Sales	12.7	10.8	18%	26%	50.9	41.0	24%	30%
Adjusted Gross Profit	**157.6**	**143.2**	**10%**	**11%**	**606.9**	**534.9**	**13%**	**14%**
Adjusted Gross Profit Margin	*93%*	*93%*			*92%*	*93%*		
Sales, Marketing & Operations	45.1	45.7	(1)%	8%	179.4	152.1	18%	23%
Research & Development	26.0	24.8	5%	15%	107.2	94.6	13%	19%
General & Administrative	20.6	24.7	(17)%	(4)%	78.4	76.1	3%	11%
Total Operating Expenses	**91.7**	**95.2**	**(4)%**	**7%**	**365.0**	**322.8**	**13%**	**19%**
Adjusted EBITDA	**65.9**	**48.0**	**37%**	**17%**	**241.9**	**212.1**	**14%**	**8%**
Adjusted EBITDA Margin	*39%*	*31%*			*37%*	*37%*		
Depreciation & Amortization	5.0	5.4	(7)%		21.3	20.3	5%	
Adjusted EBIT	**60.9**	**42.6**	43%		**220.6**	**191.8**	15%	
Net Finance Costs	10.0	20.8	(52)%		40.7	58.9	(31)%	
Adjusted Profit before Tax	**50.9**	**21.8**	133%		**179.9**	**132.9**	35%	
Notional Tax	8.1	Not Reported			45.3	47.8	(5)%	
Adjusted Profit after Tax	**42.8**	Not Reported			**134.6**	**85.1**	58%	
Number of Shares	169.3	168.4	1%		169.2	83.8	n.m.	
Adjusted Earnings Per Share	0.25	Not Reported			0.80	1.02	(22)%	

Notes: 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 October 31, 2022, was 169.4 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. Historical data is also based on pro forma figures including Rancher prior to its acquisition by SUSE in November 2020. The Q1 numbers for FY21 include three months for Rancher on a pro forma basis. NeuVector is included in FY22; 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 Annual 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 continued to deliver strong revenue growth and high profitability in Q4, demonstrating the resilience of its mission-critical subscription software business in a challenging macroeconomic environment.

Full year Adjusted Revenue and profitability were in line with guidance, and robust Q4 trading resulted in total FY22 ACV growth of 9%. Renewals remained solid in Q4, supporting ACV growth, with increased upsell versus the prior year. While selling to new customers remains challenging, ACV from new customers increased quarter-on-quarter.

Our markets continue to expand, driven by established global mega trends, and SUSE's competitive position and disciplined approach to investments ensure it is well placed to capitalize on this growth. Enterprise customers continue to sign multi-year contracts with up-front payment, and this is the basis for our confidence in our plans for long-term, sustainable growth with high profit margins and high cash conversion.

In the quarter we signed important deals with new and existing customers. A large German multinational engineering and technology customer extended their Rancher subscription five-fold; a major global investment bank selected Rancher after a competitive tender process; and a prominent U.S. enterprise software leader chose NeuVector to manage their end-to-end container security, with significant expansion potential.

SUSE continues to innovate and in recent months we made significant announcements covering Linux, Rancher and Edge solutions. In October, SUSE launched a prototype of its Adaptable Linux Platform (ALP), the next generation of Linux. ALP will allow users to run workloads across the largest data centers, the cloud, and the edge. To best support cloud native applications, ALP is built from the ground up on container technologies, which will offer enhanced security, resilience and reliability.

SUSE also launched SUSE Edge 2.0 in October, a purpose-built, fully integrated solution for management of edge devices at scale. SUSE Edge 2.0 integrates the latest versions of Rancher, SLE Micro and SUSE NeuVector to create a platform that simplifies, centralizes and automates Kubernetes and Linux lifecycle management across distributed edge locations.

Finally, in December SUSE launched the first differentiated paid-for version of Rancher, Rancher Prime. Focusing on additional security and compliance capabilities, the launch was the first step in creating a fully differentiated Rancher experience to motivate customers to upgrade from the freely available community version of Rancher to a paid subscription.

SUSE is evolving its business to optimize its go-to-market approach for Rancher Prime, meet the demands of its growing large enterprise customer base, and ensure it remains well placed in the current macroeconomic environment. To this end in November, SUSE simplified and re-focused its sales organization, including the creation of a specialized sales force dedicated to acquiring new and managing existing Emerging (primarily Rancher Prime) customers. Furthermore, accountability for distributor relationships and indirect customers now resides under a single sales leader to ensure our partners are more involved in the sales process, enabling efficiencies as fewer SUSE salespeople are required to support each deal.

Following rapid organizational expansion earlier in the year, headcount stayed broadly flat in Q4. Hiring was concentrated in our research and development teams to drive continued product innovation and increase capacity for technical support focused on Rancher, offsetting modest headcount reductions in sales teams. Wage inflation continues to be elevated but is in line with our expectations accounted for within our guidance. Following elevated churn in our sales force earlier in the year, actions taken by SUSE and the softening hiring market have led to a more stable workforce with lower churn.

The total number of shares issued at end Q4 was 169.4 million, up 0.1 million from end Q3. As of January 19, 2023, the total number of shares issued remains at 169.4 million.

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

ACV and Revenues

Total ACV was $138.3 million in Q4, up 11% on the prior year and up 16% at constant currency given the impact of foreign currency movements, primarily a stronger U.S. dollar.

The increase in total ACV was driven by Emerging ACV of $35.9 million in Q4, up 37%, and by Core ACV of $102.4 million in Q4, up 4%. Both Emerging and Core ACV were negatively impacted by foreign exchange movements, with impacts on growth of 6 ppt and 4 ppt respectively.

The increase in ACV was driven by strong renewals and higher upsell. While selling to new customers remains challenging, ACV from new customers increased quarter-on-quarter.

FY22 ACV of $535.9 million also grew strongly, up 9% and up 13% at constant currency.

Weighted average contract lengths, on an LTM basis, remained stable versus the prior quarter at 20 months.

Q4 Adjusted Revenue of $170.3 million was up 11%, 12% at constant currency, comprising $139.8 million in Core and $30.5 million in Emerging.

ACV – By Route to Market

All USD $m unless otherwise stated	FY22 Q4	FY21 Q4	YoY Actual	FY22 Full Year	FY21 Full Year	YoY Actual
End User	126.2	112.6	12%	462.1	413.8	12%
IHV/Embedded	12.1	12.4	(2%)	73.8	76.8	(4%)
Total ACV	**138.3**	**125.0**	**11%**	**535.9**	**490.6**	**9%**

End User ACV, including the Cloud Service Provider (CSP) route-to-market, grew 12% in Q4, driven by strong renewals and upsell to End Users and continued strong growth in sales through CSPs.

Independent Hardware Vendors (IHV) and Embedded ACV declined 2% in Q4, driven by hardware shortages and a shift to selling through other routes, primarily through CSPs.

ACV – By Region

All USD $m unless otherwise stated	FY22 Q4	FY21 Q4	YoY Actual	FY22 Full Year	FY21 Full Year	YoY Actual
Europe, Middle East and Africa	56.3	49.9	13%	216.0	210.6	3%
North America	57.9	50.6	14%	229.4	194.1	18%
Asia Pacific and Japan	10.8	11.4	(5%)	39.3	37.5	5%
Greater China	8.7	8.8	(1%)	29.5	35.2	(16%)
Latin America	4.6	4.3	7%	21.7	13.2	64%
Total ACV	**138.3**	**125.0**	**11%**	**535.9**	**490.6**	**9%**

Europe, Middle East and Africa ACV grew strongly in Q4 despite foreign exchange headwinds, supported by several large renewals and good growth in sales through CSPs. North America ACV rebounded after a lower renewal pool contributed to a modest decline in Q3, and growth in Latin America ACV continued, both underpinned by strong renewals. Asia Pacific and Japan ACV declined primarily due to the phasing of renewals.

Sales in Greater China remain challenging due to local market conditions, with customers prioritizing local service providers.

Annual Recurring Revenue and Net Retention Rate

Total ARR of $645.8 million, up 12%, demonstrated the continued robustness of SUSE's subscription business, supported by growth in both Core and Emerging ARR. Growth remains strong despite being adversely impacted by recent foreign exchange movements.

Net Retention Rate (NRR) remained relatively strong at 106% as customers continue to renew their subscriptions with SUSE and are willing to pay a higher price, purchase larger volumes, or expand their product set. NRR was down 4 ppt on the prior year, due to the loss of SUSE legacy business earlier in the year, a maturing Emerging customer base, foreign exchange headwinds, and lower ARR from a small number of Core customers, including Russian customers. Going forward, SUSE's new sales structure will enable greater focus on retention, upsell and cross-sell to our largest customers.

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 93% in Q4, broadly in line with the prior year.

Total operating costs decreased 4% to $91.7 million in Q4, driven by foreign exchange movements, primarily a stronger U.S. dollar, and by lower consulting fees. These more than offset the impact of increasing our workforce by over 350 employees, net, throughout the year. On a constant currency basis, costs increased by 7%.

In FY22, total operating costs increased 13%, 19% at constant currency. The increase was driven by continued investments in SUSE's workforce to support future revenue, primarily across sales and research and development. Research and development investment was focused on the development of Rancher and NeuVector products. FY22 also saw a return to travel, with easing Covid-19 restrictions enabling customer-facing travel, resulting in increased travel costs.

In Q4, Sales, Marketing and Operations costs decreased 1% to $45.1 million, as the increase in headcount was more than offset by the impact of foreign exchange rate movements and marketing cost savings.

Research and Development costs increased 5% to $26.0 million in Q4 due to investments in people focused on Emerging product development and technical support, partially offset by the impact of foreign exchange rate movements.

General and Administrative costs decreased 17% to $20.6 million as investments in people to meet the demands of a growing organization and being a listed entity, and higher realized exchange rate losses, were more than offset by lower consulting fees and movements in foreign exchange rates.

SUSE

Profitability

All USD $m unless otherwise stated	FY22 Q4	FY21 Q4	YoY Actual	FY22 Full Year	FY21 Full Year	YoY Actual
Adjusted EBITDA	**65.9**	**48.0**	**37%**	**241.9**	**212.1**	**14%**
Adjusted EBITDA Margin	*39%*	*31%*		*37%*	*37%*	
Change in deferred revenue	14.1	3.7	281%	53.3	66.1	(19)%
Adjusted Cash EBITDA	**80.0**	**51.7**	**55%**	**295.2**	**278.2**	**6%**
Adjusted Cash EBITDA Margin	*47%*	*34%*		*45%*	*48%*	

Adjusted EBITDA grew 37% to $65.9 million in Q4, as SUSE's revenue growth was further enhanced by strong cost control and a positive impact from foreign exchange movements, resulting in margin expansion of eight percentage points versus the prior year.

Change in deferred revenue was positive $14.1 million, up from positive $3.7 million in the prior year, driven by higher ACV which more than offset higher revenue recognized in the quarter.

The increase in Adjusted EBITDA and positive Change in Deferred Revenue led to Adjusted Cash EBITDA of $80.0 million, up 55%.

Cash Flow

All USD $m unless otherwise stated	FY22 Q4	FY21 Q4	YoY Actual	FY22 Full Year	FY21 Full Year	YoY Actual
Adjusted Cash EBITDA	**80.0**	**51.7**	**55%**	**295.2**	**278.2**	**6%**
Gross tangible capital expenditure	(3.4)	(2.7)	**26%**	(10.6)	(4.8)	**121%**
Change in core working capital	(15.1)	21.8	**n.m.**	(42.3)	(20.0)	**112%**
Commissions paid (net of amortization)	(12.7)	(11.2)	**13%**	(31.3)	(36.8)	**(15)%**
Leases paid	(2.1)	(1.2)	**75%**	(7.8)	(6.6)	**18%**
Cash taxes	(2.8)	(3.6)	**(22)%**	(15.5)	(8.0)	**94%**
Rancher pro-forma uFCF	0.0	0.0	**n.m.**	0.0	(1.8)	**n.m.**
Adjusted uFCF	**43.9**	**54.8**	**(20)%**	**187.7**	**200.2**	**(6)%**
Adj uFCF Conv from Adj EBITDA	67%	114%		78%	94%	

Adjusted Unlevered Free Cash Flow was down 20% in Q4 to $43.9 million. Higher Adjusted Cash EBITDA and lower cash taxes were more than offset by a working capital outflow and higher capital expenditure, lease payments (related to IFRS 16) and commissions paid (related to IFRS 15). The increase in capex was due to investment in new facilities. Lease payments were higher than the prior year, though broadly in line with the prior quarter, due to new office leases, and the increase in commissions paid supported ACV growth.

The working capital outflow is related to the timing of customer collections from contracts signed late in the quarter and is expected to reverse in the coming quarters.

Leverage

All USD $m unless otherwise stated	FY22 End Q4	FY21 End Q4	YoY Actual
Net Debt	557.7	720.5	(23)%
Adjusted Cash EBITDA - Pro-forma - LTM Q4	295.2	278.2	6%
Leverage	1.9	2.6	(27)%

Net Debt at the end of the fourth quarter was $557.7 million, a reduction of $162.8 million versus the prior year, driven by our strong cash flow.

As a result, our leverage ratio, calculated as the Net Debt divided by the last 12 months Adjusted Cash EBITDA, was 1.9x, significantly lower than the prior year at 2.6x and well within our commitment to keep leverage below 3.5x.

ESG

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

This year, we delivered against all our commitments, including Climate Action, Information Security and Data Privacy, and stronger disclosures; which were also evidenced by external recognitions. Key achievements include:

1. Climate Action: We have developed emission targets aligned to the Science Based Targets initiative's (SBTi) Net Zero standards and built a roadmap for achieving these with clear priorities for the next 3 years; submitted targets for validation in Q4-22.
2. Information Security: We strengthened our information security and data privacy management systems further, having implemented and been certified in line with ISO 27001 and 27701 standards.
3. Disclosure: We have published our second sustainability report in reference to the new GRI Standards and EU's directives for corporate sustainability reporting including NFRD and EU Taxonomy.

4. External Assessment: Our ESG performance was evaluated by independent rating agencies this year and we have been consistently among the top 25% of companies rated including by EcoVadis (awarded 59/100 and a Silver medal), Sustainalytics (Low risk) and ISS (Prime social and governance quality score).

We will continue to make progress towards our stated ESG goals in FY23 and beyond.

Outlook

Experience since IPO in May 2021, and feedback from the capital markets, has led SUSE to evolve the way it will set expectations for future performance. Guidance on ACV in the past has led to a high degree of focus on quarterly delivery, which is inherently lumpy due to returning multi-year contracts - this is exacerbated in Emerging ACV given it is growing rapidly from a smaller base. SUSE will therefore focus topline guidance on revenue, including increased granularity on Core and Emerging Adjusted Revenue, and not guide on ACV from FY23 onwards.

For FY23, given the growth outlook in SUSE's markets, its competitive position and disciplined approach to investments, SUSE expects to deliver Adjusted Revenue growth of 11-13% at constant currency, with reported growth around 2 ppt lower based on end Q4 exchange rates. This comprises Core Revenue growth of around 10% and Emerging Revenue growth of around 25%, both at constant currency. Core and Emerging reported growth rates are expected to be around 2 ppt and 1 ppt lower, respectively, based on end Q4 exchange rates.

SUSE also expects Adjusted EBITDA margin expansion from FY22 as we balance increasing investments in growth opportunities with strong cost control. At end Q4 rates, margins will be supported by exchange rate movements since FY22.

Adjusted Unlevered Free Cash Conversion is expected to be in excess of 80% in FY23, reflecting the continued demand for long-term contracts with up-front payment.

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

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. We expect to build steadily toward these performance levels over the coming years, subject to market and macro-economic developments.

SUSE also expects Adjusted Unlevered Free Cash Conversion to continue to be in excess of 80% in the medium-term.

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

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 January 19, 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-2022q4/no-audio

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
March 16, 2023	Release of Q1 FY23 results
March 23, 2023	Annual General Meeting
July 6, 2023	Release of Q2 FY23 results

APPENDIX 1 Reconciliation from IFRS to Adjusted Pro Forma Figures

IFRS Revenue to Adjusted Revenue

All USD $m unless otherwise stated	FY22 Q4	FY21 Q4	YoY Actual	FY22 Full Year	FY21 Full Year	YoY Actual
Revenue - IFRS	169.6	151.8	12%	653.0	559.5	17%
Adjustments						
Contract liability haircut amortized	0.7	2.2	(68)%	4.8	12.7	(62)%
Pro-Forma Rancher	0.0	0.0	-	0.0	3.7	n.m.
Adjusted Revenue	**170.3**	**154.0**	**11%**	**657.8**	**575.9**	**14%**

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

IFRS Operating Loss to Adjusted EBITDA

All USD $m unless otherwise stated	FY22 Q4	FY21 Q4	YoY Actual	FY22 Full Year	FY21 Full Year	YoY Actual
Operating profit/(loss) - IFRS	7.9	(19.6)	n.m.	(0.5)	(200.9)	(100)%
Adjustments						
Depreciation and Amortization	36.9	33.9	9%	153.1	153.0	0%
Separately reported items	0.0	12.8	n.m.	0.0	26.9	n.m.
Contract liability haircut amortized	0.7	2.2	(68)%	4.8	12.7	(62)%
Non-recurring items	2.5	5.6	(55)%	16.9	23.9	(29)%
Share-based payments - charge	14.4	9.1	58%	52.2	175.2	(70)%
Share-based payments - ER taxes	0.5	0.0	n.m.	1.4	7.0	(80)%
Foreign exchange - unrealized	3.0	4.0	(25)%	14.0	16.1	(13)%
Adjusted EBITDA - Non pro-forma	**65.9**	**48.0**	**37%**	**241.9**	**213.9**	**13%**
Pro-forma Rancher	0.0	0.0	**n.m.**	0.0	(1.8)	**n.m.**
Adjusted EBITDA - pro-forma	**65.9**	**48.0**	**37%**	**241.9**	**212.1**	**14%**

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

Adjusted Deferred Revenue to IFRS Deferred Revenue

All USD $m unless otherwise stated	FY22 Q4	FY21 Q4	YoY Actual	FY22 Full Year	FY21 Full Year	YoY Actual
Change in deferred revenue: Pro-forma	(14.1)	(3.7)	281%	(53.3)	(66.1)	(19)%
Pro-forma Rancher	0.0	0.0	n.m.	0.0	2.7	n.m.
Change in deferred revenue: Non Pro-forma	**(14.1)**	**(3.7)**	**281%**	**(53.3)**	**(63.4)**	**(16)%**
Adjustments:						
Deferred revenue haircut amortized	(0.7)	(2.2)	(68)%	(4.8)	(12.7)	(62)%
Change in deferred revenue - IFRS	**(14.8)**	**(5.9)**	**151%**	**(58.1)**	**(76.1)**	**(24)%**

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

IFRS Net Cash Inflow from Operating Activities to Adjusted uFCF

All USD $m unless otherwise stated	FY22 Q4	FY21 Q4	YoY Actual	FY22 Full Year	FY21 Full Year	YoY Actual
Net cash inflow/(outflow) from operating activities	**42.1**	**37.0**	**14%**	**147.2**	**2.8**	**5157%**
Interest paid	8.6	7.1	**21%**	31.7	47.6	**(33)%**
Tax paid	2.8	3.6	**(22)%**	15.5	8.0	**94%**
Cash generated from operations	**53.5**	**47.7**	**12%**	**194.4**	**58.4**	**233%**
Addbacks - non cash items	(60.6)	(53.7)	**13%**	(242.2)	(366.7)	**(34)%**
Movements - other working capital	10.2	(26.5)	**n.m.**	49.2	4.0	**1130%**
Movement in other pensions	(0.1)	(0.7)	**(87)%**	0.4	(0.6)	**n.m.**
Movements in provisions	2.0	3.5	**(43)%**	4.5	8.0	**(44)%**
Movements in contract related assets	17.0	13.3	**28%**	46.3	46.1	**0%**
Movements in deferred revenue	(14.1)	(3.7)	**280%**	(53.3)	(63.4)	**(16)%**
Settlement of share-based payments	0.0	0.6	**n.m.**	0.2	113.3	**(100)%**
Operating profit/(loss) per IFRS	**7.9**	**(19.6)**	**n.m.**	**(0.5)**	**(200.9)**	**(100)%**
Depreciation and Amortization	36.9	33.9	**9%**	153.1	153.0	**0%**
EBITDA per IFRS Statements	**44.8**	**14.3**	**213%**	**152.6**	**(47.9)**	**n.m.**
Separately reported items	0.0	12.8	**n.m.**	0.0	26.9	**n.m.**
Non-recurring items	2.5	5.6	**(55)%**	16.9	23.9	**(29)%**
Share-based payments - charge	14.4	9.1	**58%**	52.2	175.2	**(70)%**
Share-based payments - ER taxes	0.5	0.0	**n.m.**	1.4	7.0	**(80)%**
Contract Lliability haircut amortized	0.7	2.2	**(68)%**	4.8	12.7	**(62)%**
Foreign exchange - Unrealized	3.0	4.0	**(25)%**	14.0	16.1	**(13)%**
Adjusted EBITDA	**65.9**	**48.0**	**37%**	**241.9**	**213.9**	**13%**
Pro-forma Rancher	0.0	0.0	**n.m.**	0.0	(1.8)	**n.m.**
Adjusted EBITDA (SUSE & Rancher pro-forma)	**65.9**	**48.0**	**37%**	**241.9**	**212.1**	**14%**
Change in deferred revenue	14.1	3.7	**281%**	53.3	66.1	**(19)%**
Adjusted Cash EBITDA (SUSE & Rancher pro-forma)	**80.0**	**51.7**	**55%**	**295.2**	**278.2**	**6%**
Commissions paid (net of amortization)	(12.7)	(11.2)	**13%**	(31.3)	(36.8)	**(15)%**
Leases paid	(2.1)	(1.2)	**75%**	(7.8)	(6.6)	**18%**
Change in core working capital	(15.1)	21.8	**n.m.**	(42.3)	(20.0)	**112%**
Gross capital expenditure	(3.4)	(2.7)	**26%**	(10.6)	(4.8)	**121%**
Cash taxes	(2.8)	(3.6)	**(22)%**	(15.5)	(8.0)	**94%**
Other adjustments - Rancher pro-forma	0.0	0.0	**n.m.**	0.0	(1.8)	**n.m.**
Adjusted Unlevered Free Cash Flow	**43.9**	**54.8**	**(20)%**	**187.7**	**200.2**	**(6)%**

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

IFRS Working Capital Movements to Change in Core Working Capital

All USD $m unless otherwise stated	FY22 Full Year	FY21 Full Year	YoY Actual
Working Capital Movements - IFRS			
Movements in trade receivables	(19.9)	(20.6)	(3)%
Movements in other receivables	(0.7)	(0.6)	17%
Movements in trade payables	4.1	4.8	(15)%
Movements in other payables	(32.7)	12.4	n.m.
Total Working Capital Movements - IFRS	**(49.2)**	**(4.0)**	**1130%**
Remove non-recurring items:			
Third party consulting fees	(3.5)	(10.5)	(67)%
IT costs	0.2	0.0	n.m.
Transaction costs	10.9	(6.2)	n.m.
Integration costs	(0.7)	0.7	n.m.
Total Working Capital Adjustments	**6.9**	**(16.0)**	**n.m.**
Change in core working capital (within uFCF)	**(42.3)**	**(20.0)**	**112%**

APPENDIX 2 Comparable Data for Prior Periods

All USD $m unless otherwise stated	FY21				FY22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
ACV by Solution								
Core	111.3	94.6	101.5	98.7	119.9	113.6	93.2	102.4
Emerging	26.3	14.4	17.5	26.3	23.9	25.8	21.2	35.9
Total ACV	**137.6**	**109.0**	**119.0**	**125.0**	**143.8**	**139.4**	**114.4**	**138.3**
Adjusted Revenue by Solution								
Core	118.6	121.4	133.2	133.4	130.2	133.9	142.9	139.8
Emerging	15.5	15.4	17.8	20.6	24.8	27.4	28.3	30.5
Total Adjusted Revenue	**134.1**	**136.8**	**151.0**	**154.0**	**155.0**	**161.3**	**171.2**	**170.3**
Cost of Sales	8.1	10.5	11.6	10.8	11.8	13.1	13.3	12.7
Adjusted Gross Profit	**126.0**	**126.3**	**139.4**	**143.2**	**143.2**	**148.2**	**157.9**	**157.6**
Adjusted Gross Profit Margin	*94%*	*92%*	*92%*	*93%*	*92%*	*92%*	*92%*	*93%*
Sales, Marketing & Operations	31.5	35.9	39.0	45.7	43.0	46.3	45.0	45.1
Research & Development	22.0	22.4	25.4	24.8	27.0	27.1	27.1	26.0
General & Administrative	11.8	19.8	19.8	24.7	20.9	16.2	20.7	20.6
Total Operating Expenses	**65.3**	**78.1**	**84.2**	**95.2**	**90.9**	**89.6**	**92.8**	**91.7**
Adjusted EBITDA	**60.7**	**48.2**	**55.2**	**48.0**	**52.3**	**58.6**	**65.1**	**65.9**
Adjusted EBITDA Margin	*45%*	*35%*	*37%*	*31%*	*34%*	*36%*	*38%*	*39%*
Change in deferred revenue	46.4	6.2	9.8	3.7	40.8	17.3	(18.9)	14.1
Adjusted Cash EBITDA	**107.1**	**54.4**	**65.0**	**51.7**	**93.1**	**75.9**	**46.2**	**80.0**
Adjusted Cash EBITDA Margin	*80%*	*40%*	*43%*	*34%*	*60%*	*47%*	*27%*	*47%*

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.
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	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 average taxes.

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).