

# Overview of Private Investments in Public Equity (PIPE) - Software AG's partnership with Silver Lake

June 21<sup>st</sup>, 2022



# Agenda

- 1 Software AG – The Helix Transformation

---

- 2 What is a PIPE?

---

- 3 PIPE as an alternative to a take-private

---

- 4 Software AG's strategic partnership with Silver Lake


---

- 5 How can Software AG benefit from this transaction?

# 1 Our Transformation, Helix, was launched in 2019




## FOCUS



Right products

Right markets and resources


## TEAM



Our people, our culture

Great partnerships

## EXECUTION



Simpler, sharper GTM approach

Drive shift to subscription

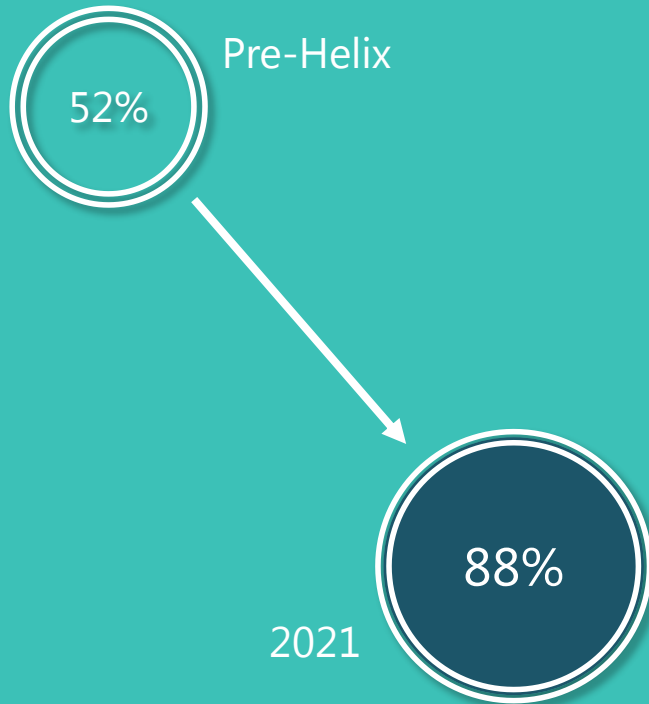
Improved operating model and accountability

# In 2021 our transformation had built a high-quality growth platform and arrived at a transition point

1

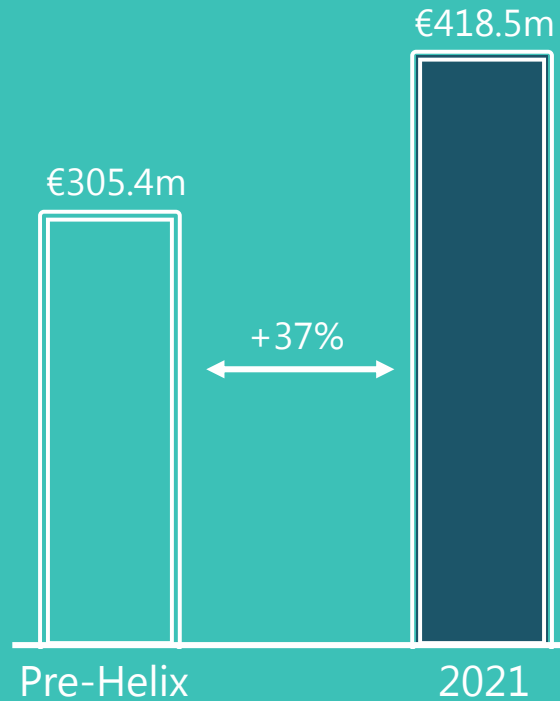
## Shift to subscription and SaaS

Bookings increasing as % of digital total



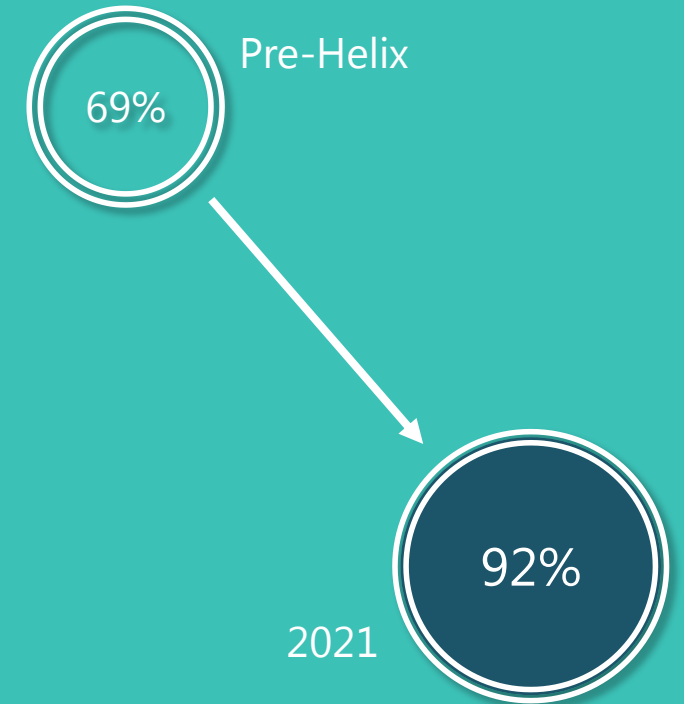
## Digital Business ARR

consistent double-digit growth



## Building recurring revenue

as % of product revenue



## 2 Private Investments in Public Equity (PIPE) are a truly innovative structure in Germany

PIPE(s) partnerships are generally anchored through convertible debt, providing additional capital from day-1 and allowing current shareholders to grasp value upside generated over time

### What is a PIPE?

- Significant non-control investment in a publicly listed company by a single or small group of investors
- Negotiated transaction on a bilateral basis and / or part of a public market capital raise (e.g. Rights Issue, Accelerated Bookbuild, Equity-linked)



### PIPE Structures

#### Common equity

- Issuance of equity that could also be stapled with warrants

#### Convertible preferred

- Subordinated perpetual or redeemable instrument

#### Mandatory convertible

- Subordinated, multi-year maturity instrument, only convertible into shares

#### Senior convertible

- Senior instrument redeemable in cash or shares



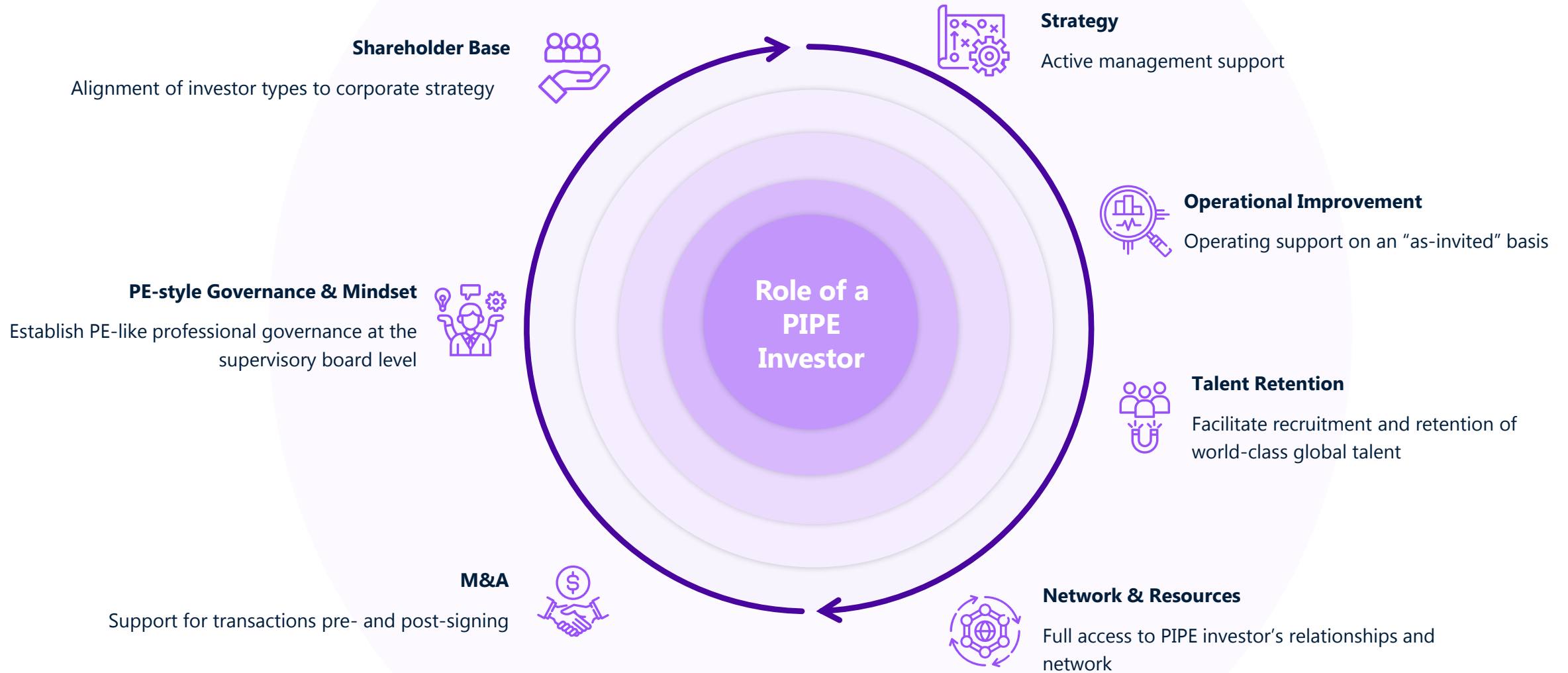
### Advantages

- ✓ Active board participation
- ✓ End-to-end M&A support and strategy optimization
- ✓ Industry insights and relationship network (clients, partners, board candidates, etc.)
- ✓ Fundamental shareholder value mentality, including lockup to avoid short-termism
- ✓ As opposed to a P2P, a PIPE does not preclude other shareholders from the value upside generated after the investment
- ✓ Requires Supervisory Board support and hence the sponsorship of large shareholders
- ✓ Possibility for follow-on investments



Unique opportunity to innovate German Capital Markets

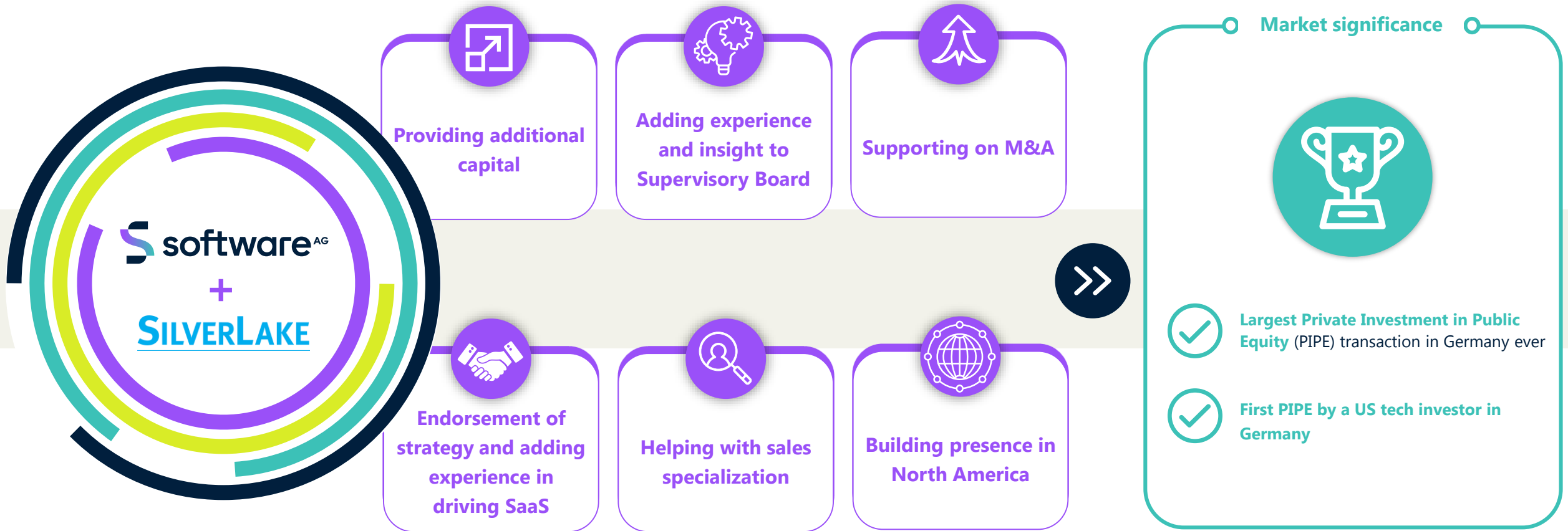
## 2 The typical role of a PIPE investor



### 3 Key features of PIPE investments solve typical issues of take-private transactions

	Take Private	PIPE
1 Transaction certainty	<ul style="list-style-type: none"> <li>▪ Lengthy process</li> <li>▪ No guarantee of success</li> </ul>	<ul style="list-style-type: none"> <li>▪ Executed immediately with full certainty</li> <li>▪ Funds available immediately</li> </ul>
2 Upfront valuation	<ul style="list-style-type: none"> <li>▪ Significant premium to existing shareholders, management burden to earn back this upfront leakage</li> </ul>	<ul style="list-style-type: none"> <li>▪ At premium to current share price, full alignment with existing shareholders</li> </ul>
3 Financial risk	<ul style="list-style-type: none"> <li>▪ Often requires significant leverage</li> <li>▪ Does not guarantee capital to invest</li> </ul>	<ul style="list-style-type: none"> <li>▪ Low financial burden on the company</li> <li>▪ Proceeds to invest immediately available</li> </ul>
4 Visibility	<ul style="list-style-type: none"> <li>▪ Company disappears from public eye</li> <li>▪ Loss of recruitment and retention potential</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prestige / brand value from public visibility</li> <li>▪ Association with PIPE investor increases visibility in its home market</li> </ul>
5 Alignment of interest	<ul style="list-style-type: none"> <li>▪ Management often incentivised through private share incentive scheme</li> <li>▪ Liquidity tied to exit event</li> </ul>	<ul style="list-style-type: none"> <li>▪ Various paths of liquidity for shareholders</li> </ul>

## 4 Software AG's strategic partnership with Silver Lake





## 4 Overview of transaction terms

<b>Instrument</b>	<b>Convertible bond</b>
<b>Nominal value</b>	<b>EUR 344.3mm</b>
<b>Status</b>	<b>Subordinated unsecured</b>
<b>Maturity</b>	<b>5 years</b>
<b>Conversion premium</b>	<b>20%</b>
<b>Coupon</b>	<b>2% per annum, paid semi-annually</b>
<b>Reference price</b>	<b>€38.78</b> (Closing price as of Friday 10 December)
<b>Conversion price</b>	<b>€46.54</b>
<b>Underlying shares</b>	<b>7.4m</b> (10% of current number of shares outstanding)

## Software AG will benefit from a PIPE investment through multiple levers



