

Letter to shareholders

Dear shareholders

The CREALOGIX Group had a successful 2020/2021 financial year. The revenue growth and the increase in recurring revenues, especially SaaS income, show that CREALOGIX is on the right track. In July 2020, CREALOGIX secured a major contract with seven development banks in Germany. This includes SaaS income over the next 10 years. With regard to this, CREALOGIX made a conscious decision in the last financial year to invest further in the new segment of development banks, since this segment offers considerable market potential for more than 250 development banks in Europe alone.

However, the past financial year also showed that it is more difficult to acquire new customers during the COVID-19 pandemic. Despite this circumstance, CREALOGIX was well prepared for the new situation thanks to its global structures and corresponding infrastructure. This manifested itself in revenue growth of 5% compared to the previous year.

25th anniversary

CREALOGIX has further modernised and streamlined its product portfolio. One of the contributing factors was the carve-out at the Coburg site in Germany, where employees were transferred to a new, external company. These measures mean that fewer products need to be maintained and enable more consistent investments in new, strategic products. Furthermore, the organisation systematically aligned itself with global, functional structures in the 2020/2021 financial year. Hence a further external nearshore centre was opened in Poland in May 2021 in addition to the internal development unit in Spain (Barcelona). During the past financial year, a total of around 10% of the workforce was reduced in Central Europe and partially re-established in the lower-cost nearshore centres.

CREALOGIX could celebrate its 25th anniversary at the end of June 2021 with pride. The development of the first e-banking solution for Credit Suisse in 1996 gave the starting signal to successfully develop in the direction of a software product house and, in the end, a global SaaS provider. This was accompanied by the relocation of the headquarters to the Greencity site in Zurich, a visionary new development with energy consumption limited to 2,000 watts per person. In addition to its already environmentally compatible business model, CREALOGIX wanted to make a further ecological contribution with this move.

Annual result: successful thanks to SaaS model and cooperation with development banks

Net revenue rose by a total of 5.4% to CHF 109.3 million, which again represents a new sales record for CREALOGIX. The net revenue in the second half of the 2020/2021 financial year was 7.8% higher than in the first six months. Growth primarily occurred in Asia and the Middle East.

Recurring revenues exceeded 50% for the first time (2019/2020: 44%). The consistent orientation of the licensing model towards SaaS (Software as a Service) increased SaaS revenues by 76%. With a share of 27% (2019/2020: 16%), they made a significant contribution to the total revenue. The primary reason for this was the major contract won with the seven German development banks in July 2020.

In the 2020/2021 financial year, CREALOGIX achieved an operating result (EBITDA) of CHF 3.3 million. This represents an increase of CHF 0.8 million (+34.5%) compared to 2019/2020. The improved operating margin of 3.0% (2019/2020: 2.3%) can be attributed to the organisational changes made and the streamlining of the product portfolio. Net profit before goodwill amortisation amounted to CHF 1.1 million compared to a loss in the previous year. As a result, CREALOGIX can again report positive adjusted earnings per share of CHF 0.61 (2019/2020: CHF -0.15).

In the 2020/2021 financial year, CREALOGIX significantly invested into the development of products for development banks based on state-of-the-art platform technology. This puts CREALOGIX in an ideal position to exploit further potential among the development banks in Europe in the future. Together with the costs of the expansion of the new headquarters in Zurich Greencity, these increased development expenses placed a burden on the free cash flow in 2020/2021: this amounted to CHF -7.0 million compared to CHF 7.0 million in the previous year. As a result, net liquidity has fallen minimally into the negative range (CHF -0.7 million) as of 30 June 2021 (30 June 2020: CHF 5.1 million). Overall, CREALOGIX's balance sheet continues to be solid, with a high cash position of CHF 27.7 million as of 30 June 2021 and an equity ratio of 38%. This also takes into account conservative accounting practices, according to which development expenses are charged directly to the income statement and goodwill from past acquisitions is steadily amortised.

Outlook: increasing demand for digital banking solutions

Our market presence can be further expanded thanks to the expenditures made in the new development bank segment. We currently estimate the impact of the COVID-19 pandemic to be neutral. Individual regions continue to be severely restricted, which makes it difficult to be present on the ground. On the other hand, we see increased pressure on financial institutions to further digitalise their processes and offerings due to changing needs.

We are convinced that the demand for digital banking will increase in the near future. To this end, we offer our standard products to medium-sized financial institutions, while we work with large banks to drive forward joint developments. Looking ahead to the 2021/2022 financial year, CREALOGIX expects a continued rise in demand for digital banking solutions — not least due to changing needs in the wake of the Covid-19 pandemic. CREALOGIX will expand its global sales activities and continue to systematically implement its product strategy with increased investments in the first half year of the 2021/22 financial year and improved profitability margins in the second half year. Thus, CREALOGIX expects a continued positive business development for the overall 2021/2022 financial year. In the 2022/2023 financial year, CREALOGIX anticipates recurring revenues of at least 60%, a SaaS share of at least 30% of total revenues, and profitability at EBITDA level in the double-digit range.

Flexibility and support

CREALOGIX operates in an industry dominated by speed. In order to continue to successfully expand our market presence, we must always adapt dynamically to changing circumstances. The changed working conditions caused by the COVID-19 pandemic have made the situation even more difficult. We are grateful that we can count on the support and considerable commitment of all our employees, customers and suppliers in these times. On behalf of the Board of Directors and the Executive Management, we would also like to thank you for your valuable support and continued confidence in CREALOGIX.



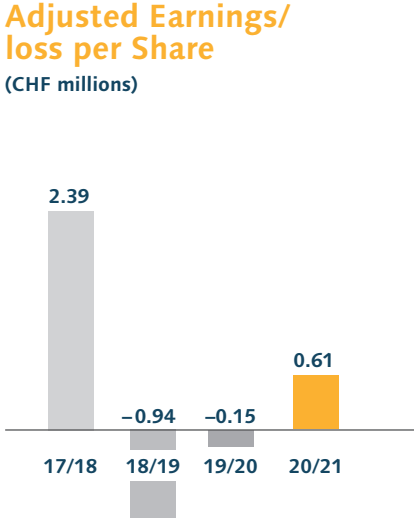
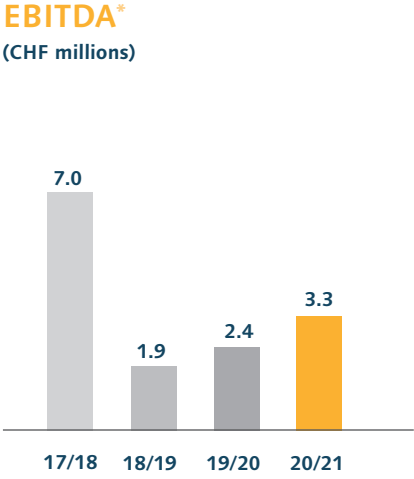
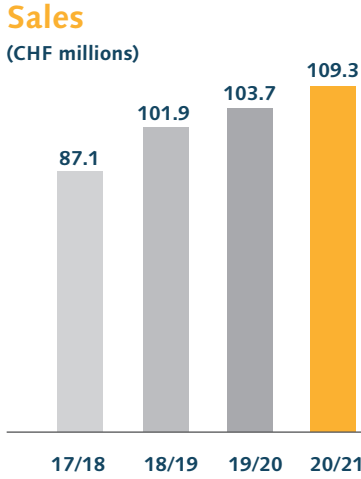
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Bruno Richle
Chairman of the Board of Directors

Oliver Weber
Chief Executive Officer

Group Key Figures

International presence



Recurring revenue

50.3%

SaaS/Hosting

27.3%

Annual Recurring Revenue

CHF 56 mio

* Non-GAAP measure. More information with respect to the use of and differences between the non-GAAP financial measures and the most directly comparable SWISS GAAP FER measures is provided on page 42 of the financial report.