

Shareholders' Letter



Oliver Weber, Chief Executive Officer, Bruno Richle, Chairman

Dear shareholders

In 2021/22, a difficult financial year, CREALOGIX recorded a fall in sales amounting to 14% year on year. The high level of capital investment in the expansion and development of new products led to a negative EBITDA of CHF -9.3 million. The elevated one-off investments in the development of a new platform for the strategically important market of the development banks in Europe had a particular impact in this respect. The portfolio of products and services has been further streamlined and consolidated according to strategic realignment criteria. The proportion of recurring sales amounts to 51% of total sales.

Transformation in organisation and product landscape now concluded

In the past financial year, the focus was on the completion of the strategic initiatives from the previous year. CREALOGIX invested a significant amount, over 31% of sales, in the development of the new "One Platform" Digital Hub and of the Funding portal. The latter is now operating under a longterm SaaS contract at eight German development banks. The successful implementation and rollout of the Funding Portal represents the achievement of an important objective in product development and the conclusion of 90% of the investments in the past financial year.

As a result of standardisation, implementation efforts were increasingly covered by partners, so sales fell in the area of services. There was also a fall in the sales of non-strategic products and services.

Focussing on our core business of digital banking with its new strategic products and the consolidation of the product and service portfolio enables economies of scale and increased efficiency. These are translated into cost savings which are already taking effect in the fourth quarter of the financial year 2021/22 and will become fully effective in 2022/23. The number of employees fell by 17% to 524, a reduction of 107 employees year on year. However, the majority of cost reductions in the HR sector are accounted for by external employees.

Successful customer projects

In addition to the major project of the Funding Portal for development banks, a large number of other projects were successfully implemented in 2021/22. In the Middle East, a new digital banking solution was implemented at what is the biggest Arabian bank in terms of assets. At the same time, a solution for rapid, simple and fully digital consumer lending in retail banking, the "Lending Origination Hub", was very successfully launched in the region. In Asia, a solution for hybrid asset management advice was put into operation at a Thai bank, which is one of the biggest in the market there. Consequently, it doubled its efficiency in the field of asset management consultancy. In Switzerland, one of our major customers in the private banking environment chose to push ahead with the global implementation of the CREALOGIX platform. In the past financial year, CREALOGIX was once again chosen for awards as an innovation leader. IBM named CREALOGIX as its Innovation Partner of the Year, Goodacre UK Systems gave it the City Award for the Best Strategic Partnership for a Client Portal and, on the product side, it received awards for the Best Customer Experience and the Onboarding solution. In addition to which, Forrester placed CREALOGIX as a "strong performer" in The Forrester Wave™: Digital Wealth Management Platforms.

Higher sales in the second half of the year, recurring sales stable

At CHF 94.0 million, sales in the financial year 2021/22 were down by CHF 15.2 million on the previous year. In addition to converting the licence model, the planned transfer of service revenue to implementation partners, exchange rate effects (CHF 1.6 million) and the weaker sales of payment devices all contributed to the drop in sales. In the second half of the financial year 2021/22 sales recovered slightly, increasing by 6.9% compared with the first six months.

Recurring sales of 51.3% – albeit at a slightly lower level – once again passed the 50% mark in spite of exchange rate effects (2020/2021: 50.3%). Consequently, the majority of the drop in sales was incurred in the non-strategic area of goods, licences and services. The 11.9% fall in revenues in software maintenance corresponded to expectations and is in part attributable to the consolidation of the product portfolio.

SaaS/hosting fell slightly as a result of exchange rate effects and a reduction in service subscriptions packages. SaaS/hosting revenues now amounted to 27.8% in terms of total sales, compared with 27.3% in the previous year.

In financial year 2021/22 CREALOGIX achieved a negative operating result (EBITDA) of CHF -9.3 million (previous year: CHF +3.3 million). The greatly increased product investments, amounting to 31% of sales, compared to 22% in the previous year, resulted in a one-off hit to profitability but contributed to successful rollouts and customer acquisitions. The fall in sales volume and inflation in the production countries also had a negative effect on the EBITDA and could not be offset by means of additional cost savings and price increases.

The corporate loss before goodwill amortisation amounted to CHF -12.2 million, compared with a profit of CHF 0.8 million in the previous year. This means that CREALOGIX shows a negative, adjusted loss per share of CHF -8.76 (2020/2021: CHF 0.61).

As in the previous year, free cash flow was impacted by the strategic investment in the product portfolio, amounting to CHF -22.3 million compared with CHF -7.0 million in the previous year. This negative cash flow was financed from the existing cash and cash equivalents and an increased use of the available credit facilities. The cash available at the end of the financial year amounted to CHF 14.1 million, compared with CHF 27.7 million in the previous year, and net liabilities amounted to CHF -24.2 million (previous year: CHF 0.8 million). The equity ratio was 22.6% (previous year 38.0%) – with a conservative accounting policy according to which development spending is charged directly to the income statement and goodwill from previous acquisitions is constantly amortised, as well as adverse exchange rate effects arising from the consolidation of CHF 5.0 million. According to the terms of the convertible bond, CREALOGIX may not fall below an equity ratio of 25%. In particular due to the strong drop in the EUR/CHF exchange rate, this was temporarily not met at the end of the financial year. However, this has been remedied in the meantime with various measures that have already been announced, including the partial sale of Swiss Learning Hub AG. Accordingly, the temporary deviation of the equity ratio has no consequences for the convertible bond.



crealogix.com

Outlook

The first two months of the new financial year 2022/23 were marked by a continuing focus on the digital banking business: The sale of two thirds of the subsidiary Swiss Learning Hub AG was announced in August 2022.

The difficult financial year was characterised by a series of one-off effects, in particular high capital investment for the development banks. Capacities which were tied up for development and implementation are now once again available for important customer projects and initiatives. The greatly improved cost situation will take us back to profitability. At an adjusted comparison level (deconsolidation of Swiss Learning Hub AG), we do not yet expect higher sales for the financial year 2022/23, in particular because of the uncertainties with the euro exchange rate and the continuing switch to multi-year contracts. On the other hand, we do expect to return to a positive EBITDA in the first half of the financial year 2022/23.

We are grateful and proud that we can count on the support and commitment of our employees, as well as our customers and suppliers. In the name of the Board of Directors and of the Executive Management team, we would also like to thank you for your valuable support and your continuing confidence in CREALOGIX.



Bruno Richle
Chairman of the Board of Directors



Oliver Weber
Chief Executive Officer

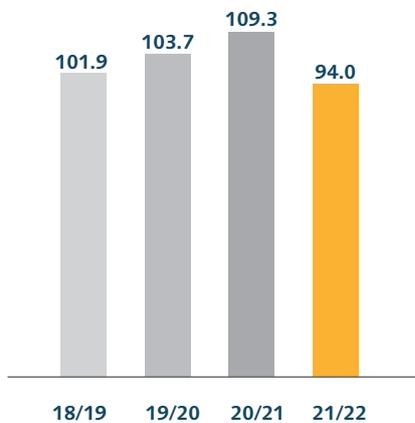
Group Key Figures

International presence



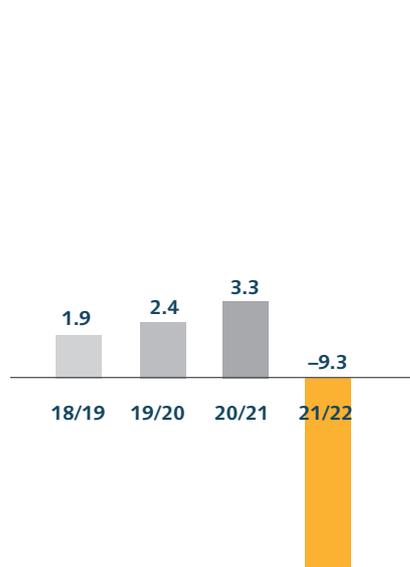
Sales

(CHF millions)



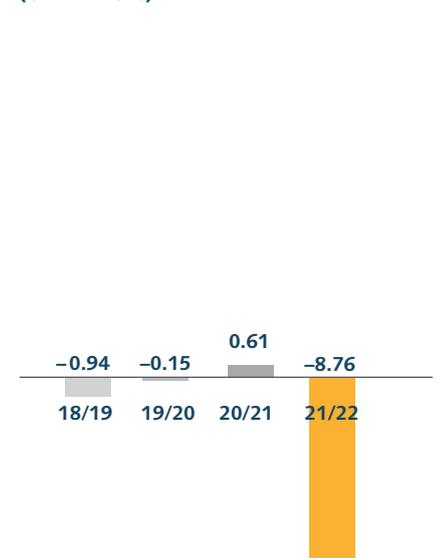
EBITDA*

(CHF millions)



Adjusted Earnings/loss per Share**

(CHF millions)



Recurring revenue



51.3%

SaaS/Hosting



27.8%

Annual Recurring Revenue



CHF 52 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.

** Adjusted earnings/loss per share is calculated as consolidated net result (attributable to shareholders of Crealogix Holding AG) before goodwill amortization, divided by the weighted average number of outstanding shares according to note 19 of the financial report.