



SoftwareONE Q1 2022 Trading Update

Thursday, 19th May 2022

Introduction

Anna Engvall

Head of Investor Relations, SoftwareONE Holding AG

Welcome

Good morning and thank you to everyone for joining SoftwareONE's Q1 Trading Update. My name is Anna Engvall, Head of Investor Relations at SoftwareONE. Joining me today are Dieter Schlosser, our CEO, and Rodolfo Savitzky, CFO.

Before handing over to Dieter, let me draw your attention to the usual disclaimer regarding forward-looking statements and non-IFRS measures on slide two.

With that, I would like to hand over to Dieter.

Q1 2022 Summary

Dieter Schlosser

CEO, SoftwareONE Holding AG

Strong start to 2022 with gross profit growth of 14.6%

Good morning. I am pleased to welcome everyone to our first quarterly trading update. We have had a strong start to the year as our integrated model continues to deliver across all of our key markets.

Gross profit growth for the Group was nearly 15% year-on-year in constant currency to CHF213 million. Taking a look at our two business lines. Solutions & Services delivered gross profit growth of nearly 40%, continuing its very strong growth trajectory. Our services portfolio is fully geared towards our customer needs and pain points. In particular, XSimplex, our pay-as-you-go offering for our SME customer base, continued to deliver a phenomenal level of growth.

Software & Cloud grew 1%. It is important to view that number in the context of a strong comparative quarter to do an exceptional vendor payment last year. This is related to the Microsoft strategic agreement and co-investment announced in March 2021. Underlying gross profit growth for Software & Cloud was actually higher than in H2 2021.

Furthermore, I am really pleased that we are able to grow higher than the overall Microsoft market in Q1 2022 based on cross billings, which means we continue to achieve market share gains.

Adjusted EBITDA margin was 19.8%, down 1.9%, again impacted by the exception of vendor payments. It would otherwise have significantly improved compared to last year. Operating expenses remained broadly flat in Q1 2022 compared to Q4 2021, driven by the completion of Transformance, which you will recall is a programme focused on maintaining lean and agile organisation paired with a high-performance team.

Importantly, we are going beyond the scope of Transformance. We have launched a new programme to further identify operational efficiencies and ways to increase productivity to ensure that we grow profitably. We will update you with more details at our H1 results.

With this strong start to the year, we remain confident in our full year outlook, as communicated in March to deliver mid-teens gross profit growth and an adjusted EBITDA margin above 25%.

Continued strong demand environment

Well-positioned to capture market opportunity

I would now like to touch on our market environment. Overall, the market opportunity is massive, with a total addressable market of over 600 billion. The Software & Cloud market is expected to grow at 14%, and our addressable services market at over 30% per annum, at least until 2025.

We continue to see a strong momentum across all of our markets. Organisations continue to invest in digital transformation and the cloud to drive innovation, create new business models, and disrupt the old ones.

As a global Software & Cloud native business, with a high proportion of recurring revenue and pricing flexibility to suit client needs, we are very well positioned to navigate the current environment and help our customers achieve their objectives. In a talent scarce environment, our growth and success has also created a very strong culture, which allows us to continue to attract and retain talent to support our growth.

On a different topic, but related topic, I would like to say a few words regarding Ukraine. When the war broke out, our first priority was the safety of our people. We offered them and their families to relocate to a safe location. I am very relieved that everyone is okay today, considering the circumstances.

We then suspended a significant part of our sales and business operations in Russia. As an update, I can now confirm that we have now completely divested our Russian business and transitioned our employees to the new owner. Also, we wish the circumstances were different. We are happy that we have been able to find a new home for our valued team members in Russia.

Furthermore, I can also confirm that so far, we have not seen a material impact of the war on the rest of our business globally.

Solutions & Services maintains growth trajectory

Now let us dive deeper into the performance of each of our business lines, starting with Solutions & Services, which delivered 40% gross profit growth. This performance was a broad-based strong performance across service lines, customers and geographies.

XSimple continued to be a great driver of growth, up over 70%, with AzureSimple reaching nearly 90% growth. As a result, we now support 7.3 million managed cloud users, up from 5.4 million in mid-2021 and from 1.7 million at the time of our IPO. This is clear evidence of exactly how we want to drive scalability in the business and create a much severe revenue stream.

I would also like to highlight our cloud services, in particular, Azure, is nearly up 50% due to accelerating demand from our customers, as well as the acquisition of Predica, which closed in February.

Importantly, our cross-selling statistics, a key measure of the strength of our synergistic portfolio and customer relationships continued to improve. Gross profit from customers purchasing both Software & Services increasing to 70% LTM up from 66% 12 months ago.

Software & Cloud billings growth higher than overall Microsoft market

Now turning to Software & Cloud. The business line delivered gross profit growth of 1%. As previously highlighted, this should be seen in the context of a high comparative base as Q1 2021 included an exceptional vendor payment. Without this, underlying gross profit growth was higher than in H2 2021, driven by a sustained recovery of our hyperscaler practices.

Total Microsoft billings reached close to US\$3.7 billion in Q1, growing faster than the overall Microsoft market at a rate of around 30% year-on-year, which means we are winning in the market and we are gaining share. We also see strong momentum in our ISV portfolio on the back of our platform PyraCloud/Goatpath adoption and the demand for Digital Supply Chain.

Double-digit growth across regions

From a geographical perspective, there are two main aspects I want to share with you. Firstly, we are back to double-digit growth across all regions. Secondly, we have every region now achieving a CHF100 million gross profit run rate, allowing us to scale our business to a completely different level.

As we shared earlier, with e-globalisation on the rise, customer demand more and more local delivery with global best practices, SoftwareONE is uniquely positioned to meet this expectation, given our successful footprint in 90 markets. This has become a powerful competitive differentiator for us in today's and tomorrow's environment.

With that, I would like to hand over to Rodolfo to take you through our financial performance in the first quarter.

Financial Performance

Rodolfo Savitzky

CFO, SoftwareONE Holding AG

Welcome

Thank you, Dieter. Good morning and a warm welcome from my side as well. One of my priorities at SoftwareONE is to enhance communications with our investor community in increased transparency. Together with Dieter, we decided to introduce these quarterly trading updates, and I am pleased that we can report strong results in our inaugural one. Dieter has already shared the headline numbers with you. Let me provide a few additional insights and then dive into some other topics.

Strong growth momentum with cost control measures in place

On our Q1 P&L, I would like to emphasise our underlying performance. On Solutions & Services, we see continued strong momentum, with managed services representing a

significant share of gross profits. This sticky recurring revenue stream provides a strong baseline for the coming quarters.

Software & Cloud delivered 1.1% growth in constant currency, which does not reflect the strong recovery due to the exceptional vendor payment last year. While such payments are normal course of business for us, this one was significant for the quarterly results. Without it, Software & Cloud gross profit growth in Q1 2022 was higher than in H2 2021, driven by our hyperscaler practices and ISV portfolio.

Let us move on to operating expenses. While the year-on-year growth of close to 80% is high, OpEx remained relatively flat compared to Q4 2021. The high year-on-year growth rate was a result of organic investments as well as acquisitions. OpEx growth will reduce as we have implemented both immediate cost control measures and are evaluating further operating efficiencies.

We delivered 19.8% adjusted EBITDA margin, which tracks well in relation to our full year guidance when considering seasonality. Adjusted EBITDA grew 3.1%. Both metrics were also significantly impacted by the exceptional vendor payments. Without this, the quarter would have shown strong operating leverage, with EBITDA going faster than gross profit and margin increasing well ahead of last year.

Leveraging business seasonality

As we start disclosing quarterly information, I thought it would be important to review the seasonality in our business, which affects both business lines. Our commercial teams leverage two key opportunities during the year to drive increased revenue and gross profit in Q2 and Q4: Microsoft's financial year-end in June and our customers' yearly budget flush in December.

On the other hand, OpEx does not activate any particular seasonality as it needs to consistently support delivery throughout the year. As you can see from the chart, this P&L dynamic translate into too higher and too lower margin quarters.

Operational excellence to drive profitable growth

Let us now turn to operational excellence. SoftwareONE business model offers very attractive growth fundamentals, underpinned by market growth, as Dieter explained earlier. Our business also has strong margin upside from efficiency and operating leverage as we grow.

Let me dig deeper on the cost side. Firstly, we continuously look at portfolio optimisation, not only in Solutions & Services through further standardisation of our packages, but also in Software & Cloud by tightening participation within our portfolio for around 10,000 tenders[?].

Secondly, we can better leverage our local, regional and global resources to achieve optimal utilisation. This is true for our operations delivery centres for each of the business lines, as well as for our financial shared services. We can also better utilise our delivery centres in India, Leipzig and Mexico to further optimise costs.

Another very important tool to improve productivity is process standardisation and automation. We will have ample room to optimise processes in our operations in transactional activities.

Finally, while we continue to fully believe in our global model, we also see scope for optimisation of our geographical footprint. As Dieter mentioned, we have just launched an initiative to assess in more detail these efficiency opportunities, and we will provide a more detailed update with the H1 results once the initial assessment has been completed.

Increased transparency

Let me now return to my initial comments regarding transparency, which is a key priority going forward. That is why we are here today, providing these quarterly trading updates and why we have also committed to reporting adjusted EBITDA by business line.

Back in March, we promised to provide the business line reporting by the end of 2022 at the latest, but today, I am pleased to share that it will happen already from H1 2022 onwards. We will also take this opportunity to adjust definitions of some of our non-IFRS financial metrics to better reflect performance of each business line.

We are currently classifying some expenses in OpEx, which would be reflected in COGS, with the new business line reporting. These expenses are related to the delivery of our services or products. The changes will have no impact at the revenue and EBITDA level. Needless to say, we will, in due course, publish the revised definitions and restated historical financials to facilitate the transition.

Guidance reiterated

Coming back to our outlook for the year. Based on our performance year-to-date and the continuous strong demand environment, we are confident in delivering our 2022 guidance of mid-teens gross profit growth in constant currency, and adjusted EBITDA margin above 25%. Consistent with our communication in March, our adjusted EBITDA margin may be slightly below 25% in H1 2022 with further operational efficiencies underpinning our full year target.

With that, I would like to hand back to Dieter for closing remarks.

Closing Remarks

Dieter Schlosser

CEO, SoftwareONE Holding AG

Key takeaways

Thank you, Rodolfo. As we reached the end of our prepared remarks, there are three messages that we would like you to take away today.

Firstly, the underlying growth momentum in Q1 was very strong and we are on track to meet 2022 guidance of mid-teens growth and an EBITDA margin of above 25%. Secondly, we remain fully committed to our growth strategy, supported by operational efficiencies to deliver profitable growth. Thirdly, we are improving the level of transparency and consistency in our financial disclosure to provide an optimal understanding of our business model.

I would now like to hand back to the operator for Q&A.

Q&A

Varun Rajwanshi (JP Morgan): A couple of questions. Firstly, just a clarification on the magnitude of payments from Microsoft as part of the co-investment programme. This was roughly CHF12 million, CHF13 million in 1Q. Any exceptionals that we should keep in mind for subsequent quarters?

Second, can you confirm the organic growth in the Solutions & Services business for 1Q? Then thirdly, on the new cost savings initiatives, what are the cost savings that you are targeting with these new plans? Is there any scope for further margin upgrade as part of the new cost savings initiatives that you will be launching through the course of the year?

Dieter Schlosser: Yeah, thanks for the question, Varun. Good to hear you. On the first one, on the Microsoft exceptional vendor payment, let me just take it back a step and explain again the rationale behind this.

As you remember, we have announced this in March 2021. Microsoft has selected us to capture market opportunity which was in this and for the next ten years offers a tremendous market opportunity, which is application services and SAP. Why this is the case? It is very simple. There is a total addressable market, which is massive. Secondly, there is a burning platform. The customers have to move to the cloud. It is just a matter of time whether they do it this year, or whether they do it in three to five years.

With the selection of Microsoft to choose SoftwareONE as a strategic partner to capture that opportunity, we have built a plan, and to build our global practices and bring in capabilities to facilitate that opportunity. In Q1, the payment which we have received was the ramp-up payment for the strategic cooperation.

Whilst it would have not been significant for H1, because from a quarterly perspective, of course, it was a significant payment.

Coming to your underlying question of whether we need to consider anything in the future from an exceptional vendor payment. We always do have vendor payments. We also outlined that that is part of our business-as-usual, scores of our business, but not in that magnitude. As I said, it was a ramp-up payment. You do not need to consider for the future quarterly updates any significant payment.

On the second question, what is the underlying organic growth on Solutions & Services? Remember, the market is growing 30% on Solutions & Services, and we always say we will be growing above the market. We have been growing last year over 50%. Of course, this was a lower base. We will be growing this year above the market. There is no doubt about it. The underlying factors are absolutely there. Our backup and pipeline are showing this growth momentum.

In terms of what is organic and non-organic, I do understand that you tightly differentiate. For us, the majority of our acquisitions are actually bolt-on acquisitions, where instead of hiring over a long-prolonged period of time, we just buy a small outfit and ramp up the capabilities. For us this is not something which we would separate out and put it as a transparent metrics on.

If we have a transformational acquisition and the size was a high complexity, like we did with COMPAREX, like we did with InterGrupo, we will definitely ring-fence that and make that

transparent. Rodolfo, you want to add something on this as well as on the last question on the second initiative?

Rodolfo Savitzky: Yes, thanks, Dieter. Yeah, happy to provide additional. I think you covered very well the first two questions. On the target cost reduction or cost optimisation initiatives. As I mentioned in my presentation, we are taking really a very broad-based approach, going from looking at the portfolio, what are the areas where we can optimise profitability within the portfolio when we call it 80 for the 20. Also, even though for us the geographic footprint is a key competitive advantage, again, is a room for optimisation there.

I would say very importantly, we are very proud of our local global delivery model. I think we definitely will maintain that in the future. However, we would look at opportunities to realise synergies between local regional and global delivery in our operations for Software & Cloud & Services as well as for internal services that we provide in the company.

Then last but not least, we will be doing benchmarking of certain functions. The company has grown very fast. This has been needed right to support the highest scale. However, I think it is a good opportunity now to step back and check whether, in some areas, we may need more resources and probably in some areas we do not need that many resources.

We will have the initial assessment in the coming months and we would be happy to provide it, and I would be happy to provide an update with the H1 communication.

Ross Jobber (Citi): Two questions. First, a very quick one. Can you give us a rough idea of what wage inflation you are expecting this year? Secondly, a more general question. Can you say a little bit about how your conversations with your customers are being affected by the growing uncertainty and darkness around the macro picture and inflation? You have not really mentioned anything about how your customers are talking to you about the fact that, for example, they want to particularly protect their cyber spending? Are there other areas of IT that they might be prepared to spend less on in order to continue to spend on cyber at a time when their businesses are facing such uncertainty, or whether or not indeed, their IT budgets as a whole, are under discussion for being reduced? If you can just say a bit about how your customers are talking to you about how they can continue to maintain what they would like to invest in, given the outlook looks very uncertain.

Dieter Schlosser: Yeah, thanks, Ross. You want to take the first one, Rodolfo, on the wage?

Rodolfo Savitzky: On the wage inflation side, despite everything we read on the media every day, what we are seeing here in SoftwareONE is pockets for sure of wage inflation in certain areas. Of course, we have had to make some adjustments in order to ensure retention of key talent or attraction of key talent. However, I would say when you look at the average across our company, and also keep in mind that we have big pockets of population in some of our delivery centres, Mexico, in Leipzig, India and so forth, we continue to see that the wage projections are roughly in line with the plan for the year. This is in the lower single-digit, right.

So far, when we look at the overall picture for SoftwareONE, we have made adjustments, of course, where needed. However, this is not, in any way, at this stage a material deviation of the initial plan we put together last year for the budget.

Dieter Schlosser: Yeah, thanks, Rodolfo. On your second question, Ross, on the conversation with the customer, technology is actually not complicated if you look at the customer landscape, right? There is always three buckets, which you are talking about. The first bucket is just keeping the lights on. The second bucket is making the lights brighter. The third bucket innovate new lights. I highly oversimplify it now, but just to make it crystal clear, right? Your question, the conversation is completely different in those three buckets, right?

McKinsey would call it the Horizon one to three. On keeping the lights on, exactly what you said. It is the robustness, the resilience, which counts which they continue to invest and the cybersecurity, the perimeter security, which they are putting in. On top of the maintenance, we see that improvement and robustness.

The second pillar, making the lights brighter, is really capturing the opportunities to move to the cloud, and what scalable effect and optimisation that can bring. However, over there, it has become now a combination that is not just simply a technical conversation, but it is also a commercial conversation on how do I do it in the right way and manage the ongoing OpEx concern in the future. The swap has slightly been moving to higher emphasis on commercial with the technology transformation.

On the third one, which is the innovative part. Over there, you see quite a big focus now on insights data, analytics and so on coming through, particular when you look at the trend of the anti-globalisation and de-globalisation and impact of the supply chain. That is where they are focusing, of course, completely dependent on what industry they are, but many are affected by obviously supply chain situations. That is where they drive innovation into it.

Again, overall, the momentum is there. Overall, the growth is there, but it is very different depending on which segment or which bucket of the customer portfolio you look at.

Ross Jobber: Do you have a sense of how much of your revenues are supporting customers maintaining their infrastructure and how much at the moment is helping them to improve it? Do you have a sense of that?

Dieter Schlosser: Yeah. I do have a sense of it, Ross. We have not disclosed this number and we have not really engineered this number, but from a simple mathematic, you can look at it. On Software & Cloud, sorry for using always three buckets. You have again three buckets, right? You have the infrastructure bucket. You have to the horizontal software, which is like a ServiceNow or SaaS applications or Office365. Then you have the vertical solutions, which is like, because I am in construction, I have X, Y, Z vertical solution.

On the infrastructure side, of course, a lot of them, half is still on-premises, right, which is reflected on Software & Cloud. On Solutions & Services, remember, we are cloud-native, right? We do not do things on premise. We understand the on-premises, but we do not want to do work on-premises. We want to help the customer to move to the cloud. Everything what we do in Solutions & Services is in the direction of the second bucket or the third bucket, which means making the lights brighter, or innovating new light.

Knut Woller (Baader Bank): A couple of questions. First, just a clarification question. Did I understand it correctly that adjusted for the vendor payment, the gross profit grew in Q1 higher or faster than in the second half 2021?

Then secondly, on the Transformance cost. There have been CHF6.4 million in Q1. Is that now behind us with you saying that 600 FTEs have been basically made redundant? Or should we expect here any further costs? Will your new efficiency measures result in any comparable extraordinary costs?

Then, thirdly, on the inflation side, we already touched wage inflation. On the other hand, are you able to do price increases in your service part? Do you have any CPI clauses factored into the cloud contracts that helps you to offset wage inflation?

Dieter Schlosser: Yeah. Hi, Knut. Thanks for the questions. On the comparison, yeah, if you adjust it, we have been growing higher than H2 2021.

On the second, I hand over later to Rodolfo. However, let me take the third one, which you mentioned on the CPI or the price increase. That is relevant to again Solutions & Services, where you have had a differentiation between professional services and managed services. On professional services, usually those are timebox projects right, where you have between one month and nine months projects. Over there, it is our basis, the daily rate, the cost base, and then we move this into a fixed rate. We are always able to adjust.

On the managed services, the standard of our contract clause has cost adjustments and rollout[?] adjustments in there. That is basically what they do in a three or five years managed service contract. Yes.

Rodolfo Savitzky: Then coming back to Transformance, yes, this is correct. With the additional provision, the programme we communicated in March is completed. This is associated with around 600 separations and the expectation is that this would generate the separations itself costed around CHF30 million to CHF40 million savings. Of course, I need to emphasise that Transformance as such, it was not a programme to eliminate the position from our organisation and really bring the savings to the bottom line as such.

It was more around improving performance in the organisation. Making sure that the lower performers were moved out. Of course, the expectation is that if you move low out, let us say, too low performers, you probably do not need to replace with the same number of resources. This programme is completed.

As we look forward, we will need to see the scope of the efficiency measures that we will discuss later with all of you in H1. There may be the need then to establish a provision or not, we do not know at this stage. We will assess once we have understood the scope of savings and what is required to achieve the same.

Dieter Schlosser: However, maybe you want to say something on the ROI of the provision versus what we are actually reducing on operating expenses.

Rodolfo Savitzky: Yeah, the ROI is extremely high, right? Of course, if we take the overall provision, which is the CHF9 million or the CHF6 million, and then we generate that we associate that with the savings that have been created, it's very high.

Jad Younes (UBS): A couple from my side. First of all, regarding headcount versus year-end. Are there any numbers that you can share around what was the headcount at the end of Q1 and what the attrition was? Secondly, can you give us any sort of insight about what we should expect from the Transformance programme on exceptionals for the rest of the year? Should we be expecting similar to Q1 in Q2 and Q3 and Q4? Lastly, on the buybacks. Are

there any plans to undertake further buybacks and further sale of the Crayon stake? Maybe you can comment as well if we have seen any change in the Microsoft reseller terms as well?

Dieter Schlosser: Sorry, I did not get the last one, Jad.

Jad Younes: Under Microsoft reseller terms, have you seen any changes there on the commission structure of Microsoft?

Dieter Schlosser: Yeah. Let me just take the last one first, and then I hand over to Rodolfo for the headcount and small one, and the capital allocation. On the reseller incentives programme with Microsoft, as you know, there is a yearly really change. It always kicks in October. We usually have a preview of that, which we, of course, cannot disclose. Fortunately, actually, yesterday, there has been already a blog published from Microsoft on that with the partner community. What is my sense of it? There are no negative impact on the incentives. It rotates around the various buckets, Jad, but overall, it is not going down.

I see a slight increase in it. This really depends on your portfolio. Every partner of Microsoft has a different focus on a different portfolio. For us, I see it rather positive.

Rodolfo Savitzky: Yes, on the headcount, of course, with these quarterly training updates, we are limiting the amount of information. We want to still provide meaningful information, but not every detail. I would not give you the precise number, but what I can indicate is that, as mentioned during my note, quarter one 2022 from an OpEx point of view was pretty much in line with quarter four 2021. Most of our OpEx is driven by FTEs and personnel expenses. The clear implication is headcount was pretty much flat compared to the exit headcount that we had in 2021.

Then related to your question on Transformance. We will not have more provisions related to Transformance. The programme itself is closed, because we will not make it a recurring now Transformance programme. It will say otherwise. Then the provisions will go into our regular operating expenses. However, as I mentioned before, as we assess now these bigger programme of efficiency opportunities, we will assess whether there is a need to create a provision or not, but this would be a separate provision nothing to do with Transformance. It is associated with a broader efficiency initiative that we are driving as an executive board here in SoftwareONE.

Jad Younes: Under the number of employees, I think it was around 600 that were supposed to leave under the Transformance programme. Have they now left or is there still more to go in Q2?

Rodolfo Savitzky: All the people who were part of Transformance have been communicated that separation, and then the terms of separation by depending on the different individuals. I would say the vast majority have left the company. Again, you keep in mind that this is a company that is also growing very fast. It is a company where we need to replace FTEs in order to support our growth in services. Here, you have the leavers, but you have the joiners us as well. However, the net result for quarter one is what I said before.

Then going back to Crayon, I think here, the story is straightforward. Initially, when we build the position of owning roughly over 12% of Crayon's shares, there was a strategic intent behind that move. Today, we do not see it as a strategic investment anymore. It is a tactical investment, and like all of you in the call, we also immediately agree when you have a very

concentrated holding of one particular position, you want to sit down and diversify. We have done that. I cannot disclose what we will do in the future. It will all depend on the markets dynamics.

We will continue to monitor and reassess our investment portfolio, which is the same answer I need to give you on the share buyback. We heard loud and clear from investors, from many of you that this is something we should consider. As such, we regularly assess. I can store strategy, which includes bolt-ons and some M&A.

At this stage, the only thing I can say is this is something we are regularly reassessing, and whenever there is a change, we will communicate it back to the market.

Jad Younes: On attrition, is there anything you can give us there as up down?

Dieter Schlosser: Yeah, maybe I should on this. We see actually a very heterogeneous picture on that, Jad. We had, in Q1, the highest attrition in North America. In other markets, there were a little bit of a spike, but not as visible as it was in North America. It is really different per geography. Also, of course, related to the portfolio as well. It is our nominal attrition ratio otherwise, but in the US in the Q1 we had seen up to 20%.

Ben Castillo-Bernaus (Exane BNP Paribas): Really focused on the additional cost savings programme that you talk to on slide 12. I guess how should we think about the roughly CHF170 million of OpEx, the run rate you have seen in Q1 and what we have seen in Q4 end of last year. How should we think about that OpEx run rate through the rest of the year? Any colour would be helpful there.

Secondly, on the Software & Cloud business growing ahead of the H2 2021 growth rate, which sounds positive. Would you say we have now turned the corner there? Obviously, you had the headwind from the shift to subscription revenues that has been happening. Should we expect that to start to become a tailwind in 2022, or is that still a sort of further out narrative?

Dieter Schlosser: Hi, Ben. I take the second one. Rodolfo, you take the first one on the OpEx run rate.

Rodolfo Savitzky: Yes. So, Ben, when it comes to the OpEx for the year, as you can imagine, it is tightly correlated to the GP growth. We have guided on the GP. We had been thinking in constant currency. Again, while we have a clear focus on trying to grow OpEx lower than the GP growth, we expected in the year a relatively good correlation there. This is the logic behind our guidance on the margin where we say clearly above the 25%. As you remember, we closed with 25.7% last year.

This is the message we can give at this stage. The efficiency programme that we will assess over the coming weeks, and we will communicate in H1, of course, the expectation here is that there will be some low-hanging fruit that can be implemented, right? However, for such a programme, the likelihood is that we would implement most of the measures, either very late in this year or in 2023.

Dieter Schlosser: Right. On the second one, whether we are now out of the woods on Software & Cloud and in the recovery phase. We strongly believe so. As you rightfully said, we have been growing above H2 2021. On the back of multiple things, right? The demand, of

course, has increased the market coming out post COVID. However, also, we leveraged our subscription portfolio in a different way.

We have put a higher focus on specific ISVs. There is a different tiering. We have seen now a steady incentive pays, particular with the top one like Microsoft for the time being right. Of course, there is always margin pressure, as you know, but we are able to navigate around with our portfolio, with our XSimple and with our approach.

I would be not overly aggressive on it, Ben, because the market is growing 14% as you know. We always said we are in the high-single digit in that space. We see a huge uptake on the digital supply chain our offerings. That is a fundamental shift, which is positive. We have not baked in any disruptions to our platform yet. As we shared with you before, that is something where we test the waters in this year.

If we are going as per plan with the successful digitisation of that space, then I would be more bullish on it and say this is exactly what the future would be in terms of potential double-digit growth on an ongoing basis.

Alastair Nolan (Morgan Stanley): I think most of my questions have already been asked. However, maybe just one follow-up on the disposal in Russia or the divestment. Just wanted to check the impact there, is that accounted for within your full year guidance, or is there going to be any adjustment there? Are there any exceptional or one-off charges associated with the disposal?

Dieter Schlosser: The Russia divestment. From numbers, you remember we said it is not material. Russia, Ukraine was like 1.5% of our total GP. It is already baked into our guidance. There will be no adjustment to that. On the exception of revisions, Rodolfo, you want to say something on that?

Rodolfo Savitzky: Yes, again, in due course, once we publish the H1 numbers, as you can imagine, there is some write-offs associated with our goodwill, or intangibles that we had in Russia we will publish that. However, from an adjusted EBITDA point of view and from a cash flow point of view, there is a limited impact. Of course, we do have a net working capital in Russia. We have payables and receivables there. We are trying to net off the position, and there are some obligations from the buyer of our business.

However, I would say in a nutshell, we expect that minimal cash impact. We will have some write-offs, as you can imagine. These will not affect neither the guidance and nor adjusted EBITDA, and we will publish that in due course with our financial numbers in H1.

Dieter Schlosser: All right. I think we are at the end of the Q&A. All right, perfect. Thanks everyone for participating today. We have later on another call with our analysts which you see. Looking forward to speaking to you in more detail. Thanks for participating and have a good day.

[END OF TRANSCRIPT]