Transcription

SoftwareONE - Full-year 2020 results

{EV00120445} - {100 Min}

26 March 2021

PRESENTATION

00:00:02 Operator

Dear ladies and gentlemen, welcome to the conference call of SoftwareONE. At the customer's request, this conference will be recorded. As a reminder, all participants will be in a listen-only mode. After the presentation, there will be an opportunity to ask questions. If any participant has difficulties hearing the conference, please press star key followed by zero on your telephone, for operator assistance. May I now hand you over to the CEO, Dieter Schlosser, who will lead you through this conference. Please go ahead.

00:00:31 Dieter Schlosser

Yeah, a warm welcome from my side, Dieter Schlosser speaking. Thanks for making time for our FY 2020 results presentation. As usual, I'd point you to the disclaimer, please read it carefully. And then we start going into the presentation. There will be maybe a slight delay when I swap...when I switch slides, so there is a delay of a few seconds, so bear with me on this. Today I'm joined by Hans Grueter, our CFO, as well as Alex Alexandrov, our Chief Operating Officer, I will start to give you an overview on the FY 2020 summary results. Hans will then guide you through the financial performance, followed by Alex who will give you an update on the strategy, and I will then conclude with the outlook of 2021. As usual, we will have time for a Q&A, which will be at the end of the session. Before I go into the details, allow me to briefly summarise what you will hear today from us. We have successfully navigated the COVID-19 pandemic, for our customers and employees all our [01:55 unclear]. We are very excited to share with you our acceleration of our solutions and services portfolio. And the story behind. As you might have already seen this morning, in the separate press release, we will update you on a considerable groundbreaking partnership and co-investment with Microsoft. Hans, our CFO, will demonstrate to you our strong financial performance and momentum heading into 2021. I will start now on the left side on the slides. Overall, the GDP growth so that 4.4% on constant currencies, essentially what we guided for the year. Personally, I'm not satisfied with the software and cloud line of business which was weaker during the pandemic. And I will provide you more details in the following slides. Solutions and services heavily accelerated through...throughout the year, demonstrating the success with our integration, but also the investments we have made. Our EBITDA through 5.1% on constant currencies, this was a combination of achieved cost synergies and COVID savings, combined with a reinvestment into strategic areas in the business that we will cover later. Let me share with you some other highlights. We have had a successful year on finding - but also equally important - on closing strategic acquisitions. You will see a very strong cash flow, driven by our financial discipline and an asset-light business model. We will be increasing the dividends, which Hans, our CFO, will cover later. Essentially we completed the Comparex integration, and we are confident he will deliver on our commitment and our committed synergies, as previously communicated. We are thrilled to share with you some of our initial insights with our digital platform PyraCloud. We now have more than 50% of our customers with access to the platform, and the actual usage has grown 87% year on year. We are really thrilled about this. This is not only an exciting journey on our efficiency but also on the adoption [04:38 unclear] as a digital enterprise. Finally, we have announced this morning ours and Microsoft's largest strategic partnership and co-investment program. Allow me to dive into the software and cloud business segments, and specifically in here with Microsoft. Coming out of COVID-19, with this overview, we wanted to provide some additional insights into the business. As you know, our business is oriented into three customer segments. We have enterprise, public sector, SMEs (which are small and medium enterprises). Each segment behaved in a very specific way during COVID. And that has different impact on gross billings, which is what Microsoft reports, and on our gross profit, within SoftwareONE. Enterprise continued to grow during COVID, but perhaps at a lower margin. Public sector experienced a very strong growth, fueled by governments around the world, some of our competitors are benefiting from this temporarily. However, for us, this is a very small segment within SoftwareONE. Finally, our growth engine, which is the SME segment suffered the most during COVID. However, SME still makes up almost 50% of our gross profit. And even during a COVID year, we were able to deliver higher margins. [06:20 Unclear] will drive significant growth in 2021 and in the upcoming years. Overall, our Microsoft billings grew in line with Microsoft in the channel, while our cross profit was impacted by the customer segment mix. We feel very confident and optimistic that our portfolio and our sales engine is set up for success based on the market dynamics, based on the shift to pay as you go and the Microsoft direction overall. Coming to our solution and services - and you remember we communicated during 2019 that we needed to complete several integration milestones in order to start growing again. All the hard decisions were made in 2019, and have been realised in the acceleration of 2020. Alex will lead you in the strategy session on our positioning as a provider of IP and tax paid solution in a Cloud Now world. It's not any more Cloud First, it is Cloud Now, partially driven also to the experience through the pandemic. He will also share with you the exciting part on the customer transformation journey. You will see our portfolio which will support the customer on their transformation, whether it's on the commercial side, on the technology side, and on the digital side. I'm also very excited to share with you that we have become a leader in Gartner's Magic Quadrant for SAM managed services, and a FinOps certified service provider. Even more important for us, our platform PyraCloud is one of the few platforms which have been certified as a FinOps platform. As mentioned earlier, we are very excited to share with you our strategic partnership with Microsoft, the largest co-invest for us and Microsoft. It is based on two fundamental growth streams, which we see exponential growth in the next five to eight years. Allow me to briefly summarise the opportunities here on hand, and I start on the left side. Application services, basically application modernization: we see a huge number, 50 million applications in the legacy world, depending on who you are, whether it's [09:11 unclear], it's between 60 to 100 million legacy applications out there. Any numbers big enough for us. Every company now needs to...needs to decide what they have to do with those legacy applications. Are they able to sundown them, or do they require a new lease of life, which is the most likely scenario, and we would need to cloudify and help the customer to migrate those applications into the cloud. The beauty in this domain is if you do the project of modernising the applications, it is very natural that this is a kind of a presales for [10:02 unclear], which is turning the revenue, the quality of revenue in a recurring revenue, and in a more sticky revenue. When I move to the right side, on SAP] critical workloads, we see a similarity to the application services. But over here, we have now a power additional parameter, which is very important to understand. By 2027, SAP has announced their on-premise version of their SAP is out of maintenance, you will not receive any updates anymore, going forward. That was already extended from originally 2025. So the assumption is this is staying quite firm. So now, with similar situation, every company who has SAP today needs to either replace SAP - which is a big project - or what's more likely, move SAP in the cloud and go on [11:11 unclear]. Similar like on the left side, we have a unique selling point with our optimised conversion and migration approach. But also over here, we want to catch the customer, and we want to offer the managed service after the project, and run SAP in the cloud on behalf of our customer, again, switching the revenue, the quality of revenue to a recurring revenue. The good thing is with the cloud dynamic. You don't need anymore 50,000, 100,000 people on the ground like you might remember from the global system integrators, it is now...it is now important that you have the right form and cloud experts, maybe a few 1000. And then you have the opportunity to become a leader in that space. So to summarise, we have a clear customer need, we have a massive addressable market, and with the substantial co-invest by Microsoft, we are able to ramp up our capabilities very quickly, already contributing to our double digit growth in 2021. And our midterm guidance, where our EBITDA will grow faster than our gross profits. As mentioned initially on the m&a side, we have been very successful on finding and closing out the right targets to accelerate our capabilities ramp up. As you can see, we have had acquired two companies in the SAP critical workload space, one company in the application modernisation and services space, two Tech IP and Cloud Platform management companies, one Google company based on the hyperscale GCP. So it's a very efficient addition to our acceleration. Let me also say a few words on our strategic partnership with our RIB in the construction vertical. As you know, digital transformation is used very, very heavy, it's a widely used buzzword in the [13:46 unclear] world. We believe real and fundamental transformation has to come through the core business process of any organisation. To achieve that, we need to partner with a strong leading ISV in a particular industry. With our exclusive agreement with RIB on presale, sales, implementation, and even managing the solution in the cloud, we achieved our visions on digital transformation for our customers. AEC - architecture, engineering and construction - as an industry, is around 13% of the global GDP. They are in desperate need to transform digitally. They have a very strong [14:36 unclear] now with sustainability and green, but for us also equally important, we can use this as a template for market expansion service for other industries in the future. I mentioned in the beginning we executed on our commitment on the Comparex integration, and we had additional COVID-related cost savings. We have made a strategic decision to continue to invest into strategic areas in our business. We have done this twofold. Through our reasons acquisition, accelerating the growth trajectory with the SoftwareOne engine, and also to investments into our new strategic incubation initiatives. As a result, we grew net headcount by 750 FTEs, and additional 1500 FTEs through the Intergrupo acquisition. It is very important to understand that those investments have landed, and we are already seeing positive financial results in 2021. To summarise the key takeaways again, for you to take...we...as mentioned, we have successfully navigated the COVID-19 pandemic, not only for our customers, but equally important for our employees. Software and cloud was impacted by COVID-19, but remember my statements on the SME segment, our market position and strategy remains strong. The acceleration and solution and services is continuing, accompanied by significant investments, we see already the positive momentum happening in 2021. We have [16:39 unclear] strategic agreements and co-investment with Microsoft announced today. That's an exciting space to watch. Our strategic incubation initiatives and our m&a initiatives are accelerating our growth strategy. And last but not least, our very strong financial position and momentum heading into 2021. And that's the right segue to hand over to Hans, our Chief Financial Officer, to lead you through the financial performance. Thanks for your attention. I'll see you in a few moments again, when we talk about the outlook 2021. Hans, over to you.

00:17:24 Hans Grueter

Thank you. Dieter, and also from my side, welcome to this conference call. I'm very pleased to go through the financials in more detail. I would like to start with the profit and loss statement. The IFRS reported figures 2019 and 2020 do represent the audited figures in our annual report. Please note that for 2019, the acquired company Comparex is included for 11 months only, as we acquired Comparex at the end of January 2019. More important than the reported or the adjusted figures because the adjusted figures do represent a better assessment of the performance we have achieved in 2020. We do adjustments according to our internal policy. We stick to this policy and it's also presented in the annual report under alternative performance measure. We have achieved a gross profit from software and cloud of

519.5 million Swiss francs, which corresponds to a decrease of 1.9% at constant currency compared to prior year. The gross profit from solution and services achieved 210 million Swiss francs which is an accelerated growth of 23.9%, as Dieter just mentioned before. The gross profit in total is 729.6 million, which is an increase compared to prior year at 4.5%, also in constant currency. The operating expenses increased on a lower rate than the gross profit with 4% at constant currency to 506.5 million Swiss francs. The profit of the year is 125.7 million Swiss francs. This corresponds to an EBITDA margin of 30.6%. The EBITDA margin is the EBITDA divided by the gross profit. With these slides about the bridge from the reported profit to the adjusted profit of the year, we would like to give full transparency what adjustments we are making between reported and adjusted. You see the starting point of the IFRS reported profit of 176.8 million. In prior year, we had the adjustment, pro forma adjustment from Comparex, mainly this one month to add in addition, which this year, of course, no addition to be made. There is an adjustment on the share-based payment. These are two programs for this 24.2 million Swiss francs. The one is the management Equity Plan called [20:52 unclear], which was fully funded, pre IPO by the major shareholders. We've had no cash and no equity impact to the company, but due to IFRS, we had to run that through our books. And the second share-based compensation is the free share grant we have given to all our employees in SoftwareONE, which is also connected to the IPO. Going forward, this 24.2 million in decline in 2021 to 14 million Swiss francs approximately, and in 2022 to 5 million. Additional adjustments are the IPO expense - which we had a small number at the very beginning of 2020, integration expenses of 7.2 million - which basically are integration cost of third party for the making the integration happen, but as well, one-time costs, such as severance costs. Last not least, we have m&a and [22:07 unclear] out expenses of 3.4 million. We do adjust, so total adjustments are 35 million, which is significant below of the adjustments made in 2019. And other adjustments we are doing is the adjustment for the appreciation of the Crayon shares, in total that's 83 million. And then we calculate, as well, the tax impact of all these adjustments, which is 3.1 million, and this leads to the adjusted profit for the period of 125.7 million. In 2020, we have achieved strong cash flows. This is driven by networking capital improvement, this is driven by increased net profit and non-cash items. And thirdly, as well, driven by low capital expenditure. When it comes to the capital expenditure, we have expensed 22.8 million in 2020, which is a standard level and demonstrates the low level of what we have with our asset-light business model. Of this 23 million, roughly 9 million is for the PyraCloud, our platform which is the centre of our activities internally, but also customer-facing. Improvements have [been] made in the networking capital. You see here the change in networking capital of 53 million last year, and this year of 100 million, so in that sense, an improvement of 50 million Swiss francs. The cash flow from operating activities achieved 276.3 million, which is about 60 million up compared to 2019. Our main balance sheet assets, the accounts receivable, our diligent managed in SoftwareONE, and the risk associated with that is well controlled. The risk itself is very diversified by the broad customer base we have, by the geographical diversification, but also by the industry diversification. We do mitigate the risk with insurance and have an insurance coverage in 2020 of 47%. And when it takes this insured, accounts receivable plus the very secure accounts receivable, which are 25:07 triple B plus and current activities, two thirds of our accounts receivable are with a low risk. We have made...or we have seen very minor impact from the collection in 2020. Despite the year of COVID, we have made the provision based on the expected credit loss model on one hand, and added individual risk assessment for each of our lines at a certain number of amount, but also at a certain industry. And we have increased the bad debt provision slightly from 0.9% to 1% in 2020. SoftwareONE has a very strong and unlevered balance sheet, with a net debt of about 500 million, which is very well increased to the 200 million last year. It's also a very solid balance sheet because of the equity ratio, which increased from 21.4% to 24.8%. And in addition, we have unused credit clients in SoftwareONE, and are very well prepared for the financial needs. When it comes to the networking capital, the networking capital with minus 169.6 million is at a record low level. And when we compare that as well as prior year, then we have made an improvement of about 100 million Swiss francs. With the business growth and also with this record low level, I think it's difficult to sustain that low level and we need to expect that this is growth, the net working capital will increase. We could see that it will be increasing to a level which we have seen in 2019. Last but not least, we will propose a dividend to the AGM of 30 cents per share. This is a nice increase of 43% compared to the prior year level of 21% and corresponds to a payout ratio of the profit adjusted of 37%. In summary, we already prepared at least a solid balance sheet to support all our strategic initiatives. And with this, I would like to give the word to Alex, please take over.

00:28:00 Alex Alexandrov

Thanks, Hans. And hello, everyone. Also a very warm welcome to me to our annual earnings call, happy to spend just the next few minutes with you on the strategy updates. First, just a quick recap of the topics we'd like to cover today. What we see with our customers is certainly, COVID accelerated their digital transformation, but also placed a number of new demands on what customers are experiencing. As we look at our strategy, and as we look to build on top of our successful software and cloud business, we're looking to leverage IP and create services and solutions that really support our customers in their entire transformation journey. What we will cover, and Dieter alluded to it earlier, is as we look at our portfolio, we're adding and enhancing a services portfolio. And we're calling these our five incubation initiatives. And finally, I'll quickly touch on how we're supporting this effort with m&a. In the post-pandemic normal, you hear lots of different words to describe where we are today. What we see is customers are increasingly facing complexity and demands on their technology, environment, their technology needs. Initially, we spoke a lot about how technology powered and enabled our customers to transform their business models to be able to compete to defend. What we saw the last 12 plus months is the distributed workforce of our customers created more complexity. That initial complexity is very clear on the security side. There are a lot more touch points, a lot of ways in which data can leak or get out of an organisation. What we also saw is [that] our customers had to become hybrid overnight, they basically had to have an on-premise or a physical and a cloud presence. And the concept that was typically in retail of omni channel, we now see with, essentially most of our customers - whether it's a bank, an insurance company, a car dealership, doesn't matter. The organisation has to have a physical and virtual presence with their own employees, with their own customers. That's all enabled and works really well with the technology developments that are taking place. And the enablement that that technology has provided to customers has really allowed them to be much more agile, has allowed them to innovate much faster, and provide a more complete, a more richer experience for the end customer and for their employees. The ecosystem is seeing explosive growth on top of the hyperscalers - the major platforms that are kind of the...essentially the rails on which everything is running - we see large ecosystem of ISVs. And these ISVs are innovating [31:19 unclear] a fast pace, they're often industry-specific or function-specific, and it no longer comes down to just a few companies to innovate. It's so...the innovation is now distributed across so many different players in this ecosystem. For SoftwareONE, this means that we operate in large and fast growing markets. We've shared this with you before. Our software and cloud market is a very attractive market. We believe that it has long secular tailwinds, it has lots of growth behind it. What we...what we see is a greater than a 500 billion Swiss franc market experienced a very slight decline in 2020, and is forecasted to grow between 9 and 10% over the next two years. But we also shared with you is in our solutions and services business line is a cloud only market. So it's a subset of the overall IT services market. And it's a smaller subset because we only focus on cloud services. And we really have focused our portfolio as a natural extension of software and cloud. What we will share with you today is how we're expanding that addressable market with our strategic incubation initiatives. And so while before, we believe that this was a 30 billion Swiss franc market, we believe it's a much bigger addressable market for us today. And the high teen growth rate of this market, we believe is also enhanced by the additional...by the additions to our portfolio. Our customer-facing transformation: we speak a lot about transformation, and so I want to be clear, our customer-facing transformation means that we're building on our strength in the commercial segment. Over the last 20 years SoftwareONE has a lot...has helped customers unlock their software assets, unlock their software investments, get more out of them. We continue to build on that commercial transformation. Here, the goal for customers is to help them reduce their software and cloud spend, ensure they have transparency and predictability. And here on the top right, you see our portfolio that's pointed at that customer need, you still see the marketplace, you see the digital way of how customers can do this business in the future, what we call digital supply chain. You see the addition of FinOps, which I'll cover in a minute. In addition to our strength in commercial transformation, we are naturally extending...we're naturally helping customers with their technology transformation. This is no longer siloed inside our customers, the software and cloud decision is very closely aligned and linked with their technology decision. And this is what we're helping customers with, which is not only selecting and buying the right technology, but then implementing it, using it, and getting business value out of that technology. On the bottom right you see our portfolio that's pointed at this technology transformation of our customers. And here we speak about digital workplace, we speak about the hyperscale cloud, and then some of the additional areas, incubation areas that I'll talk about next. Finally, to put all of this together, if we are successful in helping our customers with commercial transformation, then we're successful with helping them with technology transformation. We can then put all of that together and help them with their overall digital transformation. As you heard from Dieter, digital transformation for us means being able to help customers with...understand their business, understand their business strategy, understand how to innovate using their business process, and inside their industry vertical. The goals of digital transformation are to allow our customers' employees to be more effective, to allow their customer to improve their end-user customer experience, and to innovate and optimise their business models. This is our customer-facing portfolio, this is our customer-facing transformation. We power all of this with PyraCloud, our own digital platform. I wanted to spend a couple of minutes to provide an update for you on PyraCloud. We've historically spoken about PyraCloud, but have not provided enough insight into the statistics and the momentum of the platform. And today we'd like to share both. First, what is PyraCloud? PyraCloud for us is the glue. It's the connective tissue that ties all of the SoftwareONE offerings towards the customer. It is the connected experience for our customers. Additionally, it's also a way in which we are digitising our own business. And this is what you see here, in the three focus areas of our platform. The first one is SoftwareONE digital, and this is really a way for us to digitise our customers' experience using our platform. In the second focus area, marketplace, we're after an intuitive experience for customers. First, customers always ask is it a superstore? Can they find anything? And the answer is yes. But very quickly, customers realise that what they need and what they would like is a customised experience, something that suits their needs, that's based on their history, or very specific to the different roles in their organisation. And this is what we are after, this is what we achieve with PyraCloud - one marketplace. And finally, the third focus area of PyraCloud is Cloud Platform management. And this is the ability for customers to not only visualise all of their cloud spend, but also to manage and optimise it to ultimately automate some of those activities around management and optimisation. The progress we've had with PyraCloud is very exciting. And this is why you see us talk so much about it. This is why you see us invest so much around PyraCloud. We now have more than 50% of our customers activated on the platform. And the actual usage we see from our customers is increasing 87% year on year. Let me now spend a few minutes on the strategic incubation initiatives that we've mentioned throughout this presentation. First, we are focused on the hyperscaler opportunity. We are already very strong with the Microsoft hyperscaler Azure. We are building up a very exciting practice with AWS and the Google hyperscaler GCP. The strategy for us is always multi cloud because this...we are after...we're always supporting customers in their needs. Well, we see significant, amazing developments in the hyperscaler world, how quickly the hyperscalers themselves are evolving. And our approach here is very much a platform approach. The platform allows customers to see, and visualise, operate, manage, as well as various Professional Services, helping customers get to the cloud, and then manage them once they're there. The second pillar here - Dieter spend some time on - in terms of our Microsoft investment and that is SAP in the cloud. We see a large opportunity, with customers moving their most valuable, their most critical workloads to the cloud. So much attention here - and this is no longer just the financial system discussion. The ERP of the future is powering all parts of a digital business. And that's why we see customers have so much focus and attention on this topic. We have successfully built up organically, as well as added with multiple acquisitions in this area of SAP to the cloud. The third pillar, the third strategic initiative for us is application services. Also something that you heard from Dieter, which is, this was the genesis of the Intergrupo acquisition was to say: "We want to support our customers modernising their legacy applications, allowing them to move those applications into the cloud world." We believe we bought the market leader out of Latin America to allow us to do this. And now we have an effort as well as a collaboration with Microsoft on how we scale and significantly expand our capabilities in application services. The fourth strategic initiative is managed FinOps. The word FinOps - Financial Operations - is really for us building on our strengths that we have had for many years, what we used to call a software Lifecycle Management. Software Lifecycle Management, is...the analogy that I've often used is helping customers clean up their house. And we're now using very similar approach to say to customers: "Not only can we help you get your software and cloud spend under control in the on-premise world, in the hybrid world, we can apply that same discipline in the cloud world." And this is what we're able to help customers do, which is we're able to help them get their entire software and cloud spend under control, irrespective of whether they're in the cloud or in a hybrid world. And we'd very much do this, with a platform approach of helping customers digitise how they conduct themselves, and how they manage their overall software and cloud spend. Finally, the industry verticals, as I mentioned, the key...what we believe is the key to digital transformation is having industry expertise. Our approach here is to partner with industry leading players, industry leading ISVs, to bring those cloud solutions, those transformational solutions to our customers. We supplement our organic efforts, we supplement what we're building on the portfolio side with acquisition. I think you've seen us be very active on the acquisition side, we completed six acquisitions over the course of 2020. And are already off to a fast start in '21. Our strategy on the acquisition side remains consistent, which is we're very optimistic, very much...we look at the software and cloud segments. Here, we're very selective, because we already have market leadership, and we are very value-sensitive in this segment. At the same time, we have a very proactive and strategic focus on how we go after acquisitions of capabilities. And this is...over the last two years, where you see so much focus from our side, is making sure that as we build out our portfolio organically, we supplement it, we accelerate it with acquisitions. When we put all of this together, when we put our existing business together, which is the foundational pillar of software and cloud, we see that we want to digitise how we and how our customers conduct this business. And this is what you see at the bottom of this chart in the two gray colors. We expect this segment to grow. But the way we would like to grow this segment is increasingly much more in a digital format, digital engagement format with our customers. Additionally, we're expanding our portfolio. As I mentioned, we're always thinking about this in terms of IP-based services and solutions. Our existing portfolio services and solutions is in the dark blue, we expect that to grow significantly. And then on top, we're adding the five incubation initiatives that I just walked through. The goal for us is that over the next five years, we will increase...further increase the quality and the recurring nature of the SoftwareONE revenue base, and services and solutions, these IP-based services and solutions will make up almost 50% of our total gross profits. Finally, execution, how do we execute on this? And this is a critical point of SoftwareONE because the strategy is nice on slides but for us, it is very much about how do we bring this to life? For...what we're after is to build the next generation solutions and services leader powered by a platform. Our goal here is to take our foundational pillar, our existing strength, our existing market leadership in software and cloud. We are building on top with our customer-facing portfolio, our customer-facing transformation that takes that commercial strength, expands into technology transformation for our customers, and then takes all of that together into digital transformation. We believe we have an amazing base of customers around the world. And the way we're approaching this, the way we're building our portfolio and building up our expertise is focused on the largest cloud and software players in the world. You're seeing it today already with Microsoft, we're building so much behind the scenes with AWS and Google. And this is very much again, our focus for years and years, which is we want to be category experts, we want to be experts in what we do. And that's why you see so much focus from us. We power all this, we turn all this into actual intelligence with PyraCloud. For us, PyraCloud is not only an engagement with customers, it's also a way to reach our customers better with recommendations, with insights. And finally, in the bottom right: our model, our operating model is very much still a hyper local model. We believe that we need to be close to customers, we need to be local with our sales efforts. We have amazing colleagues, the best sales and customer support colleagues around the world. We support them in a regional format for either skills or availability. And finally, we have a large support network, a large support backbone globally, when we put all of those blocks, Lego pieces, together, we can create this customer experience, which...it can be tailored, whether by country or whether by solution, it can be a 'Lego block' approach of local, regional, or global. And again, the consistency for us is always to the customer; it is one experience, and it is always powered by our digital platform. Thank you for spending a few minutes with me, and I turn it back over to Dieter.

00:47:26 Dieter Schlosser

Yeah, thank you Alex, and thank you Hans for the overview. Let me conclude now the outlook - I go straight into the 2021 outlook slide. We see an improved operating environment, but as we all know, COVID-related uncertainties are persisting and in [47:49 unclear] impact on the macro-economic recovery. You have seen that our increased pace on investment is striving to return to a double digit growth. With that we are able to give a guidance for 2021, where we say the gross profit growth is above 10% for the group on constant currencies. Our adjusted EBITDA margin of approximately 30%, and the dividend payout ratio remains in the range of 30 to 50 against the adjusted profits for the year. If I then go to the next slide and show you the midterm guidance, how we evolve the 10% on gross profit moves to the mid teens growth in constant currencies. You see the investments kicking in more and more over the next couple of months. We have, on the adjusted EBITDA margin, the mid-term guidance, the EBITDA growth in excess of gross profit growth, and dividend policy will remain on the 30 to 50% adjusted profit for the year. With that, we have concluded the presentation today. Thanks for your attention. Thanks for joining us. We have now a Q&A session and I'm handing back to the IR and the moderator.

Q&A

00:49:25 Operator

Thank you. We will now begin the question and answer session. If you have a question for our speakers, please dial 01 on your telephone keypad now to enter the queue. Once your name has been announced, you can ask a question. If you find your question is answered before it's your turn to speak, you can dial 02 to cancel your question. If you're using speaker equipment today, please lift the handset before making a selection. One moment please for the first question.

00:49:57 Questioner 1

Oh thank you very much. So have a couple of questions...well, maybe three questions from me, please. First of all, you once said teens growth for 2021, and now you're saying just greater than 10%. Is that really...is that mostly coming from carryover COVID lag? Or is that sort of SMEs that are slow growth for you? And maybe how much of the impact is coming from perhaps some revenue recognition shifts towards subscriptions? So that was number one, just to kind of break that out. Number two is why was North America relatively weak? And number three, is, you know, in your mid term outlook, you suggest more gradual margin improvement, as compared to sort of the previous mention of a 35% target. Why is that? Is that associated with extra investment from your strategic update? Maybe just to understand that, thanks.

00:50:54 Dieter Schlosser

Thanks Stacy. Alex, you want to cover the first one?

00:51:01 Alex Alexandrov

Yes, I would...hello, Stacy. So we, you know, we are coming out of a COVID year. And so I'd say we are seeing strong momentum on services and solutions. And I say here, we performed, the offerings, and we performed very well during COVID. And so we continue to see strong momentum there. We have a bit more...a bit less visibility, and a bit more concern on software and cloud with continued COVID in the first several months of this year, and that's probably why you see us kind of saying we will be greater than 10%, but not reaching, but not providing you comfort that we will be all the way to the mid teens that we were talking about before. So I'd say it's kind of a mix of very strong confidence in one side of the business, and still seeing how is COVID going to impact the first six months of this year?

00:52:10 Dieter Schlosser

Yeah, I think to add to what you're stating here, yes, we are still in the COVID phase, we...you remember what we have discussed in for 2020, how the software and cloud business is evolving during the COVID year, and how the actual burn downs are happening or not. We believe there is a...there has been a delay to...on the shift to 2021. But we are cautious about that. We see a very, very huge momentum on the services and solution side, we have an extensive backlog. But again, we are cautious in terms of...in terms of the COVID situation. From a second question point of view, where you asked about North America. We have in North...in particular North America a stronger growth engine on the SME side and during COVID of course then also a stronger exposure on the SME side. With regards to the EBITDA margin, where you mentioned that we are getting more gradually. Yes, we are getting gradually you're focusing on the gross profit growth. But we are committing, absolutely. And that's already visible in terms of growing faster on the EBITDA growth than the gross profit.

00:54:06 Questioner 1

Sorry. So that was...do you think it's reinvestment...are there some extra investments that are pushing this out? Or that...you think it's the macro that's causing the slower margin uplift?

00:54:19 Dieter Schlosser

Yeah, so we...what Alex mentioned and what we have seen throughout the presentation, if we invest into SoftwareONE, we always want to have a return within the in the running year. So we...our investments are usually impacting in possible financial results already in the running year. So it's rather a sequence and the consequence out of being cautious with COVID for the first couple of months.

00:54:53 Questioner 1

Okay, thank you.

00:55:02 Questioner 2

Thanks, a few for me as well actually. Just on Microsoft, I think that direct business was down 42% in the second half of the year, it was up 6% in the first half. And just...that's a really stark change of direction, if you could just give some explanation on that. In terms of gross profit growth this year, I think Intergrupo added 5 million and added a couple of million for the two months, and you've done more deals. It feels as though you've probably got 5% or more of acquired gross profit growth already in the books. Are acquisitions embedded in the guidance? And I'm talking not just 2021, but out to 2025 - there seems to be an m&a strategy. Or would they be incremental, so you'd raise the target if you did further acquisitions? And then just finally, on the Intergrupo business. You took a 40% stake in 2019, just before the IPO. So I think the buyout was probably always expected by you, where you tie it into these new strategic incubation initiatives that have been caused by COVID. So why didn't you introduce the idea that you'd be buying out this business earlier? Given that investment in 2019? Thank you.

00:56:27 Dieter Schlosser

Yeah, thanks, Michael. On the first topic, on the direct business, you remember we discussed during the second half years result, that we see a shift in...on particularly on the enterprise side, where they...instead of moving to a rather long-term commitment and getting a better price, they are moving rather to a short-term commitment and pay as you go. In terms of acquisitions: yes, and Alex, you can jump in over here, we have considered what do you have seen so far on acquisitions, please remember that the acquisitions are twofold as [57:19 unclear] acquisitions, which are capabilities and strategic add-ons. But we have not considered any larger acquisition in that guidance. Alex, you want to add something on this?

00:57:34 Alex Alexandrov

No, yeah, exactly. I think when we look at our portfolio and how we'd like to evolve in the next five years, we certainly see acquisitions as playing a role. Because, really, the recipe that works well for us is we organically incubate, start to grow, once we understand the customer dynamics, the business, we then add to it with market leading capabilities on the acquisition side, and then we scale those acquisitions, we really, you know, we are excited to bring the entrepreneurs, the team on board with SoftwareONE and grow, put a lot of growth behind them. I would say acquisitions are part of this five-year plan. But it's...I would not say that it's a material part of what we're putting on here, I'd say 10 to 20% is how we think acquisitions will add to the overall organic growth.

00:58:30 Dieter Schlosser

And - thanks Alex - and last on the question regarding Intergrupo. Michael, it's a big difference whether you acquire a company where you have a greenfield approach in your own organisation, or you add something to [58:45 unclear]. If you have a greenfield view, you need to be rather on the integration approach where you first standardise and industrialise the portfolio and then bring it over, and after the learning, bring them over into the organisation. So that's what we have done...what we have done with Intergrupo, we spent the first months to make sure that there is an alignment in learning and standardisation, so that when we bring them over completely into the organisation, we have a vast traction on our application services.

00:59:26 Questioner 2

But it implies, Dieter, that there was always this intent to make big investments in application services. I mean, it's 1500 people, it's a quarter of your pre-existing headcount. It's not a new idea created by COVID, it's something you were planning two years ago. Or not?

00:59:47 Dieter Schlosser

I mean, the application services is not created by COVID. That's something new idea which came from that. The application services is…in general, you have a desperate need...every company has now a desperate need to migrate their current legacy applications into the cloud or replace them with a SaaS solution, Michael, if they have a SaaS solution. But you know, there are so many which are featuring in the core process of the organisation, that they actually cannot [1:00:22 unclear]. So they need to give them a new lease of life and cloudify them. So, we have seen this opportunity for quite some time, and that's why we started off with our steak in Intergrupo. But, since that was a new field for us, we wanted to make sure that on one side it is standardised and not just Latin-centric, it is standardised, and on the same time, we are also learning on our side how to really scale it out and [1:00:53 unclear] globally.

01:00:55 Questioner 2

Okay, thank you.

01:01:07 Questioner 3

Hi there. A couple of questions for me as well. Just firstly, on the Microsoft partnership. It seems to entail 5000...the hiring of 5000 new headcount, which is obviously quite meaningful over the space of...by 2023. Can you just talk about how that...what the implications are there, you're talking about EBITDA growing ahead of the gross profit in the mid-term? I'd imagine that can take place until post-2023. So first of all, does the 35% midterm margin stand? And also, what is the updated timeframe, or what is mid term, if you like? The second question is: I understand on the greater than 10% gross profit growth for 2021 that's X Intergrupo. But there's also five other deals that you completed in 2020. So just trying to get a better understanding of the expected inorganic contribution for 2021, to try and ascertain the actual underlying organic growth you're looking at for this coming year. And then thirdly, the 48 million increased investments in in 2020...I mean, I'm just struggling a little bit, given the kind of change in...or shift in strategy, which appears to have taken place for quite short notice. I mean, at the end of the first half, we were broadly in line on EBITDA, and then there's a large miss in the second half. So just trying to better understand what happened there. Because I think a lot of the themes that you mentioned around, you know, app modernisation, shift to cloud, hyperscalers, were all kind of part of the narrative anyway, so just trying to better understand what really prompted that short-term change in direction if you like, thank you. Yeah, thanks, Alex, do you want to talk about the acquisition side and the inorganic. Or Hans if you...may even also something.

01:03:13 Alex Alexandrov

Sure, happy to. Hi, Alistair. We continue to see, I would say, the m&a activity as part of our overall growth story, unless it's kind of a transformation or substantial m&a, and then we would kind of break it out. So that's one piece of it. Because often what we're doing is, we're acquiring smaller companies. And that's what you even see in our disclosure. We'll acquire smaller assets, they might have headcount of 50 employees, 100 employees. But what we then do is we significantly invest behind them, we love the entrepreneur, we love the the portfolio that they bring to the table. And then we say: "Let us now scale it." And so, this is very much our growth strategy. And so, of course, you know, we could parse the number and say, well, you know, we provided the detail in our results...almost 5 million came from Intergrupo, approximately 2 million came from acquired gross profits. And that's my point here is the acquisitions are really part of our overall growth story. And we would like to keep it this way, because we are often acquiring small assets that we then provide fuel to really double, triple, quadruple inside SoftwareONE. And that's what we see in 2021 as well, which is yes, we will have kind of the year on year impact of the deals that we have done, but we're significantly investing behind them and that's what you see on the investment side, which is the personnel expense, that we add to these acquisitions is significant. And this creates our overall growth story. So I...on the one, I understand your point, but I would say we should break out kind of substantial or transformational acquisition. And the rest become just a part of our growth story given how much fuel, how much we're adding to make these acquisitions successful.

01:05:29 Dieter Schlosser

Thanks, Alex. Hans, do you want to quickly something on the on the guidance?

01:05:37 Hans Grueter

Yes, yes, of course. I think what Alex said is absolutely right about the acquisition side. So on...I think you said something on the...on when we are coming back to the EBITDA ratio of 35%. And just purely from a guidance point of view, we have said that we will have an EBITDA growth in excess of the GDP growth, and we have not reconfirmed 35%. So, perhaps that, I would like to say, because it's a guidance, and that needs to be correctly said. What is important for me is that we have given this term of exceeding the gross profit growth, because that profitability is something we really focus on SoftwareONE. And we really want...it's part of our DNA to all what we invest needs also to bring a positive impact on the profitability. So we have that really, as a focus. And this is what I really like to hear, to emphasise to you.

01:06:51 Questioner 3

And just a quick follow up, when should we expect...you mentioned midterm is when we should expect EBITDA growth to [1:06:59 unclear] growth...proper growth. When is 'midterm,' just so we know? Because previously, it was '20 to '22. So I'm just not sure when that timeframe kicks in, if you like.

01:07:11 Hans Grueter

Yeah. For me, it's the guidance is for me to 2021 and thereafter, it's valid to what we say, in excess of the gross profit growth.

01:07:23 Questioner 3

Okay, thank you.

01:07:25 Dieter Schlosser

Yeah, I can reconfirm that. So we have [1:07:29 unclear] 2022, also, what you ask in addition, on [1:07:40 unclear], 48 million on OPEX investment and the same time the second half on the EBITDA, what's happened? It's clearly...you remember our discussion in the last month of the year, which is the burn down of the IT budgets. That's something which we which we always put the caveat on how, under 2020, under COVID, companies would really burn down the [1:08:09 IT patches] and, and spend on software and cloud. And we would benefit from that seasonality. So that didn't occur in last year. For us this is rather a shift, not a cancelation, you'll see this also from the expectation on the growth on software and cloud from the analysts of Gardner and so on and so forth. There they give it to a different growth ratio in 20201. The other point that you had; you know, this is not something new. You're absolutely right, the hyperscaler and the SAP [1:08:51 unclear] workload as well as the application services we have shared over them over the past 12,18 months. On a regular basis, the Microsoft partnership agreement was not something which was done over the last couple of weeks. That has been also in the making for the last nine to 12 months, to really make sure that we are conquering this market in a way that we can really [1:09:19 unclear] on.

01:09:21 Questioner 3

Thank you.

01:09:22 Questioner 4

Good morning, thank you very much. A couple of questions, if I may. First of all, I'm intrigued by the comments you were making related about pay as you go. I wonder if you could give us some sort of sense of the absolute size of revenues that may have appeared in software last year, were it not for the fact that there was this switch to pay as you go. How much of the effect on the software revenue top line do you think is related to pay as you go and whether or not it's going to continue at the same level or greater? My second question is really around your guidance for the current year? And I'm interested to know what kind of assumptions you're making vis a vis a return to more normal trading for your SME customers. So does your SME customer base need to return to more normal trading by the half year, for example? Or can you wait until the second half of the year in terms of your guidance? And my final question is just around the SAP opportunity, a very quick one. And that is the extent to which you believe the rise with SAP initiative that the company announced not that long ago, actually creates a new competitor for you in the S/4HANA migration opportunity. Thank you.

01:10:41 Dieter Schlosser

Sorry, could you just repeat the last question?

01:10:45 Questioner 4

Yeah, whether or not SAP...new initiative rise [1:10:49 unclear] SAP, where they're trying to offer customers an ability to migrate to S/4HANA with SAP, as a single point of contact actually creates, in a way a competitor for SoftwareONE, wanting to offer a similar sorts of solution to their customers?

01:11:05 Dieter Schlosser

Yeah, fully understood. Okay, on pay as you go. Alex, you want to [say] something here?

01:11:14 Alex Alexandrov

Yes. No, it's a very relevant question and actually ties in to the SME topic as well. So just as a recap, customers are buying SaaS and cloud-based software, they're buying 365, they might be buying Azure. So the underlying software and cloud assets they're buying already kind of the latest generation, they're software, they're service, or they're public cloud infrastructure. The way they buy in the market is still...has not fully developed, which is most of the market in the Microsoft world, still buys on a commitment basis, they still want to buy with a discount for the next three years. That's the behavior, that's the corporate behavior, still. We see a very different behavior on the AWS side, funny enough, AWS is also now introducing discounts for commitment buying. So when you look at our very...either the gross bookings that we...that Dieter showed, or what you see in our books as revenue, that most of that volume is still the commitment-based volume. And the pay as you go phenomenon is very strong and growing at significant growth rates for us. But if we just speak about volume, it's still a very small number. What's more interesting is what happens then when we come down to the SoftwareONE gross profit. And here, we make significantly more margin, more profitability from the pay as you go business. The reason is, when customers are paying monthly, quarterly, they are much more engaged and attuned to their spend, and they engage much closer with us. So if I'm paying monthly, I'm very interested to say: "What am I using? How much do I need to use? How do I optimise it?" If I'm paying every three years, I'm not...you know, I'm not as focused on it, to manage it every month. And this is the value that we bring to customers, which is we say: "In situations where pay as you go make sense, we're able to really help customers with that equation." And that's where we SoftwareONE, the terminology we use here, are our simple bundles. Our simple bundles combine the pay as you go software, with support, with platform. Those three ingredients [are] our bundle, and that's how we support customers in that world. The impact...the financial impact, we've said is emerging and growing very nicely. And we saw that accelerate during COVID. The reason it accelerated during COVID is because companies were much more focused on "How do I save money now?" As opposed to "How do I get a discount for the next three years?" So that created some additional acceleration to pay as you go. And then finally, maybe on the financial side, pay as you go today contributes...or, I'm sorry, the gross profit that SoftwareONE makes from the pay as you go model is more than 10% of our overall gross profit now, so that...even though on a revenue basis, it'll be single digit percentage of the overall revenue across all of our publishers., from a gross profit level, it's already greater than 10% and growing very fast.

01:14:56 Dieter Schlosser

Yeah, and then and that's we have all said here over the last few rounds. If once we are double digit on the pay as you go, we start feeling the impact in your overall p&l and with the growth rate. And you might remember we are the second pay as you go, you have around from three to four times in the higher margin plus a different stickiness factor to the customer from a quality of revenue. So that's, of course, our strategic direction. Now on SAP rise, that's a very interesting question I...personally, I can...I'm not yet clear on whether it's right strategy for SAP or not, but I'm not the judge on this. For our customers, we see that coming up when it comes to the Fortune 500, for the big enterprises. And over there, we have to consult them and advise them whether it's the right approach or not. And we don't see across the board. And we believe that the agnostic view to the hyperscalers is massive, it's where most of the customers will pivot into. So not cautious on competition over here, maybe a confusion on the enterprise side. So on the S500 or similar, but not really as a compete in the segment that you [1:16:37 unclear].

01:16:40 Questioner 4

Thank you, and on the recovery of SME, what's your best guess at the moment as to when that might occur?

01:16:50 Dieter Schlosser

Alexa, I thought you covered that on the SME side?

01:16:53 Alex Alexandrov

Yeah, no, I'm sorry, yeah. What we see with SME is we do see them continue to be cautious. So we have two dynamics with SMEs. I would say in a first half we still have yet to see if SMEs will recover. At the same time, we are seeing - even though call it the billing, the volume from SME is down - we continue to essentially make a higher margin on this business with the mix shift. So volume is down, we continue to make higher margin on the mix shift because they are switching to, call it 'smarter solutions,' smarter ways for them to spend. And that fits very well with our own business model. So our assumption...specifically, our assumption is yes, in...by the end of the first half - so that kind of June spending cycle - we're assuming that SMEs are in much better shape. But at the same time - and this has made the back to Stacy's original question - we're not assuming that we're back to completely to the pre-COVID level. What our model now assumes is we are in the current format. And with the current pay as you go kind of switch for the SMEs, we're able to make these higher margins. And maybe one additional point, just to highlight. We have this in our slides, and Dieter mentioned it. In...when we engage with customers and pay as you go and we offer them our X simple solutions, 365 simple, Azure simple, simple for AWS - that...the profit margin becomes split across services and solutions, and software and cloud. So we have kind of a double impact. On the one hand, you don't have the big upfront, - that's a benefit for software and cloud. The additional impact is the much higher profitability that we have with that customer is also split, because we are delivering that as a service. And so we're booking the profit for that as a service on the services and solution side, and booking a portion of the profit on the software and cloud side.

01:19:19 Dieter Schlosser

So...yeah, in essence, we haven't really baked in a [1:19:25 unclear] position and...of the SME side into the guidance. There is no considerable recovery position, which you took as [1:19:37 unclear].

01:19:40 Questioner 4

Thank you.

01:19:52 Questioner 5

Yeah. Hi. Thank you. You mentioned the strategic investments you did particularly in the second half of 2020. Can you get some idea of whether we should see further need of investment, also looking at 2022, albeit at a slower pace. I think you, you highlighted that we should from next year on to see better EBITDA growth than gross profit growth, suggesting at least that the investment will be more limited, but will there still be spillover effects? And then secondly, since you have already done the major part of the integration of Comparex, and you also said that large transformation of m&a is not part of your script of the 2025 targets. Are you ready, again, also to do larger acquisitions? And how should we think about your view here? Thank you.

01:20:47 Dieter Schlosser

Yeah, so, very good question on both sides. We have...in terms of investment, what you should see is a progressive investment over the years, according to the extended partnership and the co-invest with Microsoft - as again, you know, that is a co-invest, right? So that's not something which would be impacting negatively. On the acquisition strategy: we always said, you know, once we are done [1:21:29 unclear] with Comparex, we would be open for larger acquisitions, but, again, this depends on you know, how suitable they are, and depends on the geography, on the customer mix, as well as on the transformation of the customer base. So, if there are opportunities coming along then we are opportunistic on [1:21:53 unclear].

01:21:57 Questioner 5

Thank you very much.

01:22:11 Questioner 6

Hi, there, good morning, thanks for taking my question. I had a question on solutions and services business. If you look at, actually the revenue growth, there was only up about 6% in constant currency. It seems like a lot of growth in the gross profit line actually came from lower third party delivery costs. And maybe you touched on it in the previous question, but I just wondered if you can explain the moving parts there. And really was solutions...was the demand actually as strong as the...or not as strong as the 24% gross profit growth implies? And then second question on the Microsoft side of things, they're co investing with you here. I just wondered if you could elaborate a bit more on that, you know, practically, how are they contributing? How is the cost burden shared in this new partnership? Thanks.

01:23:02 Dieter Schlosser

Yeah, maybe I start with the Microsoft partnership. And then Alex, you might want to jump in on the first part of the question. On the Microsoft partnership, so that's from March to 2023. It's in those both areas which you mentioned: application, modernisation, as well as SAPcritical workloads. It's for...it's a win-win-agreement in the sense of Microsoft funds [1:23:39 unclear] transformation in that space and lastly, investment in the capability in that space and with that, we produce an outcome which is in essence consumption on our national and customers International, for Microsoft. You know, if you modernise applications, it drives consumption, as you know, SAP is one of the largest consumption drivers when it comes to the hyperscalers. We are not able to share with you the financial details of the arrangement, but it's significant and for sure it's for us...it's a very exciting co-invest plan, helping us to really step on the gas pedal after transformation. Alex over with you on the second one.

01:24:40 Alex Alexandrov

Yeah, okay, great. Hi, Ben. Yeah, just probably a quick point. The...we saw some of this effect even in the first half when we're speaking about the year on year comparison. And really, this has to do with the 2019 cleanup that we did as a result of the Comparex integration. So, when we acquired the Comparex business, in the services portfolio, there were a lot of custom...there was a lot of custom work, there were a lot of subcontractors and third parties being used. We really streamlined what we go to customers with, as well as streamlined how we deliver that. And so that cleanup was really done over the course of 2019. The hardest...we talked about hard decisions that we made at the end of 2019, and that's what you're seeing in 2020. So for us, truly, we run the business based on gross profit. And the reason you're still seeing some of this coming out from the third party cost is just the Comparex cleanup. But yeah, for us, kind of is this true demand, we're seeing? Absolutely. I mean, when we look at our KPIs around, the number of customers with whom we engage on services and solutions is up in a very healthy way, you know, we think about cross sell and number of customers with which we've engaged on both software and services. We look at number of 365 subscriptions that we're now managing. We look at Azure workloads, Azure customers, AWS workloads, and all of those kind of call it very operational KPIs, we're seeing significant growth. So no, we truly believe that this is a good representation of the momentum we're seeing.

01:26:33 Dieter Schlosser

Yeah and to add over there. It's by no means a...I think what you're be alluding to a bit this would it be, you know, a conversion from third party to OPEX. And on hand you have an impact on the GDP. It's really the cleanup on the portfolio. So we...in essence, we actually had to compensate because we really canceled contracts, right? They were not part of our portfolio and a part of our strategy. And the customers were basically also not on a rush over the next three to five years to move to the cloud. So we actually used it, and they had to compensate with [1:27:17 unclear] GPS so it's a clear effect on the GDP growth. [1:27:23 Unclear].

01:27:26 Questioner 6

Okay, thank you.

01:27:38 Questioner 7

Yes, hi, good morning, and thanks for taking my questions. I have three questions, please. The first one is on synergies. Why have the Comparex synergies and OPEX not further improved in the second half? And then what makes you confident in reaching that 40 million target by the end of this year? And also you talked a lot about OPEX synergies, but what about the synergies on gross profit? If could play an update on that side. The second question is on the gross profit per customer. During the IPO, you presented the gross profit per customer from new and existing customers, could you provide us an update here if it has changed, and if growth has been more driven by existing and new customers since then? And the final question is more on the public side, if you could provide us a rough exposure to the performance of the public side here and how much of that is your...yeah, that's basically it. So, synergies, gross profit, and public side.

01:28:42 Dieter Schlosser

Yeah, thanks Martin. On the [1:28:44 unclear], Hans, you want to take that, please?

01:28:49 Hans Grueter

Yes, yes, Dieter, I can. So we have - you rightfully say we have from the last month not made big progress on the synergies that was that was planned, and in line with where we are today, because we have already at, I would say mid year or closer thereafter, quite integrated a lot of the subsidiaries into SoftwareONE and integrated everything into our [1:29:20 unclear] system. So from that point on already, everything is working...or almost everything is working on our common [1:29:30 unclear] system. And what in a small number of subsidiaries is the final step: the merger legally to make it only one company per country is still open, and that will give us then the second part to achieve the total synergy target of this 40 million. And that's why it was like a bit of pause towards the end of 2020, but also as we communicate it to you.

01:30:05 Questioner 7

Okay.

01:30:11 Dieter Schlosser

Alright and on the, on the public sector side, you have seen the mix on slide six. We [1:30:24 unclear] is a small segment, it's not an exposure pass, we are cautiously increasing that where we are focusing is rather on the education side of things, and that's a mixture between, you know, public education and private education. Because that's something which is benefiting very much in the future, for a [1:30:56 unclear]. Overall governments believe that it will mellow down post COVID from a [1:31:03 unclear], rather than use to the [1:31:09 unclear] that you have seen before. On the customer sides, I think what you're alluding to was our capability of upward mobility, are we able to add services to customers who are transacting with us and how the profitability looks, if we are able to do this? So, we have continued on that, we...overall, we had a nearly 20% growth on attaching services to our existing customers. And hence having a different profitability remember, [1:31:55 unclear] times different profitability than [1:32:04 if you] just purely, purely transact. We're continuing with focus on that and our portfolio allows us to do so, so that's one of our key focus area internally, to currently to make use of our existing [1:32:13 book of business]. In terms of net new, when we acquire new customers, we more and more acquire new customers through the service portfolio directly, and then attached to them the [1:32:24 unclear] or in PyraCloud and [1:32:27 unclear].

01:32:30 Questioner 7

Okay, helpful. Thank you.

01:32:40 Questioner 8

Yes, good morning gentlemen. Three questions, if I may. One is on [1:32:45 FTs]. I mean, can you give us figures, how much new hires you've planned for 2021, on [1:32:45 FTs]. Then on the bad debt provision this 1% you do for 2020, is that also sufficient for 2021? Or is there any change you invision here for 2021? And the last question about the cash pile this is half a billion. Have the priorities to use this cash pile in any ways changed going forward in terms of internal investment, external, but also distribute the cash [1:33:32 pile]? Thank you.

01:33:36 Dieter Schlosser

Thanks, Andreas. On the bad debt and the cash pile, Hans, do you want to take that?

01:33:42 Hans Grueter

Yes, thank you Dieter. Andreas, we do that really diligent process to assess the bad that provision. It's by a model...we are running this by the expected credit loss model plus, what we do is we review each outstanding accounts receivable. So this is of course, [at] the moment in place at the end of December, what you see there. But from [1:34:18 all what I see] today, this is an assessment which is still valid today. And if you would have said...ask a question to me a year ago, pre-COVID, I was really a bit not so optimistic by that. But now the situation where we have today and what we have seen in the last 12 months, I see that this position and this risk assessment is one which I'm feeling very comfortable with today. On the net debt, or let's say the financing, or the financing needs, which we have available or the cash which we have available...this is not different than it was in the past. So we have this at the moment, we are a growing company, we have merger and acquisition on the table on the strategy. As Alex presented to you, there can be smaller acquisitions, which we will be able - as in the past - to pay out of our cash while we are generating. But when it comes to bigger acquisitions, then such financial needs are available also to support bigger acquisition in the future. We have, as you've seen, not come up with other means of distribution, then the dividend and the proposal of the divident you have seen. It's in line, I would say, with the guidance, we always have provided. And it's [1:36:01 that], it's not more, but that's because of the growth of the company. And that's our position right now. I hope that's helpful for you, Andreas.

01:36:16 Dieter Schlosser

Yeah and...sorry, sorry, Andreas. And on the last question, which is in the FTs. And there are three buckets which you have to consider. The first bucket is associated with Microsoft co-invest. That's where the net new headcounts, the [1:36:42 unclear], this, again, this is progressive, and in line with the business demand and the customer demand coming in. But again, you don't...you would not see in an impact. On the second bucket, which is replacement. Replacement is our normal attrition rate. Usually, it [1:37:08 unclear], I think it was around 500 to 700 [1:37:11 unclear]. And that's always, you know, making sure that we have the right performance in the system. On additional capabilities, additional capacity, that really goes in line and growth. And so we are at the stage, you know, where the engine and the scalability, [1:37:32 and through] the platform, we can scale out. So...we don't need to invest in advance on headcount, we can grow the business and then after the growth, we can invest further into headcounts. So we would only [1:37:53 unclear] this growth and [1:37:55 unclear].

01:36:16 Questioner 8

Yes. Ok thanks. And by the end of 2021, how much full time employees would you have on the payroll, then?

01:38:15 Dieter Schlosser

We don't share this number. But you can...you have seen on the press release that we are talking about around 5000 additional headcounts when it comes to the Microsoft agreement over that three years period. So you will see proportionate...something in 2021, rather than a delay, because we're not talking about the full year anymore. That's the plan right now.

01:38:49 Questioner 8

Okay, thank you very much.

01:38:56 Operator

As the last reminder, if you want to ask the question, please dial 01 on your keypad now, 01. Okay, currently, there are no further questions.

01:39:12 Dieter Schlosser

Yeah, then, I think it's for us to close the session. Thank you very much for spending time with us. Thank you very much for active contribution during the Q&A. We are looking forward to seeing you in the next couple of days, I think, there are many roundtables and direct one on ones booked, and we are looking forward to have further debates around [1:39:38 unclear]. So thanks again, and have a great rest of the day. Thank you very much, bye.

01:39:44 Operator

Ladies and gentlemen. Thank you for your attendance. This call has been concluded. You may disconnect.