CONFERENCE CALL TRANSCRIPT

# FOURTH QUARTER FINANCIAL YEAR 2024 RESULTS

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**CORPORATE PARTICIPANTS**

**Tatiana Rizzante** – Chief Executive Officer

**Marco Cusinato** – Chief Financial Officer

**Michael Lückenkötter** – Director Investor Relations

**Michael Lückenkötter**

Hello, everybody. Good afternoon. Welcome. Thanks for joining us today.

I am Michael Lückenkötter, the Head of Investor relations in Reply. Today, the Board of Directors of Reply has approved the financial year 2024 results. Some minutes ago, we have published the press release and now we are in the Q4 2024 edition of our earnings calls.

With me are, as you can see, Tatiana Rizzante, our CEO, and Marco Cusinato, our CFO, who will give you their views on the achievements of Reply and on the developments that we see in the markets.

One additional remark from my side. One part of the feedback last time was that the slides of the CFO should be available for downloads. In fact, we have picked this up. So, when you go to Reply.com on “Investors”, "We are", "Financial calendar and events", and you scroll to the bottom, you'll see the CFO slides that Marco will use to sustain his messages so that you can look when you want. And with these remarks, I hand over to Tatiana, to start her comments on the situation.

**Tatiana Rizzante**

Thank you, Michael. Good afternoon, everyone. Thank you for joining this earning call. We appreciate the time that you are spending with us.

I will try to give you some highlights before handing over to Marco for the financial statement details. As you have seen from the communication, we closed a very good Q4, with a 10.4% growth against last year, reaching €629 million of revenues and a very healthy EBITDA, that is in progress of 16.2% against last year. And it's a very sound percentage because we closed an operating margin at 21.5% on the quarter.

The main drivers in terms of offering of these results were some strong key waves, as part of our offering, in particular everything that is Artificial Intelligence and Data Engineering, Cloud Computing, Cybersecurity and - what we call – Internet of Things. I remind you, for Reply IoT encompasses also all the Robotics and Autonomous Things. The classical digital part remains resilient with some peaks, in particular in the transformation of the interfaces between humans and machines, so, what we call digital human, conversational interfaces and so on.

In terms of cash flow, we keep a very healthy balance sheet, which is also a result of a tough work by all the organization to keep controlling the working capital and in general, a strong discipline in the operations. Now some highlights on the contents behind these numbers.

Let me start with the people, because I remind you, for us people are at the heart and are the core of Reply, of course, and will always be. We maintain a very healthy workforce with a turnover rate which has been 15.6%. So, a very slight improvement, compared to 16% of last year. We continue to stay within the range of our desired yearly turnover rate. We welcomed in Reply 3,000 new colleagues with very good university degrees and strong, specialized competencies. And it helps maintaining a very sound level of competence and innovation across the whole group.

In addition, we are continuously increasing the investments in training and knowledge sharing. Just to give you an idea, just in the last quarter, we made 55 events. Events can normally last at least few hours and are open to everybody. This is a part of a larger program of 233 events across the year just on artificial intelligence. These AI-focused events are part of what we call Social Network Program. There are several hundreds of physical events, plus thousands of digital contents and online trainings and more.

We also increased the number of internal certifications. We have programs for certifying the knowledge and skills of people. Some are external, some are internal. Our internal ones are called Hot Tracks. In last year we have certified more than 3,600 people on our Hot Tracks, and those tracks are providing basic levels of proficiency on things like AI prompting and so on. This gives you an idea of the overall quality of the network.

Additionally, you may remember, last time we talked about our internal AI platform called Neurons. Neurons is designed to create agents and make the group's knowledge accessible to Replyers. Each Replyer can create one or infinite agents. Since its launch on October 7th, 2024, more than 10,500 Replyers used Neurons, creating 1,800 agents from the bottom up. These agents handle very different tasks, whether for personal productivity or inside projects. With about 100,000 conversations happening on these agents.

Through Neurons, we also provide access to the most common LLMs – OpenAI, AWS, Gemini, Llama, Nova, Claude and so on – making them available to everybody in the group. This is a very strong empowerment throughout every Reply company.

In addition to the normal training, we also focused on leadership development. This will be also a key target for all throughout 2025, both on technical topics, but also on leadership and management. We have reinforced our partnership with ESCP Business School, which we have been working with since 2002, for all our leadership and management training programs which we design and execute jointly with them.

Lastly, we've been working a lot on our diversity and inclusion programs, which have always been an important part of our culture and necessary for the way we are growing and the approach of local customers with local Reply employees. For us this is the key also for maintaining a healthy community. And I have to say that over the last year, we have held an event or program almost every day to foster community, equality and more. Reply puts a very strong commitment on this.

On the asset, which is the key element that pushes forward Reply, we have been working a lot: innovation. I want to tell you some of the things we have been working on, as well as some of the notable projects of the last quarter.

Those of you that work with us for longer time, for sure remember all our investments on Digital humans, which are driving our growth on the classical part of customer experience, CRM and digital experience, which is one of the core and traditional elements of the Group. The level of these solutions is really high. You may have seen that we have been showcased at Nvidia's GTC conference, and we will also participate in their next conference in March being showcased by Nvidia itself. This is relevant because it is a strong recognition of our quality. A global conference, a global stage, has a value in itself in terms of marketing and potential. We will bring our 3D and Generative AI, Digital human innovation, but also the latest new additions from the last six months, integrating Digital humans with robots like Ameca. We will also show what we have been building with Live portrait. So, the integration of this technology into various physical formats.

Apart from this component, which for us is the top of the ice, bringing together all our customer experience offering, we are leveraging a lot our know-how on Data. We have been developing during all last year the offering on Synthetic Data, which is a key offering for fine tuning and training of artificial intelligence models. It is an offer we have started a few years ago, but has grown significantly in 2024, and we expect it to continue a very steep growth in 2025.

This part of Synthetic Data is used for fine tuning and training of models, but we also use it as a key asset for some of our offering in manufacturing and warehouse management, where we have been investing in the robotic component and in the evolution on the Artificial Intelligence. Synthetic Data is key, for example, for simulating physical environments and then optimizing them. And it is also key, for example, for training robots and designing new types of robots.

This offer integrates with the one of Roboverse Reply in the robotics space, which is another area that is going very well. We have been working, in the last quarter, with Siemens to integrate spatial processes with mobile robots. It also integrates with the offering on supply chain management, in the evolution of our proprietary platform LEA because we are evolving LEA to get more into the physical space, as I've been saying. And LEA is one of our important offers that leads on global customers like Puma, Uniserve and so on.

I will talk later on about Generative AI. Now, the last thing I want to mention in terms of innovation is the Quantum computing space. We have specialized teams working on this area since 3 or 4 years showing a promising evolution. We have won an important project in collaboration with Munich Quantum Valley, to create a benchmark framework for validating quantum computing algorithms. Alongside Quantum Computing, with our innovation practices, we are starting to work on Neuromorphic Computing, which is yet another area.

This is a glimpse into possible areas of expansion, addressing a higher growth in the areas of infrastructure, computing networks and so on.

In terms of a significant projects, you may remember that last time I talked to you about the new offering on Silicon Shoring. Silicon Shoring is our AI-powered software development model. It aims to dramatically reduce the cost of the software development lifecycle and to improve the quality by adding agentic systems automation throughout the whole software lifecycle.

We have won four major deals in Q4 2024, with mainly financial services institutions across Europe. And we have a couple of important deals for Q1 2025. It is an offer that for us drives managed services, sometimes platform based, but is mostly a new type of managed services that leverages on heavy automation and medium-term contracts.

Another significant project, again, in the AI area is a European project called AI-MATTERS that is co-founded by the European Union. It aims at establishing a European network of experimentation centers by 2027 to increase the resilience and efficiency of European manufacturing. We are part of this program, together with MADE Competence Center Industria 4.0 in Milan and Fondazione Bruno Kessler. AI-MATTERS brings together 24 partners, so, it is really an important project for the whole European Commission.

Another notable project is the deployment of the Greece Medicines Verification System, that we did in Q4 2024, connecting 10,500 pharmacies and 150 wholesales companies across Greece. This is part of a whole program that we have had for a year. And this is the latest addition to around 50 national medicine verification systems across Europe that we develop and manage for EFPIA.

One area we haven't talked much about in the past few years is the more classical part of our activity that, for me, is the digital experience, customer experience. I remind you we were part of the CRM Magic Quadrant of the Gartner Group globally that now evolved in the digital experience, etc. We have been working again on automating the entire marketing value chain. And the last addition is the Reply AI Studios, which we have formally opened. I mentioned it in the last call, and now we have formally opened at the beginning of this quarter. The Reply AI Studios aims to close the loop on content generation within the value chain, creating high value content by mixing AI level creativity with our agency work and automation in content production. This, alongside with our digital human offering, helps us helps us keep growing in a consolidating area which is that of the digital experience.

This is also something that is going well, in general, thanks to the way we do it in terms of quality, across all our countries. To name some of Q4 2024 wins, there is Vans, where we have implemented a mobile-first shopping experience; there is also Grohe in Germany, where we have developed the B2B sales app, and we are adding pieces to their digital platform.

In the US for SouthState Bank we have been working and releasing in Q4 2024 all the new onboarding experience for all their customers. So, a lot of it is anchored in the innovation we are doing around digital experience.

Now, looking at the markets, industrial sectors and geographies, in terms of numbers, most of our sectors grew. Notably, the highest growth was in Financial Services, where we grew by 15.8% this quarter and Public Administration with a 30% increase. Public administration for us includes the government and defense. It is everything that is state- or EU-financed, including research grants. The growth here is also due to the consolidation of Solirius in the UK that mainly operates on defense and government. We also grew as a third sector in Automotive and Manufacturing by 10.6%.

I would skip what leads the growth in the different sectors. If you are interested, I will answer in the Q&A session. Because about some of them, like the manufacturing, I've already talked. It's the warehouse and the robotics and so on, together with the autonomous systems and driving for the cars. In financial services it’s “Know Your Customer (KYC)” but is also very specific remaking. So, we are modernizing a lot of the financial services systems. Open to give you more details if you're interested.

As for technology specific growth, that may also interest you, I have already mentioned Cloud Computing, Cybersecurity. So, the main areas are AI, Cloud Computing, Cybersecurity, IoT, and, of course, with AI, the Data part.

All these topics are showing 15% or more of growth. While the more traditional segments, like the customer experience and so on grew much less. The sector that is growing more is Artificial intelligence. The expectation of the market is a growth of 71% year on year. It is still smaller than other sectors, but with a very steep increase. It is really embedded in everything we do. In reality there is an increase in what you label AI, but there is a much bigger increase on what is influenced by changing the way how we work thanks to AI.

In terms of geography, now we have been consolidating Solirius in November and December, in Region three.

Region two had a little bit less increase, mainly due to a slowdown in Consumer Packaged Goods, Retail and some high-tech areas. Well, automotive and manufacturing are resilient.

Before any geopolitical consideration that then eventually you may be interested in, just two more highlights on the Generative AI part.

Generative AI has a lot of faces. One of the most important areas in which we are investing is the Silicon Shoring topic, plus all the new ways of building architecture through agentic systems that we push through our internal marketplace, as I explained. But we started in Q4 to build a catalog of pre-built applications, capitalizing on what we have been doing internally and/or with our customers in 2024, that we will launch in the market in this first half of 2025. And this is part of the work that we have been doing in Q4.

We have also reinforced a lot of the strategic partnerships. And we are working to create some new partnerships with specialized artificial intelligence vendors. And we are working to develop a new offering line Generative AI, that is not regionally dependent - either proprietary or open source.

In terms of major partnership that we have opened in this first quarter 2025 a few new teams on Microsoft, across different regions, and on AWS, specifically focused on artificial intelligence in conjunction with our main partners.

I will say that I will skip comments on the political landscape, leaving this for eventual questions and then over to Marco.

**Marco Cusinato**

Thank you, Tatiana. And good afternoon, everyone. I am the CFO of the Reply group and I will comment the results of 2024. I will use some slides because there are a lot of numbers. In the speech I will round the numbers up. You can read the exact ones in the slides or directly in the annual report.

By the way, since Tatiana mentioned Solirius a couple of times, Solirius was the only M&A deal that we closed in 2024. We closed it in mid-October. We are consolidating the numbers of Solirius in November and December of 2024. It is a UK-based company working on government.

Coming to the main results of this year, we have recorded almost €2.3 billion of revenues. That is an increase of 8.4%, with respect to last year. The group revenues were primarily driven by strong demand for services in Artificial intelligence, Data engineering, Cloud computing, IoT and Cybersecurity, as Tatiana mentioned.

EBITDA amounted to €411 million. That is an increase of 16.6% with respect to last year. The EBITDA margin stood at 17.9%, up from 16.6%. This 1.3 pp increase reflects improvements in operating profitability attributable to revenue growth and efficient cost management.

From a financial perspective, the Group reported a strong cash position of almost half a billion Euro and a positive net financial position of €349 million. Both KPIs are showing improvements compared to September 30th as well as the end of 2023.

The total workforce across the 18 countries in which we are reached 15,667 employees, that is an increase of 869 compared to the end of 2023. This figure is including more or less 200 people coming from Solirius.

In light of these strong results, the proposed dividend payment is €1.15 per share, representing approximately 20% of the net earnings per share and marking a 15% increase compared to the dividend approved last year.

I will come back to the growth of 2024 compared to the one of 2023 in the like for like analysis. As you can see, the growth this year is a little bit lower. But, in the like for like, we are showing the same growth, the same organic growth in the two years.

Coming to the segment results, this is the split of what we have just seen overall, in the three segments in which we disclose the numbers. Not to read all the numbers, but to give some colors on the kind of contracts we have - the turnkey and time and material projects - we have a predominant turnkey mode in Region one, that is accounting for 82%, while in Region two and Region three, the predominant kind of contract are time and materials, around 55% in Region two and 64% in Region three.

All Regions reported a significant EBITDA growth in 2024 as you can see here in the number every Region contributed. A thing that is a little bit different is the tax. We grew our tax rate of just 1% because of some changes in the regulations.

I will skip the slide on the results of Q4 because Tatiana has already mentioned. Just let me say that in Q4, but also for the whole year, the lower growth rates of EBIT and EBT compared to the EBITDA have been influenced by a one-off non-recurring assessment conducted at the end of 2024 which impacted the year over year increase.

About the segments' results of Q4, again, these are replicating the overall numbers of Reply. The only takeaway here is about Region two, where you can see that the increase of the EBITDA is almost 40%, very high, despite the growing revenue of 6.2%. And this is due to grants that we got from the government for R&D activities. Without this contribution, anyhow the growth would have been of 18%. So, a good management of costs in the last quarter.

Coming to the profit and loss details. Revenues increased by €178 million. That, on a like for like basis, would have been an increase of 7.6%. The difference to the reported growth is 0.5% because of the acquisition of Solirius, so Solirius contributed for 0.5%. And the second contribution came from the exchange rate that contributed for 0.3%. The average revenue for employee was approximately of 162K, reflecting a 4.6% increase compared to last year.

The top ten customers accounted only for 29% of the group's total revenue. So, we are not concentrated on a particular customer, and the biggest one is less than 5%. So, with no significant dependency on any single client. And on the group level, the contract types are two thirds turnkey and one third time and materials.

Speaking about operating costs, they increased by 6.8%, a lower rate than the revenue growth, driving the EBITDA margin improvement from 16.6% to 17.9%. Purchases increased both in absolute value and as a percentage value. But the number is not very high. Personnel costs grew by 8.6%. So, in line with the growth of the revenue. And the average personnel cost per employee has been €79k, up 3% from the previous period.

The efficiency is shown in the service costs, that declined both in absolute value by 4.2% and as a percentage of revenue, 3.3 points less. The use of contractors was lower, reducing this costs item, that is representing 65% of the total service cost. Contractors' expenses decreased from €460 million to €399 million, this year.

Other non-recurring costs amounted to €31 million, significantly higher than €2 million in the previous period. This was due to adjustments in the risk provisions for contractual, commercial and litigation risk, as well as provisions affecting asset adjustments.

Operating costs include other net revenues that are offsetting the corresponding cost items for €35 million, that are €3 million fringe benefits to our employees, €12 million research grants, €4 million research and development, and €15 million net extraordinary income.

Speaking about EBITDA and profitability, EBITDA increased by 16.6%, reflecting improved gross operating profitability. The growth was driven by revenue expansion and efficient cost management.

Non-recurring costs increased by €30 million, but EBITDA growth remains strong, indicating reliance on core operational performance.

The total depreciation and amortization were €85 million. The percentage of revenue remained stable: 3.7% versus 3.6% last year. Breakdown of the overall amount of DA is: tangible assets €16 million, intangible assets €18 million, IFRS 16 lease rights €36 million, impairment test-related corrections: €16 million.

Other atypical income is net positive €5 million, related to fair value adjustment of deferred consideration liabilities for business combinations.

EBIT was €330 million, up to 12.9%. The slower EBIT growth compared to EBITDA was due to non-recurring asset write-downs, €16 million increasing amortizations.

A fair value adjustment of Breed’s investment portfolio resulted in a €20 million write-down, being part of the financial results. In 2023 the fair value adjustment was €14 million.

Financial management improved significantly. Net financial income was plus €3 million in 2024. And the €10 million financial income improvement compared to 2023 was primarily due to higher interest income from increased liquidity levels.

The liquidity of the group grew from €374 to €497 million that is an increase of €123 million.

About the net profit, as I already said, the only different effect is that the effective tax rate grew by 1.2-point percentage, referring to the one of last year. In 2024 we arrived at 31.8%.

The like-for-like analysis shows the impact of the two effects M&A and rate exchanges. They contributed all together for 0.8%. So, in the like-for-like analysis, the organic growth of this year has been 7.6%. Same exercise on the 2023 will result in 7.3% of growth. So very consistent with last year.

About the business line trends and the industry trends. Tatiana already spoke about them, so I will skip. Anyhow, we have the slides afterwards for download, if you want to look at the specific numbers.

About the financial structure, the net invested capital amounted to €954 million, increasing 5%. The return on investment stood at 35%, slightly up from the 32% of last year. The invested capital was financed by €1.3 billion in equity, leaving a net financial position of €349 million, confirming the group's strong financial solidity.

Let me speak about earn-out liabilities and non-current assets. The invested capital includes earn-out liabilities which represent the variable portion of the acquisition prices in business combinations. As at the end of 2024, these amounted to €110 million, that was €140 million at the end of 2023. Since these are not equivalent to traditional financial debt, they are excluded from the managerial net financial position.

Non-current assets amounting to €1,138 million include goodwill for almost €700 million, tangible and intangible assets for €228 million, Rights of use, that mean IFRS 16, for €107 million, financial assets and other for €109 million.

Speaking about investment, research and development, we invested in 2024 a total of €46 million, €12 million more than the year before. Main investment areas have been office renovation for €27 million and purchase of personal computers for €8 million.

R&D investment accounted for 3% to 5% of the revenue. We capitalized development costs for €6 million.

The working capital is stable. We have been able to reduce our DSO, Days Sales Outstanding, from 78 days in 2023 to 72 days, this year.

And about the net financial position we increased our cash. Both in terms of the net financial position reported in the balance sheet, including the leasing liabilities, but also in the real cash that is in our pockets, that is accounting for €460-€470 million, something like that.

About how we transform the EBITDA in real money, this is a graphical slide. Cash increased by, as I said, €108 million. This variation is broken down as follows: €349 million from operating cash flow, €151 negative used for investment activities, €91 million negative used for financial activities.

Operating cash flow has been €349 million. And this is coming from: €411 million from EBITDA, €27 million from working capital improvements, €8 million from interest income and -€96 million for tax payments. Investment activities: -151 million. It's the sum of €57 million for M&A transaction, €32 million for earn-out liability payments, €30 million for short term securities purchases, and €48 million for office renovation and computer equipment purchases. Financial activities: -€91 million is composed by €39 million for dividend payments, €30 million for loan repayments, €35 million for IFAS 16 lease payments and €30 million positive from drawdowns on credit lines.

I will conclude my part on the numbers with an outlook for 2025. You know that we don't give guidance, but we are aware that the transformation we are experiencing is just beginning. For Reply the direction of technological evolution is well defined: expand all the industries in which we operate. We are confident in our ability to continue our growth in 2025, supported by a solid order backlog and the stronger technological innovation that define ourselves.

Thank you, and back to you, Michael.

**Michael Lückenkötter**

Thank you, Tatiana and Marco, for your comments. We open the Q&A session. Now I am probably carrying olws to Athens. But let me remind for the newcomers, please raise your digital hand in case you have questions. And when it's your turn, also switch the camera and the microphone on.

**Giovanni Selvetti, Berenberg**

Well, first of all, congratulations for the results. I have a couple of questions. The first one is if you can give us an update on M&A, considering that the cash position is still on the rise. I was wondering that, in the last call, you said that the first priority remains the US. Is it still the case? And if you have any updates on potential targets.

The second question is mainly about profitability. And I was clearly impressed by the EBITDA margin you could achieve in the last quarter of the year. So, my question is if we can think that from now on, this historical corridor of 14% to 16% of EBITDA margin is higher? Thanks to the benefit of AI that you mentioned in the call.

**Tatiana Rizzante**

First answer on M&A. We must use the cash with the new organization that we launched with the beginning of this year. We have dedicated people in the M&A team exactly for this purpose. We are looking at some targets in the US and in Europe. For the time being we still are active in targeting the US for acquisition. And we have some targets but, as you know, it is nothing we can forecast concretely until we have closed anything.

On the second question, the discipline keeps being like it is, there is an improvement in general, due to the automation and AI. But Q4, as always, has a seasonality. So, the quarters have some seasonality. We keep focusing on strong profitability, but I don't want to raise the corridor for the EBITDA.

**Michael Lückenkötter**

We are not a product company.

**Giovanni Selvetti, Berenberg**

Now staying on profitability, I think Marco mentioned some one-offs that impacted at the EBIT and EBT level. And also, you mentioned some change in the regulation for the tax rate. If you can maybe give us a bit more color on this?

**Marco Cusinato**

Yes, we had some effects below EBITDA. We did two write-offs of the customer lists of two companies we acquired, one in Region three and one in Region one, Wemanity and Spur. And also in Region two, we adjusted the goodwill of the company we acquired in 2022, that was Fincon. So that was miscalculated. This was what I was referring to, the effect of the slower growing of EBIT with respect to the EBITDA.

And the part about the tax is that there has been a change of regulation in Italy. We had the possibility to make some deductions in 2023 that we cannot deduct anymore in 2024. And also in the UK, the tax grew from 20% to 25%. So, for us the effect was from 23% to 25%.

Just to add one thing about the M&A, that I think is important. I mean, we have enough cash to do this, but we are not changing our strategy on not doing transformational deals in M&A. And the organization that Tatiana mentioned is meant to be faster in doing these kinds of acquisitions. So more to be in parallel to do the same kind of acquisitions and having bigger acquisitions in the US.

**Alessandro Cecchini, Equita**

Hello, everybody. And thank you for taking my questions. The first one actually is on the like-for-like performance in the fourth quarter. In Region 3 it seems double digit, so, 12%. A good acceleration in the fourth quarter. Could you elaborate a little bit more on this, also considering that you have a France, if I am not wrong, that is still not performing nicely?

**Tatiana Rizzante**

Well, as you've seen by the countries, Italy was in line with this type of growth. Germany was a little bit below the 10%, but still, considering that the German economy had some drawbacks in general in the last year, it's a very good performance by our German team, France is, you are definitely correct, actually not increasing. It is basically flat, but the UK had a stronger growth performance, also helped by the Solirius addition in November and December. All in all more than compensated.

In general, this is the consideration. There is some seasonality in the quarters. Remember, there are months or periods - also this year - in which you will have holiday bridges. So effectively less performing quarters. And there are some better performing quarters.

Last year was, in general, good, also the last quarter. But there is nothing specific about, again, the exception of Solirius, and some things that are growing faster and some things that are capitalizing more. There is not a macro phenomenon. There is micro phenomenon here and there. Apart from France that you said. So, in reality, Region three would have been even better without France.

**Alessandro Cecchini, Equita**

Okay. Thank you. My second question is, about current dynamics in Germany. Last fourth quarter you had around 6% organic. That is quite good performance, considering the current macro dynamics. What is your expectation for the first part of the year for the German business, what are you seeing? Also, the order book, is that good also in Germany? If you can elaborate a little bit more on this?

**Tatiana Rizzante**

Yes. Germany, I would say, is in a stable situation since the end of Q2 last year. So, we don't see significant changes for the good or for the worse in the German economy in Q1 2025. And we don't foresee significant changes, consequently, for us. Of course, for some part, it is due to the economy, but we are still small compared to the economy. So very transparently, it is also because, in the past couple of years, we have done less startups in Germany. In general, it is a very robust team with a very robust customer base. The market is going well, and this is a big market. So, there is a general situation, but is also due to what we are able to do.

**Alessandro Cecchini, Equita**

It is clear. I remember that you stated on last call, gaining market share in auto. Is this still what you are seeing now in the market? So, are you continuing to gain market share in the auto?

**Tatiana Rizzante**

We are growing 10% in the automotive sector. We are growing actually more than the German market. It is a matter of relative size compared to the market dimension and the competitiveness of the offering. The areas that are growing less are others, in Germany, for us, in this moment are Retail and CPG and some areas of High Tech.

**Alessandro Cecchini, Equita**

My last point: Can you better highlight how much within the depreciation amortization of this year could be considering non-recurring items? And, as well, how much out of €31 million of other cost could be considered non-recurrent? It would be very helpful if you could provide this.

**Marco Cusinato**

For the first part, it's €60 million and, as I said, there are more or less €9 million for the write-off of the customer lists of the two companies I mentioned before, and €6 million are for the adjustment of the goodwill of Fincon, a mistake we made in the 2022. So, they obviously are non-recurring and are impacting what you just said. For the other part, we have provision for commercial risk of 24 million that we did in the last quarter of this year, that also this one is not recurring.

**Alessandro Cecchini, Equita**

Could you elaborate a little bit more on the €24 million? It's not peanuts.

**Tatiana Rizzante**

There is customer in which we were making a system that incurred problems in some bids. We are discussing with this customer and the insurance. It is a very conservative stance. But we put ourselves on the safe side. And I would prefer not to elaborate on the specific customer.

**Hugo Paternoster, Kepler Cheuvreux**

Thank you for the presentation and letting me ask some questions. The first one is on AI. You went through a lot of projects in the AI area, but could you quantify or give us a little bit of sense, in terms of how much, what percentage it represents of either your pipeline, your revenue or your growth? Whichever is the easiest for you. And I will have a follow up.

**Tatiana Rizzante**

I would like to be able to do it. But we didn't find out a way also for ourselves to do it. Because the customer is doing a project because he wants to do something with AI. In many cases we are either taking a managed service or remaking a platform or whatever, and we drive the offer with AI. And this is very difficult to track. At this moment, it's really a high percentage of the pipeline that has something to do with AI, but I cannot put a number because it is pervasive. It is very relevant.

And the things we are winning are also very relevant because we are doing things in a different way. So just the offering of Silicon Shoring, in Q4 2024, was probably something like €30 million. These few contracts on Silicon Shoring were just won in Q4. There are more mature customers and some less mature customers, but everybody is really driving demand on artificial intelligence somehow.

**Hugo Paternoster, Kepler Cheuvreux**

Okay. Got it. No, it's clear and it makes sense. My second question would be on the different stimulus packages that we have in Europe. The main one is in Germany, with the modernization of infrastructure. Can you have a share of it? Can it stimulate the demand in Germany going forward? And a follow up to this would be related to the increased spendings in defense. I know you have some contracts with governments, especially in Italy. But could we expect some boost as well for your revenue in Italy, in UK, Germany, maybe?

**Tatiana Rizzante**

These things are a little bit linked. I don’t want to comment on the political situation in general. What we are seeing and what we expect in the next months or years is public spending on a set of sectors. So, infrastructure, defense for sure.

UK is the country where we are stronger on defense, at this moment. And last year, we started building it up in Italy. We hope, by H1, to have the teams set up in Germany and then we will do France. Defense is definitely an area which is also important because drives technology advances. Then we are restarting our investments on telecommunication infrastructures, also driven by the IPCEI project. But in general, we expect a growing demand on telecommunication infrastructure, both in public and in private sectors.

Last but not least, I expect a lot of growth in terms of High Tech in Europe. The spending for developing proprietary technologies and models. We were already starting on defense. We started one year and a half ago setting up the teams. We are starting to reinvest in infrastructure for Telcos, for us, and in high tech proprietary technologies, where we have some teams, some companies that work on that. We would like to increase the numbers of these companies. So yes, I see it positively, I expect a boost in Europe in our sector. Also due to these changing landscapes.

**Gianmarco Bonacina, Banca Akros**

Good afternoon. A couple of questions from me. First one is about current trading in general, because we have seen some companies in IT blaming the current uncertainty on tariffs for putting on hold some projects. If you can comment on this, if you're seeing your clients, they are continuing with the projects they have ongoing despite the current uncertainty?

And what visibility do you have on delivering in 2025 solid growth, maybe high single digit, organic growth?

**Tatiana Rizzante**

On the first one: we serve local customers with local employees. We don't have a global delivery center and so on and so forth. This positioning supports our development at this moment. As regards to projects that are stopped for the tariffs, I will say no, not yet. Projects to stop because of political uncertainty, yes. In general, a consolidation of the digital. Customers keep shrinking their spending on the digital to free up on something else, for AI, if they stay on tech or other type of investment, yes.

This is a continuously changing landscape, and the ability of being flexible and adaptable very fast in the way you work and offer, in this changing landscape this is crucial.

**Gianmarco Bonacina, Banca Akros**

In terms of current trading, you are still continuing to see momentum? Because we have seen some - not really competitors, but - companies giving a more cautious view on the total market.

**Tatiana Rizzante**

The market is very tough. And in general, the size of the projects is diminishing because if you work in a more effective way, if you work with a lot of automation and so on, you do more with less. So, you have in proportion to win more deals to do the same amount of revenues. And this was what I was meaning when I was talking about the market that is transforming. We are made of a lot of small companies. So, we have a very flexible organization.

**Gianmarco Bonacina, Banca Akros**

Okay. And the second one, still on the revenues, more on the verticals, if you can comment. You mentioned before stronger new projects in particular in financial services. What are your expectations for this year, in terms of verticals? Do you see some of them performing better than the others? For example, I was surprised to see that you still have a very solid performance in automotive. We know that, in general, the sector is facing big challenges. So overall, how do you see the different verticals performing in 2025?

**Tatiana Rizzante**

Everything that is in the public spending, healthcare, defense, government. They are strong. There is a sound demand there. Then financial services. If I have to put a list, then financial services, still automotive, and we expect infrastructure to pick it up again, which was a very slow market for a few years.

**Isacco Brambilla, Mediobanca**

Thanks for taking my questions. I have just two quick ones. The first one is on like-for-like outlook. Considering your last answer, I think it is fair to imagine you are not envisaging a slowdown in top line organic growth for 2025, compared to the good number reported in 2024.

The second question is more on the cost side. You have done quite an amazing job on services expenses over the past year. Is it fair to see this 25, 26% incidence on sales as a sort of new normal compared to the 30% plus we were used to before the pandemic?

**Tatiana Rizzante**

I will take the first one. As you know, we don't provide guidance. In this moment, it's going relatively in continuity. Compared to the year, not necessarily the quarter.

**Marco Cusinato**

On the second one, I think that we can expect that this will be the new normal. I think this is a combination of different things, because, on one side, we are using in a better way our bench. It means that we need less contractors.

And the other is that obviously also using AI technologies inside our organization, not only for our customers, this is improving a little bit our efficiency that in some way we are sharing with our customers, but perhaps not all of it.

**Natasha Brilliant, UBS**

Good afternoon, everybody. A few questions from me. Staying on the cost side of things, just whether you can give us some comments on headcounts and how we should think about that through 2025? Should we assume that it grows in line with the revenues or maybe a bit below given some of your comments?

And also on headcount costs on a per employee basis, should we assume some more inflation for 2025?

My second question is on the margins in region three. So, I think in the last call you said that UK was improving, but France was still in negative territory. Is that still the case?

And any color you can give us on the UK as well, particularly with the acquisition, which I think was slightly higher margin than perhaps the group level.

And then my third question was just to come back on M&A. So, you said more of the same in terms of the types of deals. But previously you alluded to maybe in the US being a bit bigger, not transformational, but a bit bigger. Just to clarify that is still the case, that you would still look to do something at a slightly larger scale than, say, we've seen historically.

**Tatiana Rizzante**

The first one was about headcount and productivity.Marco said we are not giving all of it, but the purpose is to give it back to customers. We are increasing the ratio of turnkey. Giving it back to customers in a way means also getting turnkey. So, we will still be headcount-dependent for the time being. We are not driving in a different way. And we are trying to use efficiency to get the market share. For the future, it's still too early to really see how the market will transform. It's really difficult to predict, but this is the general guidance, to improve our way of services. So, there might not be such a strict dependance because you invest in infrastructure, in doing services, but still there is an account dependency.

Then, for M&A, yes, in the US we are looking at bigger size because the equivalent size in US is anyhow slightly bigger. As Marco was saying, non-transformational. And yes, I would say that's the overall target. In Europe also, if we could, we would do something, but it's difficult to find non transformational and niche.

France is still in a slight negative area. We expect it to keep going for 2025, as already said at the last call. Solirius in reality is in line with UK margin, in general. And again, the results are like this, because France is minus, is in the negative space.

**Michael Lückenkötter**

Natasha, remember in France we are still in the integration phase. I would estimate it takes us one to two years to complete the work there.

**Tatiana Rizzante**

Plus, we have the hub, we are setting up all the central services in France. But the size is not yet enough to absorb the cost of the central services hub. So, it is an investment country.

**Natasha Brilliant, UBS**

Maybe just a follow up then, because the first question was around the long-term profitability. So, you've got the UK doing quite well, France improving. But if there's no change longer term to the group margin, where should we expect margins to come down a little bit to offset France getting better?

**Tatiana Rizzante**

For the moment, let's put it this way. In the short term, we see region three in line with the quarter. Maybe France will worsen a bit and the UK improves a bit. But anyhow, it's more or less for the short term in line. Then, I hope that we are able to get France progressing. It depends also on how much of the startups we are putting and maybe some other M&A will offset the cost of the hub.

**Marco Cusinato**

Or let me say in other words, that if the other regions outside of region one will go better in the future, we can invest the money on region one.

**Andrea Randone, Intermonte**

Good afternoon. Just two quick questions. The first one is if you can give us some more details about what you mentioned before about prebuilt applications you are delivering to the market in the first half. Is this kind of approach something normal or is something new in this specific moment?

And the second question is just a clarification on numbers. I see €20 million write-off or negative contribution from investments and losses from investments. I know that the incubator is closed. Is this the last tail of the incubator or is it something different? So, should we expect that this is the last negative contribution, this line?

**Marco Cusinato**

I don't have a crystal ball, so I don't know. The incubator is evaluated at the fair value of the participated companies inside it. The nowadays fair value is, more or less, £17 million. It is more or less €20 million. That, by the way, is the same amount that we have written off in 2024. To say if this is the last tail or not, I don't know. Now we have eight companies in the portfolio. We will see.

**Tatiana Rizzante**

As at prebuilt applications, no, they are new. There are two efforts here. One, we started working on fine tuning. And our training was in particular on fine tuning of models, and that means that basically you build assets which are data assets, which may be real data or synthetic data to fine tune the models. And you have a fine-tuned model, that is as an asset in itself. Then, these models are still to be set up in the customer environment. So, it's pre-built, that is a part of the work. The work must be finished in the customer environment. It's not like before, when you can build a product and ship it in a box. Because it must be situated in the real customer data and so, in the context it works on, in most cases.

The second case is not with fine tuning, but with classical RAG (retrieval augmented generation) systems. Still the asset is the knowledge base and in both cases the piece of the asset is also the prompt. So, you have different level of prompts: a generic one and a specific one for the customer.

So, as you progress in doing AI, what we realize is that we have assets that we can repurpose, that we have built internally and/or, again, with customers, that have nothing of the specific customer but have some general behavior that can accelerate a lot the project.

We are working on a catalog of this prebuilt application for our customers, in order to accelerate their work and our go-to market. It is a new type of product because before there were the product and the services. Now it's kind of in between because you cannot productize this industrially. Because they have no value until you put them into the context. But still the fact that you have a template, a blueprint, as part of the knowledge base that you can reuse.

Think about compliance in financial institutions. Here it is a public knowledge base. If you do a compliance checker, the behavior and what it does, it doesn't depend on one bank to the other for the most part. Then you bring it to the bank, and you do the specific part, according to that bank specification. But you have done already a large part of the work.

**Jasmine Rand, Deutsche Bank**

Thanks for taking my question. My question is also related to region three. As was previously mentioned, big improvement in like-for-like in Q4. The question is how we should think about that trend into FY 25? And in terms of Solirius, as well, based on what I can see on sites that track traffic, public sector wins in the UK, it looks like Solirius has won nearly £100 million in new contracts in 2025.

Is there any comment on performance of the acquisition and what that might mean for total gross in region three, in 2025?

**Tatiana Rizzante**

You did your homework. That is correct. And I was saying before that in the government we already have the biggest growth in UK, not just because of Solirius in Q4. We have Solirius, we have Shield, that is one of our brands on defense, that is working with NATO. We have our government team that is working with the Department of Transport. There is an area that has a significant revenue stream from public tenders. Yes, we have a very positive outlook for that. We expect it to keep growing. We had some relevant wins in this, mainly in January and

February 2025.

**Antonella Frongillo, Intesa Sanpaolo**

Good afternoon, everyone, and thank you for the presentation. I have three questions. The first one is on region one. If you could break up for the full year the part related to the US in terms of sales and growth. I try to understand how much of the like-for-like growth in region one was driven by US.

**Marco Cusinato**

I will provide the exact number offline. But let me give a quality answer before. In 2024 in the US, we didn't grow so much. I think it was almost flat with respect to 2023. But in terms of the other KPIs, so, the marginality, we did a lot better than in 2023. We work a lot on the organization, on the integration of the companies we acquired, on having them working in the Reply DNA. That was the work we have done, this year.

**Antonella Frongillo, Intesa Sanpaolo**

And do you expect that the next year it could be a driver of growth, or it will remain flattish?

**Marco Cusinato**

We don't give guidance, but we have worked in 2024 to have the engine set in the right way. We did quite good investments, in having people inside the organization to drive our growth for 2025. So, the expectation is to grow.

**Antonella Frongillo, Intesa Sanpaolo**

And the second question is on profitability again, just to go back to the €31 million other operating income and costs. You provided the non-recurring costs, €24 million. I didn't understand if there were also non-recurring revenues or incomes.

**Marco Cusinato**

No.

**Antonella Frongillo, Intesa Sanpaolo**

So, if we exclude these two €24 million provisions, which should not be repeatable, basically, the underlying margin is a record margin, almost 19%?

**Tatiana Rizzante**

Yes, but maybe something else is not repeatable. So, as I said, please don't raise too much the bar. We must invest in changing the offer, we must invest to keep working on the market. Don't raise the profitability expectations.

**Antonella Frongillo, Intesa Sanpaolo**

And the very last question is on Alica, if I may. You did a small ABB in January. Could you explain the reason behind the ABB and if there are plans of further ABB once the lock-up period expires?

**Tatiana Rizzante**

Currently we don't have further plans regarding ABB.

**Michael Lückenkötter**

The ABB was a partial capitalization of a 28-year investment. Apart from the two secondary placements the family has not divested. That is the whole topic.

**Derric Marcon, Bernstein**

I've got four questions, and I will do a one by one, if you're okay with that. So, the first one is about billable days. To what extent Is your business sensitive to that? Because when we look to the first quarter of 2025, you have tough comps with quarter with fewer billable days, notably in Italy. Do you expect this to influence your organic sales growth trajectory for the beginning of 2025?

**Tatiana Rizzante**

As I said, there is some seasonality. We have some sensitivity, not probably as much as others, because of the percentage of turnkey, as Marco said, and managed services that are counter-cyclical in the billable days. And nonetheless, there are some sensitivities in the quarters. Also, second quarter, for example, has a lot of vacation bridges. There may be some fluctuations throughout the years, the general outlook remains.

**Derric Marcon, Bernstein**

My second question is about the large contract won. I think it was last year for the IPCEI. Nice acronym, but you said that it could contribute to €120 million, if I remember well, over five years? Was that contract already live in 2024? And if we think about the ramp up, what should it be for the next few years?

**Tatiana Rizzante**

We started a bit in Q4 last year, very slowly because the assignment came in Q4. We have the money, the first money now in Q1. So, we are ramping up.

**Marco Cusinato**

We don't have any money yet. We are waiting for the first bank transfer.

**Tatiana Rizzante**

We are ramping up with the classical bell shape of a project, so, a little bit cautious.

**Marco Cusinato**

Let's say that these €120 million will be distributed as a bell, as Tatiana said, but not a very high bell, quite a flat bell, in the next five years. This is more or less the distribution of the revenues.

**Derric Marcon, Bernstein**

The third question is about Solirius. Because maybe I was wrong in my compute, but it seems that the contribution of Solirius in Q4 was €16 million?

**Marco Cusinato**

No. €10.3 million.

**Derric Marcon, Bernstein**

Okay. So, my calculation was wrong. The annual revenue of this company is still around €65 million, €75 million, €70 million. Am I right?

**Tatiana Rizzante**

€65 million.

**Marco Cusinato**

This is the budget. We will have to see.

**Tatiana Rizzante**

This is what we acquired. We took them as they are. So, we haven't done any type of revision. And this is, let's say, the value of the acquisition. This is the minimum you can spend during the year. And at this moment they are going well, and they have just won, as we heard before, in Q1 some very important contracts, in the UK. That we still have not initiated.

**Derric Marcon, Bernstein**

One question about tax credit and grants. You mentioned that you have the one-off in Germany. Can you provide us or share with us the total amount of other income that you booked in your P&L in 2024? Last year the number was €24 million.

**Marco Cusinato**

I will provide it. I don't know it by heart so, I have to check.

**Derric Marcon, Bernstein**

Because you mentioned in your transcript, that you had €12 million research grants, €4 million R&D. So, if I just have these two, it's €16 million. 2023, your "other income" line, where you put R&D, grant or tax research credit, was €24 million. So, I was wondering if the €16 million mentioned for 2024, were comparable to the €24 million you booked in 2023?

**Michael Lückenkötter**

Derric, I will send it afterwards.

**Derric Marcon, Bernstein**

And a last technical question. It's about inventory. It increased significantly from €50 million to north of €100 million in 2024. Any specific reason for that?

**Marco Cusinato**

It's something that we are looking at very cautiously because obviously this is impacting the overall results, but it's depending on the kind of project we are doing and the projects that are crossing the year.

**Derric Marcon, Bernstein**

Marco, in the inventory, what do you have? It's computers, GPU, servers? It's hardware?

**Marco Cusinato**

The work in progress. It contains the turnkey projects that are not finished and the work we did that is not yet billable to the customers.

**Bruno de Lencquesaing, Quirin Privatbank**

It is a very simple question. I have understood very well all your explanation on defense and what you did in the UK. You say that Solirius will go in Germany, France and Italy. The question I am asking myself is after how many quarters or how many years the profitability will arrive in these countries, in this sector?

And an additional detail is you put Airbus as a client in defense. If you get Airbus, it will be in defense or not in defense?

**Tatiana Rizzante**

Airbus is currently not categorized as defense. We are working indirectly for defense, also because we are working in the AI space.

For defense we actually have already established a team in Italy. We have two brands, Shield Reply in Italy and in the UK, which were built in the past year. In reality, profitability goes fast because, in defense, you have some more investment to do when you start up, mainly because you have to have investment in the offices, that have to be safe, secure and so on. And of course, you have investment in acquiring people or certifying people that are certified for defense, so security clearances etc. In the UK we have a very large footprint of secured clear personnel. And we start to build this in the other countries. But local for local. So, France for France, Germany for Germany.

The right question is not when we come back with marginality, but when the revenue will become significant in the other countries. It's a sector in which you acquire large, but you take time to acquire contacts. So of course, we are also working on M&A, but it's not forecastable. So, we expect it to be a work of two or three years and not of six months.

**Bruno de Lencquesaing, Quirin Privatbank**

That's the key. Ok, now I get it. During the presentation you told us not to extrapolate the growth of Q1 to all 2025. But all what you said in defense and public service, push us to believe that there will be an acceleration of the growth in 2025 compared to 2024. Is it wrong or is it right?

**Tatiana Rizzante**

Again, I'm very cautious. We have also heard about some seasonality. So Q1 is also a particular quarter. What I keep saying is I don't foresee a reason why we should not keep going like in 2024. I don't want to push in another way, also because, really, the environment is not stable. We are putting investment.

**Bruno de Lencquesaing, Quirin Privatbank**

What will be very important is what's going on in Germany. Next week, we have this vote. If at the end of next week, CDU and SPD get the agreement of the Greens, then you have a huge investment boost coming into, not only in defense, but in all the sector and it will have European impact in many, many projects.

**Tatiana Rizzante**

I'm very positive in general, I think that these things have a delay. So, you may not see it for the first few months, because, I mean, machines are not so fast in putting themselves in motion. In general, I have also said that I'm positive for you. We spoke about defense, but there is an increase in investment in AI. There is an increase in investment in high tech infrastructure. There is an increase in investment in cloud. Then, of course, there is, very frankly, our ability to be on it.

**Bruno de Lencquesaing, Quirin Privatbank**

Thank you. We have the right to be a little optimistic.

**Michael Lückenkötter**

I see no more hands. So, we come to the end of this Q&A session. Many thanks to all joining us. I hope we have brought some more clarity in the topics that we are seeing. As usual, Paolo and I are available. So, if you have further questions, write to us. We are also rushing to work on the transcript that will be published beginning of next week.

We hope to see you latest in May, when we speak about the Q1 figures. So, thank you very much and have a nice day.