

# **Softline**

## **Q4 2021 Trading Update**

### **Conference Call Transcript**

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#### **Corporate Participants**

**Roy Harding** – Chief Executive Officer

**Sergey Chernovolenko** – Chief Operating Officer

**Artem Tarakanov** – Chief Financial Officer

**Steve Salter** – Global VP Investor Relations

## **PRESENTATION**

### **Steve Salter:**

Thank you, operator, and good morning everyone... We hope you've had an opportunity to review a copy of the press release and supporting materials for our Q4 2021 trading update... new for this quarter is a factsheet which provides historic quarterly metrics for the company. These are all available in the investor relations section of Softline.com.

I am joined on the call today by our Chief Executive Officer, Roy Harding, our Chief Financial Officer, Artem Tarakanov, and our Chief Operating Officer – Sergey Chernovolenko. Roy will provide an update on the highlights of our fourth quarter 2021, followed by a business update, and review of our 3-dimensional growth strategy. Artem will provide an update on our Q4 financials, and our business outlook for the first quarter, and we will also have time for Q&A at the end of the presentation.

As a reminder, some of our comments today may contain forward-looking statements that are based on assumptions and therefore subject to risks and uncertainties that could cause the actual results to differ materially from those projected. Our commentary will also include adjusted financial measures, which are non-IFRS measures. These should be considered as a supplement to and not a substitute for IFRS financial measures.

Now let me turn the call over to Roy.

### **Roy Harding:**

Thank you Steve, and good morning everyone. Thank you for joining us today on our Q4 trading update.

I am very pleased with our strong execution and performance in Financial Year 21, and our consistent delivery for our customers all over the world. This is driven by our talented people, and I would like to thank our entire team of 8,400 Softliners around the world for their continued dedication to driving digital transformation for customers. I am honored to be leading the best team in the industry.

It is now more than 6 months since we became a public company, and in just that short space of time, we have made bold moves to drive our business forward, at speed and at scale, resulting in significant achievements which deliver on the promises we made to the market:

- We again delivered strong profitable growth in Q4... driving 39% constant currency turnover growth and 51% Gross Profit growth over last year... as we continue to execute against our 3-dimensional strategy.
- From a geographical perspective, we saw particular strength in full year 21 from our Global business outside our original market, where we grew turnover 49%... significantly above the group average. I am very pleased with the acceleration of growth in this business in Financial Year 21 which reflects the success of our strategy.
- We have expanded our footprint in Services... more than doubling our workforce in the year, now with our more than 4,000 professionals... we have grown the top line 85% in 2021... and while Services now represents 7% of turnover, this segment delivers 37% of Gross Profit... with growth this year of 95%.

- We have been executing on our M&A strategy with 5 deals announced and closed since IPO which underpins our growth strategy. This helps us to scale faster geographically, increase our skills, and expand capabilities that we bring to our customers, strengthening our sales channel.
- With our strong focus on attracting and retaining the best talent in the industry, we launched our industry leading, performance based long-term employee partnership program... which strengthens the long-term partnership with our people, and increases our competitive positioning.
- Further evidence of the success of our talent strategy is the recognition we receive as a great place to work in many geographies around the world.
- We have expanded our strategic portfolio, with the addition of centers of excellence for FinTech, CRM, AWS and EdTech... all areas where we see significant potential.

Based on the evolving geopolitical events this year, we have taken the necessary actions to navigate the headwinds with discipline... mitigating risk... as well as taking bold decisions to accelerate on our strategic objectives. I will talk a bit more about that later in the call.

I couldn't be more proud of my leadership team, who have an unwavering commitment to driving our business forward. They have a significant depth of experience and expertise, and a strong ability to navigate change in our rapidly evolving market... and we remain laser focused on the next chapter of our growth story.

I would like to remind everybody that Softline is a leading global solutions and services provider in digital transformation and cybersecurity, headquartered in London and registered in Cyprus. We operate at the heart of digital transformation for our customers' businesses... and in order to do that, we connect more than 150,000 organizations in all sectors of the economy with 6,000 best-in-class technology vendors, as well as bringing our own services and solutions.

We are a story of growth... we have a strong track record, and we are one of the fastest growing companies in our sector. We have demonstrated this once again in Financial Year 21 with constant currency turnover growth of 25% overall, including 20% organic growth in constant currency. Importantly, we delivered strong Gross Profit growth of 39%, while continuing to invest in our business and our people, to enable future growth.

And we are at scale... with \$2.2B of quality turnover... including 60% recurring turnover... employing 8,400 of the best people... in almost 60 countries throughout Asia, Latin America, Eastern Europe including Russia, and Africa. We see significant growth potential in all these markets.

Softline plays a key role in the world of digital transformation, and with our portfolio of solutions, services and platforms, we are equipped to deliver digital transformation of any complexity and to protect organizations in the modern economy.

Our 3-dimensional strategy... by design... has positioned us more to deliver digital transformation, not just technology. The industry is influenced by a number of megatrends and includes a number of evolving components, so it is hard for non-specialists to stay relevant.

Vendors are investing in their products, delivering new features and offerings. But traditionally there has been somewhat less focus on the last mile to reach their customers globally. Even the cloud providers,

who initially advocated the ability to buy the services directly, realise now that it is challenging for the vast majority of customers.

Similarly, customers are thinking differently, they are thinking in terms of business outcomes. And there isn't one single product that will solve their problems. Even a single product needs to be properly dimensioned, acquired, deployed and supported... and users need to be trained and educated.

This is where Softline comes in, with our broad portfolio of capabilities and offerings:

- We understand customer requirements.
- We can suggest the horizontal and vertical solutions based on our extensive knowledge and experience.
- We can provide what is required, deploy in the customer's unique environment and support its ongoing use.
- We can also help with the management of change – educating and training users.

Additionally, with our platforms and e-commerce engine we are helping customers to procure more easily and efficiently, and to manage their software and cloud subscriptions as well as to operate multi-cloud infrastructure.

Our role is pivotal in connecting customers' and vendors'... whose languages are sometimes different. Customers also struggle with access to talent and capabilities to scale their internal IT function. This is where Softline comes in with its resources, serving as a partner to thousands of technology vendors worldwide.

Based on the continued strong growth trends of some of our key vendors, it is clear that digital transformation remains a strong driver of demand in the market.

Microsoft is a great example... it is one of the world's most strategic technology vendors for the digital transformation of enterprises. Scale matters... and we are proud to be a significant partner at global scale, helping our customers drive their strategic agenda with the full suite of Microsoft products.

We work closely with Microsoft across multiple customer segments ranging from SMB's to large organizations across private and public sectors. Softline has collaborated with Microsoft for more than 25 years and we continue to expand our services footprint with Microsoft solutions. We are now a Licensing Solutions Provider and Cloud Solutions Provider in more than 35 countries. We are a member of the prestigious Microsoft Intelligent Security Association, a Microsoft Azure Expert Managed Services Provider, with ten Advanced Specializations by Microsoft, and we maintain Microsoft Gold competencies in 18 of 20 categories.

And we are making major investments into the field of Cloud, AI, and Cybersecurity. As part of this push our goal is to serve customers across the emerging markets from Asia to Africa and Middle East, LATAM and Central Eastern Europe. We have over 2,000 developers that will focus on Power Apps and Low/No Code solutions. We have attained all four Advanced Cybersecurity Specializations from Microsoft, including Cloud Security, Identity and Access Management, Information Protection & Governance and Threat Protection. Furthermore, we will continue to invest in building Security Operations Centers across various regions, including Central & Eastern Europe, India and LATAM.

Finally, we are proud of the recognition we receive from Microsoft... for example with the Partner of the Year award in 2021 in various countries including Bulgaria, Cambodia, Malaysia, and Vietnam, and the Security Excellence Award for the Philippines and Malaysia in recognition of their success with leveraging the best of Microsoft Services to protect customers during 2020. And Softline was also crowned with the Modern Work Partner of the Year 2021... as well as receiving Microsoft Cloud Champions Program in India.

Overall, we are very pleased with the Microsoft growth in our business in Financial Year 21... for example with Azure growth of 39%... and we see massive potential to partner with Microsoft and scale in many more of our markets around the world.

Our growth strategy has continued to serve us well through Financial Year 21... centered around three dimensions... namely: Geographical expansion... portfolio expansion... and sales channel strengthening and expansion.

Focusing on the first dimension of our growth, and geographic expansion... The Technology market is global by definition. And to be successful in this market you must have a global footprint. This scale creates a competitive advantage in our strategic partnerships with vendors, where we can bring global innovation to our customers in their markets.

The success of our geographic strategy is demonstrated by our scale in India, where we have a \$500 million business growing at a market leading rate. Our business caters for over 2,000 Enterprises, helping on their journey to cloud with over \$300M of Cloud Services this year.

As an example, one of the largest private sector banks in India has signed a multi-year commitment for digitizing the workspace for 200,000 of its employees choosing Softline as the partner for the initiative. Overall, we have gained significant traction in securing this digital workspace for our customers.

India has been producing some of the largest unicorns in the Digital Native space. These start-ups have a natural affinity to digitally pivot their business models, and Softline has been partnering with Microsoft to support the digital ambition for these customers. And our services are resonating... for example one of our Digital Natives has recently signed a consumption commitment of \$150M over a 7-year period.

Apart from Enterprise and Start Ups, Softline has also been making a social impact too with digital transformation. We signed up with a state government in India for digitally skilling 150,000 students to help make them employment ready. The platform is an end-to-end digital platform that assesses, trains, certifies and connects the student to employment opportunities in a seamless fashion.

Let me give you some other examples of what we are bringing to our customers in India:

- We are working with Nippon Life India Asset Management Ltd one of the fastest growing & one of the largest asset management companies in India... Softline has been working closely with Nippon for collaboration Services around Office 365 & Transformational Business solutions, successfully driving deployment, consulting, and delivering support services.
- We are working with Aditya Birla Insurance Brokers who specialize in providing integrated insurance broking and advisory services to companies and individuals by way of Retail Solutions and Corporate Solutions operating in India, South Asia, Middle East and South-East Asia. Softline has been working closely with Aditya Birla on delivering Azure Transformational Cloud Services.

- And we are engaged with Intellewings, who offer a 360-degree software service for enterprises with Simplified Anti-Money Laundering and CFT Compliance for industries including banking, financial services and Ecommerce around the globe. Softline has been helping Intellewings to transform their operations using Microsoft Azure with high levels of customer satisfaction.

As part of our global expansion, we are particularly focused on the emerging markets, and I am very excited that we have now established our presence in Dubai to further expand into the Middle East, Africa and Israel... as we drive opportunities particularly in Software Development.

Our M&A strategy underpins our 3-dimensional growth strategy, and we have been very active over the past few years with a specific focus on key strategic objectives. As we shared previously, we announced 5 deals in Q4... shown on the bottom right of the slide... and we have since closed them all.

We are pleased with the M&A value realization, which we manage diligently and with the utmost care. This includes a wide array of value creation initiatives... for example:

- full integration projects, such as Embee & Softline India, which is on track...
- local and multinational cross-sell initiatives... for example Umbrella Infocare, and Softclub
- strategic business developments... for example Custom Software development build-up

Once again, looking at India...

- Embee and Softline India continue their outstanding growth trajectories as we progress with integration, ensuring we drive value for our shareholders.
- Adding Umbrella Infocare into the mix provides a strategic opportunity with their AWS and Citrix capabilities as we capitalize on the multi-cloud trend; Umbrella Infocare's advanced presales and service delivery capabilities enable massive cross-sell opportunities locally in India and globally.
- Our India story will not stop at that and we'll continue pursuing more M&A in the country, further broadening our vendor and service portfolio and expanding into solution adjacencies.

Overall our pipeline for M&A is very strong... and we anticipate closing a number of new transactions in the near term.

In order to differentiate and successfully compete in our markets, you need the best people... and we have access to the best talent in the industry.

We now have 8,400 talented people driving our business forward... with growth of 50%, mainly driven by strength in Services, where we have more than doubled our Services workforce to 4,000 people.

Once again, scale matters... employees want to have international exposure, development opportunities, and be part of a strong growth story. We are able to deliver that through our growing presence in the emerging markets where the talent is available and with our industry leading long-term employee partnership program. This program is our way of sharing success with our employees and, therefore, more effectively retaining the best people.

And finally, the success of our talent strategy is demonstrated by the high scores in our employee engagement survey, and also by five Great Place to Work awards in 5 different continents. With that... let me turn the call over to Artem to give an update on the numbers.

## Artem Tarakanov:

Thank you Roy, and thanks to all of you for joining the call. We were pleased with our results in the fourth quarter where we delivered continued strong profitable growth. I will now go through the unaudited financials in more detail, starting with Q4.

- We delivered turnover of \$534 million dollars, a 25% increase year over year which includes a 13% negative impact for FX.
- Importantly, turnover was driven by strength in our Global business, with growth of 39% in reported currency.
- Gross profit was again strong with reported growth of 35% year over year, and a turnover based margin of 14.1%. This was driven by particular strength in Services.
- And Adjusted EBITDA was \$10.0M, representing growth of 10%. This reflects the significant investments we are making for future growth, as well as the negative headwinds on currency. These investments include people, motivation and retention... continued company diversification into Services – doubling the workforce in 2021... corporate governance... systems such as CRM, ERP and digital platforms... and new geographies.

As it relates to our full financial year 2021, we delivered strong profitable growth, in line with our revised expectations in the final quarter.

- Turnover for the 12 months to 31 March 2022 increased by 22% year-on-year to US\$2.2 billion. Including the impact of unconsolidated turnover from M&A of \$99M, growth was 27%
- Our overall turnover growth includes 5% inorganic contribution on a like for like basis over the prior year.
- We increased our recurring turnover to 60% of overall turnover, an important metric aligned to our growth strategy... the growth in this metric is another commitment that we made at our IPO, and we continue to deliver.
- Gross Profit was \$306M, up 36% year over year, compared to \$225.9M for the prior year. We are pleased with the broad-based improvement overall, and the turnover based gross margin of 14.1% compared to 12.6% in the prior year.
- SG&A includes the impact of recently acquired companies, and adjusted EBITDA was \$71M, up 36% compared to \$52M for the prior year. Adjusted EBITDA margin... Gross Profit based... was 23.1%, which was flat compared the prior year.

Overall, we are excited to build on the foundation that we have created, where we have a proven track record of driving profitable growth.

Looking at turnover by geography:

- Turnover growth was driven by particular strength in our Global business with turnover now representing 49% of total turnover. This is part of ongoing commitment for global growth.
- Growth was particularly strong in APAC, and EMEA regions, both organically and due to recent acquisitions.
- With our global positioning, we delivered growth across the majority of geographic regions, and we continue to see great market potential as we focus particularly on expansion in the emerging markets.

Looking at turnover by segment:

- Software and Cloud grew 19%, driven by growing demand for digital transformation.
- We saw strength in Hardware, with 17% growth, and very strong demand from our customers
- Services grew 85%, and the acquisitions of Softline AG, Belitsoft and Embee helped us to further strengthen our services portfolio.

Looking at Gross Profit by segment:

- We are particularly pleased with Services... with 7% share of turnover and strong growth, it represents a key driver of profitability with 37% share of Gross Profit... and very strong gross profit growth of 95%.

Moving onto some other key metrics.

Net debt/adj.EBITDA was 0.34x. This excludes IPO proceeds and Crayon shares. The stake in Crayon at 31st March 2022 was valued at \$63.3m.

The Cash position as of 31 March 2022 was \$335m.

Capex was \$10.7M in 2021, and approximately 4% of Gross Profit, and reflects the impact of acquisitions. We will continue to focus on organic growth, as well as targeting M&A to add skills and capabilities, and scale faster in strategic areas.

As a part of the earlier announced tender offer, on 18 May 2022 Softline's shareholders tendered 4.4M GDRs priced at \$1 per Ordinary Share or GDR. As previously announced, Softline initiated the tender offer in the best interests of its shareholders to provide an opportunity for those shareholders with a need to close their positions.

In addition to GDRs purchased as a part of the tender offer, up to the reporting date Softline repurchased 1.2M GDRs for a total of \$7.8M, financed from operations and finance investments.

As reported previously, this does not impact the company's investment strategy for proceeds from IPO outlined in the prospectus.

For other metrics, our financial tables can be found in our supporting materials, and we have provided a factsheet of key metrics by quarter, which we think is helpful for investors.

Now turning to our business outlook.

As a reminder, on the 11<sup>th</sup> of March we withdrew our business outlook due to increased uncertainty from the evolving regulatory environment and regional disruption. In the near term, we plan to provide guidance for the next quarter only. We will continue to review the situation, and will provide longer term guidance at the appropriate time.

For Q1 FY2022, we expect year-over-year turnover growth of at least 15%. To provide some context:

- In our global business outside Russia, we expect year-over-year growth of at least 30%, and while this includes the impact of some continued uncertainty in our RoE region, this represents

a very strong level of growth. We anticipate more than 60% of turnover in Q1 coming from our global business.

- In Russia we expect growth to decline at least mid-single digits year-over-year based on the continued uncertainty in the market. This should be viewed in the context of the transformation of the Russian IT market where IDC estimates that there will be at least a 25% decline in Information Communication Tech Spending in 2022/2021 calendar years.

As it relates to Gross Profit overall, we expect year-over-year growth of at least 25%.

Additionally, we expect to deliver positive adjusted EBITDA for the group, including in the Russia operation.

We remain focused on delivering on Q1 and driving continued profitable growth for the full financial year 2022.

Let me turn it back to Roy to provide closing thoughts...

**Roy Harding:**

Thanks Artem. Before we open up for Q&A, let me address the market dynamics that we have experienced since we delivered our third quarter earnings on the 15<sup>th</sup> February.

It is clear that the geopolitical situation has had a profound impact on some markets in which we operate. Over the past few months, we have made thoughtful and proactive decisions to navigate... we are managing with discipline, quickly adapting and minimizing risk and impacts to our business:

- we made bold leadership changes, to accelerate and extend our position as a global leader in digital transformation solutions, platforms, and services.
- we took the opportunity for efficient use of capital to complete a successful tender offer for rouble denominated bonds.
- and we conducted a tender offer share buyback, with 4.4M GDRs repurchased, representing 2% of diluted shares outstanding. This was the right thing to do for our investors... offering an exit opportunity for those shareholders that might have wanted to close their positions. The minimal take up supports our view that shareholders see much more fundamental value in Softline and the significant opportunity we have over the long-term.

My management team and I will always look for opportunities to drive efficiencies, and to look at options for ensuring we are driving the right value for all of our stakeholders... and as we communicated a few weeks ago, we are in very preliminary discussions with our advisors about what those options are.

As you know, our turnover and headcount are split roughly 50/50... Russia and Global. Those businesses now differ significantly in operations, priorities, and go-to-market strategies, and therefore we are assessing how we might structure the business to best support the objectives, regulations, and priorities in all the geographies where we operate.

The process of exploring options takes time... but what is important today is that it will have no impact on the fundamental principles of the group and on our commitment to customers, vendor-partners, and employees.

Looking ahead... we continue to feel very positive about our business.

- The demand for digital transformation solutions and services remains strong.
- These great results show the execution capability of our leadership team.
- We remain committed to being public and serving our customers all over the world.
- We have a laser focus on executing on our 3-dimensional growth strategy – tailored for our geographic markets... and we will continue to take advantage of the massive opportunities particularly with our positioning in cloud, software and services.
- We remain focused on being a leader in digital transformation... our portfolio is second to none.
- We have the best team in the industry, and our principles of a long-term partnership with our people will remain in place.
- And finally, we are excited about the next chapter of growth, and our journey to reach our Dream 2.0.

With that, I will turn the call over to the operator who will provide instructions for the Q&A.

## **QUESTION & ANSWER SECTION**

### **Operator:**

The Q&A session is now opening. If you would like to ask a question, please signal by pressing star and one on your device. We will pause for enrollment to assemble the queue. As a reminder, participants can also submit questions through the webcast page using the ask question button. Thank you. First question is coming from Ross Jobber from Citi bank. Please go ahead.

### **Ross Jobber (Citi):**

Morning, everybody. I've got thousands of questions, but I'm going to limit myself to one to start with. Can you just give us a little bit of color on your Russian Q1 guidance in as much as it's significantly better than the ICT context that you put it in. And I'm just wondering, why are you so confident that you will be able to outperform the market overall in Russia in Q1? Thanks.

### **Roy Harding:**

So, yeah. Hi, Ross. This is Roy. Thank you very much for your question. Yeah. Coming to the specific point. Yes. Clearly the geopolitical situation has had an impact in Russia, but it's worth noting that, during our Q4, that impact was really only for the end of the quarter for the last four or five weeks or so. We continue to see the impacts, but in the same time, we have a very experienced management team there that have responded very quickly to the volatility that we've seen. And by default, I'm going to pass over to Sergey to give a little bit more color on the specific actions in Russia that enable us to give that guidance. Sergey?

### **Sergey Chernovolenko:**

Thank you very much, Roy. And Ross, thank you for the question. Today, we are almost at the end of May and I would like to answer your simple, simple question, which you ask, whether we're confident and why we're confident to deliver it. We're confident because I just made my focus with the operational team and they confirmed me this focus, which was well articulated by professional team. Second one, the situation is not easy in Russia. At the same time, we have, as Roy mentioned, very professional team who immediately, once the situation started to evolve into difficult situation, implemented quite right decisions, based on the scale of business we have in Russia. And in the uncertainties, if you have scalable operation and a strong team who can execute, you can be better than the market. And from this perspective, our forecast demonstrate that we have great ability in compare with other place in the market. And yes, we are very confident in the focus we share today.

**Ross Jobber (Citi):**

Okay, thank you. I guess also the ICT figure you were talking about is a lot broader than the more specific, perhaps higher growth, areas that you are in as well, which is me answering my own question in a way. One second question, if I may, leaving Russia aside for a second, can you talk a little bit about wage inflation and [inaudible] churn rates in your global business, as the [inaudible]? Thanks.

**Roy Harding:**

Yeah, thanks for us. So, yeah, look, there is inflation across the globe and it does touch each and every industry. So, it's a broader market issue. Obviously, for us, we are facing it as well, but we have embedded, in our numbers and in our guidance, while we do see the inflation impact, we are very disciplined in our execution. And we believe that, as our gross profit is growing at a faster rate, we are able to absorb some of that impact, obviously, in our case, we want to be market relevant. We have to look at our wage structure and we have to look at the broader value proposition for all of our employees. And that's why initiatives such as the LTEPP, the long-term employee partnership program and sort of selective other programs that we implement are key to supporting both retention and attracting the right caliber of individuals into our organization. That answer your question, Ross?

**Ross Jobber (Citi):**

Yes. Thank you very much.

**Operator:**

The next question is coming from the line of Anna Kurbatova from Alpha bank. Please go ahead.

**Anna Kurbatova (Alfa Bank):**

Good morning. Can you hear me?

**Roy Harding:**

Yes, we can, Anna. Thank you.

**Anna Kurbatova (Alfa Bank):**

Thank you. Great. Thank you very much. Well, my first question would be also about Russia. So, as far as we are now at the end of May, your observations here to date, do you see that mostly that process of international vendors is more or less over so that the market is kind to be approaching kind of stabilization in this respect. So, you don't see a lot of new announcements. Or your observations show

that this is likely to continue. And my second question would be kind of technical, also in terms of the first quarter guidance. So, you indicate at least 15% turnover growth and at least 25% gross profit growth. And I wonder just if you could comment on the sources of gross profit outperforming turnover. So, you are expecting positive changes in the product mix, kind of growing share of services or in geographical mix. So, just this relation between turnover and profit growth. Thank you very much.

**Roy Harding:**

Yeah, Anna, thank you very much for your question. And I will invite Sergey to give comment, and Artem, in a minute, in terms of the specific points that you raise. I think, just from my perspective, the situation in Russia is still evolving. Yes, there's obviously been major announcements made by all the key vendors, but I don't think we are yet at a stage where we are expecting it to be a stable situation. So, it's still pretty fluid and we are managing through that complexity. Sergey, if you want to add anything to that and then Artem on the guidance.

**Sergey Chernovolenko:**

Yeah. Thank you, Roy. And I completely agree. The situation in Russia continue to evolve. At the same time, there is certain level of stability in terms of our ability to predict nearest future. From this perspective, we as the leaders have all ingredients to always see the market, at least within 90 days, based on we have today. And also it's extremely important to highlight that the demand in the market still there. There are some challenges and changes in the proposal offering in the market. Some Western vendors postpone their activity or withdraw their activity. And still we're observing what the behavior will be. At the same time, the demand of our customers is the same and this demand, went out dramatically in compare with what we saw, let's say at the beginning of Q1. And as a company we established quite strong, we call it new product portfolio to address current challenges. And this product portfolio allow us to address customers demand. Some demand can be possible because maybe, and as we suggested, our growth is a little bit slow. If we compare with global growth at the same time, we use any opportunity to cover all demand. But again, the key for us is demand is there. And we find the way how to find right response.

**Roy Harding:**

Thank you very much Sergey. And Artem if I may ask you just to comment on the guidance question.

**Artem Tarakanov:**

Yes. Good morning. Nice to see you again on the call. So again, our turnover growth outlook is at least 15% as you rightly stated. And our gross profit grows is projected off at least 25% year over year. And there are several reasons behind that. As you know, we acquired several companies throughout 2021 financial year. And most of these companies are service companies with higher gross profit margin, right? So year over year, when you start to compare, you see that gross profit is growing in a faster pace than turnover. Then we definitely have the shift in our portfolio to services, to more profitable products. And the share of services is growing. And we mentioned during our presentation, that services growth will be 95% year over year. So all these factors together shows that gross profit will be growing faster than turnover. And our gross profit margin will definitely increase and improve in Q1.

**Operator:**

Yes. Thank you very much for your comments. Well, now we have no more questions left on the audio line. Then I'm reading the questions from the webcast. The first is coming from Vladimir Baspalov from

VTB. The first question is what would be the growth rate in constant currency that you expect in Russia first Q 2022? Secondly, could you provide more color in your plans to restructure the business in particular, your potentials to split the company into Russian and non Russian businesses, if any? What might that imply for the future trading of your shares?

**Roy Harding:**

Yes. Thank you very much Vladimir for the question. And let me take the second part of the question first by handing that over to Artem. And then I'll answer the first part.

**Artem Tarakanov:**

Okay. So, talking about Russia, outlook for Q1. So, as we stated in our presentation in reported currency, we expect at least mid to high single digit decline due to continuous uncertainty on the market. But as you see, ruble is appreciated against dollar quite significantly, especially in the last week. So this effect can compensate this decline. And of course, we cannot predict, I mean, what will be the rate in June, but taking into account all macroeconomic context and development. We hope that this positive Forex effect will offset this slight performance decline in Russia and hopefully will land at flat level in constant currency.

**Roy Harding:**

Thank you Artem and then let me handle the other part of the question. So look, it's clear that the geopolitical situation has had a profound impact on some of the markets in which we operate. And obviously over the past few months, we've made pretty thoughtful and proactive to see for proactive decisions to navigate some of those challenges. We've adapted and minimized the risks and impact to our business. And by example, we've made pretty bold leadership changes, including the appointment of Herve Tessler, to strengthen the leadership team, to accelerate and extend our position as a global leader in digital transformation solutions platforms and services. We did the tender buyback where we did the right thing for our investors in the context of the volatile market conditions and offering an exit opportunity for those shareholders that wish to close their position. We also did the successful completion of the tender offer for the Ruble denominated bonds. And we have an experienced management team, we're used to dealing with the change. And obviously we're always looking at how we can best optimize our business. It would be wrong if we didn't look at the options to ensure value for all of our stakeholders in this environment. And we're in a very preliminary discussions with our advisors about what those options are. As you well know, our turnover in our head count are split roughly 50, 50 Russia and global. Those businesses now differ significantly in operations, both in priorities, go to market strategies. And therefore, we have to assess how we might structure the business to best support the objectives, the regulations, and the priorities in both Russia and the other geographies where we operate. The process of exploring those options will obviously take some time. But what's important today is it will not have an impact on the fundamental principles of the group or on our commitment to customers and vendor partners. So, we're going to remain leaders in digital transformation in our markets. And our portfolio is second to none. And our principles of long-term partnership with our people will also remain in place. And then as it relates to valuation, clearly, we are significantly undervalued, which represents a huge opportunity. Whether you look at the analyst view of the target price or the multiples of our competitors, our focus is to deliver and execute on our growth strategy with discipline. And I think we demonstrated that in our quarter four financial year 21 results, and we're confident that we can do this, and market opinion will follow us.

**Operator:**

There are no further questions submitted via webcast page. I will now hand back over to Roy Harding, chief executive officer for closing remarks.

**Roy Harding:**

Thank you very much. So thank you everyone for joining today's call. And we are absolutely delighted with the results that we've shared with you. As you will have heard, we continue to navigate well. Taking our share of the market, and we feel incredibly positive about our positioning and the opportunities for our business as we look ahead. I will close by thanking our customers, our shareholders, and our ecosystem partners for their trust and support. And in particular, all of our talented people around the world who are driving value with our customers every single day. Thank you very much.