

Softline announces strong results for Q4'21 ending 31 March 2022, including 39% constant currency turnover growth, and 51% gross profit growth, with strong execution and superior profitable growth

24 May 2022, London, UK - Softline Holding PLC [SFTL, **US83407L2079**] (Softline, Softline Group, the Group, or the Company), the Cyprus registered Global IT and digital transformation solutions provider headquartered in London and operating in 60 countries, announces unaudited key operating highlights for the fourth quarter of financial year ending 31 March 2022.

Q4 AND 2021 BUSINESS HIGHLIGHTS

- Q4 2021 turnover growth increased by 25.4% YoY to \$534m in reported currency, and 39% in constant currency. For the 12 Months to 31 March 2022 turnover grew 22% YoY to \$2,175.5m in reported currency, and 25% in constant currency. Including the impact of unconsolidated turnover from M&A of \$99M, growth was 27%
- Q4 2021 Gross Profit increased by 51% in constant currency to \$75.5m. For the 12 Months to 31 March 2022, Gross Profit increased in constant currency by 39% to \$306.2m.
- International business turnover growth was particularly strong with reported growth of 48% YoY in 2021.
- 2021 IT Services turnover grew 85.3% to \$144.0m reported currency YoY with Gross profit growth of 95% YoY.
- 2021 recurring turnover increased to more than 60% of overall turnover, from 56% at the end of FY2020.
- Headcount increased 52% YoY to 8,384 employees on 31 March 2022. Softline more than doubled its Services capacity to 4,024 employees on 31st March 2021.
- Strong execution on M&A with five deals announced and closed since IPO which underpins Softline's growth strategy.
- Successful completion of tender offer on 18 May 2022 with 4,420,277 GDRs tendered, priced at \$1 per GDR, confirming that shareholders believe in the more fundamental value in Softline, and the management's clear strategy for increasing company value.
- Implementation of industry leading, performance based long-term employee partnership program.

Jacques Guers, Chairman of the Board of Directors of Softline Group, noted:

"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 the environment. We are managing with discipline, as well as taking bold decisions to drive forward on our strategic objectives, and to accelerate and extend our position as a global leader in digital transformation solutions, platforms, and services."

Softline Global CEO Roy Harding said:

"I am very pleased with our strong execution and performance in FY21, 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 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"

Key Figures

	2021*	2020	%	4Q 2021	4Q 2020	%
Turnover (\$ '000)	2,175,512	1,788,481	22%	533,980	425,786	25%
Recurring turnover %	60%	56%				
Turnover by business line (\$ '000)						
Software & Cloud	1,796,396	1,510,043	19%	431,054	370,977	16%
IT Services	144,043	77,728	85%	40,804	23,281	75%
Hardware	235,072	200,710	17%	62,123	31,527	97%

	2021*	2020	%	4Q 2021	4Q 2020	%
Turnover by region (\$ '000)**						
APAC	569,942	345,319	65%	174,273	132,173	32%
EMEA	167,863	42,102	299%	59,538	16,637	258%
Russia	1,128,245	1,081,609	4%	233,317	210,542	11%
RoE	139,765	125,239	12%	32,505	24,841	31%
LATAM	185,542	208,319	-11%	37,933	44,460	-15%

Reported growth

*Year ended 31 March 2022

**Regional numbers include intercompany sales

BUSINESS REVIEW

Services – Services remains a segment with a highest growth rate. 2021 turnover grew 85.3% to \$144.0m. Services remains the most profitable segment with gross profit margin of 78%. Services represents 7% of Group turnover, and this segment contributes 37% of total Gross Profit. Growth reflects the impact of acquisitions, as well as strong organic growth.

Software & Cloud – Turnover from Software & Cloud increased by 19.0% in 2021. Despite challenges in some markets where we operate, growth in Q4 2021 accelerated to 16.2% YoY. The major growth contribution was made by the cloud business.

Hardware - Hardware grew 17.1% YoY in 2021. We see significant acceleration of growth to 97.0% YoY in Q4 2021 compared to 8.5% in Q3 2021 due to pent up demand from the previous quarter, and increased demand from customers in selected regions ahead of expected supply limitations.

Geographic Turnover – 49% of the total 2021 turnover was generated outside of Russia. This is part of the company's commitment to advance the diversification of Softline's business. Growth was particularly strong in EMEA, and APAC, both organically and due to recent acquisitions. Despite heightened uncertainty, 4Q turnover growth in Russia was resilient with YoY growth of 11.9%.

Profitability

Gross Profit in 2021 was \$306.2M, up 35.5% year over year, compared to \$225.9M for the last year. Growth was broad-based overall, particularly with 95% growth in the Services business. Gross Profit margin, turnover based, was 14.1%, compared to 12.6% for the last year partly driven by the contribution of the Services business.

For FY2021 ended 31 March 2022, adjusted EBITDA was \$70.7M, up 35.8% compared to \$52.1M for FY2020. Adjusted EBITDA margin, Gross Profit based, was flat at 23.1%. Adj. EBITDA reflects the significant investments Softline is 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

Other selected financial events

Softline continues to optimize its capital structure. As a part of the earlier announced tender offer, on 18 May 2022 Softline's shareholders tendered 4,420,277 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. With the minimal take up of just 2% of diluted shares outstanding, the outcome of the tender offer has confirmed that shareholders believe in the more fundamental value in Softline, and the management's clear strategy for increasing company value. It is expected that the proceeds of the tender offer will be credited to the Euroclear or Clearstream accounts of tendering shareholders as soon as practicable, or otherwise despatched in accordance with the procedures outlined in Softline's tender offer announcement dated 14 April 2022.

In addition to GDRs purchased as a part of the tender offer, up to the reporting date Softline repurchased 1,212,625 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.

A tender offer for rouble-denominated bonds was completed on 28th of April 2022. Bonds for the total amount RUB 185.8m have been tendered at a level of 84.1% from the nominal price of the bond. The transaction served to smooth the debt repayment schedule.

The company had 16,508,117 management LTI options outstanding as at 31 March 2021.

Balance sheet and liquidity

As of the reporting date operational 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.

Softline continues to operate with negative working capital, which was \$12.9m at 31st March 2022. Softline has increased its stock towards the end of the fourth quarter in anticipation of demand for hardware and limited supply in some regions of operations. This is a temporary balance and Management expects that stock will be sold down by the end of May 2022.

M&A

Softline's M&A strategy underpins the 3-dimensional growth strategy, and the company has been active over the past few years with a specific focus on key strategic objectives. Softline announced and closed five deals in Q4 2021:

- Umbrella Infocare is a market-leading cloud services company based in Delhi with a 200+ strong team of cloud professional. Umbrella Infocare is an AWS Premier Consulting Partner with competencies in AWS Managed Services, Migration and DevOps and it also has Platinum Plus Consulting partnership with Citrix.

- SoftClub is a specialist in the rapidly-growing industry of financial technology, and the largest developer of integrated solutions for banks, e-commerce, and stock exchanges in Central and Eastern Europe. Considered by industry experts to be amongst the top-100 software firms in the world. SoftClub has one of the most qualified software engineering teams in Eastern Europe with over 20 years of industry experience, and this brings nearly 1,000 professionals with a deep knowledge of the sector to Softline.
- MMTR Technology is a specialist in software development and application engineering employing nearly 500 software engineers, with a focus on business process automation and quality assurance testing.
- Academy IT creates, develops, and deploys bespoke corporate training solutions and has a strong track record particularly in cybersecurity training.
- TC Engineer helps to broad Softline cyber security capabilities – extending the portfolio of services with more expertise in compliance, GDPR and cybersecurity awareness training. TC Engineer brings capabilities across the entire spectrum of cybersecurity consulting services.

Softline's management is pleased with the M&A opportunities in the market, and the strength of the pipeline of deals that they are working on.

Microsoft

Softline is a top 10 global Microsoft partner and has been further progressing this cooperation. Softline sees very significant potential to partner with Microsoft and scale in many more markets around the world. Softline works 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 is continuing to expand its services footprint with Microsoft solutions. Softline is now a Licensing Solutions Provider and Cloud Solutions Provider in more than 35 countries. The company is a member of the prestigious Microsoft Intelligent Security Association, a Microsoft Azure Expert Managed Services Provider, with ten Advanced Specializations by Microsoft, and it maintains Microsoft Gold competencies in 18 of 20 categories.

During 2021 Softline has received the Partner of the Year award in various countries including Bulgaria, Cambodia, Malaysia, and Vietnam, and the Security Excellence Award for the Philippines and Malaysia in recognition of the 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 receiving Microsoft Cloud Champions Program in India 2021.

ESG

Softline continues to advance and embed ESG across its operations, and it continues to be at the forefront of Softline's strategy. The company focuses on creating an environment where people can prosper. Softline's commitment to its teams has been recognized with the certification of *Great Place To Work* in many of our regions. We have a longstanding dedication to the preservation of basic rights and human dignity in our workplace and beyond, including diversity and inclusion policies which are incredibly important to the company's leadership team.

As part of its ESG strategy, Softline's purpose is to ensure environmentally sound and sustainable development of the company, and we will continue to look for ways to reduce the climate impact of our business. Softline also has a resilient framework in place for ethics and compliance in all the markets where they operate. The company will continue to promote diversity across its extended governance structure. We have implemented the right board structure to ensure we advance our governance processes, and we now have 3 independent board members. This year,

Softline launched a Supplier Code of Conduct (SCoC), focused on gaining supplier commitment to ESG credentials.

Also, this year the company published its ESG statement that can be read here: <https://softline.com/about/esg/esg-statement>

Business Outlook

On the 11th of March Softline withdrew its business outlook due to increased uncertainty from the evolving regulatory environment and regional disruption. In the near term, Softline plans to provide guidance for the next quarter only. Softline will continue to review the situation, and will provide longer term guidance at the appropriate time.

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

- In its global business outside Russia, the company expects year-over-year growth of at least 30%, and while this includes the impact of some continued uncertainty in its Rest of Eurasia (RoE) region, this represents a very strong level of growth.
- In Russia, the company expects 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.

As it relates to Gross Profit overall for Q1, Softline expects year-over-year growth of at least 25%.

Softline expects to deliver positive adjusted EBITDA for the group in Q1, including in the Russia operation.

Operations

As previously stated in its press release dated 6th May 2022, Softline is exploring alternative options to adjust the group's assets and ownership structure in order to optimize value for all of its stakeholders. It is clear that the geopolitical situation has had a profound impact on some markets in which Softline operates. The Russian and Global businesses now differ significantly in operations, priorities, and go-to-market strategies, and therefore Softline is assessing how best to structure the business to support the objectives, regulations, and priorities in all the geographies where it operates. The process of exploring options takes time. As this process takes place, the company expects no impact on the fundamental principles of the group and its commitment to customers, vendor-partners, and employees.

Additional Information

Softline's related supporting materials can be accessed in the Investor Relations section of Softline.com

Results conference call

An investor, analyst and media webcast will be held on 24th May 2022 at 8:00am UK time. Softline will announce key operating highlights for the fourth quarter of financial year ending 31 March 2022.

The webcast can be accessed from the Investor Relations section of Softline.com
A livestream of the investor call will be available and can be accessed here: [Softline Holding plc - Q4 Trading Update](#)

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About Softline

Softline is a leading global solutions and services provider in digital transformation and cybersecurity, with its headquarters in London. The company enables, facilitates and accelerates the digital transformation of its customers' businesses, connecting over 150,000 organizations from all industries with over 6,000 best-in-class IT vendors, and delivering its own services and solutions. Foundation of Softline's growth is so-called three-dimensional strategy, which includes geographic, portfolio and sales channel expansion. This strategy is supported by energetic M&A activity, so Softline is benefiting from the on-going consolidation of the industry.

Thanks to this strategy, Softline is currently one of the fastest growing companies in the sector. Softline achieved a turnover of US\$ 2.2 billion in fiscal year of 2021. In October 2021, the company conducted a primary listing on the London stock exchange.

Softline's 8,400 employees work in almost 60 countries throughout Asia, Latin America, Eastern Europe and Africa – markets with significant growth potential.

Important Notices

The financial results set out in this release are sourced from the Group's management accounts for 2021, 2020, Q4 2021 and Q4 2020 and are unaudited. The "constant currency" metric excludes the effect of foreign currency exchange rate fluctuations by translating the current period revenues into U.S. dollars at the weighted average exchange rates of the prior period of comparison.

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