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SoftwareOne AG

H1 2025 Results

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COMPANY REPRESENTATIVES

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PRESENTATION

Engvall Anna

Good morning, and thank you to everyone for joining SoftwareOne's H1 2025 Results. I'm Anna Engvall, Head Of Investor Relations at SoftwareOne. Joining me today are Co-CEOs, Raphael Erb and Melissa Mulholland, and Hanspeter Schraner , CFO.

In terms of agenda, we will kick off with an update on the Crayon combination, followed by a summary of SoftwareOne's standalone H1 2025 results presented by Raphael. Hanspeter will then take us through our financial performance. Thereafter, Melissa will cover Crayon standalone results, progress on integration and outlook. We will finish the session with Q&A, as usual.

Before handing over, please let me draw your attention to the disclaimer regarding forward-looking statements and non-IFRS measures on slides two to three. With that, I will hand over to Raphael.

Erb Raphael

A very good morning, everyone, and thank you for joining us. Together with Melissa and Hanspeter, I'm very excited to be presenting our results for the first time together as a combined company. By joining forces with Crayon, we have brought together two global software and cloud providers, creating a leader at scale with complementary businesses across 70-plus countries. Integration is progressing according to plan. Based on thorough preparation, we are executing on a clear roadmap. We will, of course, keep you posted on key milestones over the coming quarters.

In terms of cost synergies, we are fully on track with 11 million CHF run rate savings already achieved. We remain confident in reaching 30 million run rate by year end and 80 to 100 million by end of 2026. Importantly, we are also laying the ground for capturing significant revenue synergies based on our combined Marketplace enhanced Services portfolio to drive cross- and upsell and joint GTM model.

Looking to H2, we expect to return to growth already in quarter three after a challenging first half of the year. A lower negative impact from Microsoft incentive cuts, plus a more favourable comparable period, will support this recovery. Overall, for full year 2025, we expect revenue growth to be flat in constant currency compared to 2024 on a combined like-for-like basis, with an adjusted EBITDA margin over 20% of revenue in a transitional period focussed on integration.

Let's now look at SoftwareOne’s standalone performance. Revenue declined by 4.3% in constant currency in Q2, an improvement compared to Q1, and in line with guidance communicated in May with our trading update. We navigated Microsoft's incentive changes during the period with two thirds of the expected total negative impact affecting us in the first half, particularly in June. We continue to implement mitigating measures, including CSP conversion. Recently announced measures by Microsoft also support this transition.

Adjusted EBITDA was down 2.7%, reflecting a margin improvement of 0.5 percentage points to 23.5% in H1. This was thanks to the impact of our cost reduction programme and continued strict cost control.

Moving on to the regional performance. Overall, we are on track in the regions, with exception of North America. But here we are seeing improved momentum on the back of our implemented action plan. And together with Crayon, we have a stronger business and leadership team in this region. APAC delivered revenue growth of 13% in constant currency in H1, with strong results across the region. We continued to see excellent growth in Services in Q2, with AWS services more than doubling in size compared to prior year.

DACH revenue declined nearly 3%, driven by the Microsoft transactional business. Our largest exposure on EA incentives is in DACH, so this was expected. Partially offsetting this impact was solid momentum in our public sector business, where we had a number of new customer wins. Rest of EMEA was down 1.7%, with solid results in Benelux and Southern Europe, offset by other countries, including the Nordics, where a number of large deals slipped into the second half.

As mentioned, while Q2 was again challenging, NORAM is showing signs of recovery from the GTM related sales execution issues, and we are confident in returning to growth already in Q3. Finally, revenue in LatAm decreased by around 5%, largely driven by Brazil, while Mexico delivered another strong quarter in Q2, and Colombia returned to growth.

Now, turning to our business lines. Software and cloud Marketplace revenue declined 11% in constant currency in H1, driven by the Microsoft transactional business. Microsoft gross billings declined 2% as a result of proactive business management, given the enterprise agreement incentive cuts, and in alignment with Microsoft taking a few large transactions direct. The incentive changes and resulting impact were, of course, anticipated. And as mentioned, we have mitigating initiatives in place.

We have accelerated efforts to transition customers to CSP, collaborating with Microsoft, who also recently announced price increases on EAs, and more options around subscription terms for customers to support the transition. We are also focusing on Microsoft funded pre- and post-sales activities. With revenue more than doubling quarter to quarter, which will increasingly help to compensate for a sizeable part of EA incentive impact in H2.

In the meantime, Services gained some momentum, with mainly North America and large deals in prior year weighing on growth. Excluding North America, Services revenue growth was 7.5% in constant currency in H1, demonstrating the solid momentum that we are seeing in most of the regions.

To wrap up this section, I would like to highlight a great example of how we are helping customers boost productivity through AI. We supported AEON Vietnam in introducing an AI chat bot that gives employees instant access to process knowledge, streamlines collaboration, and enhances customer service. The solution is now being packaged to scale across other major clients.

I will now hand over to Hanspeter to take us through the H1 result in further detail.

Schraner Hanspeter
Thank you, Rafael. I would like to start by extending a warm welcome to everyone joining us today. It's a pleasure to meet you all virtually. Let me provide an overview of our financial performance at group level, starting with the condensed IFRS income statements.

Revenue declined by 8.1% on a reported and 4.9% on a constant currency basis in H1. This was driven by the go-to-market related issues in NORAM, as well as Microsoft incentive changes. Reported to those 85 million CHF, up 3.5%, with a margin improvement of 1.9 percentage points, driven by the cost reduction programme and continued strict cost control, despite of the revenue decline. Higher CapEx in recent years led to increased depreciation. Meanwhile, flat asset development, despite our investments, is mainly driven by FX effects.

Net financing expense reflects a negative 12 million CHF year-over-year impact, driven by the change in the fair market value of our Crayon shareholding. Finally, the tax rate was distorted by Crayon acquisition related effects and non-tax deductible expenses, including M&A earnout expenses.

Moving to the reported EBITDA bridge. On the left, you can see the decline in revenue by 26.2 million in constant currency, primarily driven by NORAM, partially offset by growth in APAC, with all other regions were flat to single-digit negative. On the right, we highlight the significant OpEx savings of 38 million CHF, mainly personnel expenses driven by our cost reduction programme. This effect is expected to continue to materialise in H2. In addition, EBITDA adjustments decreased by 10 million, reflecting our commitment to materially lowering the level of adjustments. The achieved cost reductions were partially offset by wage inflation and other adverse effects.

EBITDA adjustments totals to 29.7 million CHF in H1 2025, a net reduction of 10 million, as mentioned, the main adjustments related to cost reduction programme. The total is in line with our expectation of being below 30 million CHF on a standalone basis.

Additionally, we incurred Crayon transaction integration related costs. These costs have been clearly defined to ensure that the only expenses directly attributable to integration are adjusted for. As a reminder, we expect integration costs within the same range as the run rate cost synergies of 82 to 100 million CHF.

Moving on to the business lines. In Marketplace, revenue declined by 13.9% in reported currency in H1. Microsoft revenue fell, partially offset by modest growth in other independent software vendors. The contribution margin remained stable at 87.8%, driven by optimisation of delivering costs. The adjusted EBITDA margin was 53.4%, up 3.3 percentage points from the prior year, reflecting sizeable SG&A reductions.

In Services, revenue declined 1%. Excluding NORAM, Services grew by 4%. Delivery costs decreased slightly, with the contribution margin up 0.7 percentage points. SG&A decreased by 2.8%, driving improvement in the adjusted EBITDA margin by over one percentage points to 8.6%.

A few words on the balance sheet developments. To finance the cash consideration of the Crayon transaction, the company entered into a bridge facility in H1 2025. 424 million CHF was drawn as of 30 June, which is reflected in cash and cash equivalents, as well as in other financial liabilities. We successfully refinanced the bridge in July with a 600 million term loan, while also refinancing the existing 600 million revolving credit facility. Supported by a broad group of leading Swiss and international banks, the financing provides security for a minimum of four years, plus a potential one-year extension. The bridge remains open for an amount of 100 million CHF until its latest expiry in Q2 2026.

As of 30 June, net working capital was negative by 216.6 million, an improvement of 400.6 million year-over-year, driven by non-recourse factoring. Reduction in equity is mainly due to the dividend distribution of 45.6 million CHF. Negative currency translation adjustments of 34.8 million from the Swiss francs appreciation, hedging effects recognised directly in equity and partially offset by the net profit for the first half of 2025.

Turning now to our cash flow for the six-month period ended 30 June. Operating cash flow was positive, driven by the net profit and the net working capital. Cash used in investing activities includes CapEx of 30.1 million in line with the previous year. In addition, investing activities includes the settlement of the total return swap of 35.7 million. Cash flow from financing activities reflects the bridge drawdown of 424 million for the Crayon acquisition, dividend payments of 45.6 million, as well as interest paid of 13.7 million CHF. Cash and cash equivalents at 30 June was at 655.1 million.

This slide shows the net bridge over the 12-month periods. We close H1 with a net cash position of 36.2 million CHF, primarily driven by the positive swing in net working capital. Major cash outflows included CapEx, M&A and earnout payments, interest paid, as well as significant returns to our shareholders in the form of dividends and the share buyback programme completed in 2024.

The chart on the left shows net working capital as defined, which was negative 216.6 million CHF at end of June of this year. As mentioned, we launched a new non-recourse factoring programme in the US and in the DACH region for the sale of eligible and insured receivables. Total factoring amounted to 488.5 million at end of June, up from 116.8 million one year ago. Excluding factoring, the underlying improvement in net working capital was 29 million, being a stabilisation of the underlying working capital compared to previous year.

Beyond this programme, working capital remains a top priority for the group. We continue to execute on initiatives to expedite collections, improving invoicing accuracy to limit rebills, leveraging dashboards to track collections, supported by KPIs linked to bonus achievements. We are, of course, also sharing best practices with Crayon, who has demonstrated strong improvements in working capital over recent quarters.

Turning to my last slide. I would like to wrap up with our planned segment reporting structure going forward. The structure aligns our financial reporting with our integrated go-to-market strategy. Our primary reportable region will remain as DACH, rest of EMEA, NORAM, LatAm, and APAC. Crayon’s Nordics business, along with SoftwareOne’s, is included in rest of EMEA. The new business segments will be Software and Cloud Direct, Software and Cloud Channel, and Services. The Direct business combines Marketplace with Crayon Software and Cloud Direct business. Channel consists mainly of Crayon’s Channel business, while Services brings together our combined offering, including Crayon Software and Cloud Economics and Consulting.

To provide a clear basis for comparison, we will be providing restated historical numbers on the new reporting segments prior to our Q3 2025 trading update in November. I will now hand over to Melissa to go through Crayon’s results.

Mulholland Melissa

Thank you for joining us today. I'm pleased to share Crayon’s standalone results for the second quarter. In H1 2025, we continue to see good underlying demand as reflected in our gross sales growth of 20%. However, growth in gross profit ended at 0.2%. In H1, we focussed intensely on the transition from enterprise agreements to CSP, given the benefits to a customer and the increased earnings opportunity for Crayon.

Like SoftwareOne, two thirds of our EA volume lands in H1. I'm pleased with the CSP performance, where we grew 58%, and we're able to recover the total enterprise agreement loss in the first half of the year. The transition takes focus and careful alignment with the customer, and consequently, this resulted in less enterprise software deals, such as IBM and Oracle, which generate high margin.

In June, we had negative growth. This is due to the large volume of EA agreements, as it's our largest EA renewal month in the year. In combination with less enterprise software, which is not Microsoft, this compressed our gross margin and gross profit in our Software and Cloud Direct, which ended flat in H1.

In addition, growth was impacted by underperformance in the Nordics consulting business. The Nordics consulting market remains cautious, holding back on larger consulting investments, focusing on need to do investments. This applies for both private segment, but also specifically in the public sector, which represents 50% of our total Nordics business. We see reluctance to invest in larger, longer-term consultancy projects.

Adjusted EBITDA ended at 469 million NOK for H1, reflecting a margin of 15% on gross profit. This was a decline compared to the prior year, driven by the lower than expected gross profit growth.

At the same time, we delivered record-setting working capital performance, underlying the resilience and the strong execution capabilities of our teams. Our focus on working capital has resulted in sustainable improvements.

Looking ahead, we are well positioned to accelerate growth in H2, and I'm confident in returning to solid growth in the second half of the year. Q3 has been off to a good start with great momentum, and we can see a turnaround in our performance. We have spent 23 years building a growth orientated business, and our success in navigating the various market challenges illustrates the strength and resilience of our business model.

On 1 January, Microsoft reduced incentives related to enterprise agreements. This represents a shift from large, multi-year agreements to consumption-based agreements known as CSP. This benefits the combined company as the margin on CSP is higher than on EA. One of the key changes in Microsoft incentives has been a higher focus on value-added services. As Microsoft incentives shift away from one-off EA deals, they're increasingly rewarding partners who can attach high-value services like cloud, AI, and security.

In the past, the incentive was almost exclusively tied to the software or cloud license itself. Now, as the chart illustrates, partners are rewarded for the license, in addition to the services provided. In addition, Microsoft's upcoming pricing changes on EA as of 1 November will accelerate the change to CSP and provide growth opportunities for the combined company.

Turning to integration, I'm pleased to report that we are progressing fully as planned. Our focus since closing has been on ensuring business continuity, while laying the foundation for value creation. In the first three months, we have prioritised stability and continued customer focus. We introduced our new operating model and have appointed key leaders for the organisation, regions, and countries, all with leader representation from both companies. This will ensure clear alignment and clarity across the company.

Our sales force is a crucial connection to our customers, so enabling them remains a top priority. We have identified key customers for upselling opportunities where we can expand our licensing and service offerings into existing accounts by leveraging SoftwareOne and Crayon’s complementary strengths. An example of this is SoftwareOne’s ServiceNow global capability that was announced. This serves as a new sales motion that we can extend into Crayon’s customers worldwide. Multiple sales initiatives and security and AI are also underway, and support services are being aligned to increase margin and productivity.

Another example that I want to highlight is Crayon's Channel business. This is strategic, as it delivers high EBITA margin, given the scalability in reaching mid-market and SMB customers. With SoftwareOne, we will extend the channel business into the countries and transition small customers to our partners to drive increased sales efficiency and overall profitability.

In terms of early synergy realisation, run rate cost savings of 11 million CHF were achieved by the end of August 2025 through the reduction of duplicate management roles. As we move into the six-month phase, the targeting operating model is being rolled out. The go-to-market and segmentation strategy are in place, and we are realising synergies.

Looking ahead to 18 months, our ambition is full value realisation, in line with our commitment to our investors, customers, partners and employees. By then, we will operate fully as one company with a single set of targets, harmonised operations, aligned vendor and channel strategy, and sales place deployed across integrated countries.

Throughout this process, we prioritise active change management and ongoing communication with all our stakeholders to track, impact and reduce risks during the transformation. Importantly, we are confident that we will achieve cost synergies of 80 to 100 million CHF by the end of 2026, as committed.

Before the outlook, let's move on to the combined like-for-like financials. These financials have been prepared to allow for better comparability and transparency. They illustrate the combined performance as if the transaction had taken place on 1 January, 2024. On a combined basis, H1 revenue declined by 3.1% in constant currency, with a margin of 20%. Importantly, the 2024 numbers provide a baseline for our full- year 2025 guidance for the combined company.

Taking into account our year-to-date combined performance and the integration period which lies ahead of us, we have adjusted our expectations for the full year. On a combined like-for-like basis, we expect revenue growth to be flat in constant currency over 2024. We are confident in returning to solid growth in H2, driven by a lower impact from EA incentives, only one third of the total impact for the year, accelerated CSP growth, and a turnaround in North America. We will also benefit from a more favourable comparable period.

Adjusted EBITDA margin as a percentage of revenue is expected to be above 20%, driven by the full impact from SoftwareOne's cost reduction programme initiated late last year, a high emphasis on cost control, as well as synergies.

Beyond 2025, we expect to accelerate growth and enhance profitability, supported by run rate cost synergies of 80 to 100 million, as well as meaningful revenue synergies. Microsoft EA incentives will also have bottomed out, and the CSP transition fully taken a hold. Guidance for 2026 and mid-term targets for the combined company will be provided with our full-year 2025 results early next year.

I will close by looking ahead and outlining how we see the journey for our combined company over the next few years. Our focus is clear. We build a strong foundation and accelerate growth today, creating sustainable, long-term value for our stakeholders in the future. In 2025, our priority is to set the integration engine running. We prepared thoroughly, started integration, and now have a combined leadership team with a clear execution plan.

In the meantime, we have already captured early cost synergies to support stable profitability, even as a top line growth will be limited. In addition, we are driving multiple sales plays to capture revenue synergies across the business. From 2026, we expect the growth engines to shift gears. We'll be unlocking revenue synergies while benefiting from a stronger momentum in our Microsoft partnership and other ISVs and hyperscaler opportunities.

Importantly, 2025 will mark the bottoming out of EA incentives, giving us a cleaner base for growth. From 2027 and onwards, we have crossed the finish line of the integration, with the full realisation of both cost and revenue synergies. Revenue synergies are expected to exceed cost synergies. At this stage, the combined company will be in the best position it ever was in the global IT services and software markets, and we'll be driving a higher share of recurring high margin services, making our growth both stronger and more predictable.

Before concluding the presentation, we would like to highlight a change in our investor relations team. Kjell Arne Hansen, former Head of IR at Crayon, will take over as Head of IR of SoftwareOne, while Anna Engvall moves on to a new opportunity. We would like to thank Anna for her significant contributions over the last five years, and wish Kjell Arne all the best in his new role. With this, I will now hand it back to the operator for the Q&A session.

QUESTION & ANSWER

Operator

Thank you. We will now begin the question and answer session. Anyone who wishes to ask a question, may press star and one on the telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press star and two. Questioners on the phone are request to disable their loudspeaker mode and eventually turn off the volume of the webcast while asking a question. Anyone who has a question may press star and one at this time. Our first question comes from Christian Bader from ZKB. Please go ahead.

Bader Christian

Good morning, and thank you for this dynamic presentation. I have plenty of questions, but I will limit those to three, and I'd like to do them one after the other. First of all, apparently, SoftwareOne has achieved cost savings already in the first six months. And together with Crayon, you foresee additional cost savings. I'm assuming this is predominantly derived from staff savings. Therefore, I think the obvious concern is, do you experience additional fluctuations at this point from your staff?

Erb Raphael

I can take that. Christian, thanks for the question. I think we are seeing a very limited increased attrition, yes. But it's very limited in certain geographies. Other than that, I would say we are, in general, retaining the talents and we are very focussed also on this. And we are not seeing this impacting really our plans and results in the future.

Bader Christian

My next question has to do with factoring. Two, if I may, on this one. First of all, why increase the factoring facility right now? And secondly, the change of the amount of factoring that I have calculated, back of the envelope, is 364 million CHF against the year end. Can you confirm that, please?

Schraner Hanspeter

Thank you for this question. I can take it. First of all, we are talking here about non-recourse factoring. We have these new programmes, and this factoring helps us to manage the seasonality and the peaks of our net working capital.

Bader Christian

And the changes against the year end, please?

Schraner Hanspeter

The change is against the year depends. First of all, we have a seasonality in net working capital, and net working capital is peaking July, August, so we are now at the peak. The changes against year end, what I can say today, it will be lower, but at the end, I cannot commit to a number today, because at the end, it depends on our ability to improve the underlying working capital and the seasonality, actually.

Bader Christian

My last question has to do with your refinancing. You've mentioned that you have refinanced the bridge facility with a term loan. Is it possible to get additional terms and conditions for this term loan, in particular, the interest rate?

Schraner Hanspeter

The interest rate is market standard, giving our, given our financial structure and rating. It's market standing in terms of the term loan has to be amortised with an annual amortisation of 50 million. And the committed facility has a tenure of four years with an extension option of one year.

Bader Christian

But where would the cost of debt of the one standalone, on a combined basis, turn out after this refinancing, please?

Schraner Hanspeter

At the end, it depends on how much we have drawn on the revolving credit facility during the year. But you really can assume a market interest. You can assume that the term loan is fully drawn. And the revolving credit facility was drawn at mid-year by 180 million. And after acquisition, it was drawn by 470 million to finance the acquisition. Apply market rates and you will find this number.

Bader Christian

That's it for me. Thank you.

Operator

The next question comes from Knut Woller from Baader Bank. Please go ahead.

Woller Knut

Good morning.

Also a couple of questions, just starting firstly with the North American go-to-market challenges. Can you provide us here with an update where you are in terms of this go-to-market implementation?

Erb Raphael

Thank you, Knut, for the question. On North America, the action plan, which we have basically announced also with our Q1 result update last time, has been fully implemented and successfully implemented.

Just to give you some flavour, we announced that, we had one of our ED members and current CEO, Oliver Berchtold, spending most of his Q2 over in North America, really working closely with the leadership team over there. We have reinstalled and hired some employees, specifically focussed on our multi-vendor business, which has been under pressure. We have rehired dedicated ISV experts. We have had some global experts supporting North America. And this has shown already in June, actually, some first results, with an increased and improved renewable rate on the multi-vendor business.

And now it's great, we also have new leadership from Crayon coming in, and we have basically announced the leadership team in NORAM for the combined company. They are already working well together, and we are positive, very positive, actually, going into Q3 already, that we are seeing growth in North America, and we will see growth Q3, Q4, H2 in North America. So, we are positive that North America is back on growth territory going into Q3.

Woller Knut

Thank you, Raphael. And another question, when you look at your promise of a return to growth already in Q3, does this also hold for SoftwareOne standalone and Crayon standalone, or is it just a commitment for the combined entity?

Erb Raphael

Today, we issued the guidance for the combined company. I want to continue to talk about the combined company. And here we are positive that we are back in growth territory Q3 onwards.

Woller Knut

And just quickly, to get a better understanding of, I understand that you're now just thinking in terms of the combined entity, Raphael, but would there be any reason to believe that the former guidance for SoftwareOne standalone wouldn't hold, given the confirmed drivers for H2?

Erb Raphael

Knut, over the recent months, SoftwareOne has successfully, I would say very successfully, implemented our cost reduction programme, and also taken action to resolve the GTM related issues, particularly in North America, to ensure we deliver the standalone guidance we issued earlier this year. And I think these measures really ensure that we are on track to reaching our combined guidance for the full year 2025, which we have just announced previously.

Woller Knut

Excellent, Raphael. Thank you for this colour. And just lastly, quickly, how to think about the combined company in terms of margin expansion potential from 2026 onwards. Can you give here some qualitative comments already, or is it still too early?

Erb Raphael

We will basically announce our guidance for 2026 with full-year 2025 results announcement, so it's a bit too early. I think we made some statements that we are, of course, focussed on realising the cost synergies. We have a plan in place to also realise significant revenue synergies. And if that works out, I think there is a positive outlook. But we will provide full-year guidance with 2025 results.

Woller Knut

Thank you very much, Raphael, and all the best for first term [?] as a combined entity.

Erb Raphael

Thank you, Knut.

Operator

The next question comes from Nooshin Mejati from Deutsche Bank. Please go ahead.

Mejati Nooshin

Hi. Good morning, and thanks for taking my question. I have also two. Regarding NORAM, can you please elaborate further on the developments? Any KPI regarding the rehiring you did or announced last quarter? I am just wondering how much of the return to growth in next quarter is contributed to improvements in NORAM versus much easier comps? I believe the standalone guidance was highly dependent on NORAM around, so it would be very helpful to know what's the situation now there?

And what are the risks outside of customer loss to Microsoft direct approach? What percentage of your customer base is at risk here? Thank you.

Erb Raphael

On the first question on NORAM, again, thank you. As I mentioned before, we expect North America to return to solid growth in H2, driven, actually, by the improved business momentum. Also, a few more factors, aside of resolving the GTM issues. I think also in North America, we see a lower impact from Microsoft incentives going into H2. Also there, it's a bit frontloaded, which should help us going into H2. And we are also entering into a more favourable comparable period. If you look into H2 last year in North America, North America in H2 2024, SoftwareOne standalone declined by about 15%, due to some one-timers and so on. I would say we are entering into a more favourable period, which also helps to be positive that we are backing growth going into H2. Solid growth, actually.

Mejati Nooshin

Understood. I was just wondering if that impact is coming mainly on easier comps or it's actually returning to growth way ahead of those 15% decline last year.

Erb Raphael

it's a mix of all the factors which I mentioned. I think the new leadership team which is in place helps. We are having clear plans in place on how we execute the multi-vendor business. We see first signs of improvement thanks to the people we put in place, thanks to the KPIs also we put in place.

And then again, maybe also highlighting about the combination, because we are really now a combined company. Crayon has been growing very well in North America over recent quarters. We see this trend, I think, to continue, and we are also very happy with the leadership and, in general, the team from Crayon in North America, which we are together now. And I think this helps as well.

Mejati Nooshin

Thank you. Very helpful.

Mulholland Melissa

Just to just to add, from a Crayon perspective, we've been deeply focussed on building up our channel business, which, as we mentioned, we will continue to report on as a combined company. Because we see this to be a significant opportunity in North America, but also, of course, globally. And this has been a big driver of our Crayon turnaround in growth performance in North America, which will be helpful in terms of the combination of the two companies where we see an opportunity together.

Mejati Nooshin

Understood. Thanks.

Erb Raphael

I'm sorry, your second question, maybe can you repeat again?

Mejati Nooshin

Absolutely. I was wondering, what are the risks outside of customer loss to Microsoft's direct approach?

Erb Raphael

I think, in general, on the on the Microsoft, it's out there for some time already. We have mentioned it as well, that for the very large enterprise customers, some of them Microsoft wants to transact directly with them, which maybe also partly explains our slight decline on gross billings, and also the EA incentive reductions. And we have also looked proactively to managing certain unprofitable EAs and trying to transition them into new licensing models, or collaborating with Microsoft on taking them direct.

It's very important to mention it, that we don't see any negative impact of Microsoft taking some customers direct on our revenue, on our profitability of the business. There is no negative impact because of this, it actually provide probably even more opportunities on the Services side, especially related to helping customers maximising the value from their investments, our Microsoft advisory services, and so on. I would say this impact of Microsoft taking some customers on the transaction direct, doesn't have a negative impact on our revenue.

Mejati Nooshin

Understood. Thank you so much.

Operator

The next question comes from Florian Treich from Kepler Cheuvreux. Please go ahead.

Treich Florian

Good morning, all, and thank you for taking my question. My question is on the implied H2 growth rate. I would argue that before offering a combined guidance, that the implied H2 growth was probably a bit better than what is implied by the combined guidance.

My first question would be around what has been the negative data to it? As I would say, in general, you have confirmed the overall positive factors contributing to a return to growth.

And then a quick second part to it. Would you expect the non-NORAM business to return to growth as well in the second half? Thank you.

Erb Raphael

I'll start with the second one. I think in general, of course, as mentioned, overall, we are positive that the company is back in growth territory in H2. I would say, based on what we see in the business, we see the chances that most of the regions, if not all the regions, can achieve positive growth again in H2. And it's certainly the goal which we have.

Mulholland Melissa

I think, to your question around the guiding, it's also important to say that, yes, we are very much committed to growth for the back half of the year. On a full-year basis, of course, there is negative growth. And when you add it together, it's also important to mention that we are in an integration phase. We're very much focussed on the cost synergies, but also the revenue synergies. But we are still coming together as an organisation. That has also been factored into the guiding all that. But we are very positive based on the momentum we see coming into Q3.

Treich Florian

Great. Thank you very much.

Operator

As a reminder, if you wish to register for a question, please press star followed by one. The next question comes from Christopher Tong from UBS. Please go ahead.

Tong Christopher

Hi. Morning. Thanks for taking my question. Maybe just two questions. Back to NORAM, was there anything incremental that got worse in Q2? Because growth was similar to Q1, despite having easier comps. And secondly, on Microsoft's news on eliminating discounts on some of the EA incentives, what are the expectations internally on how that will affect your business? Thank you.

Erb Raphael

Look, I think the outcome in Q2 in North America is as expected. It's as we communicated also with our Q1 result. I think there is not any real negative surprises.

As I mentioned, we have been working very hard on implementing the actions throughout Q2. We have seen early successes in June, and we are very positive for the future that we will see solid growth again in North America. Melissa, maybe you can take the Microsoft related question.

Mulholland Melissa
Thank you, Christopher. It's a great question, as I saw that UBS also provided a report on this. The EA price changes presents a great opportunity for partners like SoftwareOne and Crayon. And the reason for that is it makes CSP even more attractive from a pricing perspective to customers. And CSP does have a higher margin profile than enterprise agreement. Microsoft continues to invest in this area because it also enables and unlocks the value of services.

It is hard to quantify what this opportunity will bring, but we certainly see it as a great mechanism to also drive customer demand in the transition to CSP. And this is quite helpful as we close out Q4 and go into 2026.

Tong Christopher
Got it. Thank you very much.

Operator
Ladies and Gentlemen, that was the last question. I would now like to turn the conference back over to Anna Engvall for any closing remarks.

Engvall Anna
Thank you for joining the call and speak soon. Bye.

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