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COMPANY REPRESENTATIVES

Dieter Schlosser – CEO
Hans Grüter – CFO
Alex Alexandrov – COO
PRESENTERATION

Operator
Ladies and Gentlemen, welcome to the Publication of Annual Results Conference Call and Live Webcast. I am Andre, the Chorus Call operator. I would like to remind you that all participants will be in listen-only mode and the Conference is being recorded. The presentation will be followed by a Q&A session. You can register for questions at any time by pressing * and 1 on your telephone. Webcast viewers may submit their questions in writing via the relative field. For operator assistance, please press * and 0. The Conference must not be recorded for publication or broadcast.

At this time, it’s my pleasure to handover to Dieter Schlosser, CEO. Please go ahead, Sir.

Dieter Schlosser
Thanks Andre, and to everyone who has joined us today for the SoftwareONE 2019 results Conference call. My name is Dieter Schlosser, I am CEO of SoftwareONE and I am here today on the phone together with Hans Grüter, our Chief Financial Officer and Alex Alexandrov, our Chief Operating Officer. It’s our pleasure to have you all on our call. Thank you for joining during this extraordinary time. I hope all of you and your families are well and safe.

We would like to walk you through our 2019 results slide presentation which is also available on our website. I will start with a brief summary of our 2019 performance. We’ll then handover to Hans, who will provide some more detailed overview of our 2019 financials, and Alex will take a closer look at our growth pillars and strategy. I will then turn the outlook... to the outlook and take you through how we are seeing COVID-19 impact on our business, and what we are doing about it. We will then round off with Q&A.

So let’s start with the presentation. As usual, I’ll first point you to the disclaimer on page 2 as well as on page 3, and I would then go straight into the presentation on slide 6 for those who are just on the phone.

Those who have heard us during the road show and during other press conferences, they are pretty much aware of the following slide. If you talk about SoftwareONE, you’d always talk about 3 pillars and 1 platform. It starts right on the top this software and cloud. This is our line where we help our customers on a daily basis with procuring the right solution... the right software solutions for the right price and the right location, for the right terms and condition and highly automated.
If you then go on to the left and to the right side, these are our 2 service pillars, on the left side there is Software Lifecycle Management. Here we take this... we take it a step further and we help our customers to understand what they have procured, what assets they own, how those digital assets are deployed on the data centers, on the mobile devices and the cloud, and how the end user is really consuming those digital assets.

On the right side, on the technology services, we define the technology roadmap with our customers, we execute those technology roadmaps and then we run them in the cloud. We have various practices, we have a future data center practice, we have a future workplace practice, particular in the current time, that’s... there is high demand on the future workplace practice, but also a security practice as well as critical workloads moving SAP into the cloud, and modernization of applications to cloudify them.

All 3 pillars are integrated through our own IP, to our platform PyraCloud. PyraCloud is integrating our business lines in a way that our customers have an end-to-end view of their complete landscape whether it’s procurement behavior, whether it’s spend on cloud, whether... how they can optimize their spend on cloud, whether they have any vulnerabilities in their states, whether they can simplify the landscape, move workloads into the cloud, that is taken care by PyraCloud, something which is unique in the market, non-existent in the complete landscape and highly consumed in our customer base.

If we talk about SoftwareONE we always talk about 3 aspects, we are in the commercial transformation as well as in the technology transformation and then finally also in the digital transformation. So the cream or the icing on the cake is the digital transformation but our customers have a need on commercial transformation as well as on technology transformation.

If I then go to slide 7, these are the key figures how we describe SoftwareONE. SoftwareONE is 100% focused on software and cloud. We don’t do hardware, we don’t do network, we don’t do equipments; we don’t want to be everything for everyone. We want to be the experts in the area of software and cloud and made that decision years back to be really reborn into the cloud.

That has given us customer base of 65,000 customers globally, highly diversified from a size, 50% Enterprise, 50% SME, also diversified from geography and an industry which is also very important particularly in the current scenario.
From (unintelligible) perspective, from a result perspective, we have close to 737 million on gross profit in FY19 and that has led to a 224 million EBITDA, adjusted EBITDA with a margin which is above 30% which is 30.3%. We have in the meanwhile 5,442 employees spread around 90 countries, and I had then in the last 24 months completed 7 acquisitions... strategic acquisitions, acquisitions which were acquisitions of scale, acquisitions where we added capabilities, like I mentioned earlier moving SAP into action and AWS or capabilities like application, modernization. Our customers trust us with 13 billion of customer purchasing volume, and last but not least, we also completed the IPO in October 2019 and run SoftwareONE as a public company since then.

In terms of... slide 8 in terms of FY2019 results, we are happy to say a solid performance and good progress with Comparex integration in 2019, all in line with our IPO guidance. Our gross profit like-for-like growth is 4.3%, in constant exchange rate adding to 737.2 million. Our adjusted EBITDA like-for-like is up 73.1% in constant exchange rates to 223.6 million with a margin at 30.3%. Our reported profit for the year is 59.9% up to 125 million Swiss francs.

Also happy to share with you that on the synergy side, we are ahead of plan. We guided with 7 million, we reached 10 million synergies and we are absolutely on track to reach the 60 million run rate in 2021. You might recall 20 million out of the 60 million is on GP level and 40 million is on operating expenses.

Particularly important right now is our strong balance sheet and our cash flow. We have a free cash flow of 192.6 million, a strong balance sheet with net cash possession of 190.7 million, and unused credit lines and the Board is proposing to the AGM a dividend of 0.21 Swiss francs per share.

In terms of 2020, we see continued momentum with limited effects of COVID-19 on our financial performance, the likely impact since mid-March is unclear, developments are quite unpredictable. The moment I finish later in the presentation there is an outlook and a specific section on COVID. So I am handing over to Hans now who will take a closer look at the financial performance.

Hans Grüter
Thank you, Dieter. Also from my side, I would like to welcome you to this Conference call. I am pleased to go through the financials in more detail.

I am starting with the page number 10, that's an overview of the financials at 2018 and ’19.
On the left side, you see the reported figures, ‘18 and ‘19 and I would like to remember you that 2018 the reported figures comprise of... of the former SoftwareONE Company, and in 2019 it’s 12 months of the former SoftwareONE and 11 months of Comparex as we have acquired Comparex at the end of January 2019. On the reported figures, we have achieved 7.6 billion revenue which is more than double than the 2018 figures reported. And on the profit for the year, we have achieved 125 million Swiss francs up from 78 million a year ago.

More important for us and to assess the performance of the company in a much better way are the like-for-like figures which were also adjusted by the special adjustments we will come back to you later on. These like-for-like figures are also the way we are managing the company and gives in our view a better view as well when you compare to our peers.

We also group the revenue together with the pass-through costs and come to the term gross profit. We have achieved on a like-for-like basis gross profit of 737 million Swiss francs, which is up 4.3% on a constant currency compared to the prior year and achieved an adjusted EBITDA of 224 million which provides or gives you an adjusted EBITDA margin of 30.3%.

More details and assessment of the performance, we give on page 11, where I would like to start to right now. When we compare our performance to the guidance provided in the IPO. We can clearly say we have achieved a solid performance in 2019. The gross profit in total achieved 4.3% growth, and is in line with our guidance provided during the IPO.

On the far right column, you see the midterm guidance 2020 to 2022, where we confirm what we have given in the IPO and Dieter will comeback as we just announced at the end of the presentation today also, what does this mean for the year 2020.

So for the gross profit, we have the midterm guidance to achieve a double-digit growth. On the sale of software, we have achieved the growth 2.8% on constant currency, which is at the upper end of the guidance, reflecting the successful continuation of the business and the integration as well. On the midterm guidance, we gave the guidance of single-digit growth.

Solution and services, we have achieved a growth of 9.2%, which was affected this business line by the harmonization of the service portfolio of Comparex and SoftwareONE, and is below the guidance we have achieved... we have given at 14% to 16%. Going forward midterms, we reconfirmed the high teen growth on constant currency.
On the synergy side, we have achieved 10 million of synergies in 2019. We have been ahead of our plan. The integration is in that sense on track and the synergy ahead of plan. Going forward, we give the guidance as well on the midterm to achieve the 60 million synergies, 20 million in GP and 40 million in OPEX towards the end of 2021.

The adjusted EBITDA margin is 30.3%. So here we have been above the guidance. I think that's a good demonstration that we have managed the business well and focused as well on the cost discipline and achieved these targets. We reconfirm on the midterm guidance an EBITDA margin towards 35% of the GP.

The adjustments are 47 million, this is higher than the 20 million we guided during the IPO, but we need to say a one important part of that increase is the management equity plan of 21 million, which is fully funded by major shareholders that need through IFRS, go through the profit and loss statement of SoftwareONE. So this, in that senses a bit technically artificial costs we need to deduct of the 47 million to make a clear reference point to the 20.

And then we have overspent the 20 million because of higher than expected IPO costs. We are continuing to have some adjustments in this very clearly defined bucket on integration costs, the net related costs and merger and the acquisition depending on M&A activities going forward.

The dividend... the board's will propose to the AGM a dividend of 0.21 Swiss francs per share, this corresponds to a payout ratio of the profit of the year of 26%, but also 30% taking into account one-off non-cash items and there are 2 of these, this is Crayon and (unintelligible) which I will come back in this presentation on a later slide. Going forward, the midterm guidance is to payout dividends in the range of 30% to 50%.

On the next page number 12, you see the gross profit of the 2 different business lines. In total asset we have achieved 4.3% of growth and gross profit of 737.2 million Swiss francs. We have seen a very strong growth in the SoftwareONE book of business, while Comparex has been affected by the integration it's in line with the year of integration we already discussed in earlier times.

There are 2 business line sale of software is up to 2.8% compared to the prior year and the solution and services 9.2%. And now, we can say that at the end, the incentive plan now is fully aligned and service portfolio is combined with these 2 portfolios SoftwareONE and Comparex.
On the next page number 13, we would like to show you where SoftwareONE does generate the GP. SoftwareONE is well diversified from a geographical point of view, but even more so from a customer size point of view and from a industry point of view. You see on the middle and on the right categories that it's 2018 figures. This is because we have made in 2019 an analysis of these 2... of these 2 buckets with an industry expert, and we could not update that today, but we can reconfirm that for us this is diversification is still valid. The broad diversification brings stability in SoftwareONE as a company and also in... its performance and this is particularly of importance in the time we are in right now.

Turning to the profitability, on the next page 14, we have achieved an excellent EBITDA growth of 23% at constant currency, which provides a margin of 30.3%. This good development could have been achieved by firstly the growth of the company, but as well and important is how we manage the business.

The Process Engineering and Automation did went on, we have leveraging our footprint in the global service delivery centers, as well as, in our regional hubs. And we could also implement and realize the synergies as mentioned earlier.

So, this demonstrates our results in the adjusted net operating expenses in percentage of the gross profit of 69.7% in 2019 down from 74.2% in 2018. And this too affects the growth, and the management of the costs resulted in the EBITDA growth up to the 224 million, which corresponds to the 23% on constant currency.

On the slide 15, we would like to provide you a bridge from the adjusted figures to the reported figures to the very end of the bottom line of the profit and loss statement, which is the profit of the year of 125 million, as well as give you some more insight in key figures, which we think are important for you.

Starting at the very left with an adjusted EBITDA of 224, the adjustments we have made and disclosed is 1 million for M&A related costs, 14 million from the integration cost, this is to run the integration, but as well as one-time cost, then the IPO cost of 11 million, and the management equity plan of 21 million, which is non-cash and was fully funded by the major shareholders.

We need then also to take out the contribution of Comparex of this month of January 2019 and are then with an EBITDA of 170 million on the reported figures.
The depreciation and amortization of 51 million, is the depreciation and amortization, as well as amortization of the purchase price allocation. Important to know and that's what the highlighted here on the net financial items, which is 35 million approx is again, which we have realized by the appreciation of our Crayon shareholding of 35 million. The tax with 29 million is at tax rate of 18%, it's not a normalized tax rate, we have benefited in 2019 from the impact of capitalization of tax losses carry forwards and appreciation in Crayon share is not taxable. Now we have achieved a nice... in my opinion, a nice figure of 125 millions in net profit.

On page 16, you see the cash impact of our asset-light business and we want to demonstrate this asset-light business, which can generate strong cash flows on the left with the capital expenditure in tangible and intangible assets, which is 21 million, so a very low number, and we need as well to know that most of that is in conjunction with the investment in our platform PyraCloud. In the middle, on the operating cash flow that's a very simple metrics, which is EBITDA minus, CAPEX in tangible and intangible assets, we have achieved in 2019, 150 Swiss francs.

On the far right, this is linked to the cash flow statement and we have achieved 193 million in free cash flow, which is the cash flow from operating activities minus investing activities and excluding the cash related items for acquisitions in subsidiaries. On this 193 million, a positive impact of 53 million is coming from the change in net working capital. And this is also the link on the next page number 17, where we have on the top left, the net working capital compared to the prior year, the net working capital excluding the factoring, so adding back to factoring it's 93 million at the end of 2019. This corresponds to a metric of 13% compared to the gross profit.

This is a nice level, but I have also disclosed here that he had a target of... in average during the year of 25%, which is at 38%. So this means that over the period... over the 12 months, we have not achieved the 25%, but we have made very good progress at the end of the last month in 2019, and achieved a nice level at the end of December.

On this page, a part of the net working capital, and addition of the net working capital, we want to demonstrate that we have a strong balance sheet at SoftwareONE. And it provides or proposes an attractive dividend at the AGM. I'm saying this because of the net debt position at the end of 2019 is minus 190 million Swiss francs that means that the cash on hand is 190 million higher than the net debt. And this cash position is increased compared to 2018, which was 134 million.

On the equity side, the equity ratio is more or less on the same level as in prior year, even though we have consummated the Comparex acquisition.
And the Board has proposed a dividend of 0.21 Swiss francs per share to the AGM, which corresponds to 30% of an adjusted net profit adjusted by the impact of the net, and which is positive and the negative of 39 million of Crayon, so without this adjustment, it would have been 26%. With this strong balance sheet, we are convinced that we are really prepared for the future... for investment in the business, but on the special situation we are in.

With this, I'm handing over to Alex for a more detailed presentation of the business and the strategy update. Please, Alex...

**Alex Alexandrov**

Thank you, Hans, and hello, everyone. Also a very warm welcome from me. I will spend the next few minutes with you to walk through our business and strategy update.

Kicking off on slide 19, just want to highlight that our solutions around software and cloud and services and solutions have become even more important as the actual underlying technology itself has become mission critical and complex for our customers. No matter, the type of business, every business is now somehow powered by technology and the technology is seen as a key differentiator or a competitive advantage. Customers are spending much more in tech... on technology, and at the same time, they're spending that in the form of OPEX, which again just increases the amount of focus and attention to that spend.

And technology is no longer just in the CIO suite, it's really been this concept of consumerization of that technology across all parts of an organization has been really positive to enable the business models, but have also created the increased complexity that we now see across all of our customers. The complexity that we see shows up really anytime we look at a customer that might be 500 or 1’000 end users, and we could see as many as 100 applications across their environments and that's just in the lower end of the SME.

At the same time, what we see across our customers is that many are at the start or in the middle of their journey to the cloud, so many are operating still a very mixed or a hybrid environment. And it's these 2 factors, the importance of the technology to our customers as well as the complexity that it creates, that creates the need for our customers to engage with SoftwareONE, with partners like us. We really help customers figure out where they are today, where they're trying to go and really support and enable them along that journey.
On slide 20, just as a quick highlight, we operate in very large and growing markets. On the left hand side, again referring to our software and cloud business. The market itself is over 520 billion in Swiss francs, as Dieter mentioned in his initial slide. We don't do hardware and devices and appliances. And so what you see here in the red is just software and cloud. And this market is large and forecasted to grow at 10% over the next several years.

On the right, what you see here is, in the IT services market, we only participate or we only focus on cloud only. And when we select those relevant markets, which are cloud only, we find that the market is a little over 30 billion, but growing at a very fast rate of 17%.

We approach this market backdrop... we approach everything that we do with customers with our customer first mindset. And that is how we build our business model. That's how we built our operating model as well.

So starting at the top left of slide 21, what you see is, we are locally present in 90 countries around the world. This is really important for us, because we want to have that... in that local touch... in the... in local language of the customer. We want to have that customer intimacy. And that means we have to be there on the ground with customers.

At the same time, we enable that local model through our regional and global setup. What we mean by that is, we drive one standard global portfolio; we focus a lot on standardized processes automation. And when we do that, we’re able to drive much better utilization of our local and regional resources, as well as, support all of our subsidiaries with our global backbone, if it comes to any sort of managed service.

We then as Dieter mentioned, power that enable our model, as well as, the experience for customers with our own IP, and we call it pure cloud. For us the platform is really the center of everything that we do with customers, starting with the advisory side, whether customers are looking for a certain piece of software, we help them find it, we help them provide some insights on what they already have in their environment. As they look for their existing assets or to purchase something new.

We really enable the entire digital supply chain for customers on the software side, from all the way to the customer site to our entire procurement engine. And the ability to connect all of those docs in the middle and simplify and shorten the entire process for customers is what we call digital supply chain.
We’re investing heavily today in our... what we call cloud management, cloud control capabilities. And finally, we utilize pure cloud as our central communication channel, as our central hub with customers.

Our value proposition spans both the entire lifecycle... technology lifecycle for customers, as well as, the goals and priorities for software publishers. And so, just to highlight a few points here, with customers we are really... we’re able to engage with them, all the way from the beginning of the technology lifecycle where they're trying to make a decision to the actual transaction of the buy portion, where they're trying to find the product, they're trying to buy it at the lowest price with the right terms and conditions, to helping them implement or migrate to the cloud. And then once they’re in the cloud, supporting them helping manage their environment and optimize their costs in the cloud. We are able to support and we do today support customers along each stage of that lifecycle.

At the same time, what's really important is, we don't stop... we don't stop at just the buy segment, and this is really important for the software publishers, because the software publishers are looking for partners, which help engage very deeply with customers to drive digital adopt, to drive a digital readiness, to drive the adoption of the software, because as you know, even the largest software publishers in the world are really measured based on usage, consumption and renewal rates. And by having a trusted partner like us, that is able to engage with customers around the world, that is able to engage with customers locally in their language, but able to deliver a consistent value out approach across the globe is very valuable and well aligned with the software publishers.

In terms of our... we run our strategy in 4 year vision cycles. And in terms of our execution strategy against that 4-year vision cycle, we are steadfast and remain consistent. As I mentioned, the underlying market, software and cloud market is very large and growing at 10%. And that is the first pillar of our execution strategy, which is to continue to grow that software and cloud spend both with our existing customer base and new customers.

At the same time, we see a significant uplift in our gross profit and significant stickiness with our customers when we are able to cross sell our services and solutions. And so, we continue to see a significant opportunity there. We're continuing to always evolve our portfolio to make sure that it suits the needs of our customers. And we do all of that, as I mentioned, through our globally... global and local model, local empowerment, global standardization, and global support.

Finally, we do engage in M&A activities. Where we are trying to accelerate and where we see opportunity. And we power all of our customer experience, customer interaction with pure cloud.
Switching to slide 23, just want to spend a few minutes speaking about our lines of business, and highlight some of the underlying drivers, as well as, what we see in the current environment.

Starting with software and cloud, it is approximately 76% of our gross profit. And as I mentioned, the underlying market here is very healthy and growing fast at 10%. And that's what we see with our customers as well. Customers, again are using the software, using the technology as a core components of how they power their business, how they compete, how they differentiate themselves. And then, that shows up, and in terms of the softer spend, what we see with our existing customers, they're renewing, they're focused on what features they have and what they're utilizing. And we see additional drive and additional usage here from the cloud and fast adoption across our customers.

Just as a reminder, in our software and cloud business of the 76%, 54% out of that 76% is Microsoft. And so, Microsoft being a large part... large portion of our gross profit, it is mostly on 3 year agreements, as well as, subscriptions. And our Microsoft business spans from... spans at 3 Microsoft clouds, 365 Azure and Dynamics.

On the right side, in terms of our services and solutions business which is approximately 24% of our business in 2019, this is split roughly 50-50 between professional services and managed services. What we see in the current environment is the professional services side is actually rotating very fast to help enable customers in the work from home. What this really means is, what Dieter mentioned as the future workplace practice, customers need to make sure they have all of the collaboration tools in place. And they can utilize unified communication as well in the form of teams.

So we see a significant rotation of our professional services in that area, as well as, requests from customers to help them with cost takeout. And Dieter mentioned digital transformation. And this now is much... very much focused on business continuity.

We... what we also see is that the current buying behavior by customers to really make sure that they're able to work in a virtual way, they're able to work from home. We do see that this will create some additional software lifecycle work and perhaps cleanup in the midterm as customers figure out what is steady state for them, they will have to go back through and rationalize some of the software in terms of the... what is virtualized and what is still onsite or on-premise for them.
And the other side of our business, the other 50% that is managed service, we continue to see very healthy trends here, because these are typically subscription or longer term contracts. We see this as a very sticky and recurring business with our customers. And again, as I mentioned, all of our services and solutions are cloud only.

Finally, I'd like to wrap up with an update on our integration activities. On the top left of slide 24, just a quick recap on the most recent acquisitions we've done. We have completed the integrations of our... the unified communications and collaboration practice, as well as services business in France and the SAM Sentry, the SLM technology that we've integrated into PyraCloud.

Over the course of Q1, we're wrapping up the acquisition of an AWS managed cloud business in Asia Pacific called Right Cloud. And over the course of Q2, we're wrapping up a small acquisition of an AWS player in Japan called Massive R&D.

The very exciting acquisition of BNW that we did at the end of 2019, we will wrap up towards the end of 2020. As Dieter mentioned in his opening remarks, the SAP to the cloud workloads is a really important and exciting strategy for us and our customers.

And finally, InterGrupo, we still hold a 40% stake here. And so the relationship here continues to be at arm's length. Well, on the Comparex acquisition, as you heard from Hans and Dieter, we continue to be on track with what we laid out. This has been a very intensive planning effort. And we've now been in a very intensive execution phase.

As a reminder, the Comparex acquisition for us was very much a familiar book of business. The, the comp... Comparex by itself was in the same software and cloud business that we have today. And what we saw is an opportunity to enhance the, the key talents that we had at SoftwareONE, we saw some very talented people at Comparex. As well as because it is a familiar book of business, we saw an opportunity to significantly... to significantly grow our business and get synergies out of the combined business.

Over the course of 2019, we completed a number of a number of very important steps. Specifically, we first focused on the customer-facing integration, which is anything we wanted to make sure that anytime customer saw us, they saw one unified company. And that's why we focused on, on the brand, on the website. We made sure that we had leadership appointments across all of the countries and it was very clear that it was one leadership team.
And finally, as you heard towards the end of the year, and as we kicked off our sales activity in 2020, we made sure that we harmonize the portfolio. So today, as our sales force goes to customers, we have one consistent portfolio across the company. And at the same time, we have harmonized the sales force compensation. And this also went into effect at the beginning of 2020.

What we also did in 2019, and what still remains in 2020 are the back end integrations. And here we are migrating systems and data. And we’re doing this in, in a very structured step by step way, and we have done a number of them in 2019, and we will complete the rest of them over the course of 2020.

In terms of synergies, as you’ve heard us describe before, we target approximately 60 million of synergies for the Comparex acquisition, that’s broken up into 40 million of OPEX and 20 million of gross profits. Over the course of 2019, we already achieved 10 million out of that 40. And over the course of this year, over the course of 2020, we plan on achieving approximately 60% of that 40 million of OPEX.

And then finally, we, we intend to wrap up all of our integration activities towards the end of 2020. And over the course of 2021, we plan to have the full run rate of the 60 million from the Comparex integration.

I will wrap up here and turn it back over to Dieter.

**Dieter Schlosser**

Yes, thank you, Alex. As mentioned in the beginning, I will now turn to our outlook and also to the Covid-19 situation and its impact on our business. So I'm moving on to slide 26. Over here, I will be talking about 4 areas which should be relevant for any organization, how to cope with this Covid-19, first and foremost, focus on your employees. Second, do your part as a global citizen to focus on the customer. And then manage the business accordingly.

SoftwareONE has been coming to all employees, has been very, very strongly utilizing our tools and platforms on the collaboration side, since ages. We, we are spread across 90 countries. We have a global service portfolio and we have a global delivery model. So everyone is really used on working remotely and virtually and our core values and our culture (unintelligible).

On the second part as a global citizen, we have been... 98% work from home, 100% where our shared services (unintelligible) like in India.
We’ve made those decisions much more in advance of local mandates and doing our part to flatten the curve and we banned the international travel also much earlier than it was advised by the... by the local mandates.

On our customers, I want to highlight 3 areas. First and foremost, you need to continue your service. And we have 100% availability there with zero interruption on our services. And as you might be calling what Alex mentioned as well, we have a spread ratio of managed services to professional services, our managed services were to a high extent over 80% already delivered out of our global delivery centers and the remaining part is now going over to the regional and local ones, and our teams are locally available to support our customers further.

And the second part is helping, helping the customers in the current situation and making sure that we come up with the right solution so that they can cope with this Covid-19. And there we have launched a customized portfolio, making sure that our customers get the right help and to take out costs in the current environment, but also help them to cope with business continuity with BCP.

At the same token, everybody, everybody needs to work from home, not every company and actually most companies have never planned with nearly 100% work from home strategy, maybe it was 20% or 30% strategy. So the digital workplaces and unified collaboration, communication, (unintelligible). We have launched services to really help those customers speeding those solutions up and ramping them up quite quickly, and made it all available remotely. So, we don't need to be on site to do this for our customers.

The third point for our customers is making sure that they are there once we are through Covid-19. We see a huge backlog particular on professional services creeping up, and that will continue because now nobody debates anymore whether... when they should move into the cloud, nobody debates anymore whether BCP is required or not, nobody's debates anymore whether security is necessity or not to find my full employee base working from home.

On the fourth point managing the business closely, that's very important. We have changed our cadence to address this, making sure we have regular business reviews with every single country and every region, making sure that we have case by case review of every launch, deal, what is the advantage? What is the risk, what is our risk appetite? What is the impact on payment terms? What is the payment behavior of those customers? Are they impacted? How... are they impacted in this certain industry, managing our net working capital on a daily basis and also make sure that we have the right discussions with all software publishers and distributors.
So that we have a back to back agreement when customers are approaching us on net working capital requests like extended payment terms.

Moving now to, to the outlook on slide 27, I am very happy to reaffirm our mid-term guidance provided at the IPO, however, with the current Covid-19 situation, we are currently not possible to predict whether we can already reach the GP, the gross profit targets in 2020, as expected during the IPO.

I just want to remind you on the key mid-term guidance, what it includes. We have double digit gross profit growth resulting from high single-digit growth in sale of software and cloud, and other revenue and growth in the high-teens in solution and services. Our adjusted EBITDA margin is approaching 35%. This adjusted EBITDA growth in excess of the gross profit growth.

Furthermore, progressive dividend policy with a payout ratio of 30% to 50% of the profit for the year. You heard it from Hans; he has shown you details with our strong balance sheet and our liquidity, unused credit lines and cash flow. We believe SoftwareONE is prepared to weather on potential (unintelligible) continue to invest into our business.

With that, thank you for your attention. And thank you Hans and Alex and we are now happy to take your questions. Operator, can you pass on the first question, please.
QUESTION & ANSWER

Operator
We will now begin the question and answer session. Anyone who wishes to ask a question may press * and 1 on their touchtone 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 * and 2. Participants are requested to use only handsets while asking a question. Webcast viewers may submit their questions in writing via the relative field.

The first question comes from Stacy Pollard from JP Morgan. Please go ahead.

Stacy Pollard
Thank you. I have a couple of questions, please. First of all, can you quantify what SoftwareONE gross profits grew in 2019 versus what Comparex book of business grew? Just so we can understand the impact? And do you expect that the Comparex drag will ease in 2020 because you've talked about the portfolio and sales incentives are now aligned. Do you think that's completely done or does that continue to cause a bit of drag in 2020.

Second question, just any quick performance differentials in growth or margins across the different geographies? And third question, just in the current situation, do you see any delays because you can't maybe get to see your customers or they themselves are in limbo, and is there any particular tech that is either very popular or very unpopular i.e. is being put on hold?

Dieter Schlosser
Yes. Thanks Stacy. Okay. Thank you. Let me start with the third question. There are many popular choices right now Stacy. Everybody is looking into unified collaboration and communications teams soon hands on... hangout whatever... whatever is out there is quite in demand and the readiness of the customer and that is from a commercial and technology point of view not always there and that demands, of course, an uptick on professional services to help them over the line. The same token through the landscape of certain customers that they might have a ratio of desktops to laptops (unintelligible) they would require now the virtual desktop and they see a huge uptick in that aspect as well. And overall, what it means... again the eco has come back. What it means that we see a pivot from professional services to what's stores activities and whatever they requires on site. We see a delay on the customer side. So they would postpone professional services if it doesn't help them right now either saving costs or enabling the business to work remotely or enable the business to survive and to conquer the wave of COVID-19.
On the second question, where you asked about the gross margins across geographies, with our distribution on geographies and our customer base which is quite similar across our geographies and one global portfolio which is... all is delivered in the same way. We actually don’t see a difference in gross margins.

On the first point, and the first question where you asked about performance from SoftwareONE versus Comparex, I can share with you that SoftwareONE was in the usual growth traction which is the high teens and Comparex was in the low single-digit.

Stacy Pollard
It’s helpful. Thank you very much.

Dieter Schlosser
Most welcome.

Operator
The next question comes from the line of Andreas Müller from ZKB. Please go ahead.

Andreas Müller
I have got also several... can you talk about the challenges in harmonization of the product portfolios and so forth, and also the incentive plans, I mean, that the growth from the Comparex side on solution and services, was that triggered also by the incentive scheme or was it more sort of technically driven by the not harmonized solution? That’s the first question. Then can you give me a sense of the payment terms, you know, towards your suppliers, but also what you think is going to happen towards your clients? And do you see going forward also a change in the factoring behavior of your debtors plus, what’s the size of the unused credit line. Just to get a sense basically what’s the (unintelligible) you can rely on in terms of cash. Then the third question, I mean, some of your competitors are probably going to be more cash strapped going forward. Would that make you more kind of lean to acquisitions going forward or is the... say the dividend and also the protection of your balance sheet kind of priority or do you see really huge opportunity in the... on the M&A side? Thank you.

Dieter Schlosser
Thanks Andreas. And the first point on the harmonization and incentive plan. Yes, that was the whole purpose of our yield integration in 2019. As we shared with you, we had a different incentive plan. We had a different compensation plan.
Comparex had it... had it not harmonized, we had a global one, Comparex had a different approach taken which is not very sales driven. SoftwareONE, obviously had a very sales-focused driven incentive plan, and most importantly also from a delivery point of view Comparex didn't have a global delivery model and not a global delivery... not a global portfolio.

So that was what Alex mentioned in his slide was the big work which we had to do in 2019, and of course, the fact that the growth on the Comparex side, because we wanted to really do this digital. We wanted to make the hard decisions in one year and really standardize automated workshop but in the same ways SoftwareONE has lived through the last couple of years, so that we gain in the long term basis. So I agree with you that had an impact last year and we guided on that as well. We assume this to kick off in January where we had one global kickoff across the world and one portfolio that does not impact anymore in 2020 our growth.

On the second point, on payment terms, I will ask Hans to jump in a bit on the cushion. What... we have standard payment terms, and as we have 30 days payment terms. That’s our standard. Every single payment request which is about 30 days is going through on workload to Hans and myself, and we monitor this right now on a daily basis. To also have a further cushion, we are having negotiations... also successful negotiations already with some of our major (unintelligible) to extend our payment term to them, so that we would be actually having a positive cash flow, if the 30 days would be taken care of.

And the cushion of the unused credit lines, Hans, what do you want to share over here?

**Hans Grüter**

Yes, this is Hans, Andreas. What I can share with you, we have disclosed in the Annual Report, that we have committed and uncommitted credit line of 985 million Swiss francs where we have drawn down 22% at the end of December, and this is more or less also in line what we have seen in the 2 months going forward into 2020.

**Dieter Schlosser**

On the third question which was acquisitions and how do we react to the situation that many of our competitors are not taking care of digital assets only, but also on hardware and on-premise services, which we know is highly impacted at the moment. SoftwareONE will remain opportunistic on the acquisition side.
We told everyone of you that we want to focus on Comparex from a bigger point of view, from a scale point of view, and complete this end of the year, and from next year onwards, we would be ready to look in those areas, if they make sense from a geography, if they make sense from a portfolio, if they make sense from a customer base and of course from a valuation point of view. The capability acquisitions we will continue on an ongoing basis, because there was those on mostly smaller outfits which are either local or regionally and they are very easy to integrate and to absorb and get the value creation quickly out of the acquisition.

Andreas Müller
Okay. Thank you.

Operator
The next question comes from the line of Stefan Slowinski. Please go ahead.

Stefan Slowinski
Yes, good morning. Thanks for taking my question. I just had a question on the Microsoft relationship. If I am not mistaken, Microsoft has a percent of gross profits actually gone down from 57% to 54%. Is that right, and if so, why is that, I mean, I would have thought Microsoft would have been the fastest growing portion of your business. Is something else growing faster or is it may be due to changes in the Microsoft partner program. It seems like they have made some changes in the back half of last year, maybe around commissions and incentive structures for partners. I am just wondering, you know, is that something that you’re seeing, is that having an impact on your business or if that was something that was anticipated and that’s already baked into the outlook going out to 2022. So any color you can give us around the Microsoft partnership and what you’re seeing here, and how that impacts your outlook for 2020 and going up to 2022 would be of interest? Thank you.

Dieter Schlosser
Yes, Stefan, thanks for the question. Yes, it was anticipated, and actually our plan was to have it around 50%. We are very happy that 50% to 55% we don’t see this as a negative in terms of dependency, and we don’t see it that we need to grow it beyond because we need to be that agnostic power point that drives all of our customer, or is it being able to advise them on different solutions so that we come to the right conclusion and to the right solution for our customer base.
The transformation which we have started 7 years back, as always we lean to a much stronger service and solution portfolio, but also to a diversity on other publishers or hyper-scalers and we will continue to do so. Overall the pie has been growing, and with that I would say we never had a better partnership with Microsoft than we had right now. We are very, very close on a regular basis. (Unintelligible) we just had been there prior to COVID with our entire executive team and we are deeply aligned from Satya and to his entire leadership team. So you saw the growth numbers Microsoft was announcing and the underutilization of (unintelligible) base, obviously we are very close on this thing to leapfrog and to piggy back on them.

**Stefan Slowinski**

Okay, thank you. And maybe just one follow-up question. I am just wondering if you can give us an insight as to what percent of your business is directly related to new software license sales. So when we looked at the non-Microsoft cloud revenue, you disclosed at IPO, if you look at the Microsoft on-premise and the multi vendor bucket. Is that mainly new licenses or is there other kind of maintenance or recurring revenue portions in there as well?

**Dieter Schlosser**

Yes thanks Stefan. Alex, you want to jump in here?

**Alex Alexandrov**

We... yes I would say, we... the dynamics we look at, actually is more around existing customers and new customers Stefan. So we continue to see the analysis and we monitor closely is, we continue to see strong gross profit retention renewal rates with existing customers. And there, it's yes, and then (unintelligible) also saw from us is with the acquisition of Comparex we didn't go after as many new logos, because we felt that we are already getting 25’000 new customers that we needed to go after, make sure we got them on to the same SoftwareONE portfolio. So, I'd say that's been the focus over 2019. What you will see going forward is the focus on existing customers and cross pollinating them with services and solutions, as well as, we are now... as we communicated, we've started growing our sales force from the end of 2019, beginning of 2020. So you will see us now starting to grow the new logos as well.

In terms of... maybe if your specific question is, existing or new software purchases. We... I wouldn't... we see both, what we actually see is, in our numbers is, if the overall market is, let's say 60% to 65% on-premise and the rest is SaaS and public cloud, we see a much greater adoption of SaaS and public cloud with our customers.
So our customers are already well over 50% in terms of SaaS and public cloud consumption. So, that's how I would describe, the new... the customer dynamics as well as the software purchases.

**Stefan Slowinski**

Okay and just a final clarification there. So 60% to 65% is on-premise. How much of that is kind of recurring in nature is there... and how much of that would be sort of one-off license sales?

**Alex Alexandrov**

I see, I'd say, that... the 60% to 65% is a market number. And I think it's a typical breakdown of... there's the ongoing maintenance stream. I don't know, I actually don't know if we... we ourselves are not a big beneficiary of the maintenance stream to be honest. I think we typically make sure, we put the customers into the right agreements and we get paid on these 3-year contracts. The ongoing maintenance stream is really something that the software publishers would benefit from (unintelligible).

**Stefan Slowinski**

Okay, great. Thanks for the color.

**Operator**

The next question comes from the line of Charles Brennan from Credit Suisse. Please go ahead.

**Charles Brennan**

Great. Thanks very much. Just a couple of questions from me as well. Firstly, can you just give us a little bit more color on your guidance versus current momentum? Firstly, I don't actually recall you giving specific 2020 profit targets at the time of the IPO. And you referenced those in the statement. Can you just give us an idea of what your 2020 expectations were?

And then just as a follow up to that, your second half growth rates from 2019 feel quite long way away from your medium term growth ambitions. Can you give us any insight into Q1 trading, is that already consistent with those medium term growth numbers, orders 2020 require an acceleration as we go through the year.

And then lastly, on the guidance, you specifically call-out trends in the second half of March being hard to interpret, is that because you don't yet have the data to draw any conclusions or you are seeing some signs of mixed trading and it's just too early to draw any hard conclusions.
And then just away from the guidance, can I ask one on the cash flow? You missed your average net working capital expectations' that implies a very strong December performance. Do you think there's anything one-off in nature in December working capital or is that a sensible base to extrapolate forward from... and any insights into the volume of factoring would be useful as well. Thank you.

**Dieter Schlosser**

Thanks, Charles. Yes. On the first question on the guidance. We have guided that we would be in the low teens on the gross profit and that's basically a weighted average across the 2 business lines which is low single-digit... high single-digit and software and cloud and high teens on solution and services. That was the midterm guidance for 2020 to 2022.

In... what you say in reflection now, what we are seeing in Q1 and could we already predict the impact? And we believe that... and again, you know, this all with a caveat of how long COVID is lasting through, but we believe we see an impact in Q2 and in Q3 and it would come back to normal in Q4. We... at the moment, we haven't seen an impact on Q1. There was... as you mentioned, there was a continued momentum on Q1, and so, we would expect that impact to really kicking on in Q2 and continue in Q3.

On the net working capital and the factoring, I just pass on to Hans because; he always loves to answer that question. Hans, over to you?

**Hans Grüter**

Yes, thank you, Dieter. So Charles, what I can say is about the factoring, you have asked, what is the amount of factoring it was 136 million at the end of December. When we talk about the net working capital figure, we exclude the factoring, so it's before the factoring. So the balance sheet number is lower than this.

Then about the missing of the average, and I would say what are the factors in between that or the measures? I think in 2019 that there has been some, let's say, not yet the adjustment processes with the integration of Comparex, we've had some impact on the net working capital during the year. That's one effect. Another effect is that the net working capital follows certain trends throughout the year which is directly linked to the peaks, which we see in our businesses, which are in the March, June, September and December. And so, the net working capital is the highest one-month or six weeks after this peak, depending on the payment terms from the customer and the vendor and that cannot always be aligned.
So for us, the net working capital is a very, very big topic, which we have processes in place which are local, but also quite centralized in some areas that perhaps Dieter just said before on the payment terms when it comes to extended payment terms, but it's also very monitored and streaming when it comes to the cash collection throughout the group, which we... which we monitor from the top as well.

I think it's really a micromanagement topic the net working capital, when I'm saying all the time, we need to every day to chase the cash collection and to make sure that we get the cash from our customers. But an even more important part of the net working capital is basically the link to the business, it's not purely a finance-driven topic, it's also a topic of businesses we want to make a deal or not make a deal. And when you see... have a situation in place where a customer is asking extending payment terms, then you need to make a division, so to what extent you want (unintelligible) the deal or not? And that's... quite a balance we have to make as a management, and Dieter said earlier, this coming even Dieter and myself to make the final decision on this.

So going forward, I think, that the net working capital, as we said, what is expecting, it does fluctuate every day. But of course, we do everything and we push hard to have it on a very, very low level. But can also be that the certain balance sheet date, it's up or down depending on if the cash is just coming in or not from a specific customer.

**Charles Brennan**

Just one clarification, it sounds like Q1 has traded in line with your plan. Can you tell us, if that's consistent with low-teens profit growth or was 2020 always based on an acceleration through the year?

**Dieter Schlosser**

Yes. Charles we have seen Q1 and you know, we are at the last day of the quarter, right. We have seen Q1 trading according to our expectation. And what I mentioned earlier, this harmonized service portfolio and harmonized commission plan and incentive plan, we were ready from 1st of January onwards to deliver... to deliver it across the entire SoftwareONE community inclusive of Comparex. So it would be evenly spread out through the quarters'.

**Charles Brennan**

Okay. Thank you.
Operator
The next question comes from the line of Balajee Tirupati from Citigroup. Please go ahead.

Balajee Tirupati
Thanks for taking my question. Congratulations on good set of results. 3 questions from my side, if I may. First on synergies, you have delivered strong performance in 2019, and having created your target of 60 million (unintelligible) gross profit synergies. And do you see potential of doing more than the target 60 million number, and I am very cautious (unintelligible), that is the first question? And second one is on the workforce integration of the Comparex business. How has been the attrition rate for the past one-year, particularly amongst the senior management of Comparex? Thank you.

Dieter Schlosser
Balajee, thank very much. Can you just repeat the second question, I didn't understand that?
The line was a bit bad.

Balajee Tirupati
The second question is on the workforce integration of Comparex business. Question is how have the attrition rate over the past one year and that is particularly amongst the senior management of Comparex?

Dieter Schlosser
Okay. Thank you very much. Yes. Let me let me quickly answer that second question. We have 2 sorts of attrition which we want to of course, manage very carefully. First is attrition of key talents and second is attrition of customers. We have not lost any customer of strategic relevance or tactical relevance of size. We have in terms of leadership, actually very, very quickly established a harmonized leadership team which invoked on the 1st of February already, so the attrition we have seen was already... was a planned attrition through the harmonization of the leadership team. Does this answer your question on the first? Alex, do you want to help out here?

Alex Alexandrov
Yes, of course. My apology. What we planned as part of the integration is we would have first through the integration of systems of teams, we would get all of the OPEX synergies, and that's what you see already in the progress in 2019. And that's why you see that approximately 60% over the course of 2020. What we always planned on is that the gross profit synergies would come in 2021. And so, that's still our current plan.
To be honest, the gross profit synergy is for us was always a topic of discipline, which is as we acquired contracts that was overlapped in certain regions, certain geographies. And we wanted to have that discipline from a budgeting perspective.

The cross-sell ops, up sell opportunity that we’re going after is really more in our... that we try to illustrate, as in our customer base. And if you remember, some of the illustrations we did as part of the IPO process, which is, when we look at customers that are software and cloud only, there’s a significant opportunity when we are able to sell services and solutions to them. So that’s really the big opportunity and what we’re going after. And so the 20 million, we’re still planning on achieving and that’s very much kind of a disciplined budget process that will be part of 2021 as we set the targets for the countries.

And then, I think you also had embedded in there a question around we’re not changing guidance in terms of the 60. So we’re still guiding to 40 of OPEX and 20 of GP.

Dieter Schlosser
And maybe just to add to that on the 20 million of GP, what Alex said is absolutely right? It's up-selling and the cross-selling. But what we also see is a margin uptick on the multi-vendor side, because of leveraging scale and leveraging different certification numbers and different relationships with publishers. So the 60 millions is outstanding absolutely.

Balajee Tirupati
Thank you.

Dieter Schlosser
Andrea, are there any further questions?

Operator
Next question comes on the line of Michael Brist from UBS. Please go ahead.

Michael Brist
Thank you. Good morning. A couple from me, just looking at the solution and services business. I mean, it's a very impressive improvement in the margin but equally revenues and costs look to have fallen almost by 60 million, half-on-half. I think you recall Comparex had a lot of subcontracting and low margin activities. Is that what's driving that? And looking forwards, 70% gross margin in the second-half of 2019, what sort of room is there to improve that?
Or should we assume that the high teen's growth in solutions and services, gross profit is equated by the similar growth rates in revenues? Just get a feel for that and then I have a follow-up on the factoring.

**Dieter Schlosser**
Yes. Hi, Michael. Thank you. On the first question, what we have seen during the process of last year, we had these contracts, not only certain subcontracts and as you mentioned, but it was just a locally customized portfolio and locally delivered. And it was that you can't scale out and you can't optimize. And you can't find synergies to really optimize to repeat activities. The second part was also from a strategy point of view, where do you want to be as a service provider, Comparex had the flexibility to also sort of have the flexibility, to also be on-premise and helps someone in the data centers and that was of course positive in one way but in another way not sustainable in the future. And that's, what we have completely changed, right, where we clearly say we have not only one global catalogue, but we deliver it through our shared service center, whatever we can standardize, we automate, if we can't automate it, we offshore it into our delivery centers. And it is one portfolio, which is cloud-based. We don't want to be on-premise; we want to be the one in the cloud provider. And with that we will see a continued development on the margin.

On the second part of it, Alex, do you want to jump in here?

**Alex Alexandrov**
Yes, hi, Michael. So I think you are right in your analysis that what you see, what we saw is that there was quite a bit much, quite a bit more subcontracting on the Comparex side. As Dieter mentioned, it naturally is part of our strategy when we bring it into kind of our one harmonized portfolio, we will do a lot less of that.

And so, I would almost... to be honest, I would caution you a bit from using the metric that you're using from taking the revenue over the gross profit in our services business because to me, that's almost a way what we will do there is as the portfolio comes together, I would expect that the third party number to continue to decline.

And I would say, we're not, I couldn't even give you a target on what that should look like because for us, we're very much focused on that gross profit number. That's what we're driving. And so, that's why I would caution you a little bit against that ratio, but I think the rest, the rest of the equation, everything else is exactly kind of as you're alluding to, which is, as we have a common portfolio, as we focus everyone on the same kind of services and solutions, we expect that high-teens growth.
And that's what we expect from the combined book of business. And if you recall, that's a bit lower than what SoftwareONE standalone was able to get. But again, we... we still feel that we're transforming the combined book of business. And so, that's the, the high-teens target that we've put out.

**Michael Brist**

Okay. And then, just on sort of credit risk, I think one of the pie charts shows probably a quarter of your gross profit coming from customers with less than 250 employees. So I guess SMEs might be more vulnerable in this crisis. And then in 2008, when I look at the receivables balance, I think 320 million of it is overdue at the end of the year, 60 million of that is more than 90 days overdue. Can you talk about what you do to chase down that debt because when I look at the provision for bad debts, it's actually gone down a little bit in percentage terms? So it's 1% or so of receivables, it was 1.3% at the end of '18. But clearly, this is potentially a very dangerous time for SME. So, how comfortable are you in that; that book of debtors and are you using factoring in some way to de-risk it? I don't know what decision making is behind the factoring?

**Dieter Schlosser**

And first of all, I would say, we are fine with the... the receivables and how we have the receivable to make allowances for the receivables in the Annual Report. So it's, it's a clear process in place, where we need to assess the risk and the risk of collection... of collecting these receivables. So this is, this is fine with us and we do not see (not audible). We are chasing all these outstanding receivables, it's a process what I said earlier today on the micro management every day. And it's a very, very diligent process which is ongoing.

About... you said about the factoring and the risk, and I would say there is 2 elements on this. So, the factoring is something we use as an instrument when we need to close a deal with long payment terms.

And usually these are customers which are having even a better rating than ourselves. So it's also in that sense, a cheap financing methodology. And factoring is used for this when we are in such situation with long payment terms and the customer really wants to go into such situations and then we offer that. So, when it's factored turned off balance sheet then the risk is gone, of course.

On the other side, in general about the accounts receivable, we have different pockets, the very small deals we do not we do not insure and take our risk.
We try to insure all the receivables globally, we do not succeed on all that of course, because sometimes the deal need to be closed very urgently or in last days and the insurer does not have time or is not able to give a feedback. And then the customers which are very, very credit worthy, we do not insure them at all. So (unintelligible), we do not insure them. And so, we think with this method and how we treat this accounts receivable, we cover the risk quite well.

Michael Brist
I think, it is close the level of... sorry I think it is close the level of insurance at the end of 2018 in the IPO. What was it in 2019? What proportion of credit was insured?

Dieter Schlosser
No, I don’t have it top of my mind, but I think it’s on the same level more or less of ’18 probably. I would need to...

Michael Brist
Okay.

Dieter Schlosser
Yes, Michael, also from a... as a midpoint of view, you know, what we see from a consumption now, the consumer portfolio and rather in 2 ways. It is either service business which is doing monthly billing, so there is no big lump sum, and the risk is very much taken care of.

And the second one on solution, it would our simple solutions which are our particular SMB and SME targeted solutions, which are again based on monthly billing. So we usually don’t have this SME, the long term exposure.

Michael Brist
Okay. Understood. Thanks.

Operator
The last question from today comes from the line Alex Tout from Deutsche Bank. Please go ahead.

Alex Tout
Yes. Hi, good morning, guys. Thanks for taking the questions. So I mean just one thing to try and get an idea what you see as realistic downside risk in the current environment FY20.
I mean, I appreciate you don’t want to give formal guidance, but could we see software gross profit and/or IT services gross profit declining in FY20 overall based on what you understand at the situation at this point. And kind of related, do you think you can only just maintain EBITDA margin at the current level perhaps before the synergies from Comparex based on the situation you see now? And then I have a follow-up. If you could give answer to that first. Thanks.

**Dieter Schlosser**
Yes. Thanks, Alex. We actually... we believe that on the software and cloud services, there will be limited impact simply because, you know, we are not... we are not in the SAP reselling business, where customers would delay the bigger purchases. We are in the technology projects of SAP which again is rather than which is done offshore.

On the solution and services side, Alex, it really depends how much we can compensate from the increased demand on security, on future growth place, on BCP, on UCC and collaboration tools compared to those ones which we usually would have as a professional service, where you migrate users to the cloud. And if we... at the moment we see that’s compensated, but I would assume this depends on again how long COVID lasts.

On the managed service side, since we delivered this mainly out of our shared service centers, we don’t see an impact.

**Alex Tout**
Great. And then just directly as a follow-up to what you just said. What proportion of the solutions and services gross profit in FY19 was coming from security, unified communications, procurement, you know these areas that you would expect in the current environment would see some benefit at least over the course of FY20 overall?

**Dieter Schlosser**
So you remember we have 2 sub lines of business in the solution and services space. One is the software lifecycle management and the other one is the technology services. And on one side, on the other side we have 50-50 ratio managed services versus professional services. Actually, managed services is about 50%. We have on the software lifecycle management, Alex we... we’re at the moment; we are helping customers to take out cost right and driving and optimize the landscape. So there we haven’t seen... we haven’t seen a bit on the technology services side and the future data and the practice has been rather pivoted to the future workplace and the security and the (unintelligible) practice.
So that... again at the moment, it’s compensated, but I... clearly I mentioned earlier, we see an impact in Q2 and we anticipate an impact in Q2... in Q3, but it of course all depends how long the COVID takes and (unintelligible).

**Alex Tout**
Great. Thank you.

**Dieter Schlosser**
Thanks Alex.

**Operator**
That was the last question.

**Dieter Schlosser**
Alright. So if there are no more questions, we would like to thank you again for attending this Conference. We wish you a good day. Look forward to speaking to you next time. Thank you. Stay well and stay safe and goodbye.

**Operator**
Ladies and Gentlemen, the Conference is now over. Thank you for choosing Chorus Call, and thank you for participating in the Conference. You may now disconnect your lines. Goodbye.

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