CONFERENCE CALL TRANSCRIPT

FIRST QUARTER FINANCIAL YEAR 2025 RESULTS

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CORPORATE PARTICIPANTS

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Michael Lückenkötter

Welcome, everybody, to the Q1 2025 edition of our earnings call. Thanks for joining us today. I'm Michael Lückenkötter, director of Investor Relations at Reply.

Today the board of directors has approved the results of the first quarter of 2025. They were recently published, and we are here to provide some more color on the results. “We” means Tatiana Rizzante, our CEO, and Marco Cusinato, our CFO. Both will commend the results and the current trends from their perspective. The slides Marco will use as usual are available on the website now for download. So go to We are, Investors, Financial calendar and events. At the bottom you will find the slides. After the speeches of my colleagues, we will enter in the usual Q&A session.

And with these remarks I hand over to Tatiana.

Tatiana Rizzante

Good afternoon, everybody. Welcome to this earnings call. First of all, thank you for your time. I appreciate that you are participating to this call. And I also want to give you a big thanks for your coverage and the continuous insights.

So, we have just closed another strong quarter for the company, which was good both in terms of financial progress and strategic milestones.

First, let's start with the numbers. Our revenues reached more than 600 million euros with a growth of 8.9% compared to Q1 2024.The growth has been driven by an increased demand in almost all topics, in artificial intelligence, cloud computing and cybersecurity. In terms of industries, it has been a very strong growth coming from the public sector, which for us includes as government and defense, from the financial services and from the energy and utilities. All the other sectors, except for Telco and Media, showed some growth in Q1, but lower than the first three sectors I mentioned before. Also automotive and manufacturing still shows growth.

EBITDA reached 105 million euros, that is a 20.6% year over year increase, and the operating margin grew to 17.5%, which shows a continuous effort in optimization of operations and in cost management. And in general, some efficiency that we are starting to see throughout our services, thanks to AI leverage.

This has been a strong quarter, and it reflects two different dynamics. One is the shift on the topics. You start to see AI kicking in and some major changes on cloud computing demand.

On the other side we start to see changes in demand from the different industries that is reflecting geopolitical tensions and technology disruption. So, we have two big phenomena here that are at play and are working on the numbers in terms of strategic achievement in the first quarter of 2025.

We have been working a lot on innovation and on setting up some new business lines, basically around three axes. One is everything about AI. And I will give you some colors later. Second is the blending of digital and the physical world. This for us is a big part of the business because it includes all the IoT, the discrete manufacturing, parts of the logistic operations and so on. And - last but not least – we have been working on the way we develop software and produce services for our customers.

We are working on Agentic Systems in almost every industry, and we are helping our customers in having them implemented wisely. One important key aspect of the agentic systems is the specialization of the underlying models. We launched a global initiative (Scale AI) to help organizations fine-tune and specialize LLM and Diffusions models. Our focus is on harnessing GenAI without the need for large data repositories or major system overhauls and on creating vertical AI models that will constitute core assets for our customers. By applying fine-tuning techniques, we have blueprinted intelligent agents that adaptively interact with legacy systems, eliminating the need for complex prompts or hard-to-maintain RAG pipelines, incrementing accuracy, precision and reliability. This approach is scalable and easily replicated across client systems by adjusting fine-tuning datasets to align with existing data structures.

You end up with an asset that is not only trained on your data but also on your processes and behaviors.

Second is, we have been investing and releasing a set of new features on all our offering, that links to the physical world. We have some key industry verticals - discrete manufacturing with shop floor solutions and logistics. With our LEA platform and all the IoT with Axulus and the connected product frameworks, all these types of solutions have been working in adding autonomy and integrating through new sets of robots. We launched the robot platform, and we have been automating this across the different works, across the different products, integrating also new types of robots, especially drones, and adding autonomy. To give you an example: we just launched a partnership with Siemens. We were at the Hannover Messe and have integrated the Siemens mobile work platform into our suite of products. This is the first highlight on this larger topic. And the second one is that we are bringing it down to the production line. If you were at the designer week in Milan, you could see the project of Marazzi, that is building AI-generated material into production with very large-format stoneware slabs, up to 3 meters in height.

Another example, on which we have been working with the team and other operators, is to build an edge continuum as part of the IPCEI project. This part of the physical world, is an enabler and on the manufacturing and logistics projects and processes. We have a lot of releases, and it's working very well.

Third area has been silicon shoring. We introduced this last time; we launched it publicly. We have been doing roadshows with customers. We are seeing real impact. In some projects, from 30% to 50% efficiency gains, thanks to reduced manual work, better quality control, and AI-led automation. And it’s not just speed — we’re improving maintainability, reducing downtime, and enhancing planning through AI-generated insights.

And we strongly believe that this type of efficiency is going to increase the autonomy and the autonomous capabilities of the AI agents that we are applying to our silicon platform. Silicon shoring stands for building software using automated AI agents alongside with expert people. We are also starting to apply the same concept to operations. We’ve also formalized two engagement models: In-House, where clients host our agentic system internally, keeping full control and Managed, where Reply runs a fully managed, AI-native software factory.

At the core is Silicon Reply, our orchestration layer that coordinates specialized AI agents — all within a secure, enterprise-ready ecosystem. We’re seeing adoption across greenfield builds, app maintenance, and legacy transformation. Silicon Shoring is a key enabler in our GenAI strategy — and a real differentiator in how we deliver software and maintain legacy systems.

Together with that we are working on the partnerships, to enable fast infrastructure for artificial intelligence and, in general, for IT. We have closed with Amazon Web Services a multi-year strategy agreement that enables us to design, develop and implement AI application and scale on AWS technologies on one side. And on the other side, we are a strategic partner with Microsoft in the AI lab initiative, which is a Microsoft initiative to promote the adoption of responsible AI. This includes access to resources and speeding up some activities.

It has also been a quarter of some awards. So, we have been named by Microsoft and Google in different regions partner of the year, namely in Italy for Microsoft, in UK for Google. But this for us is more ongoing work in the ecosystem, the partnership ecosystem.

Another significant component for us is digital experience. It is the agency part, that is content production, online and digital marketing. We launched the Reply AI studios at the beginning of the quarter. It's doing quite well. The Reply AI Studios aim at building contents with an AI-automated chain and especially AI-level quality content. For instance, movies, short movies, commercial and high-quality content for digital branding. We have already won some important customers, for example Chiquita or the Cooper group in US.

At the end of March, we have announced the participation in two global contests. One is the second edition of the Reply AI film festival. We go back to Venice. This time in collaboration with AI for good, which is an AI United Nations initiative. And the second is the Reply AI music contest that we incubated as a trial last year, we go full fledge this year. We are with the Kappa FuturFestival, which is one of the largest European festivals.

If you look at the sectors with 52% the largest growth is in public sector. This is not just the consolidation of Solirius here, even without this we grew 17.4%. Energy and utilities is about 11.5% growth and financial services 9%. Anticipating a question, automotive and manufacturing in Q1 keep growing at 3%. Slower than other sectors but still positive.

In terms of geographies, you'll see again a little bit better from Marco, but we see region three with a very good growth of 16.6%. In region three you'll see two dynamics, UK, which is developing quite well in general, offsetting France, where we see a decrease both in revenues and in margins. Region one is showing good growth in almost all sectors. And region two has seen a growth reduction to 3%, mainly due to the overall market situation.

And with that I would handover to Marco for a more detailed view on the numbers.

Marco Cusinato

Thank you, Tatiana. Also from my side good afternoon, everyone and thank you for being here and for your coverage of Reply.

Speaking about the main results I will go fast since Tatiana already mentioned some of them. Important is the reported revenue of 603.4 million euros. That is an increase of almost 9% with respect to the same period of last year. And the EBITDA margin is standing at 17.5% of the revenues.

The new numbers here are the cash position that as of March 31st is reported at 656 million euros. And the net financial position of 537 million euros both improving over the previous quarter and year over year. The headcount across the 16 countries in which we operate reached a little bit more than 16,000. That is an increase of 963 compared to March 31st last year. And 200 of them are coming from Solirius.

Coming to the segment results, all regions are showing growth in terms of margin and revenues. Region one is up by 8.5%, region two is at 3% growth, and region three grew by 16.6%, including the consolidation of Solirius. Region one is contributing for almost three fifth of the total revenues, region two and region three each for one fifth of the of the total revenues.

Turnkey contracts remained the predominant engagement model in region one, representing approximately 82%, while in region two and region three time and material contracts dominate, 54% for region two and 56% for region three.

In terms of profitability, all regions reported double-digit EBITDA margins. Region one 19.3% of the revenues, region two 15.6% and region three 10.8%. Group EBIT for the first quarter was almost 89 million euros, representing 14.7% of the total revenues. This figure reflects the depreciation and amortization costs which accounted approximately for 2.8%. As in the previous quarters here were no fair value adjustments on earn-out liabilities (which we classify below the EBITDA due to their non-operating nature). Pretax profit (EBT) came at almost 87 million euros, up 19% from last year, reaching 14.4% of the revenues. This 30-basis-points difference to the EBIT margin is attributable to a negative financial result, with no fair value change in the investment portfolio of our investment company Breed Reply.

Coming to the profit and loss details. As we said, revenues increased by almost 50 million euros. This is a growth of 8.9%. On a like for like basis this would have been 5.9%. Also excluding exchange rate effects, organic growth was a 5.3%.

Average revenue per employee reached 152K euros per employee. That is an increase of 2.5% with respect to last year. In terms of engagement model 68% of client contracts are turnkey and 32% time and material.

Operating costs rose 6.7%, below the revenue growth, resulting in an EBITDA margin improvement from 15.8% to 17.5%. Purchases increased significantly, mainly due to higher resale of software and hardware that is accounting for 13.7 million euros as well as consumables and fuel that are accounting for 1.9 million euros. Labor cost rose by 4.6%. In relation to revenues labor cost decreased by 2.1 percentage points indicating efficient personal cost control. Cost per employee fell to 81K euros, down 1.5% with respect to last year. Service costs grew in line with the business remaining stable at 26.8% of the revenues. Usage of contractors increased by 14.4%, these expenses represent 68.5% of the service costs (116.6 million euros).

Other operating income amounted to +1.7 million euros, up by 0.9 million euros, mainly related to provisions for risk and write downs. EBITDA grew by 20.6%, improving the margin by 1.7 percentage points thanks to the increased revenue per employee and the lower costs per employee and effective cost control.

Depreciation totaled 16.6 million euros. That is 1 million euros more than last year with stable incidence on revenues (2.8%). They are broken down as follows: tangible assets 3.7 million euros, intangible assets 1 million euros, purchase price allocation 3.1 million euros and IFRS 16 right of use assets 8.8 million euros. At year-end 2024 we wrote down some PPAs (Wemanity, Spur) by 9.9 million euros and finalized the PPA of Solirius for 33.5 million euros. In total this led to a net increase of 500K euros in amortization. As in the previous year, there were no fair value adjustment to our earn-out liabilities.

In Q1, EBIT increased 23.1%, aligned with EBITDA growth, indicating stable depreciation and amortization relative to revenues. Operational growth translated directly into net profit. As I already said, the fair value evaluation of the Breed portfolio shows no change in this quarter.

The financial management recorded a negative result. That is coming mainly from FOREX losses of 3.5 million euros despite better interest income from the banks.

EBT rose 19% with a 1.2 percentage-point margin improvement, though lower than EBITDA growth due to the negative financial result.

As March 31st no net profit was reported. However, barring changes in tax law, we expect the full year tax rate of 31.5%, consistent with last year.

The like for like analysis shows the impact of M&A and exchange rates on revenue growth. Here you also see the development region by region. The only note on this slide is on region three. The region three development is the sum of mainly UK and France, where the UK is going very well - growing 6% organically - and France that we need to fix.

In terms of the business lines with respect to Q1, we are growing in all the business lines apart from processes. Business consulting – which is actually behind processes - is not going well currently (Wemanity is part of processes as well) while the Tech companies of Reply continue to grow.

The next slide shows the sector trends in Reply. Revenue grew across all core industries with the key growth areas Logistics & Transportation (+5.7%), Energy & Utilities (+11.5%), Financial Services (+9.1%) and Health, Government & Defense (+52.1%). This growth is not only due to the Solirius consolidation, also organically we grew here 17.4%. In the automotive and manufacturing industry we are still growing, albeit less than in Financial Year 2024.

Coming to the last slide before your questions, the net financial position was positive at 537 million euros, that is an increase of 188 million euros since the end of 2024. Cash increased by 164 million euros due to high collection levels from year-end invoicing. This is recurring the trend of last year where we increased by 159 million euros.

The breakdown of these cash flows is 212 million euros coming from operating cash flow,

-33 million euros used for investing activities and -15 million euros used for financing activities. Investments included almost 18 million euros in short term securities and 15 million euros for office renovations and the acquisition of computers. Financing cash flow comprised 5.4 million euros for loan repayments and 9.5 million euros of IFRS 16 lease payments.

Current financial assets totaled 64 million euros, up from 45.8 million euros at year-end 2024, related to securities and bonds investments. Bank debt, including short-term and long-term elements, total at 63 million euros, mainly for M&A financing and a real estate loan. Excluding IFRS 16 liabilities, net financial position would have been 657 million euros.

Now we have some time for the Q&A part. Obviously, we don't give guidance but we think that this quarter has been very strong, and there is no reason that we don't continue in this way.

Thank you, and back to you, Michael.

Michael Lückenkötter

Okay. Thank you, Tatiana and Marco, for your statements. We now open the Q&A session. I think you already know the game. Please, raise your digital hand and, please remember to turn on your microphone as well as your camera, that we can hear and see you. And if I'm not wrong, the first question goes to Harry Reid from Redburn. Harry, please go ahead.

Harry Read, Redburn

Hi. Thanks for taking the questions. Just one, and then maybe a short follow up. Could you give us some insight on the like for like growth of both the UK and France individually, just so we can have a bit of a steer on how those two countries are growing? And then, a couple of peers at Q1 have said that they expect France growth to trough in Q1 due to the French budget clearing in February? Are you sharing that experience and what's the outlook for the French business in the market for the remaining nine months of the year? Thank you.

Marco Cusinato

I speak for the number part and let Tatiana to speak about the business. Region three for us is divided in France, Benelux on one side and UK on the other side. UK is showing an organic growth of 6%, while France and Benelux are showing a reduction of -15%. And in France this is mainly due to Wemanity shrinking the revenue.

Tatiana Rizzante

Our assessment is that our numbers in France and Benelux are mostly due to our own setup and organization, not to the overall market situation. We are digesting an acquisition that is proving to be not a turnaround but requires some work.

Michael Lückenkötter

Alessandro Cecchini from Equita is the next in line. Alessandro, please go ahead.

Alessandro Cecchini, Equita

The first question from my side was due to organic performance in Germany, that was, like for like, 3%. Do you expect this trend to continue to be like this or to improve - due to some projects, you stated about some launches in new technicalities, etc.?

My second question is about your performance in the first quarter. We had -1.5 working days. I don't know if you could help us to understand how much weighted this in your turnover performance.

And finally, what is your view about the client engagement projects? What is your qualitative outlook for the area one? Thank you.

Tatiana Rizzante

Let us start from region two. For region two we expect a slight progressive improvement, region two has some special phenomena. One is the market, because automotive is still going, but nonetheless, it's a challenging sector. But mostly we have finished the Fincon integration. We have been integrating a machine that has been easy to integrate but we are working to instill growth engines. We expect this to show in the next months.

As regard to region one, in terms of business and customer engagement, it is going as usual for the moment. We do not see many major changes or disruptions. Region one includes Italy, US, and Brazil and some other smaller areas like China, for example. Of course, the market is becoming more challenging. But I remind all of you that in the next years we will do much more with less. That means, if we do things well, growth is not so linked to the number of employees.

Marco Cusinato

The third question was about the working days. 1.5 days, and I don't know if your calculation is about Italy, or is about all the regions, but let's assume that is about all the regions to be more simplistic. 1.5 is 2.5% of the overall working days, based on 60 working days in three months. And since we have two thirds of the business doing in turnkey that means that it is not so much impacting the working days at the end. I think that the impact of these less working days should have been something between 0.5% and 0.75% of growth.

Michael Lückenkötter

Okay. Thank you. Next question goes to Natasha from UBS. Natasha, please go ahead.

Natasha Brilliant, UBS

Thank you very much for taking my questions. Just to come back on auto and manufacturing. I just wondered if it changed at all through Q1. So, if you could give us maybe the exit rates or if there are any changes in trends to the quarter and what you're seeing into Q2?

My second question is, as we look towards the full year, I know that you don't give guidance, but I think last quarter you said, you might be able to achieve a similar like for like growth in 2025. Given what you've had the first quarter, given comps get a little bit tougher, do you still stand by that being achievable?

And then, my last question is on M&A, if you could give us a bit more color on the M&A pipeline, whether that's changed at all in the last few weeks and months, given the geopolitical landscape, and particularly, given your cash position is very strong. Just any updates on your thinking? Thank you.

Tatiana Rizzante

I start from the second one. We don't see major differences for the future. We don't see major differences from the results that we have done until now. In this moment, the outlook is that we should keep going like we are doing.

Regarding manufacturing. Yes. It has been tougher in Q1 and in the last period, due to the tariffs. We have seen already some effects in Q1 because there were companies anticipating these types of things. And the current geopolitical situation comes on top.

In the mid-term efficiency gains will reduce the size of the individual projects. But on the other side we expect our customers will use these gains to initiate more projects. So, companies like us will continue to thrive well.

Last question was about M&A. Yes, we have to use the cash available. We have a solid pipeline. We have been changing the M&A organization end of last year; it started in 2025 and has worked a lot. But I cannot say more currently.

Natasha Brilliant, UBS

Okay. Understood. Sorry, to come back on the organic growth point, just to make sure I understood. You said on the first question that there is no reason why you would change from the current trends and confirm what you said on the last call. But I guess the question is, on the last quarter, organic growth was more like 8% in Q4. This time, it's more like 5%. So, just, can I just try to understand which…?

Marco Cusinato

Can I add a little bit more color on this, on the answer from Tatiana. We see no reason, why we cannot continue in the same way. But consider that the organic growth is driven by the market, obviously. Compare us with our competitors and look at their organic growth. We see no reason not to beat them on the organic growth.

But the organic growth is driven by the market. And the market obviously is a little bit slowing down. So, the organic growth is something close to 5%. But we think 5% is a very good result in this moment.

Michael Lückenkötter

Thank you, Natasha. The next question comes from Andrea Randone from Intermonte. Andrea, please go ahead.

Andrea Randone, Intermonte

Thank you and good afternoon. I have three questions. The first one is, if you can go back to your silicon shoring and pre-built solutions that you were mentioning before. In the previous call, you mentioned a sort of backlog on these, kind of projects. If you can provide us some more color, it could be useful.

The second question is about your workforce management. If I'm right, the cost rose less than the number of people. So, you got some benefits here. If you can explain the dynamics, you are observing in this particular moment.

And the third question is just a clarification. Mr. Cusinato previously mentioned, you post in revenues some resale of software and hardware. And this is quite difficult for me to understand, because you are showing a surprising marginality and usually this kind of activity has a lower marginality.

Marco Cusinato

The last question I mentioned on the increase on the purchases cost. Consider that these costs are very low, (overall 50 million euros of over 600 million euros revenue). So, these costs increased more than the other but are very marginal business for us.

Tatiana Rizzante

Mainly linked to the cloud, by the way.

In terms of silicon shoring, we have two types of deals. One is linked to managed services. Basically, a big trend is a consolidation of legacy systems. To be the effective here, we are using our silicon shoring approach that reduce the overall cost of execution for the customer. We have a very good pipeline and some of it, already some large one, especially in the financial services. Basically it's managed services. You have to end a multi-year contract and then deliver with a mix of people and AI.

And the second line of business for shoring is more enabling the software factory of some of our large customers. Our platform silicon is a mix of out-of-the-box tools or some of the cloud providers tools. And our own agents. You basically set the base and you onboard, manage and monitor the transition of the software effectively. So, we have two business lines on this platform, on this go to market. And the biggest one is managed services workforce management.

Regarding workforce management. The decrease in costs of labor has some specific phenomena. For example, in Germany there is still some bench optimization that we've been doing. Mostly the decrease is due to the more efficiency, thanks to the use of AI. In our internal platform we currently have 11,000 agents that have been created by our employees. Most of them are personal productivity agents. So, via the different copilots and the personal productivity agents we are increasing productivity.

Michael Lückenkötter

Did this answer your question, Andrea? Okay. So now it's Intesa Sanpaolo's turn. Antonella, please go ahead to ask your questions.

Antonella Frongillo, Intesa Sanpaolo

Good afternoon, everyone. I hope you can hear me. I have two questions.

The first one is on profitability. Again, a very strong quarter on that side, I understand what you mentioned in terms of operating leverage or less costs per employee. I was wondering if there is, any, one off, non-recurring revenue we should account for in this performance. And if not, if we can start saying explicitly that the business model implies an increase of the margin therefore, your traditional margin corridor between 14% and 16% is now obsolete.

And, just to complete this question, if you could, could provide the breakdown of for region three between the UK and France also for profitability.

My second question is on the financial items, I appreciate your comment on the forex losses. It becomes for us a bit difficult to make an estimate for the full year because you have a very strong cash pile, I would have expected also some positive results on the financial line. So, what should we estimate the for the full year if you could advice on that side. Thank you.

Tatiana Rizzante

Okay, I start with the margins in terms of business. And then I leave Marco for the split between France and on the investment returns of the available cash.

We expect to continue increasing efficiency, but I also expect to redistribute it with customers. Because in this moment there is a general increase of productivity that is dispersed, but as it matures, we will progressively give it back to the customer. I will not raise the EBITDA guidance because in our philosophy that's a good EBIDTA guidance for a service business.

Marco Cusinato

Coming to the last question, it is difficult to estimate what to expect for the interest rates and for the currency development. Regarding the U.S. dollar, someone is saying that it is going to 1.25, someone is thinking that it will come back to parity with the euro. As at the positive interest income from banks, it strongly depends on if we are going to use this cash or not. If we will close some deals in the M&A space this year, obviously we have less cash and less interest income from the banks from which we are trying to get very secure investments. It is very difficult also for me to do a forecast for this part of the P&L.

Coming to the split between France and UK, the qualitative answer is that in France we are losing money. The UK marginality is very close to that of region two.

Tatiana Rizzante

And please consider that we have on one side the operational business producing positive results while on the other side we are building up the shared service organization with the respective cost burden.

Michael Lückenkötter

We are going back to Harry Read from Redburn. Harry, another question from your side?

Harry Read, Redburn

Yeah, thanks. Just a short follow up on the last topic. Are you internalizing any of that efficiency gains that you're achieving? Or is 100% of that cost saving being passed on to the customer?

Tatiana Rizzante

Generally-speaking, we think that we are competitive, and our margin levels are fair and appropriate to develop Reply. Regarding the usage of the efficiency gains both happens. The efficiency gains of silicon shoring for instance or the reduced efforts we have in project works are in the hands of the customers. On the other hand, our employees are supported by many software agents. So, there is also an internal effect of the usage of AI tools.

Marco Cusinato

Sorry, Michael, I think we didn't answer the question of Antonella (Intesa Sanpaolo) about the non-recurring effect on Q1. We had no one-off items or non-recurring effect in our figures in Q1.

Michael Lückenkötter

Okay. Now we go to France. It’s Derric from Société Générale / Bernstein. Derric, please.

Derric Marcon, Bernstein

Good afternoon, everyone. Three questions on my side.

The first one. Can you add on the impact of the large contracts you own, or you won last year with IPCEI, with the European Commission program, partly funded by the Italian government?

The second question. Can you give us a little bit more color on the dynamics you are seeing in financial services and media? Because sequentially speaking, both are trending down. Any specifics here to mention?

The last one: I was looking to your consulting and commercial cost line. So it was 15% up in Q1, something we have not seen for a while. Can you explain to us why it is this time trending up? And what do you expect for the coming quarters on this cost line, please?

Tatiana Rizzante

From IPCEI there is a small impact in Q1, a couple of millions of euros that we have been using. The large part of the financial means is still available. In Q1 it is non-material on the overall numbers. The financial means are treated as a decrease of personnel costs.

Regarding the outlook on financial services and media. Media for Reply is a very small part of the business, less than 3% of the total. Some players have to find answers to strategic challenges while others are more competitive. So, we see different situations, but in any case the impact on Reply is small. Financial services is a huge market, also for Reply where we are working on commercial banking, on insurances, investment banking and payments to name some customer types. We are working on very relevant projects in this area. As usual, towards the end of a financial year we have seen some projects were finalized. But we are ramping up other projects equally relevant. So, a temporary effect, nothing structural for the future.

Marco Cusinato

Sorry, the P&L question, to which line of cost you were referring?

Derric Marcon, Bernstein

In your services costs you have got a line called consulting and commercial, which is I suppose mainly stands for subcontractor costs. And this was up 15% in Q1 2025 while in 2024 it was down. So, I was wondering if, you were at the bottom in terms of usage of subcontracting or anything specific to mention here to explain the year over year increase?

Michael Lückenkötter

When we introduced Solirius last year, we spoke about 200 own employees and 200 contractors. That is a structure that you normally do not find in Reply, and you do not correct this in one quarter. This is the main change regarding the evolution of the costs for consulting and commercial services.

Michael Lückenkötter

We have Alessandro again from Equita. Alessandro, please.

Alessandro Cecchini, Equita

During the previous conference call you stated that the efficiencies that you had in terms of artificial intelligence are basically given back to clients. Here, probably, you are stating differently. And then the second point, that you start the year with 17.5% margin. We know that typically fourth quarter is much stronger in terms of profitability. So, are you suggesting basically not to be above this level for the year? But is this level sustainable? Thank you.

Tatiana Rizzante

Alessandro Cecchini, Equita

Because last year you had, if we adjust for extraordinary debt, close to 19%. So basically your feeling is to maintain the current trend in term of margin that you have in the first quarter?

Tatiana Rizzante

Yes. But consider the usual seasonality in terms of margin.

Michael Lückenkötter

We have another question coming from Mediobanca. Isacco, would you please go ahead?

Isacco Brambilla, Mediobanca

A couple of quick questions from my side. The first one is on region one. If you can just comment a bit on whether you have seen different dynamics between Italy and the US market. I would say around that, 8%, like for like, if all regions are quite consistent in terms of contribution to that?

The second question is on Germany, you mentioned quite quickly some optimization actions I see from the breakdown of employees. The number of employees has come down a bit in the quarter. If you can comment a bit more on the actions you have put in place?

Tatiana Rizzante

In Germany we have been working to raise the EBIT margins. The actions were also related to the bench of free people. We have not substituted some people who left. I think we see basically the bottom of it. This type of work has finished.

Italy and US are going more or less in the same way. But consider the different market shares. In Italy Reply is of course much bigger than in the US. The growth dynamics are currently quite similar.

Marco Cusinato

In the first quarter US is growing around seven point something percent, very in line with region one.

Michael Lückenkötter

We have Andrea again from Intermonte.

Andrea Randone, Intermonte

Just a quick follow up on region three. You mentioned that France was weak also - partly for a choice. Can you comment, if Wemanity got a specific exposure to some sectors? It can help in understanding the sector performance. For instance, if they were highly involved in financial services, probably the slowdown on financial services can be due to Wemanity. Just a guess.

Tatiana Rizzante

In France we are currently not going well, not because of the market but because of our own problems to fix during the integration process. Wemanity is very exposed on the agile business. Wemanity is more working on the retail sector than on financial services. Nothing special to mention here.

Michael Lückenkötter

We are going back to Paris. Derric, you have another question. Please go ahead.

Derric Marcon, Bernstein

I was just trying to reconcile the sequential increase in headcounts. So plus 390 sequentially, with the cautious message you have on top line growth, or not cautious, but let's say, there is a good start to the year. The trajectory for the coming quarters should be similar. And the fact that, 390 if it's fully at constant scope nets of hiring, it's a big number. I was just trying to reconcile, both, if you can help, it would be great. Thank you.

Marco Cusinato

It's this quarter against the quarter of the previous year. Here we have an increase of 964 people. And 200 of them are coming from Solirius.

Derric Marcon, Bernstein

Okay, understood. And 390, it's quite high compared to historical levels. I was just trying to reconcile that with the message that you gave for the coming quarters. Growth trajectory, organic sales growth trajectory in line with Q1.

Tatiana Rizzante

The normal seasonality here is that we are seeing more hirings at the beginning of a year. And relatively the hirings are not so high, consider that we keep growing. Generally, we are in line to do some better numbers. I was a little bit cautious because of the quarter dynamics in terms of days (holiday bridges). And for the year because of the geopolitical situation and the more complex situation in some verticals. We are working in a coherent way with what we have been doing until now. We were delivering what we were promising.

Marco Cusinato

Also consider that we are also hiring for the IPCEI project. The people that we are adding for this project are not reflected in the revenues because are less cost.

Michael Lückenkötter

Okay, thank you Derric.

I see no more questions. This means we can come to the end of the call. Thank you again for joining us today. We rush now to work on the transcript that will be published in the same location where you can find Marco's slides. And as usual, if you have additional questions that come to your mind, contact Paolo and me and we will try to help you. Thank you very much. Have a nice day and speak soon.