CONFERENCE CALL TRANSCRIPT

SECOND QUARTER FINANCIAL YEAR 2025 RESULTS

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Michael Lückenkötter

Hello, everyone, and welcome to the Q2 2025 edition of our earnings call. A special thanks for joining us today. We know today is very crowded and there are a lot of similar events. I'm Michael Lückenkötter, Investor Relations director of Reply.

Today, the Board of Reply has approved our second quarter and H1 results for 2025. The press release was just published, and we are here to provide some more color, also on the questions you probably will have. With me are Tatiana Rizzante, our CEO and Marco Cusinato, our CFO both will comment the results and the current business trends from their perspectives. The CFO slides are available for download on our website. When you look on the website under: We Are, Investors, financial calendar and events, you will find them. And after the speeches of my colleagues, we will enter a Q&A session.

And now directly in medias res, Tatiana please.

Tatiana Rizzante

Thank you, Michael. Good afternoon, everyone, and welcome to this earnings call. And thank you for giving us your time.

I will start very briefly to comment the result of this quarter and this semester. We achieved an 8.6% growth, as you see, in H1 2025, which is in line with the growth that we have posted in Q1. And I believe it's a remarkable result, given the actual scenario. In the meantime, we maintain an outstanding profitability of 18.5% of EBITDA margin in H1.

The growth is primarily driven by advancements in artificial intelligence and overall technology innovation in the enterprise platform. That includes mainly cloud computing and cybersecurity, together with AI and data. Our agency and business consulting companies are experiencing a weaker performance than the technology ones, while domain specific applications are continuing to grow in a little bit uneven way. We are growing stronger in segments such as health, government and defense, energy, financial services and logistics; these sectors are showing a significant growth. While automotive, retail, CPG and telco are showing more modest, single digit growth.

In terms of AI, I want to give you some highlights on where the revenues and the growth come from. As you know, it's our main development driver, and we have introduced in the past month a new paradigm of work that leverages AI to automate service delivery. We call this paradigm "silicon shoring". We started to apply it to the software development lifecycle. In the next quarters you will see the same type of paradigm applied to other parts of our business, like operations, marketing services, and so on. In this quarter, we have successfully applied this model to software development to reimagine the software factories, for instance we are partnering with one of the major players in the European banking industry that is using our silicon shoring agentic system to transform their software factory comprising 300 people. This collaboration has resulted in a 60% efficiency gain in technical analysis activities and 28% measured in coding. So, we are giving a huge boost into this bank that is posting very good results.

Besides the financial services sector, we are also running similar activities and go-to-markets on other industries. In this moment, the energy and utilities sector is showing a good progress, and here it is key to support differentiation and, in many cases, overall efficiency.

More broadly, apart silicon shoring, agentic architectures are becoming increasingly relevant in most of the solutions we are delivering. I want to make an example, of which we are very proud. We have been working this year in health care with the European Institute of Oncology (IEO), and here we have developed a solution to streamline breast cancer screening that we have been continuously improving. And recently we have launched a new version of X-RAIS, a neural network and radiomics-based agentic system for real-time mammogram analysis. This new version, powered by an agentic system, significantly improves the quality and speed of detecting and classifying suspicious lesions. As a result, IEO can now double the number of mammograms they manage and reduce the waiting time for diagnosis by over 90%, from 28 days to just 6 hours.

Apart from silicon shoring on AI, we have launched the pre-built AI apps catalogue, that I anticipated to you in the previous call, and we launched in the market in July. These are ready-to-use solutions that can be quickly integrated into existing business processes, and they are designed to be reusable. They put together pre-made agents, that are specialized for specific domains, curated data sets, and predefined flows of integrations. We have started to already deliver a catalogue of this pre-built AI applications that includes healthcare, includes procurement, HR and insurance.

For insurances we focused on claims management, which is one of the areas which we work on mostly. We started working on several steps of the claim management process. With the agentic system that we released with the pre-built app we are already able to reduce a lot of the claim processes, from weeks to 20% of the time in most of the cycles.

In parallel on artificial intelligence, we are also strengthening our partnership ecosystem.
We just opened a partnership with OpenAI. We have been selected to join the Official Service Partner program, which is a distinguished group of companies recognized globally for AI expertise

that will help and will work together with OpenAI to deliver advanced solutions. Our collaboration here focuses on three main areas:

- One is product innovation with AI.
- The second is specific on the development of intelligent virtual assistant leveraging our capabilities on digital humans.
- And the third is the integration of generative AI into the entire software development lifecycle, in this case also leveraging our silicon shoring system of agents, which is significantly built also on OpenAI.

This is a recognition of the jobs and the work that we have been doing these months in the market on artificial intelligence.

Now going from offer to geographies and regions. Regions 01 and 02 maintained the growth in line with Q1, while region 03 experienced an acceleration, thanks to the positive development in UK, while France remains weak.

In this quarter we reached the end of the earn-out phase for two companies in US that were acquired at the end of 2021. And we also closed the earn-outs in progress ahead of schedule in France where we reset the whole network organization for the future. And these changings in earn-out is also what you see as an effect in the cash consumption of H1. But Marco will provide you more details on these.

Both US companies deliver what they promised, and we are very, very happy with the development we're having with them. Overall, apart from the offering, we work heavily to reset some of the geographies that are lagging, in terms of growth, for Reply in this quarter.

Now, let me hand over to Marco before the conclusion for more details on the financial results.

Marco Cusinato

Thank you, Tatiana and good afternoon also from my side. Let's dip a bit in the figures.

So, key highlights of this first semester. We recorded revenues for EUR 1.2 billion that is a growth, as Tatiana said, of 8.6% year over year, and we are keeping an organic growth of 5.4%. EBITDA reached EUR 224 million. That is an increase of almost 24%. And with a margin of 18.5% compared to the 16.2% of last year, same period. These results include a one-off insurance recovery which I will comment on a little bit later.

Net cash position has been of almost EUR 460 million, and net financial position stood at EUR 360 million, up from last year despite the typical outflows that we have in Q2. As you can see, the improvement in cash has been lower than the net financial position, mainly due to two things, some loan reimbursements to the banks and some investment in financial assets.

Number of people reached 16,261 colleagues. That is an increase of 6.2%.

Coming to the segment result, as you can see from all these numbers, all geographies show a growth compared to the same period of 2024. The revenue breakdown is that in region 01 we are accounting 62% of all the revenues, region 02 19% and region 03 the same, 19%. One thing to highlight is that region 01 is including also US and Brazil. If we took away this part, Italy represents 50%. So, half of our business is outside Italy.

Contracting models differ by region. Turnkey project dominating region 01 with 82%, while in region 02 and 03 time and material more or less are equal to the turnkey projects.

All regions delivered a double-digit EBITDA margin and a very strong double-digit growth of EBITDA. So, region 01 20% more than last year, region 02 24%, and region 03 more than 50%.

Group EBIT was 15.6% of revenues. Depreciation impacted margins by 2.8%, in line with 2024, while goodwill write-off and earn-out adjustment also played a role. The positive fair value change of EUR 17.1 million compared to - EUR 2.6 million of 2024 obviously significantly contributed to the EBIT performance.

EBT stood at 14.8% of revenue, unaffected by fair value changes in Breed, our investment company, which were neutral in these first six months of 2025.

Some Q2 snapshot. In Q2, consolidated revenue grew by 8.3% year over year, and revenue remained stable quarter over quarter (+0.6%). EBITDA came in at 19.5% that is including this extraordinary income mentioned earlier. EBIT grew almost 34%, and EBT rose to EUR 92.5 million, that is an increase of 26% with respect to last year. These figures show that strong execution and scalability supported the operational profitability across the board, even if we exclude the extraordinary effects, that are accounting for circa 2% of the revenue.

At the regions level, the Q2 results are in line with the semester showing that we can create value in all our geographies.

Coming to the profit and loss details here, I can give you some more color about what I said before about the different natures of the cost. Starting from the revenues we have an impact of FOREX that was very marginal the first six months of the year by just -0.1%. The revenue per capita remains stable at EUR 150k per employee, that is an increase of 2.2% year over year. Our top ten clients are accounting for less than 30% of all our revenues, with no single client dependency. The contract mix overall is 69% fixed price and 31% time and material with the split that I already mentioned before at the region level.

Speaking about operating costs, they are showing an increase of 5.6%, that is lower than the revenue growth, and this brought an EBITDA margin improving of 2.3 points. Purchases is the line that is increasing the most, but the number in absolute value is very low and the major part of it is referring to reselling of hardware and software. The cost of labor personnel increased by 6.7%, but the weight on the revenues is down by 1% with respect to last year. And the labor costs per capita remained stable at EUR 83k per employee. Services grew by 7.2% in value but also in this case the percentage on revenue declined a little bit with respect to last year.

Speaking about the extraordinary item, this + EUR 18.5 million is the result of a provision for invoices to be issued and the full release of the risk fund. That was a risk fund that we provisioned last year for EUR 24 million, but we have a EUR 15 million insurance recovery from a professional liability dispute. This led to a full release of our fund. And as I said, this is contributing, ~2% of the EBITDA margin. And obviously, this is an extraordinary effect.

Amortization is counting for a little bit more than EUR 50 million, divided in EUR 7.6 million for tangibles, EUR 8.3 million for intangibles, EUR 17.5 million for IFRS 16 rights of use and EUR 19 million for a goodwill write-off that Tatiana already mentioned before about region 03 from the impairment test that we have done for the France region.

Earn-out adjustments of EUR 17.1 million are mainly due to the lower fair value in France. So, the same effect on the other side, obviously these are not impacting the EBITDA, but affect the EBIT.

Regarding the financial result, we have a - EUR 9 million compared to + EUR 3 million in the same period last year. This is, for the most part of it, due to FOREX losses.

Regarding taxes, in the first six months we just evaluate our tax rate that remained stable at 30%, so coming to a net income of almost EUR 125 million.

Coming to the net financial position, as of June 30th it was + EUR 362 million, that is an increase of EUR 13 million with respect to the end of 2024. Cash was at EUR 458 million. Obviously, this is less than what we had at the end of the first quarter by almost EUR 200 million. And this is a typical seasonality of Reply outflows, because in the second quarter, we are paying bonuses to our partners and employees plus taxes and dividends. And in this quarter consider also EUR 35 million payments for the two companies that Tatiana mentioned before in US.

Short term financial assets are at EUR 69 million. Just to remember that our financial assets are all cash equivalents, so in case of need ready to be transformed in money and used for investments. Bank debt went down by EUR 17 million to EUR 51.4 million, and IFRS 16 liabilities stood at EUR 113 million.

Adjusted net financial position is EUR 476 million, that is ready to be used for supporting our investments with our additional credit lines of EUR 200 million.

Last one, before giving back the word to Tatiana is our cash development. So, the EUR 223 million of EBITDA were used, as you can see in the slide. We have a positive cash flow from operations of EUR 129 million, a cash outflow of - EUR 75 million for investing activities and a cash outflow of - EUR 80 million for financing activities.

The operational cash flow is obviously coming from the EBITDA, then we have an outflow of - EUR 27 million from the delta in the working capital, + EUR 4 million in interest income and EUR 77 million that we paid in taxes.

On the investment side we have a cash out of EUR 35 million for earn-out, EUR 21 million for financial assets we bought and almost EUR 20 million in investments we have done mainly for new offices (CAPEX).

On the financing side, we have a cashout of EUR 45 million for the dividends, EUR 70 million for loan repayments and - EUR 19 million in IFRS 16 lease payments.

With all of this said, I will pass back the word to Tatiana for our final thoughts, and then we start with the Q&A.

Tatiana Rizzante

Ok, thank you, Marco.

In conclusion, we are very pleased with the results of the second quarter and with the half, both for the work done for shaping up the networks in the different countries and for the shape up of the strategic initiatives that are driving the growth on artificial intelligence and its partnerships, but also on proprietary models and data.

Meanwhile, because I anticipate some questions, customers and markets seem to be starting to regain confidence or to settle down to a new normal again, after this geopolitical crisis we are living in. Therefore, we anticipate that the second half of the year will continue in terms of growth in line with the way we are going currently, the current trends and we do not foresee any reason not to have a strong end of year in terms of EBIT margin percentage, considering that, as you know, the end of year has positive seasonality.

So, that is all from our side.

Michael Lückenkötter

Ok. 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 virtual hand and remember to turn on your microphone as well as your camera, so that we can have a full-fledged communication. I see, the first question is coming from Giovanni Selvetti from Berenberg. Giovanni, please go ahead.

Giovanni Selvetti, Berenberg

Thank you for taking my questions. I have a few.

The first is, if you can elaborate a bit more on these two non-recurring items. I might have missed it before during the call, but if you can provide more color on the EUR 17 million above the EBITDA of other operating income apparently related to some insurance payment. And if you can elaborate a bit more also on the EUR 17 million of fair value adjustments.

The second question is on Forex. You said that basically EUR 9 million of expenses are mostly related to the impact of FX. I was wondering how much of the cash now is currently held in US dollars.

And the third one is basically the current trend in going into the second half. I could see that region 02 was still up 1% in Q2. I was wondering if you foresee a better development of Germany, into the second half. Thank you.

Marco Cusinato

Coming to the first question, we had this positive increase in the extraordinary item of EUR 18.5 million, and this is a result of two things. The first one is that we completely released a risk fund of EUR 24 million we provisioned for at the end of last year, that was for a dispute that we were liable for this with one of our customers. At the end the dispute resolved very good for us in the sense that the customer asked us for EUR 15 million that was paid by the insurance. So, at the end we completely released this fund. The net is EUR 18.5 million and not EUR 24 million because we did provisions for some other invoices to be issued, that is another extraordinary item. So, this is the explanation of the EUR 18.5 million.

The second part is the write-off that we did in the earn-out adjustment, again a sum of two aspects, but the main one is that we did an impairment test on region 03 of which France is a part, and this impairment resulted in the write-off of EUR 18 million. The net amount is EUR 17 million because for the two earn-outs that are finished now in US we had an additional expense of EUR 1 million more. So, the net is EUR 17 million.

This was the first part of the question. I don't remember the second and third part.

Michael Lückenkötter

The second was about FOREX. Are the EUR 9 million expenses related to cash, and how many cash do we have in U.S. dollar.

Marco Cusinato

The EUR 9 million, again, are a delta. We have a foreign loss of EUR 10.2 million, to be precise. And this is coming from the valuation of foreign assets, that at the end of June are not impacting our like-for-like analysis along all the semester.

We have in U.S. dollar around 40 million, that are 24 million in Italy and the other one is directly in U.S.

Tatiana Rizzante

Last question is about region 02. There are two factors in Germany. The short answer is yes, we expect still single-digit growth, but we expect higher growth in the second part of the year. It may be still weak in Q3, and that is due also to contingent topics inside our own. So, like in France, the reset of evaluation pairs up with a reshape of the networks. In Germany, as you see, we have been working on bottom line. And there are in particular the agencies and parts of the business that were weaker. So, demand is up for the end of the year. Q3 may still be weaker than the other regions.

Michael Lückenkötter

Next question comes from Alberto from Equita. Alberto, please go on.

Alberto Gegra, Equita

So, my first one is if you can tell us the organic contribution of each region in the second quarter, as you did in the previous presentation. Then, if there is an impact of lower working days in the second quarter, if you have an idea of this impact. And the third one, any update on the M&A pipeline?

Thank you.

Tatiana Rizzante

Marco, you answer on the organic. The inorganic is mostly UK.

Marco Cusinato

The overall organic growth of the first semester was 5.4% against the 8.6% growth that we are reporting. So, the difference is the inorganic part, obviously. This is divided in region 01 7.6%, in region 02 2.2%. These are the same because all inorganic part is in region 03. That is the acquisition of Solirius, as you know. And the organic growth of region three is being 0.5%, if you put away the Solirius contribution in the first six months.

Tatiana Rizzante

This is a very good result from UK while we face a decrease in France.

Marco Cusinato

If we look just at Q2 the organic growth of region 03 has been 2.6% against 0.5% in the six months of the semester. So, we had in this quarter a very good result of the organic growth in region 03 that is all due to UK, as Tatiana just said.

Tatiana Rizzante

There is an impact of working days because the second quarter this year was heavy in Italy, it was heavy in France, it was heavy in Germany, in terms of bank holidays, and holiday bridges. We have not quantified this. So, we expected it, we forecasted it, like I told you last time.

Marco Cusinato

I remind you that our contract mix is almost 70% fixed price, and in this kind of contract the working days are not impacting so much. Just 31% of our contracts are time and material in which the working days obviously are impacting or could impact a lot in the revenues.

Tatiana Rizzante

Currently we have quite a good M&A pipeline of small-sized teams. So, we expect closure of a couple of things, before the end of summer. Again, as usual, nothing transformative, as you know, we've been working this year. Q1 and Q2 was about growing them up, and now we are starting to close them.

Michael Lückenkötter

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 some of the regional trends. So, France is still weak. Are you seeing any signs of improvement or when do you expect that to be in a better position? And I guess it's still loss-making, so again, you know, any expectations of when that sort of starts to improve from profitability?

Second question is just on region 01, if there's any more color between Italy and the US in terms of the growth rates. And then your comments on the second half seeing similar trends, just to be clear, that means a sort of 5% growth rate, we should assume for the second half organic growth as well? Thank you.

Tatiana Rizzante

I start from the last. As you know we don't give guidance.

Second, going to France as we said, we restructure. We closed all the earn-outs and set the new organization in place. It is not a process that will end up in three months. We will see how it goes. Of course, we expect this to go better, both in terms of profitability and growth in the next months and years.

For the color on the region 01, US is growing less than Italy, US is growing in the low percentage while Italy is keeping a solid growth rate.

Michael Lückenkötter

Thank you, Natasha. The next question comes from Harry Read from Redburn. Harry, please.

Harry Read, Redburn

Thanks for taking the question. Some of your peers have talked to quite a lot of negative pricing pressure in recent quarters. Just interested if you're seeing the same dynamics, given that you are kind of against the industry norm of being more fixed price rather than time material and headcount based, and would you expect that negative pricing pressure to hit as fixed price contracts start to roll off?

Tatiana Rizzante

Yes, we are seeing price pressure. We have not just the topic of the turnkey, we are automating a lot all our service delivery, as we've been saying for silicon shoring. So, the effect that we expect is more on the top-line because you get the same work now with less revenue associated to it. So, there is a moment of absorbing this trend.

On margin, though, until now, we are showing that we can solve it quite well with productivity. We are increasing every month continuously the automation capabilities. So, we expect it to continue, but again, I think it's more an opportunity than a threat for us in this moment.

Harry Read, Redburn

A short follow up: Would you expect kind of a decoupling of headcount and revenue growth, perhaps delivering sustained higher revenue growth with fewer heads or a slower pace of headcount growth?

Tatiana Rizzante

Yes, which is what is basically happening, but then, prices are also following. So, that is not complete equivalence now, but this is what you have to expect. So, there may be a moment in which you raise a profitability, but then you give it back to customers. We will improve on headcounts for work. Yes. But it will also be a reduction of costs for customers.

On the other side, that's a different story for pre-built apps where probably part of the profitability will stay in the segment. That is what we will see in the next period.

Harry Read, Redburn

Ok, understood. Thank you.

Michael Lückenkötter

Next question comes from Andrea from Intermonte. Andrea, please go ahead.

Andrea Randone, Intermonte

The question I have is, if you can go back to your comments, trying to provide more colors in terms of the sector trends. I mean, if you are seeing specific sectors accelerating, in some others maybe, being more mature. I mean, you already provided some comments on regions, and I mean, most of the time maybe some sectors are more exposed to some regions we know. But again, a comment on sectors can be useful.

And, if you can detail your recent comment on the price pressure. Is this something more general or specific to certain sectors, certain activities. Thank you.

Tatiana Rizzante

In the hand-out you will have the usual details from Michael, but the ones that grow around double digit, as I said, are health, government and defense. Energy and utilities, so when you go to infrastructure. Financial services remain for us a steady source of significant growth, and logistics which for us is another strong sector.

On the other side, we are in lower growth on automotive. This is closely connected to Germany. We are working a lot on automotive and manufacturing, retail, CPG and telco, these sectors are all growing but are weaker sectors in this moment for us. The only that is decreasing is media.

In terms of price pressure, I will say it's across all the service chain. So, you see it on software development lifecycle. You see it on consulting; you see on marketing services. And that's part of the new world, in my opinion.

Michael Lückenkötter

Thank you, Andrea. Now we go to Antonella from Intesa. Antonella, please go ahead.

Antonella Frongillo, Intesa Sanpaolo

Good afternoon, everyone. I have some questions. The first one that is a follow up on Andrea's question, and that is your feeling on the potential indirect impact from tariffs on your customers, if you already have some impact on that and what do you feel speaking with your customers?

And then, my usual question on non-core or other revenues. I guess that I find this data on your first half report when you will publish it, but if you could anticipate how much other revenues where in the first half, considering that last year they were EUR 16 million.

And the other question is on investments. I understand the part related to earn-outs. Could you detail the financial investments, what do they refer to?

And my last question is on FOREX, two portion of questions. On that side, if you could quantify the forex impact in region 01 and on the other one. If you could explain why you keep on counting cash outflows on the financial management when you will have a huge cash pile.

This is not only on the P&L, given the forex losses, but also on the cash flow. So just to understand better why the net result of your financial management is negative. Thank you very much.

Tatiana Rizzante

I answer the first one, and then I refer to Marco for the others.

On tariffs, we still don't have an impact. This is one of the things that is not at this moment posted. What we see from the first sentiment is a very mixed answer from the different sectors. So, some on this moment are relieved because they were expecting worse. Some customers in some sectors were posting a worse experience. Others are starting to worry. So, we have very mixed feedback.

And in this moment, we cannot account for specific impacts from the rates. I think we will see in the next months.

Marco Cusinato

About the other income that you ask for, this year is EUR 3.7 million, as compared to EUR 10.3 million last year in the first half. And then the difference is explained by the fact that last year we had a very big contribution from the government for education of our people, of more than EUR 5 million. So, this is why this year is a lot less than last year.

The contribution or the de-contribution of forex in region 01 is about EUR 8 million, so more or less all of it.

And, on the last one that you ask, we need to follow up because it was too difficult for me to answer real time.

Antonella Frongillo, Intesa Sanpaolo

I had another one which was on investments. If you could explain the EUR 21 million.

Marco Cusinato

Now the cost of money is decreasing. We cannot get a decent interest from our accounts in the banks we are using. We invested in a monetary fund that can be liquidated 30% the same day and all of it in one week. As I said during my comment at the beginning, almost cash equivalent.

Michael Lückenkötter

The next question comes from Mediobanca, Isacco Brambilla. Please go ahead.

Isacco Brambilla, Mediobanca

So, two questions from my side. The first one is a quick one on Solirius, if you can just comment how organic performance is developing, even just comparing to the average of the group.

Second question is a more high-level one on margins. During the last call you were giving sort of a message, sooner or later Reply will have to give back margins to its customers, even to stimulate demand. This has not been visible in the second quarter, looks like second half outlook is also very confident on margins, so what's the timing? Should we attach these expectations for giving back some margins to customers, more a theme of 2026, maybe?

Tatiana Rizzante

Solirius is going well, organically. In general UK is developing well across Solirius, the whole network, plus we are growing our position on defense and government, thanks to the combined work. It's a very good overall synergy that is developing there.

In terms of giving back margins, I am not sure that I understand what you refer to. But we are continuing to give it back. So, as I said, we are working very productively, and we are automating services. We are also winning bids because we are giving already back as much as we can. The way of working is changing fast, and we will change faster throughout the years because new tools come up, and we are constantly improving the way we provide the services. So, if you are asking me if we expect to significantly challenge the percentage margin due to price pressure at this moment, as already answered before, I see it as a big opportunity because we are absorbing the price pressure, developing very high-quality services and giving back value to our customers while maintaining our EBT percentage. I don't foresee any reason for it to change in the foreseeable future.

Michael Lückenkötter

Now we go back to Giovanni Selvetti. Giovanni, please go ahead.

Giovanni Selvetti, Berenberg

A quick follow up on M&A. You said you expect some couple of deals, maybe small deals, by the end of the summer? I was just wondering if you can say if you expect these deals to come in in the US, which, as I remember, was one of the main regions where you were working on M&A deals. And roughly, when you say small, if we should expect, I don't know, 20, 50 million?

Tatiana Rizzante

We can't foresee this until we are closed. But again, we are doing small acquisitions, and we are active in US, UK, Germany.

Michael Lückenkötter

Thank you, Giovanni. Now back to Equita. Alberto, you had another question.

Alberto Gegra, Equita

Yes, a quick follow up on silicon shoring. if I'm not wrong, you mentioned, during the last call, some EUR 30 million projects. I'm wondering if you have updated figures, for the time being, and if you have a sort of target for full year 2025.

Tatiana Rizzante

We gave a generic consideration on pipelines in silicon shoring. I mentioned some examples in financial services, energy and utilities, etc. We are working more on the larger factories and are automating them. These are also the sectors in which you see growth. It's going well as an offering, but we don't have a segment reporting on that.

Michael Lückenkötter

Thank you, Alberto. Now we go to Kepler Cheuvreux. Hugo, please go ahead.

Hugo Paternoster, Kepler Cheuvreux

I have three questions, if I may. The first one would be the visibility that you have. I know you provide no guidance, but just wonder, how confident are you in terms of converting your pipeline into H2? And if you could provide us some granularity by industry in terms of vertical whether you are seeing some improvement over verticals

The second question would be related to the exposure to the cybersecurity you may have. Could you come back on it, provide a little bit of color and whether you are seeing some traction there?

And the last one is regarding the stimulus package that we have across Europe, and most notably in Germany. I know no money is currently on the table but are you seeing some easing in discussion with some of your clients who come back on the capex side, on the spending side and for projects that may have been delayed in the past, any information there would be also useful.

Thank you very much.

Tatiana Rizzante

Regarding the conversion of pipeline by industry sector, you must stand with the general sense that we are foreseeing a growth in line for with the last achievements. We don't see any reason to not continue with this type of growth. In terms of sectors, we will see with some variation between the first and the second or the second and the third, but the strong sectors will remain the same that we have today. So, the public, the infrastructure, financial services, these types of sectors will keep driving this year.

We are seeing some landing, a timid restarting of projects and programs. I'm a bit prudent. Is too early to say it's pumping again. Of course, with some exceptions, like the defense, government. We have a little exposure to some of these sector that we're growing up, but there's clearly some differential there. Others start to show signals that they landed on again, start to build again for the future, but it's still early.

Cybersecurity keeps driving solid growth across all the regions and not just into defense and that's true for the advisory services, the security operations center, the consulting services. The technology landscape has changed a bit in these years so also some of the actors, nonetheless, if you want some color, probably in this moment, everything that is related to, in terms of advisory, to some compliance topics needs and in terms of technology identity access management, which is also strictly related to AI growth, because that's a key element, not just for enterprise organization, but also for AI, data security. These are the main highlights that are driving in this moment the cyber sec growth.

Hugo Paternoster, Kepler Cheuvreux

And roughly, what is Reply's exposure to this topic, to cybersecurity?

Tatiana Rizzante

It is a significant vertical for us, but cloud computing, data or AI are bigger.

On the stimulus packages we're starting to see a landing and some companies restarting the growth. There are also a lot of research grants that the European Union is pushing.

Michael Lückenkötter

Next question comes from Bernstein. Derric, please go ahead.

Derric Marcon, Bernstein

Hello, everyone. Just one quick question on your comment about price pressure linked to AI. I was wondering how I can reconcile all the things together because the net staff hiring is up, quarter to quarter, +200. The revenue per head is down, quarter to quarter. And so, I'm struggling to understand the impact of AI on your biddable rates.

Adding to that the fact that the silicon shore initiative is very small, so it should not have a big impact on the overall performance of the group. So, have you quantified, these impacts, and does it apply to the full scope of Reply?

Thank you.

Tatiana Rizzante

Ok, first, the AI impact is not just on the silicon shoring. That is the most industrialized part, and just for the large managed services and the large programs. When I talk about AI automation, I talk about a diffuse automation, what is called by coding, what is called using AI tools across all the service chain.

When you calculate the revenue pro capita is not lower. There are fewer working days on Q2, so you have to pay attention. And second, you have the externals. So, is not diminished, in general, the pro capita. And as you see the margin is good. So, in this moment, this is not contradicting.

Derric Marcon, Bernstein

Have you quantified the impact? Are you able to put a figure on that?

Tatiana Rizzante

What we can say is that we are keeping these margins, and we are growing less in terms of people than we are growing in terms of revenue. We are increasing the value that each person generates. So, if you want that is the simplest math. We believe that is mostly due to that.

Then it's not so clear because there are some improvements in bench management in some countries. But most of that effect is more productivity due to more efficient way of working.

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.