

CONFERENCE CALL TRANSCRIPT

# THIRD QUARTER FINANCIAL YEAR 2025 RESULTS

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## CORPORATE PARTICIPANTS

**Tatiana Rizzante** – Chief Executive Officer

**Marco Cusinato** – Chief Financial Officer

**Michael Lückenötter** – Director Investor Relations



## **Michael Lückenkötter**

Hello and welcome, everybody, to the Q3 2025 edition of our earnings call. Thanks for joining us. I am Michael Lückenkötter, Director of Investor Relations in Reply.

Today, as you have seen, the Reply board of directors has approved our third quarter and nine months 2025 results. The press release was out recently, and we are here to provide some more color. With me are, as usual, Tatiana Rizzante, our CEO and Marco Cusinato, our CFO. Both will comment the results and the current business trends from their perspectives. You may have seen the CFO slides are available as usual for download on our website. Please scroll down in the section of financial Calendar and events, and you will find them there. And after the speeches of my colleagues we will open the Q&A session.

Having said that, we can now start commenting. Tatiana, please.

## **Tatiana Rizzante**

Thank you, Michael. Good afternoon, everyone, and welcome to this earnings call. I really appreciate that you are spending the time with us.

In this quarter, once again, we posted very good results. We keep the focus on Artificial Intelligence and technology innovation as stated in the previous meeting. It remains our main strategy, driving both growth and profitability across the whole group. The revenue growth shows some market share gains in terms of Artificial Intelligence. We also see uneven results across our different regions. In terms of profitability, we post an excellent 18.4% EBITDA margin, continuing to be above the margins we achieved last year.

The main driver of growth remains Artificial Intelligence. Of course, AI comes with data, which is another big area of development. And continuously, we have both cloud and cybersecurity across the whole group driving these numbers. While agencies and the business consulting remain softer in terms of growth.

In terms of verticals, we see solid growth coming from healthcare, energy, utilities, logistics and transportation and the financial services. On the other hand, telco and media and automotive and manufacturing are stable or decreasing, varying a little bit in the different regions. Telco and media are suffering more. We started to grow in a reasonable and significant way in government and defense.

Artificial intelligence remains the main engine where we continue to develop our Silicon Shoring delivery model. We are scaling, helping customers both reducing costs and



modernizing their software factories and IT operations. We are seeing a strong adoption of Silicon Shoring, particularly in financial services as well as in energy and utilities.

In general, AI is starting to move to scale. AI is everywhere, it drives all sectors and areas of work, and we start to see going from small production to scale adoption. For instance, in a recent case we have published with Intesa Sanpaolo an AI-powered HR assistant that is used daily by over 5,000 employees and is boosting efficiency up to 70%.

Similar examples are in the supply chain or procurement area. In terms of verticals, we have worked on payments in digital commerce where AI adoption is gaining traction. An example is a generative AI multi-agent system for NEXI that achieves more than 80% of accuracy on anomaly detection, namely on e-commerce, where you have high traffic. The solution is reducing analysis time to a few minutes, where in some cases we were talking about hours of analysis time up to now, with obvious consequences. With Riverty, another customer, we have just released an AI-driven omnichannel contact center that has cut case processing by 35%. Customer service is another of the vertical areas that is scaling. These are some examples of what we mean by "verticalization" when talking about AI.

Behind these examples, we have our family of service accelerators. It is not a product-oriented go-to-market, but we are talking about what we call "pre-built apps". We just released some new pre-built apps, namely procurement and in the marketing campaign automation, which are gaining a very good traction. Another significant area of development is knowledge management, which is linked to our copilot adoption practice.

In this past quarter, we also saw some results from our focus on infrastructure, mission critical environments and mainly defense and government sectors. Together with NATO's Communication and Information Agency (NCIA), we are migrating core workloads to Oracle Cloud Infrastructure combining sovereign cloud capabilities with AI-driven innovation, the only way to achieve this scale of migration.

In Italy we are working on homeland security and environmental protection. Shield Reply, one of our branches on security and defense, has developed a multi-domain Joint Operations Centre integrating data from land, sea, air, space and cyber to support real time decision making for civil protection and public health.

We keep working on the research and development, fueled by the IPCEI program, that we already mentioned before. This drives our R&D, and in most cases implies co-development with customers and partners, as defined by the program itself. You see a higher level of this type of work that we start to feature in as revenues. We reached a stable amount that will be consistent, broadly, across the next four years. Of course, it's slightly positive on revenues and



neutral on margin.

From a geographical perspective region one and region three showed an acceleration in the first nine months, while region two is flat in this period, with minor plus/minus differences across quarters. Telco and media, as well as the automotive sector in the final part of the year, are influencing these results.

We keep having a strong cash position and we are working on our M&A investments. We completed a couple of deals, but they are non-material in terms of size. We have a few companies that are more relevant in pipeline.

And with this I ask Marco to dive deeper on the numbers before I come to the outlook.

### **Marco Cusinato**

Thank you, Tatiana and good afternoon also from my side and thank you for spending this time with us this afternoon. For who doesn't know me, I am Marco Cusinato, chief financial officer of the Reply Group.

Reply grew 9.0% year over year, that means that we reach EUR 1.82 billions of revenues. Obviously, this growth continues to be driven by the areas that Tatiana already spoke about. Our EBITDA reached EUR 335 millions, that is an increase of almost 22% with respect to last year and with a percentage margin of 18.4%. Part of this improvement is linked to a one off gain we already mentioned during our second quarter call, but even excluding this effect, our underlying profitability remains very solid, that means anyhow we would have had an increase of 1 percentage point with respect to last year.

From a balance sheet perspective, we maintain a strong financial position with a cash of EUR 524 millions and a net financial position of EUR 423 millions, both KPI improving compared to the previous quarter. Total headcount reached more than 16,400 professionals, that is an increase of more than 1,000 employees compared to last year.

Speaking about regional performance, we delivered growth in all regions, a little bit less strong in region two. Profitability improved across all regions with a double-digit EBITDA-margin everywhere. Region one remains our largest contributor with a 21% EBITDA-margin, while regions 2 and 3 continue to strengthen the performance thanks to the disciplined execution and higher value business mix. At the group level EBIT reached EUR 281 millions, up 25% with 15.4% margin. EBT grew 24% to EUR 268 millions, obviously confirming the strength of our operating model.

Speaking about the quarter, we delivered a performance of almost EUR 599 millions in



revenues, that means an increase of 8% year over year. Seasonality, mainly in region one due to the summer holidays, led to a modest sequential slowdown, but margins improved further. EBITDA came in at EUR 112 millions, 18% growth, with a margin of 18.7%. EBIT rose 19.5% to EUR 93 millions, and EBT increased 27% to EUR 89 millions.

Overall, the quarter confirmed strong operating momentum with balanced growth between volumes and margins and clear evidence of sustained profitability on all the business lines.

On the regional performance, here there are a lot of numbers. Let me just comment on the fact that region one - our largest market - grew 7.5% year over year. All the other KPIs (EBITDA, EBIT, EBT) and all the other things are in line, apart from this particular effect that is due to the extraordinary effect of the gain we got in Q2.

In region two, we had a slight slowdown of 1.6% in Q3, showing more or less a slight increase also in this region, on the nine months. Region three grew 20%.

Our average productivity improved by 2.5%, reaching EUR 151k per employee. The top 20 clients represent about 40% of our total revenues, a level that ensures healthy diversification.

Our contractual mix balance is 70% of turnkey projects and 30% time and material, combining visibility of margins with operative flexibility.

Starting from Q3 2025 for management reporting purposes only, the group has reclassified public grants related to financial projects from a reduction in labor cost (IAS 20) to operating revenues. I highlight again that this reclassification is neutral under IFRS and with no impact on EBITDA but provides a more consistent representation of the group industrial and R&D activities, highlighting the contribution of financial projects to overall operating performance.

Operating costs increased 6.5%, less than the revenue, leading to a margin expansion. Personnel costs were well controlled, service costs have decreased as a percentage of revenues, and contractors accounted for about two thirds of that line. During the period we recognized this one-off insurance-related gain linked to the settlement of a professional liability claim, which added around one percentage point to the EBITDA-margin of the total two percentage points that we improved.

Depreciation and amortization rose to EUR 71 millions, reflecting both higher investment and EUR 19 million goodwill write-off following an impairment test of our French operations. The adjustment of earn-out liabilities produced a positive impact of EUR 16.8 millions related to fair-value revaluation. These are non-cash items and below EBITDA.

Financial results were affected by foreign exchange losses ~ EUR 13 millions but did not offset



the strength of our operating performance. Overall, EBT grew 24% year over year.

Speaking about business line and industry trends, the technology companies, which account for 60% of the revenue, grew 7%. Application companies, accounting for 30% of the total, grew 20%, while processes companies declined 7%. The key driver of growth continues to be our applications and AI-driven businesses, which are expanding rapidly across industries.

By industry growth was broad based, led by health, government and defense, energy and utilities, and financial services, our largest vertical at 30% of the revenue, also delivered a solid 8.5% increase. This diversification across sectors continues to be one of Reply strengths.

The net financial position at the end of September was plus EUR 423 millions, up from both June and year end 2024. We generated EUR 129 millions in operating cash flow during the quarter, confirming the group excellent cash generation. Investments absorbed EUR 51 millions, mainly for M&A, earn-out payments and office upgrades. Financial activities absorbed EUR 12 millions, mostly lease repayments. Excluding IFRS 16 liabilities, the net financial position would have been plus EUR 550 millions, providing a very solid base for future growth.

And with this, I will pass back the stage to Tatiana for conclusions, speaking about the outlook of the next period, and then questions and answers.

### **Tatiana Rizzante**

Looking ahead we expect the current demand profile to remain more or less stable. Clients keep focusing on one side on efficiency, resilience and speed, that means also to ask more efficiency from us. And on the other side clients continue to strongly demand for innovation. Both aspects are driven by technology and artificial intelligence.

We believe as well outcome-driven services will remain key, like it has been in the past few years. Our flexible organization delivery model mixed with the new service waves we have developed enable us to deliver measurable results at scale, like we have been doing these past years.

The fourth quarter, seasonally, is a solid one. Last year, Q4 was exceptionally strong, so we are a little bit careful on year-on-year growth on the last quarter, although the underlying demand and execution remain very healthy. The pipeline is strong and diversified, and we expect it to remain in line with year to date performances. Having said that, we are confident in a solid close of the year, consistent margins and a good visibility heading into 2026.

And with that, back to you, Michael.



## **Michael Lückenkötter**

Thank you, Tatiana and Marco for your comments. We are now opening the Q&A session. Apparently, I don't need to explain much. Just raise your digital hand in Teams and you are part of the Q&A session. Just one comment: it helps when you open your mic so that we can hear you. And having said that, I see the first question comes from Giovanni now, from Berenberg. Giovanni, please go ahead.

## **Giovanni Selvetti, Berenberg**

Ok, thanks for taking my questions. I have a couple.

The first one is maybe on region two. We saw that, for the first time, organic growth going into negative territory in Q3, and I think Tatiana touched on weakness in automotive and media. I was wondering if there is more there, and probably you mentioned some pickup in Q4, if we can expect this region to go back positive in in Q4?

The second question is on profitability. I can see that, again, it was very strong in Q3 with a much lower weight of other services but if I look at the regional level, this seems to be mainly related to region one. The question is, what's driving such a strong growth in region one, but not in the other regions?

And the last one, and then I'll go back to the queue, is about M&A. You mentioned that you did something, not material in the US. Could you just give a bit of color of what exactly you bought and what kind of revenue we're talking about? And again, when you talk about maybe more material, for the US and you're scouting, what kind of revenue range we should think about?

## **Tatiana Rizzante**

Let's start from region two. There are two facts, on one hand industry exposure and on the other hand some part of the business performed weaker, namely the agencies business. Customer journeys, digital agencies, digital marketing, these types of things.

We expect going forward to go in a similar way. We expect the same thing for at least one quarter, until we readdress the markets and services. Region two is less on government and defense, it was less on data. We have been working in the past few months to reshape a little bit the focus.

Second question was profitability. Remember that Italy is also the home country. We have a lot of support services that are provided to other regions. And a part of it is also due to the scale of the region. We are local for local, some parts of the holding weigh more in the different regions. For example, we have central hubs in every region, and it weights in terms of



percentage profitability.

Last question was on M&A. We are currently talking about EUR 20 millions of acquired business volumes, not material so far. We are expecting further cases being a little bit larger again, non-transformative. So, we are talking about things that are always below three digits millions each, anyhow.

**Giovanni Selvetti, Berenberg**

Maybe going back to profitability, could it also be that the region one is more, let's just say, a high percentage of fixed price projects so you can, in a way, better improve the profitability with AI?

**Tatiana Rizzante**

Yes, but not much compared to regions 2 and 3. It is one of the impacting factors, but not the main one in this moment.

**Giovanni Selvetti, Berenberg**

Ok, I'll go back to the queue and then ask maybe question again later.

**Michael Lückenkötter**

Next question comes from UBS. Natasha, please go on.

**Natasha Brilliant, UBS**

Thank you very much for taking my questions. I have got three as well.

Just to come back on your comments on Q4. You talked about sort of ongoing momentum, but also tough comps. I think at the time of H1, that customer sentiment was looking a bit better into Q4 in implying that maybe growth could improve. I just wondered, is anything really changed between the last time that we spoke, in terms of your feeling around customer sentiment and growth into Q4? You want one by one?

**Tatiana Rizzante**

No, not much. We have some differences, region 2 is slightly different due to some market exposures. There is a good sentiment, so it has not changed, Q4 last year was really strong, this is the only attention point. I want to be prudent on setting expectations to you.





**Natasha Brilliant, UBS**

Ok, and then also on Q4 profitability, I mean, seasonality-wise, Q4, the margin is typically the strongest. Is there any reason why this year that might not be the case?

**Tatiana Rizzante**

We keep having a strong margin, our guidance is in continuity. At the same time, we are spending on R&D, and you also see it in region one again, where we have financing. I think it is fundamental in this moment of transition due to AI.

**Natasha Brilliant, UBS**

I would like to follow up on the M&A comment. You talked about a strong pipeline, nothing transformative. Any sense on timing, when we might get an announcement?

**Tatiana Rizzante**

I can't comment on that; I look at Michael.

**Michael Lückenkötter**

Natasha, you know, that only when the ink is dry, you can seriously comment something. I think we have some advanced projects on which we are working.

**Michael Lückenkötter**

Thank you, Natasha. Next question comes from Hugo, from Kepler Cheuvreux. Hugo, please go ahead.

**Hugo Paternoster, Kepler Cheuvreux**

Yes, thank you very much for the presentation and for taking my question. I have three.

And the first one is a bit of follow up on the profitability in region two. Because - and it's counterintuitively - the profitability has been very strong. Given the weak top-line, I just wonder if it's sustainable going forward and what will happen at the profitability level in this region?

**Tatiana Rizzante**

Most of the projects in region two are turnkey projects. We are also increasing profitability there by the way we work. And this is one. Michael was remembering me, we have improved profitability at Fincon, that was the last acquisition that in the past year was weighing down on region two, and now it's getting better. I think the profitability is sustainable. We are more



working on growth than on systemic issues at the company level.

**Marco Cusinato**

Just to add some color on this. The profitability of region 2 has been almost 15%, as we have seen in the slide before. Region 3 is 11% EBITDA-margin, but this 11% is the sum of France plus UK. And just to say that if you look just at UK, also in UK we have more or less the same profitability of region two, that is 14%.

**Hugo Paternoster, Kepler Cheuvreux**

Ok, very clear. The second one is on the impact of AI for you. You already made some comments on that, but just one there. As the project automation is rising how do you balance the potential of further new compression with higher margin and client retention?

**Tatiana Rizzante**

Of course, the single project may value less, and you must give back most of this profitability gained due to AI to get market share. The real fact is that competitiveness allows you to get market share. It is an effort, but this is the industry scenario for the next years.

The market will grow on some areas because all the agentic architecture is new. And that is a completely different paradigm. Part of our competitive advantage is addressing the technology-driven innovation: AI-driven innovation means new companies and new areas of business.

On the existing ones, on the legacy, there is also a huge opportunity: if you are more effective, you can gain a lot of market share. On the legacy, the market is shrinking; but for us it is not so relevant. Remember that we work mostly on the edge of innovation, mostly project-based and - also in consulting - local for local. We are not very exposed to operation and application management. As a paradox, AI could constitute a big opportunity for us also on legacy systems.

**Hugo Paternoster, Kepler Cheuvreux**

Understood. The last question is regarding your sustainability. Since many quarters that you are going between 16% to 18% EBITDA profitability. How sustainable is it going forward? How do you think in terms of profitability for the full year? I know that you are not providing some, some guidance there, but just to have some bit of color.



**Tatiana Rizzante**

Don't kill me, but I will repeat the sentence of the outlook, that means that we expect execution to remain very healthy.

**Marco Cusinato**

And remember that we have this one-off event that we accounted for in Q2. It is accounting for more or less 1% of our marginality. This is a one-off for this year; we should not repeat next year.

**Hugo Paternoster, Kepler Cheuvreux**

And follow up on that, I'll rephrase differently. How do you think about this kind of profitability given your former corridor of confidence of 14% to 16%. How should we view Reply in terms of profitability on a normalized base?

**Tatiana Rizzante**

As we said, the last quarter is normally very good. There is no reason to think differently. There are some extraordinary effects but in general, this is the feeling. We will not rise as usual our margin expectations even if we anticipate this year to stay in line.

**Michael Lückenkötter**

Thank you, Hugo, for all your questions. And now we move to Oddo BHF. Nicolas, would you please go ahead?

**Nicolas David, Oddo BHF**

Yes, good afternoon. Thank you for taking my question.

The first one is regarding Q4, comparison basis. I'm sorry, but I am failing to see how Q4 comes tougher than other quarters. When you look at your quarter-on-quarter performance last year, compared to the historical quarter on quarter performance, it's really an average, what you were used to post. I don't really see, why it has come so high. It's something that we can't see in the numbers, that's my first question.

**Tatiana Rizzante**

I say strong because the last quarter is normally very strong on margin, and can have some flexion depending on the years if you look historically on revenues. When I say strong, I was thinking on revenues. In Q4 we added more than EUR 80m to the Q3 revenues. On margin we



don't expect any type of differences.

**Nicolas David, Oddo BHF**

So, it means that the term of year-on-year growth, there is no nothing to flag? You are not facing particularly tough comps?

**Tatiana Rizzante**

No, it's just in comparison with a very strong last year that I was a little bit cautious because last year on revenues was particularly high, if you see seasonality, but that's it.

**Nicolas David, Oddo BHF**

Yeah. But it's not it was normal seasonality, right? The 3 last years were really in line with what we were seeing on previous year.

**Tatiana Rizzante**

in Q4 you have the specific effects, for instance reselling, hence my caution.

**Nicolas David, Oddo BHF**

All right. And my second question is still regarding AI but not on when you execute on your side, but more about the opportunity. You talk more and more about agentic AI. Do you see an opportunity for larger deals regarding agentic AI, if you compare to more traditional Gen-AI project that you saw at the early stage, for the last 2 or 3 years? Probably there is more complexity in deploying agentic AI rather than just basic, generic?

**Tatiana Rizzante**

So agentic AI is Gen-AI that you deploy through more than one agent into complex operating systems. This year we had also large deals in Microsoft Copilot adoptions for instance. Or in setting up vertical AI models, which are not, for example, agentic. Agentic AI normally means larger projects and more complex projects. But size is not necessarily just agentic AI: also vertical intelligence and large adoption programs are sizable. This is a generic trend on AI. And I personally believe that vertical mission-critical intelligence - that may require a specialized model - is a key element of competitiveness for our customers, and we are always talking about large commitments.

**Nicolas David, Oddo BHF**

All right, thank you, that's useful.



**Michael Lückenkötter**

Okay. Thank you, Nicholas. Now we turn to Redburn. Harry, would you please go ahead?

**Harry Read, Redburn**

Yeah, thanks for taking the questions. I've got a couple, but maybe I do them one by one.

Your organic growth is stabilizing at a level kind of far above the market if you look at your listed peers. Would you say you credit that more to market share increasing in certain areas or mandates or more of a mixture of doing higher quality, faster growth work than, say, application management or infrastructure management?

**Tatiana Rizzante**

For me, this is first about results of the organizational model that we have. Remember that we are a network model. Reply is a very flat organization with direct responsibility on bottom line, so this is for sure a factor that is endemic to Reply.

The other thing is the mix, the way we do our services, which is local for local. We don't have global delivery center. We don't do massification. But services that are: high value, highly automated, next to the customers, together with partners, and with Reply management directly on the bottom line. So, it is a mix of things.

**Harry Read, Redburn**

Ok, makes sense. And I suppose, versus peers you are more fixed price, which defends you to a degree against AI-driven deflation. But it would be useful to have any comments on like-for-like pricing on certain projects. And then if pricing is coming down, maybe an estimate of how much you can internalize versus how much getting passed on to the end customer.

**Tatiana Rizzante**

I can make you two examples. In the past months in some of our factories we started to do full assignments in a completely autonomous way. It means from design to deployment, all autonomous in between. Yes, turnkey will help, but I also believe that we will see different types of work. With autonomous agents in the mix, there will be a lot of fragmentation. That is also why we are not necessarily chasing for the giant assignments but chasing for the mid-size, a value assignment where you also put a lot of knowledge in. It is not about using AI out of the box.

A few years in the past a project was maybe EUR 5 million. Now you can do it for a EUR 3.5



million, to give an example. Probably it will still improve. But it will not go to zero, unless for very commoditized area, like code writing. Code writing is going almost to zero.

**Harry Read, Redburn**

Ok, that's interesting. Thank you. Then maybe just one more question. So we have seen some competitors talk about the growth opportunity on BPO, and some make of acquisitions to increase their exposure in BPO. Obviously, you don't have any legacy BPO exposure, I suppose, on outsourcing, but do you think that you may miss out on some growth by not having those existing customer relationships, or is it an area you're going to leave alone and not trying to expand into?

**Tatiana Rizzante**

Currently we have only some small BPO. But that is something on which we are looking in some segments, to exploit in the future. Honestly, I'm happy not to have existing BPOs. Europe is not competitive on the work. It depends on where you make your BPO out of and how much you can compress it, because also BPO is a typical example that is normally heavily commoditized and you can normally decrease a lot the cost of making those types of services. So, for the future it could be an opportunity, especially as an evolution of turnkey on some area. We are exploring it, but I don't regret not having it in this moment.

**Michael Lückenkötter**

Thank you, Harry, for your questions. Now we turn to Antonella from Intesa. Antonella, please go ahead.

**Antonella Frongillo, Intesa Sanpaolo**

Hi, good afternoon everyone. I have three questions.

The first one is again on the fourth quarter organic growth. I was wondering if you could provide some indications on the current trading. You already have visibility on almost half of the quarter. I know that you are not used to provide quantitative indications, but if you could be a bit more precise, considering the visibility you have. The second part of this question is if you could update on Solirius? I remember that it was performing very strongly and from the fourth quarter, it would be considered as organic, no longer as M&A impact. So it would help the fourth quarter organic growth, if I'm right in this reasoning.

And the second question is, always on organic growth and this on 2026, can we assume that considering the mid-single-digit, broadly mid-single-digit organic growth you are reporting so far this year this could be an easy comp base for next year to go back to high to double digit



growth, driven by AI?

Or, and this is a more general question, you see some caution in the market because since last August we have read about a debate on return on investments, AI investments, which could slowdown investments in terms of enabling AI services.

And the very last one is on the, FTEs, I see that there was a slowdown in net additions in the third quarter, is that temporary? Or are you slowing down your hiring trend?

**Tatiana Rizzante**

I start from the last question, which is dependent on the revenue growth and is mostly linked to regions like region 2. The hiring goes together with the growth of the business. So, the numbers are linked to the businesses given to region 2, and for sure on some optimization due to the fact that we are doing services in a way that is more and more automated. It is a very distributed model, and that is why is directly linked to the fact that we are able to keep margin. So, we are normally very, very good in following revenues profiles with cost profiles. It is a mix of factors.

The other factor now is that we have much less resignations in general. We have also a solid base. We had less trainees and people in onboarding in the past few months. There is a little bit of this factor too.

Regarding trends of 2026 I think we can expect a steady behavior from the company as you see in these quarters.

**Marco Cusinato**

About Solirius you are right that the last quarter will be organic. This year they grew around 10% in the previous quarter with respect to last year. If they are growing the same in the fourth quarter, they will help our organic growth in Q4, Let's say, hopefully by 10% of their business.

**Antonella Frongillo, Intesa Sanpaolo**

So, you see no acceleration going to 2026 from the mid-single-digit growth you are reporting this year?

**Tatiana Rizzante**

The demand is consistent. The AI pressure is there. Single digit in this moment means that we can gain market shares. No, for the moment I would not change the indication.



**Michael Lückenkötter**

Thank you for your questions, Antonella. Now we switch to Mediobanca. Isacco, please go ahead.

**Isacco Brambilla, Mediobanca**

Two questions on my side.

The first one is on the region 3. Marco, you already commented a bit on margins in UK versus France. If you can give us a bit more color on top line trends of France versus UK?

Second question is on Germany, region 2. You mentioned sort of a repositioning of your offer going on this year. Should we already be able to see some benefits from the work done in 2025 next year? This means some sort of acceleration in revenue and growth, just to be clear.

**Marco Cusinato**

Yes, on the top line the split between the two sub-regions is that region 3 growth is almost 20%. This is coming from 36% of UK that is including Solirius, without it, it is organically 10% growth in UK. And the other part is France that is declining, 16%. So, this is the comment of the top line because the France is declining.

I think Tatiana can add more colour on it. But it is the fact that we are restructuring the company we bought, that we finished earn-out in advance, as we said in the last call and we are now putting them on the market in a different way.

**Tatiana Rizzante**

In France we touched the offering, we changed the portfolio, we restructured, we changed the management team. They are set up now well, we will see in the next year.

Regarding region two (Germany) we have started to address new markets. We should see first tendencies in the next quarters, but it must grow a bit to be material.

**Michael Lückenkötter**

Ok, thank you for your questions, Isacco. Now we turn to Equita. Alessandro, please go ahead.

**Alessandro Cecchini, Equita**

Thank you, everybody, for the conference call. Just one question related the previous one of





Antonella. Maybe you didn't answer, so basically you are expecting organic growth in the fourth quarter similar to the third quarter trend? It's okay, this kind of interpretation? Also, if you can elaborate a little bit more on this, because it was not clear, to be honest.

**Tatiana Rizzante**

I don't want to give guidance. I expect to be in line with what we did until now, more or less.

**Alessandro Cecchini, Equita**

Organically?

**Tatiana Rizzante**

In terms of growth that somehow underlines also organic growth.

**Michael Lückenkötter**

Ok, thank you for your question, Alessandro. Now we turn to Deutsche Bank. Jasmine, please go ahead.

**Jasmine Rand, Deutsche Bank**

Hi, thanks for taking my questions. Two from me.

Firstly, I appreciate the acquisitions. They are kind of non-material in terms of scale, but could you give a bit more of a sense of what's that for specifically acquiring? Exposure to vendors or capabilities or, key customers in the region and how might that inform larger acquisitions that we may see in the region?

And secondly, obviously health, government and defense doing very well, also because of the acquisition of Solirius. But I think even stripping that out, we're talking about near 20% organic growth. Could you give us a bit more color on where else that industry is doing well, maybe by region? I think you've also previously talked about building up defense capabilities, particularly in Germany and France. You know, both regions currently declining. So, are you kind of seeing any progress there maybe to offset other parts of the business?

**Tatiana Rizzante**

In terms health, government and defense, the situation is as follows: In region 1 we are active in government and healthcare, and we started with defense. In region 3 you have most of defense, and a little bit of government. While region 2 we basically are not working for government and defense. These are areas that we started to address to balance of course the



portfolio, like the infrastructure business and so on that are also strong in, for example, in UK and somehow also in Italy.

France again is a different thing, but it was more endemic more than segment. It was internal work that I would consider now basically finished, and we will see in the next year.

As regards to the acquisition a small one was actually in UK and it's again in the defense sector, and it's a very focused acquisition, to address some specific certifications and specific competencies. And on the other side accelerate MSA reach. So, it's small but with a lot of potential in terms of addressable market, and assets.

While the other one is in US to reinforce the Chicago area, we have two big areas drive there in the U.S, one is the Microsoft and one AWS in terms of technologies. And this one goes into our Microsoft focus. It is in the Chicago area and is particularly on dynamics that will help also the overall country to steer, due to the reviewed go-to-market mix, copilot, agentic AI and dynamics.

**Michael Lückenkötter**

Thank you, Jasmine. Now we turn to Intermonte, Andrea, please your questions.

**Andrea Randone, Intermonte**

Thank you and good afternoon. Sorry for the voice.

The first question is about the multiples you are seeing in M&A. If you can comment about this point, if there are better opportunities on the market?

The second question is a curiosity, because I noticed some advertising on the press, at least the Italian press, with Reply, about AI solutions. I was curious to know if this was just a corporate campaign or if you are addressing some parts of the market, like SMEs, small companies you were not addressing in the past? Thank you.

**Tatiana Rizzante**

Okay, the second question is about pre-built applications. If you saw at the end of the ad, it's mostly on corporate, we embed them on services and we keep launching vertical and specialized, sometimes they are fine-tuned post-trained agents, other times are agentic systems that are vertical by segment, procurement. HR, that I mentioned before is one of these. They accelerate adoption and reduce cost, so this is what we are targeting in Italy and is also a little bit of corporate campaign, of course, it's basically is all AI-made, that video, it's made from a prompt. There is almost also no post-processing. It is AI all from prompt to output



if you are curious.

**Marco Cusinato**

Now the multiples, at least in the deals we are seeing, are more reasonable. Still quite high, but for sure more reasonable than the last two years, when they were over 20 times the EBITDA, things like that. Now they are in a corridor that is more comfortable for us, 12 to 14, 15, 16 times.

**Michael Lückenkötter**

Ok, thank you, Andrea, for your question. And now we go back to Giovanni from Bernberg. Please go on.

**Giovanni Selvetti, Berenberg**

This is a quick one, really, the follow up of what we said before. If we restate for the adjustments that you discussed at the beginning, what would have been the organic growth in Q1 and Q2?

**Marco Cusinato**

The reclassification is accounting for 1% of the growth in the nine months. Then on Q1 and Q2, I must check it and come back to you.

**Michael Lückenkötter**

Thank you, Giovanni. And now we turn to Bernstein, Société Générale. Derric, please, it's your turn.

**Derric Marcon, Bernstein**

Thank you for taking my questions. Three questions on my side.

The first one is on the contribution of M&A on net staff hiring. If you can share with us the consolidation date and the number of people, entering the scope of reply in Q3? That's my first question.

**Marco Cusinato**

On the nine months we grew 1,042 employees, if I remember well. 200 of them are coming from acquisition. In this quarter the two acquisitions were minimal, like less than 40 people.



**Derric Marcon, Bernstein**

And the consolidation date? You said that 1 or 2 months. So was it early September, or the beginning of August?

**Marco Cusinato**

Both beginning of August. We consolidated of these two companies just two months, August and September in the third quarter.

**Derric Marcon, Bernstein**

Perfect. Second question on Solirius. Did you expect any positive or negative impact from the budget that will be announced in the UK soon? Any input from you on that?

**Tatiana Rizzante**

Whatever is the budget, it won't be so big in terms of impact. We are just waiting that it gets released - there is a kind of blank period in UK, where everything is suspended. Probably we will have a restart of deals at the end of Q1, after the budget. So, we are just expecting that it gets done. Government is made of long-term contracts. We will see the effects much later.

**Derric Marcon, Bernstein**

Don't do worse than France, you know. And my last question is on the cost base. If you do more AI, agentic AI and you use internet tools to deliver your project where will you account the cost for the use of LLM in the projects? It will not be counted as personal cost, I suppose. So, where we will see the inflation or the impact from this increased use of third-party tools?

**Tatiana Rizzante**

You see it in the purchases line. The other components we are reselling are part of the service costs.

**Derric Marcon, Bernstein**

What is the amount today, roughly?

**Tatiana Rizzante**

It is not high because it is inference cost. One thing is the cost of training. Some of the vertical work that we are doing is already - and will include - post-training and training, and that cost is high. But in the cost of service - it is inference. This cost is not high. Nvidia released for



instance “boxes” that you can put on your desk, and they are about USD 5,000 each. With these you can do inference of a model up to 70 billion parameters. So, it is less than the cost of one of the PC that is normally given to our people.

**Michael Lückenkötter**

Thank you, Derric. One further question from Oddo BHF. Nicolas, please.

**Nicolas David, Oddo BHF**

One from my side on the purchases. In Q3 they were quite slow. It was like 1% of sales compared to 2% last year. So, could you help us understand what drove this reduction in purchases? Is it sustainable or just one quarter?

**Marco Cusinato**

This one we need to follow up. We will come back to you.

**Michael Lückenkötter**

Thank you, Nicolas. I don't see further questions. So, we come to the end now of this call.

Some final remarks on the process. My colleagues told me, during the afternoon they will publish the Italian and the English version of the formal quarterly report. So, you can download at the usual place.

From, tomorrow onwards I will start working on a transcript that will be published as soon as possible.

And as usual Paolo and I are available in case you have questions. Write us, call us, and we will try to help you.

We will see you again latest in March 2026 with the full year 2025 results. Again, thank you for joining us and have a nice day and a nice evening.