Transcript from broadcast of Asseco's Q1 2024 earnings conference call

Artur Wiza – Vice President of the Management Board of Asseco Poland (AW):

Good morning. We would like to invite you very warmly to the meeting on the results of the Asseco Group for the first quarter of 2024. We apologize for the delay due to technical reasons. Traditionally, our meeting will be divided into two parts. At the beginning, we will introduce you to our business and financial results. In the second part, we will answer questions. Today's conference is traditionally attended by Karolina Rzońca-Bajorek, the Group's CFO and Vice President of the Management Board of Asseco Poland, and Marek Panek, Vice President of the Management Board of Asseco Poland. We will begin with Marek Panek's presentation.

Marek Panek – Vice President of the Management Board of Asseco Poland (MP):

I welcome you all very warmly. I am glad that we are coming in good spirits, and we have good reasons for that. We consider the first quarter of 2024 to be a very good period for the entire Asseco Group - both financially and in terms of business. Actually, all segments and areas in which we operate counted this period as very successful. We are pleased, especially since we are operating in a difficult and unpredictable business environment. We know what is happening in neighboring countries. I'm talking about Ukraine, or the recent events in Slovakia. I am also thinking of the war in Israel. All of this, of course, does not help and brings with it business risks. This makes us all the more pleased that we have started the current year well.

On the slide we see the basic parameters of our profit and loss statement. Sales were at PLN 4 250 million, operating profit was PLN 501 million, non-IFRS net profit was PLN 137 million, and reported net profit was PLN 125 million – here we see a 16% increase. We note the significant impact on our results of foreign exchange differences, which we showed after Q1 2024. We monitor our business in original currencies. We keep in mind that about 90% of the Asseco Group's revenues are sales of our foreign companies, which are in currencies other than PLN. When we consolidate our results, we convert them into PLN. This quarter, as in the last few periods, exchange rate differences were noticeable. Excluding the effect of exchange rate differences, we would have seen 8% revenue growth, and non-IFRS EBIT growth would have been 9%. All this makes us very satisfied with these results from the financial side. This is also a consequence of our more than 30 years of experience and the fact that we are very well diversified: geographically, by sectors and by products. Our business is based on a very healthy, stable foundation, built on our proprietary software and services.

Some hopes, I don't know if already for this year, but certainly for the following years, are created for us by the EU funds that are reaching Poland and will probably reach the institutions that will apply for them in order to implement certain projects. Of course, they involve processes, tenders, or various proceedings. We will be competing in them. I think that as a company that has more than 30 years of experience and a history showing that we can implement projects effectively and on time, we will be an important beneficiary of the funds that will go to Poland.

I will traditionally summarize the business activities of our Group. I will start with what happened in the various geographic segments. In the Asseco Poland segment, we recorded an 11% increase in sales. In this case, exchange rate differences do not appear. This is purely organic growth, as we did not make any acquisitions in this segment in the past period. We are pleased because this is a healthy business. We note very strong revenue growth in two areas: finance and public institutions. I will elaborate further when discussing the individual product groups.

In the Asseco International segment, you see a 3% drop in sales, but let's keep in mind the effect of foreign exchange here. In original currencies, i.e. in euro, Asseco International grew by 5%. We emphasize the good situation in Asseco South Eastern Europe and in the ERP area, which operates within the Asseco Enterprise Solutions Group.

As for the Formula Systems segment, let's remember that it is the largest contributor to the Group's revenue and accounts for 66% of consolidated sales. We see a 4% decrease here, but in original currencies it would be a 9% increase. It is important to keep this in mind when looking to assess business development in this part of the Asseco Group. We highlight the good performance of Matrix IT. Our Israeli company had its best quarter ever, taking into account the results in the original currency in which Matrix reports, the Israeli shekel. We are also pleased with the results of Sapiens' operations. This company also had a very good quarter, especially in the main markets in which it operates, namely Europe and North America. The next slide, on our new proportional take, will be discussed by Karolina.

Karolina Rzońca-Bajorek – Vice President, CFO of Asseco Poland (KR-B):

We would like to present you with a new take on the presentation of our revenues. At the 2023 results conference, we talked about the fact that we will be changing the way we present them. This also applies to other profit and loss statement items. On the slide, we show you what Q1 2023 revenues would look like shown in the new approach. This is actually a mapping of comparable data. On the following slides, we show the snapshot on the right side of the table. At the previous conference, we explained in part what the change is all about. Up to now, we have been showing you revenue by so-called end customer. This means that in this snapshot it was less important what we sold, and more important to whom. And in this way, revenues were divided into finance and banking, public institutions and general business. By contrast, we are now separating product groups and thus what we sell is important. The biggest change in terms of volume is that in the revenue from solutions, whether for finance, for public institutions, ERP solutions, or other IT solutions, you will not find revenue from infrastructure. Wherever we have a project where part of the revenue is generated from infrastructure sales, that revenue is separated into a separate category. This, of course, should help you build models or track profitability. Asseco's goal is to earn and generate margins on sales of its proprietary solutions. The infrastructure sales business is a complementary business, so we can't abandon it entirely. In some projects we have to provide infrastructure, while the margins of this revenue stream are obviously different. The second change is that we are adding solutions for utilities to public institutions. Here we include mainly the power industry, which is subject to the procurement law regime, and where we provide fixed price projects, large implementations, the nature of which is very similar to those carried out for other public institutions, hence the logic of the change. I think it is clear what is in the product group of ERP solutions. In the other IT solutions, we included items that were not in the other categories. Here it will be mainly telecommunications, or trust service solutions, such as electronic signatures.

MP:

I think this change in presentation is to everyone's benefit. We feel that you will be able to better understand our business, better build your own models, so why don't we get used to this division. We will learn it together. If you have questions about this new take, of course you are welcome, we will be available.

Continuing with the rest of the presentation, I will discuss a slide showing the breakdown of revenues by new product groups. Here a brief commentary. You can see that the largest part of revenue is finance solutions. Here there is banking, as well as insurance, leasing companies and everything that falls under the banner of finance, while limited to proprietary software and services. Excluded is infrastructure. In second place is infrastructure, that is, the activity that we are less fond of. On the other hand, we continue it for various reasons, and today it accounts for 24% of the Group's revenue. In third place we have solutions for public institutions, which account for nearly 20% of consolidated revenues. In fourth place are other IT solutions, followed by ERP solutions, which account for 9% of sales.

We emphasize our diversification in terms of customer groups. We are in no way dependent on single customers. The top 10 customers of the entire Group account for 11% of our revenues, and the share of the Group's largest customer is about 2% of sales.

I will discuss our business in each product group. We will start with solutions for finance. The Group's revenues from this area amounted to PLN 1 322.9 million, and this is comparable to revenues from the same period last year. Keep in mind that here we are presenting sales in variable exchange rates, i.e. reported results. In original currencies, these would be correspondingly higher figures. In the Asseco Poland segment, we achieved nearly 20% growth, and this is primarily thanks to our operations in the banking sector in Poland and the fact that we have a very stable, large group of customers, a broad, healthy revenue stream from the maintenance and development of our systems. In this area, we are currently carrying out three major projects to implement core systems in banking. Here we also include leasing systems from Asseco Data Systems. We are pleased because this business is growing rapidly - about 25% year-on-year. On the other hand, this is obviously a much smaller scale compared to banking. In the Asseco International segment, sales in finance were at a similar level to Q1 2023. In original currency, we would have observed roughly 4-5% growth. Sales stood at PLN 339.9 million and were generated in significant part in the Asseco South Eastern Europe Group. We are pleased because the increases were most dynamic, both in the payment area and in core and omnichannel solutions for the banking sector. In the end, the Formula Systems segment and nearly PLN 847 million in revenues. The main player in the sector under discussion is Sapiens, and as I said, the company is doing very well in all the markets in which it operates. Let me remind you that Sapiens is a global company with 90% of its revenues coming from outside Israel: 50% from Europe and 40% from the United States, and it is mainly in these markets that Sapiens' business is growing.

Another group of our solutions is solutions for public institutions. Here we recorded PLN 820.5 million in revenues. Sales were at a similar level to last year. In Poland, we observed, very decent, 9% growth. In this group, we include solutions for central and local administration, but also for health care. In the area of public institutions, we have been implementing long-term projects for years. We are bound by contracts with very large institutions. A few examples are listed on the slide. We are pleased that we are signing new contracts. Given the prospects associated with the funds from the National Recovery and Resilience Plan (KPO), we are optimistic about the future. We are pleased with the 3% revenue growth in the Asseco International segment. In original currencies, this would be an even bigger increase. Especially since, as you remember, we have been signaling some stagnation in the Slovak and Czech markets for several quarters, and in this case, 3% growth is a very good prognosis. In the Formula Systems segment, revenues in this area amounted to PLN 485.6 million. In original currencies, several percent growth was recorded. The main players in this segment are Matrix IT and Magic Software, which implement projects for both public institutions and healthcare.

In the ERP solutions product group, sales revenues amounted to PLN 372.1 million, a 1% increase. Don't worry about the 5% decline in the Asseco Poland segment. This is on a very small scale, as this group includes only sales from DahliaMatic, which operates in Poland and implements ERP solutions from third parties, namely Oracle, Microsoft and SAP. We present our ERP solutions mainly in the segment of Asseco International - this is the business conducted under the umbrella of Asseco Enterprise Solutions. We have seen growth in this area and sales amounted to PLN 225.2 million. Finally, I will discuss the Formula Systems segment, where the scale is already smaller and revenues amounted to PLN 132.1 million. The main player in this area is Matrix IT, which has its own ERP system called Tafnit, but also has a business unit that implements third-party ERP systems.

In the product group of other IT solutions, we recorded PLN 715.8 million in revenues. In Poland, we observed 8% growth. Here mainly the telecommunications sector is included. We are pleased with this growth, it mainly includes the project implemented for the Polsat Plus Group. Let's not worry about the percentage decline in the Asseco International segment, because here the scale is very small: PLN 23 million in revenues. We are seeing a clear decline, but this is the effect of a high base last year, when we completed some large projects qualified for this product group. The main contributor in this product group is the Formula Systems segment, with revenues of PLN 640.9 million. The most significant players in this segment are Matrix IT and Magic Software. As for Matrix IT, this product group includes dedicated solutions that are hard to qualify as typical ERP. Magic Software produces and sells its mobile application development platform. This company also has a large business unit related to resource outsourcing, which operates mainly in the US market. That's all from my side. Thank you very much and I give the floor to Karolina.

KR-B:

To begin, I will present our Q1 2024 results from a bird's eye view. We achieved PLN 4 250 million in revenues, which translates into a 10% CAGR over 5 years. In terms of proprietary software and services, sales amounted to PLN 3 298 million. Non-IFRS EBITDA was PLN 645 million, the CAGR over the 5-year period was at a similar level as for revenues. Non-IFRS EBIT amounted to more than PLN 0.5 billion. In this case, the 5-year CAGR was even higher at 12%. Non-IFRS net profit was at PLN 137 million, and the 5-year CAGR was 10%.

On the next slide, we present a reconciliation of the revenues we generated in Q1 2024 and Q1 2023. The chart shows the significant negative impact of foreign exchange rates. Let me remind you that on a year-on-year basis, the zloty has strengthened against both the euro and the dollar, by 8% and 10%, respectively. The appreciation is quite significant and translates into a negative effect, which reduced our revenues by PLN 432.3 million. Results generated organically in constant currencies were higher by PLN 307.2 million, and PLN 39.5 million was the impact of acquisitions.

As for non-IFRS operating profit, starting from the Q1 2023 result, we recorded a negative foreign exchange impact of PLN 36.2 million. PLN 14.0 million was an additional gain from the sale of a property in Wrocław. This property was classified as “held for sale” some time ago. However, operationally it generated costs, as our employees were already providing their work in another building, which we rented at the same time. Therefore, we expect a positive long-term effect in the form of cost savings. PLN 21.8 million is the impact of organic results and PLN 7.9 million from acquisitions. This all translates into more than PLN 0.5 million in non-IFRS operating result.

As far as net profit is concerned, it should be remembered that from Q3 2023, and in fact fully from Q4 2023, we have a buy-back loan with the parent company. This loan generates annual interest costs in the region of PLN 60 million. In Q1 2024, this cost is recognized and results in a PLN 15.7 million negative impact on net profit. The sale of real estate, which I discussed in the EBIT chart, had a positive impact of PLN 11.3 million on net profit.

PLN 21.8 million was the Group's organic result. This all translates into PLN 136.6 million in non-IFRS net profit for Q1 2024.

A glance at the consolidated P&L. On the right side of the slide, we show you the increases excluding the effect of foreign exchange on the various levels of the profit and loss statement. What pleases us, besides the fact that we are recording increases in fixed exchange rates, is the improvement in profitability. It is visible at the level of operating profit. Of course, to benchmark it, you have to take off the impact of the sale of real estate in Asseco Poland. At the non-IFRS operating profit level, profitability in Q1, excluding this impact, was 11.5%, and this is a good prognosis for the future. What we see below EBIT is, of course, the result on interest, charging us more than in Q1 last year, as well as the positive impact of foreign exchange transactions. A very similar impact of hyperinflation from Turkey. In past periods we have talked about this being a one-off, while the topic of hyperinflation has been with us for a good few quarters. We see that this impact is similar. The slightly lower effective tax rate is a result of the use of tax credits on a larger scale, mainly in the Asseco Poland segment, and a better contribution from the companies we consolidate using the equity method. This all translates into a reported net profit of PLN 125.2 million. Looking at such an overall picture, I think it's fair to say that the numbers at the net level are very comparable year-on-year. In Q1 2024, we had a PLN 15.7 million negative interest impact, as well as PLN 14 million at the EBIT level and PLN 11 million at the net level of the positive impact from the sale of real estate - we can say that these numbers offset each other. Therefore, the PLN 125.2 million reported in Q1 2024 and the PLN 108 million in Q1 last year can be considered comparable figures.

If we look at the situation in individual companies in the Group, we are particularly pleased that the entities in which we consolidate a higher percentage at the net profit level are growing more dynamically. Here I am thinking in particular of the Asseco Poland segment and the very good performance of finance and banking and the public sector at the parent company. Decent, stable results were recorded by Asseco Data Systems. Contributions from other segment companies amounted to PLN 5 million at the EBIT level.

As for the Formula Systems segment, Matrix IT reported a record Q1 at all levels of the profit and loss statement in the original currency. Magic Software's slightly weaker results are mainly due to the fact that the company lost a major customer in the United States, employment there declined, and hence slightly worse organic results, also in dollars. Sapiens, on the other hand, is growing in dollars, and I think we can talk about a very decent quarter performed by this company.

As for the Asseco International segment and the Central European market, the engine of growth continues to be the ERP area - here both Poland and Germany. The situation in the public sector in the Czech Republic is stabilizing. We are especially pleased to see the stabilization of the situation on a large project that generated a loss last year. I think this is the moment when we can say that this loss will no longer be visible in this year's results. That is our hope. We will see how the situation develops. For now, it looks quite optimistic. As far as Slovakia is concerned, until recently it seemed that the situation was stable as far as the public sector is concerned. Whereas now it is necessary to wait and see how the situation will develop. On the operational side, I would say that there is not much of a problem with project delivery, but you have to keep in mind that there is always someone on the client side who has to pick up the project. An unstable political situation is always some sort of perturbation in the process.

As for the Southeast European market, i.e. our Asseco South Eastern Europe, I think it's worth highlighting the very good results in payments, where growth is driven mainly by e-commerce. Good results were recorded in banking, mainly in the area of omnichannel solutions. On the other hand, the results in the dedicated solutions segment were a little worse. I think that here there is nothing to worry about and our Balkan companies are growing satisfactorily.

As for the Western European market, Asseco PST's strong performance is worth highlighting. Here, cooperation between Asseco PST and banking in Poland is clarifying. The first joint bids are being made. I think this is good news.

I will now discuss the cash situation. Cash flow for Q1 of this year alone compared to Q1 of 2023 is also better. In LTM terms, it is very satisfactory. The cash conversion ratio was 121% at the Group-wide level. As we can see, it was above 100% in every segment. Perhaps if you analyzed the results in more detail, especially at the parent company, for which the numbers are reported separately, you may have noticed that cash flow compared to Q4 last year is a little worse. This is due to our natural collection cycle. I assume that Q2 will again be when the invoicing of the topics we see today in project pricing will occur, and Q3 will see cash flow. In contrast, I emphasize that the cash situation is very stable. We have more than PLN 300 million in cash at the parent company alone at this point, and PLN 378.5 million in the entire segment. We also see significant balances in other segments. Net cash is held in Asseco International. Asseco Poland's liquidity position is, of course, influenced by its loan, which is being serviced quite calmly at this point.

When discussing the results for 2023, we suggested you analyze us on a proportional basis. Our report also includes this take. It shows what our results would look like if we multiplied each level of the profit and loss statement by the percentage of ownership effectively held in a given company. This snapshot shows that the Group's profitability is even better. This is, of course, due to the fact that those companies in which we have a larger stake are growing faster. Generally they generically have higher profitability. Let me remind you that the Asseco Poland segment has always had the highest profitability at the operating level, followed by Asseco International and only in third place was the Formula Systems segment. On the slide we also show only the impact of foreign exchange, and to the right you can see that, on a proportional basis, revenues grew by 9% in fixed exchange rates, non-IFRS operating profit by 19%, and IFRS operating profit by 23%.

We also present to you the liquidity situation on a proportional basis. In the Asseco Poland segment, the numbers do not change, because here we have virtually 100% participation in all companies. However, in the Asseco International and Formula Systems segments, the numbers shown are multiplied by the effective percentages of shareholding.

On the next slide, we show our order backlog. For the past two or so years, we have been showing the backlog in two snapshots: in fixed rates and in variable rates. We see that in variable rates the trend is similar to that shown throughout last year. In past quarters, we have even shown negative dynamics or shaping around zero. We saw a similar situation in the past quarter. What we are particularly pleased about is that the backlog in fixed exchange rates is growing by 7%, with the most dynamic growth observed in the Asseco Poland segment at 10%. In the Asseco International segment, the order backlog is higher by 8% and in the Formula Systems segment by 6%. In the Formula Systems segment, Sapiens to be exact, there has been a slight change in the approach to what is included as backlog. Last year we had such an adjustment in Matrix IT. Comparing the order backlog on a like-for-like basis, the dynamics in the Formula Systems segment would also be a little higher. There is no cause for concern here. As for the backlog in the Asseco Poland segment, the public segment is growing most dynamically in succession, followed by finance and banking, and general business in third place. The trend is analogous to that presented at the 2023 results conference. That's all from my side, thank you very much.

AW:

Many thanks to Karolina for summarizing our strong results and good outlook for the next quarters of this year. Thank you, Marek, for summarizing the business. As a reminder, you can see a chat panel on your screens where you can ask questions. Our conference call today is available in Polish and English. So we invite you to ask questions also for those who watch us abroad.

Investor 1:

Good morning, congratulations on the strong results. What is the scale of revenues and results of the companies in the Polish market that you mentioned at the conference for journalists in the context of possible acquisitions? A quote from PAP: "We have three companies in the Polish market, where we are at the stage of negotiating transaction terms".

MP:

Yes, indeed. I'll just point out that while talking to the journalists, we cooled the mood a bit, saying that we are at the stage of price talks. In fact, we are talking quite specifically with three companies. At the same time, these are not large entities. These are companies with revenues in the order of: the first about PLN 30 million, and the other two much smaller, with sales of less than PLN 10 million. Nevertheless, these are interesting entities from the perspective of product-competition perspective. We also told journalists that it so happens that we have a lot of conversations that end at this very stage, i.e. discussions about valuation. We see all the time that the expectations of entrepreneurs are quite high. We compete with funds that have resources and need to spend them. The competition is considerable on their part. So we will see how it goes. We would like to make these acquisitions, of course, but we will also be very careful about the price.

Investor 2:

When will the company decide on the fate of the shares that were bought back?

KR-B:

In line with what we said at the 2023 summary conference, we do not feel time pressure in this regard. We are observing the situation in the capital market and at the macro level. All scenarios are on the table today, and at this point I would not like to give a precise date when any decision can be made. We are reserving time to make the best possible decision for our investors. It may still take us some time.

Investor 3

Are you able to estimate what size of contracts from EU funds may appear in 2025 and 2026?

AW:

It is difficult to determine what these contracts will be. We can refer to market opportunities here, because KPO can have a huge impact on the entire market. Here I mean not only the IT market, but the entire economy. If we talk about funds from the KPO and the Cohesion Fund, 25% of these funds are to be allocated to innovation and new technologies. These funds will feed into the funds of our customers, who will be able to invest in such solutions. We are looking positively at local administration, small and mid-sized companies, but also at larger projects that can be organized by the state to spread digitization. As for specific values, it is difficult to estimate them at this point. There are no specific projects that we can name and indicate their value yet. We will try to keep you informed in the coming quarters.

Investor 4:

How do you assess wage pressure in the global IT market from the perspective of the entire Asseco Group, now and in the coming year? Wage costs have stopped rising year-on-year, with employment remaining constant. Does this mean that the situation is changing? Please also compare with the Polish market.

KR-B:

I think the first quarter showed the same trends that we talked about at the 2023 summary conference. Indeed, the situation from our point of view, as an employer, is stabilizing. We talked about the fact that we have reached a certain optimum in terms of the team we have today, the backlog we have built, and the projects we see opportunities for implementation. On the other hand, in terms of costs, it has been rightly noted here that we are indeed seeing a trend of stabilization. Average salaries in the Group are growing at a single-digit rate year-on-year. This is evident in all segments in the Group. I think the trends we see in Poland can be extrapolated to all the places where we operate. Poland, the Balkans, Central Europe and Portugal - these were the areas where this pressure was felt the most, thus the slowest to come out from under this pressure. From our point of view, we have passed the inflection point and are now observing that there are fewer responses to job offers and employees are less willing to change. This may be related to the current geopolitical and macroeconomic situation. Getting new people on new projects may be a challenge. On the other hand, for today we feel that the level of employment is quite optimal.

Investor 3:

The question is about your own shares. In view of the prospect of EU funds and cost stabilization, isn't it better to redeem those shares? With the very strong cash flow you have shown, this could be a much more favorable solution.

KR-B:

As I said, all options are on the table. I do not rule out that this solution will be chosen, because of the arguments cited in this question. I think the question is very legitimate and rational. I wouldn't want to rule out any other scenario just yet, although this situation and these arguments give some comfort in making a decision.

AW:

With this process, we decided to go out more actively and promote the company to investors. We are participating in more meetings with investors, both in Poland and abroad. We also meet with individual investors. By the way, we want to promote a new approach to the presentation of results, which also helps investors who were not previously familiar with our organization. We are seeing more interest. We are very happy that after 20 years since we have been on the stock exchange we can present Asseco anew.

Investor 2:

At what time does the company plan to repay the loan taken out for the purchase of the shares?

KR-B:

As previously announced, we will be repaying the loan on a scheduled schedule. Let me remind you that the basic plan calls for monthly payment of the principal installment and repayment of half of the principal in 5 years. This period is to be followed by a bullet payment of the other half of the principal. I have not ruled out and still reserve the right to say that *ceteris paribus* some small part of this debt will be rolled over. This will, of course, depend on the financial and cash situation. As of today, the scenario is as it was when we took out this loan.

Investor 5:

How do you assess the development of the backlog in 2024? In May 2024, growth slowed in all segments versus March 2024.

KR-B:

We see a slowdown in these numbers, of course. Keep in mind, however, that sometimes these are "spot" effects. Signing one large contract with a public sector institution can make this number look very good. Looking at the dynamics presented today, we feel that there is nothing to worry about. Taking into account the additional strain on our resources, we are quite calm. Let me remind you that the dynamics presented in the same period last year were lower. At the Group level then it was 4%, and now we are presenting 7% in fixed exchange rates, so it seems to be a satisfactory figure.

Investor 5:

What EBIT margin do you expect in 2024?

KR-B:

Our EBIT margin is affected by so many factors that it is difficult to formulate any expectations. We try to follow such a policy so as not to surprise our investors. Today, we are talking about the fact that Q1 2024 results, without the impact of one-offs, may provide some benchmark. On the other hand, what profitability looks like at the Group level is influenced not only by exchange rates, but also by how the share of individual subgroups in the results is shaped. Therefore, it is difficult to talk about some precise value here. We have an ambition to keep working on profitability. Improvements in operating profitability can come from more efficient use of resources, and this is an ongoing process. Today we are not focusing on looking at this aspect in the short term. We are working on it long-term. Our ambition at the time of budget formulation, as well as now, remains to continue working on profitability.

Investor 3:

Can you please comment on the assets in Israel? First regarding the rather high CEO program, and second regarding whether you don't think the sale of these assets could create shareholder value?

KR-B:

The CEO program is a theme that has been with us for years. Mr. Guy Bernstein, who is the sole beneficiary of this program, shares in building the Group's value. The year is 2024, and the program matures in 2027 and was designed to last 8 years. We recognize the costs of this program on a straight-line basis in our profit and loss statement. As for the Formula Group, we have always believed that the key to generating long-term value is to retain people who share a common interest with us and with you, the shareholders of Asseco Poland. In order to achieve this goal, Mr. Guy Bernstein was included in the share program, which aligns his interests with ours. We believe that so far these values and contributions are being realized, with which we are satisfied. I wouldn't refer to some absolute value here, as we are focused on creating value in the long term. I am referring here to both Formula Systems and Asseco Poland, or the Asseco Group.

As for the second part of your question, regarding sales: we always think in scenarios and variants, whether if you ask about our own shares, acquisitions or potential sales. Of course, we consider various variants, we have calculations for them, because this is what managing such a large Group requires. As of today, Formula Systems contributes to the Asseco Group at a level that is in line with our expectations. There are no indications that it should be different. Therefore, we see no need to make any ill-considered decisions in this regard at present.

Investor 3:

Earnings growth – can the dynamics after Q1 2024, cleared by the gain on property sales, be an indicator for the next nine months of 2024?

KR-B:

As I said, the year-on-year results, cleared by the impact of one-time transactions, are what I would call benchmark organic results. Of course, there are places where we have, whether it's question marks or more potential, which at the end of the day probably balance out. I would say that you can look at this Q1 as a benchmark quarter, which does not at all mean that today we are promising exactly the same dynamics after Q2. I would emphasize again that there are a lot of volatility factors at play here. Of course, you also have to bear in mind that there are some businesses in our Group that show a certain cyclicality when it comes to recognizing results at a certain time. One example is electronic signature, where the first quarter is always the best. I think that when it comes to long-term forecasting, our Group should be looked at over a much longer time horizon. That's why we present you with CAGRs, and I would base it on those levels. However, a quarter is far too short a period to say anything about the next three based on it.

Investor 6:

I wanted to ask for an explanation of what is the reason for the decrease in backlog dynamics in the Asseco International segment versus the dynamics presented at the March conference?

KR-B:

We have already answered this question a bit. We have better dynamics when it comes to ERP solutions, while in general in the Asseco South Eastern Europe Group the dynamics are a bit slowed down. I think this was also commented on at the Asseco South Eastern Europe conference.

Investor 2:

Is the post-election recovery in public procurement in Poland already visible? Is the transfer of power, which limits decision-making in many areas of public administration, still ongoing?

KR-B:

It seems to me that the situation varies from place to place. There are areas where projects are carried out on an ongoing basis and orders placed at the end of last year are implemented by force of momentum. On the other hand, we observe that we have such clients in Poland, where there is an operational problem with the acceptance of our work. This is not a threat to the result. Rather, it's some sort of perturbation in terms of cash flow, and this may to some extent explain the slight slowdown in dynamics when it comes to the execution of some orders. On the other hand, it seems that the pressure to execute IT projects at public clients is high enough that these organizations are orienting themselves in this direction. It also seems that the situation should be improving even where today we are temporarily seeing such a slowdown in decision-making.

Investor 3:

Can you please comment on the recent speculation about a potential Sapiens deal?

KR-B:

I would not like to speculate. At this point we do not have any specific information to give you regarding the Sapiens transaction, i.e. we have no information that any transaction is going to take place.

AW:

We can also refer to Karolina's TV interview today, where the question was asked if we are looking for a partner and if we are looking for a "marriage". I will comment right away that the question was more about whether we are looking for people willing to buy our own shares. Of course, we are not looking for a partner as such, while we are always looking for investors. We will continue to work actively to attract new investors who want to join the company.

This was the last question. In this regard, we thank you very much for your participation in today's conference. You are, of course, welcome to contact our Investor Relations (IR) department if there are any current topics, questions and various issues related to our presence on the stock exchange. We would like to invite you to our next meeting to discuss the results for the first half of 2024. Thank you all for attending today's conference and we are looking forward to seeing you there.