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Transcript from broadcast of Asseco's Q1 2021 earnings conference call

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

Good day. Welcome, everyone. Unfortunately we don't see yet anyone but us from Asseco. We kindly invite you to turn on the cameras. The platform makes it possible. In a moment, I will pass the floor to Joanna, but first of all, I would like to point out that the conference will be recorded. The material will be posted on our website so that other people from the investor community can familiarize themselves with it. Joanna, you have the floor.

Joanna Paczkowska-Tatomir – Head of IR (JPT):

Good day to you. We are very pleased to meet with you as we do it every quarter on the occasion of the summary of the results. We still have to meet remotely, but we are hoping that in August we will be able to meet you face to face. Today, we will present the results of the first quarter, and the following persons will discuss them: Karolina Rzońca-Bajorek - Vice President, CFO, Marek Panek - Vice President and Artur Wiza - Vice President. I will now give the floor to Marek Panek and I am about to display the presentation.

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

Thank you. I welcome you all very warmly. We're about to have the slides displayed, so - as we do every quarter – we'll go through the highlights with their help. We come to you with very good news. This quarter was very positive for us. We started the year with very good financial results. I'll start my commentary with the results because we think we should always start with them because it's very important evidence of what we do. On the first slide you see the basic parameters of the profit and loss statement. I think we can all be very pleased because the growth we are showing is really impressive. Revenues are up by 14% and profits (operating and non-IFRS net) are up by over 20% compared to Q1 2020. These increases are the result of continued organic growth and acquisitions made. We have not stopped making acquisitions, despite the difficult pandemic situation. Last year we added 15 new companies to the Group, while in the past quarter we added 4 new companies. Today, I would like to emphasize our stable customer base and a large share of recurring revenues. We have a feeling that we sometimes forget about it, and it is a very important factor of our business, positively affecting the presented growth. The fact that today we show such an increase in results is largely thanks to cooperation with our regular customers, who are often with us for several, a dozen or so, and some even for several decades. They generate a recurring level of revenues, despite the fact that sometimes it is not visible in the backlog. It is important to remember that we understand backlog as signed contracts only. However, it is worth noting that many areas with regular customers are not signed, although we know, looking at the history of cooperation with a given customer and their broad needs, that they are very likely to occur in the future. Please, keep that in mind, because it is very important information. I would like to ask for the next slide.

Moving to numbers - I suppose you have already analyzed our quarterly report and the presented values are already familiar to you. As a reminder - sales revenues, after a 14% increase, exceeded PLN 3.3 billion, out of which PLN 2.6 billion revenues were generated from our core business, i.e. proprietary software and services, which represents an 11% increase. EBITDA, after an increase by 18%, amounted to nearly PLN 500 million, and non-IFRS EBIT, after an increase by 26%, reached almost PLN 400 million. Non-IFRS net profit amounted to PLN 115 million, which means 23% growth. The presented numbers confirm that financially this quarter was exceptional, probably even the best in our history.

We would like to emphasize the diversification of our business. In terms of the sector breakdown of our revenues, this is where a lot is unchanged from what we showed for all quarters last year. In Q1, general business accounted for 41% of our sales, banking and finance for 34% and public institutions for 25%. You can see in the bar chart that for the last 5 years each of these segments has seen increases.

When it comes to dividing sales revenues by geographical segments in which we operate, the largest contributor is the Formula Systems Group which accounted for 65% of sales, followed by the Asseco International segment with 24% and the Asseco Poland segment with 11%. Someone might say that the Polish segment accounts for only 11%; however, this does not worry us at all as such a revenue structure is a consequence of the Group's international expansion. The bar chart shows the distribution of sales during the first quarters of the last several years.

In the case of non-IFRS operating profit, the situation is slightly different as we have higher profitability in Poland than in the Formula Systems segment. Hence, there is a certain difference. Formula Systems contributes 59% to the non-IFRS operating profit, whereas the Asseco Poland segment - 16%. In the case of the Asseco International segment, this contribution is at a similar level as in the case of revenues. On the bar chart you can see how this non-IFRS operating profit grew for us in the first quarters of the last few years.

I will now briefly comment on our business by geographic segments. I will start with Poland, whose sales grew by 18%. Here we would like to emphasize two points. The first is the significantly higher revenues from the public institutions and general business sector. I will comment more on this while presenting next slides on individual sectors. The second point is the very good sales performance of Asseco Data Systems, especially the strong growth in the areas of security and trust services and education. As for the Formula Systems segment, here we generated a 9% increase in revenues. We practically had no foreign exchange effects in the first quarter, and this figure – 9% – corresponds to organic growth and acquisitions. The commentary on this segment is similar to what you hear from me every quarter: practically all companies within the Formula Group perform very well and report higher revenues. We are extremely pleased with that. Formula Systems is a truly "healthy" and important part of the Asseco Group. Formula has been with us for over 10 years and they have never let us down. In the Asseco International segment, we recorded a 16% increase in revenues. In this segment, we would like to point out the performance of Asseco SEE - dynamic growth in banking and payments. Probably some of you attended this company's earnings conference and had an opportunity to listen to Piotr Jeleński's commentary. I think that together we can be satisfied with what is happening there in terms of business. We would also like to emphasize the double-digit sales growth of our ERP solutions. We are particularly pleased with what is happening at Asseco Solutions in Germany. We recorded not only an increase in sales there, but also a significant improvement in profitability.

We will start the discussion about the sectors in which we operate with banking and finance. At the Group level we recorded an 8% increase in sales which amounted to nearly PLN 1.15 billion. In the case of Formula Systems we are delighted with Sapiens, which is a really healthy, growing and globally operating company. Sapiens generates most of its revenue on the US market, but it is also performing increasingly well in Europe. In the case of Europe, we highlight the impact of previously completed acquisitions in Spain, Scandinavia, and Germany. Organically, Sapiens is also doing very well. We do not forget about Matrix IT, which also operates in the banking and finance sector, but in Israel. This company implements projects for the largest Israeli banks. As far as Asseco International is concerned, we observe a dynamic growth of 16%. Here the main contributor is Asseco SEE. I have already mentioned this, but let me remind you that Asseco SEE operates in a traditional sales model in the banking sector as well as in payments. This area of payments is the apple of Piotr Jeleński's eye and Piotr puts a lot of emphasis on it, which results in very dynamic growth. We are happy with what is happening in Asseco CE, because there was a small "halt" in the banking sector. This has been recovering, new contracts have been concluded. Cooperation with insurance companies has been also developing. Here we should mention the "second life" of the StarINS solution dedicated to the insurance sector. This solution has undergone a certain technological metamorphosis and I think that also thanks to that we have signed new, international contracts. For example, we signed a contract with an international insurance company which also operates in German-speaking countries. We are currently implementing projects for this company. In the Asseco Poland segment, we see a slight decline in sales; however, it does not surprise us and does not worry us. Sales exceeding PLN 100 million in the first quarter of 2021 is in line with the budget we have prepared for this year. We shall remember that the market environment in the Polish banking sector is very difficult and we were expecting such declines. We are satisfied with our result achieved in such an environment.

In the general business sector we generated PLN 1.35 billion in revenues, with a 17% growth rate. The largest contributor in this area is the Formula Systems segment. Within the Formula Group, the largest companies operating in the general business sector are Matrix IT and Magic Software. Both these companies performed very well, signing new contracts and consolidating the results of their previously acquired businesses. An 18% increase in the Formula Systems segment is very satisfactory. In the Asseco International segment, I would like to emphasize once again the increase in sales of ERP solutions, especially in the German segment. Other ERP companies in Poland, the Czech Republic, and Slovakia are also doing very well. On the Polish market we see a very dynamic growth of 43%. Sales in the Asseco Poland segment amounted to PLN 93 million. In this case two aspects are worth emphasizing. Firstly, we continue our projects in the power and gas sector. During the previous conferences I told you what we were doing in Tauron. Our project in PGNiG is entering a decisive phase. So far, everything is going well there, and I think we will take a "solid" position with this customer once this project is completed. The second issue worth highlighting is the implementation of projects in the Cyfrowy Polsat Group. In Q1 2020 we recorded only slight sales to this customer, but since Q2 of last year we have been accelerating and we have been executing projects for this customer, which has an impact on our results.

In the public institutions sector, our consolidated revenues increased by 19%, amounting to PLN 838 million. In Israel we recorded a 28% increase. The main contributor here is Matrix IT, which executes large projects for public institutions. It is worth noting that this company has recently implemented large-scale projects in the area of cyber security, primarily for the Israeli Ministry of Defense. Furthermore, Matrix IT continues to implement projects related to remote work. Someone might say that this remote work is slowly coming to an end; however, this is not the case and these solutions are still needed. In the case of Asseco International, we have a slight decline, but remember about the Slovak market, where in the first quarter of 2020 the situation was still good - there was no pandemic yet and there were no political changes that occurred later. Looking at that quarter from today's perspective, you can say that it was exceptional. In the following quarters of 2020, we had a "halt" in Slovakia mainly related to the change of government - ongoing projects were stopped, no new projects were implemented. This is slowly recovering, but not yet at the pace we would like. However, we are optimistic about the situation and observe what will happen in the coming quarters of this year. In the Asseco Poland segment we see a very significant, 26%, growth and revenues of PLN 171 million. This is a consequence of the long-term agreements that we signed in 2019-2020. I have already mentioned these agreements to you throughout last year. I don't want to mention the names of the customers anymore at this point, but these were very good customers and significant agreements. In addition, the results of the first quarter were affected by intensified cooperation with the Social Insurance Institution (ZUS) in the area of adaptation of its key IT systems to government programs related to the pandemic. We signed a number of annexed contracts in that regard and those contracts are currently being executed and will be executed in the subsequent quarters.

Today, we would like to draw your attention to the dynamic development of the security and trust services we offer under the Certum brand. This area is handled by our subsidiary Asseco Data Systems. If we look at the scale of the entire Group, the PLN 55 million sales of the Security and Trust Services Division at ADS in 2020 are not very visible, but we are pleased with the dynamic growth of this area. As you can see, the CAGR (cumulative annual growth rate) for 2017-2020 is close to 30%. We are pleased with the market position that we have earned for ourselves. Today we can say that we are the leader of trust services in Poland, with about 50% market share. As a reminder, the main products we sell are qualified electronic signatures, including SimplySign mobile and SSL certificates, those "padlocks" you see on many websites. Among commercial SSL providers we are 1st in Poland, 5th in EMEA and 7th in the world. Not many people know about it, that's why we want to tell you about it today. We have over 400 thousand customers in 70 countries. We have issued more than 10 million certificates. These are all numbers that I hope impress you. We have a well-organized sales network with more than 1,700 stationary and mobile certificate issuing points through more than 425 partners. We do all this with a team of 180 people. Let me remind you where it came from. Probably already 10 years ago we bought Unizeto company from Szczecin. This team is still with us and it has helped to develop such a strong market position. I think that today not only the pandemic, but general interest in cyber security caused that this part of our business has been growing so dynamically.

We do not stop our acquisition activities. In Q1 2021, 4 new companies joined the Group – 2 on the European market, acquired by Asseco SEE, and 2 on the Israeli market. I will not go into details here. At this point I would like to mention one more acquisition that is not shown on the slide because it formally took place already in the second quarter. This is a significant acquisition that took place on the Israeli market - Zap Group. This is the beginning of building the "fourth pillar" in the Formula Group, related to the e-commerce business. So far we have been practically non-existent in this business in Israel. Now we are entering it through the acquisition of the largest player in Israel, which generates annual revenues of ca. 200 million shekels, i.e. the equivalent of approx. 200 million PLN.

We are emphasizing the growth of our competence areas - ERP, payments, insurance, banking and finance, etc. I don't want to talk about details here, because we are growing everywhere. I just want to draw your attention to the dynamic, 62%, growth of our cloud solutions. In this area, on the Group level, we achieved PLN 242 million in revenues in Q1 2021 alone. Let me remind you about two initiatives we have undertaken – Asseco Cloud and Cloud for Health. These activities are in line with market trends and I hope we will build a significant position in this area.

As during every earnings meeting, we are presenting to you our backlog. The backlog of orders in the area of proprietary software and services is 14% greater than in the same period a year ago and currently amounts to PLN 8.6 billion. This gives us a certain optimism in looking at the whole year. This is thanks to a stable customer base and a high share of recurring revenues. It is also worth noting that if we convert this backlog at the rates used for the 2020 backlog, the change amounts to +17%.

The last slide I would like to comment on concerns a dividend. This year we will pay PLN 258 million in a dividend or PLN 3.11 per share. This is the dividend that was approved last week by the General Meeting of Shareholders. The dividend payment date was set for June 18, and the record day for June 4. We say this for a reason. We want to emphasize that we are a dividend company and we like to share the profits we earn with our shareholders. In our history, we have paid out over PLN 2.4 billion in dividends, and I think that we will continue this policy.

That is all for my part. Thank you very much and I will, of course, be available later during the Q&A session. I will now give the floor to Karolina.

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

Thank you, Marek. Good day to you. It is a great pleasure to meet with you today, especially because, as Marek said, we have very good financial results to report. First, we are presenting a synthetic view of the profit and loss statement. Marek has already talked about it, but I would like to emphasize the growth at each level of the statement. We are very pleased with the growth of revenues and operating profit both on a non-IFRS basis (up by 26%) and on an IFRS basis (up by 29%). Operating profit is growing faster than revenues thanks to improved operating profitability, which stood at 9.7% in Q1 2021, 1.1 percentage points higher than in the same period in the previous year. When it comes to the reasons for this increase in profitability, half of it was thanks to the change in the operating model to a hybrid model. Currently, some companies are still working remotely, while some have already returned to a normal mode. We continue to observe savings in such quite intuitive cost categories as business trips, company cars, etc. On the other hand, in some segments this effect is offset by growing holiday provisions. We have a very high level of utilization of our employees. They are ready to provide services and execute all contracts. This is reflected financially. It is worth noting that all the segments – Formula Systems, Asseco International, and Asseco Poland - have shared equally in the surge in profitability.

In terms of the reconciliation of operating profit and net profit, I would say yes - no special changes. We see rather stable numbers within financial activities. We have a slightly lower result as far as foreign exchange transactions are concerned – it is caused by the fact that in Q1 2020 the positive FX effect reached as much as about PLN 5 million in the Western Europe holding, where we have a foreign exchange exposure to the euro. The valuation of this exposure was positive in the first quarter a year ago. Whereas this quarter we have more stable exchange rates and overall – in terms of P&L translation – no material impact associated with them. This can be seen in the profit and loss statement under foreign exchange transactions. It is also worthwhile to comment on the effective tax rate, which decreased y/y; however, this decrease is observed only in one segment - the Formula Systems segment. We reported a substantial decline there, by over 3 percentage points. It is caused by two factors. The first one is a change in the sales structure - more sales in Israel, less in the United States. The second one is a legislative effect. Israel has introduced a tax preference for large capital groups - both Magic and Sapiens, being part of the Asseco Group, were able to take advantage of these preferences. These companies effectively tax a portion of their revenues at the rate of 6%. These preferences will remain in place and these companies will settle their taxes this way. However, the effective tax rate is temporarily higher for the Asseco Poland segment. This is related to the fact that in Q1 and Q2 we generate revenues from dividends. In the first quarter of this year we already managed to settle a large portion of dividend revenues in terms of taxes. In this area we deal with such issues as the allocation of tax deductible expenses and simply temporarily in these first quarters the effective tax rate is a little bit higher. This effect is offset in part by the use of IP Box relief. As we said at the conference after the annual results, we will try to account for this preference on an ongoing basis and this effect is already reflected in the figures for Q1. Whereas, as far as the effective tax rate of the Asseco International segment is concerned, it is also higher than in the corresponding quarter last year. Here it was mostly affected by Asseco SEE Group - larger portion of business operations in Turkey is conducted outside the special economic zone - as well as slightly different mix of sales, more licenses and, consequently, higher income tax at source, which burdened our effective tax rate. Finally, I would like to comment on the net profit attributable to shareholders of the parent company. In fact, as Marek said, if we look at the historical results of the Group for the first quarter, after clearing for one-off events, this is our best quarter ever. So far we have had only one better Q1 and that was in 2012, but there we had the effect of accounting for the loss of control over Sapiens, which was in fact an accounting operation. From a business perspective, Q1 2021 is a record quarter. There are also no significant one-time events in this quarter that are included in our results.

On this slide we are presenting the results of our regions and subsidiaries. As you can see, the Asseco Poland segment posted higher revenues, strong growth in non-IFRS operating profit (especially in the public administration segment), and a significant contribution to the Group's results. It is worth emphasizing that it was a very good quarter for Asseco Data Systems - especially in the area of security and trust services and key clients. In the Polish segment, in the line presenting other companies, we recorded a decline, which is a consequence of consolidation of Park Wodny Sopot, which was closed due to the pandemic. This company generated losses and burdened this line. As far as the Formula Systems segment is concerned, we recorded increases in all companies and all segments. Here we are a beneficiary of geographic diversification - higher sales in Israel and Europe, slight deterioration in the United States (particularly in the banking segment in Matrix IT). As far as the Asseco International segment is concerned, we are very pleased with the performance of the Central European market - I am thinking especially about the ERP solutions segment, which grew dynamically and has very good development prospects. Banking and payments performed very well in Asseco SEE. The West European market is a certain challenge for us. At the level of non-IFRS net profit contribution - PLN 5.5 million vs. PLN 10.7 million – it is a result of FX differences at the Asseco Western Europe holding. At the level of EBIT non-IFRS, the result is quite stable. Here, in the second quarter we will add the acquisition of Asseco PST. We will monitor the situation on this market. We will talk more about the Eastern European market later.

In terms of operating cash flow, as we have been presenting for the last couple of conferences, we highly encourage you to watch Asseco on a rolling basis. We track the cash conversion ratio in LTM terms, i.e. the last 12 months, and from this perspective the numbers look very decent. At the Group level this indicator reached 96%, in the Formula Systems segment - 100%, in the Asseco International segment - 95%, and in the Asseco Poland segment – 81%. When it comes to this indicator for the Polish market, we believe the range of 80-120% is a decent level. However, in Q1 2021 some one-time effects did indeed affect this cash flow. It should be emphasized that these are one-off effects which can be made up in future quarters. In particular, I am referring to the negative operating cash flows of Matrix IT and Asseco Spain.

Let’s move to the liquidity situation now. As at March 31, 2021, there was the amount of PLN 2.7 billion in the accounts of Group companies. We did not increase interest-bearing debt. Net cash amounted to PLN 1.8 billion. Our net operating assets are growing. This is related to a slightly worse operating cash flow, while we expect to cash these assets in Q2 and Q3 of this year. We reiterate that the Group as a whole has a very stable liquidity position and we can say that we are very safe in these uncertain times.

That's all for my part. Thank you.

AW:

We will now move on to a Q&A session. If you have any questions for us, we will be happy to answer them. Feel free to ask questions via chat or in person.

Investor 1:

Is the value of the backlog higher by 9% y/y on the Polish market comparable to the previous year or, as in the previous quarter, is it affected by a change in methodology (inclusion of revenues from digital signatures)? Which segments are growing strongest when it comes to the backlog on the Polish market?

KR-B:

We no longer have that effect that we had on that slide at the annual conference. Now the methodology is consistent and that increase is an actual increase. It is true that this methodology changed before, but as I have just said, it is consistent now. We are trying to show the backlog conservatively and as Marek said, only signed contracts are included in it. That is why we have removed the electronic signature from the backlog presented this year and in the comparative period. So to answer your question directly – there is now no effect of the methodology change. As far as the segments that have the strongest backlog are concerned, I understand that this refers to the companies on the Polish market. We are certainly satisfied with the backlog of our parent company, but the backlog of Asseco Data Systems is also decent.

Investor 2:

What specific contracts contributed to such a pronounced negative working capital in Q1 2021?

KR-B:

I would go through the segments. What I said about the Formula Systems segment - the negative operating cash flow is a result of the fact that the Christmas holidays in Israel occurred in Q1 2021. As a result, Matrix IT, which earns the vast majority of its revenues by billing people on the so-called Time & Material basis, did not have time to invoice the services it had delivered in Q1 and due to this shift, it did not fully collect cash flows for the previous months. This "timing" effect that occurred in the Formula Systems segment was made up for already in April. In other companies of the Formula Group - Magic and Sapiens - cash flows were very decent. As far as operating cash flow is concerned, we should remember that we had a fantastic Q4, when the EBIT cash ratio was close to 160%. This is an element of working capital management, which just happened to show up positively in Q4 2020, whereas now we have a shift effect and these payments of public and commercial liabilities occur in Q1 2021. This is such a general comment from my side. In the Asseco International segment, we had decent cash flows in the Asseco Central Europe Group. In Asseco South Eastern Europe we had a very good first quarter compared to the same period last year. Cash flows in this segment were negatively affected by Asseco Spain. This is a company which, as you are certainly aware, deals with hardware. It generates annual revenues of EUR 90-100 million. However, this is hardware trading, which is a capital-intensive business. In the first quarter of the year, Asseco Spain recorded a surplus of cash, and we started to observe the same trend as in Poland, namely negative interest rates on deposits in Spain. Therefore, Asseco Spain entered into an agreement with vendors and prepaid part of its hardware deliveries. It also received discounts for these prepayments. This was a conscious decision of the Management Board of that company, which had its effect on the Group level. The scale of these prepayments amounted to about EUR 12 million. As far as Poland is concerned, I would say that EBIT cash at the level of 60% is a typical, seasonal level in the first quarter. In this case, we were negatively affected by a higher volume of equipment sales in Q1, for which cash was paid after the end of the quarter. There are no indications that we should worry about this operating cash flow. The timing effects worked for us here.

Investor 3:

Does the company hold talks on any major M&A in the segments of Asseco Poland or Asseco International? Which sectors are you targeting?

MP:

We are constantly engaged in this acquisition activity. We meet with a lot of companies both in Poland and abroad. At the moment the most important areas are cyber security and ERP. If you ask me whether we have any big topics in our pipeline, I would probably say that we do not. We are talking to smaller companies that are relevant to us from a product perspective. We hope to close some of these topics, although we are observing some price "madness" and we do not necessarily want to participate in such a race, buying entities with P/E ratios of 30, 40 or even higher. We are still interested in growth through acquisitions and we do this kind of business all the time, but we do not want to overpay.

Investor 3:

What does the decision to sell R-Style stem from? Can you expect any write-downs related to this?

MP:

We expected this question. In the quarterly report, in the events after the balance sheet date, we wrote about the sale of R-Style. R-Style had been with us since 2013. The political situation when we started our adventure in Russia was very different than now – it was before the annexation of Crimea, before the war with Ukraine, before the sanctions imposed on Russia, etc. We went there hoping that our banking solutions, which are definitely more mature and proven in Western Europe, would allow us – together with R-Style - to prepare a very interesting offer for the Russian market. Unfortunately, this did not work out for various reasons. I would be inclined to put a lot of weight here on political reasons, because what happened in Russia was unforeseeable. A risk materialized that we had of course considered and had in mind, but it materialized in a much greater dimension than we could have expected at the time. We decided to withdraw from the Russian market. We signed an agreement to sell R-Style. The buyer is an individual - a wealthy Russian who is active in other segments of the economy, but has taken steps to build his own IT branch as well. The acquisition of R-Style is not his first acquisition on the IT market. We have a good relationship and I even think that we can imagine our cooperation in the future. We are glad that we withdrew capital from Russia, because it is not a good time – because of politics – to stay there. I emphasize that we have a good relationship with the R-Style team. Nobody there cheated us. Those people were fair. Let's also remember the collapse of the Russian market. When we started, there were 700 banks in Russia, out of which about 300 were serviced by R-Style. Today, there are about 50% fewer banks - both banks in general and those serviced by R-Style. For various reasons, this market has changed, and today we are glad that we are leaving it. However, as far as write-downs are concerned, we will not have them.

KR-B:

We have already written down everything. In 2017, a dividend receivable was written down in the stand-alone financial statements of Asseco Poland. As a result of this transaction, this dividend will come back to us, which will result in an additional result in Asseco Poland. Those assets that were transferred to Asseco International had a lower value than the one obtained from the sale. We expect a positive effect here as well, by no means a write-down.

Investor 3:

What profits can be expected from the sale of the property? Does the company plan to put more properties up for sale?

KR-B:

The General Meeting of Shareholders decided to sell four properties. According to our Articles of Association, we will not sell a property without prior approval of the General Meeting of Shareholders – this is a general rule for putting up more properties for sale. According to the General Meeting of Shareholders' recommendation, these four properties will be sold at a price no lower than their book value. However, I would not expect significant profits from this.

Investor 2:

Going back to the backlog in Poland. In March 2021 you showed dynamics of +5%, now it is +9% - what contracts / segments have improved the dynamics?

KR-B:

Looking at May through March, the backlog grew at both the parent company and Asseco Data Systems. At the parent company, it is a topic related to the Social Security Institution (ZUS). The old contract for the KSI system's maintenance ended in April 2021. As a result of unresolved situation concerning what to do next with the maintenance at ZUS, we managed to sign an agreement for a transitional period for the provision of maintenance services within the same scope as we have been providing them so far. This period is a minimum of 4 months with an option to extend for another 2. This agreement alone resulted in an increase in the backlog from March to May. In addition, several topics related to the annexed COVID-related contract with this customer – extension of some modifications and their maintenance until the end of the year - had an impact. These are the main reasons.

Investor 1:

ERP revenues (PLN 178 million) were much higher than a year ago (PLN 155 million in the presentation), having grown by 15% y/y, despite single-digit growth in Asseco Business Solutions. What is the reason for such high growth in this category of revenues (which products, which foreign markets)? What are the prospects for the coming quarters?

KR-B:

Currently, the "engine" of revenue growth in the ERP segment is Asseco Solutions DE. We are experiencing an improvement in revenue dynamics there, as well as - what we are particularly pleased with and which is a result of organic work performed by Rafał - an improvement in profitability. The German company is chasing Asseco Business Solutions.

MP:

The bar is set high.

AW:

We don't see any more questions. We would like to invite you to ask them. Since you have no more questions we will move towards the end. Feel free to contact us. Joanna and the whole team are at your disposal. We are already inviting you to our next conference on the results for the second quarter. We are hoping to meet with you directly at a hotel, as we always have met, to discuss our business and results. Once again, I would like to emphasize that we are open to questions whether by e-mail or telephone. Thank you very much for meeting with us today. We're pleased that this quarter was so positive. We are hoping that, as the backlog shows, subsequent periods will also be good. We are hoping to meet with you in the same positive mood in August. Thank you and best regards.