



OVHcloud FY 2021 Annual Results

Tuesday, 16th November 2021

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Operator: Welcome to the OVHcloud 2021 Annual Results Conference Call. My name is Josh, and I will be your coordinator for today's event. Please note that this conference is being recorded, and for the duration of the call, your lines will be on listen-only. However, you will have the opportunity to ask questions at the end of the call. This could be done by pressing star one on your telephone keypad to register your question. If you require assistance at any point, please press star zero and you will be connected to an operator.

Today's speakers will be Michel Paulin, CEO, and Yann Leca, CFO. I now hand over to Marisa Baldo, Head of Financial Communication at OVHcloud. Thank you.

Marisa Baldo: Good morning, everyone, and welcome to our financial results call. I'm Marisa Baldo, Head of Financial Communication at OVHcloud. To comment our results today we have Michel Paulin, our CEO, and Yann Leca, our CFO.

We will go through the first section on business and strategic highlights with Michel, then we will move on to detailed financial results with Yann and conclude with the outlook. We will make sure to keep enough time for Q&A towards the end of the call. And just a quick reminder on the disclaimer on slide two that I will not read out loud but will invite you to read. Thank you again for joining.

I now turn over the call to Michel.

Michel Paulin: Good morning, everybody. I'm very pleased to be with you again. And I'm very, very happy to have the chance to exchange views with you.

I'm Michel Paulin, the CEO of OVHcloud. I will start with the first slide about the event during the last few weeks about the successful IPO on Euronext. We successfully made the transaction of a final size of €450 million. We are close to a market capitalisation of €4 billion, and this is the largest tech IPO on Euronext since 2014. We had very strong demand from very high quality institutional investors, of course, French investors but also European and American investors. So we are very proud of the interest and honoured by this interest.

Also, we are very proud because it has been the highest retail participation in the Paris A-Compartment in the last 10 years, excluding FDJ. We are equally very honoured and very proud by the fact that up to 98% of the eligible employees are now shareholders of OVHcloud, which shows that the employees trust the project of OVHcloud for the future.

OVHcloud, on the next slide, is a leading European cloud player, which is uniquely well positioned to capture the exponential growth of the cloud. On the left, you see how the market is growing. It's a very large and fast-growing market, where we are in, the cloud market, which is growing up to 22% growth during the last few years. There is a huge interest for what is called data sovereignty. And you certainly have seen the recent announcements made by the French government, the Italian government, the German government about the fact that today it's a prerequisite in many European public but also large organisations, and this is something which is very important because we do believe OVHcloud perfectly fits with this new trend.

And clearly, the last point is about, what we call, the multi and hybrid cloud trends. This is a rising point now in most organisations either in the tech companies or the large organisations. And we do believe again due to the history and the DNA of OVHcloud, that we are able to fulfil the customer demand in this multicloud and hybrid cloud trends, because we are the only

European player of scale. We have very strong competitive advantages, thanks to our integrated sustainable model. We have proven our ability to deliver growth at scale with, during the last ten years, up to 20% growth.

We are, of course, the pioneer in sustainable cloud, which is becoming a rising concern for institutions but also customers. We have predictable and transparent pricing with cost advantage that we are able to propose to our customers. And last but of course not least, we believe that we are the data sovereignty champion everywhere because we have a trusted cloud, which means that in Europe we are sovereign but also in Asia or in the US or in North America we can provide trusted cloud. We do not touch customer data and we do not have any conflict of interest with our customers. That's our overall profile.

And let's move to the next slide about our last year results. You see on the left the guidance. I will not go through. But you see that we are at the high end of the guidance in all of our KPIs. We have reached a revenue of €663 million. Our adjusted EBITDA margin is up to 39.5%. We have reached a gross CapEx of 33% and our recurring CapEx of 18%. So we have good financial performance which are completely at the high end of the guidance.

The next slide shows that this last year has been a very, very active year. In the three dimensions of our growth strategy, which are the customer segments, the products and solutions and the geographies, we were able to accelerate and have a very strong commercial momentum. This is the example, and we'll go a little bit more in detail just after about the new names we have been able to acquire and we have a strong momentum, thanks to the fact that we are continuing to develop and to innovate.

In the middle, you see that we have introduced up to 16 new product lines, especially in the PaaS offering this year. And you will see that we will continue with a very, very intense and aggressive roadmap, especially in the PaaS sector.

And last but not least, we are continuing to expand internationally with a growth, which is driven by digital. You see that in Europe we have reached 17% in digital growth, but what is interesting is to see that in the US, in Canada or in Asia, we were growing by 41% outside Europe on our digital channels, which shows that today we are expanding quickly and fastly outside of Europe.

Let's go to the next one to see a few events. I will not go through, of course, all the elements of this slide. I just want to mention a few key points. The first one is the IGN in June. IGN is a French mapping company and they have decided to select OVHcloud cloud as the cloud provider due to the fact that and, it was publicly announced, that it's at the same time very innovative, price competitive and providing the full consistency and greater compatibility with the European regulations.

The second I would like to mention is Talentsoft. Talentsoft is a software editor. It's a leader in Europe of the human resources solutions. And with our multicloud, they decided to migrate most of their workloads to OVHcloud and we are very proud of that.

The next one is Peachtree Smart City. It's a US-based customer and they have selected OVHcloud for their smart city for – I mean, store and compute all the data in the smart city. And the last but not least is Serco. Serco is a UK-based partner and they have selected OVHcloud in the Space Imagery and Artificial Intelligence, and especially for the European

Space Agency, which is one of our major customers and we are going to continue to introduce new innovative solutions, thanks to this new partnership.

The last is Inetum, who has announced, a few days ago, a partnership with OVHcloud to propose sovereign solutions in Europe. This was about the customer dimension.

The next slide is about the product lines and all solutions that we are going to introduce and that we have already introduced. Let's start with the bottom with the application platform. You know that in November 2020, we have announced partnership with Google Cloud based on the Anthos Kubernetes software. We are now in the beta testing and we have already active customers using this solution and we are going to roll out in the general ability in the next few weeks.

The same for Nutanix, Platform.sh, where today we are in the rollout phase which will start beginning of 2022. Database-as-a-Service is very equivalent. We decided to partner with MongoDB and also Aiven to propose a full complete suite of Database-as-a-Service solutions. And we have introduced now the general availability of MongoDB, which is very successful and we have a very good momentum right now, thanks to the fact that the introduction of these new solutions; and we do believe that also the introduction of the new Kafka, Redis, MySQL and Postgre solutions will accelerate these Database-as-a-Service segment for OVHcloud.

The last two segments are about AI, Artificial Intelligence, and Machine Learning and storage and back-up. The first one is our own technology and we have developed four new products, which are today available in beta phase and we will announce general availability in the next few weeks again. And we do believe that, thanks to the feedback we got during the beta phase, it will be a great success in the future.

The last but not least is about the storage and the back-up. You know we've made two acquisitions last year, OpenIO and EXTEN and now we are in the beta testing of these, which have been integrated in the OVHcloud portfolio. And this is for us a very exciting and very, I would say, promising development. We are in the beta test. And again, beginning of 2022, we will have two new products we will launch in OVHcloud and will help give us strong price, performance and very high performance capability. And this is very – again a very promising perspective for OVHcloud.

The next slide is about geographies. We have continued to expand internationally and definitely we believe that our digital channel is a very strong asset, which helps to accelerate our growth in all the continents. Of course, we have Europe, which is our main focus with 80% of our revenues and we have a continued growth dynamic in Europe. The digital channel is really, really very, very active. We had 17% like-for-like growth last year and we intend to continue to develop by recruiting more resources in sales and marketing in all our clusters in Europe.

But we see that there are very interesting opportunities also outside of Europe. That's why today we are expanding in the US and Americas and we are expanding in Asia. In the US, today, we have a very strong performance. You know that after the period of restructuring now we have achieved, we're able now to rebound and we have an acceleration of growth and we have three digit, 143% like-for-like in our growth in 2021 and we will continue to invest massively and we do believe this is a great opportunity for OVHcloud. Our positioning as trusted cloud, where we have zero conflict of interest against our customers, is really very promising.

And last but not least, of course, in Asia. Asia is a place where we have data centres. You know that we have doubled our capacity of data centres in Singapore. We have 30% growth like-for-like in 2021 and we have the ambition to continue to invest. And thanks to the fact that today we have the projects to open a new data centre in India in beginning of 2022, plus a third data centre in Singapore, again, in 2022. We believe that we have all the elements to continue to accelerate in this region.

The last element I would like to mention, before giving the lead to Yann, is about, of course – this is the next slide – sustainable cloud. We are leader in the way of the sustainable cloud. We have a very strong key performance indicators. We use less energy than our peers. We use less water than our peers. And due to the fact also that we have industrial capacity, we are able to refurbish our servers, which give us a capacity to reuse and to have a less carbon imprint than our peers. We continue to confirm our ambitious mid-term targets with 100% renewable energy by 2025 to be carbon-neutral by 2025, to be carbon net zero by 2030 on all 3 scopes including our subcontractors and to have 0% waste to landfill by 2025. So that's about the achievements of 2021. And I propose that Yann now illustrate the financials.

Yann Leca: Thank you, Michel. Good morning to all. I'm very happy to be with you. I'm Yann Leca, the CFO of OVHcloud.

Let's move now to slide 13 to take a look at our '21 revenue performance. On a like-for-like basis, so true business comparison, we grew by 12% from €621 million to €694 million, mostly on the back of significant ARPAC growth, average revenue per active customer growth, and also of course net new adds. Also, thanks to a very stable revenue retention rate of 103% like-for-like, very stable with fiscal 2020 in spite of the Strasbourg event.

Now to build this comparison, I would take you through a couple of adjustments we have made. First of all, perimeter changes. We have acquired– in the period three companies so with equalise fiscal '20 and fiscal '21. Second, we've also equalised in this perimeter change some fiscal '20 US one-off items that we have. This is all referred to in our documentation.

And third, of course, we've made them forex comparable and Strasbourg direct impact comparable. And I'll remind you that the €28 million include the impact of vouchers issued for €20 million, another €5 million of credit notes issued, another €3 million of uninvoiced business in the months of March itself. We are not excluding any impact which may have occurred regarding churn or acquisitions. This is completely the full business. So again, a very good and at the top end of our guidance 12% like-for-like growth for fiscal '21.

On the next page, you see the same comparison but tranced by business segment. And here what you see is that private cloud grew at 11%, which, as you know, of course, private clouds includes a significant portion of bare metal and a smaller portion faster growing hosted private cloud. Public cloud grew at a pace of 23% and web cloud and other at 8%. And what this shows is that we have continued to grow at the top end or higher than the market growth in each of our segments. This was again driven by average revenue per customer in all segments as our customers continued to use more and more OVHcloud and they also continued to grow. Worth mentioning again is that we have registered low customer attrition in the wake of the Strasbourg event.

Moving now to the next page and taking a look at our adjusted EBITDA like-for-like growth. While our revenue growth was 12%, we grew in EBITDA at 15% between €252 million to €291

million. The same adjustments were made, so I will not repeat the nature. And you can see them on the graph as well.

Worth mentioning was €262 million reported, we are at the top end of our 38% to 40% guidance, at 39.5% exactly.

Now moving to the next page about our full P&L, which I'm sure will be very interesting to you. If we look at the pre-tax income, I will start by this. The Strasbourg and the IPO one-offs actually had an impact – combined impact of €63 million on pre-tax income, which means actually that if we exclude those two events, our pre-tax income has actually grown from minus €1 million to plus €41 million.

Now going quickly through the various impacts, you see that revenue was impacted by €28 million. Share-based payment transactions fully related to the IPO as with accelerated our management equity plan, €21 million. Interesting on the non-current operating income expenses of minus €9 million. Embedded in those minus €9 million are actually the lump-sum indemnity from insurance of €58 million incoming, offsetting €57 million of expenses directly related to the Strasbourg incident. And also €8 million booked as IPO fees in fiscal '21, which I remind you ends in August. So the larger portion, the IPO fees are in '22.

Finally, we have accelerated the amortisation of our capitalised debt expenses ahead of the October refinancing for €7 million. I will give you more detail on the October refinancing itself in a few minutes. So again, pre-tax income comparable with our Strasbourg and the IPO from minus €1 million to plus €21 million.

Moving to the cash flow. Here, similar adjustments in nature applied but of course the cash impact is different. Our gross cash flow from operating activities was impacted in total by €18 million; €10 million for remediation and expenses of Strasbourg and €8 million for IPO fees. So this is why our net cash flow from operating activities was only stable at €268 million, just €2 million below fiscal '20.

And then in our growth CapEx, low growth CapEx of €221 million actually include €21 million of cash for server replacement and also infrastructure replacement following the Strasbourg incident. At the bottom of this page you see that our EBITDA cash conversion was actually identical to previous year – to last year at 53% and our return on growth CapEx was 15% in spite of the events I've described.

Moving now to a word on our balance sheet. First of all, at fiscal '21 our leverage grew to 2.7 times. Our net debt at the end of August was €709 million, including €53 million of IFRS 16 adjustments, which means – and based on an adjusted EBITDA of €262 million. On a like-for-like basis, the leverage would be 2.2 times. Now, post IPO, the actual leverage is estimated at 1.4 times as, of course, we have received a significant amount of cash.

On the right side of this page, a few words about our successful €920 million refinancing. We have secured and executed a refinancing for that amount consisting our €500 million of term loan. It's a five-year term loan at an interest rate of – it's a margin of 1.1%, which is currently also the interest rate at the end of October 2021. This is leverage-dependent. And a €420 million undrawn revolving credit facility, which is five years plus two potential extensions of one year each, so seven years in total at an interest rate of 0.7% if drawn as of the end of October 2021. This refinancing is actually very beneficial for us as we have new unsecured debt – the

previous one was secured – at lower interest rates and extended maturities. And about interest rates, they have actually been divided by 2.5 times, so again a very good transaction for the company.

Now moving to the outlook for fiscal '22. And first of all, a quick reminder which most of you have seen throughout the summer. This is a reminder of the three pillars of our strategy and how we bridge the 12% like-for-like growth in fiscal '21 up to the mid-20s we aim to achieve in fiscal '25. So the three pillars again: grow key client segments; address the larger market, in particular with our move to PaaS strategy; and geographic expansion in our core European markets but also in North America and in Southeast Asia.

Now the bridge between 12% and the mid-20s again are business mix shift because our business mix includes much faster growing segments than others, in particular, hosted private cloud and public cloud should account for a quarter of that growth acceleration; the move to PaaS strategy, which Michel again has illustrated and commented on, the acceleration of one-third of the acceleration; international expansion, we shall also cover that, one-fourth of the bridge; and our hybrid and multi-cloud approach, as well as our data sovereignty championship for one-sixth of this growth acceleration.

So now in numbers for fiscal '22 on the next page. The outlook is: on revenue, we already gave 10-15%. We're now adding that we expect to be in the upper half of that bracket. And for the mid-term, we are reconfirming that we plan to accelerate to the mid-20s. Adjusted EBITDA margin, we guide for fiscal '22 around 40% of adjusted EBITDA margin assuming an inflation in the vicinity of those we've had in fiscal '21. And for the mid-term in line with fiscal '20.

For CapEx, we reconfirm our guidance, recurring CapEx between 16% and 20%. And in the longer run, 14-16%, as we should benefit from economies of scale. And for growth CapEx, we reconfirm again 30-34% and in the long – mid-to long run, in line with fiscal '21. I would like to add before handing over to Michel that our Q1 trading – Q1 current trading, so what we see in September and October and the beginning of November is consistent with the guidance I just covered.

With this, I'd like to hand over back to Michel for his conclusion.

Michel Paulin: So what are the key takeaways? On the left you see that we have a strong financial performance at the high-end of the guidance on the revenue, on the adjusted EBITDA and also concerning the CapEx. In the middle, we are convinced today that we are in the successful growth strategy, which has been on four pillars that Yann has explained, across the three lines about, of course, our customer segment and we have a strong commercial momentum.

And despite the Strasbourg event, we see now we have very strong acquisition model, plus the fact that the churn has been back to the level it was before the event. And that's why we believe that COVID – the Strasbourg event is behind us.

We have demonstrated during the last few months our PaaS acceleration programme with very strong and very active roadmap achievements and we will continue. We will reach up to 80 new services by the end of 2022.

And last but not least, is our continuous international expansions by expanding with new data centres, new sales and marketing operations across the globe. We confirm the outlook. We confirm that the acceleration path is confirmed for '20 and '22 and beyond and we have expectation to have a growth in the upper half of the 10-15% initial guidance and also to keep the adjusted EBITDA margin of around 40% and starting with Q1, Q1 will be consistent with the global financial annual guidance of the year. So yes, we believe today that we have a successful growth strategy and that we confirm for the future.

Marisa Baldo: Josh, we can move to the Q&A if you would give the instructions, please.

Questions and Answers

Operator: If you would like to ask a question or make a contribution on today's call, please press star one on your telephone keypads now please. Please ensure your line is unmuted locally and then I will introduce you into the call. So that is star one on your telephone keypads now please. We do have some questions already in the queue. And our first question comes from the line of Toby Ogg from Credit Suisse. Please go ahead.

Toby Ogg (Credit Suisse): Good morning, Michel and Yann. Congrats on your IPO and the first set of results as a public company. Two questions from my side. So, firstly, just on the outlook. And I guess linked to both the revenue guidance from a capacity perspective but also the margin guidance from a cost perspective. Have you seen any impacts so far from macro-related elements like the chip shortage, broader supply chain issues and power price inflation? And then looking at the guidance for 2022, have you baked in any cushion for these different factors?

And then secondly just on the implied like-for-like revenue growth in Q4. It looked like the 12% like-for-like revenue growth for the full year was a touch lower than the nine months run rate. Could you perhaps just walk through some of the dynamics Q4 versus Q3 in terms of that sequential revenue acceleration across the three different cloud businesses? Thank you.

Michel Paulin: I will take the first one and Yann will take the second one. It's clear that today there are shortages, and this is definitely a point that we analyse in detail every day and we are in contact with most of the chipset suppliers. And we have daily contacts with AMD, Intel, Nvidia but also other suppliers because it's a global concern.

However, and to mitigate this point, we believe that today the model of OVHcloud its unique integrated model give us some way to mitigate the risk of the chipset and component shortage, because thanks to the fact that we master our own R&D in hardware, we are able and we have done that already in 2021 to use this capacity to change the specification of the hardware very quickly and to integrate the new chipset or new elements that are available in the market in a very, very short time which allows us to offer to the customers and to the market alternative solutions in a very short cycle, short cycle of R&D and short cycle of production and connection to the data centre.

So yes, we are absolutely convinced this is potentially a risk. At the same time, I think we have this unique model which allow to mitigate this risk and that's the reason why despite that we

were able to continue to grow in all our regions and we believe today the shortage will continue. However, we take all the measures to be able to mitigate and reduce the potential risk.

About inflation, it's clearly a point, that's why we mentioned in our outlook that this is a factor that we are factoring in today and this is clearly something that we are analysing and scrutinise very, very frequently to be sure that we will be able to adjust, if needed, the pricing in coherence with the profitability that we want to keep long-term. That's the reason why – and again thanks to our industrial model, we believe again that we are able to have the better, I would say, adjustment methodology and capacity of reaction, which allow us to react mid-term, short-term to any type of inflation risk that might occur.

Yann Leca: And I might answer to your second part of your question. So yes, our guidance does include when it comes to CapEx, in particular, a cushion to take into account the inflation of the cost of components. And another type of question is that we're starting the year with a significant inventory components, which is, from a cash flow standpoint, I guess, another type of cushion.

To your second question like-for-like Q4 is actually very comparable to the rest of the year. There is an underlying acceleration, but it is partly mitigated by a slight slowdown in acquisitions related mostly to the Strasbourg event, in particular, in France, which from a headline news standpoint did see a temporary slowdown in acquisitions, but we believe that the Q4 is very much in line with the rest of the year otherwise and are very confident about the guidance we're giving for fiscal '22.

Toby Ogg: Brilliant. Thank you.

Operator: Thank you very much. Our next question comes from the line of Stefan Slowinski from BNP Paribas. Please go ahead.

Stefan Slowinski (BNP Paribas): Yes, thank you. And yes, congrats as well on the first set of results as a public company. Michel, maybe just starting with that, the IPO was partially an event to increase OVH's profile and help to position the company for new enterprise and public sector business. I know it's only been one month. But do you have any early data points or traction that you've been able to get the larger entities as a result?

Michel Paulin: We have some data points about the press coverage, and we have the proofs that the fact that we are now a public company and we've been through the IPO process and hope to have a better press coverage. In France, for sure, but most interestingly is internationally. And we were able to have a very, very strong, I would say, marketing and media coverage in all Europe but also in Asia, in North America, which was for us a very good, I would say, capacity to give awareness about the branding and to improve our reputation.

And we've seen definitely that it has helped us to improve the profile of OVHcloud in the public sector and also in the mid and large organisations which were not aware of the capacity of OVHcloud. That's the reason why we have announced a few partnerships since the IPO, like Inetum. You will see that we will have new announcements in the next future of blue chip names in France but also in Europe, because I think the successful IPO has demonstrated that OVHcloud today has the credibility financially but also technically to be one of the alternative solutions, especially in the domain of innovative, price performance and sovereign solutions.

You clearly mentioned that the French government has announced the second phase of the "Doctrine de l'Etat" in OVHcloud location and I think it's a symbol that was set by Cedric O and I was in the Lisbon Web Summit, and again, we've seen a strong interest from the Portuguese government but also some customers and partners in Portugal and Spain and we also have very strong momentum in Italy and that's the reason why, yes, I think the IPO has helped us to improve the profile of OVHcloud in Europe but also outside of Europe.

Stefan Slowinski: Great. And just as a follow-up. For 2022, you're guiding now at the high-end of that 10-15% growth range. Is that driven by better net new business than what you saw previously? Is it success with the IPO in those marketing initiatives? Is it lower churn relating to the lingering Strasbourg effects? What is it that drove the upgrade of that full year guidance to the high end?

Michel Paulin: In fact it's always consistent with our three dimensions of growth acceleration. The customer segment, which today – we see today that there is strong momentum in the public sector in Europe and we are able and you've seen that with, for example, we have announced CNSA deal and we have acquired, thanks to the SecNumCloud, many new names in the French public sector and local authorities.

And we believe that the new policy of the Italian government and the German government will also help us to acquire new customers. So on the customer side, but also, we've seen and right now strong momentum to our product innovations initiatives, especially around the past as we mentioned already and we can confirm, we have launched the general availability of MongoDB. We were very pleased to have nearly 500 beta testers on this solution and we have already hundreds of customers who are paying the solutions which allow us to be, I would say, strongly confirming the guidance because we believe this is strong momentum.

Last but not least, is the geographical expansion. We've seen an acceleration in our digital channels in Asia, in the US. And we believe we will maintain a strong acquisition based on this digital channel. And thanks to the fact that we are doing investment in marketing and also in new data centres, we are convinced that we will maintain this digital channel expansion and growth. That's the reason why we are confident to reach the upper side of the guidance in 2022.

Stefan Slowinski: Great. Thanks. And just one last one for me, maybe for Yann, just on the vouchers associated with the Strasbourg fire. And can you give us an indication of how many of those have been used? How many are remaining? And whether or not you're factoring in some of those vouchers still being used in fiscal 2022? Thank you.

Yann Leca: Yeah, sure, of course. We issued the total of €28 million of vouchers. At the end of August, so at the end of fiscal '21, €20 million out of those €28 million were used. So we started the year '22 in September with €8 million outstanding. The duration of those vouchers or the expiry date of those vouchers is the end of calendar '22 for most of them. Some of them will continue but it's a very small amount. And we expect a larger part of this €8 million to be utilised in fiscal '22. Obviously, our guidance does include this utilisation.

Stefan Slowinski: And you don't expect any additional churn once those vouchers come to an end?

Yann Leca: No, we do not, because we have actually studied the behaviour of those now numerous customers who have completely utilised their vouchers, and that study makes us believe that – or indicates clearly that we should not expect any important move on that front.

Stefan Slowinski: Got it. Great. Thank you very much. Congrats again.

Yann Leca: Thank you.

Michel Paulin: Thank you.

Operator: Thank you very much. If you would like to ask a question, again, it is star one on your telephone keypad. And we have had another question come through. It comes from the line of Derric Marcon from Société Générale. Please go ahead.

Derric Marcon (Société Générale): Good morning, guys. I hope you can hear me okay. Congrats for the IPO – successful IPO. I've got three questions, if you're okay with that. The first one is about – so the contribution of new products to your guidance for 2022. Can you quantify the contribution of this new product that you expect? And what is historically the speed of the uptake of new products when they were launched. That's my first question.

Second question, if I take the – if I assume that you recoup in 2022 the €20 million net revenue, so the €28 million voucher used minus the €8 million that you expect that will be used in Q1, it represents already 4 – 3 percentage point tailwind on your revenue growth forecasted for 2022. So a little acceleration compared to what we have seen in 2021 underlying growth of 12%. Are there any headwinds that we should be aware of or we should take into account for this fiscal year?

And the last one for me – so only three. Sorry, I said four. Last one, the French government announced a massive investment plan dedicated to cloud, €1.8 billion. Do you expect to benefit from that, and to what extent, both in terms of – i.e., covering your part of the cost or investment that you were planning to do? And is it already factored in your guidance? Thank you.

Michel Paulin: I will start with the last one, and I will let Yann to elaborate. And maybe the last one and the first one about the product. So about the last one, no, we didn't factor these events in our guidance because it has been announced after the guidance. And so we were not aware of that. And we still have to analyse what is the impact for OVHcloud.

We see two types of impacts. The first impact is most of this investment of the – made in the cloud is for the SaaS, the Software-as-a-Service. It's not for the PaaS or the IaaS. So it has been announced that they were going to invest in security in what they call "Appel à Manifestation d'Intérêt – AMI" and collaborative tool. However, because we are already SecNum cloud and because today, we're already very strong partnership with companies which will be rewarded by these AMI project like Whaller, Jamespot, Talkspirit, Linagora, Tehtris, Sequoia, all of them are part of the AMI project. We believe that we will have indirect effect and we expect to have a growing activity, thanks to the fact that they will receive subsidies from the government.

Directly, we are not concerned by the AMI because we are in the process of, what we call, European IPCEI. Sorry, it's a little bit complex. And we have today an initiatives to work and it's decided at the European level. So we are not concerned by the €1.8 billion investments of the government directly – only indirectly, as I said. But we might be concerned by the European

level, which will be decided beginning of 2022 after the DMA, DSA and Data Act discussions. So yes, we see direct and – indirect and potentially direct impact, but mainly on European level.

To go to the first point about the initiative of the – I think it's unfortunately difficult to give a clear line depending on the new products we introduced because it's clear that it depends on the nature of the products. When you introduce bare metal products or you introduce new PaaS products, it's different.

However, what I can say and I can confirm is that the MongoDB, for example, introduction has been extremely successful. And if you look at the history of the introduction of software products in OVHcloud, it has been one of the most successful introduction we had so far.

Yann Leca: Thank you, Michel. And on your question regarding our guidance fiscal '22 corrected for the sold vouchers at Strasbourg, you are correct that our guidance appears conservative. There is no headwind that we would be aware of – that you need to be aware of regarding this fiscal '22. I'm sure you understand that it's important for us to give – and this is also the way we operate and I think we've shown this a conservative and achievable guidance. So this is what we are doing here.

We had initially in our 10-15% guidance taking into account some churn related to Strasbourg, which we haven't seen coming. And therefore, that's one of the drivers behind the fact that we're now saying upper half of the guidance.

Derric Marcon: Thank you very much. Very clear.

Operator: Thank you. We have no further questions in the queue. So again, just as a reminder, if you would like to ask a question, it is star one on your telephone keypads now please.

Marisa Baldo: In the meantime, Josh, we received some questions, and I will read them through. First one, what drove the EBITDA outperformance in fiscal '21?

Yann Leca: Thank you, Marisa. So I suspect this is one for me. Actually, it is true that we had a very good performance on a like-for-like basis of our adjusted EBITDA, which grew by 15% in fiscal '21. This actually demonstrates our ability to scale and our ability to take benefit from economies of scale. It's only normal that we haven't adjusted EBITDA that grows the faster than top line. We don't see this as our performance, but just simply the nature of our business.

Marisa Baldo: Thank you, Yann. And second question for you too. What is OVHcloud strategy to achieve positive free cash flow? Can the company provide any timeline for achieving breakeven free cash flow?

Yann Leca: Yes, this is something we covered a number of times and I also think it's an important question. The timelines actually depends on the condition of a slowdown in the market and the slowdown in our revenues. As long as we will continue to grow at a double digit-growth, and as you know, we plan to accelerate, we believe that it is healthy for us to continue to invest significantly in our growth.

Now should that growth at some stage, five, seven, ten years from now decelerate? First of all, we have the ability to slow down in our CapEx very quickly because our model is such that we can do that literally overnight. And second, we would and will then deliver very significant

positive free cash flows. I remind you that our adjusted EBITDA margin is directionally if we do not reinvest the amount in excess of 42% into sales and marketing and significant growth, our adjusted EBITDA margin is directionally pointed to 45%.

And that our recurring CapEx, the CapEx which are required to maintain a revenue from one year to the next are approximately 15% and we're guiding to 14-16% mid-term, which means which leads you with a pre-growth CapEx margin of 30%. If the growth is single-digit, then it's a very low amount of growth CapEx which are required leaving you with 25-28% free cash flows, which then would be very significant.

Marisa Baldo: Thank you, Yann. Josh, are there any questions in the queue, otherwise we're going to close the call for today.

Operator: We have no further questions in the queue.

Michel Paulin: Okay. So thank you very much for your attention. It was a pleasure to have this exchange. And hope to have the chance to meet you maybe in situ in person at last. So thank you again for your attention and see you soon. Thank you very much. Have a great day.

Operator: Thank you very much for joining today's call. You may now disconnect your handsets. Hosts, please stay on the line.

[END OF TRANSCRIPT]