



# **OVHcloud Q1 FY2022 Results**

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**Operator:** Please note this conference is being recorded. Today's speakers will be Michel Paulin, CEO, and Yann Leca, CFO. I now hand over to Marisa Baldo, Head of Financial Communications at OVHcloud. Thank you.

**Marisa Baldo:** Thank you. Good morning, everyone, and welcome to OVHcloud first quarter revenue conference call. I'm Marisa Baldo, Head of Financial Communication at OVHcloud. To comment our Q1 revenue today, we have Michel Paulin, our CEO, and Yann Leca, our CFO.

We will go through a presentation, first section on business and strategic highlights with Michel, then we move onto detailed financials with Yann and conclude with the outlook. We will make sure to keep enough time for Q&A. So we'll have a Q&A session of 20 to 25 minutes at the end of the call.

And just a quick reminder to call your attention on the disclaimer on slide two that I invite you to read.

Thank you again for joining. I now hand over the call to Michel.

**Michel Paulin:** Hi, everybody. Good morning. And I think it's a right timing to also make a happy New Year to everyone. So I'm very pleased. I'm Michel Paulin. I'm the CEO of OVHcloud. And I just want to introduce the first slide about OVHcloud positioning.

We are the leading European cloud provider and we believe that we are uniquely well-positioned to capture the exponential growth of the cloud market. On the right, what are the key features of this market and why OVHcloud is so well-positioned in this market?

The first one, it's a large and fast-growing market. It's growing by 20% for the next four years. The second one is clearly that we see that there is a surging demand for data sovereignty. And OVHcloud, as a European player and also completely immune to any type of extraterritorial laws, is able to provide a unique positioning as the really sovereign cloud provider.

The last point is about that the market is moving to more public – more from a public standpoint market, cloud market, to a multi-cloud and hybrid cloud trend. And definitely, we believe that by construction, OVHcloud is completely well positioned to be able to provide multi-cloud and hybrid-cloud solutions, and especially due to the fact that the emergence of the Edge technology will increase this momentum.

OVHcloud is the only European player of scale. We have really a competitive advantage, thanks to our vertically integrated model. We have proven during the last 20 years the ability to deliver profitable growth at scale. We are a pioneer in sustainable cloud through innovation and especially water cooling and also refurbishing.

We have key differentiators such as our transparent and predictable pricing. And we believe that we have all the attributes to be the data sovereignty champion in many regions and you'll see not only in Europe but also in other regions in the world.

So let's start with our results in Q1. We have accelerated growth with significant successes. We have really been able to accelerate our growth in this quarter. Let's start with the left.

We have an accelerated growth in line with our next – I mean, fiscal '22 guidance. We have reported growth of 13.9% in revenue and 13.5% like-for-like, which is in line with our targets. The second is that we have a very strong growth in reported data for public cloud with a 22.4%

like-for-like growth and a 24.9% reported, and in private cloud, where we have a 14.3% like-for-like growth and a 14.6% reported. This is really strong acceleration of the growth in line with our guidance.

In the middle, the underlying acceleration is due to successful events and strong commercial momentum. We have, during this November, provide EcoEx experience event and we got three times the number of visitors compared to last year. Moreover, we are investing to accelerate and intensify our commercial momentum and we are very proud to have now very strong labels as customers, such as EDF Renewables, HarfangLab, Sopra Steria with a worldwide partnership, Bechtle, which is an IT provider in Germany; Inetum, where we have also a global worldwide partnership now and we address now new markets; and OCTO Technology, which is a system integrator. It's a subsidiary of Accenture, and we have also developed a strong partnership with them.

Also we believe that we will continue these accelerations, thanks to the fact that we continue to launch the services and products. As you know, we want to enter the PaaS market which is a great opportunity for OVHcloud. And we have introduced new beta and now general availability products, and I will comment a little bit more detail to this.

The second, also we continue to give, I will say, security certification and also sovereignty and we gained during this quarter the Certification Cloud and Infrastructure Operation SAP in France and very soon in Europe. And we got the SecNumCloud for Hosted Private Cloud, which is a very important point to address the public market in France but also it will be the base for the new European certifications which will be deployed in Europe. And this is a very important step for OVHcloud.

So if we go to the next slide. You know our plan to accelerate growth. It's based on four key pillars, which will create further value and will deliver significant growth acceleration. The first one is the mechanical acceleration due to the evolution of the mix. The second one is the capability to move to PaaS and to capture this huge market. It's 20 – €30 billion to €40 billion market – potential. And for us it's a great opportunity. The third one is to expand internationally. And we have been doing – we are doing major investments and you'll see that we had significant progress in this domain. And last but not least is, of course, to appear and to grab the new opportunity of the data sovereignty, thanks to the fact that we have a unique positioning as European player and to be completely immune to any type of extraterritorial laws. Moreover, we do – we protect our customer data and we do not touch our customer data. We are absolutely, I mean, immune to that.

The next slide shows the first pillar, which is a mechanical acceleration from the faster growing segment. I will not go through all the math, but you see that we are growing fast in public cloud and private cloud, which in fact is changing the mix and which affects already mechanically our growth capacity by 0.2 points to the Group growth.

The next slide is about the PaaS. We are building a very solid PaaS revenue engine. The PaaS market is a huge opportunity for growth to OVHcloud, €35 billion to €40 billion opportunity. And our ambition is to address this new market and therefore to be able to accelerate our growth. You see the long list of the new services we have introduced either as beta testing or as general availability in many domains application platforms where we have introduced Anthos

from Google Cloud, platform.sh, Nutanix as a beta testing. And we are continuing to address new features. The ambition is to have more than 80 services before the end of this year.

Database-as-a-service, the first step was mongoDB. And we introduced, in January, mongoDB as a general availability. But you see that now we are in the beta testing for four new databases and we will extend that with other services in the next few weeks. Everything concerning artificial intelligence and machine learning, which is a very interesting market to address.

Today, OVHcloud on its own has developed compelling offering of artificial intelligence solutions. And now we are rolling out our machine learning service, AI training, AI notebook solutions and we will continue to address this market and open new regions across the globe to capture this market.

The last but not least is the storage and back-up. As you know, we've made acquisitions last year. And now we are in the beta testing of the S3 Object Storage Solutions, but also we will introduce new systems in the block storage and also NetApp, which is in the beta testing phase.

So this is a very intensive roadmap and we are developing that. We will continue to promote these solutions. We will continue to open new regions to capture this fast market, which is a huge opportunity. We do not see strong results in the first year. We have always said that the major impact will be for next year, because we take the time to have the right products with beta phases to have significant impact and to be able to propose alternative and varied performance solutions.

The third pillar is the continuous international expansion. You see that today we are growing very fast in many regions. Of course, we have still France, which is strong and still represent 49% of revenues, but we are growing faster in Europe, excluding France, and in the rest of the world. This is definitely something that we want to expand. We have the capability, thanks to our data centre infrastructure and we have the plan to introduce more than 14 new data centres across the globe to accelerate our international expansions.

We expand in the US and the Americas and we increased the foothold in Asia. And soon, we will introduce the new data centre in India. We have very strong performance outside of Europe. In the US, for example, we have a 41% growth like-for-like, 55% reported due to the FX effect. We are, in APAC, Asia and Pacific, a 21% like-for-like and a 20% – 26% reported.

This is also due to very strong successful digital channel, where we see that we have a very strong momentum right now. The US is growing very fast with a 105% like-for-like digital growth only on digital channel growth and it's a 1-point – 109% reported. And in APAC also, a very strong digital channel with a 40% like-for-like growth and a 46% reported. This is really something which is very promising and we will continue to implement and invest to accelerate our growth internationally.

The last point, which is the next slide, is about the strong traction on data sovereignty. In fact, many things are happening in the market right now and we see that there is a new momentum for new regulations in Europe. But it's not only in Europe. And I will go after – back to the Europe. It's also rising in everywhere, in Singapore, in Japan, in Korea. And recently, for example, in Canada, with Quebec with the new bill, la Loi 64, the Bill 64 in English but in Quebec it's in French. It's la Loi 64, which creates very strong regulations about how to locate the data,

transfer the data and protect the data, which is very similar of what we have in the GDPR and also in the Schrems 2 in Europe.

So we see that today it's really an opportunity which is rising and popping up everywhere in the world. And OVHcloud is uniquely well positioned to propose alternative solutions against most of the hyper scalers.

We see also that in Europe, for example, the DMA, the DSA, the Data Act are moving and will include and will also investigate about the – any type of antitrust solutions and practices. And this is also an opportunity for OVHcloud. And we believe that it will give us additional perspective and opportunities.

The last point also is about the EU cloud certifications. It seems that the EU cloud certification, which is on debate right now at European Commission, is likely to integrate no sovereignty criteria, which again is a very interesting opportunity for OVHcloud.

Today, as you know, we have a unique positioning as a sovereign cloud. We have dedicated approaches to propose to critical industry which will be under these regulations, public sector, healthcare. You've certainly seen that the CNIL as for example decided to stop the Microsoft initiatives or Health Data Hub due – is not compliant with the European, I mean, jurisdiction but also financial services and everything which is about defence and aerospace where there is a rising concern in terms of data protection and also immunity to extraterritorial laws.

We have dedicated products and we gained the SecNumCloud for Hosted Private Cloud and our intention is to have this certification for all of our solutions soon. And we are the leading player and voice in the European cloud ecosystem by participating to the most of the, I would say, European bodies, which are today creating all the regulations and also promoting an open reversible and transparent cloud.

And that's also allow us to have a dynamic commercial pipeline based on this sovereignty and protection of the data. And I already mentioned, companies like EDF but also HarfangLab and also in security TEHTRIS, which is a French company in cybersecurity, where our positioning allow us to win new customers, which is, for us, a strong, I would say, perspective for the future. So this is today what we are in Q1.

And now I will let Yann to describe the financial results of OVHcloud.

**Yann Leca:** Thank you, Michel, and good morning, everyone. My name is Yann Leca. I'm the CFO of OVHcloud. I wish you a Happy New Year. Very happy to be with you today.

I am now on slide 11. And this is the usual picture of our like-for-like revenue growth, which, as you know, is 13.5% from €164 million in the Q1 fiscal '21 up to €187 million. This is the reported growth at plus 13.9%. The like-for-like growth unlike previous quarters is slightly below simply because in the reported version, we benefit from the US dollar growth versus the euro, while in the like-for-like version, we neutralised that. And the other neutralisation elements are small and I believe known to you small perimeter change, forex impact indeed and a neutralisation of the Strasbourg direct impact in Q1 of this year for €2 million.

Another interesting point is our net revenue retention rate, which moved up from 103% last year to 112% this year. That's something we expected directionally because we do expect that – we did expect that our revenue retention rate would grow. Admittedly, it can move up and down across an access which is in the growth direction. This is a good reflection of our very

moderate churn this quarter as well as our policy to increase the enterprise segment as well as finding lots of partnerships account as Michel showed you earlier.

Across the board, we have continued improvement in average revenue per active customer, also known as ARPAC. And that is definitely the main driver of our revenue growth.

Moving to the next page on slide 12. You see a breakdown by main segment. And this is showing you that private cloud enjoyed very good growth at 14%. Again, private cloud is a combination of bare metal cloud, which is our heavy weight and hosted private cloud. 14% is overall pretty consistent with market growth. Public cloud grew from €24 million to €30 million, which is an extra 22%, also consistent with market growth as it includes both public cloud and VPS.

And then again web cloud and other from €42 million to €45 million. That's a growth of 7%, also consistent with market and pretty consistent with our past delivery as well. Again, average revenue per active customer increased in all segments. We do have low customer attrition. And our results are also nicely driven by growth in the digital channel, especially in public cloud and private cloud. And as we said before in – outside the Europe, in particular US and Asia.

Now moving to our outlook, straight to page 14. This is an unchanged outlook compared to previous quarter. We confirmed our acceleration path for 2022 and beyond, which means that we view our revenue for the fiscal year 2022 in the upper half of 10-15% bracket and mid-term accelerating to mid-20s. Our adjusted EBITDA margin should be indeed around 40% and in the mid-term in line with fiscal '20.

And again, the CapEx, the recurring level should be this year around 16-20% and the long-term 14-16% as we benefit from economies of scale. And in terms of growth CapEx, we see that remaining in the bracket of 30-34%.

I would like to share with you the fact that our current trading in Q2 is consistent with the annual guidance I've just covered.

And with this, I would like to hand over for a conclusion to Michel.

**Michel Paulin:** As a conclusion, what are the key takeaways of our Q1 results? On the left, you see what are the key elements we want to highlight. The first one, we have a strong revenue retention rate at 112%, which show that today we have a control churn and a capacity to attract new customers.

The second one is that we have a strong growth with a like-for-like revenue growth of 13.5%, which is a 13.9% as reported revenue growth. And you've seen that we are growing in all geographies and all segments or products.

We have four pillars to accelerate our growth and it's in the middle. And we have intensified our commercial momentum with big names and also strong partnerships which will allow us to leverage and cover more efficiently the market. I mentioned Sopra, Inetum and a subsidiary of Accenture, which will help us to accelerate and to leverage our capacity to accelerate our growth.

We are introducing new services of PaaS to address this new segment for us, which is a great opportunity. And of course, we are investing more and more in marketing and sales to boost and to increase our international footprint.

Last but not least, the sovereignty issues which is rising is clearly an opportunity, an upsell potential for OVHcloud. We have a confirmed outlook. We confirm our acceleration plans for 2022 and beyond. And Q2 current trading is consistent with our fiscal 2022 annual guidance.

So after these key takeaways, I propose now that we switch to Marisa.

## Questions and Answers

**Marisa Baldo:** Yes. Thank you, Michel. I will hand over to Stefano to handle the questions. We can spend some 20, 25 minutes in Q&A. Please Stefano, can you tell us how to proceed for Q&A?

**Operator:** Yes, absolutely. As a reminder, if you would like to ask a question or make a contribution, please press star one on your telephone keypad. Please ensure your line remains unmuted locally. The first question comes from the line of George Webb from Morgan Stanley. Please go ahead.

**George Webb (Morgan Stanley):** Morning, Michel, Yann and also Marisa, and congratulations on the good start to the year. A couple of questions from my side, please. So firstly, just on the guidance for the year. I guess, in Q1, you're delivering 13.9% stated, looks 13% in constant currency. And as you've mentioned, slightly higher in like-for-like terms, so already well into the upper end of the range. When you think about your full year guidance and given the Q3 and Q4 have mechanically easier comps on the Strasbourg revenue headwind dropping out, are there any effects we should be bearing in mind that may moderate underlying growth as you move through the balance of the year? That's the first question.

And then secondly, just on the US side and strong growth you've seen there. Can you give us a sense of how private cloud versus public cloud is growing within the US? Thank you.

**Yann Leca:** Good morning. This is Yann speaking. I will take those questions. In terms of your first question, we do not expect any underlying growth slowdown. Right now we have left our guidance unchanged because this is just the first quarter. It's important to stay attuned I would say to our future communications for further details on the annual guidance.

On your second question, in the US, our – right now we are very focused on private cloud. So I guess, that's a relatively easy answer. We do not usually – we do not yet put pressure on the US market with public cloud.

**Michel Paulin:** And maybe to add on this question about the US, in fact, on – most of the growth is coming from private cloud right now. But we have making investment to introduce new regions of public cloud in our two data centres and we are doing extension. So we will boost public cloud growth in the US.

Moreover, as you know, we are introducing PaaS solutions on our public cloud in other regions. For the moment, it's not still accessible to the US but we'll introduce all these new services beginning of Q2 and Q3. And so we are seeing a strong opportunity in US, thanks to the fact that we will have exactly the same solutions as European solutions in the US where we know that the public cloud is growing fast.

**George Webb:** That's very helpful. Thank you.

**Operator:** The next question comes from the line of Toby Ogg from Credit Suisse. Please go ahead.

**Toby Ogg (Credit Suisse):** Yeah. Good morning, Michel, Yann and Marisa. Thank you for taking my questions. A couple from my side. So firstly, just want to touch on net revenue retention rate of 112% in the quarter that obviously looked particularly strong relative to even pre-Strasbourg or even pre-COVID rates of 105%. Could you expand on the primary drivers of that step-up, the sustainability of those drivers and whether you think we could see any further improvements in that rate through the year?

And then secondly, Yann, could you perhaps just give us a feel for the shape of the revenue growth throughout the remainder of the year? Are there any reasons why we wouldn't see a sequential acceleration through those remaining quarters? And how should we think about H1 versus H2 EBITDA weighting and CapEx phasing through the year? Thank you.

**Yann Leca:** Yes. Thank you for those questions. The first question regarding revenue retention rate, the evolution and the direction, which is an improvement, is something we expected. And the main drivers are, first of all, a very contained churn, customer churn and revenue churn. Second, the – an improvement in the relative weight of our partners and enterprise customers, which obviously are a stickier population than just small to very small customers.

And those trends are definitely sustainable. Now the net revenue retention rate is a very sensitive KPI. It can vary slightly up or down. The direction though we believe is set but we're not going to give any guidance on a quarter-by-quarter basis because I guess it's too sensitive an indicator for us to do this. Again, we believe that the trends themselves are sustainable.

In terms of the profile quarter-on-quarter, H1, H2 revenue, EBITDA and CapEx, let me say the following. We do not expect any particular slowdown or change in the trends we are reporting in the underlying business. And second, in H2, as I'm sure you've gathered, we will benefit in the reported revenue rate – revenue growth rates from the base effect of H2 fiscal '21, which was impacted by €28 million of Strasbourg direct effects being the vouchers, the credit notes and the non-invoicing again for a total of €28 million. So we should report very good growth rates.

So overall, the conclusion on this on revenue is that we are very confident that we will achieve our guidance of 12.5-15%.

On EBITDA H1 versus H2 profile, it's – we are – we have – actually we don't have a very strong seasonality in the profile of our company. Q4 is usually a bit lower because we do have some telephony in our revenue and we sell packs to companies and companies tend to be more close than open in the summer, especially in France. We still have approximately a 50% weight in our total revenue. But that's a moderate impact as I'm sure you know we're not typically a telephony company.

And we also have a population still of pretty small customers who tend to have less activity throughout the summer. Again, that's a moderate H1 to H2 seasonality.

Now your question about CapEx is interesting because we do not have a typical seasonality but it tends this year – it will probably tend – and I'm sure you would expect this – to be a strongly geared towards H1 as the supply disruptions have led us and we've communicated that earlier to increase our stocks in order to better anticipate on shortage because we believe shortage

will not cease. So the shortage situation will not improve before at least the second half of next calendar year.

So we believe it is prudent to do that. And as a result, we may have a slightly heavier weight in H1 than in H2 relatively to revenue. But again, those are moderate factors. We do not have a very strong seasonality built in our business model.

**Toby Ogg:** That's great. Thank you very much.

**Operator:** The next question comes from the line of Stefan Slowinski of BNP Paribas. Please go ahead.

**Stefan Slowinski (Exane BNP Paribas):** Yes. Good morning. Thanks, and happy new year as well, and thanks for taking my question. Just a follow-up on the previous comments just around the components and building of the inventory. So am I right to assume from your comments that you've made that you are able to procure those components and you feel comfortable with the ability to deliver on that data centre build out and the server build outs that you've planned? So it'll be my first question.

And just secondly on the competitive environment and pricing trends. I mean, can you talk about whether or not you're pushing through price increases or whether or not you're seeing pricing pressure? We've noticed with AWS in particular, they've actually increased the amount of free data transfers out of AWS from one gigabit to 100 gigabit per month and they're also increasing the number of free monthly HTTP requests from 2 million to 10 million. So looks like they may be taking pricing down. So any comments around the pricing environment would be appreciated. Thank you.

**Michel Paulin:** Yeah. I will let after Yann to comment a few. I just want to mention about first the supply and data centre. It's clear it's a concern for all the industry. And we have tensions today. Two types of tensions. The first tension is the supply itself, and we try to mitigate, thanks to the fact that we have the integrated model and we manufacture our system to be able to mitigate by be able to switch or change the missing chipset or elements when we have shortages.

However, it's a concern but we believe that we have strong argument. And as Yann said, we made a decision during the first – I mean, the last quarter and first semester to stock more components to be able to have a long-term vision in terms of supply and to guarantee and to be able.

On data centre, I don't think today this is a main concern. We don't see today a tension in the – it's more a question of long-term vision about the new data centre that we might open in two or three years. But very short-term, I don't think it's completely, I would say, related to the supply concern.

In terms of pricing, today, we see contradictory trends in terms of pricing. If you take everything which is about the chipset, the IPs, addresses, there is a strong increase today; and if you take the IP addresses on before, they are growing – the pricing is growing. So we see an increase in the chipset, for example, pricing, in the components pricing. And this is definitely a challenge for the industry.

On the other hand, it's very interesting to see that AWS has changed its pricing policy by the pressure of the market. And we believe it's also a proof that today our positioning is the right

positioning because we said our pricing is predictable. We do not bill the, I would say, egress bandwidth in our pricing model. Moreover, as you said, we do not make any pricing for or cost for the API calls. So this is for me very good example of the proofs that our positioning, especially in the US markets, is really at the right – I mean, the right positioning.

We have predictable and the promise of the cloud we can give, I would say, non-expensive solutions on demand is really something that we can provide. And for me, we do not threat this AWS because if you compare our pricing with the hyper-scalers, we know that we have today price competitiveness and there is a huge, huge gap.

For them, it will affect their, I would say, profitability. But for the moment, this is not a concern for us. We are much more concerned by the supply and inflation of the components. This is definitely something which will affect all the industry.

**Stefan Slowinski:** Great. Thank you. That's really helpful. Just – if I can ask one follow-up just on energy prices. Obviously, it was a discussion over the summer. But if you can just remind us whether your long-term contracts that you had or whether that's meaningful for you if we do see energy price increases, especially in Europe over the winter? Thank you.

**Yann Leca:** Yes, Stefan, this is Yann again. Yes, we are hedged until the end of 2023 at a level which is sufficient for us not to have to suffer those increases in a meaningful manner in our profits. And we're right now revolving around what's going to happen in the further years. And – but that's obviously something we can then state later. It's a bit early right now. But for the foreseeable future, we're hedged.

**Stefan Slowinski:** Great. Thanks, Michel. Thanks, Yann.

**Operator:** The next question comes from the line of Stacy Pollard of JP Morgan.

**Stacy Pollard (JP Morgan):** Hi. Thank you for taking my questions. Just a few from me. You now have 60 and you're planning for 80 PaaS services. What is customer take up of these services or maybe what are you planning for 2022? And to what degree do you think that can help drive up NRR as well?

Second question, sort of following on that. Maybe can you touch on churn rates, how is this trending as vouchers are consumed? And finally, how is customer acquisition in France post Strasbourg?

**Michel Paulin:** So about the PaaS services, as you said, our ambition is to introduce up to 80 new services of PaaS. These services I mentioned in the presentations are in the four main categories. And clearly, the key elements of this PaaS services is that they're really as a service which means that they don't use all the time the – if you take AI for example, it's not 100% of the time. It's not like storage or it's not like platform – application platforms, where most of the time it's, I would say, a continuous usage of the service. This is not the case.

So that's the reason why we are really today pushing the introduction of a lot of new services to be able to have the right momentum starting of fiscal year 2023, to have a consistent growth based on the fact that we have enough beta tester and after install base to guarantee a long-term NRR growth every month. This is what we are building now right now. That's why we said that the impact of the PaaS strategy will have marginal impact in the revenue for 2022 because all our marketing and technical strategy is to create communities of users which will

have at the same time to improve our solutions but also to create these install base that will use as a demand and be able to create the right momentum there.

Storage is going to be different because storage is much more persistent. And because – and that's why we believe that the storage and the back-up, that we are going to introduce in fact in a few weeks, especially in the object storage and the block storage will be in three months will help us to have, I would say, due to the fact that the number – the size of the data which is stored is increasing permanently and at exponential rate. It will give us the capacity to grow. And that's the reason why we are absolutely convinced. This is really a strong way of accelerating our growth. This is what we put as one of the third pillar. So this is something which is important. We will have, in the next few weeks, other initiatives. And our ambition is to really continue to have many PaaS services to be able.

The second driver of the PaaS strategy is to open new regions geographically. Today, most of the introduction of our PaaS are based in Europe starting most of the time in Europe. But now the intention is to introduce these new services in Canada, in the US and in APAC. That will be second driver for us, which will also allow to address our larger markets.

And as most of these products are mainly sold through digital channels, we believe that in the US, in Canada, in APAC, we have a strong capacity to accelerate growth, thanks to the fact that these products will be available in these regions, and thanks to our very strong market digital channel. The second question was about –

**Stacy Pollard:** Yeah. It was just on churn metrics since the vouchers and customer acquisition in France post Strasbourg?

**Michel Paulin:** Yeah. It's clear that we have been very cautious and, let's say, very prudent and we have put a lot of effort to stabilise, restore trust in France. And this is – has been our main, I would say, focus during the last months because we believe that it was important before doing an aggressive promotion of our services is to restore and to be sure.

What we see today is that we are now at the end of all the programmes of vouchers and I mean all the elements we gave to our customers. And what we see and you've seen in the retention rate that the churn level has been back to the level and even slightly below it was before the event in Strasbourg.

So we believe that now that Strasbourg event perception is over and that we were able to restore enough trust to keep a strong install base in France. And we are still very, very cautious and very, I would say, promoting the capacity to take care of our customers. We are making a lot of investment in our support organisation to continue to support, help, train, give new solutions in terms of back-up, in terms of disaster recovery solutions.

However, we believe that we are now on a stable base to be able to accelerate, thanks to this new PaaS, to this new innovation we introduce and accelerate even growth in France in acquisitions. Thanks also to the fact that as you've seen, we have been able during the last six months to have new strong partnerships on a worldwide base through system integrators or SaaS provider and these partnership will give us the capability to accelerate the coverage of our market, different markets, tech markets, the digital markets or also the enterprise markets. And thanks to these partnerships, we believe that it will give us the opportunity to introduce more services in new names, thanks to these, I would say, live that are this indirect channel.

**Stacy Pollard:** That's great. Thank you.

**Operator:** The next question comes from the line of Amit Harchandani from Citigroup. Please go ahead.

**Amit Harchandani (Citigroup):** Thank you. Good morning, all. Amit Harchandani from Citi. Two questions, if I may. My first question goes back to the topic of Strasbourg. Clearly, you've done a good job, as you indicated, in terms of restoring confidence. So how are you really thinking about the remaining implications also in terms of the progression to cover customer claims and litigations? Is there a possibility some of that would be reversed? So that would be the first question.

The second question is with respect to growth in France. It's strong, but are there any other factors that are holding it back that you think could see France grow even stronger as we look towards the latter half of this year and going into next fiscal year? Thank you.

**Yann Leca:** Good morning. Yann speaking. I would take your first question regarding the provision. We did build a provision in our last year's financial statements. And at this moment, based on the information we have, we believe this provision is sufficient and adequate. It is, I believe, too early to say whether some of it will be reversible or reversed. And I think Michel will take the second question.

**Michel Paulin:** Yeah. Growth in France isn't – is effectively very interesting question. In fact, we have two effects. The first one, as you know, in France, we have a strong share of our revenue which are web cloud with domain names but also telephony and connectivity. This market is growing at a slower pace than the rest of the cloud. And so, by mechanical effect, we have, in France, a lower growth than the rest of the other geography due to the fact that there is more of the web cloud in the total revenue.

And as you know, we believe that mechanically due to the fact that we are accelerating in private cloud and public cloud, there is mechanically due to the shift in the mix of the revenue additional growth in France. That's, I would say, structurally what we have today in terms of growth. However, as I said, in – and I'm not sure in the previous question, there was also the point of Strasbourg.

In France, our main focus was and is still to restore, I would say, and to maintain a high level of trust to be able to have no churn. And this is where we have put all our efforts in terms of marketing and sales. And you see that we have good results, and that's the reason why we believe that we have accomplished the first step.

Now we were going to devote also a lot of effort now to acquire new customers in France. We will do that through the indirect channel I mentioned, and that's the reason why we see that there is a strong momentum, thanks to all the deals we have with Capgemini, Atos, Inetum, OCTO, which is Accenture subsidiary. So we see that this is, for us, the first driver. But also, we are now in, I would say, everything is set to be able to regain a strong marketing effort in the digital channel to acquire new customers, thanks to the fact also that we have now a more comprehensive products and solutions portfolio.

So yes, we believe that today we have now being in France at a level where we can gain mechanically and also opportunistically with opportunity strong momentum and growth in France.

**Amit Harchandani:** Thank you, Michel. Thank you, Yann.

**Marisa Baldo:** Stefano, maybe if there are no further questions, we're going to conclude the call, unless you – otherwise we can take the last question.

**Operator:** We have one final question from Derric Marcon from Société Générale. Please go ahead.

**Derric Marcon (Société Générale):** Yeah. Can you hear me okay? Good morning to all. Best wishes from my side for the new year. I've got three questions, quick ones. The first one, Yann, you often discussed or separate VPS versus public cloud. Can you give us more colour about that and the market trend that you see there and business trend that you've got on your side between these two subsegments?

My second question is about mongoDB. Can you share with us any statistics, relevant statistics and policies[?] and general availability about customer adoption or revenue – additional revenue for you?

And my last one is about the vouchers. So €2.1 million consumed in Q1. I thought the €8 million that you were expected to – customer were likely to consume in fiscal year 2022 were much more front-loaded than backend loaded. Would you say that given Q1 results, the €8 million that were supposed to be consumed during the year would not be fully consumed? Thank you.

**Yann Leca:** Thank you, Derric. Yann speaking. So on your first question regarding the content of our public cloud segment, we're not giving further details on this, but what I can tell you is that VPS is – so virtual private server is usually focused on very small customers and the growth level is less than that of the public cloud. And if you – if we look at the public cloud itself, which is the majority of the – our public cloud segment, the growth is higher than the average.

Your – Michel will take your second question and I will finish with vouchers.

**Michel Paulin:** Yeah. About mongoDB, we do not disclose the number of customers, but what I can give you is a little bit of flavour of what we have. We said and we had several hundred of beta tester of mongoDB in the beta phase. And the good news is that in fact we have now among these hundreds of customers using the mongoDB in Europe, we see intensive retention rates after this beta phase. And that's why we see now first – the first billing that we started now in January. So in fact, we started to bill in January.

And the retention rate after the beta is very, very, I would say, promising. Moreover, what we decided now is after this beta, which was based on our historical, I would say, install base and community, now we are introducing a new marketing plan to boost now to acquire new customers and especially in the – first in Europe, where we have a strong community but we want to expand that. That's the reason why we have now put in place some marketing efforts in Italy, in Germany, in UK mainly to be able to acquire new customers on mongoDB.

We believe also that the fact that the new Kafka and Red Hat, etc., new database, which will give a complete spectrum of database-as-a-service, today it's in beta test. But end of this month, we will have more than six database-as-a-service available in the PaaS and it will give us a comprehensive offering. And that's the reason why we are – today we see already momentum in mongoDB but we believe that in February, March and April, we will continue to have new acquisitions and [inaudible] which will use these products. And that's why we are, I

would say, prudently but definitely optimistic about the fact that we will have significant adoption rate in these services.

The last I want to mention is definitely also the object storage – I mean, products that we are going to launch next month because we believe it will be a strong driver. First, again, it will be based in Europe but we will extend that in North America and APAC just after.

**Yann Leca:** And your third question regarding Strasbourg vouchers. So first of all, let me remind you the mechanism. We gave vouchers for a value equal to three to six months of the February '21 deal to a number of customers for a total amount in vouchers of €28 million. And of those €28 million, €20 million were consumed at the end of fiscal '21. A further €2.2 million – €2.1-€2.2 million were consumed in Q1, which is 27% of the remaining balance we opened the fiscal year with a €7.8 million.

So it's not completely inconsistent. It's the – definitely I would not argue that 27% is a significant frontloading of the consumption of those vouchers. We expect that slowly but surely the consumption of the vouchers will dry up. As a reminder as well, they can be utilised for the very large part – for the most part of the vouchers until the end of calendar 2022. We expect that quarter-after-quarter, that consumption will diminish.

There will probably be an amount remaining which will never be consumed but it is too early to make an estimation of that amount right now. But you can think of, for instance, customers who have left without consuming the voucher, that is definitely something which will never be consumed.

It's not a provision, right? We have not made a provision. We recognise the consumption of vouchers as the time goes by. So there will not be – you can, let's say, the provision release or something like that, but definitely an absence of consumption will mean that the reported revenue would be favourably impacted.

**Derric Marcon:** Very clear. Thank you.

**Marisa Baldo:** That was the last question. Just a couple of words to say that Benjamin and I are available for any follow ups you may have. And I hand over to Michel for the concluding remarks.

**Michel Paulin:** Yeah. Thank you very much for your attention. I mean – and I was very pleased to have this discussion. Thank you very much also for the questions, which are very instructive and insightful. And you've seen that we have, I think, demonstrated that our Q1 results are in line with our annual target. And of course we are deploying our plan according to what we think are the best to create value long term for our shareholders. Merci tout le monde. Bye-bye.

**Yann Leca:** Thank you very much everyone. Have a great day.

[END OF TRANSCRIPT]