OVHcloud - FY2022 Annual Results

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Operator: Hello, and welcome to the OVHcloud 2022 Annual Results Call. My name is Sarah, and I will be your coordinator for today's event. 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 presentation. This can be done by pressing star one on your telephone keypad to register your question at any time. If at any point you require assistance, please press star zero and you will be connected to an 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 the OVHcloud team to begin today's conference. Thank you.

Benjamin Mennesson: Thank you. Good morning, everyone. This is Benjamin speaking. I'm Head of Financial Communication. And we are very pleased to have you today on this call for the – for OVHcloud's 2022 annual results.

We will start with Michel Paulin, CEO, for the strategy and business update, and then we'll have Yann Leca, our CFO, for the financial performance. And then, again, Michel for concluding remarks and the outlook. Thanks again.

And Michel, floor is yours.

Michel Paulin: Good morning, everyone. I'm very pleased to be with you this morning to share our 2022 annual results. It has been a year of strong performance and we are glad to pose those results today.

Our revenue reached €788 million, up 18.8% as reported and 12.4% like-for-like. We are ahead of our reported growth guidance of 16-18%, which you will remember we revised upwards twice during the year. Adjusted EBITDA reached €308 million, up 17.4%, which represents a 39% margin.

Our recurring and growth CapEx stood respectively to 19% and 36% of our revenues. We start 2023[?] with strong confidence in our capacity to accelerate during the year, especially in H2. That's why we have ambitious target for 2023 with the like-for-like revenue growth between 14% to 16%, and an adjusted EBITDA margin in line with 2022. Also, we target recurring CapEx between 16% and 20% growth CapEx between 20% and 32% of our revenues.

If we take a more detailed look at our fiscal year '22, we have significant milestone to share with you. So I propose we go to the next page.

First of all, we have been signing new contracts continuously during the year. And I'd like to highlight some of them signed in Q4. We signed with the French government's sovereign solutions certified by SecNumCloud, which is also very interesting, and shows that there is a strong interest for sovereign solutions. And also with Arianespace, MasterCard, Alstom, Fencecore in Canada. We also signed in EQS Group in Germany and Efalia in France, for also private solutions based on SecNumCloud certified solutions.

2022 has been also a year of development of strong partnerships. Our revenue growth coming from our partner system integrators is about 20%. And we enjoy an impressive growth of the total number of partners. And now we have more than 1,100 in August 2022. We are pleased to have strong relationship with large global players, such as Accenture, Deloitte, Capegemini, Inetum, Sopra, Steria.

Finally, we continue to develop new PaaS solutions intensively and build this growth engine. We are proud to have doubled the number of PaaS solutions in general availability during the year.

The next page, I just look at the Q4 performance. The Q4 performance is very robust and gives us confidence that we are starting our fiscal year, I mean, very, very well. In France, we had a continued acceleration during the year and we had in Q4 the strongest quarter. We also enjoy very interesting trends in the rest of Europe, where the performance underlines the success of our strategy towards large corporates and the strong commercial attractions of sovereign products.

Maybe one word on the web cloud segment. As you know, we have been working on a new connectivity offering and we recently announced this. Also, we have – I mean, been working on an improve offer strategy in the web cloud segment, which will bear fruit in 2023 and onwards.

In the rest of the world, we have experienced a continuing impressive sales dynamism, especially in the digital channel in the US and APAC. This very strong growth since Q4 last year led to a slightly higher comparison basis, especially in the US. The Q4 overall performance is promising and now I like to share with you our views on the cloud market forward trends.

Well, cloud market trends remain unchanged and very strong. Analysts expect the cloud market to grow by a CAGR of above 20% between 2022 and '23, with three key drivers. First, clearly the acceleration of data generation worldwide, data needs to be compute and stored. The irresistible trend to adopt hybrid multi-cloud, and it's worth to highlighting that close to 92% of companies in the world use several cloud provider. And we believe it fits completely with the positioning of OVHcloud.

And the cloud ability to turn CapEx into OpEx, which is probably the main driver of demand today. Just like the COVID crisis did, economic volatility actually accelerates the switch to the cloud and it allows to make real economic savings.

The next slide shows also that we are the leading partner in the European data sovereignty. As shown, the cloud markets in a secular growth and we are also experiencing a favourable shift of the legal framework to different data protection and data sovereignty. We are leading the way on data sovereignty, especially in Europe, but not only, there is also positive evolution on sovereignty in Canada, Singapore, India.

As you know, one of our key positioning is that we do not use customer data. We have absolutely no conflict of interest with our customers. This is a rising focus and concern for customers of cloud provider today all around the world. Thanks to our favourable positioning, we had a very strong performance of sovereign products, especially with large corporation for our SecNumCloud products with more than 30 new corporate clients in 2023, the first full year of commercial activity for this SecNumCloud certified product.

One recent major milestone for European data sovereignty was the opening of our new data centre in Strasbourg, with an efficiency driven design and with best-in-class PUE and WUE, power and water efficiency KPIs, for which we lead the way globally. Also, we enjoy significant political support with among other, Bruno le Maire, French Minister of Economy, and Thierry Breton, European Commissioner. This support highlights our focus to Europe and France are now on the topic.

The contracts we signed with AIFE[?], which is the IT decision making body of the French Ministry of Economy and Finance with 140k civil servants in Q4, is a very good proof of this accelerating trend.

The next slide also is about that we are the leading pioneer in sustainable cloud. Since the beginning in 2022, we have placed sustainability at the heart of our model. We are the leading pioneer in sustainable cloud. We are proud to reach best-in-class sustainable performance with a PUE between 1.1 and 1.3 compared to 1.77 market average. We also have a WUE, which measures the liquid and water efficiency of 0.26 compared to 1.8 in the market average. And a CUE carbon usage picking up on 1.2, which is a leading indicator.

In addition to be a pioneer, we want to lead the way in the industry. And that's why we have committed – we are committed to ambitious midterm targets, including global net-zero on Scope 1 and 2 by 2025. And then the full scope by 2030. This positioning of offering a sustainable cloud is fostering customer demand and especially from the large corporates. In 2022, we are very proud to have signed with EDF Renouvelables, a power purchase agreement, starting in 2025 for 50 megawatts capacity with negotiated price cap and well below current market prices.

This next slide is about people. Our employees are at the heart of OVHcloud. I am with the ComEx and with collectively we are really very proud to have employees strongly engaged for the company, with a 7.5 engagement score improving by 0.2 versus last year, a 79% loyalty rate and a very low voluntary departure rate, we are very proud to have a very high level of commitment.

Our 2,800 talents, of which more than 60 are tech profiles, are fully aligned with our strategy. And they are key in the execution of our growth plan. In this context of inflation, with the pressure for higher wages, having employees that believe in the project, which are [inaudible] company is even more important.

The next slide is to demonstrate that we have a very successful go to marketing strategy with dedicated channels. Supported by the high level – high engagement level of our employees, we're executing our go-to market strategy according to what we have presented during the IPO and we are targeting corporate clients with success. This enterprise channel has reached now 54% of our revenue fuelled by strong performance both on direct and indirect go-to market channels.

We have reinforced our client dedicated internal sales team and strengthened our links with our partners, integrators and also software editors and they are growing more than 20% in 2022. The digital channel has a continued success during the year, especially in the US and in Asia.

Overall, we are strongly growing with partners with large organisations with our sovereign unique solutions as a result of our successful strategy.

Another area of our strategy is linked to our international expansions. We have enjoyed the continued strong international performance throughout the year, especially in the US and in Asia. France now represents 49% of our revenues; Europe excluding France, 29%; and the rest of the world is at 22%. The cloud market dynamics are strong globally, and we can see it will continue – it will – with the continued demand for our private and public cloud services in each of these regions.

We are all very aware that current macro situation is uncertain with a high level of inflation globally, and in these context, we are leveraging our pricing power to navigate inflationary environment. We have announced during summer a price increase policy.

New services have already been successfully priced based on the new – the world's new reality in October, and the repricing of existing services will start progressively in the first week of December. The price increases announced will mitigate inflation on overall cost.

Overall, we expect our pricing policy to allow us to maintain the company margin in fiscal 2023. The price increases we announced are in line with industry-wide increase for IT, or cloud services such as storage, network, licence fees and support. Announced increased leave our price advantage unchanged compared to the hyperscalers and the underlying of our significant pricing power.

Following the announcement, customer dynamics and demand were unaffected. And we have seen much – we haven't seen much pushback at all. These increases were fully expected by customers and are industry-wide. The key elements – sorry, yeah, we have been consistently working during the year on strengthening our private cloud offering and expanding our public cloud and PaaS offering. We have released new ranges of private cloud services in Q4 with better performance, availability, security and optimisation.

We also now offer on Nutanix on hosted private cloud. Our teams also have been working on our public cloud and PaaS offerings. We now serve sophisticated clients' needs, and you can click and look after at the example of Ziax and Combigo case studies on this page.

But let me quickly focus on another interesting customer use case on the next page. This is a German health company, which has developed a fully integrated solution using the complete OVHcloud IaaS and PaaS offering. They were looking for the highest data protection standards both for GDPR and healthcare data in Europe best price performance ratio. They built their offering on public cloud infrastructure with different layers of PaaS and Network Solutions. I will not comment the diagram on the right.

The customer use case highlight the fact that OVHcloud now is a partner for choice for fully integrated sovereign solutions.

Last but not least is the key element of the current situation is electricity price, which are heavily impacted by the current macro situation, especially in Europe. However, thanks to our highly regulated footprint and an active hedging strategy, we are already certain of 90% of our electricity price for fiscal year '23 consumption. And as a result, we forecast electricity costs will represent a mid-high single-digit percentage of our revenue in fiscal year '23 compared to a mid-single digit in fiscal year '22.

Thanks to our price increase, I explained on the previous slide, on this certainty on most of our electricity cost, we're confident in maintaining the full year '23 EBITDA margin in line with the full year '22 level. Also, I can share with you that close to 75% of our fiscal year '24, consumption already has the same level of certainty.

So let's – now, let's move to the financial part with Yann. Yann?

Yann Leca: Thank you, Michel. Good morning, everyone. And I'm delighted to be here with you today. This first financial slide is about our strong reported revenue growth. As you can see, we reached €788 million this year, up 18.8% versus last year. This strong growth has been driven by a continued ARPAC expansion. ARPAC is average revenue per active customer.

You also see that our customers are very sticky, which is an excellent sign, as we report a very good net revenue retention rate of 114% for the full year, significantly up from last year.

And finally, if we look at our like-for-like growth, we compare to €705 million in 2021 and grew by 12.4% to reach €792 million like-for-like this year. As you know, like-for-like figure excludes the effects of perimeter changes, forex and the Strasbourg incident.

Now moving to the next page, we can see that the Group's performance is driven by the strong growth of public and private cloud. To highlight this evolution, you can see that the public cloud services now represents 16% of our revenue, up 2 points versus last year. And the private cloud represents 62%, up 1 point. And as explained by Michel, we have enjoyed a continued acceleration with the large corporates, thanks to our direct and indirect go to market strategies.

Finally, in the web cloud segments, we have recently been working with our new connectivity offering to better match customer needs. And we're also implementing a new dedicated offer strategy to support our commercial performance there.

Moving to the next page on the profitability side. We're very proud to cross this year the €300 million of adjusted EBITDA and reach €308 million, which represents 17.4% reported gross versus '21. In terms of margin, we reached 39% in 2022, with a clear strategy of reinvesting our operating leverage into our future growth, with a focus on talents and sales and marketing and product and in our support functions, notably IT. And that's in order to improve productivity in the coming years.

During the year, some one-off effects have weighed on the margin, such as dollar mix effect, the ramp-up of our acquisition integration, and in Q4 particularly some higher unhedged electricity costs had a little bit of impact.

But with our pricing strategy and our operating leverage, we're confident that the adjusted EBITDA margin in fiscal '23 will be in line with fiscal '22 levels.

Quickly moving to operating income and the P&L. The full P&L, you can see that we have €52 million of one-off tax in 2022 linked to the ideal Strasbourg and M&A. And without these effects, our operating income would have reached €32 million. One very interesting aspect of our P&L is a significant decrease of our cost of financial debt, thanks to the refinancing done in the wake of the IPO mid Q1 fiscal '22.

Now moving to cash flows. 2021 has been a year of investment to deliver profitable growth. Our recurring CapEx reached €151 million or 19% of our revenue. And gross CapEx reached €301 million, if we exclude the hedge related acquisition of IPv4 during the year is 36%.

I'd like to highlight two interesting elements in our CapEx this year. First of all, on the purchase of components. As you know, we were opportunistic during the first half year and have carried out precautionary purchases of components to protect ourselves from supply chain disruptions. And like everyone else, we've seen higher prices combined with a significant US dollar appreciation.

The second element is IPv4 addresses. As part of our ordinary course of business, we buy IP addresses, and then we had in H1 the opportunity to buy more. Those addresses did not lose any value [inaudible] culture. And in order to hedge our future quarters in particular the year 2023, we made the decision to buy a significant number of IPv4 addresses compared to what was initially planned.

Now, let me spend one or two minutes on our cash model and how we manage our CapEx. First of all, as shown, mentioned before, the cloud market has unchanged trends, especially in the current macro context of the switch from CapEx and OpEx gives additional cost flexibility to our customers. So, actually 70% of our industrial CapEx consists of the production of servers, and we can adjust it within less than a month. This means that in the unlikely event as when we've seen in aircraft landing procedure of a reduced cloud consumption, we would immediately reduce our CapEx and start to generate cash.

In addition to this high flexibility, we are continuously working on improving our industrial model. For instance, we have work streams focusing on simplifying our network infrastructure, on optimising the equipment setup, and improving the productivity and so on. So we do have a very flexible, resilient countercyclical cash model, which is key – a key benefit we derive from being fully integrated.

And finally, one last comment I'd like to make about our strong balance sheet. At the end of the year, our leverage is at 1.7%. And I'm glad to share that we've been quite active in 2022 with hedging 75% of our term loan, so our current interest rate is at 2.3% all-in including margin as we speak.

Also, with almost €400 of available liquidity, our growth acceleration plan is fully financed until 2026.

And with this very good news, I'd like to hand over to Michel for the outlook and key takeaways.

Michel Paulin: Okay. As said at the beginning, we plan a revenue growth acceleration in fiscal year '23 with like-for-like revenue growth between 14% to 16%. This growth will be fuelled by an acceleration in public cloud, a continued successful go-to market strategy and sovereign products.

We expect H2 to have additional growth drivers with PaaS solutions contributing more significantly in the second half and to see the full effect of price increase also in H2. We target an adjusted EBITDA margin in line with 2022, thanks to our operating leverage and price increases. Note that these effects will be fully contributing mostly in H2.

Regarding CapEx, we target recurring CapEx between 16% and 20%. And growth CapEx between 28% to 32%, down from 30-34% previously, as we plan our component inventory to gradually return to lower levels in 2023.

Our midterm targets are unchanged. And as said earlier, the midterm cloud market trends are fully confirmed, which give us confidence to achieve these targets. So our revenue growth will accelerate to the mid-20s. Our adjusted EBITDA will be – will reach close to 42%. And our recurring CapEx will be between 14-16%, thanks to better efficiency. And our gross CapEx will be between 28% to 32%.

In summary, we have a look of our growth accelerate strategy, I would like to reconfirm our four growth layers – levers. First, our business mix shift with a mechanical acceleration for public and private cloud. Then the move to PaaS, which will be contributing more significantly in H2 2023. Then our already successful international expansion. And finally, we said everywhere in the world the data sovereignty trends, which are definitely good today already. All those four levers will enable us to accelerate towards mid 20s in 2025.

So now I propose – and some key takes – and conclusions on key takeaways for the fiscal year '22 presentation. First of all, we publish a revenue of €788 million. And as you know, we have raised our guidance twice during the year. So it's a very strong performance. We have reached an adjusted EBITDA of €308 million and a net revenue retention rate of 114%, which highlight the stickiness of our customers.

Then our growth strategy is successful. We're accelerating on large corporates. Our PaaS offering is strengthened to offer a fully integrated solution to our customers, and we have successfully increased our international footprint.

Finally, we are very confident in our fiscal year '23 acceleration with like-for-like revenue growth between 14% to 16%. And adjusted EBITDA margin in line with fiscal year '22. And the confirmation of our midterm objectives.

On that note, before we open the floor to questions, I would like to leave the floor to Yann, who wanted to say something special.

Yann Leca: Thank you. Thank you very much, Michel. I just wanted to thank everyone as this is my last earnings call with OVHcloud. This has been a fantastic adventure. And I'm very proud to have a company this amazing team for almost four years from pre-IPO to IPO and to today's successes.

As far as I'm concerned, I'm convinced that OVHcloud success equity story will continue to deliver in the short and in long term, and I will follow it closely. It's been a great pleasure working with you all, investors, analysts and obviously with the amazing OVH teams. And thank you very much, Michel, for your trust.

Michel Paulin: Thank you very much to you, Yann, for your tremendous work from building a very robust finance team to leading our successful IPO. You have big shoes to fill.

Yann Leca: Thanks very much, Michel. I have no doubt the person arriving soon will have no problem filling my shoes.

Michel Paulin: This is a good time for me to tell you all that the process of hiring Yann's successor is a very advanced indeed and we are looking forward to sharing the news in the coming weeks.

On that note, I'd like to turn the floor to Benjamin. Thank you again, Yann.

Yann Leca: Thank you, Michel.

Questions and Answers

Operator: As a reminder, if you would like to ask a question or make a contribution on today's call, please press star one on your telephone keypad. To withdraw your question, please press star two. Please ensure your lines are unmuted locally, as you will be advised when to ask a question. The first question comes from the line of Gianmarco Bonacina from Equita. Please go ahead.

Gianmarco Bonacina (Equita): Yes, good morning. Thanks for letting me ask the question. The first one is about your revenue guidance. If you can give us a little bit more colour on this 14-16% growth between the price effect you expect, the volume, and also what kind of expectation you have in 2023 for PaaS as a driver of growth? And then maybe on the reported figure for our estimates, assuming FX will remain at this level, what kind of tailwind should be on top of the organic growth for next year?

Then about your 2025 target. Is it fair to assume that you will move linearly from your 15% growth next year to 25%, implying kind of 20% for 2024? You have some visibility here? Or maybe this growth will be more back-end loaded? Thank you.

Michel Paulin: Okay. A few elements about the guidance. We forecast a contribution from several growth drivers in fiscal year '23. First of all, as soon as in H1, we will benefit from the public cloud acceleration and continued performance for large corporates and a strong dynamism for sovereign clients. So that's a really the first factor.

Then, in H2, we expect, and you mentioned it, the PaaS solution to contribute more significantly. And also combined with the full effect of the price increase that will start in December. If we make a more high level analysis, the current market long term trends are fully confirmed. And that's why we are confident about this growth guidance.

About the 2023 targets, we don't think it would be really strictly linear, that they will have an acceleration across the different things, thanks to the fact that we are increasing the solutions portfolio, and that also all the investment we're making in the international expansion will be able to accelerate the growth accordingly after a few years.

The last one over the PaaS you mentioned is we are still running out our PaaS offering, with a lot of recent launches in general availability. We are building this offering along with our customers to make sure that it fits their needs. The trends in fiscal year are in line with our plan, with our demand. The demand-sales dynamic already here. And we're confident that the trends will continue in the future.

We expect PaaS to start to contribute in H2, as we always say, fiscal year '23. And very interesting is to see the example of the iATROS use case that we have been showing during presentation and which I learned the potential of cross sell for PaaS service alongside infrastructure that can be either public or private cloud. And we see a strong momentum in our Database-as-a-Service and Kubernetes solutions.

Operator: Our next question comes from the line of Ben Castillo from BNP Paribas. Please go ahead.

Ben Castillo (Exane BNP Paribas): Good morning. Thanks very much for taking my question. Just another one on the revenue growth guidance for next year. Nice to see that acceleration confirmed and confirming those midterm targets again. I guess what I would ask is, what are your assumptions on the macro environment underpinning next year's guidance? Are you assuming things as they are today, some deterioration or some improvement? That will be my first question.

And the second question would be, can you give us any colour on your expectations for the growth by segments? So public cloud versus how it did towards the end of this year and private cloud in particular? And then if I could squeeze in a third one, just on the channel partners? Seems like you're adding – you added another 150 in Q4. You're up to about 1,100 now. Is the aim there just to keep growing the number of partners or does there come a point where you're sufficiently present and it's then about harvesting those relationships? Thank you.

Michel Paulin: So about the macro, my short answer would be that the cloud market growth trends are, we believe, unchanged and is confirmed by most of the actors[?] of key sector. And as you'd expect the cloud market to continue to grow at a CAGR of 20% between ‘22 and ‘26. And we are really fine with that.

If I try to have a longer answer, but we believe today that there is an inflationary context, and that therefore the cloud ability to turn CapEx into OpEx is actually a big driver of demand. As illustrated by the COVID crisis, if anything, economic volatility actually accelerates the switch to the cloud. It allows to make real economic savings, and that's we do believe it confirms the driver of the macro.

The second clearly it's also that in the context of growing geopolitical tension, and I will say unprecedented climate crisis, data sovereignty, data protection, sustainable solutions have never been more relevant. That's why we have been championing both trends for more than 20 years now and the demand remain high as Q1 trends confirm. So that's why we believe despite the environment, we have a strong macro position for OVHcloud and for the cloud market.

About the partners. I think the challenge today is not to increase the number – it’s not a challenge. I mean, what we see is not to increase the number of the partners, is to continue to develop the relationship and to increase the revenue per partner. Except the events where we are entering now the new partner programme, and we hope to have new partner in the US.

What we see today is strong momentum without further revenue compounder, and it will drive long-term our capacity to continue to grow in the indirect channels. Moreover, everything which concerns the sovereignty solutions, is really today, a strong driver in Europe. And I mentioned the different partnerships we have.

You've seen that we have signed strong partnership on sovereign solutions with Accenture, with Inetum, with Sopra. It’s a public information. That's why we do believe that today the – I would say the capacity to develop one by one relationship with this partner will boost our indirect revenues.

Last point, again, is what I was mentioning previously about sustainability. We see that today sustainability is becoming a higher driver for demand for especially the large corporates. We have really – we are the pioneers in sustainable cloud. And today, we have extraordinary results in terms of legality in electricity and in water and carbon usage. That's why we believe also it's a strong argument in favour of OVHcloud solutions.

Ben Castillo: Perfect. Thank you. And best of luck, Yann, for the future. Thanks.

Yann Leca: Thank you. Thanks very much.

Operator: The next question comes from the line of Peter Zaretsky[?] from Goldman Sachs. Please go ahead.

Speaker: Hi. Congratulations on your results, and thanks for taking my questions. You indicated that EBITDA margin will be skewed towards the second half. What about revenue growth and CapEx? What sort of phasing should we expect between first half and the second half of next year?

Yann Leca: Hi. Yann speaking. So we actually expect to have an increasingly favourable trends in the second part of the year. As you heard, first of all, on the revenue side, we are starting to increase our prices. And as 1st December, we will roll out our pricing increases on existing customers and offers. And this will continue throughout the year. So this gives the revenue growth towards the second half of the year.

In terms of CapEx, it will be relatively similar in the sense that this year, we have had, first of all – this year fiscal ’22, we have added quite some component inventory in order to weather the storm of the supply chain disruption. And we have done so very successfully. We've also had price increases and dollar increases. And finally, as I indicated, we've had IPv4 opportunistic purchases. All of that will not reoccur in fiscal ‘23.

And as our component inventory unfolds, and we consume out of that inventory, of course, you can expect also a CapEx skewed towards better performance in the second half year. Overall, as we indicated for the full year fiscal ’23, we guide on gross CapEx downwards to 28-32%, and down from 30-34% for that reason.

Speaker: Great. Thanks.

Operator: We currently have no further questions coming through. As a final reminder, if you would like to ask a question, please press star one. There are – there is another question coming from the line of George Webb from Morgan Stanley. Please go ahead.

George Webb (Morgan Stanley): Good morning, Michel and Yann. Thanks for taking the questions. I've got a couple. Firstly is on pricing. I mean, given the cost inflation we've seen this year, the activity of other vendors as well. Can you give us an updated feel for where you see OVH positioned on pricing in the private cloud landscape? I know you've given some data in the presentation deck on public. But interested where you see yourself versus the IBMs of the world, also the Hetzners has historically, I guess, have been very keen on pricing very low. And where would you see that right now? And where would you see that after the December price increases?

And then secondly, on the EBITDA margin guidance, you mentioned the H2 weighting. Can you give a feel for how much of a swing you'd expect between the first and the second half of the year? Thank you.

Michel Paulin: Okay. Firstly – the first point we confirm today that we do believe we have a very strong price performance positioning, both in the private cloud, that we mentioned, and in the public cloud. So this is something which is now confirmed by most of the benchmark, which has been disclosed by the analysts. And we – despite our announcement of the pricing increase, we believe it will recontinue. Why? Because for example, Hetzner has announced a similar increase pricing today, it's official, and IBM has already announced that it will do so.

And you know that today, for the other product, I mean, players, we see that today, they will all increase their pricing. And you've seen already that in Q4, we have a strong momentum in price. So we are very confident that today we will maintain a very high lift – I mean, competitive price performance ratio on all our products, private cloud, but also including public cloud.

On the second point?

Yann Leca: So I just wanted to reconfirm that our fiscal ‘23 margins, we expect will be in line with fiscal ‘22. So we're able to maintain our margins in spite of the cost increases, which, as you can see, are absolutely impacting us in a much more – in a very moderate manner, thanks, in particular to our integrated model.

George Webb: Okay, that's clear. And maybe if I can add just one further question. If I remember that to Q3, there may have been some comments on how there could be patches of weakness in the kind of smaller tech companies part of your customer mix. And I mentioned that that today. It feels like there's other parts of the business around enterprise other areas that have maybe become a bit more robust in Q4 than you expected? Is that a fair way of thinking about this? Or have you seen any big changes so far? I know you have in Q3 but have you seen any changes downwards in the demand trajectory from those smaller tech companies?

Michel Paulin: The short answer is that we do not see big changes for SMBs. Same for large organisation. The trends are good. And notably due to price cut, where there are very healthy dynamics across the different segments. And both in the SMB and in the large organisation, and also in the public clouds.

The DPS[?] entry range public cloud product was SMB slowed a bit in Q4. But we do not think it will impact our low performance because our strength is our segments and our capability to propose very innovative solutions. So yeah, that's today how we see the SMB, but – and performance.

George Webb: That's very clear. Thank you. And good luck, yeah, into the future as well.

Michel Paulin: Thank you very much.

Operator: The next question comes from the line of Ben Castillo from BNP Paribas. Please go ahead.

Ben Castillo: Yeah, thanks. Just a quick follow up just on the energy cost visibility, saying you've got 90% visibility 2023, which is good. I guess my question is just on the way then you structured it, your prices there softened through the year. Can you benefit from that? Or are you locked in at a certain price now? Thanks.

Yann Leca: Thank you for your question. On electricity costs, we actually benefit today at levels, which made me believe that even if electricity prices softened quite a bit, we will still be extremely on the benefit side compared to spot prices or current power prices. So the magnitude is not – is absolutely in our favour right now.

Ben Castillo: Understood.

Yann Leca: And the greatest thing is that we have complete certainty of 90% of the complete energy bill, which is a position we're extremely happy about.

Ben Castillo: Yeah, that makes sense. Great. Thank you.

Operator: I will now hand the floor back to your host to take further questions coming from the webcast line.

Michel Paulin: Yeah. So thank you very much for your questions. I just want to ensure that today we are, I mean, very confident about the outlook we have proposed to you and we are fully committed with all the teams to deliver this time according to what we already mentioned. We are delivering our plans we presented during the IPO and we will continue. So this is today the commitment of all the management, all the employees to continue the acceleration growth plan we have in front of us.

Operator: Thank you for joining today's call. You may now disconnect your line. Hosts, please be on the line and await further instruction.

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