

Softline

H1 2021 Results

Conference Call Transcript

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Corporate Participants

Sergey Chernovolenko – Chief Executive Officer

Artem Tarakanov – Chief Financial Officer

Steve Salter – Global VP Investor Relations

PRESENTATION

Steve Salter

Thank you operator, and good morning everyone... We hope you've had an opportunity to review a copy of the press release and supporting materials for our H1 2021 results... which are available in the investor relations section of Softline.com.

I am joined on the call today by our Chief Executive Officer, Sergey Chernovolenko, and our Chief Financial Officer, Artem Tarakanov. Sergey will start with the highlights for the first half of financial year 2021, followed by a business update. Artem will then take you through the financial details, as well as the business outlook.

As a reminder, some of our comments today may contain forward-looking statements that are based on assumptions and therefore subject to risks and uncertainties that could cause the actual results to differ materially from those projected. Our commentary will also include adjusted financial measures, which are non-IFRS measures. These should be considered as a supplement to and not a substitute for IFRS financial measures.

Now let me turn the call over to Sergey...

Sergey Chernovolenko

Thanks Steve, and good morning everyone... thank you for joining us today on our first earnings call as a public company.

I would like to start by thanking our customers for the increasing trust they put in Softline every day. I am grateful to our entire team for serving the needs of our customers so well... and for a great job in H1 2021, especially considering the on-going pandemic. I am humbled, and proud to be leading the best team in the industry.

Softline was founded 28 years ago by our Chairman, Igor Borovikov, and since then, the company has undertaken a very significant transformation to the company we are today, a leading global solutions and services provider in digital transformation and cybersecurity, headquartered in London. We enable... facilitate... and accelerate the digital transformation of our customers' businesses. We connect over 150,000 enterprise customers across a comprehensive range of industries with over 6,000 best-in-class IT vendors. We deliver even more value with our own services and proprietary solutions. With now more than 6,000 very talented employees globally, we operate in more than 50 countries, addressing the entire range of our customers' IT needs. We are positioned at the center of digital transformation. During our history we have delivered significant growth... as we sit here today, I am pleased with our performance in the first half of financial year twenty twenty-one, as we continue to drive strong growth in line with our compelling strategy and aligned with our expectations.

Let me remind you about the amazing market we serve, there is a clear imperative for organizations to accelerate their investments to digitally transform – and it is not a choice. This transformation is not easy, it continually evolves, there is no finish line, and it requires a trusted partner with deep knowledge and skills to help them navigate in their markets. Softline plays a cornerstone role in the digital transformation ecosystem. We are helping our customers to achieve their goals and stay protected. Our proprietary digital platform plays the anchor role in our relationships with our customers, with one

single interface for managing all infrastructure and software subscriptions and resource allocations in the hybrid IT ecosystem.

In addition to this transformation imperative, global investment in digital transformation has also intensified as a result of the COVID-19 pandemic. It is a structural trend driven by the importance of adopting digital technologies across all industries. Enterprises are challenged with inadequate digital skills and increased complexity as they need to navigate the growing vendor landscape. There are different approaches to digital transformation. And growth of data and management of security issues make it even more difficult. Vendors are also facing challenges relating to digital transformation. They encounter the changing expectations of customers, including their approach to buying and their preferred engagement models, as well as a challenging compliance environment. We bring significant technological knowledge and capabilities, both from our vendors and from our organic investments in our portfolio, and a range of services geared to changing customer demands.

Now let me recap on our proven growth strategy which has served us very well, including this quarter. It is centered around three dimensions, Geographical expansion, portfolio expansion, and sales channel strengthening and expansion.

Firstly, as it relates to geographic expansion – the technology market is global by definition, and to be successful in this market, you also need to be global, with critical mass. Our vendors are global, and they prefer to partner with global companies like Softline. As we have evolved our business, we have diversified with nearly 50% of sales driven outside of Russia. We are focused on expanding our operations where we see significant opportunities for growth, in the emerging markets particularly India and Asia), in EMEA and APAC, and in future in the more mature Western Europe, and North American markets. And we continued along this dimension in Q2 by entering new markets with acquisitions.

Second, as it relates to portfolio expansion... We are agile, with a track record of evolving our portfolio to stay relevant with our customers' needs. As the IT market moved to digital transformation, we adapted with the development of so-called next generation services. These services include custom software development and innovations from our Digital Lab. The focus there is on new disruptive technologies like AI, ML, IoT and others, and purposeful innovation. And we have been working in Q2 to further strengthen our portfolio with investments and acquisitions. And our partnership with cloud vendors like Microsoft, AWS, Google, ServiceNow, and others, and to build managed service practices around these platforms, as customers are looking for multi-cloud and multi-platform hybrid futures.

Third... as it relates to sales channel expansion – the core of our business is sales and services. We are pleased with the growth of our sales force in the first half. We have continued to invest in our Softline Digital Platform, which has a robust road map to capture the increased number of customer procurement and lifecycle interactions. We have expanded the software offering available on Softline Digital Platform and expanded the number of countries in the last six months where it is available. We have won extra regions with a major cybersecurity vendor for our B2V platform thanks to our superior functionality.

The turnover growth of 29% in Q2 provides further evidence that our strategy is working. These three dimensions together ensured profitable growth in the past, as well as the present, and they also provide a good base for future growth.

Acquisitions complement our organic strategy. We have a strong track record of identifying and acquiring the right companies to help drive our strategic objectives, with 16 transactions over the past 5 years. In the first half of 2021, I am particularly pleased with the following.

Squalio, where we are expanding our Eastern European presence. Squalio is an international data technology company, in Latvia, Lithuania, Belarus and Estonia. Squalio have developed a dominant licensing business through first-class licensing expertise and certifications with key strategic vendors, such as Microsoft, Adobe, Oracle, IBM, Google and other cloud and security solutions leading players. In addition to the business, we are welcoming an amazing team to join Softline at this great time.

We are also driving our expansion into North Africa with our joint venture with Digitech... a Digital Transformation specialist, and one of the leading and fastest growing Microsoft partners in Egypt with both Microsoft Cloud Solution Provider and Licensing Solution Provider status. Digitech has deep expertise in cloud services, particularly in Azure and M365, a mature cloud-based suite for delivery of cloud services. We are delighted to have established this joint venture where Softline has the majority. Egypt represents an attractive, fast-growing market and a strategic foothold in the Middle East.

And finally, our acquisition of Belitsoft, a custom software development services provider based in Belarus with an international customer footprint including the United Kingdom, the United States, Israel and Denmark. This will further strengthen our custom software development capabilities, with a team of 350 very talented, world class custom software development specialists. This is part of our promise that we will take emerging market talent to the developed markets, where their skills are so much needed. We continue to see opportunities with the consolidation in the market. Local players find it more and more difficult to adapt to the realities of the modern IT industry. Customers want global players. Vendors want trusted global partners, and talent wants to be part of global stories. We are pleased with the constantly evolving strong pipeline of deals that we see. Our M&A strategy supports our three-dimensional growth strategy, and we remain disciplined about what we go after.

To deliver more value, we need to ensure the success of our acquired companies. We are pleased to report that we are happy with the integration process, and we believe that newly acquired teams continue to see Softline as an amazing place to work, and to develop and grow.

Our relationships with our vendor-partners continue to evolve very well. We have received a number of accolades and awards in the last months. And we are particularly happy with our acceptance into the Microsoft Intelligent Security Association, an ecosystem of independent software and managed security service providers that have strong integrated solutions for cyber defence and threat management. Turning to the first half of financial year 2021. We are pleased with our financials which are above market trend.

We delivered turnover of \$976 million, growing 26% year over year in H1, which we are particularly pleased with, given the strength of H1 2020. It is where we expected to be, and positions us well for the remainder of financial year 2021.

We increased our recurring turnover to more than 59% of overall turnover, an important metric aligned to our growth strategy. Growth in this metric is another promise that we made, and we are delivering. With our global positioning, we delivered growth across the majority of geographic regions, with particular strength in EMEA, and APAC, including, of course, India. We continue to see great market potential as we focus particularly on expansion in the emerging markets.

We delivered gross profit of 13.2%, with adjusted EBITDA to Gross profit margin of 21.6%. And we managed to improve our Gross margin and to deliver Gross Profit growth at 45%.

Looking at the trends across our business. Starting with Software & Cloud, which is a fast growing segment of our turnover - our offerings are resonating with our customers as we focus on helping them successfully navigate the changing universe of software. We have strong relationships with thousands of software vendors, and with our depth of knowledge and expertise, we partner with our customers as a trusted advisor to identify the correct software and delivery options for their needs. Customers are seeking to obtain IT outcomes more effectively, efficiently and with increased agility. In order to achieve that, they are increasingly relying on cloud-based technologies, and we are helping with our diverse portfolio of offerings around cloud computing services. This includes public cloud, dedicated private cloud and hybrid cloud solutions based on leading vendor technologies and services. Including AWS, Azure and Google Cloud Platform... as well as our own multi-cloud management platform, CloudMaster, which is part of our Softline Digital Platform. The Cloud sector is outperforming the overall IT market and is growing rapidly across the globe, and we aim to remain a leading company in this domain. Let me illustrate this with an example. In Thailand, we are helping a major content & distribution company to provide unified Workplace solutions following multiple mergers into one to create a single platform of communication and collaboration inside the group. We have started the migration from the on-premises platform to Google Workplace and plan to finish this project early next calendar year.

Hardware is the foundation of any IT infrastructure. We are focused on providing the full cycle of work involved in integrated projects. This includes selection, delivery and installation of hardware from the leading manufacturers and services following installation, such as support and maintenance. Our offering includes a full range of workplace and data centre infrastructure solutions, as well as other peripherals. We connect hundreds and hundreds of hardware vendors with over 2,000 customers. Importantly, while demand for cloud solutions is growing, for many of our customers, on-prem infrastructure continues to be important. Furthermore, it continues to grow more complex as the number of vendors and technologies are increasing... and security expertise is also applicable to on-premises estates. We continue to develop our capabilities, as customers want today's modern digital transformation solutions providers to bring strong expertise in data center and workplace infrastructure.

Services is becoming a more important part of our business, as customers are increasingly demanding service-based engagements, and as vendors' products are embedded in more sophisticated projects. We are helping clients with professional and managed services, particularly around Future workplace services, IT infrastructure, Digital solutions, Cloud migration services, and Multi-cloud assessment, readiness and management services. In addition, we are helping with Software Asset Management, training and education. Our Digital Lab delivers a number of next-generation services, including application development and engineering, disruptive solutions based on AI/ML, IoT and RPA. Customers can use Softline Cloud and Softline's cybersecurity services. Our aim is to continue to expand our services offering with a key focus on multi-cloud services, cybersecurity and digital transformation. And we have delivered on our promise to grow the Services revenue, as we delivered significant growth of 65% in H1.

Let me illustrate this with an example of the services we deliver to launch a major national database in India, covering hundreds of millions of people on a single services marketplace developed on Azure. The work includes Softline Services for application development and transformation, and cloud deployment, with some advanced analytics features.

For Currency Solutions, UK, one of the leading UK's start-ups in financial services, our Software Development unit is now contracted to refactor the core of their system to more modern technology and to help with some additional feature development.

I would also highlight another example of customer trust and partnership is the that we delivered more than 200,000 person hours of training to our customers in H1.

Our unified communication "Softline Voice" IP solutions continues to be rolled out Globally after success in LATAM where we secured "UCaaS New Product Innovation" Award by Frost and Sullivan together with LATAM Microsoft Partner of the Year in TEAMS Calling and Meetings this year.

We continue to invest in our organic capability to deliver services globally, and just two quick examples are, first - our investments in our International Managed Security Service Center in India and our Global MSP Azure centers in India continue to deliver scale and growth in these key segments, and second - we have also continued to extend our Service Delivery global footprint through investments in our support centre in India for future workplace services with plans for a further centre opening soon in LATAM. Our Software & Cloud, Hardware, and Services portfolio cover the entire range of IT needs of a modern enterprise.

We are very excited to build on the foundation we have created, where we have a proven track record of profitable growth. My international management team consists of deeply experienced leaders, completely focused on our strategic priorities, and of course, in our industry, our people are our greatest differentiator.

So let me spend a few minutes talking about the people of Softline. We continue to be able to source great talent in the markets where we operate. There are three main considerations with talent in the industry, sourcing, retention, and development. Let me briefly touch on each of these three considerations.

Number one – on the sourcing, we see talent is still available in our market place, and our hiring engine is continuously looking for the best candidates in sales, marketing and engineering. We grew our headcount by 16% since the beginning of financial year 2021 to 6,397 people, and I am particularly pleased with the very strong growth of our service delivery capability.

Number two – on the retention, we are laser focused on creating an environment where our people can prosper. Being a public global company makes it easier to build this environment, with international opportunities, modern performance-based payment, and long-term incentives aligned to growth and business performance. And our retention focus spans the whole organization, as we are very aware that we need to retain not only our managers, but also our individual contributors like engineers.

Number three – on the development, we continuously develop our people, both sales and engineers. Collectively, our people have spent 50,000 training hours this half year developing their capabilities so they can deliver more value to their customers, and Softline. Our talented teams remain focused on bringing innovation and the best solutions to our customers around the world.

Indirect proof of this commitment to our people are the recognitions recently where Softline was acknowledged as a great place to work in Columbia, and in the APAC region.

We believe that part of the reason why people want to join Softline, and stay with Softline, is our commitment to ESG, despite the complexity of the markets where we operate. Diversity and inclusion important to us and our people. We have a longstanding dedication to the preservation of basic rights and human dignity in our workplace and beyond. As part of our ESG strategy, our purpose is to ensure environmentally sound and sustainable development of the company. We will continue to look for ways to reduce our climate impact. And we have a strong commitment to ethics and compliance in all the markets where we operate. We will continue working on and advancing diversity across our extended governance structure. And finally, I am pleased with the launch this year of our Supplier Code of Conduct, focused on gaining supplier commitment to ESG credentials.

Looking ahead, we feel good about the opportunities in the market, and our ability to execute on our growth strategy. To summarize.

We are operating at the heart of the digital transformation ecosystem

We are addressing a large and fast growing underlying market, with a focus on the most attractive segments. And we continue delivering, as promised, on our expansion

We have a unique global operating platform delivering a broad range of turnkey solutions

Our people-first, customer-centric organization with a sales & services DNA serves us well, supported by our experienced international leadership team, including our visionary founder. This is illustrated by recent recognition as a great place to work.

We have a highly recurring revenue base which has helped drive sustained profitable growth. We delivered on our promise to grow this metric.

We have a proven track record for driving acquisitions to access skills and capabilities, and to scale faster in key areas, as we take advantage of the growing consolidation opportunity. We promised to augment our 3D strategy with M&A, and we continue to deliver this quarter on this promise.

And we have a clear, consistent growth strategy, focused on targeted expansion across geographies, the product-service portfolio, and sales channels. And the promise of growth is evident in the 26% growth we delivered.

And we continue delivering strong financial results outperforming market.

With our global footprint, and our offerings in the fast-growing areas of digital transformation, cloud and cybersecurity... we are very well positioned to differentiate in the market with the combination of our scale, capabilities, and offerings, as we partner with our customers on their digital transformation.

Artem... over to you.

Artem Tarakonov

Thank you Sergey – and thanks to all of you for joining.

We were pleased with our results in the first half which represented broad based strength in our business. I will now go through the financials in more detail, starting with the profit and loss statement for H1.

Turnover reached \$976 million in H1 2021, a 26% increase year-over-year in USD. This includes very strong growth of 29% in Q2.

Overall, we increased our recurring turnover to more than 58% of total company turnover for the first half, versus 56% at the end of financial year 2020, so this important metric keeps growing as was stated in the medium-term guidance.

Looking at turnover by segment...

Software and Cloud grew 28%, driven by growing demand for digital transformation among our customers. More companies appreciate our understanding of Modern IT and digital transformation.

Hardware declined 3%, primarily influenced by increased delivery times due to global chip shortage, and against a very strong compare in H1 2020, due to very significant Covid related demand. Despite the drop in deliveries in H1, we continue to see demand, even with extended production times for hardware. We are encouraged with customers' orders and the growth potential, as current market conditions allow for higher margins on hardware.

Services grew 65%, In addition, acquisitions of Softline AG, Belitsoft and Embee helped us to further strengthen our services portfolio.

Looking at turnover by geography...

Turnover growth was driven by particular strength in our International business with turnover now representing above 50% of total turnover. This is part of our promise for further diversification from our original market.

Growth was particularly strong in APAC, and EMEA regions, both organically and due to recent acquisitions. Except for Brazil, where macro conditions remain challenging, LATAM region delivered decent growth. We grew mid-single digits in Russia overall off a very strong H1 last year. While we saw some impact on Hardware shipment delays, we were pleased with the Software & Services growth in Russia.

Gross Profit reached \$128.9 million, up 45% year over year, compared to \$88.7M for H1 last year. We are pleased with the broad-based improvement overall, particularly with 28% growth in Russia. We were also pleased with Gross Profit in Q2, which was up 65% YOY

Gross Profit margin turnover based, was 13.2%, compared to 11.4% for H1 last year, and is in line with our expectation and guidance for 2021 FY

The growth in SGA was driven by recently acquired companies. Organic SG&A stayed at 10% as percentage from turnover, on the level of last year

Adjusted EBITDA was \$27.8 million, up 51% year over year, compared to \$18.5 million for H1 last year. For Q2, adjusted EBITDA was \$15.1 million, representing growth of 72% from \$8.8 million reported in Q2 2020.

Our headquarter costs are also consistent with our expectation, and excluding these costs, our adjusted EBITDA was \$39 million, with growth of 55% year-over-year.

We are pleased with the growth of adjusted EBITDA margin... Gross Profit based... which was 21.6%, compared to 20.8% for H1 last year.

Net debt was \$213.5 million, compared to \$109M for H1 last year. Our stake in Crayon at the end of this quarter was \$94 million, and adjusting for this, net debt was \$119 million.

Capex was \$13.6M in H1 2021, and approximately 10.6% of Gross Profit, and reflects the impact of acquisitions.

We will continue to focus on organic growth, as well as targeting M&A to add skills and capabilities, and scale faster in strategic areas.

As part of our capital allocation strategy, we intend to initiate a GDR buy-back program designed to offset the impact of the issuance of shares for our LTI program. We plan to implement the GDR buyback program in the near term, subject to the necessary approvals, for 12 months, and for up to 10% of share capital, as per the maximum allowance under Cypriot law. We will finance the buyback from operations, and our finance investments, and this will not impact our investment strategy for proceeds from our IPO outlined in our prospectus.

As before... we expect mid-20% turnover growth in 2021 consistent with the approach outlined in our prospectus.

We expect turnover based Gross Profit to be in the range of approximately 13% to 14% margin over the medium-term.

And we expect increasing adjusted EBITDA margin... Gross Profit based reaching the low-30% range over the medium-term.

So, in closing, we are pleased with the results in H1, and we remain focused on delivering in the second half, particularly around the investments in our growth strategy, and our people.

With that, I will turn the call over to the operator who will provide instructions for the Q&A

QUESTIONS AND ANSWERS

Operator

Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. We will pause for a moment to assemble the queue. As a reminder, participants can also submit

questions through the webcast page using the ask a question button. We will take our first question from Anna Kupriyanova of Gazprombank. Please go ahead.

Anna Kupriyanova

Good morning and thank you very much for presentation and opportunity to ask question. So my question will be regarding your guidance on turnover for 2021. As we see you now mentioned that the level for turnover increase is mid 20s, could you please explain which share? If you talk about organic increase on like for like basis or this number includes M&A effect? Also, could you please specify which part of your turnover increase in first half is coming from M&A and what would be turnover increase on like for like basis? Thank you.

Artem Tarakanov

Anna, good day. Thank you for the question. So our reported turnover gross H1 versus H1 was 26%, right? That includes effect from recently acquired companies, right? So we acquired if you recall, seven companies in the recent nine months and that gross includes this effect. Yet we should say that three companies namely Belitsoft, DigiTech and Squalio, we acquired only in Q2, right, of our year. And so the effect in the reported numbers for these companies are limited, right? If you had a chance to look on our presentation deck, you see that as we were doing during our road show, we show this effect of \$45 million, right? And this is additional effect from these companies as if they were with us from the first to April, right? This \$45 million. So together with this numbers, our gross would be 32 percentage points, right? Year over year. Organically I think we grew around 18%-19% year over year and the rest comes from these companies. But this is again in line with our guidance as we were provided during our preparation for IPO. And we support and continue to confirm our guidance for the rest of the year.

Anna Kupriyanova

Okay. If I correctly understand the mid 20s for full year 2021 includes M&A. So it's both organic growth and M&A?

Artem Tarakanov

Yes. Absolutely right.

Anna Kupriyanova

Okay. Thank you. And my second question regarding your M&A, at this point of the year do you see any near-term acquisitions, post September deals? Can you please talk about that? What are your near-term plans in terms of M&A or you cannot disclose yet?

Artem Tarakanov

Anna, we are very pleased with our current pipeline and still we are working to strengthen it. Yes, we have very focused targets. We're working at some stages and we believe that in nearest term we're going to share more details about this but we're very pleased where we are.

Anna Kupriyanova

Okay. Thank you.

Operator

We will take our next question from of Ross Jobber of Citi. Please go ahead.

Ross Jobber

Good morning. I wonder if you could just share with us any more color that you might be able to give about how the demand patterns are shifting amongst the customer base. And in particular what I had in mind was public versus private sector demand, whether or not you're seeing any differences in those. Maybe larger companies as opposed to smaller companies, whether you're seeing any difference in those. And also within the strength you reported in EMEA, perhaps you could also refer a bit to that in terms of where you might be seeing differences in how the EMEA demand shapes up. Thank you.

Sergey Chervovolenko

Thank you very much for the question. I would outline three areas where customers demand is well visible and growing. It's cloud, applications and business outcomes related to the digital transformation for the customers. And we see it across all our markets and obviously market maturity and adoption of cloud or digital transformation are different. For example, if you look at India, cloud adoption is much higher if you compare with Russia or CIS markets. In LatAm it's close to India and in EMEA, we see good penetration of the cloud as well. Customers at this moment are absolutely driven by business outcomes. And they're looking for the partner who has global opportunity and deep product portfolio to deliver their needs. Because today in the market there are a lot of alternatives and customers are really suffering to make the right choice for better outcomes. And particular when we talk about EMEA, we see in this region focus on digital transformation at the big scale, cloud penetration is very deep and growing and the customers quite well educated. However, we see there is a shortage of talent who capable to conclude and deliver these outcomes. And the companies like Softline can benefit out of it because we have very talented pool within our geographies and we can offshore this talent pool to deliver customer needs.

Ross Jobber

Okay. Thank you very much. One follow up question if I may, can you give us a rough idea of what proportion of your turnover is being generated by customers that you have a relationship within more than one country? Just to give a flavor. I mean, I suspect that you still got quite a large amount of turnover with customers that are only in a single country and that's a great opportunity to obviously expand and grow with those customers. So I'm just wondering, is it sort of 10% or less of turnover? 25% or less? Just very roughly, what percent of turnovers is from customers where you deal with them in more than one country? Thank you.

Artem Tarakanov

Ross, actually, thank you for the question. We didn't work our result this way but at the same time I would answer roughly. I believe it's up to 10% just to be at accurate side.

Ross Jobber

Okay. Thank you very much. Thank you. That's interesting.

Operator

We will take the next question from Vladimir Beshpalov of VTB capital. Please go ahead.

Vladimir Beshpalov

Hello. Congratulations on great numbers and thank you for taking my question. I have actually two. First on your topic, so if I look at the share of the gross profit your CapEx was I think 11% during the first half of the year, could you provide an update? What do you see as your CapEx for the full year in 2021? Because in the longer term your guidance was that it should decrease the percentage of gross profit.

The second question is on the working capital evolution. There were outflows related to working capital in the first half of this year, which is not in line with the historical pattern but maybe there is some seasonality or whatever. Maybe you could comment on this and what you expect for the full year again. Thank you.

Artem Tarakanov

Okay. Vladimir, thank you for your questions. So I will start with CapEx, right? So I think our guidance for the whole year remains the same. It's about 4%-5% of our gross profit. So there is some timing effect in the first half of the year. We acquired about four companies right in the first half and as you can understand that there are CapEx which is coming from this companies plus intangibles, customer base, et cetera, right, totaling of about \$13.6 million. But our guidance for the year remains the same. So it's 4%-5% from our gross profit. In terms of working capital, I think we're following the pattern of our seasonality, right? So the first half is a low season for us where we need additional working capital. Right? And our business is growing, we acquire new companies. So this effect in the first half of the year is bigger than, for example, last year. But nothing abnormal, right. We control our working capital. And now in the second half, we'll definitely see the change in the pattern. So it will be on the negative territory. And on average for the year, it will be in line, again, with our guidance. So absolutely everything is under control. Just the size of the business increased. We acquired new companies, right. And organically we grew. And that's why this is a bit higher than last quarter. Sorry, last half of the year.

Vladimir Beshpalov

Thank you. Thank you very much.

Operator

The next question is coming from Ross Jobber of Citi. Please go ahead.

Ross Jobber

Hi, sorry. Thank you for allowing me to ask another question. Headcount, obviously a key part of your growth strategy, a growth enabler. And you've very kindly given us a headcount number for what I think you said was the end of the, as of the half year. Could you give us a number for the end of the quarter, just to give us a flavor as to how much head count went up? Obviously acquisitions will have played a big part in that, but just to get an idea of the shape of the headcount curve. Thank you.

Sergey Chernovolenko

And thank you very much. Thank you very much for the question. And head count is extremely important area for us, and we're very pleased to share with you that year over year, we demand quite steady gross, 34% [corrected] with our head count. And our total number is 6,397 [corrected].

Ross Jobber

Thank you very much.

Operator

There are no further questions on the conference line. We will you now address the questions submitted via the web page. The first one is, can you tell us about the competitive environment and how you differentiate?

Sergey Chernovolenko

Thank you very much for the question. As usually in IT industry, competitive environment is quite tough. At the same time, those companies who demonstrate agile approach, have deepened wide product portfolio and scale have a better position. At this moment, we see that there is industry and market shift to Cloud business application and digital transformation. All of them require deep skills. I would say they require different skills if we compare with what was required five years ago. Five years ago, it was required hardware skills and services around hardware. And business outcomes was not at the big focus. And it was not at the CXO level. At this moment, all the decisions making to CXO level, CXO level. And it does require a professional approach to address expectations from this professional CXOs. We at Softline, I'm very pleased that we're well-positioned here because we have a deep and wide product portfolio. We are working with all key vendors in the market. We capable to develop any solution for any customer, for any industry. And what is more importantly, we have very diversified and talented team across our countries. Which give us opportunity to share best practice knowledges, and to allocate resources way it's needed. And I will say that our maybe important compared to advance to scale, because it give us opportunity to deliver any project efficient way. And the final, it's our people. And obviously I'm very pleased that we have very dynamic team, agile team and the team who is capable to do any projects with a good speed. Which give us altogether great competitive position in the market.

Operator

Thank you. The next question is, how penetrated are your customers in the emerging markets into the journey to Cloud? How much runway for growth is there?

Sergey Chernovolenko

Earlier today, I touched this point. And obviously the market and the customers in emerging, they move into Cloud adoption more and more. With absolutely clear indication that not overall Cloud, it's Multicloud. And this Multicloud is based on worldwide platforms like Microsoft, AWS, Google. The same with a local Cloud place. And we see that a part of simple Cloud infrastructure, which can be delivered by many. And now customers require the Cloud platforms, which are capable to deliver digital transformational solutions in HR, logistics, finance, business, business development, and management. And we see that the focus for Cloud is growing. There are different patterns region by region, but I would say if we combine overall in emerging markets where we serve the Cloud growing above 20%. And we see that worldwide vendors who demonstrate the biggest part of the Cloud, they demonstrate even bigger growth.

Operator

Thank you. The next question is coming from Stanislav Yudin, ITI Capital. The company is focused on entering the hottest and fastest-growing EMs. That said, the biggest, 89% market for the global IT

market is presented by the DM countries. Could you consider any plan to enter developed markets in the long run to leverage your EM advantages, like better cost structure, etc?

Sergey Chernovolenko

Stanislav, thank you very much for your question. In a long run, definitely we keep our eye on opportunity to enter developed markets. Because we believe that developed markets, they lead the speed of new innovation technology adoption. And also the size of the business is quite big there. At the same time, in a midterm, we focus big time on emerging markets to increase our capabilities here. To strengthen our capacity, particular strengthen capacity with our talent acquisition. And building the professional team within our company. And we believe that in a longer run, I would say maybe three, five years plus, there will be visible labor shortage in developed markets. And that time, we will be well-positioned to enter there and to face competition with raised head, as I would say. Because if you would like to play strongly in certain markets, you have to be absolutely clear that you have absolutely a competitive position to win this market. At this moment, I believe we prepared. At the same time, we would like to focus on our main market of this moment, is emerging markets. And as I said, in the period between three, five years, we will look forward to enter the wealth markets.

Operator

Thank you. The next question is coming from Elizaveta Herne at ITI Capital. Could you give any details about what efforts have been made to develop your property products, anything new we should know about?

Elizaveta Herne

Elizabeth, thank you very much for your question. I would say our big focus here is Softline digital platforms, mainly active Cloud. Cloud must and e-commerce suite, which allow us to automate Cloud communication and business with our customers. For customer and within the customer. And we put dedicated focus in this area. We have our own IP in this segment, and we would like to expand it globally. Just to give example, our eCommerce platform is today available in more than 20 countries in different formats. And we would like to expand it further. And the number of customers on our active platform who capable to utilize full marketplace capacity of this platform are growing every day. And we believe that in nearest future, more than 80% of our customers will be served from this automated digital platform. And we have dedicated teams who on a daily basis support digital platform development, and to have it best in class in the industry.

Operator

Thank you. I will now hand back over to Sergey Chernovolenko for closing remarks.

Sergey Chernovolenko

Thanks everyone, for joining today call. We are pleased with our positioning, and excited about the opportunities for our business as we look forward and ahead. I will close by thanking our customers, our shareholders, and our ecosystem partners for their trust and support. And all of our talented people around the world who are driving value with our customers every day. Best wishes for the current festive period for all of you.