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PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Temenos Group Q1 2009 Results Conference Call. My name is Louise. I'll be your coordinator for today's conference. For the duration of the call, you will be on listen-only, however, at the end of the call you'll have the opportunity to ask questions.

(Operator Instructions)

I'm now handing over to Ben Robinson to begin today's conference.

Ben Robinson - ***Temenos Group – Associate Director, IR & Strategy***

Thank you, operator. Hi, everyone, and thank you for taking the time to join us this afternoon. We apologize for the late change of date. On the call from Temenos this afternoon, we have Andreas Andreades, CEO; David Arnott, CFO; and Max Chuard, Head of Corporate Finance and Investor Relations. After our prepared remarks, we will open up the call to Q&A. Unfortunately however, because of the number of people on the line, we've asked the operator to restrict calls only to equity analysts.

As always, before we get started, I just need to draw your attention to the disclaimer statement on slide three of the presentation. Various factors may cause actual results to differ materially from company estimates, and indeed may cause company estimates to change. Therefore, undue reliance should not be placed on the forward-looking statements made during this call, which affect the Company's opinion only as of today. I will now hand you over to David who will give an update on the Q1 financials.

David Arnott - ***Temenos Group - CFO***

Thank you, Ben. If you turn to slide five, I would like to start with a look at the first quarter's financial highlights. License revenues were 11% down on 2008, with very strong T24 license revenue, not fully offset by a reduction in TCB revenues. Total revenues were 8% down as a result of this lower licensing, and seasonally lower services offset by higher maintenance revenues. EBIT for the quarter was $8.7 million, 34% up on 2008, as the full benefits of the cost cutting program have already come through.

All our acquisitions are now fully integrated. And our restructuring exercise is now complete, allowing us to benefit going forward from the lower cost base and locked in maintenance growth. Adjusted EPS reached $0.13, 2% up on the prior year reflecting the increased operating profit, good tax structure and upside from Forex, although note that there is a negative Forex in interest expense movement in this quarter that I'll explain in a minute that means that adjusted EPS doesn't grow as fast as EBIT in this particular quarter.

The next slide shows the full P&L down to operating profit. And in addition to the points I've already made, there's just a few things I'd like to highlight. Firstly, license revenues declined by 11% in the quarter to $28 million, despite T24 signings growing strongly at 9% in the quarter, and 48% for new-name T24 clients against the top comparative. We stopped booking revenue from Metavante in the quarter, and this has resulted in a reported decline in licensing.

Secondly, the strength of the maintenance base, which grew 17% in the quarter and 26% in the last 12 months. Maintenance continues to grow into 2009 based on the locked-in growth from deals we signed in 2008. Note, however, that quarter-on-quarter, the maintenance growth is lower than for the last 12 months, due to an unusually high comparative. Maintenance revenues in Q1 last year were a step change up on Q4 2007, and were then flat for the next quarter as we conservatively only booked certain maintenance revenues on a cash-basis. For example, in Zimbabwe, meaning that occasionally maintenance can be lumpy.

We continue to see very low attrition even in these markets and continue to forecast maintenance will grow by between 15% and 20% for the full year. Finally, on to services revenue. You can see that our services revenue growth continues to slow and is back at 30% in total revenues, following a period of very strong growth on the back of 2007.

The last 12 months revenue mix will continue to improve towards product revenues into 2009, driving further margin improvements, as services is a lower margin business. Revenues in the quarter were sequentially down due to the usual seasonality, as we took a number of clients live around year-end. Now we're fully engaged in implementing our Q1 deals, services revenues will grow once again in the future quarters.

A steeper Q4 to Q1 decrease this year compared to last year reflects the lower Q4 signings in 2008 compared to 2007. The service margin for the quarter was 1% compared to 2% for the same period last year, in line with our forecasts. Total operating costs of the quarter was $72.5 million, a 12% decline from Q1 last year, and a $14 million decline compared to Q4.

Having fully executed our cost cutting program and acquisition cost restructuring, and absorbed associated costs already in 2008, we're now able to benefit from considerable operating leverage through 2009. Coupled with strong T24 revenues, this gives us confidence in both our profit and cash flow goals for 2009. And we'll talk about that a bit later on in the presentation.

EBIT for the quarter was $8.7 million compared to $6.5 million in Q1 last year, a 34% increase. This is an excellent performance, given we've fully absorbed the reduction in Metavante revenues and lower seasonal services revenues. We achieved an 11% operating margin in the quarter, 330 basis points up on last year, despite the drop in both the decline in Metavante revenues and the strong licensing comparative.

EBITDA grew by 37% in the quarter and T24 grew by an even stronger 45%. EBITDA margins have grown by 620 basis points in the quarter, which is an excellent performance. For the last 12 months, the EBITDA margin has improved, which is a very positive trend. The strong EBITDA performance is what's going to underpin our growth and margins for this year.

Slide seven shows our last three quarters costs as a time line. And I've added this to illustrate that as a result of reacting very early to the macro situation, we've now seen two quarters of sequential decline in our cost base. Note that the key drivers for this have been a reduction in more expensive consultants, acquisition costs in (inaudible) and off shoring of both services and back-office processes to lower cost locations.

And importantly, we've not compromised our ability to handle resurgent demand through this cost reduction exercise. Andreas is going to expand a bit on this later. Just to clear up the loop to our guidance, you can see that just by multiply Q1 by 4, we're well on track to deliver our outlook commitment of $310 million of costs for the full year.

Let's move to the below the line items on slide eight. Adjusted EPS is up 2% in the quarter and 5% for the last 12 months. There's really three drivers for this. Firstly, financing costs, which you can see have increased now that we've drawn down our debt to fund our acquisitions. Our acquisitions are strongly accretive when all revenues and costs are taken into account. Or that clearly, if you look just across the interest expense line alone, there's an increase in financing costs.

Next there's Forex. The dollar strengthened in the quarter against most other currencies which is excellent news for us, as we're non-dollar. As we have more costs in Europe, Asia and other non-dollar countries that are not fully covered by our dollar inflows. All of our 2009 hedging instruments are cash flow hedges and will form part of our 2009 cost base.

We do have a long position on our euro balance sheet and re-translating this result in the mark-to-market adjustment that's now fully hedged. Note also that we've now banked the $9 million exchange gain that we made on swapping the financial objects debt from pounds into dollars to take advantage of the pound's weakness, and you'll see this in our cash flow statement for the quarter.

We've now fully hedged the remainder of our 2009 exposure, and have not yet materially hedged 2010 to allow us to benefit from any continued strengthening of the dollar. If the dollar reverses, we'll of course lock-in the remaining exposure. The last item I briefly wanted to mention is tax, where once again we have a neutral tax charge as a result of our tax efficient structure. There's a slide detailing our tax structure in the appendices.

Slide nine shows the first quarter and last 12-months revenue adjusted for both acquisitions and the impact of Forex. I'm not going to read off all the numbers on this slide, but just to note that the trends on a reported-basis are basically the same as on an underlying-basis. On the next slide, I've shown some metrics around our cash and debt. Our debt comprises $119 million of convertible bond with a coupon of 1.5% which matures in 2013, by which time we expect it to convert into equity. We've drawn down $66.8 million of debt so far for our acquisitions, which is with a consortium of seven banks and has fixed repayment schedules up to 2012.

So in total, this gives us $187 million of debt, even if the likelihood that the bond does not convert, in our opinion, is minimal. We've got $69 million of cash in our balance sheet and a further $150 million of facilities in place, which we can draw down on up to 2010, and repay up until the end of 2012. This gives available funding of $217 million at the end of the quarter, which will increase as we generate significant free cash flow during the rest of the year.

We anticipate generating in excess of $50 million of free cash flow for the year. We'll consider using these free cash flows to either buy back shares, repay debt or undertake further acquisitions. On slide seven, I wanted to dig into the quarter's cash performance a little bit to explain why we feel it's an excellent performance and why it gives us such confidence for the full year.

We collected $85 million of cash in the quarter on $81 million of revenues, so a very good cash conversion. Cash OpEx for the quarter was $65 million, giving a normalized cash flow of $20 million. We also paid $12 million of costs related to our higher Q4 cost base, which is a one-off timing lag. And this takes us down to the reported $7.5 million operating cash flow for the quarter.

Going forward, our cash outflows will reflect the lower cost base. In addition to this normalized view of Q1 cash flow, note that we'll also benefit from our usual seasonality around a stronger Q4, when we collect a lot of our maintenance and license cash. Taken together, what this means is that we can achieve our outlook of operating cash flows for the year without any underlying improvement in DSOs.

Slide 12 shows that our DSOs in the quarter remain flat at 168 days, and three days down on the same time last year. A slowdown in the business, such as we saw in Q4, initially increases DSOs as the revenue slows down first and the balance sheet afterwards. We're confident that we'll be able to continue to decrease DSOs as we go forward based on shorter implementations and better payment terms. In fact, at the bottom, you can see that in the first quarter of this year, we managed to get events-driven payments down to only 6% of the total, and the up-front portion of cash on our Q1 deals was at 51%.

A very healthy number, and reconfirmation that payment terms have not been impacted by the current market conditions, at least not for us. We also did not see any impact of banks delaying payments in the first quarter. My final slide discusses our relationship with Metavante. Metavante has unilaterally terminated our joint agreement and we are currently engaged in dialogue to resolve the resulting dispute.

We're preparing arbitration proceedings to recover all amounts due under the agreement, in the event that the dialogue is unsuccessful. The agreement is binding on both parties and assigns for successors in the case of either party being acquired. Pending the outcome of the dispute, we've suspended all project activities, and are no longer booking any revenues in relation to this agreement. So that ends the financial part of the presentation. I would like to hand you over to Andreas for our current trading update.

Andreas Andreades - ***Temenos Group - CEO***

Thank you, David. Now I'd like to start on slide 15 by giving you some highlights for the quarter. We had an excellent quarter in every respect. T24 had a spectacular quarter, actually with solid growth year-on-year catching up on slipped deals from Q4, and continuing to outperform our peers. Our cost cut program, which we previously announced, has already delivered ahead of plan, demonstrating how agile we are as a company, cutting costs very early in the cycle than most. But also how a global software model underpinned by modern no overlap products can deliver leverage and margin expansion.

We saw in Q1 the return of Tier 1 banks to the market, the first since Q1 '08, more of this in a minute. And our growth initiatives on ARC, Insight and Misys replacement are showing good results. Over on slide 16 and 17, I'd like to give you some flavor on our sales performance. Now, as far as new T24 clients are concerned, in Q1 both grew to 12 against 11 from the prior year, and include our first, significant Tier 1 deal since the first quarter of '08, plus an additional two entry-level deals with Tier 1 banks. So that makes three new Tier-1 deals in the quarter.

So, we are quite excited by the opportunity that is opening up as banks come back to the market following the credit squeeze of the last two years. We also signed deals with three large Misys customers to replace Misys products. In terms of numbers, T24 posted solid year-on-year growth of 9% like-for-like against a very tough comparative which included revenues from our contract with JPMC in Q1 of '08. In particular, sales to new customers grew by 48% with almost half of the slipped licenses from Q4 now signed.

On slide 17 you can actually see that our geographical performance mirrors our global reach, and our ability to sell our products in more than 170 countries with more than 700 clients in the Temenos portfolio today. On slide 18, we give you some metrics for our ARC and Insight initiatives, where we are now demonstrating healthy growth in both deal size and number of deals. Insight had its first two customers in the first quarter of its launch, and already achieving a price point similar to ARC.

On slide 19, I wanted to talk about our acquisitions strategy. As our visibility for the year is improving, especially over the level of cash generation, we begin to focus again on acquisitions. The blueprint is the same as previously with an emphasis on strengthening our core business proposition, building maintenance revenues and acquiring client bases. We believe that the models for cost synergies as well as cross sell is significant, given our products in global distribution.

Over on the next slide, in terms of services, we continue to focus on execution around our services initiatives with more than 25 clients going live in Q1, including a major Tier 1 customer, more than doubling our capacity to handle projects and growth. Temenos Application Management now numbers more than 450 people and total Group headcount is actually up sequentially.

In the last 12 months, margins were up 260 basis points and will continue to grow. More importantly, you can see that our capacity's intact , as I said before, and as the services revenues core-backed growth, our margin leverage will be significant and cost growth modest, if any at all.

Now over on slide 21, I wanted to confirm we are on track with the development of our partner program where we intend to announce our first partnership in the second quarter of this year. The objective of this program is to provide us with a capacity to scale our business around the software model, offering more complete solutions blueprint from a services perspective, as well as be able to handle bigger projects.

On slide 22, I wanted to set our thoughts on the United States market and initiatives following the termination of our contract with Metavante. We have been clear for the last two to three quarters that large banks in the United States have been disproportionately affected by the banking crisis. And the ability -- their ability to invest in large core banking projects at the moment is restricted.

Most of these banks have received TARP funds and are likely to focus on maintaining their existing infrastructure until they sort their balance sheet issues. The top-100 banks, which was the object of our strategy with Metavante, until now, is probably becoming the top 50 following a heavy consolidation round, which would probably continue for some time.

The mid to small-market segment, this is the market up to $10 billion in assets, is however, much more promising. These banks are profitable and have not been affected by toxic assets. This market is better addressed with T24, which is what we now intend to focus on, partnering for in specialized peripheral product required to complete our footprint. From the margin perspective going forward, we believe we can at least deliver the margin and profit that we have anticipated for the US for the next three years by leveraging our T24 assets, as well as a superior maintenance revenue model around their fully-packaged product.

This is especially relevant now that the current round of consolidation within the software vendors in the United States is all about cost control and rationalizing product offerings, now delivering to banks an improved functionality or technology. This will cause existing clients to reassess alternatives, in our opinion.

Now, our TCB strategy internationally remains unchanged, while in the US we are assessing our options. The key people involved in developing TCB for the US have been retained and our already developed product is available for sale to the market. We certainly intend to be ready with our distribution model in place, in time for when the market is ready to focus on core system replacement. Now, I'd like to turn to our outlook slide on page 24. Clearly, our performance in Q1 gives us more confidence about the year, especially the T24 growth and success in new customers in a tough environment, and against a difficult comparative.

Also, the cost reduction program has been executed, as proven by our Q1 performance. This allows us to absorb lower TCB revenues arising from the fact that we have stopped booking revenues in relation to the Metavante agreement. In fact, the contracted revenues from the over-performance of T24 in the first quarter, deliver an upside to the full year 2009 revenue numbers.

At the same time, the overall macros continue to remain uncertain, and any stabilization we may currently see in the broader macros can be fragile. So with this in mind, we're able to keep our revenue plan and cost plan for the year unchanged, maintaining our prior outlook on margins of between 19% and 20%, which gives an EBITDA of 27% to 20%. And 2009 costs of $310 million.

In terms of maintenance revenue, this is also unchanged at more than $118 million. The increase in maintenance revenues underpins both the margin improvement, but also the improvement in basic capital requirements for the year. In terms of cash generation, our visibility has improved following a solid Q1. The cash cost savings are reflected in the lower cost base, but because of timing lag, will show more strongly in operating cash flow from Q2.

We continue to expect cash flow treated at conversion of no less than 75% for the year. Even the depth of visibility we're not able to provide outlook on operating cash flow of no less than $80 million, which leads to free cash flow generation of $50 million. This leaves us with immense flexibility to manage our balance sheet and strategic alternatives.

Now, I wanted to close with some thoughts supported by slides 26 and 27, just to put Q1 into perspective. We are about growing profits and margins, underpinned by excellent cost management and very resilient software sales. Looking ahead, we're convinced more than ever that our ability to sell an exciting, compelling value proposition will attract new customers. In fact, we have published case studies showing that we can reduce operating costs by a third or more. Maintenance revenues will continue to grow strongly on a very diversified plan base.

Our ability to manage our cost base around a global cost-sharing, no overlap software model gives the potential for a substantial margin and customer expansion. In fact, we remain convinced that in uncertain times like this, this model is a superior software model to most. Now with that, I'd like to open the call to Q&A please.

QUESTION AND ANSWER

Operator

Thank you.

(Operator Instructions)

Our first question comes from Hoi Lam from Citigroup. Please go ahead.

Hoi Lam - ***Citigroup - Analyst***

Thank you for taking my question. I just wanted to perhaps get a bit more details with the 25 go-lives during the quarter. What should we expect in terms of receivable moves? Because I would have expected perhaps a bit more reduction in the receivables during the quarter, and that's number one. And then secondly, if I look at the Annual Report that had been published a couple of days ago, it seems like the amount that is due from the customer, particularly those that are due for more than 90 days, have increased substantially year-on-year.

I wondered if that situation has improved since the year started. And then secondly, on the payable that was being charged to the Q1 account, that should have been charged to Q4, are they the bonuses that perhaps we were under the impression of not being paid -- indeed being paid in Q1? Those are my questions. Thank you.

David Arnott - ***Temenos Group - CFO***

Andreas, do you want to take the point on go-lives particularly? Because I think it's more of a cash question really, isn't it?

Andreas Andreades - ***Temenos Group - CEO***

Yes.

David Arnott - ***Temenos Group - CFO***

Okay, all right, I'll just pick up your point on the 25 go-lives. At any point in time, we do have a large number of go-lives, which are the major go-lives unlocking a chunk of residual license cash, or they're upgrades to a major upgrade to a new system, some of which have cash and some don't. We are getting increasingly more and more of our cash on milestones ahead of go-live; so up-front or sign-up of business -- business design or something like that.

Or ahead of go-live or three months after go-live or completion of user acceptance testing. So, it's not that a very, very significant portion comes out specifically on a go-live event. So I would just say that you can't extrapolate a large number of go-lives directly linear with the cash. We did collect $86 million of cash on $81 million of revenue in the quarter, so overall cash conversion was very good.

It was a mixture of licensing, limited maintenance in fact, and a lot services cash. But what the go-lives do give us confidence on, as we go into Q2 and into Q3, we are seeing very good cash conversion from the services business.

I think -- I hope that covers the point on inflows. On the points on outflows, no, it definitely was not a bonus payment. The payments there were really just to people that we -- the consultants we let go in the very end of last year and the very few first weeks of this year, and the staff that we transitioned out and replaced with lower-cost, offshore people, where we were paying the notice periods for those people through January and February and March.

That cost is now fully gone. And therefore, in fact, from the middle of March onwards, we have no more of those costs. And that's why I'm saying that going forward from Q2 onwards you'll see a very strong correlation between the cash cost of the business and the operating outflows.

Hoi Lam - ***Citigroup - Analyst***

Okay. And just one final question on the TCB recognition. Are there any TCB revenues recognizing in Q1?

David Arnott - ***Temenos Group - CFO***

We really -- we stopped recognizing Metavante revenues early in the quarter. It's a very, very immaterial amount.

Hoi Lam - ***Citigroup - Analyst***

Okay, excellent. Thank you very much.

Operator

Thank you, our next question comes from the line of Panagiotis Spiliopoulos from Vontobel. Please go ahead.

Panagiotis Spiliopoulos - ***Bank Vontobel - Analyst***

Yes, thanks. Just two questions, number one, what is the residual amount due from the Metavante framework agreement? I understand there was a bit more than $100 million in total up to 2012. So what's the notional amount and what would be the present value kind of? And in terms of cost-base development, you were at $72.5 million. How do you see that progressing into Q2 and Q3? As you said, you're basically you are below the run rate for the 310 and you still have some positive impact from lower costs. So how does that fit together?

David Arnott - ***Temenos Group - CFO***

Hello, Panag, it's David. Let me take those two. The information on Metavante, at this point in time, is confidential. And we'd rather not discuss that. What we can say is that we are seeking to recover all amounts that are due to us under the agreement. We'd just rather not go into any more detail at this stage. Secondly, on the cost base, we largely have the headcount in place that Andreas and I both talked about in our sections to deliver the year.

Headcount is actually marginally up despite the lower cost base. So we don't see a need to invest any more through the year. If you take four times Q1, the difference to your full year, of course, is that we've got quite a large variable component in the backend of the year if we deliver superior numbers. The value is totally variable and dependent on delivering the revenue number. So we don't see any more significant headcount increase on a net-basis. There may be a bit of TCB/T24 mix shift, but nothing significant.

Panagiotis Spiliopoulos - ***Bank Vontobel - Analyst***

Okay, thanks.

Operator

Thank you, our next question comes from Marc Rode from MainFirst Bank. Please go ahead.

Marc Rode - ***MainFirst Bank - Analyst***

Yes, thank you. Two also, if I may. On the 45% of licenses that you recouped or booked since they initially were delayed in Q4, can you say to what extent they appeared as revenues already in the first quarter? Or whether you were just meaning to say that you've now secured them and they will be booked over time? And maybe just as a reminder, did you ever say how much license revenues were actually delayed in Q4, just to be reminded of the absolute dollar amount?

And then lastly or secondly, both numbers which relate to T24 growth are very positive, plus 9% overall in the plus 48%, in particular to new customers. But just trying to understand nevertheless, what is the part that didn't grow by 48% and how large are the respective parts? Just to get a sense for how the dynamics are within the T24 bucket overall. Thank you.

David Arnott - ***Temenos Group - CFO***

Okay, let me take the first two of those. We said back with our full year results conference call that approximately ten deals had slipped from the fourth quarter. We're now saying that 45% of those have come back already within the first quarter. So, that should give you a rough indication of the total slippage, in terms of the conversion of the slippage. In terms of the revenue recognition, part of that has been booked as revenue in the quarter and a part has been deferred to future periods, under just normal revenue recognition, really?

Andreas Andreades - ***Temenos Group - CEO***

Right.

David Arnott - ***Temenos Group - CFO***

Which was the third part?

Andreas Andreades - ***Temenos Group - CEO***

I'll take the license calls to new customers and again, stabilized license growth to existing customers. The dynamics we see, Marc, are that banks will invest in software provided there is a very well articulated, a very well supported business value proposition; that will help the bank either cut cost or manage risk in a more holistic way or even grow revenue in the segment that is important for the bank.

What we see is that, if you like, the more traditional nice-to-haves, that discretionary spend within banks that always IT partners have available. And what we usually spend a complementary, maybe modules, so those are the areas of spending, that are more impacted. Now, given therefore our forecasts on new customers as a company, we believe this is good news going forward.

Marc Rode - ***MainFirst Bank - Analyst***

Okay, I understand. It just occurred to me, I had one tiny addition. The partner that you spoke about, the global IS -- SI partner, rather, it feels like a bit risky to announce -- to wanting to announce so implicitly, you must be extremely confident. How should be think about that?

Andreas Andreades - ***Temenos Group - CEO***

Well, we have made a commitment but we would be announcing our first relationships in the second half of the year. We are actually in very advanced discussions. And that gives us the confidence that we will actually be able to bring those announcements forward. So yes, we are extremely confident.

Marc Rode - ***MainFirst Bank - Analyst***

Okay, thank you very much.

Operator

Thank you, our next question comes from Rajeev Bahl from Piper Jaffray. Please go ahead.

Rajeev Bahl - ***Piper Jaffray - Analyst***

Thanks, I've got a few questions. First of all, in thinking about the US market, clearly you're going for a mid- market focus now. What's your preference for channel to market? Would you prefer to acquire something -- is it a single partner, multiple partners? And do you have like a priority list in your mind of which of those routes you prefer to go?

Kind of allied to that, you've obviously had a couple of sales out there at the moment that Metavante were doing the services side of. Where do they fit? Are you on risk for any of that? And then finally, if you could help us out with, on the numbers side, what was booked in terms of Metavante revenue last year? And is there any maintenance associated with that?

David Arnott - ***Temenos Group - CFO***

Hi, Raj, it's David. Let me get the Metavante numbers, the easy one first. That's something we're not able to talk about at the moment, that's confidential. But that's all we'd like to say on that, I think.

Andreas Andreades - ***Temenos Group - CEO***

Let me take the question on the US market. Our preference is that -- is for Temenos to be selling direct in the United States, and partnering for peripheral product, or ancillary support services that we might need. There are maybe cases where there's something, there is a component which is highly strategic and we believe, that an acquisition might make more sense. So that is the model we would like to follow.

Rajeev Bahl - ***Piper Jaffray - Analyst***

Okay, and just on the US product services that Metavante was working on?

Andreas Andreades - ***Temenos Group - CEO***

Sorry, what is that question?

Rajeev Bahl - ***Piper Jaffray - Analyst***

My understanding was that the couple of US, T24 sales that had gone through already, were projects where Metavante was doing the services work for the customer. I just want to understand what's likely to happen with those? And if there's any risk back to Temenos?

Andreas Andreades - ***Temenos Group - CEO***

Well, from our perspective we have contractual commitments with our clients. And we are delivering on those commitments. I cannot comment on anything else.

Rajeev Bahl - ***Piper Jaffray - Analyst***

Okay, thanks.

Operator

Thank you.

(Operator Instructions)

We have a question coming through from the line Michael Studer from Bank Bellevue. Please go ahead.

Michael Studer - ***Bank am Bellevue - Analyst***

Yes, first of all, congratulations to your Q1 numbers. I have a question. Did I get that correctly, that your TCB licensing sales; that there haven't been any new deals in this quarter? And maybe you can also give a run rate, what you are expecting for the full year? Is it kind of no expectations at all as to Metavante deal is now a question? That's my first question.

And second is, the number of licensing in the Q1 went up, you said, from 12 to 11, year-over-year, but revenues have been lower. So I'm asking, did you decrease your pricing in the new licensing? Or where is this coming from, and maybe also a little more light on the geographic mix of your new licensing. And then the third question is, maintenance has been a little bit lower than my calculations. And I wanted to ask if there has been any rebates or some structural changes, maybe also due to the Metavante deal, that the maintenance is a bit lower in Q1? Thanks a lot.

David Arnott - ***Temenos Group - CFO***

Okay, let me take the (inaudible). So first of all, we didn't comment specifically on whether we found a TCB deal in the first quarter. Although I think its fair to say that we didn't. We're not commenting specifically on guiding on deals per product throughout the rest of the year. And we're definitely not guiding on the number of TCB deals. Andreas, I think, has outlined the strategy for TCB, but internationally and in the US there is a pipeline behind it. But we're not talking specific deal conversion on that.

In terms of maintenance, if you go back, there are two comparisons. There's first of all compared to Q1 last year. Q1 last year was unseasonably high because, if you look, it was very high step-up from the quarter before and it remained flat for a quarter. Because we do have certain types of maintenance that are lumpy, for example rebookings Zimbabwe on a cash-basis, so we don't accrue until we know we've got the cash. And in that case, Q1 last year happened to be unusually high, so the quarter-on-quarter approach growth looks low.

Compared to quarter four last year, what you have to take into account is the foreign exchange impact that we lock-in the exchange rate on our deferred for the full year. So because we invoice most of our 2008 maintenance back in Q4 2007, you're effectively stuck with the impact of the weak euro for a whole year. And then as soon as you reissue those invoices, you have a sudden drop because of the stronger dollar, and that basically accounts for the Q4-to-Q1 sequential change. And if you adjust for those, no, I'd like to be very clear and I think I was in my script, that we're not seeing any significant maintenance attrition at all. I think there was one more point in there that I've forgotten.

Michael Studer *- Bank am Bellevue - Analyst*

Yes, that's about the licensing, that you have more clients, but the revenues actually are lower than in Q1 last year. Is there also any change in -- structural change? Or did you have any price decreases or a different kind of projects that lead to that?

Andreas Andreades *- Temenos Group - CEO*

What we actually said is that deals from new customers were up. Licensing from new customers was up 48%. So given that we are giving one more deal, so a 9% increase in terms of new customers. That gives you a something like 40% of thereabouts increase in size of deals, quarter-on-quarter. What you don't have there is the reconciliation to the 9% like for like total T24 license goals which includes sales to existing customers.

But clearly, deal size has gone up. And the reason is that we've been selling to bigger banks. As I said, we had three Tier-1 deals. In the quarter one, of a typical Tier 1 size, the other two entry-level deals, but in nevertheless very large international organizations. But hopefully over a period of time it will result in a downstream sales potential. So we're quite excited by the T24 business actually.

Michael Studer *- Bank am Bellevue - Analyst*

All right, could you maybe also spend a word on geographic mix? Is it still two-thirds in emerging market? Or has this changed, just specifically for Q1 this year?

Andreas Andreades *- Temenos Group - CEO*

No, it's about the same. You see that in our charts. Europe is a little bit lower than in the prior last 12 months comparative. But that will normalize. And there are two back-to-back very, very strong quarters in the comparative which make the comparative a little bit on the high side. That will normalize over a little period of time, but the two-third equation is a good one.

David Arnott *- Temenos Group - CFO*

Michael, there's quite a nice geographical slide on slide --

Michael Studer *- Bank am Bellevue - Analyst*

Yes, yes, I've seen it. I was just not sure if this is particularly this quarter or if it's over the year.

David Arnott *- Temenos Group - CFO*

That's last 12 months, yes.

Michael Studer - ***Bank am Bellevue - Analyst***

Okay.

Operator

Thank you, our next question comes from Raimo Lenschow from Bank of America. Please go ahead.

Raimo Lenschow - ***Bank of America - Analyst***

Hey, thanks for taking my question. I have a question for Andreas. Andreas, can you just talk me through what you see in the customer conversations that you have of late? How have they changed over the course of the quarter in terms of willingness to discuss deals in terms of the willingness -- of areas to invest? Has it gone retail, private, wholesale? Willingness to commit budget, just to give us a sense of what's going on there in the market and when you're travelling? Thanks.

Andreas Andreades - ***Temenos Group - CEO***

Okay, let's talk a little bit first from a sector perspective. We clearly see more activity in the retail, universal banking space. There's less in the wholesale space. And I suppose (inaudible) is to be expected in the sense that the wholesale space is traditionally almost exclusively a Tier-1 space.

So Tier 1's have been absent from the market for quite a long time. We saw some deals, the entry-level deals we actually concluded were with organizations that were starting a greenfield either in new business model or in a new location. And that gives us a lot of confidence that people are out there trying new things to counter the credit dislocation.

Throughout the quarter, we saw -- and we did say that when we released our Q4 numbers that we started seeing Q4 deals come back into the quarter quite early in January, maybe even as early as two, three weeks into the month.

And that progressed through the quarter, actually picked up pace. And we saw market slide, Middle East and Africa, that momentarily, if you like, paused in Q4 around a very extreme uncertainty in the market, actually came back almost to normal activity levels. We saw North and South America actually holding very, very well, delivering growth both in North America, in Canada, in South America as well.

We saw Europe, maybe with the exception of Northern Europe, we saw Europe at least stabilize, so Continental Europe. And people have generally more time to engage in dialogue. We have, if you like, discussions with Tier 1s last year that never really got very far, that have resurfaced now, and appear more credible. So we've seen a progressive, I'd say, firming up of the confidence level in the quarter.

Raimo Lenschow - ***Bank of America - Analyst***

Okay, and can I ask one more question? Is that okay? And it's one for David. I had a lot of discussion with some of my investors on -- and Hoi asked earlier on your accounts receivable. Can you just talk us through again, just one more time; accounts receivable end of the year $287 million. That's almost a year's of revenue. Can you just walk us through why that is so high at Temenos? Thanks.

David Arnott - ***Temenos Group - CFO***

Okay, I need to be absolutely clear that accounts receivable for Temenos are not a mass invoice, as we've said, that has not been paid. It's the difference between what we've booked under US GAAP-based revenue recognition and the timing of those collections. So by far, the biggest driver is the length of the projects, which ties up cash on licensing.

So for example, if you sign a deal in December that's a Tier 1, that 18 months long, you might get a portion of the cash up front. So if you're lucky in that quarter, most likely the following quarter. And then the remainder of that cash will sit in accrued revenue through the life of the project and come out on events like user acceptance testing, go-live and after go-live.

So the lengths of our projects and the complexity compared to, say, implementing a sub-system in four months, ties up just a lot of working capital. The up-front payments also compared to, say, a SAP or an Oracle where they can get 100% across the level, 50% is good. But it does mean 50% is tied up in the project for a large part of that project.

Those are really the two big drivers. And the reason that is -- and if you do the math you can build an Excel that will prove that. I need to be very, very clear that we don't have bad debt. We don't have people that don't pay us. It's not sort of where you buy by mistake. We have projects that go-live and unlock cash at certain pre-determined events.

And we consciously protect the value of the maintenance in a deal, even if that means extending the payment terms to over the life of it. Because for us, once the client is live, maintenance is a perpetuity. So as long as we don't perceive any collection risk to that, in which case we wouldn't book it, we tie up cash in working capital.

So the reason it's starting to come down is because our projects are getting shorter, we have Model Bank. We're slowly, slowly pushing towards more cash up front. So we are confident the DSOs are going to continue to trend down. But I'd just like to go back to one point I made in my script which is that we don't need any DSO reduction this year to deliver the cash flow number, because we've reduced the cost base which is pure one-for-one cash. And we have a large balance sheet and a lot of milestone projects, as Hoi suggested, to collect cash from.

Andreas Andreades - ***Temenos Group - CEO***

I think there is one more point, Raimo, which David hasn't mentioned. I had these discussions with quite a few of you guys when on the road shows. Some of you do benchmarking between, let's say, a Temenos, a -- I don't know, a Misys, an Autonomy or an Oracle or an SAP.

Temenos, because it's focusing on new licensing, new customers, has a higher proportion or rather has a lower proportion of maintenance revenues, than our peer group. There were some capital requirements for a business that has a 28% or 30% maintenance revenue mix with one which has 50% maintenance revenues mix and 40% services mix.

Compared to our revenue mix, it is quite large. And actually, if you model it by a revenue stream, you could end up with much higher DSOs, even though on the underlying revenue streams, you might be apart. So if you compare our maintenance revenue stream to the SAP or the Oracle, it might be apart, but because of the lower mix, it drives DSOs up for terms.

Raimo Lenschow - ***Bank of America - Analyst***

On that one, Andreas and David, and because I'm a bit puzzled that you don't want to commit to your slightly better improvement, DSO this year, because the mix is changing for you guys. You know, the licenses and license revenue growth is suffering a little bit, maintenance becoming a bigger proportion. Should we not see a more meaningful improvement in DSOs, or at least a commitment from you guys?

Andreas Andreades - ***Temenos Group - CEO***

Yes, I mean, we had this discussion also in Q1. To the extent that we believe that the market is discounting our outlook, we can start managing our outlook in a different way. But to the extent that we feel that our outlook is not, if you like, discounted in the numbers, we wouldn't commit at what we have put there.

Raimo Lenschow - ***Bank of America - Analyst***

Okay, thank you.

Operator

Thank you, our final question comes from Thomas Schneckenburger from UBS. Please go ahead.

Thomas Schneckenburger *- UBS - Analyst*

Hi, good afternoon, everybody. So most is already covered now and I just wanted to have a word on the three acquisitions you did in '08, so Lydian and Financial Objects and the Informer. If, let's say, the cross selling effects are included in your cost guidance, or if you have a (inaudible) there, because once you got it for this $0.16 EPS accretion or just how are you happy about the progression of integration of the three companies. Thanks.

Andreas Andreades *- Temenos Group - CEO*

Thank you, we actually reported in Q4 about the integration was complete for all three. We have delivered, actually ahead of plan on the synergies and we -- I believe, we gave the level of cost synergies we achieved in Q4. I think we delivered double the size of cost synergies compared to what we committed. So the EPS accretion that we communicated has been delivered.

What we are also starting to do now is, clearly on the cross selling. The cross selling part of the acquisition was never part of our model. If you like, to justify the acquisition price, we always wanted the cross selling part to be an upside and this is what we're clearly focused at this point in time. But I can confirm that we have delivered only $0.16 year-on-year impact for 2009 from both acquisitions.

Thomas Schneckenburger *- UBS - Analyst*

Okay, and Insight would be something on top, for example, as a new product.

Andreas Andreades *- Temenos Group - CEO*

That's a very good point. I was about to almost correct myself. Yes, Insight is on top because Insight actually does not have any -- the rationale was not a cross synergies rationale. So it's all about revenue. And you can actually start seeing revenues from Insight happening from Q1 of 2009.

Thomas Schneckenburger *- UBS - Analyst*

Thank you, Andreas.

Operator

Thank you, we have no further questions. So I'll hand back to your host to wrap-up today's call.

Ben Robinson *- Temenos Group – Associate Director, IR & Strategy*

Okay, I'd just like to thank everyone again for joining the call. We will post the transcript for the call on the website within the next 24 hours. And just a date for the diary, the provisional date for the Q2 results is 28th of July. Okay, thank you again.

Operator

Ladies and gentlemen, thank you for joining. You may now replace your handset.

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