Final Transcript

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Corporate Participants

David Arnott

Temenos UK Ltd (ECPlus)

Max Chuard

Temenos UK Ltd (ECPlus)

Presentation

Operator

Thank you for standing by and welcome to the Temenos Q1 2013 results conference call. At this time all participants are in a listen-only mode. There will be a presentation followed by a question and answer session, at which time, if you would like to ask a question, please press *1 on your telephone keypad. I must advise you the call is being recorded today, Tuesday the 23rd of April 2013. We have two speakers today. The first speaker we have is David Arnott, chief executive officer, and then Max Chuard, chief financial officer. David Arnott, please go ahead.

David Arnott - *Temenos UK Ltd (ECPlus)*

Thank you very much, operator. Hi everybody, and thank you very much for joining the call. As usual, I'm going to start with some thoughts on our first quarter performance and the market backdrop, and then I'll hand over to Max to talk about the financials, and then as normal, we'll return to me to conclude the session.

So, turning now to slide four of the presentation that I hope you've all been able to download from our website, I'm very pleased to be able to report that we've delivered a solid Q1 performance across all our metrics, and importantly, our multi product strategy is really gaining momentum.

The actions taken in the second half of 2012 to deliver a materially unsustainably lower cost base, are underpinning margin expansion, and very significant growth in profitability.

We continue to focus strongly on cash, with strong cash conversion in the quarter. The quarter also saw Temenos acquire TriNovus, to accelerate US growth and enter the US SaaS market. I'll update you on this in a few minutes time. Finally, we are pleased to announce the refinancing of our existing debt facilities, and the issuance of a bond, our first ever public debt issuance. This leaves us with low cost, long term and flexible financing to support our strategy.

Turning now to slide five, Q1 saw solid performance on all our financial metrics. Like for like licensing revenues were up 5%, the second consecutive quarter of growth, maintenance revenues remain resilient with like for like growth of 4% underpinning revenue growth, cash flow and margin expansion. After a period of decline as we transitioned the business, it was especially pleasing to see stabilisation in services revenues and margin improvement.

We're starting to see the effects of our move away from implementation support towards higher value activities, especially expert services. Increasing revenue combined with a lower cost base saw non-IFRS EBIT more than double, with non-IFRS EBIT margins up 700 basis points in the quarter. Conversion of cash into EBITDA was 111% for the 12 months ended March 2013, above our annual target of 100%.

Turning to slide six now, a multi product approach is definitely working. We saw sales across the full suite in the quarter, and our pipeline remains strong, and high quality across all segments and geographies. As well as being able to sell on an individual basis, the ability to offer wealth, BI in channel products, is also making our core proposition more attractive as clients look for a holistic approach to meeting their business needs, and we are seeing a gradual improvement in core banking as well.

In terms of geographies, Europe remains resilient with good growth in the quarter, although as we said in Q4, it’s a little too early to call a recovery just at the moment. All our other markets are seeing good traction, and we once again saw strong sales into our installed base, highlighting the opportunity that exists there.

Continuing the theme we discussed at our analyst and investor event in February, it’s also pleasing to see almost half of our licensing sales coming from tier one and tier two customers. We are also pleased to sign a significant and highly strategic private wealth management deal with a tier one customer in the quarter. This was a win where the customer has taken T24 and Wealth Manager together, so the two products, and validates our product strategy built on progressive renovation. The initiative we explained at the investor day, such as the integration framework, continue to lead to reductions in implementation times, and we had 19 go-lives in the first quarter.

Turning now to slide seven, it was especially pleasing to receive third party independent verification that we continue to lead both the market and to take market share. Looking first at Forrester, which measures sales of banking platforms, i.e. not just core banking, Temenos was the only vendor to top both of their pyramids. The pyramid on the left is for sales to new name clients, and this is the 8th consecutive quarter that Temenos has been named as global power seller.

The pyramid on the right, which is new for 2013, counts all deals. In other words, including new and existing sales. We are the only vendor at the top of this pyramid, underlying our success of the business model, which results in the highest level of customer success, as well as repeat business.

Turning to IBS, which measured only core banking sales, Temenos was in first position for new customers in 2012, with almost twice the number of our nearest competitor. It’s the 14th consecutive year that Temenos has been in the top two positions. This shows that we’ve expanded our addressable market, but in doing so, we’ve lost none of the focus on core banking. In fact, as I said before, having a rich suite of products is helping more and more to drive core sales.

Finally now for my section, turning to slide eight, our US momentum continues to build. TriNovus signed a total of 57 new clients in Q1, including State Bank and Intercontinental Bank, taking its total to over 800. The integration is on track. We’ll be going to market with a SaaS version of insight and anti money laundering, or AML, during the second quarter of this year. We have also already identified early adopters of the US SaaS version of T24.

We will also be launching Social Comply to non-US customers with our upcoming TCF event. Social Comply is a product which monitors archives and reports on social media, while at the same time helping financial institutions to get the most out of social media as a sales and marketing tool. It marks a clear expansion of our addressable market outside of the core, and we’re very excited about this launch.

As we've said on acquisition, we will be including a SaaS line in our income statement from Q2 onwards. To help you, our new look income statement is included in page 21 of this slide deck. Finally, Temenos's ADR programme started trading today under the ticker symbol TMS NY. Further details of this programme, including contact details, can be found on slide 28 of this deck. So with that, short and sweet, I'll hand over to Max to update you on the financials.

Max Chuard - *Temenos UK Ltd (ECPlus)*

Thank you, David. Let's move to slide ten now, where in Q1 we saw solid license growth of 4% on a reported basis, and 5% on a like for like basis. This is the second consecutive quarter of growth on a clear reversal of the 11 decline on an LCM basis. As reflected on the Q4 results, we faced a tough comparative in Q1 2012, and in fact following a very strong Q1 2011. So, we are very pleased with the growth we have seen in the quarter.

The quarter showed good faith into the installed base which contributed 67% of the license revenue, and almost half of the sales were with Q1 and Q2 customers. As David said, it's a significant win in the product and wealth segment. As we saw in Q4 2012, Europe remained resilient, and growing the quarter with all other geographies performing as expected. I think it's worth mentioning that the comparative we had in Canada very large deals and hence make the comparative for the Americas more difficult in Q1. So the LTM contribution is a better reflection of the performance in the Americas.

Maintenance saw a growth of 5% in the quarter and 4% in the LTM, highlighting the resilience of the maintenance against the license decline that we had in the LTM, as well as our renewal rates in excess of 97%. Services revenues were flat in the quarter compared to a decline of 7% on an LTM basis, with a move to higher value services, and especially more expert services that start to deliver.

Non-IFRS operating costs were down 4% on a reported basis, contributing to non-IFRS EBIT being up 15% against Q1 last year, with a 7% point improvement emerging over the same period of 1.5% points on an LTM basis. Now, if we move to slide 11, like for like revenues on cost were only slightly different to the reported numbers due to the small impact of the effects, and limited adjustment from the hedge acquisition in the comparative period. Our Q1 cost base of 90 million is in line with our cost base of 360 for the year excluding TriNovus, or $368 million including the acquisition of TriNovus, and we are confident of delivering our full year guidance with our restructuring programme largely completed, and the investment carefully controlled.

Looking at slide 12 on the below the line income statement, our well controlled financing and tax structure has seen faster growth in the non-IFRS net profit and EPS. On an LTM basis, non-IFRS EBIT growth of 4%, as translating to 21% growth in net profits. We see significant improvement in financing effects and tax. As recently communicated, we have completed now our refinancing programme, providing greater access to funds from various sources at very competitive rates, which I'm going to cover in a few slides.

On slide 13 now, if we look at the cash performance in the quarter, cash conversion over the last 12 months ended March 2013 was at 111%, which is ahead of our target of 100% cash conversion for the year. As you can see from the blue bars, our operating cash flows have remained resilient, regardless of fluctuation in profitability of the business. Finally, we continue to target to convert at least 1% EBITDA into cash, and we are on track to deliver our full year commitment. At the end of the quarter, the [SO] stood at 216 days, down 10 days on Q4, driven mainly by our partner strategy and shorter time to complete projects.

Slide 14, at the end of March we had a net debt position of $118 million, bringing our leverage position within our target fringe at 1.1 times EBITDA. Now, if you take into account Treasury shares, the leverage goes down to point six times EBITDA. On the next slide, I'm going to cover the refinancing that we performed during Q1, and as well as in early April, which is giving the ability to lock in financing for the next four years.

So on that, on slide 15, we were delighted to be able to take advantage of favourable market conditions and the strength of our relationship with our lending banks, to lock in low cost, long term and flexible financing to support our strategy. At the end of Q1 we renewed our 350 million banking facility for four years, which in fact comprises of 100 million term loan, and 200 million revolving credit facility. This replaces the previous facility of the same amount, and in fact, it is with the same club of lenders, five institutions, that have been supporting the company for the last few years.

The interest payable under the facility depends on the level of the leverage at that time, and it can fluctuate, it’s agreed, in addition to the liable, which can fluctuate between 1.5% to 2.8%, depending on the level of the leverage. In April we raised 100 million Swiss Francs of senior unsecured bonds with a tenure of 4 years and 90 days, and a coupon of 2.75%, which in fact we start trading tomorrow. This was our first ever public debt issuance, and the level of over-subscription we saw, together with the coupon attempt that we achieved shows the confidence of the capital market in Temenos. We were very pleased with that support.

Finally moving to slide 16, we can see our guidance for the year, which we revised to take into account the acquisition of TriNovus, and which we are reaffirming today. The Dollar amount has moved slightly to the change in the current assumptions that are in the appendix, but let me recap the guidance. The guidance for total revenue growth of 4.5% to 7.5%, which implies revenue of $469 million to $482 million at cost and currency, license growth of 5% to 10%, which implies a license review range of $431 million to $137 million, non-IFRS cost base of $368 million, reaffirmed, with non-IFRS EBIT margin of between 21.7% to 23.2%, implying a non-IFRS EBIT Dollar amount of $102 million to USD112 million.

As well, we continue to guide for 100% plus conversion of operating cash flow into EBITDA, sorry, of 100% conversion of EBITDA into cash flows, and a tax rate of 17% to 18%. So with that I will pass back to David to conclude the presentation.

David Arnott - *Temenos UK Ltd (ECPlus)*

Thank you, Max. Okay, just a couple of slides to go everybody. If you turn first of all to slide 18, I just wanted to take the opportunity of having you all on the call today to remind you that for those of you who have not yet registered for our Temenos community forum event, it’s being held this year in Abu Dhabi on the 14th to the 16th of May. This is our annual all-client event where you have a fantastic opportunity to speak to clients, prospects, industry thought leaders and so on. It’s going to be the biggest event ever, with representatives already signed up from nearly 300 financial institutions. It’s by far the richest also that we’ve ever had in terms of new product launches, so there’s a lot of great new stuff to see, and if you haven't yet received an invitation, or you’d like more information on the event, please get in touch with Andy Smith from Investor Relations.

So finally, if you turn to slide 19 now, having finished 2012 with strong momentum, we’ve continued in that vein. We’ve delivered exactly what we said we would in the first quarter. We’ve got a strong pipeline today. The strategy is right, and we’ve got a fantastic team to execute on the strategy in the way that we outlined in our analyst and investor day. So, from where we stand today, one quarter into 2013, we are very, very confident to be meeting our full year guidance.

So, that ends the formal part of the call. Operator, I'd like to open up the call for questions now please.

Questions and Answers

Operator

Thank you very much. If you'd like to ask a question please press *1 on your telephone keypad and wait for your name to be announced. That's *1 if you'd like to ask a question. The first question we have today comes from Adam Wood from Morgan Stanley. Please ask your question.

Adam Wood - *Morgan Stanley, London*

Hi David, hi Max, thanks for taking the question. Just two, first of all, as we look forward, you had good business in Q1 both in Europe and with the tier one institutions. Could you talk a little bit about the pipeline there and how that looks? That might be a little bit surprising to some, given what's gone on in software over the last couple of quarters, and then was that private wealth management deal particularly large in Q1. Secondly, we think about the services business, obviously that's starting to do a lot better, you talked about the margins going up there with higher value and expert services coming in. How quickly can you ramp margins up in that business, and how much help can better execution on the services side be on reducing the receivables balance over the next couple of quarters? Thank you.

David Arnott - *Temenos UK Ltd (ECPlus)*

Okay, Adam, thanks for that, I was scribbling as fast as I could. Let me see if I can read my own scribbles here. So, Europe and tier one, we debated a lot what we say about this, but the truth is we did see a good first quarter in Europe. Having said that, it's quite a seasonally small quarter, difficult to extrapolate from. We have definitely seen a bottom, as we said in the fourth quarter. I do believe though it's too early to call a recovery clearly on a macro, as you know more than anybody, but I believe the reason we're having a good year in Europe is down to better execution, a focus on the installed base, a focus on account management, and increasingly shorter implementation signs, so shorter times to value, even in our core banking offering.

So I would say today the majority of our success for two quarters now has been really execution-driven, although we are starting to see IFRP flow and Pipeline developing in Europe, but I would definitely caution against putting significant growth against that. It's far too early to say that. In terms of tier one, tier two, again I believe the reason we've been successful in getting tier one and tier two up to 44% of the mix, and there's a clear trend there over two years now of it growing, and if anything it's accelerating, is because of the progressive renovation story, the ability to go into a bank and offer a six nine month time to value with a component of what they're going to want, knowing that they can come back and buy the rest.

So, the ability to break down the risk, if you like, for a bank into digestible chunks with short time to value, and a wider offering which meets their short term needs, be that channels or all the things we've talked about, again, it's a mixture of execution, product portfolio and so on, rather than the tier one, tier two market coming back. I wouldn't say we see signs today of an increasing visibility within tier one and tier two banks which is allowing them to expand budgets. I would just say we're getting a greater wallet share of what they spend.

So, as we said, align the product offering and the strategy with tier one to tier two banks, and I believe we can use that to successfully achieve our medium term license growth rate. So, to summarise those two, I'd say it's really internally driven rather than markets. The PWM large deal was not large in terms of value. Certainly not what we've recognised on the deal, and it certainly doesn't distort the licensing trend. It's more that from a business model point of view, it's a validation of the progressive renovation story where a tier one bank in Europe can progressively renovate the front to meet its short term pain of integrating newly front ends, and knowing they can come back later and replace the back.

So, it doesn't distort the financials, it doesn't distort any messages, it's just a proof point of the business model. Then in terms of services margin, what is happening on services is we're probably, I would say, two thirds of the way through the structural shift in the model as we move away from implementations, move our bench of people on implementations, and obviously move towards more of a partner channel. We are probably halfway in terms of building the expert services revenue, so the product ties, repeatable high margin education type of business, which is obviously very profitable and sits on top of the overhead layer within services, and these simply need to wash out.

So I would estimate that for this year we will probably end up mid single digit loss on services, even though we're marginally ahead of our plans to date for the year, and we will trend towards, I believe we gave 10% to 15%, or 5% to 10% margin over the medium term. Anyway, normal embedded services margins over the next couple of years. The last part of your question was how much can the improvement on services drive DSO reduction.

Max Chuard - *Temenos UK Ltd (ECPlus)*

Clearly we expect ten days reduction, and clearly the improvement in the delivery of the services is driving that reduction on the DSOs, and already we see in Q1 the DSOs coming down compared to Q4. So we are pleased to see that progress, and clearly the improvement in delivery on that side.

David Arnott - *Temenos UK Ltd (ECPlus)*

One last point on that, I would say the single biggest driver for DSO reduction is shorter projects, whether you get slightly better at executing them through partners or not. That's why things like our integration framework, which on average halves the amount of time to build interfaces to third party systems, which is approximately 30% to 40% of any project, is a massive milestone for us. That's available from R13, and we should see the impact of that coming back as our R13 clients go live over the next 12 to 18 months. Again, all the work we've done on methodologies and model banks, which focus on re-usability, again, we are probably 20% of where we could be, but over the next two to three years, that again will shorten the customisation part of a project. So there are some good DSO drivers over the next two to three years, and we're just starting to see them coming through now.

Adam Wood - *Morgan Stanley, London*

That's great. I really appreciate the detailed answer there, thank you.

Operator

Thank you. The next question we have today comes from Michael Briest from UBS, please ask your question.

Michael Briest - *UBS*

Great, thank you. Max, just a point of clarification first, I think in the cash flow for the acquisition spend it looks as though it was about $12 million or so. I think when we were on the call on TriNovus the number seemed to be north of 20. Is there some deferred element, or has something changed in that? Secondly. David, as you said, I mean Q1 was the quarter with the toughest COMs into this year. As you look at Q2 and Q3, clearly you've got a degree of sort of top line caution that you are sort of overlaying on things, but is there anything in your pipeline or activity that suggests that they won't accelerate, given these year COMs?

Max Chuard - *Temenos UK Ltd (ECPlus)*

Hi, Michael. Let me take the first one, which is an easy one. The way we structured the consideration was partly in cash and partly in restricted shares. You can see in the balance sheet some Treasury shares that were taken for that. So it's true that the amount that you see there is what we more or less were expecting, in the mid 20s, so the finance will be through restricted shares over a period of time to ensure that management is totally aligned with Temenos.

David Arnott - *Temenos UK Ltd (ECPlus)*

Good, and let me take the point on the balance of year. The Pipeline is evolving nicely. It's working in all geographies. It's working across all segments. We appear to be executing against strategy. We've been very clear to reiterate the full year. In terms of reading quarters, the reason we don't guide is because it's extremely difficult to predict. You know, whether a bank has waited two years, decides to do something in their March or April board meeting makes absolutely no difference.

There's nothing to suggest we won't have a good Q2. The COMs do get easier. We guide on a full year because that's the business decision making cycle, and I think at this stage, put it this way, there's nothing I would flag about Q2 or Q3 or Q4 that would suggest any seasonality or anything unusual that should alert you.

Michael Briest - *UBS*

Thanks, and if I could just follow up and ask on the number of partners, I think the number of partners trained dropped through the end of 2012. Where are you now and how much of the licenses were led by partners?

David Arnott - *Temenos UK Ltd (ECPlus)*

That's a very good question actually. I should know the answer to that. I don't off the top of my head, but I do know we've been running quite a few train the trainer programmes. We reinvigorated two or three of our key partners during Q4, and you heard about that at the analyst day. We've been running a train the trainer programme, and I should know the answer, apologies, I don't, but it's definitely going up because I can definitely feel momentum in some of the geographies, and also in some of the strategic partnerships. We also should know the amount of licenses, but we'll follow up on that.

Max Chuard - *Temenos UK Ltd (ECPlus)*

In fact, on that Michael, last year it increased, what we said last year. We were down 14.6 million of license that came or that were introduced by partners. I think that's compared to around 12.5 12.3 million the comparative year. So we've seen an increase last year, and now on a net term basis, this will have increased, and we will come back to you with the exact number, but you will see an increase I think for 2013. Clearly we expect this amount to be higher to maybe below 20 but close to 20 million or thereabouts.

David Arnott - *Temenos UK Ltd (ECPlus)*

Yes, you're right, so the LTM has definitely gone up.

Max Chuard - *Temenos UK Ltd (ECPlus)*

Yes, the LTM will be around the 15 to 26 million.

Operator

Thank you very much, the next question we have today comes from the line of Josep Bori from BNP Paribas, please ask your question.

Josep Bori – *BNP Paribas*

Hi, good afternoon, thank you very much for taking my questions, two if I may? The first one is just if you could give us a little bit of additional colour in terms of the contribution to licenses from the various products. I think it's just that there was a bit of recovery in T24, so how was this placed, broad figures in terms of mobile and T24. The second question is more on the plans for the TriNovus acquisition. Could you elaborate a bit more on the elements of the TriNovus technology that will be incorporated into T24? In particular, you talked in your prepared remarks of a US SaaS version of T24, but you were already running T24 in a Cloud environment. I think it was in Windows or [Zeus] in early 2011, so what will be different on this version that you're going to be rolling out? Thank you.

David Arnott - *Temenos UK Ltd (ECPlus)*

Okay, Josep, let me take those two. So in terms of product split, we don't give the segment split in the back. Q1 is seasonally a low quarter, so you are playing with very small numbers to extrapolate trends from. So I can give you percentages, but they'll be largely meaningless at this stage. All I can say is that BI, wealth and channels, BI was probably flattest, wealth suffered from a strong comparative but underlying us doing well, core was the upside of success, we saw good success on core banking, again I believe driven by better sales territory coverage and execution. Channels is, I believe, going to be the best performing for the year at this stage.

So let's not extrapolate off Q1. I would not say that there's anything in Q1 that suggests that all of those don't have the same demand, drivers, shorter time to value that we talked about a couple of months ago. What we'll do in Q2, by which time we'll have obviously half the year under our belt, a larger absolute second quarter, we'll try and extrapolate some trends from the first half actual numbers, if that's okay.

In terms of TriNovus, so what we are doing, to be clear, and apologies if the comments were a bit opaque, TriNovus have a core banking legacy application that they use to host financial institutions. They also have a bunch of other software products that they also host around compliance, social comply, reporting, reg reporting, all sorts of things. So what we are doing is we are replacing the legacy core banking system used by TriNovus with T24, for the end customers, which we don't technically need the customer's permission to do, but will give us reference-ability.

So T24 is running a large number of US financial institutions on an outsourced basis, not in the Cloud, off-premise, but in a data centre, and therefore we will have reference-ability, but the end functionality will be significantly faster. There will be more functionality, and we will be able to, in a seamless way, cross-sell business intelligence, channel offerings and so on, to that in-store client base, initially as an add-on to the legacy system, but over the next 6 to 12 months they will be obviously ported to T24.

So where we talked about finding our first customers prepared to take T24, we technically didn't need their permission, but they've seen the product and they are very happy that their data is going to be hosted in the new Temenos offering in the data centre.

Josep Bori – *BNP Paribas*

Excellent, thank you.

Operator

Thank you very much, the next question we have today comes from Grardus Vos from Barclays, please ask your question.

Grardus Vos – *Barclays*

Good afternoon, just a couple of questions. Just first of all perhaps go a bit deeper in the kind of strategy around the US. You hired Russell Taylor back there, now you've made an acquisition. What do you expect out of that market there? You've tried it a couple of times, so far unsuccessfully. How should we kind of build this in? Secondly, what do you see at the moment on the kind of Pipeline, and particularly on the sales cycles? Are these cycles now coming down as you are kind of selling more add-on kind of modules, and is that resulting in greater predictability into the second and third quarter? Thanks.

David Arnott - *Temenos UK Ltd (ECPlus)*

Okay, thank you Grardus, I'm glad you asked that second question. I forgot to put it in my script. So, let me take the US one first. You are right, we bought back Russell Taylor from SAP. We've done an acquisition. We said a number of times over the last few years that the problem with the US is it's so large and it's such a large market to cover from the different segments, it's so America, if you like, that you either do it properly or you don't do it at all. Therefore, we decided to recruit one of the leaders in the industry, and we decided to do a regional acquisition.

This gives us, obviously not critical mass of the scale of our competitors, but it gives us, from a functionality point of view, especially when we put T24 into the data centre and a large number of US financial institutions are running our offering, the credibility to really enter the US market. What we said on our analyst day is the US market represents nearly half the addressable market globally for core banking and other segmental spends. We've got a toe in the water now. To be clear, we have all the products that we need to grow significantly in the US. We don't need anything else. This is not the start of a piecemeal acquisition strategy to enter the US. We have everything we need today to overlay another growth driver.

Today we are quite conservative in terms of estimating the impact of what this could be. We're assuming moderate growth, moderate market share gain from the large three outsources, based on better functionality and so on. We are assuming a moderate degree of cross-selling ability of some of our other segmental products around BIN channels, and what we're committed to do is as we see it growing, we will come back and give more upside. So I think it's too early to bake in a large number at the moment, but honestly, and you heard this from David Bristol on the call at the time, we have everything we need to enter what is a very exciting market that's coming up for replacement.

So, maybe we'll have more data points in Q2 and we can update you then. The second point was on Pipeline. I've forgotten what the question was. Oh, predictability. Okay, I wouldn't say the sell cycle is shortening. A like for like tier one bank is taking as long to decide as they did before. An emerging market growth pains driven replacement cycle in Asia or Latin America continues to be shorter. They have growth pains, they need to choose a system, and it's more structured than say a European deal.

What I would say is happening is we are seeing a rotation of our average deal size and deal mix as we come in with smaller components, or a shorter time to value offering. That means that we're signing a larger number of smaller deals, and therefore improving predictability and visibility, which is also driven by the fact that a larger percentage of our revenue is coming from the installed base, who obviously we know already and we can read their buying behaviour better than trying to convince a bank to buy from us for the first time,

So there is a predictability coming through. We see this again in the last two quarters. I believe we will continue to have more stable numbers and visibility going forward as we further focus our effort on the installed base and selling them smaller products.

Grardus Vos – *Barclays*

Okay, that's great, thank you.

Operator

Thank you very much, the next question we have today comes from the line of Oliver Girakhou from Cheuvreux, please ask your question.

Oliver Girakhou – *Cheuvreux*

Yes, good evening gentlemen. Just a question on basically what the main driver, if you had to pick one main driver of your sort of licensing revenue in Q1, what would that be, because I see different drivers of that revenue in Q1. Is it really the private wealth management deal? Is it smaller sized deals, but you are signing much more of them? You are saying the sales cycle didn't really improve year over year, but also quarter on quarter, so what is really the underlying driver for your licensing growth in Q1 basically?

David Arnott - *Temenos UK Ltd (ECPlus)*

In one word I would say sales execution and organisational alignment. Five words. The market is there, the market has always been there. The market has a demand to handle growth problems in emerging markets. They have a need for channel solutions to retain market share, they have regulatory issues and competitive issues. That demand has always been there, and the single biggest differentiator for two, even three quarters now, has been better sales and organisational execution against that market opportunity.

Oliver Girakhou – *Cheuvreux*

Thanks very much.

Operator

Thank you, the next question we have today comes from the line of Takis Spiliopoulos from Bank Vontobel, please ask your question.

Takis Spiliopoulos – *Bank Vontobel, Zurich*

Hi David, hi Max, just two small ones on the tier one private wealth management deal. Which products, or which supplier are you replacing at this customer. The second one for Max, any guidance for total restructuring costs for the full year? I guess it was north of two million for this one. Should we expect anything coming up for TriNovus or anything remaining from last year? Thanks.

David Arnott - *Temenos UK Ltd (ECPlus)*

Hi, Takis, let me take the first one. Unfortunately we can't comment on that specific client.

Max Chuard - *Temenos UK Ltd (ECPlus)*

Takis, on the second one, as you said, we were north of two million in Q1. I think for the full year you should expect slightly less, or close to five million. It's really how we said the end tail of what we did last year. Some people that are going out slowly, and we expect most of it in Q2, but you will have some in Q3 and in Q4. So, total for the year of around five million.

Takis Spiliopoulos – *Bank Vontobel, Zurich*

Okay, maybe on the tier one deal, I was actually looking for the product, not the client name.

David Arnott - *Temenos UK Ltd (ECPlus)*

Oh, sorry, I thought you were after the people we replaced. Wealth Manager.

Operator

Thank you, the next question we have today comes from Mohammed Moawalla, from Goldman Sachs, please ask your question.

Mohammed Moawalla – *Goldman Sachs*

Thank you. First of all Max, can you explain why maintenance was down sequentially in Q1? Was it just currency or was there something else there? Secondly David, you sort of indicated to the sort of gradual improvement in core banking. I just wanted to get your perspective of what you are seeing banks do, especially with regards to sort of discretionary spend, and in order to kind of understand the timing of when you start to really see this pick up. Can you sort of sketch out what parts the budget right now is, the discretionary budget of being unfrozen, and when you could anticipate to see the pipe around those products rebuild, and then the kind of conversion to come through? Thanks.

David Arnott - *Temenos UK Ltd (ECPlus)*

Okay, let me take the second point first on discretionary spend. What is getting through, and I don't believe this has changed fundamentally in the last year, are provable projects which deliver clear value through quantifiable cost savings to banks who have got cost issues to date. The other type of project that's getting through is where a bank is suffering a short term and immediate pain of losing customers in a new growth segment like mobile or Internet banking, and what's also getting through is banks who physically can't handle growth in emerging markets.

You know, they're missing out for example on the mass affluent in China or Vietnam or Brazil. It has to be as compelling as that. What is not getting through still is a general purchasing decision, because at some point the competition is going to take market share from you. It needs to be quantifiable, it needs to have a short time to value, and it needs to be very provable. We believe that banks will have that lack of visibility for the next couple of years at least, in Europe, and therefore we have redefined our go to market strategy around shorter time to value implementations and products that meet the bank's short term demands today. We are very clear not to signal that we are depending or betting the company on a macro recovery to deliver our three year plan revenue and margin improvement.

Max Chuard - *Temenos UK Ltd (ECPlus)*

Maybe just as you said on the first question, the explanation I would say is firstly the aspects on some cash accounting that you will see the defer of the maintenance within the year.

Mohammed Moawalla – *Goldman Sachs*

Great, thanks.

David Arnott - *Temenos UK Ltd (ECPlus)*

Okay, operator, if there are no more questions, you know where we all are. Thank you very much indeed for taking the time. Please feel free to email or call us any time.

Operator

Thank you very much, that does conclude the conference for today. Thank you for participating.