TEMENOS

David Arnott, CEO, and Max Chuard, CFO
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Operator: Thank you for standing by, and welcome to the Temenos Q1 results 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 wish to ask a question, you will need to press star, one on your telephone. I must advise you that this conference is being recorded today, Tuesday, the 29th of April, 2014.

I would now like to hand the conference over to your speaker today, Mr. David Arnott. Please go ahead, sir.

David Arnott: Thank you, Operator. Hi, everybody, and thank you for taking the time to join this evening's call. As usual, I'm going to start with some comments on our first quarter 2014 performance and the market backdrop. Then I'll hand you to over to Max for a financial update, and then finally we'll return to me to conclude, before opening up the call for M&A – Q&A, rather.

So turning now to slide four, hopefully you've all managed to get the presentation from our Web site. Q1 was strong across all of our KPIs. We saw software license growth, which was above our full-year guidance and in line with our prior communication. Continued strong execution on our services strategy saw a reduced contribution to group revenues, which is good, a higher proportion of premium services, and an improved margin, with LTM margin approaching breakeven.

A better revenue mix and operational leverage drove strong group EBIT and margin expansion, and I'm going to let Max talk about that later.

Our continued focus on cash drew strong cash inflows and conversion, with DSOs down again. Perhaps most encouraging is that we're seeing now high levels of customer activity in all our regions. We're continuing to take market share, and our strong and growing pipeline for Q2 and the remainder of 2014 underpins our confidence in achieving the full-year guidance.

Turning now to slide five, as expected, we saw strong license growth of 22 percent on a reported basis, which takes growth over the past 12 months to 13 percent at the higher end of our full-year guidance range. It was great to see a good balance between our software licensing sales with good sales to both new and existing customers. The quarter say nine new customer wins, including Banesco, which we've previously announced, as well as Banco de la Nacion del Peru, another good win for Latin America, validating the investment we've made in that region.

Customer activity in all regions is high, driven by an improving macro backdrop and greater confidence within banks to face the challenges ahead. We're also continuing to see the re-emergence of larger deals, and once again, this is in all regions, with some notable proposals out in Europe, the Middle East, and also Asia Pacific, where we've recently strengthened our management to deal with what we expect to be an accelerated level of growth going forward. The strength of our pipeline gives us great confidence in seeing growth for all regions in 2014.

A bit of flavor around product sales. We see strong demand for T24 in core banking. This is the product that really deals with banks' excessive cost base and ability to grow faster with a modern core system. And now that banks are once again looking two to three years out, they're realizing that (a modern core) is a (burgeoning platform for) executing their strategic plans.

In private wealth, we continue to see strong demand both on- and offshore, with very different drivers. Onshore private banks are having to get used to a lower asset base and lower margins and need a modern private banking system to deal with their new world. And at the same time, the push eastwards in private banking is driving demand in Asia. And, in fact, in all countries where newly affluent customers were emerging, you want a differentiated service.

At the same time, retail banks pretty much across the board want to hold onto their most profitable customers against some tough new competitors and want to launch mass affluent products. And all this is combined with a trend towards private banking customers who no longer expect a monthly PDF report from a stuffy relationship manager, but instead a rich channel-led experience where they can see their portfolios real-time, do their own modeling, download their own research, and so on, none of which, of course, is possible without modern cause and channel solutions. Certainly, the whole area of wealth is going to be very exciting for the next few years.

Channels overall is seeing strong demand as rich channels is an absolute essential for any bank today, and hand-built systems just don't keep up with the range of new devices coming out almost daily. And banks realize that a model of prepackaged software, where you design a product once and deploy it automatically to all devices, with their different screen sizes and protocols at the flick of a switch, is really the only model as the digital revolution continues.

Lastly, there's business intelligence, where one of my big initiatives is to move from being a software vendor to the owner of (best practice client data). And given we capture information for hundreds of banks, if we can start to analyze that and publish back best-in-class data to our clients, we can really be a value driver to the bank. And this is the way our BI value proposition is evolving. And our clients are liking this a lot.

Payments, of course, we'll get more data points after our flagship client (ABN goes light in the autumn), and we're gearing up for a strong go-to-market push around that, and we'll keep you updated around the end of the year.

If you turn now to slide six, Q1 was operationally strong with 20 implementation go-lives and 40 go-lives in total. Our delivery is seamless, whether executed by Temenos or by our partners. We really don't differentiate. Partners are leading on an increased number of implementations, with licensing growth being passed to partners. With implementation revenues typically being a multiple of five to six times license revenues, the growing opportunity for partners coming out of our growing license number is deepening our relationship with the partner ecosystem, and the more money they make, the more they'll help us focus on selling, which is especially important at the C level for partners like Accenture, Deloitte, Capgemini, and Cognizant, as frankly we aren't as well-connected as they are at the C level.

In line with our services strategy, the increased sales of premium services, 26 percent of services revenue in Q1, has contributed to an improving non-IFRS services margin in the quarter, which is approaching breakeven on a last 12 month basis.

As stated at the Q4 results, we'd expect to be around breakeven for the full year on a fully loaded basis and moving towards industry standard margins over the medium term. Finally, we're continuing to outspend our peers on R&D, and we'll showcase more innovation than ever at this year's Temenos community forum, including new frameworks, new apps on Windows 8, and major enhancements to our channels offering.

Turning now to slide seven, we're continuing to make good progress on our U.S. strategy, with a profile of Temenos rising in the U.S. market through a series of campaigns, product road shows, key win announcements, and so forth.

In Q1, we signed with both community banks and credit unions for T24 on a SaaS basis, which provides a platform from which to build further out in both markets. We remain on track for our key go-lives with T24 on a sales basis throughout 2014. I'm pointing this out because you can't see the underlying momentum in that business from the numbers alone, given that clients only start paying when they're live.

Over 15 new customers signed in Q1 for other Temenos products, with good sales of BI, AML, and compliance products. And this widens the crossselling opportunity as the number of Temenos U.S. customers continues to grow.

Turning now to slide eight, which shows the third-party validation of our market share gains in 2013 and is similar to a slide that many of you will remember from last year. Both these reports came out in Q1. The top box contains two pyramids from Forrester, the leading analyst research firm.

There are two points that are worth noting here. Firstly, Temenos is the only vendor at the top of both pyramids. The left pyramid being for new named clients and the right for all counted deals, which include sales to the installed base.

Secondly, if you compare the pyramids to those presented last year, you'll note that Temenos has extended it’s leadership position. And, in fact, on the right-hand box, there isn't anybody in the box underneath this for the first time ever. The bottom box is from IBS Intelligence, which has Temenos in first position in 2013. It's the sixth time in the past seven years that Temenos has been number one. This year, once again, Temenos has twice the number of deals of the nearest competitor.

A bit more flavor. Most of the other key competitors also saw quite considerable declines in the year, with a lot of small local vendors signing a few deals each and the big players – with the sole exception of Temenos – were losing ground. So, great news overall for us.

Turning now to slide nine, there are some stats here which might look familiar and which validate the reasons why our customers choose us. The reason I'm presenting these back to you today is they've been updated and now cover the period 2008 to 2012, having previously only run up to 2010. And we're running targeted marketing campaigns to highlight the opportunity to banks in key press and banking events, as well as a couple of specific physical locations where we see increased pipeline activity and want to raise our brand profile.

In conjunction with Deloitte, we're currently in the process of producing a white paper, which provides further details supporting these updated stats.

The paper should be available in the next month or so and will be available on our Web site.

So with that, I'll hand you over to Max to update you on the financials.

Max Chuard: Thank you, David. Turning now to slide 11, I'd like to start by presenting the Q1 financial highlights. And I'm pleased to say that our strong operational performance has translated into a strong financial performance.

Q1 like-for-like software licensing growth of 20 percent has taken software licensing growth to 12 percent on a 12-month basis, at – already at the midpoint of our 2014 guidance range of 10 percent to 15 percent. Our services strategy is continuing to deliver, with the lowest EBIT contribution to group revenues, and the 7.3 percentage points improvement in Q1 on IFRS services margin, which is approaching breakeven on a 12-month basis. A better revenue mix with higher contribution to revenues from license and maintenance, under strong operational leverage (inaudible) non-IFRS EBIT of 47 percent, with the margin improving by 5.1 percentage points. Efficient below-the-line management drove non-IFRS EPS up 54 percent.

In Q1, we saw cash inflows of $20.4 million versus $8 million for last year, taking inflows over the last 12 percents to (U.S. $181 million). LTM cash conversion to the end of March was at 119 percent, ahead of our guidance of 1 percent, with DSOs reduced by 18 days versus Q1 2013, as well ahead of our 10 to 15 days annual target.

Turning to slide 12, this is the sixth quarter of software licensing growth, up 22 percent on a reporting basis, with a strong performance from the Americas as expected. Software licensing growth is now 13.4 percent for the past 12 months on a reported basis.

Total revenues were up 6 percent on the quarter, with 6 percent growth in maintenance revenues, and the 14 percent reduction in services revenues. The lowest services revenue is in line with our strategy to reduce the contribution of services to 20 percent to 25 percent of group revenues, as we engage more with our partners.

A better revenue mix and operation leverage contributed to non-IFRS EBIT up 47 percent, with non-IFRS margin up 5.1 percentage points. This margin improvement is despite having to absorb the headwind of the increase in the amortization of capitalized development costs, which also explain why the non-IFRS EBITDA margin has improved more than the EBIT margin, as we expected.

The non-IFRS margin over the past 12 months is now at 25.2 percent, slightly above our guidance for the full year. The non-IFRS services margin was up 7.3 percentage points in the year (to an increase)in (premium) services, acceleration to our (partner strategy), and a lower cost base, with the non-IFRS services margin at minus 1.7 percent on a 12-month basis.

Turning to slide 13, we show the revenue and the cost on a like-for-like basis. Q1 like-for-like revenue was up 3 percent against plus 6 percent on a reported basis, broadly evenly split between contributions from the acquisition of TriNovus and the weaker U.S. dollars impacting our maintenance revenues. Non-IFRS costs were down 2 percent on a like-for-like basis against flat on a reported basis, with almost all the difference coming from TriNovus.

Looking at slide 14, non-IFRS EBIT growth has been augmented by efficient below-the-line management with non-IFRS EPS growth of 54 percent above the non-IFRS EBIT growth of 47 percent. Finally, we reiterate our tax guidance for 2014 at 17 percent to 18 percent of earning before tax.

Turning to slide 15, we saw a very strong cash inflow in Q1 of $20.4 million versus $8 million last year, which is reflected in the cash conversion at 119 percent for the LTM, ahead of our annual target to convert at least 1 percent of EBITDA into cash.

A key feature of Temenos business is it’s cash-generating capabilities. And it is worth noting that our operating cash inflows in the last 12 months was 50 percent higher than in the same period in 2013 and almost double the same period in 2012.

Looking at slide 16 now, both our debt and cash have increased by around $100 million since the Q4 results due to the issue of our second public listed bond. Building on the success from the issue of our first bond from last year, we took the decision to issue a second bond in order to take advantage of favorable market conditions, strength our balance sheet, and diversify our fundings.

Our leverage is at 0.6 times EBITDA, which offers significant financial flexibility. Taking into account Treasury shares, which does not include the shares which we purchased under the 2013 buyback program, which will be counted, our leverage is at only 0.3 times EBITDA.

My last slide on slide 17, we set out our guidance for 2014, which is reaffirmed today with no change to our (currency functions). Software licensing growth of 10 percent to 15 percent, implying software licensing revenues of $152 million to $158 million, non-IFRS revenue growth of 5 percent to 10 percent, implying revenue of USD $491 million to $515 million, and non-IFRS EBIT margin of 25.1 percent, which implies non-IFRS EBIT of USD $123 million to $129 million, 100 percent-plus conversion of EBITDA into operating cash flow, tax rate of 17 percent to 18 percent.

As David mentioned, given the high level of customer activity in all regions, and the strength of our pipeline, I have great confidence in our ability to deliver our full-year guidance. With that, I will hand back to David.

David Arnott: Thank you, Max.

Turning now to slide 19, I wanted to take the opportunity of having you all on the call just to remind those of you who haven't already registered for the Temenos Community Forum. We're holding it this year in Rome on the 20th to the 22nd of May. This year's event's got the theme of Succeeding Through the Digital Revolution, and hopefully as many of you as possible will come. You'll see more innovation and more product launches than we've ever done before. If you haven't received an invitation so far or if you'd like more information, please give Andy Smith a call from investor relations.

Turning to slide 20, then, the summary slides, after such a strong finish to 2013, I have to say I'm really pleased with the way 2014 has started. We've delivered strong Q1 results across the board, both operationally and financially, and this has helped the number significantly. Customer activity in all regions is high. In fact, to be honest, it's the highest level of activity that we've seen since I became CEO, and our pipeline underpins confidence in achieving our full-year guidance.

We remain vigilant on costs overall, as you'd expect from us by now, but are recruiting in key areas, both in product and sales, to take advantage of what we believe are sustainably growing segments and geographies. With that, Operator, I'd like to open up the call to Q&A, please.

Operator: Thank you. If you would like to ask a question, please press star and one on your telephone. That's star and one on your telephone to ask a question.

Our first question comes from the line of Gerardus Vos of Barclays. Please ask your question.

Gerardus Vos: Hi, good evening. Thanks for taking my questions, and congratulations on, again, another strong quarter.

Just on the pipeline, could you just give us a bit of an indication how many kind of larger kind of deals you see, the kind of exceptional large deals, some of you – some of which you indicated in kind of Q4? How is that kind of ramping in the rest of the year?

And secondly, given the strong kind of comments about a kind of outlook, I was a little bit surprised to see so much kind of cost control during the quarter. How should we expect to see costs ramping or OPEX ramping during the rest of the year?

And then a final question on (AB and MRO). I was under the impression that that would go live in June. Has that now been slipped? And does it have only kind of ramifications for what you're expecting in 2015 from payments? Thank you.

David Arnott: Hi, Gerardus. Thanks for your comments on the quarter. Let me take those, and I'll pass to one about the exact cost modeling number to Max, but I wanted to give you a bit of flavor behind it.

First of all, in terms of pipeline, I can't really say a number of specific deals, but what we have definitely seen now – and it's the second, maybe even third quarter we've seen this is – in all geographies, banks looking beyond – they've done their strategic plans, they're looking beyond one- to two-year budget horizons and making strategic decisions. And the challenge with our flagship product, T24, even on a progressive renovation basis, is that you're really looking at two to three times time to value. But there is definitely now what we suspected was the case at the end of Q4, a sustained momentum with a larger number of banks looking beyond that cycle in all geographies and, interestingly, in all segments.

I wouldn't like to put a number on it. And in terms of pipeline, these are more at the interested lead stage, I would say, rather than fully fledged deals where we're running workshops, but definitely, as we look into the end of 2014, probably more likely 2015, I'm starting to feel 2015 for the first time now in terms of the quantum of large deals that are starting an RFP process. And as we go through the quarters, I'll give you as much flavor as I can.

In terms of cost control, if I'm being honest, the challenge we've got is the areas where we need to find people is difficult to find the right people. So let's take R&D. We don't need much more R&D spend. We have an aggressive product roadmap. We already spend 20 percent of revenues on R&D. That is more than enough to build and continue our lead in the product area. I do need a few specialist people, and we're recruiting them, but it's not so much a dollar cost, I wouldn't say.

Sales and delivery, really, if we worked as well as we continue to be doing so far with partners, partners can definitely handle all the increase in delivery of the sales we're – the deals we're signing, and increasingly the focus is on them becoming a sales channel. Therefore, that really only leaves us, given G&A is pretty much fixed cost, with specific salespeople to support the multi-product strategy, so payments experts, channels experts, large retail bank experts around technology and so on.

And, again, I don't need thousands of them. I probably need 10 or 20. But the good ones are difficult to find. But I would expect, given the model is moving towards more partners and given the strong R&D model we already have, with onshore and offshore components, the cost – the underlying cost leverage remains very strong, and therefore, for a full-year cost base, I would not expect to see a step change in any way in the costs.

And, in fact, in the deck, Max has reconfirmed the full-year cost number. But importantly, that will not impact our ability to deliver the year or even 2015 or '16.

Gerardus Vos: Yeah, OK.

Max Chuard: Yeah, Gerardus, on the cost, obviously, as you know, you know, the level of (inaudible) at now, we've been able to create a viable cost base on the services side. And depending on (inaudible) implementation, you can see fluctuation on the (cost side). But definitely the level of investment that we discussed last quarter at Q4, we still – we still want to do those investments. I mean, you know, we are recruiting those investments, as we said (inaudible) but obviously, services for us is a margin business, and so depending on who does implementation, you would see some flexibility on the cost side for that.

David Arnott: And just quickly on (ABN), no, the (ABN) go-live hasn't slipped. We (started sales) go-live in June. By the time they're fully moved off (parallel run and live and referenceable as a lifeline) as opposed to an implementing client who (takes reconds visits). I would expect it to be around September-October time. So no change there. No change to our go-to-market plan. We're training partners. We're recruiting salespeople. We've benchmarked our product against best-of-breed. We've had some great research out from people like (Ovum), who positioned our (penant project) at the very top of the peer group, so we're doing everything we need to do. So no change in there. We'll update you as you go along.

Gerardus Vos: Sorry. If I may, just a quick follow-up. Just on the M&A, given that, you know, you have now some more flexibility on the kind of balance sheet, would you expect some M&A this year, some larger M&A? Or is that more still in 2015?

Max Chuard: Well, you know, it's already difficult to say. I think what I can say at this stage, there is – you know, we've got the pipeline ongoing discussions and some, you know, are more advanced, (more some) that are early stage. It's the only way to be able to deliver an (imminent plan).

Now, really, (to commit) on when a transaction could happen, clearly, I think we couldn't (say that). You know, all times, we do evaluate, and I think in the next 12 months, we should – we should expect a transaction. Now, the good thing for us is we've got an organic case which is (inaudible) that, you know, we don't need M&A as such. And that's why we are very selective and very diligent on looking at on those transactions.

Gerardus Vos: OK, brilliant. Thank you very much.

Operator: Your next question comes from the line of Chandra Sriraman of MainFirst Bank. Please ask your question.

Chandra Sriraman: Hi, gentlemen. Congrats on another solid quarter from my side. Just a couple of questions. First thing is, you've had reasonable license revenue growth over the last few quarters. I was just wondering, should we expect to see a pickup in maintenance growth, which has been growing (on the edge for present) for the last five quarters. So I was just wondering, is there something else in the mix? Or is it just the lag effect here?

And my second question is, should we expect some more tailwind from the Banesco deal in Q2?

Max Chuard: Hi, Chandra. I think those both are for me. Listen, on the maintenance, clearly, the maintenance lacks the license, we – at least 12 months. So I think, yes, you will see a higher run rate of (inaudible) where we are today on the maintenance going forward. So I think this is – this you are going to see.

And secondly, the second question on Banesco, you know, we don't – we don't comment on specifically what we said last time out. We had recognized some of it in Q1. (We've recognized based on our rules). So whatever is within 12 months, we do recognize what (is after the) 12 months (rules), which is basically if we get cash within 12 months or not. (At least we don't) recognize or we'll be recognized next year. So I think you'll see us recognizing Banesco some of this year and, you know, partially, as well, as the year after.

Chandra Sriraman: OK. The next question comes from the line of Michael Briest of UBS. Please ask your question.

Michael Briest: Thank you. In terms of the mix of business between new name customers and the installed base, obviously, new name was very strong, and you called out a couple of large deals there. But if I look at the installed base, it was actually pretty weak. I think I have to go back to Q2 2012 to see a number lower than that.

So, I mean, my argument might be that perhaps you've been cautious on recognizing the installed base revenues and that gives you a lot more comfort over the rest of the year. And I'd sort of wrap into that your comment on maintenance accelerating. The guidance hasn't changed. You've had a good quarter. You're sounding upbeat. Do you feel, if you like, more confident in the guidance than you did three months ago? Should we be thinking about upside to those numbers? Thanks.

Max Chuard: Hi, (Mike). Listen, I think – obviously, (I think delivered) a quarter – you know, we get more confident on the year. Now, Q1 is the smaller quarter of the year, so there's still a big job to be done.

But here definitely, you know, we've got a very good start. The level of activity is high, so obviously, you know, our confidence has increased. But as we – as I said, it's early on in the year.

Michael Briest: But I'll just follow up on the sales and marketing cost. You know, Gerardus was asking a bit about this, as well. It's down year on year. Are you taking on more headcount? Presumably, you'd be accruing higher bonuses for the salespeople, given you're growing at this rate.

Max Chuard: Yeah, in fact, Michael, when you look at the Q1 on the reported basis, last year in Q1, this was (a part where) we did some structuring on our sales team. So, in fact, if you adjust (for the – for the certain challenge) that we had (taken then), the cost is slightly up in Q1 this year. So the report is a bit misleading. (You understand) that you do have a charge which was (taken) for (letting go) some sales and salespeople.

David Arnott: And just to give a bit more flavor on the sales recruitment, what we are doing, as you know, at a high level is to move people more towards the growth territories and focusing more on the – the multi-product strategy and also remove non-performance much more ruthlessly than we – than we did in past.

And to give you a bit of flavor on that, between Q4 and this year year-to-date, we've added something like 20 percent to our quota-carrying sales force and removed about 10 percent going the other way, obviously, at different cost bases and focused on different products, so we are – we are definitely making the required investment. But to the extent I can, I'm funding it out of the installed base, out of the existing cost base, rather, rather than just layering cost on cost.

I'm not – I'm not under investing to deal with the opportunity, definitely not.

Michael Briest: Right, thank you.

Operator: Your next question comes from the line of Adam Wood from Morgan Stanley. Please ask your question.

Adam Wood: Hi, David. Hi, Max. Thanks for taking the question. And also, congratulations from me on another very good quarter. Maybe just a couple of things. Just, first of all, following up again on the sales side, you mentioned (ATR) accelerating and kind of new leadership in there. Could you maybe just give us a quick update where we are? I know you've been rebuilding some of the sales heads over the last 12 to 18 months. Do you know feel, with the sales cycle you have, that we're getting close to all regions firing on all cylinders? Or is there still a kind of couple quarters' lag as some of them kick in?

And then, secondly, on that mix issue between new and existing, you've talked about some larger deals coming back, maybe some new opportunities. Should we expect the mix to move back towards the new clients? And then very quick one – again, a great quarter on go-lives – should we expect that to benefit the cash flow over the next few quarters as you get cash in from those go-lives? Thank you.

David Arnott: OK, Adam, thanks for your comments there. So in terms of where we are with building out the regional management, most of whom by and large are strong salespeople, rather than generalist managers in the sales force, obviously, there was a step change around the end of the year when the people I brought in or changed early in my reign had a full 12, 18 months sales cycle to work through deals.

Beyond that, we've continued to add in key geographies. In Asia, we added somebody specifically from the private wealth space. He ran the (Avalog) Asia business, very, very strong individual, on top of an already very strong team. And that really had to take to the next level.

Across the board, I would say certainly the regional structures are in place. We can always build stronger and stronger on top, but we've got probably 70 percent, 80 percent of the resources we need with the right skills. A couple of areas still need filling, in my opinion, to get the full productivity out of the sales force. One would be on multi-product specialist, so the type of person that can sell to a tier-one bank and talk architectures and frameworks or talk – can talk real channel solutions, is a very specialist person, and at the moment, there's a relatively small number whizzing around the globe, trying to manage all the campaigns. And as we grow, I would like to put specialists in every region.

The other area where I think there's more scope for opportunity and, in my mind, even more upside is in alliance managers, the type of people that can work with an Accenture or a McKinsey or an IBM or a Deloitte, really, two years ahead of the sales cycle, before RFPs come to market, make sure we're well positioned early in those deals, because a typical Temenos salesperson with an annual quota will focus on doing (inaudible) for the quarter, for the year, rather, but won't really look two, three years out. And I think there's a massive opportunity of getting proper alliance managers in place in the regions. And we've probably got about half of the people we need there.

In terms of new versus existing, I think our base case – if you run the maths on our outlook, you'll probably see a similar mix to what we have this year. But looking forward, again, I'm cautious to comment that my comments really are three to six – between three and six months into a sales process, so you're really looking at 2015 upside. But if we see the kind of sustained momentum in the markets and the forward-looking visibility of our clients, then certainly for 2015 I would expect that the new existing shift to favor more new business.

In terms of go-lives, yes, we are taking more clients go-live, and we're taking some of the bigger clients live, and obviously with our working capital tied up – tied up entirely in projects around (masdon's) own projects, that has been and will continue to be one of the reasons for our DSO reduction.

Max Chuard: I think the large (inaudible) can happen with existing customers, so I think, you know, the mix between new and existing sometimes can be misleading (inaudible) for us, a new customer is a (new logo), but, you know, we can – you could see us signing a very large deal with an existing customer base.

David Arnott: Yeah, that's true.

Max Chuard: And finally, on the go-live, I think, you know, already we are seeing the benefit of those increased go-lives. And if you look at the performance of the cash in the last 12 months, and the (inaudible) reduction, I think that is already reflected in the run rate. But definitely, you know, we continue to deliver on those.

Adam Wood: Great. Thank you very much.

Operator: Your next question comes from the line of Takis Spiliopoulos of (Bank of Underbell). Please ask your question.

Takis Spiliopoulos: Thanks, gentlemen. Well done also from my side. Just two quick ones. You mentioned the re-emergence of larger deals in all the regions. Is this more driven by your own salespeople, the new ones, the better ones? Or is it partner-led? I've been hearing that some of the partners have recruited more dedicated terminal salespeople? Are we already seeing some effect from this?

And second question on China. I saw on the proposals for the (AGM) that a Chinese lady with some strong background in the relevant areas is proposed for board election. Can you give us an update on how you plan to tackle the Chinese opportunity, if you will? Thank you.

David Arnott: Hi, Takis. Thanks for your comments again. The large deals coming both from our stronger salespeople and the focus specifically on large deals, but also from partners, definitely both.

In terms of (Amy Yip) joining our board at the next (AGM), (Amy) has a strong pedigree in the Chinese market. She's been in the government – close to the government and the inner circle, if you like, for a long time. And whilst we've made more progress probably than anybody else in greater China and Hong Kong, and we've got great references, there is a member of the club type of feeling to really take advantage of what is a massive, massive market. And (Amy) hopefully can guide us through that and will be very prestigious new member of the board.

Takis Spiliopoulos: When can we expect some more detailed information on the strategy for China, if there is – you know, is it going to go through acquisitions, joint venture, you know, own sales force? What is the plan there?

David Arnott: IF you like, what I can do is I can make sure our new head of Asia, who's from (Avalog), and I do a quick update at the TCF, which we then make publicly available as part of it on the Chinese market.

Takis Spiliopoulos: Sure, that would be great, yeah.

David Arnott: Yep, OK, we'll do that.

Operator: Your next question comes from the line of Daud Khan of (Beringberg). Please ask your question.

Daud Khan: Hi there. Thanks for taking my questions. Just a few if I could. I know that you didn't want to specifically talk about the re-licensing opportunity, but I just wanted to know whether – I think, you know, your previous suggestions was that it was going to be a lower impact than last year. I'm just wondering whether you're getting the same trend of customers coming back to you a little bit earlier than expected. That would be the first question.

Second one – and sorry if I've missed this – but was there – did you give a percentage for them – what came through the partner channel in the quarter? And my third and fourth question are kind of linked. I wanted to know how much the stock-based compensation was as part of the other non-cash items in the quarter.

And then just thinking about cash in general, I appreciate your comments about strong cash flow. I'm just wondering, in terms of the receivables number for the quarter was obviously – was up sequentially. And when I look at the annual report, you had a big chunk of sort of unbilled – I think 70 percent of receivables were unbilled. And of the portion that was billed, there was a big chunk of that which was past due. So given those two factors, I was thinking that receivables should have gone down in the quarter and, actually, your cash flow should have been much stronger. Any comments around that would be helpful. Thank you.

Max Chuard: OK, so let's – I think most of them are for me, so the – on the re-licensing, I think the statement is still (inaudible) which is we expect to see a smaller contribution this year compared to last year. I would say the same type of dollar amount, but (there only) is a higher smaller contribution.

On the partners, we don't comment on the partner performance on the quarterly basis, because it's not really meaningful, so we give you update more on – towards the end of the year or when we've got a better trend, because Q1 is too small really to – you know, to have any data point on that.

On the (basically RFIs) to charge that (we accrue) in the quarter, we accrue around – between $3 million to $4 million per quarter on that, on that side.

And, finally, your question on the – on the cash flow. I think Q1 was a good cash quarter. And if you look at comparing to last year, and if you look at the level of conversion that we've seen, if you look, as well, the growth that we've seen in the quarter, it does reflect why the (results) slightly increased, obviously, compared to last year, Q1, we grew 4 percent on the license compared to 22 percent this time. So that was the main driver for that.

And as we said, the level of – the high level of unbilled (especially) at the end of the year was related to the fact of the large growth we had towards the end of the quarter, which the cash (inaudible) came in, as you can see, in Q1. So I think, you know, (those were a lot of) points that you raised, so I hope I addressed most of them.

Daud Khan: Yeah, I guess the comment about the receivables was more on the sequential basis, because I understand why receivables were obviously – you know, you had a big Q4. You know, maybe, you know, in terms of the balance of those numbers, at the end of the year were mainly unbilled, some past – you know, big chunk or so past due of the billed number. It would just be an expectation given the Q1 sequentially is a smaller quarter than Q4 that I would expect receivables to have come down.

Now, that may be because the mix of the business was more new versus existing and, therefore, you know, there's a – there's a slower payment trend there or...

Max Chuard: No, definitely the mix having a more new business in the quarter has – you know, has been, I would say, one of the major reasons.

David Arnott: I think the other thing we need to be a bit careful of is the difference between billed and unbilled. Typically, a client would pay 50 percent to 60 percent upfront, so you sign the deal at the end of the quarter. You're very lucky you get cash out of them. More likely it's a receivable for 30, 60 days, as they repatriate the money back to (inaudible) entities. So a strong license quarter, obviously, will give you a jump in spike in receivables that will go down straightaway afterwards.

The second point is that you really need to see receivables (and accrued) as fungible. When you get to a point in a project when they're about to go-live, you might send them an invoice so it would move from accrued income to receivables to prove a point that you could be going live even if they're doing a third or fourth round of testing and so on.

So in our minds, internally, we don't differentiate between the point at which you physically send (in invoices). (Though behavioral) around the project governance and not upsetting people and so forth, and you really do need to look at total working capital in total.

Daud Khan: Yeah, no, I appreciate the comments. I was just trying to – you know, and I understand the fungible nature of the receivables. It was more around, I guess, from Q4 to Q1, because you had the big quarter, cash to come in, et cetera. You had $63 million, I think, at the 31st of December, which was due or past due at the 31st, so I'd expected just more cash to come in, in Q1. Now, it could just be one quarter, et cetera, but, no, I appreciate the comments, though.

David Arnott: Yeah, you probably needed 12 months run – you know, to get your go-lives in March, you might not get the cash in March. Yeah, let's take it offline.

Daud Khan: Yeah, OK, thank you.

Operator: And the last question comes from the line of Mohammed Moawalla of Goldman Sachs. Please ask your question.

Mohammed Moawalla: Thank you. Guys, can you comment a little about the forward pipeline mix between (partner-source deals) and those by a direct sales force? And any metrics around kind of how the coverage looks now versus, say, six months ago?

And then, finally, just in terms of the competitive landscape, has that changed in any way in terms of who you see in these deals?

David Arnott: Hi, (Mo). OK. Very difficult to put numbers around pipeline – between partners and non-partners (in products). I would really just say that it reflects the trends we've been seeing so far, so clearly with a partner focus, the recruitment of partner managers, the more time spent with partners. Our pipeline is growing faster through partner-led deals than through our own. I really can't say more than that at this stage.

What was the second part of the question?

Max Chuard: (inaudible)

David Arnott: Ah, sorry (cover the same). You know, the businesses are getting stronger. Deals are coming through early stages in the pipeline, and therefore, both pipeline leads, which precedes pipeline, and cover are all strengthening in line – really, in line with the trends we've talked about.

In terms of competition, I wouldn't really signal any change. The (IBS lead) table and Forrester, which is also (client-based), give us a good indication of how we're performing. It's good to know that most of the large players are suffering, and the bulk of the deals done last year were small local deals with a local player, presumably, therefore, for a relatively low value, and there is clear air opening up between ourselves and our competitors, which can't allow us to get complacent. We need to continue to spend a huge amount in R&D. We need to lock down our advantage while we can. But I can't – I cannot – there's been no change in any individual competitor's behavior since we last spoke in February to note.

Mohammed Moawalla: Great. Thank you.

Operator: There are no further questions. Please continue.

David Arnott: Thank you very much, indeed, everybody, for taking the time to join the call this evening. If you need to think of any follow-up questions, you know where we are. Otherwise, look forward to speaking to you either at the Temenos community forum or after our Q2 results. Thank you very much.

Operator: That does conclude our conference for today. Thank you for participating. You may all disconnect.

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