TEMENOS UK LTD

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5:30 p.m. GMT

Operator: This is conference # 29021298.

Operator: Thank you for standing by and welcome to the Temenos Q1 2015 results conference call.

At this time, all participants are in 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 keypad.

I must advise you the conference is being recorded today, Tuesday, the 21st of April 2015.

I'd now like to hand over to your speakers today, David Arnott, CEO, Max Chuard, CFO. Please go ahead, sirs.

David Arnott: Thank you, operator. Hi, everybody, and thank you for taking the time to join today's call. As usual, I'm going to start with some comments on our first quarter performance and the market backdrop. And then I'll hand over to Max for a financial update.

So, if we start on slide 5 of the performance, hopefully, by now, you've all been able to find from our Web site, I'll start with a quick summary of the quarter.

And to dive straight in, software licensing was weak, down 24 percent against last year on a like-for-like basis. And this also follows a disappointing fourth quarter. And I'll talk about some of the reasons for this on the next slide.

But, although the business hasn't been as predictable as it should've been over the last two quarters, I would like to stress very clearly that the fundamentals are unchanged. In fact, we've made a strong start to the second quarter, and we're reconfirming tonight our full-year guidance.

Generally speaking, market conditions are improving. We made two highly strategic acquisitions during the quarter. And the integration plans are firmly on track.

We continue to execute well against our services strategy in the first quarter, with a significant improvement in services margins and services showing profitability in the quarter.

We once again delivered strong cash conversion, with DSOs falling by 15 days, which impacted 25 days if you adjust for the acquisitions.

And finally, through continued strong cost control that allowed us to minimize the impact on profit from the weak license revenue, was also protecting our ability to grow by investing both in sales and R&D.

So, if you turn now to slide 6, clearly, we're disappointed with the sales performance for the quarter. And there are a number of contributing factors, the three most important of which I think I've laid out here.

Firstly, after the sales execution issues in Q4, we took decisive action to remove nonperformers and to restructure the teams and the processes. And of course, this caused some disruption. It also means that the efficiency benefits weren't fully seen in the quarter.

Secondly, in the quarter, we still had a very big focus on new name business. And we struggled to create compelling events to close out a number of deals in the quarter, at least without introducing big discounts to get them done for the sake of it. We also didn't lose any significant forecast deals to competitors in the quarter.

The third point, and we've flagged this to you before, is that the comparative did have a very large deal in South America. This was the largest deal we signed in 2014 in the seemingly weakest quarter. And this is always going to make a tough comparative going into Q1 2015. And of course, this compounds greatly the (inaudible) of the weak sales execution in the quarter, which we're not hiding from.

On a more positive note, we saw a strong contribution from tier one and two sales in the quarter, deals which will generate significant additional revenue over coming quarters.

Sales to the installed base were resilient in the quarter, unfortunately insufficient to cover for the later-than-expected closing of new business.

The signing of Julius Baer was a great demonstration of the strength of our overall wealth management offering and was one of five new name customers signed during the quarter.

And lastly, we saw continued recovery in our European business. Europe, as you know is one of the most important regions, in fact the most important region in terms of installed base as well as new business opportunity, and this clearly bodes well for future quarters.

For the rest of the year, we will of course, (inaudible) greater focus on scrutiny for sales execution. I'm sure you're wondering in terms of why we're confident why we can hit the full-year numbers. I'd like to point to an improving European business, but also make a few other points.

We've made a strong start to the second quarter with the material (inaudible) business already contracted. In fact, we've already contracted almost the amount needed to hit our own internal forecast from the time of Q1.

Market conditions are generally improving, especially in core banking, and I'm going to go over this in more detail on a later slide.

And finally, we're bringing more focus to the installed base. Installed base (fields) are clearly more predictable as well as having shorter sales and high margins. And you'll know that – recall that I said the same thing at the time of the Q4 results, and the effects are now starting to come through properly.

If you turn now to slide 7, we continue to make strong progress against our strategic initiatives, and all our operational KPIs show clear improvement in the quarter.

Our strategy of focusing on higher-margin services is progressing to plan, with premium services accounting for 28 percent of total services revenue in the quarter, contributing to a 740 basis point improvement in a non-IFRS services margin. And this led the services business to profitability in the first quarter on a non-IFRS basis.

We continued to deliver very strong levels of customer success, taking 123 customers live in the last 12 months.

Our relationships with our partners continue to mature and deepen, with partners now involved in the majority of all our implementation, and our strategic partners continue to increase their sales commitment to Temenos.

We're keeping a close control on costs, which in the quarter protects profit but generally underpins strong cash flow and the growth in margins and profit that we're expecting on a full-year basis.

And lastly, maintenance is growing strongly.

If you turn now to slide 8, just wanted to take a couple of minutes to substantiate the point that I made about improving market conditions. The IBS League Table, which most of you will know record sales of core banking software, came out last month in March. And it showed a very interesting data point.

It showed that the volume of core banking sales contracted every year from 2007 to 2013. But, in 2014, it showed growth, albeit modest growth. And this certainly conforms with what we see and marks a turning point: slow recovery in core banking sales as banks' investment horizons increase and they become more comfortable about large multiyear payback projects.

This partly reflects better visibility and gradually improving conditions, but also a growing acknowledgment the banks must digitize back office systems if they're to compete against the new wave of digital competitors.

The IBS League Table also showed a clear improvement in deal activity in the U.S. with international vendors, which is an encouraging data point, especially now that Temenos is so much better placed to capitalize on the opportunity following the recent acquisitions.

It also showed improvement in European deal volume, which is the largest market for core sales and for Temenos.

We also point to recent industry analyst research and commentary that shows an acceleration in the markets that we're already (part), such as digital channels and clear recovery in core banking sales.

Gartner, for example, expects a strong increase of banking software spend, growing 7.2 percent annually through 2018. CEB TowerGroup said banks' top priority for 2015 will be to align core modernization to the pace of digital strategy.

Ovum says the global banking IT spend is going to be driven by investment in digital channels, analytics, and importantly, core platform renewal, all areas in which we have strong offerings. So, all in all, there's a clear consensus from the analyst side that our end markets are finally recovering.

If you turn now to slide 9, I'd like to update you on the outcome of two recent industry reports measuring sales in our industry, as our win rate coupled with market conditions are the key drivers going forward for Temenos.

Firstly, the 2015 Forrester global banking pyramids were published. They've once again confirmed Temenos's position as the market leader in banking software globally. And for those of you not familiar with this report, each year, Forrester publishes two pyramids ranking banking software vendors globally. One pyramid measures new business only, while the other combines new and existing customer sales. And once again this year, Temenos is the only vendor to top each of both pyramids, now the 10th consecutive year that Temenos has been a global power seller to new names business.

Also mention again the IBS League Table; the IBS report focuses only on core banking sales to new name customers. And I'm pleased to say that Temenos was once again the bestselling vendor in 2014, the third year in a row that we've held the top position.

In fact, Temenos has been the first or second bestselling vendor according to IBS for the past 17 years. And no other vendor in the market can match this unrivaled period of market leadership.

If you turn now to slide 10, as I mentioned in my opening summary, we made two highly strategic acquisitions during the first quarter. Firstly, we acquired Akcelerant, a market-leading provider of collection software to U.S. credit unions with a client base of around 600 financial institutions, including 18 of the top 25 U.S. credit unions.

And then in March, we announced the acquisition of Multifonds, a leader in the fund administration space, where it serves nine of the 15 largest players. Together, Temenos now serves 38 of the top 50 financial institutions globally.

I spent the week following the acquisitions meeting and speaking with customers, prospects, partners, and employees of both companies. And I'm delighted to say that both acquisitions have been incredibly well received by all stakeholders. We've already made significant progress with our integration plans, despite the relatively small amount of time that has passed since the acquisitions were concluded.

And with that, I'd like to turn you over to Max to discuss the financials.

Max Chuard: Thank you, David. Turning now to slide 12, I'd like to start by presenting the highlights from Q1.

Total software licensing growth was down 14.7 percent year on year in Q1 and down 2.6 percent over the last 12 months.

SaaS contributed 22 percent of total software licensing, a significant increase on Q1 2014, where it only represented 5 percent.

Maintenance growth was a healthy 9 percent year on year and 5.5 percent over the last 12 months. The strong growth in SaaS and maintenance means that our recurring revenue base continues to increase.

We had a 740 basis point improvement in services margin for the quarter, taking the services margin to 1.2 percent. This showed the continued strong execution of our service strategy as partners take more of the implementation work and we focus on higher-margin premium services.

The EBIT margin was 15.8 percent for the quarter and 26.8 percent for the last 12 months.

Finally, Q1 operating cash flow was $10.1 million, contributing to a total of $180 million over the last 12 months, and driving cash conversion of 115 percent on an LTM basis.

Turning to slide 13, there are a few numbers I'd like to highlight in particular. It is worth stating upfront that movement in currency had a particularly large impact this quarter. As we've mentioned, our total software licensing is down 14.7 percent year on year in constant currency.

Our working revenue stream has performed well. The SaaS business has seen a significant increase, up over 200 percent, driven by both organic growth and recent acquisitions.

And our maintenance base continues to show strong growth, up 9 percent in the quarter in constant currency.

Our services revenues down 6 percent to $22.7 million, contributing 22 percent of total revenues, in line with our strategy. More important, though, is that we've reached a positive service margin of 1.2 percent in the quarter.

Total revenues are down 4.8 percent, however, slightly up versus Q1 2014 and once adjusted for the currency.

Operating costs at $87.8 million for the quarter, up only 5 percent, despite the two acquisitions, which shows the benefit of leverage of economy of scale.

Non-IFRS service was down 17 percent in Q1. However, the EBIT margin was only down 2.3 percent points as strong cost control limited the impact of the weak software licensing.

Turning to slide 14, we show the revenues and the cost on a like-for-like basis. As I said, there were significant currency movements in the quarter. In particular, the revenues were impacted by FX of around $5 million, of which $4 million (inaudible) by the euro, which weakened by around 18 percent against last quarter.

And we made two acquisition, which led to greater difference than usual on the like-for-like basis compared to the reported figures, since Q1 like-for-like revenue was down 5 percent, with maintenance up 7 percent versus 3 percent on a reported basis, total software licensing down 24 percent, and services down 4 percent.

Q1 like-for-like costs were down 1 percent as (inaudible) of continued strong cost control.

Looking at slide 16 (sic – see Presentation – slide 15), you can see that the EPS performance in the quarter was better than the operating performance due to our continued management of the below the line.

Financing charges have, of course, increased due to the two acquisition in the quarter. And we continue to expect circa $21 million of financing charge for the year.

Turning to slide 16, we are pleased with the continued strong cash conversion, which for the last 12 months ended March 2015 was 115 percent, still well ahead of our target to convert at least 100 percent of our EBITDA into cash.

DSOs were down 15 days at the end of March versus the same time last year. As David mentioned, it's worth noting that, on a pro forma basis, adjusting for the impact of our recent acquisition, DSO would've been down a further 10 days.

On slide 18 (sic – see Presentation – slide 17), our leverage has increased to 2.3 times EBITDA due to the (tough) position in the quarter. And we're confident in bringing the leverage back within our normalized range of 1 to 1.5 times leverage within the next 12 to 18 months.

Finally, the last slide on the – on slide 15 – 18, sorry, we are reaffirming our guidance for 2015. To reiterate what we said in Q4, we are now guiding on total software licensing growth, which takes into account our SaaS and subscription revenues. So, our 2015 guidance on a constant currency basis is for total software licensing growth of 36 percent to 41 percent, implying total software licensing revenues of between $192 million to $199 million.

This includes software licensing growth of 13 percent plus, implying software licensing revenues of at least $152 million; non-IFRS revenue growth of 18 percent to 32 percent, implying a revenue range of $526 million to $548 million; and non-IFRS EBIT margin of 28.5 percent, which implies non-IFRS EBIT of $150 million to $156 million; more than 100 percent conversion of our EBITDA to operating cash flows; tax rate of 17 percent to 18 percent.

You'll see in the appendix I've added two slides with our assumptions on slide 23 and 24. So, you can look at those.

And finally, I'd like to note that, at this point of the year, we have visibility on over 75 percent of our revenue guidance for the remaining of the year.

With that, I'd like to turn back to David.

David Arnott: Thank you, Max. If you turn now to slide 20, just to wrap up, in summary, clearly, we're all very disappointed by the weak licensing in the first quarter.

But, again, I'd like to emphasize that, despite these results, fundamentals of the business remain firmly intact. And we continue to expect strong growth in 2015.

We didn't lose any significant deals to competitors. We didn't see any adverse pricing or commercial dynamics in the quarter, which in a market which is recovering, and we have a good win rate, and we have the most important KPIs of the business day to day.

We've gotten off to a good start in the second quarter. And we feel very confident in reiterating our full-year guidance, given the deals we're working on and the signs of improved market conditions.

We continue to execute on the acquisition strategy. And in Q1, we were able to close two highly strategic acquisitions, Akcelerant to further expand our presence in the U.S. market, and Multifonds to enter the fast-growing fund accounting software space.

Services is performing in line with the strategy. And we've seen another strong cash performance with DSOs materially down, as Max talked about. And cost is clearly under control and will underpin the profit expectations for the year. So, all in all and notwithstanding the weaker-than-expected license sales in the first quarter, we've got a very high level of conviction in our full-year performance.

Finally, just before we wrap up, if you turn to slide 22 for a second, I'd like to remind everyone about our annual Temenos community forum event that's being held this year in Istanbul from 19th to the 21st of May. We expect this year's event to be the largest yet, with customers, prospects, partners, press, Temenos staff, and industry analysts in attendance. And in fact, already, we have more attendants signed up than for the whole event last year.

The theme for this year's event is going to be Introducing Experience-Driven Banking. During the event, you'll be able to see our latest software in action, with extensive product demos. You'll get insights from the Temenos executives and hear from some exciting banking and technology industry thought leaders.

And as every year, there'll be a dedicated investor stream where you'll get a chance to meet the Temenos executive team and some of our customers. So, it'd be great to welcome you to that event.

With that, operator, I'd like to open up the call for Q&A, please.

Operator: Thank you very much. We will now begin the Question and Answer session. If you wish to ask a question, please press star one on your telephone keypad and wait for you name to be announced. If you wish to cancel your request, please press the hash key.

And our first question comes from the line of Michael Briest of UBS.

Michael Briest: Great. Thank you. In terms of the sales force, I think, obviously, there were issues in Q4 in Asia. Can you say what you've done to change management, or have you stuck with management there?

And then secondly, in terms of customer wins, you normally give a number. I think, last year, there was about 47 customers, nine in Q1, so new name logos. I'm just wondering if we can get a figure there.

And then finally, in terms of sort of the larger deals that you've had in the pipeline for some time – I know Julius Baer, for instance, last year signed with a very sort of incremental approach to paying you. Are any of those large deals likely to trigger sort of sizable one-off fees, or do you think they will have the same revenue profile as we saw in Q4? Thanks.

David Arnott: Thanks, Michael. Thanks for those questions. So, again, it looks like those three are for me, as I suspect most of them will be.

In terms of Asia, we have a very strong regional director, extremely strategic. He has our full support. He joined the business late last year. And what we've done is changed some of the sales force at the field level to focus on better performance, bringing new skills, and to agree clear go-to-market plans for the key countries in the region, with a focus on the installed base and cross-selling products into the existing customers, and also have clear targeted campaigns around named customers that were in forecast at the end of last year, which we closed them all out as early as possible in 2015.

In terms of customer wins, I'm not sure whether it wasn't in the deck. It was certainly in my script. We won five new name customers in the first quarter. That's nine last year, but you can't take anything from that in terms of the absolutes. Julius Baer, for example, was one of those five.

And the contribution we expect from Julius Baer in the full year is broadly comparable to what we booked in the first quarter of last year from Banesco. It just comes over different quarters.

And then in terms of larger deals overall, we are working a number of larger accounts, as we've been saying. Larger deals are back in the market. All I can really say at this stage is we are actively involved in every one of them. We are positioned extremely well. And we would expect them to give significant revenue upside over the medium term for Temenos…

Michael Briest: Could I just follow up? And I think you said, David, something about Q2 having started well, that there was a number of deals signed. I didn't quite understand the level of confidence it gave you over Q2 and the rest of the year.

David Arnott: OK. Q2 has started well, which means that the business that did not sign in the first quarter has broadly come through in terms of the second quarter, which positions the first quarter clearly in context of the fundamentals, which is that the market conditions are improving.

Our pipeline remains healthy. Europe, our biggest market, is coming back. And through the focus on the installed base, we're comfortable with our outlook.

Michael Briest: OK. That's great. Thanks.

Operator: Your next question comes from the line of Gerardus Vos from Barclays.

Gerardus Vos: Hey, good afternoon, David and Max. Just a couple of questions. I appreciate that quarters are very lumpy. So, if we look over the kind of last 12 months, licenses are down around kind of 7 percent. If I include that around 10 percent is coming from relicensing, you look to almost kind of double-digit decline, despite positive commentary.

So, two questions I have from that: A, it seems to be that your sales force is every quarter too positive with feeding up kind of numbers to you. So, I was wondering, what are you doing in the kind of cockpit to kind of have that visibility to forecast the kind of double-digit growth which you were expecting for this year?

And just following up on Michael's question around – regarding kind of Asia, the shortfall we've seen in the fourth quarter and in the first quarter is simply far too large to just be an Asian kind of issue. So, maybe just give us an update on the rest of the business as well and if you have changed there heads of sales and what we should expect there for the rest of the year. Thank you.

David Arnott: OK. Gerardus, thanks for those. Asia, we've talked about Asia. In Q1, I've not talked about Asia. This was more across the board. And really, it's as I said. Our existing business is performing strongly. But, given that we made the changes in October after Q3 to focus, there's a natural instinct to follow large deals as the market comes back. And they're binary. And they have a long sales process.

And as we (inaudible) the time, it's important to focus on the installed base. And in the first quarter, we were six months into that refocus. And typically, those markets have a six- to nine-month sales cycle. So, once that is beyond you, we have confidence that our installed base will continue to (provide) significant contribution for the rest of the year.

Where we were naive perhaps was in our ability to force a deal to closure on the new business side in the first quarter, where there is no real compelling event (about) March compared to, say, the end of the year.

So, what we have done is strengthen the sales force, adding new blood, remove nonperformers, focus clearly on account management, and have a very rigorous methodology, whereby we forecast deal by deal based on compelling events, based on strong focus to the installed base. And then we back-check that by market conditions and win-loss analysis and market share gain, if you like, to make sure that the overall metrics coming out of that regional bottom-up analysis support the forecast, which they clearly do for the balance of the year.

Gerardus Vos: OK. Thank you.

Operator: Your next question comes from the line Takis Spiliopoulos from Bank Vontobel.

Takis Spiliopoulos: Yes, hi. Couple of questions. First one, we got this new item between non-IFRS and IFRS revenues, deferred revenue write-down of $23 million. Can you elaborate on what that is and where this is coming from? And is this just a 2015 item or also going forward?

And then again, probably more for Max, amortization of intangibles and so on, $30 million for this year, and what's the path going forward? Thanks.

Max Chuard: Hi, Takis. I think I'll take both of them. (inaudible) the deferred write-down is basically when you acquired deferred revenues, you are only allowed in the following years to recognize the fair value of the deferred.

And the fair value is seen as the cost of providing that service. And basically, what you have – what we are taking, we are taking around 65 percent haircut on those deferred because it's high-margin business.

Now, it's only 2015. As soon as the end of the year, we invoice back. We'll be able to book the full revenues. And that's why it's quite common practice, but just back those revenues. So, that I will say on the non-IFRS to IFRS.

And secondly, on the amortization of intangibles, basically, if you look at the two acquisition that we've done, both on Akcelerant and Multifond, we've had around 50 percent of the consolidation as intangible, which will be amortized between five, seven years.

And what I've put in the appendix is basically the cost of that amortization as well as some – all the amortization. (Basically), $8 million is related to the other one and $22 million to Multifond and Akcelerant.

Takis Spiliopoulos: OK. So, the level going forward, $30 million is this year, so approximately $40 million going forward?

Max Chuard: Yes, going forward, it's going to be more stable. We still – the last few acquisition we've done, turnover's still – we are still there for actually three years. And we see very little left on (inaudible). So, yes, it's going to be pretty stable in the next couple of years.

Takis Spiliopoulos: Thanks.

Operator: Your next question comes from the line Chandra Sriraman from MainFirst Bank.

Chandra Sriraman: Good evening, gentlemen. Just a couple from my side. Can I just comment on your large-deal pipeline? As I remember, there's one that was left to be signed. I guess it has been signed. Could you just confirm that?

And anything else that could come over sometime this year, any comments on that would be helpful.

And I just wanted to follow up on the Q2 strength. Is this basically just the (slip) deals, or are we talking about Julius Baer contributing to the Q2 strength? I just wanted to clarify that. Thanks.

David Arnott: OK. In terms of large-deal pipeline, I'd really rather not say too much (inaudible) participating in a number of large multiyear payback projects that are very significant in their nature. Let us talk about them as and when they come through, if that's OK.

And in terms of the first quarter – the second quarter business signed to date, which I said broadly corresponded to the (inaudible) against our own first quarter expectations, that does not include Julius Baer. My point about Julius Baer was that it gives us significant revenue opportunity, both in – balance of 2015 and beyond, a minimal contribution in the first quarter.

Chandra Sriraman: Thank you.

Operator: Your next question comes from the line Gal Munda from Berenberg.

Gal Munda: Hello. Hi. Just a few questions, if I can. The first one, can you give me a bit more clarity? I'm not sure if you disclosed it. I might've missed it about the inorganic contribution for this quarter. What was in SaaS, and what was in maintenance? How'd it split in terms of dollar value?

And the other question would be just on M&A deals, considering you set your targeting to kind of decrease the leverage. Does that mean that we shouldn't expect any significant deals to be done kind of in the next 12 months or so? Thank you.

Max Chuard: All right. (inaudible) on the contribution from the acquisition, what we give is – and that we are going to give on a quarterly basis is the like for like, which basically, I'll give you the – I'll restate it for the acquisitions. So, there you do have the data point.

And then on the second question, you are right that, up to the level of leverage where we are today, at the 2.3 times EBITDA, it's higher than my optimized level of leverage, which is more towards 1 to 1.5 times.

However, with the very strength and visibility of our cash flow, I'm confident that this will come down very quickly to 1 to 1.5 times within 12 to 18 months. But, it's true that, as well, during that period of time, and I prefer to get back to our normalized level before being much more active.

Gal Munda: OK. Thank you.

Operator: Your next question comes from the line Adam Wood from Morgan Stanley.

Adam Wood: Great. Thanks for taking the question. Just a quick one on the cost side. You focused both in Q4 and Q1 about the strong cost control in the business. I just wanted to also follow up on the top line. Obviously, you're talking about a lot of opportunities in the market and the growth potential, how some of the bigger deals you feel could be coming back.

Do you feel that – is there any risk that the focus on costs has inhibited your ability to sign those deals, that the sales force coverage hasn't been what you'd like, and that's been an issue, and maybe you've been a little bit too cost focused rather than following up and trying to bring that business through?

David Arnott: Good question, Adam. Thanks for that. So, there's obviously a significant variable component in our cost base, which (flexes) with the level of business. I tried to (inaudible) on the call, but I don't think I was very clear. Apologies.

We've been able to make within that cost base investment in sales. The majority of the investment in sales really, as you get into the bigger accounts, comes from the like of Accenture tucking you under their wing and taking you into the bigger accounts. And broadly, you follow them with the strong presales team.

So, the leveraging partners in the larger deals through our strategic partners and through better territory coverage and better product collateral and model banks and so forth and the restructure of the sales organization by bringing in new blood in the right territories with the right product skills largely funded out of the total sales investment, we've been able to, I would say, significantly increase our ability to grow sales within the cost base.

And then closely followed behind that, you need good product roadmap. And as you can see from the reported numbers, we continue to put a huge amount of money into a very disruptive product roadmap.

We've been able to fund this through effectively economies of scale, on the services side, more of our business moving to partners. As you get to a certain size, there are economies that come out of corporate roles and so forth. But, we've been very clear to protect our ability to grow sales directly and through our partners and to make sure our product roadmap remains compelling.

Adam Wood: Great. Thanks very much.

Operator: Your next question comes from the line Mohammed Moawalla from Goldman Sachs.

Mohammed Moawalla: Thank you. It's actually Mohammed Moawalla. Sorry, I missed the early part of the call. But, I was just curious to kind of better understand your view with regards to sort of pipeline conversion. I think you indicated earlier that you had sort of contracted the revenue. How much of that is actually signed? Can you give us better clarity on that, please?

David Arnott: OK, Mo. I think there's two questions in there. One was on pipeline. And one was on what we're signing in Q2. In terms of pipeline, our pipeline remains robust, consistent with improving conditions in Europe. The comments, both from our own regional organization, but also from the third-party analysts on market recovery, and I think I gave four examples on one of the slides.

And in terms of Q2 (cut off), we've – I don't want to position this as – I don't want to downplay this. We missed the first quarter, to be clear. What I did want to signal is that, for us, the most important KPIs are our win rate and the commercials.

The fact that we're able to close an amount of business in the second quarter which is broadly commensurate with our own (mess) in the first quarter is just one of the drivers that gives us confidence that the full-year outlook is intact.

Mohammed Moawalla: OK. Great. Thank you.

Operator: Thank you. And we have no further questions at this time. I'd now like to hand back for any closing comments.

David Arnott: Thank you very much, indeed, everybody, for taking the time to join this call. If you think of anything else you know where to find us. Otherwise, look forward to seeing as many of you as possible in Istanbul. Thank you.

Operator: Thank you very much. That does conclude our conference for today.