Temenos Q1 2019 results call transcript

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OPERATOR: This is Conference #: 8949259.

Operator: Thank you for standing by, and welcome to the Temenos Q1 2019 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," "1" on your telephone.

I must advise you, this conference is being recorded today, Tuesday, the 16th of April, 2019. And I would now like to hand the conference over to your speaker today, Max Chuard, CEO. Please go ahead, sir.

Max Chuard: Good afternoon and thank you for joining today's call. I hope you've been able to access our results presentation on our website, which we'll be talking through on this call.

I will start with some comments on our Q1 performance, and then I will hand over to Takis for another view of the financials before giving some concluding remarks. Takis joined as – at the start of this month as our new CFO. I am delighted to be doing our first of many quarterly results together.

Starting on Slide 7. I'm pleased to say as my first quarter as the new CEO of Temenos that we had a very strong start to the year. The urgency for banks to change the IT has never been greater.

Digital, regulatory and cost pressure are intensifying and forcing banks to adapt and modernize. It is only through end-to-end transformation that banks can become truly digital. And we are capitalizing on this momentum and demand as the leader in our market driving significant growth in revenue and profit.

In Q1, we delivered total software licensing growth of 28 percent, which is a very strong performance, given we grew total software licensing by (35 percent) in Q1 2018 (2019).

Total revenue grew 23 percent, and EBIT grew 27 percent this quarter. We also had very strong cash generation, and we continued to bring our DSOs down by another six days.

We also announced some of the exciting deals with ABN Amro for Temenos' continuous deployment and with Al Rajhi Bank for its digital transformation to enhance its Islamic lending and financing product capabilities. Al Rajhi is a Tier 1 bank and the largest Islamic bank in the world.

Our view on the market dynamics is supported by leading industry analysts like Jost Hoppermann from Forrester Research, who shares the sense of urgency. Jost recently commented that if banks don't modernize with end-to-end solution in the next five to seven years at the latest, they will face huge challenges.

IT spend for banks is strategic and not discretionary. If they want to do more than just to vide the next decade, they'll have to invest in IT and innovation. On Slide 8, I'd like to give you some color on our sales performance in the quarter. The demand in Q1 was broad based across regions, peers and products.

We see similar pressure on our clients across all the geography we operate in. The challenges of open banking are particularly concerning for our clients with diverse competitors, increasing regulation, cost pressures and greater demand for personalized experiencing, forcing banks to look at the IT and consider how to adapt to a rapidly changing market.

We had a strong contribution in the quarter from our installed base as we continued to focus on growing our share of wallet in our existing clients. We continue to see very good demand from Tier 1 and Tier 2 banks, which contributed 53 percent of the mix over the last 12 months. We also continued to take market share and win the majority of new competitive deals that came to market.

We are eager to do this as we are the only vendor with the winning combination of complete packaged functionality, localized country model banks and advanced and agnostic technology. We won 22 new customer in the first quarter and another of these were for our SaaS offering.

Lastly, we continued to invest in sales and marketing to ensure we have the right teams in place in order to capture the market opportunity in front of us.

Turning to Slide 9. We are seeing strong incremental growth in demand for SaaS and cloud adoption. Our total contract value over the last 12 months had reached $66 million by the end of Q1, an increase of over 6x, and SaaS revenue grew by 71 percent in the quarter.

Banks see multiple benefits from using the cloud, including derisking and accelerating the implementation process, saving costs through elastically as infrastructure automatically scale up and down to meet the demand and benefiting from the finest level of security and multi-cloud resilience.

We see demand for cloud adoption across all geographies and tiers, with some very large institutions looking to optimize delivery by using the cloud as well as ultimately deploying and running in the cloud.

We have a slightly differentiated offering with the launch of our new product T24 Transact and Temenos Infinity. These products combine market-leading banking functionality, with cloud-native and cloud-agnostic technology. We are the only vendor with the winning combination of complete package functionality, localized country model banks and advanced and agnostic technology. Our traditional competition like the modern technology platform and the newer cloud-based vendors has more limited banking functionality.

On Slide 10, I'm pleased to report that the integration of Avoka is progressing very well. Avoka specializes in customer acquisition and onboarding and has been integrated as part of Temenos Infinity our independent, digital front-office product. We have already won some key deals with Avoka in Q1, including a Tier 1 European retail bank that is an existing Temenos client and the major U.S. regional bank.

We are successfully cross-selling the Avoka product into the Temenos client base, in particular, on the back of the Temenos Community Forum, and this is opening up opportunities in many geographies.

On Slide 11, we continue driving growth in the (inaudible) of third-party consultants available to implement Temenos' software, having already reached over 5,000 by the end of the year – by the end of last year. Our industrialized trainings platform that we call the Temenos Learning Community has been a key part of this, and we're seeing great traction with partners and clients.

We had 20 implementation go live in the quarter and also announced our new implementation methodology for large and complex institutions: Build and renovate, which we have developed from our extensive experience of taking thousands of banks live on our software over the years.

The majority of implementation costs and complexities come from integrating new software with legacy systems. These and renovate enables the largest banks to quickly create a new fully digital stack and to continuously migrate products and customers across from the legacy systems, removing the need for integration.

We can do this through our rich functionality, our package approach and our country model banks. This will dramatically decrease the cost and complexity of implementation for our largest clients and speed up the time to market.

Moving to Slide 12. I'd like to share some of the highlights from the Temenos Community Forum, which we held earlier this month. This is our annual clients' event, and we've had nearly 2,000 people from across the Temenos community attending, making it our largest TCF ever.

We made a number of very exciting announcements at the event, including formally launching our new products: Temenos T24 Transact, and Temenos Infinity.

Temenos T24 Transact is our next generation called banking software. It takes the deep and extensive banking capabilities of Temenos T24 Core Banking and we platform them onto a new cloud-native and cloud-agnostic platform.

Temenos Infinity is a comprehensive omnichannel, digital banking product, ready to be deployed indefinitely or integrated with Temenos T24 Transact. Temenos Infinity is powered by APIs, enabling banks to easily connect Temenos Infinity to any core banking system and obviously to Temenos T24 Transact.

We also announced the Temenos Data Lake. With this product, banks can now store and process all the data from one single source. The data can be both structured and on-structured as well as blended with any external data source.

By using multiple data sources, banks can leverage our technology to gain valuable insights into customer behavior and telecommunications using AI. For the last few years, we've been using DevOps capabilities internally to improve the speed of testing and releasing software.

We've now made it available to our customers in the form of Temenos' continuous deployment. This is packaged software that dramatically accelerates testing cycles. Banks can provision the complete new environment in minutes rather than the days or weeks it will typically take.

As I said, no other vendor has a winning combination of both packaged functionality with more than 100 countries of localization and revolutionary cloud-native and cloud-agnostic technology. We are the only clear leader in both functionality and technology.

On Slide 13, I'd like to spend a minute on one particular deal we announced in April. Three Finnish banks have selected Temenos T24 Transact and the Temenos Payment Hub for the digital transformation.

The unique aspect of this deal is that they'll be using a shared Banking as a Service platform that will be implemented and managed by Cognizant. This provides a very efficient and cost-effective way for banks to modernize the core banking systems. We plan to offer this Banking as a Service platform in Finland at first and then to roll it out across the Nordic region.

We also have the opportunity to replicate this platform with other partners across other geographies as well. On Slide 14, I'd like to share some source on how our market is developing. We continuously invest in our products and innovation, which means we are able to address an increasing amount of bank IT spend over time.

Today, our total addressable market is estimated to be $57 billion. An increasing amount of this is being spent with third-party software vendors, like Temenos, as banks are on the intense digital, regulatory and costs pressures.

Temenos has a leadership position in the market as the #1 vendor of package, integrated and upgradable software that can be run in any environment the bank chooses. We are also benefiting from our broad product portfolio, which gives us multiple drivers of growth.

We've seen a significant increase in demand for SaaS and cloud adoption. We also have good momentum in the U.S. with multiple wins in the last two quarters. We have further strengthened by the acquisition of Avoka, which has already generated new deals and leads.

We are confident we can deliver sustainable growth in the medium term through the strength of our pipeline and the committed spend we have from existing clients, in particular, Tier 1 and Tier 2 banks.

With that, I will now hand over to Takis to take us through the financials

Panagiotis Spiliopoulos: Thank you, Max. Good afternoon, everyone. Before I start, I would like to say that I'm honored and excited to have joined Temenos as CFO at the start of this month, and I look forward to meeting many of you over the coming months on the road.

Moving to Slide 16, I will walk you through the financial highlights of the quarter. As Max said, it was a very strong start to 2019 with total software licensing growth at 28 percent, driven by growth-based demand across geographies and tiers.

The strength of our license phase drove maintenance growth of 13 percent in Q1. Total revenue grew 23 percent and we delivered very strong EBIT growth of 27 percent, with an EBIT margin of 24.1 percent for the quarter.

We also delivered strong EPS growth of 24 percent. We generated $55 million of operating cash flow in the quarter, an increase of 19 percent year-on-year, and our

DSOs declined at six days or eight days pro forma excluding the impact of Avoka, reaching 111 days at the end of the quarter.

Lastly, our services business continues to perform very well, benefiting from the growth in our partner strategy, with our services margin reaching 9.1 percent in the quarter.

On Slide 17, I will highlight some of the most important numbers for the quarter. I would note that with the adoption of IFRS 15 at the start of 2018, we have now moved to showing year-to-date rather than last 12-month comparisons as we did not restate our 2017 actuals under IFRS 15.

Our total software licensing grew 28 percent at constant currencies in the quarter, and total revenue grew 23 percent. We are benefiting from our broad-based range of product offerings across Temenos T24 Transact, Temenos Infinity, Wealth, Payments, fund management and SaaS, meaning we have more levers of growth than ever before.

We have strong operational leverage in the business with growth of EBIT of 27 percent in constant currency. Our EBIT margin increased by 86 basis points in the quarter, driven by the software integration of Avoka and by our strong sales execution.

On Slide 18, we show like-for-like revenues and costs, adjusting for the impact of M&A and FX. As a reminder, we bought Avoka in December 2018, which is expected to contribute around $50 million of revenue for the full year 2019. In terms of FX, the retail euro was a headwind on revenues, while our cost base benefited from a number of currencies weakening against the dollar.

Taking into account currency movement and hedging, FX was a small tailwind on EBIT this quarter. We delivered very strong like-for-like growth this quarter with total software licensing up 21 percent and maintenance up 30 percent, giving total like-for-like revenue growth of 17 percent.

Total like-for-like cost increased 11 percent in the quarter, driven by our ongoing investment in sales and marketing as well as R&D. On Slide 19, we had very strong growth in net profit, which was up 24 percent in the quarter.

The increase in tax was mainly driven by the stronger earnings this quarter, with some additional impact from the increase of our group tax rate year-on-year. Our Q1 non-IFRS tax rate was 15.7 percent, which is about the midpoint of our fiscal year '19 guidance of 15 percent to 16 percent.

We continue to benefit from unrecognized tax assets in 2019, which is while we are going for a tax rate of 15 percent to 16 percent for the full year. Our medium term tax rate is a normalized run rate for the business. EPS also grew 24 percent in the quarter to reach USD 0.52.

Turning to Slide 20, our DSOs continued to decline in Q1, driven by our strong cash collection. DSOs were down six days in the quarter or eight days pro forma to reach 111 days. We remain on track to decrease DSOs by 5 to 10 days per annum to reach a target of 100 days in the medium term.

Turning to Slide 21, our cash conversion continues to be very strong and significantly ahead of our target of converting 100 percent of IFRS EBITDA into operating cash. This quarter, our LTM cash conversion was 115 percent.

On Slide 22, we show the key changes in the group liquidity. We generated $55 million operating cash in the quarter and repaid an outstanding bond in January for somewhat over $100 million as well as repaying $110 million of our revolving credit facility. We ended the quarter with $97 million of cash on the balance sheet.

Our total borrowings at the end of Q1 were $646 million, and our net debt was $549 million, with our leverage standing at 1.6x. With a strong cash flow generation, we expect to be below 1x leverage by the end of the year on our current plan.

Moving to Slide 23, we have given our revised 2019 guidance, all of non-IFRS basis. The guidance is in constant currencies and you can find FX rates in the appendix.

We are still guiding for the full year total software licensing growth of 17.5 percent to 22.5 percent, and total revenue growth of 16 percent to 19 percent. Our EBIT guidance is in the range of $310 million to $315 million, which implies the full year margin of around 31.9 percent.

We continue to expand our EBIT margin, which is expected to increase 150 basis points organically, excluding the impact of Avoka. Finally, we expect conversion of 100 percent of EBITDA incorporating cash and the 2019 tax rate of 15 percent to 16 percent as already mentioned.

With the strength of our pipeline and a higher revenue visibility and confidence that our guidance for 2019 is achievable. With that, I will hand back to Max.

Max Chuard: Thank you, Takis. So on Slide 25, I'd like to highlight our Capital Markets Day, which is in London, on the 21st of May. We will be discussing our strategy, product innovation and financial outlook for the medium term. It is a great opportunity to get a more in-depth understanding of our business as well as meeting our management team, and I would highly encourage you to attend it. You can find more details on our website on the Investor Relations section.

Finally, on slide 26 and in conclusion, we've had a very strong start to 2019. Banks are on the intense pressure from all sides and are investing in the IT platform to solve these problems. We've seen strong incremental demand for SaaS and cloud adoption as banks are understanding the benefits this can bring in terms of cost savings, efficiency, security and speed of implementation.

Our sales execution in Q1 was strong across all geographies and segments. And we continue to invest in our sales and marketing teams to capture that market opportunity. We are the only vendor with the winning combination of complete packaged functionality, localize country model banks and advanced and agnostic technology.

We have very high revenue visibility driven by the patent growth and committed spend, which give us confidence in delivering 2019 and the medium term. Finally, I'm very pleased we already had a strong start to Q2 particularly in Europe.

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

Operator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. If you wish to ask a question, please press “star,” “1” on your telephone keypad and wait for your name to be announced. If you wish to cancel your request, please press the “hash” key.

Our first question comes from the line of Josh Levin with Citi.

Josh Levin: I have two questions. On your last point about the strong start to Q2 in Europe, can you elaborate a bit on that? What countries are you talking about? And what tier banks are you talking about?

Max Chuard: Yes, sure. Listen, I think I've been quite explicit on developing an opportunity that we signed in April, so I think it's obviously – it's in the Nordics as you can imagine, and so it's a very exciting development for us of what we are doing in Europe but as we said, we are starting in Finland, I mean, hopefully we'd be able to develop that on a broader base.

Josh Levin: OK. And second question, it looks like on Slide 32, it looks like there's been a pronounced shift towards sales coming from add-ons to installed base versus competitive deals. Can you talk a bit about the dynamic here?

Max Chuard: I'm not getting too much on the quarter as such because clearly that's – I look at it over the trend and clearly, one of the opportunity for us is to increase our wallet share within our existing customer base. And secondly, with the largest one where, as I mentioned, we do less than 5 percent of what we could do with them. So clearly, this is one part of the strategy.

But on the other hand, as I mentioned as well, we won 20 new names this quarter and hence we continue to gain market share. So clearly, our strategy is both focused on extending our lead with our existing customer but at the same time, because of our winning combination of package functionality and advanced technology, gaining the new customers. So I wouldn't read too much into it.

As I said, in the medium term, because of today we've got 3,000 banks, so obviously the trend will be more that in the future I think we'll be trending towards probably 60 percent coming from existing customers and 40 percent coming from new customer.

Operator: Our next question comes from Adam Wood from Morgan Stanley.

Adam Wood: I'm wondering if I could just dig in a little bit on the SaaS business and the shift there that you see. Could you maybe just talk a little bit in more detail around whether you see that being more of an additive opportunity for you versus your existing customers switching toward subscription payments?

It just seems a little bit unlikely that a bank is going to be making a minimum kind of 10-year decision, but probably more like a 15- to 20-year decision. If they can afford it, would you subscribe rather than paying licenses? And then maybe just a little more detail about the contract value.

That's obviously a very impressive improvement in total contract value. Would that be also representative – if we look at the annual contract value, so that's coming from an improvement rather than just a kind of increase in length of the contracts that you're signing? So that was just toward maybe around the SaaS business.

And then – and maybe just on the data analytics side and Data Lake side, as in some of the other areas, that brings you maybe more into competition with general software vendors who are providing data services. Could you just talk a little bit about the differentiation you bring, focusing purely on banking technology and banking data versus those providers that are going to be competing more generally in the data space?

Max Chuard: Adam, let me take the first and the last one and I'll leave our new CFO to respond to the TCV one. On the first on cloud, as I mentioned a few times, it is incremental. And why is it incremental? Because those are customers that will not have taken our software on-premise.

And what is different – what – the cloud proposition makes it much more attractive to them financially and change – the flexibility gives them the ability to, as I said, to elastically scale up and down the time-to-market. So those are elements that a bank will not have gone the traditional way on-premise. So clearly, we see that as incremental and not starting to cannibalize our more traditional on premise business. So that's if you want – on your SaaS question.

And on the analytics, I think our full – our proposition, I think why we are so – why we are successful is because we offer integrated package, prepackaged products.

And again, this Data Lake is totally integrated within the platform post on the Temenos Infinity and the Temenos T24 Transact.

It takes the ability to take data which are, in fact, shorter and on structure from within our own platform but as well from different sources. And this is what is quite unique because it is prepackaged, it's very easy to deploy, so time-to-market is key and it is a start of the own infrastructure. So I think this is how we differentiate ourselves. And obviously, this is for customer that will take it as part of the Temenos platform as well.

Panagiotis Spiliopoulos: On your more bigger question, we have reported the TCV increase, 6x over Q1 LTM for 2019. We've started giving this one quarter ago. Now, we're currently looking into what we're going to communicate going forward in terms of self metrics. As you know, there is a Capital Markets Day scheduled 21st of May.

So we're looking into what is best practice. Is it going to be AAR or ACV bookings? So what is basically best going to reflect our business also going forward. What we can say so far is in terms of the SaaS revenue, we still expect this to double in 2019 definitely with organic growth plus the acquisition of Avoka.

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

Chandramouli Sriraman: Just a couple of questions from my side. You're obviously – Max, you alluded to the opportunity to sell more into your existing installed base. Can you comment a bit more in the context of some of your large deals, they being signed a few years ago, particularly the largest one you have signed, can you see more opportunity to sell into this installed base? And also, can you comment on this revenue visibility in that same context? That's my first question.

And then the second one is in terms of services growth, it has accelerated quite a bit in Q4. Any concerns in terms of – or any specific reasons for this? And number two is should we be worried about services profitability if there is a drop in terms of – if there's a growth sometime in the future?

Max Chuard: Hi, Chandra. Let me take the first one. On the – I think I'm very pleased to say that we've recreated a very strong partnership with those largest bank. And when you come to the TCF, you can see that community.

And obviously, you can imagine that as part of my new role, I went and met with most of them and I can see how close the relationship is with Temenos and those Tier 1 banks and how strategic we are in the relation. And I think with all of them, we have discussion and – on how to extend the use of the software because as soon as they get to use our software, very quickly they see the benefit. It is the first pitch, the first time we implement, we demonstrate the benefit.

Once it is there, they quickly – we are able to increase the scope of work. And a very good example has been ABN Amro, who was on stage with me at TCF. And with ABN, over the years, we consistently increase, and continuously if you want, renovate the bank. And that's really our goal is – with those Tier 1s, how do we continuously renovate part of that bank?

And it's very strategic discussions, usually at the top of the organization with the CEO and so and so. I'm very confident that, that angle or this part of the strategy, which is to grow more and to be able to support more our largest customer, is clearly working extremely well and it is part of why we are confident that we can grow sustainably in the medium term. So that's on your point. I will leave the services question to Takis.

Panagiotis Spiliopoulos: That's right, Chandra. Maybe first on the visibility, as you know, we still have very strong revenue visibility on around 85 percent of our product revenue and that still remains valid. If you look at the medium term there, our revenue visibility is driven by our growth in recurring revenue and the committed spend and also from client and ourselves into the installed base. So there, we are still actually very confident.

To your services question, yes, services revenue grew pretty fast. It was 34 percent in constant currency in Q1, a couple of reasons for that. Q1 '18 was a low comparative for service revenues, so I wouldn't read too much into that or draw any trends from this. We still expect for the full year services to be around 20 percent, so that's unchanged.

If you look at the services margin here, obviously we do more involve our partners in implementations and our services organization is also maturing. We have more rigorous implementation methodologies as we just said before. So we're pretty confident that profitability in the medium term, as for all of this, we'll move towards a 15 percent services margin.

Operator: Our next question comes from Michael Foeth from Vontobel.

Michael Foeth: I have a question on the Americas region. You report pretty strong growth for licenses of around 60 percent in the Americas. And I was wondering if you could give us a sense for the underlying trend, if we exclude the acquisition, how this is developing?

Max Chuard: Hi, Michael. Listen, yes, the Americas, we've had – we've continued to a very strong performance of – it's a fair number it is with that. And I think what's worth – what is interesting in the Americas and let's say specifically in the U.S. over the last few quarters is that we are starting with to sell our different products in the U.S.

So we are selling call, we are selling payment, we are selling now the Infinity platform, so up to sell that is working extremely well. Also, the traction that we've seen with Avoka and the opportunity that brings to sell – to cross-sell Infinity is quite – it's quite very strong. So I'm to say I'm very pleased with that development.

Now, on the underlying growth that we've seen in the U.S., we've seen for that – 35 percent was the underlying growth, which ultimately is in line with year-end. We've said that, in the medium term, we do expect that part of the world to be growing faster than the other regions. And so we've been growing at a bit more than 30 percent of underlying, if you want, when you remove the impact of Avoka.

Operator: Our next question comes from Hannes Leitner from UBS.

Hannes Leitner: I have a couple of questions. The first question is on IFRS 16. Can you remind us of the margin uplift of – in your guidance is coming from IFRS 16 adoption as your deprecation increased or picked up in the quarter?

And then in regards to the Avoka acquisition, what is the contribution in the SaaS TCF to the $66 million coming from Avoka? And also if – what's the split of Avoka licenses versus the subscription revenue? That's to start with.

Panagiotis Spiliopoulos: OK. On the last two ones, as you know, we give guidance for the full year on total revenues expected from Avoka, which is $50 million. We don't give – escalate them, the individual line.

Then on the impact of IFRS 16, what we mentioned is the balance sheet impact, the impact on the EBIT is immaterial.

Hannes Leitner: And on the TCF?

Panagiotis Spiliopoulos: OK. On the TCV, I mean, we are, again, as I mentioned before, we're saying we're collecting now what is going to be best practice going forward. So again, no further disclosure at this point in time.

Operator: Our next question comes from Charlie Brennan from Credit Suisse.

Charles Brennan: I've got two, if I can. The first is just on your full year guidance. I know Q1 is seasonally small for you, but generally speaking, the growth rates in Q1 are trending ahead of your full year guidance.

And arguably, that's against some very strong comps in the prior year. You're talking about having decent revenue visibility for the year. You've talked about the second quarter starting well. I was just wondering if you could run us through the puts and takes and what's holding you back from notching full year guidance higher?

And then the second question is just a small detail question. The FX impact during the period was a little bit stronger than I was expecting. Can you just call out the big FX impacts during the period?

Max Chuard: Hi, Charlie. Listen, I just said I'm very pleased that we started like that, the year, and it's a great start. And I always will say to my team that that's the only way to start the year, and so pleased that this is how we started. And also the fact that, as we mentioned, Q2 is also starting very well. So this give us, clearly, very strong confidence on the end of the year, which is what you would expect from us.

Now, we are only in April and you know the year is still on. I think we are very confident that we can deliver this year. We'll be obviously giving an update every quarter on how things progress, on how our visibility increases, but at this stage, I think we feel very pleased with how we started the year, Q2 – and as well Q2. I'm very confident on the full year.

I'll leave Takis to give the update on revenue of the year – to respond to the FX impact on the quarter.

Panagiotis Spiliopoulos: Hi, Charlie. As we said, there was a small positive on the details on the revenues. We especially had some headwinds on the euro, that was more than $4 million, and the other currencies were smaller so for a total of around $5.8 million to be precise.

On the cost, we obviously had almost on it from all currencies some tailwinds also from the euro, but also the Indian rupee and then some other currencies, so slightly above $6 million positive impact on the cost side. So with that mix tailwind on the EBIT of – quite a bit below $1 million, so really not that contribute.

Operator: Our next question comes from Alex Tout from Deutsche Bank.

Alexander Tout: Just zooming in on one of the cost lines, G&A spend declined in the quarter, the underlying, to see declines in absolute terms. I know it can be a bit lumpy, but as you look to the rest of the year, is that the key line where you would expect to get some leverage on the kind of growth that you are seeing? Can you keep G&A flattish for the year overall or was that an exceptionally good performance in 1Q?

And then just secondly, when we think about your target, is it really the cash conversion target that needs to change kind of most urgently? Because you're coming in pretty consistently above that and now you have the rise of the cloud as well and the deferred revenues building, seems 100 percent will be quite an easy level to achieve.

Panagiotis Spiliopoulos: OK. I'll take both of it. First, on the G&A costs, they were down 1 percent, that's correct. Again, Q1 is a small quarter but there were some small impact from the timing of some variable costs, saw some charges on stock option exercises and some other small measures. We expect still for the full year the G&A line to grow around 3 percent to 5 percent. So it should normalize, but definitely it's going to go grow less than our total revenues.

Then on the cash conversion, definitely this is something, yes, we have also acknowledged. However, with all of the things we're going to look into in terms of SaaS and providing metrics, we obviously also are going to review our cash conversion and DSO targets, so stay tuned for more on the C&D.

Operator: Our next question comes from the line of Jacob Kruse from Autonomous.

Jacob Kruse: Just two questions. Can I first ask on the – on this revenues from the new sales or the competitive deals? Is that low number a reflection of you doing relatively worse in terms of taking deals to the quarter or is it just a question of few deals happening in this quarter?

And then the other question I wanted to ask was on the Finnish savings banks. You talked about rolling this out across the other Nordic countries. Could you just explain what you mean by that? Is that other banks in the Nordics signing up to the same platform that the savings banks in Finland are building off or how should I understand this?

Max Chuard: Hi, it's Max. Listen, on the competitive deals, listen, I want to read into the quarter. Clearly, as I said, we've got a very clear strategy, which is going after and aggressively after all the new business. And with our winning proposition of packaged (inaudible) and best technology, we are winning most of the deals when we compete. So again, 22 new names were in the quarter.

Now, at the same time, we go after and we want to grow our existing customer base and we want to extend our wallet share with our largest customers. And if you want our strategy, ultimately, our sales force is structured that way. And I'm pleased that in Q1, we had a very strong start, growing 28 percent total software licensing and both capturing 22 names, but at the same time, extending what we did in – with our existing customers, so very pleased with Q1.

Now, on the announcement on – for Finland with Cognizant, I think what we are seeing is we want to replicate the platform, if you want, the platform that is now that we are offering for Finland. We could offer that platform for different Nordic countries, which will be still running on let's call it as a BPO by Cognizant, but will give the opportunity for banks that wish to have that type of deployment the ability to do it with – on our software, if you want. So I think that's the exciting. But as well, it doesn't mean that we cannot replicate this with other partners in other geographies. I think this is also very exciting.

Operator: And our next question comes from Deepshikha Agarwal from Goldman Sachs.

Deepshikha Agarwal: Deepshikha Agarwal from Goldman Sachs. So I had two quick questions. First one, you highlight growth in your banks being one of the key factors driving the growth momentum. So are we seeing an inflection point in terms of contribution from such deals or is there more acceleration and growth to come? Can you give some more color on the kind of opportunity that you see here?

The second one being on the U.S. market. So given both FIS and Fiserv have announced acquisitions of last – larger payment processors, do you see any change in the overall competitive landscape in the region from Temenos' perspective?

Max Chuard: On the first, let me just say – let me start with the second one, but the first one, I understand. The second one on the U.S., clearly, yes, we've seen some of the M&A activity there. I think, again, this is what differentiates Temenos.

And Temenos is very focused on what to do. We only do banking end-to-end integrated. I think this is the strength of Temenos. And also what is part of our strength is to have a modern platform and one single platform where all our energy gets spent on that single platform. We don't believe, if you want, on libraries of platform of products, and that is clearly a key differentiator for us.

So I think on our strategy in the U.S., we've been – clearly, it's a newer market for us. We've invested a lot. We are doing it the same way as we are doing internationally with this single platform, localized for the market, fully integrated, fully packaged. I think this is very appealing for them. So I think we continue to see lots of success. And as you've seen over in Q1, the growth underlying has been very strong, so very pleased with that.

Now, on the second question that you ask, can you maybe repeat it? Because I couldn't understand the question.

Deepshikha Agarwal: So basically, you've highlighted some of the growth came from the growth in the newer – from the newer banks. So my question was basically, like are we seeing an inflection point as if – will this be the kind of growth that we're going to see in the near future or is there is still more acceleration to come? And what are the main factors driving this particular growth in this particular segment?

Max Chuard: Yes, OK. Listen, newer banks or challenger banks, I think, is very interesting. And I think, again, this is, I would say, one of the drivers coming from technology because technology allows those new banks to come out with a cloud deployment very quickly, very effectively that can be up and running and start to challenge – for a digital bank, start to challenge the more established banks.

So I think this is also, as I said, pressure that we see in the market, which is clearly helping more traditional banks assess the digital transformation because, clearly, they see that the new banks, challenger banks that within a few months are up and running on the cloud with a very efficient infrastructure using our software.

I think that that's clearly very interesting. We've had quite a lot of success over the last 12, 20 months. And I think we continue to see as those challenger banks coming out with very modern and I would say interesting technologies. So I think we'll continue to monitor that.

I think our platform, as you know, is cloud-native and cloud-agnostic, which – because of that, they can get the full benefit of cloud vendors, which means that they can elastically scale it on demand. And so it's really interesting, the level of resilience.

We can even also multi-cloud resilience, so what we call active/active, which we are the only ones to offer that. So I think we are extremely well-positioned to capture this new market of challenger banks. And we've seen this both in the U.S. and in Europe.

Operator: And that was our last question. I would now like to hand back for closing comments.

Max Chuard: Thank you very much for joining us today. I look forward meeting you and seeing you at the Capital Markets Day in London on the 21st of May. Thank you.

Operator: Ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may all disconnect.

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