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Contents

Corporate Participants

Andreas Andreades

Temenos – Chief Executive Officer

David Arnott

Temenos – Chief Financial Officer

Max Chuard

Temenos – Head of Corporate Finance and Investor Relations

Sarah Bowman

Temenos – Associate Director, Investor Relations

Conference Call Participants

Adam Wood

Morgan Stanley

Takis Spiliopoulos

Chris Grundberg

Raimo Lenschow

Knut Woller

Presentation

Operator

Thank you for standing by ladies and gentlemen and welcome to the Temenos 2010 Fourth Quarter and Full Year Results conference call. At this time all participants are in a listen-only mode. There will be a presentation followed by a question and answer session at which time if you wish to ask a question you will need to press *1 on your telephone. I must advise you that this conference is being recorded today, Wednesday 16th February 2011. I would now like to hand the conference over to your speaker today, Sarah Bowman. Please go ahead.

Sarah Bowman

Hello everyone and thank you for joining the conference call today to discuss Temenos' 2010 Fourth Quarter and Full Year Results. On the call with me are Andreas Andreades CEO, David Arnott CFO and Max Chuard Head of Corporate Finance and Investor Relations. You can download the slides for the Results presentation from the Investor Relations section of our website. As usual our prepared remarks will be followed by a Q&A section and 48 hours from now you will be able to download a transcript of the entire call from our website. Before I hand you over to the speakers, I just want to make you aware of the legal disclaimer on slide 2 of the presentation.

Various factors may cause actual results to differ materially from Company estimates and indeed may cause Company estimates to change. Therefore undue reliance should not be placed on the forward looking statements made during this call which reflect the Company's opinions only as of today. I will now hand you over to Andreas who will give an update on the business and the strategy.

Andreas Andreades

Thank you Sarah. Welcome and thank you for joining us today. I would like to begin with a quick overview of our performance for the fourth quarter for 2010, and this is on slide number 5 of the presentation. We had a very strong finish to the year, and financial KPIs were outstanding. We had fourth quarter like-for-like license revenue growth of 17%, and this translated into 19% like-for-like growth for the full year, well in excess of our outlook of 15%. The absolute Dollar amount of license is right on the outlook because we saw an acceleration in the rate at which Viveo customers licensed T24 with a corresponding faster decline in the V-Bank legacy licenses. This is turning out to be a very exciting proposition indeed, and you will see later on the level of cross-selling we are achieving in the acquired customer bases.

Total revenues were slightly below expectations due to the lower than expected contribution from our Services business, because of a faster than anticipated partner delivery which from a strategic point of view is also very pleasing. Adjusted EBIT grew 24% to 53.8 million in Q4, and to 113.7 million for the full year up 25% on 2009, consistent with our outlook. Our Product business exceeded expectations covering off the slightly weaker than expected services margin.

Cash flow from operations was outstanding at $102.6 million in the fourth quarter, and 125.8 million for the full year, which meant that we had a cash to EBITDA conversion for the full year of 111%. I would like to add that this means that at the end of the year we reduced the TSOs by 40 days and this is set out in the appendix to the slides. We redeemed our convertible bond which brought a number of benefits, which we will speak about later on and we also made significant progress on our acquisition strategy on Viveo and Odyssey.

Over on slide number 6. In addition to the financial objectives we set ourselves a number of strategic objectives for 2010, which we also met. We grew our partnering network which has been expanding faster than initially anticipated. We generated 6% of our license revenue through partner sourced deals, ahead of where we believed we would be at the start of the year. The Product extension strategy around ARC, Insight and AML delivered 15% of total licence revenues compared to 10% in 2009. Our Services business is now established as a global business which was a prerequisite for establishing a successful partner model. We continue to execute on our M&A strategy, completing our largest acquisition to date with Odyssey and of course Viveo is now fully integrated. Finally we proceeded with conversion of the convertible bond in November of 2010, which along with excellent cash generation leaves us with minimum leverage at the end of 2010.

Now over on slide 7 I would like to talk a little bit about our sales performance. T24 continues to extend its leadership in the market. We have 46 new core banking customers in 2010, against 43 in 2009. We see the Tier 1 banks continuing to increase their interest in spending on core banking software, as the economic recovery progresses and we enter 2011 with an expanded pipeline that clearly supports our outlook for the year. We had four V-Bank migrations and four IBIS, the latter from our 2008 acquisition of Financial Objects and this underlines the success of our cross-selling efforts to the acquired client bases. I said earlier that we had 6% of total license revenue sourced by partners; this translates into 7 percentage points of license growth, which is an impressive and material contribution to our results. Now not only does this result in faster growth for today, but if you think about it, as we expand and strengthen our partnerships and build our brand through partners, we ensure that our growth strategy will inject continuity and longevity and ca deliver results year-after-year.

Finally a comment about the market. 2010 was indeed a recovery year with market growth rates still below pre-crisis levels. We estimate the market grew at around 5% in 2010, and against this we estimate that we gained 4 percentage points of market share.

Over on slide 8 an update on Product extensions. Revenues continued to progress very well, now representing about 15% of total license revenues. More importantly we had a significant increase in deal size throughout 2010, ending the year with an average deal size 36% higher than in '09. I am very optimistic for 2011 as we have just launched our expanded Insight business intelligence which we think will be very successful in meeting the demands of bank CFOs worldwide.

Now over on slides number 9 and 10, I would like to give you an update on our partner programme. I am happy to announce that we now have over 1,300 partner resources trained on or products. As the programme evolves and we have better visibility of the resources that we have committed to us, and this chart should show you that up to the end of 2012 our partners have committed a total of over 2,000 trained resources to Temenos. This gives us better planning visibility, allows us to maintain the right services revenues and cost mix in our business without having to hire significantly any in advance of license visibility in order to deliver on our license growth plans.

On slide number 10, of the global system integration and management consulting partners I would like to highlight Capgemini which has set up competency centres in China and India through the acquisition of Thesys one of our long serving partners. They have gained over 300 trained Temenos resources and we look forward to 2011 being a strong year for them.

In order to finish our partner update I wanted to devote some attention to our technology partners who are so crucial to our Product strategy. While I expect good news to report on Oracle on IBM soon, this quarter has been most exciting with Microsoft. Our marketing partnership last year was very fruitful for both sides, with significant new leads generated and one-third of our new business now running on the SQL server database. We are delighted to have launched T24 into the cloud with the Windows Azure Platform, and this is with our first group of Mexican microfinance organisations. We are the first company with real clients running on core banking applications which is costed on the cloud.

With that I would like to hand over to David to go through the numbers and I will join you later for a look at the future and outlook.

David Arnott

Thank you Andreas. If you turn now to slide 12 of the presentation I would like to start with a quick look at the fourth quarter financial highlights. Licensing revenue grew by 38%, total revenues and adjusted EBIT by 26% and adjusted EPS by 17% in the quarter. I am not going to read out the full year numbers, but the trend is the same towards strong revenue growth and underlying leverage giving continued profit improvement. On slide 13 I have shown the different revenue lines and EBIT/EBITDA metrics and cash flow for the quarter and the last 12 months. I won't go through the whole thing, but there are just a few things I would like to highlight to you which are the numbers I have circled here.

License revenues were up 38% as a result of an excellent performance in the fourth quarter, and I am going to come back to that in a second. Maintenance grew strongly by 51% as we grow our cumulative client base, and with the impact of acquisitions, Maintenance has grown by 32% in the last 12 months, and is now at $155 million. Services declined by 4% in the quarter, and we're only up 5% in the year as we move towards partner led implementations and Services for the full year are now within our target model at 29% of total revenues. Note that a 12 million restructuring cost in the fourth quarter and this comprises 4 million for Services and 8 million from Odyssey and Viveo with the vast majority coming from Odyssey. We added 74 basis points to adjusted EBIT margins in the year, despite absorbing the impact of two and a half months of Odyssey who ran at lower than the Group margins, and we also benefited from Viveo moving already to Group margins in the first year after acquisition. Adjusted EBITDA was $139 million in the year, and margins have now reached 31%, and we have got further upside potential over the next few years. Adjusted operating cash flow conversion was very strong, as Andreas has mentioned at 111% of EBITDA, and I will talk more about that in a second.

On slide 14 I am showing the underlying business performance across our revenue lines by adjusting out the impact of Forex and acquisitions, and you can see that on this basis all the lines are performing very well, with licensing up a very strong 19% on the back of a 38% growth quarter through Q3. Maintenance grows at a healthy and accelerating 10%, and Services continued to drop as a share of total revenue as we execute our partner strategy. This takes total revenue growth up to 7%. Coupled with this return to growth on revenues we have exhibited very good cost control and I have showed this on slide 15, where you can see that like-for-like costs were down 2% in the year. This is because we were able to leverage our acquisitions and fund our growth initiatives while still funding our base growth.

On slide 16 I have split the margin improvement between Product and Services. You can see that the underlying strong leverage in the Product business delivered 660 basis points of margin improvement in 2010, while Services consumed all of this upside to result in a net 80 basis point overall margin improvement. We targeted an adjusted Services margin of 5-10%, and ended up at 2.9%. I wanted to split it out like this because while the Product margin improvement is permanent, the Service margin decline is a one-0ff. Over the next few years we should be able to continue to leverage our Product business, although clearly not at the kind of levels we exhibited in 2010 every year. We can reach around the 30% margin over the next couple of years just with the normalisation of services margin, a slight mix shift towards product away from services even without further significant product leverage.

I am going to park the discussion around Services for a second because I want to put the numbers into an operating context, but just to cover the financials now. In summary during 2010 we passed more and more of our Services revenue off to partners without reducing our cost base to ensure that we retained the ability to support the partners in implementations if we needed to. At the end of 2010 we felt the partner programme was sufficiently well established to be able to reduce our Services headcount. This is a one-off cost, the majority of which has been absorbed already and is a small price to pay to ensure the success of accessing the partner channel for license sales going forward.

Lets move to the below the line P&L items now on slide 17. Adjusted EPS grew by 17% in the quarter and 20% in the year, driven by a very efficient tax structure and good management of below the line foreign exchange. Including financing charges for the quarter are around 2.6 million of one-off costs related to breakage fees on terminating underwater interest hedges acquired with Odyssey and also expensing unamortized facility costs related to our refinancing that was completed in early October. The underlying financing costs are up 2.5 million for the year as a whole as a result of the larger facility.

Turning now to cash flow. I have shown on slide 18 two metrics as I discussed last quarter. The left hand side shows adjusted operating cash flow conversion of adjusted EBITDA and the right hand slide shows our classic operating cash flow into EBITDA conversion. The adjustments made between the two are the same as for adjusted EBIT, so backing out amortization of acquired intangibles and also restructuring costs. We generated $126 million of operating cash flow in 2010, representing an EBITDA conversion of 111%. Around 5-10 million of the operating cash flow came from Odyssey, slightly more than we expected, so even adjusting for that we're well over 100%. DSOs came down by 41 days to 124 days as you can see in the appendices.

If you move now to slide 19 I would like to review briefly our debt and financing. At the end of 2010 we'd drawn down $181 million out of our new $350 million facility. The convertible is now gone, so we've got a very simple net debt from banks of 13 million at the end of the year or less than 0.1 times leveraged ahead of our expectations. This is despite just completing the Odyssey transaction and buying Viveo only a year ago. This leaves us very well positioned to take advantage of any opportunities that do arise, either on the financing/capital structure side or to support M&A.

Turning to slide 20, in December we converted all of our outstanding convertible bond into shares which has a number of advantages as listed here. Given the bond was already trading at equity from an EPS point of view under IFRS, there's no P&L impact, but we do save the coupon of $2 million. Most importantly for me, this conversion lowers our net debt, which means we pay less interest under our new facility as the interests we pay is based off a grid that goes up with our net leverage. This also frees up our medium term refinancing options as it would have been very difficult to refinance beyond 2013 with a potential redeemable bond outstanding. Coupled with the facility refinancing that I did in the autumn, our capital structure is now much improved.

On slide 21 I'd like to spend a bit of time on services. As a bit of background, partners are taking a greater load of our services business and we're extending use of model bank which is shortening implantations. What this means is that we use a smaller team of highly skilled people focused on project management and governance and efficient admin layer, highly skilled senior business and technical consultants coupled with and offshore model for reusable client specific code for which we want to retain the IP. What we passed to partners is testing, data migration and so on that can be done equally as well if not better by then. Occasionally a client may insist that Temenos does a full implementation, or he may choose to for strategic regions, but this is becoming more the exception than the rule. This trend is resulting in a reduction in our services revenue.

For the past couple of quarters we've ensured adequacy of resources to make sure the partner programme is firmly established, but now we're satisfied it's working we've been able to reduce our headcount through a restructuring programme that was partly completed in 2010 and will be fully completed in Q1 of 2011. This chiefly impacted income through consultants and the admin layer and most people will transfer to partners. This has resulted in a restructuring charge in the fourth quarter of around $4 million and we expect around another $6 million in the first quarter. Services margins will return to between 5 and 10% in 2011 as it will take another year to complete our services repositioning.

Looking forward, we expect services to remain within the 25-30% of revenue range and to make margins of between 10 and 15%.

That ends the financial update part of the presentation. Now I'd like to hand you over to Max for an acquisition update.

Max Chuard

Thank you David. Over to slide 23 for what will be the finance [integration] update on the Viveo acquisition. We are very pleased with the development of the faster than expected uptake of T24 within the Viveo [unclear]. In fact, we've had four migrations from V-Bank to T24 in the first year post acquisition, which is the fastest integration rate to date of any of our acquisition. We expect a continuation of these trends going forward. AML and STeP are fully integrating to T24 and are successfully contributing to our growth. The pipeline is strong and should be supportive of continued revenue growth in 2011. From a restructuring perspective we are essentially competed. We brought Viveo margins in line with group margins by the end of 2010, which is 12 months ahead of plan.

On slide 24 I'd like to give you an update on the Odyssey acquisition where we are also ahead of our expectation in terms of integration. We launched our Private Wealth Management Division at our annual sales conference in January. The PWM division will bring an increased focus to this vertical which is all dedicated sales, pre sales and delivery team. The Temenos PWM division creates critical mass and establishes safe as the clear leader in this market with more than 170 clients and 68 tier 1 and tier 2 banks. At the same time our product roadmap is on target, which can address all tiers of banks from [mass affluent] to ultra high net worth. The market reaction is positive and client supportive. WE decided to update integration of Odyssey and that started in Q4 and continued to the early part of 2011. This means that we expect to bring Odyssey group margin by the end of this year which is 12 months ahead of plan.

To finish on slide 24, I would like to turn back to our acquisition strategy. I think we've demonstrated that our internal expertise in terms of execution and integration of acquisition. We are, however, to rapidly assess opportunities and we have the capacity to manage to manage further acquisition. The market continues to favour global players over local ones and hence continues to open interesting opportunity for us to play the world [unclear] data. We made two acquisitions in the space of 14 months and yet we still have a low leverage and so the [audio] also there for more transactions.

That said, we continue to maintain our strict acquisition criteria which are as follows: acquisition must be accretive within the first 12 months. We look for targets that will increase or activate our geography extension, increase our market penetration or offer access to complementary products. We continue to look at synergistic transaction that leverage our sales organisation, our market leadership and our high level of investments in the product.

Finally, our track record gives us confidence to accrete these transactions, but as well as Viveo, and Odyssey, transaction that are not [relative] to Group margin within twelve months.

With that, I will pass to Andreas to talk you through the outlook for this year and concluding remarks.

Andreas Andreades
Thank you Max. I would like to briefly summarise our position going into 2011 and that is on slide 27. Firstly, it is very important we delivered on 2010, so we feel good. We have momentum going into 2011 which is in our business very important. We continue to invest in our products, the Partner programme is ahead of plan; the product expansion strategies are working; our M&A strategy is sound and well executed and we end the year with a low leverage.

Over on slide 28 we view 2010 as a year of recovery following the market downturn of '09. We estimate that the market grew by around 5% and this is clearly below the 9-10% rates seen pre-crisis. This of course didn't stop us to continue to gain market share at a significant rate and outpacing the market significantly. There is a clearer understanding by banks today of the value and strategic need for modern core banking software. Whether that is a scalable platform to undergo in an emerging market or as a platform to improve efficiency in customer service in developed market, modern core banking systems are essential to deliver sustainable growth. Now, the value proposition and competitive advantage gained by banks that have modernised is becoming clearer. Note for example that 76% of the world's fastest growing banks run modern core banking systems.

Before I move on to outlook on slide 29 I wanted to say a few words on the succession plan for the CEO and Chairman positions we announced today. The theme is of the succession plan is one of continuing. We have built Temenos into a global software powerhouse and one of the fastest growing and most profitable software companies in the world. This we intend to protect while we continue to build the team for the future. In summary, I will be taking on the position of Board Chairman; George will step down and take on a non-executive director position. Guy Dubois who clearly is new to Temenos will take on the role of CEO. All appointments are effective July 1. Guy has been selected from a list of more than 30 candidates worldwide, has an outstanding career and track record in senior and CEO positions in the software industry and will take Temenos through its next period of growth. I will continue to support and work with the team to develop strategy and with my usual passion and vision for this industry help to shape the future.

In the meantime, we have a year and quarters ahead of us to deliver, so it is business as usual for all of us - and that I want to make clear. My commitment to delivering 2011 outlook is both total and unwavering like every other year. Guy has a real job to finish in his current assignment before taking on the CEO role in Temenos in July by which time really and with our 12-month save cycle we will be well on our way to delivering 2011.

Let's go through the specifics for outlook on slide 29. Our outlook for licence revenue is for a like-for-like growth range of between 15 and 20% which implies a licence revenue range of between 197 and USD205 million; a revenue growth range of between 22% and 26% which implies revenues of between 546 and USD567 million. Adjusted EBIT margin will continue to grow by about 100 basis points compared to 2010 to between 26 and 27%, and with the integration of Viveo and Odyssey complete and both at Group margin levels we expect reported EBIT margin to rebound between 20 and 21%.

The strategy of focusing on this with good commercial terms, our Partner strategy and our M&A strategy are ensuring that we can continue to grow while we deliver 100% cash to EBITDA conversion in the medium term as we have done for the prior two years and therefore our outlook for 2011 remains at the 100% cash derivative conversion. This represents a further reduction of 10 days in our DSOs for 2011. Our tax rate will rise to between 8 and 10%, is consistent with our tax planning as previously communicated, but cash tax will remain at around 5%. At this point and with the overall performance of 2010 our pipeline visibility and outlook for 2011 I would like to say that we now expect that over the three-year period 2010 to 2012 we expect to deliver at the top end of the licence growth range which was set at between 15 and 20% per annum, organic, compared to our previous assessment of the midpoint of that range of 17.5%. As David explained a margin expansion will continue to be significant further driving growth and profitability.

The closing slide, my usual slide, on slide 30; it shows a clear example of our growth plan and even acceleration both in terms of revenue and earnings. We look forward to the continuation of this plan, clearly.

With that I would like to open the call for questions.

Questions and Answers

Operator

We will now begin the question and answer session. If you would like to ask a question please press * 1 and wait for your name to be announced. To cancel your request, just press the # key. Your first question comes from Adam Wood.

Adam Wood – *Morgan Stanley*

First of all on the succession I wonder if you can just give us a little more background Andreas as to your thinking behind the need for the change and maybe a little more background on Guy and what he brings to the company. Secondly, I wonder if you can just help us on the Cloud product that you have launched with Microsoft; is that a prelude to maybe offering something more in the US market or could you give us a little more help on that and what opportunities that brings for you. Thank you.

Andreas Andreades

I will take on the succession plan question first. Really, the Board felt that and the intention has been and is to strengthen the team. We believe by bringing Guy on board we would double our strength and this is the primary objective out of the succession plan. Clearly, myself, I have been running the company now for eight years, I have been part of its growth since the very early stages for the last 12 years, so succession planning is something that a Board has to do at some point and we felt that it is the right time to bring a new CEO on board. Really, my assumption of the chairmanship of the Board is intended to provide that very valuable continuity that is required in a young software company like ours that is fast growing and successful - that as the background to it.

Guy has an outstanding career and track record in software; he understands he licensing business, he has got application software experience through his tenure in PeopleSoft and also has seen the world of mobile communications software, a very similar industry to ours in many, many respects and with his ability to run large businesses he brings with him the capacity to take on Temenos to the next level which is clearly as we have said many times is to create a 1 billion Dollar software company in the banking world. Therefore we feel very excited and we look forward to having Guy work with us.

Adam Wood – *Morgan Stanley*

Maybe just a follow-up on that Andreas. Is the idea because I think George has perhaps been more of a non-executive chairman, correct me if I am wrong; is the idea that you will be more of an executive chairman than a non-exec and have more of a handle in the business or is it a non-exec chairman role that you see it as?

Andreas Andreades

Let me be very clear that Guy will run the company and this is what is important, my role will be Chairman of the Board and I will support him and the team in taking the business forward, I will be active in developing strategy and in helping with client relationships and with people relationships. The world needs to see Guy as the new leader and me as Chairman of the Board. George's role is that of a non-executive director, so that is also very clear.

Now, let me take the Cloud question. It is very exciting that we are able to have real banking clients on the Cloud. Banking is a complex business, it has all sorts of regulation constraints, security constraints, and it is inevitable that one needs to start from smaller institutions and build [upwards] if you like. This is what we are doing; we have started with the microfinance section in Central America. Could we extend that in similar jurisdictions? Absolutely, and we expect that we should be able to scale that business with microfinance organisations pretty much anywhere in the world. Could that be transported into the US market? At some point, yes, maybe not in its current form of a public Cloud, maybe in a private Cloud, say that, but definitely the homogeneity of the market and the delivery through the Cloud make it a very interesting proposition.

Adam Wood – *Morgan Stanley*

Great, thank you very much.

Operator

Your next question comes from Fred Grieb.

Fred Grieb

Just two quick ones from me; the first is probably for Max. Just in terms of the criteria for acquisitions you gave a lot of criteria there, but there wasn't one on size; I am just wondering if you have an idea of how large an acquisition you would be willing to take on and as long as it is accretive and it can be done and would you be able to go and maybe even use stocks. That is my first question. The second question just on in terms of market growth; you guys are expecting to see the market accelerate, but kind of a licence guidance this year was in line with last year's licence sales; is that maybe being a bit on the conservative side or is there a dynamic there that we are not seeing?

Max Chuard

Maybe let me take the first one, I think we don't really have a size, but I think we will be comfortable going up to one million transactions, revenues.

Andreas Andreades

Fred let me take the licensing and outlook question. Clearly it is the beginning of the financial year; we want our outlook to be an outlook that we all feel very confident in delivering and shareholders to put real value on it. Mathematically as you say we are indicating an acceleration in the market, yet we are signalling a slower growth in 2011 than '10 and you are right to point out, but there is no, if you like, underlying thing there that you are missing or we want to pass a message for the beginning of the year, it is a good number to go in with and one that delivers good growth, good profitability and margin expansion, so we are very happy to be going ahead with that.

Fred Grieb

Okay, great, thanks a lot.

Operator

Your next question comes from Takis Spiliopoulos.

Takis Spiliopoulos

Three questions from my side. First one Andreas, the succession plan makes sense as you explained it, but what do you see in terms of strategic challenges as a Chairman coming up; you initiated a Partner strategy, this is now being implemented, works pretty fine, so thinking two, three, four years down what are the strategic challenges do you see? The second question will be how has the year started, Q1 is usually a slow quarter, have you see any changes from usual seasonality trend? The third one will be for David; the 6% margin gap between EBITDA and EBIT, can you split that into amortisation of intangibles and restructuring charges? Thanks.

Andreas Andreades

Thank you Takis. I will take on the first one on the strategic challenges. Which in many ways they are what they have been, if you like, the last 12 months as we set out three year plan. They don't change, it is just the company is bigger. I would put them down as probably the following: clearly getting the Partner model to work from a sales perspective and a services perspective is key to our growth and our continued acceleration of growth. I would say our enterprise product roadmap and our tier 1 penetration would probably rank as important as the [pattern] model. Then, pure bread and butter geographic expansion in making sure that we compete in the markets that they are the largest and fastest growing markets in core banking and those from time-to-time may change, but there are large geographies in which we could potentially do much more than we are doing today; whether they are mature markets like the US market or like growing markets like China and maybe South America. Then finally, M&A; M&A for us has been a great contributor to profitability margins, cash flow, shareholder value, whichever way you [cut] it, it has been a great vehicle to provide entry into key markets and it has been a great strategy to provide market share that allows us to increase investment in our products and feed if you like the rest of the cycle of market share gains. Therefore, that will continue to feature. In summary, this is what I would put on the plate.

David Arnott

Takis, for the restructuring amortisation split are you looking for 2010 or 2011?

Takis Spiliopoulos

'11 going forward.

David Arnott

For 2011 it is about half-half; it is about 15 million of restructuring which as I have said there are about six from services and the rest is commodity and about 16 from the amortisation of acquired intangibles.

Max Chuard

I will take the Q1 question. Q1 started great, first of all we finished the year and Q1 started strongly and as I said in my prepared remarks our pipeline has grown sequentially and is at the level it should be to support a very successful 2011.

Takis Spiliopoulos

Okay, thanks.

Operator

Your next question comes from Chris Grundberg.

Chris Grundberg

Just a quick one, just on that restructuring point, just looking at 2010 actually - you mentioned the four for services, 12 total, can you just give a bit more detail around the remaining eight, I seen as around the acquisitions, but just any more colour on that would be helpful. Then, on the services downsizing looking into 2011 I just wonder if you can give a bit more quantification around that as well. Can you give your services headcount today, how many staff you lost in Q4 and maybe how many more you are expecting to lose in 2011 or just a sense around that? Thanks.

David Arnott

Chris, I would rather not put particular numbers on services, but in total we had around 820 service people altogether which includes consultants, project managers, administrative functions dedicated to services as opposed to G&A. Around 100 of that headcount have gone as part of the restructuring and let me continue this theme about with the restructuring is 2010. In the Fourth Quarter you have got a total of 12 million restructuring which breaks down as 4 million on services and 8 million which I said in my prepared remarks was from the two acquisitions, this is just in the fourth quarter. The majority of the fourth quarter amount came from Odyssey. If you look, the total for the year was 25, so the remaining 13 comes from the first three quarters and the majority of that was Viveo related.

Chris Grundberg

That is helpful. For clarity, should we be expecting a similar number of staff in ’11 if you are looking at the same number in restructuring terms for services downsizing?

David Arnott

Again, I would rather not because it is clearly internally sensitive as well, I would rather not talk specific numbers, but you shouldn’t necessarily link the split of the accounting costs between Q1 and Q4 to the timing of exits.

Chris Grundberg

Okay; maybe just one follow-up on the Partners. Should we be expecting any further sign ups there do you think or you have got roughly the right balance of services Partners to go forward from here?

[Max Chuard]

As we said at the Investment Day in London you should expect us to add more Partners, of course we don’t want to be adding too many, probably add within ’11 and ’12 probably you will see either maybe one or two large [SA] type of Partner relationships getting started.

Chris Grundberg

Great, thanks.

Operator

Your next question comes from Raimo Lenschow.

Raimo Lenschow

I have two if I may. First, can you please talk a little bit - as the Partner programme is accelerating about your medium term impact on margin – in the past you talked about 30% in the medium term, if I see the Partner programme accelerating, could we get to that number quicker and is that the end point or is the Partner programme at the current speed helping you then also to get above the 30%. Secondly, obviously there is a negative impact for you guys on the revenue side, on the services revenue side. The Partner structure contribute a little on the licence side this year given the speed of the run rate we see, should we kind of not think about some more positive impact on the licence side as well as we go into 2011, 2012 in terms of them bringing business to you. At the moment we had 6%; what are the assumptions ’11 and ’12 for that. Thank you and then all the best Andreas.

David Arnott

I will take both of those. The first one regarding margins, you are absolutely right, we had just under 700 basis points product leverage this year now, there continues to be a lot of product leverage just in the R&D, the G&A, the office infrastructure and so on, but if you just take two drivers within services, one is the underlying margin improvement within services as it goes back towards the 10-15% margin from the 2.9% we had this year, plus continuation of the [makeshift] towards the bottom end of the 25-30% range we talked about. You are absolutely right, that there will continue to be margin improvement beyond the 30. Whether we hit the 30 early, is probably too early to say, but definitely we could reach low 30%, mid low to a 32, 33% margins over the next couple of years, for the next few years.

The second question was on the ability of Partners to bring extra licence revenue; and you make an important point, I didn’t add in my script which was that even in a year where we have had a lot on services as we kept a bench of consultants we have covered a large part of that with licensing that has been brought to us by Partners that we would not otherwise have had within the same year, so we really just focused today on talking about the services impact, the net impact is significantly lower. Going into 2011 and 2012, yes, you are absolutely right, the ability of Partners to bring us new pipeline, new deals beyond the 6% that we talked about is one of the drivers that as Adam say could take us above the 17.5% growth we talked about. It could, for example, 2011 be closer to 9-10% of revenue coming from Partners will be a good estimate at the moment. All is good.

Raimo Lenschow

Thank you.

Operator

Your final question comes from Knut Woller.

Knut Woller

Just two quick questions; the first one on the add on projects which were at 15% in 2010, can you give us an idea for this expectation in 2011 where it should be in terms of total licence revenues. Then, just a clarification to the comment you just made on the Partners being closer to 9-10% of total licence revenues; would that be then, which brings you closer to the 20% or would that be still some upside beyond the 20%? Thanks.

Max Chuard

I will take on the first question on product extensions. With the plans we have on insight specifically, I would expect the mix of add-on products to probably get to something like 17-18% for 2011 which with an outlook of licence growth of 17.5% you can imagine that a growth in that business will be quite significant. The second part of the question I admit I did not quite get, so, okay maybe David…you take it.

David Arnott

The question was whether the Partners of 9-10% will be above the 17.5%? No, at this stage as we said it is one of the drivers that could get us to the 17.5%, could take us beyond the 17.5 but as Andreas has said it is very early in the year, it is positive the Partner pipeline is developing very well, but that will be currently within our outlook within a 17.5%.

Knut Woller

Okay great, thanks very much.

Operator

There are no further questions; I would now like to hand the call back to the presenters for closing.

Sarah Bowman

Thank you very much everyone for participating, we will hopefully get to you if you have any further questions over the next few days and we look forward to staying in touch with you over the course of 2011. Thank you very much.

Operator

That does conclude our conference for today, thank you for participating, you may now disconnect.
