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Q4 2024 Results Call

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COMPANY REPRESENTATIVES

Jean-Pierre Brulard, Chief Executive Officer

Takis Spiliopoulos, Chief Financial Officer

PRESENTATION

Jean-Pierre Brulard

Good evening, good afternoon. Thank you for all joining us for our Q4 2024 Results Call. So, I would like to talk through our key performance and operational highlights of the quarter before handing over to Takis.

So, starting with the highlights. As a management team, we have put a lot of focus on consistent execution in the last few months. And so, I was pleased that we ended the year with a strong Q4. If we look at 2 of our KPIs, ARR and free cash flow, we delivered strong ARR growth of 12% year-on-year and free cash flow growth of 25% in the quarter. We have also a strong SaaS ACV of 24.8 million dollars, our strongest SaaS ACV quarter ever.

The sales environment was stable through the quarter, and we have positive pipeline development. And we also made good progress on our strategy execution, which I will talk more about in a few minutes.

We announced the sale of Multifonds earlier this month, and this is in line with the strategy we announced in November to be more focused in our product portfolio and our investment to support our growth levers. And we have issued guidance for 2025 and also updated our 2028 targets to account for the sales of Multifonds.

Let me start with customer success. Customer success is my #1 priority, which is why we created the one global customer experience team, putting the customer really at the center of everything we do.

We have made some excellent new hires included a new Chief Delivery Officer to strengthen our customer lifecycle. This build on our success in 2024, where we had a total of 347 go-lives across all products, reflecting our scale and industry position. And Aldermore is a great example of our customer-centric approach. We signed a deal with Temenos for business and corporate enterprise services, all deliver as SaaS.

As part of this, they will migrate multiple systems onto a single SaaS solution from Temenos. And Aldermore goal is to modernize the existing saving operation to scale rapidly and increase agility. They clearly see the value of working with Temenos in order to achieve these critical objectives.

I also like to share one of the great win in Europe, CEC Bank is a major bank in Romania with over 2 million customers. They chose to work with us to migrate from the legacy systems to our core banking, included our solutions for payments and analytics with the goals of faster time to market and increasing efficiency.

We are delivering this project with 2 of our key partners in line with our Partner first strategy. I was delighted that both Aldermore and CEC Bank and many other clients chose to work with Temenos in 2024. It demonstrates what I have said before that we are highly relevant to our customers and critical to their success.

We presented our new strategy plan in November. So I am sure that many of you have seen this slide already, but I wanted to remind you our 3 growth levers. #1, we will expand our leadership in best of suite for Tier 3 to Tier 5 banks, in particular in the US and Western Europe, and this lever will be the largest contributor to our growth.

Second, we will enhance our modular core solution, especially for Tier 1 and Tier 2 banks in retail and corporate. These banks are running legacy costs at very high cost and with a lot of operational risk and they need modular and open solution to progressively modernize.

Lastly, we will accelerate adjacent point solution like our digital banking capabilities for the US market, payments and compliance. We have a structured investment plan building on our strong foundation to outperform the market.

So in terms of execution, we have defined the key business enabler to deliver this strategic plan, which are focused product, technology and go-to-market investments, in particular, in key geographies like the US, UK and Western Europe and investing in the customer life cycle, which I've already talked about and investing in our operating model. Alongside of all of this, we continue to prioritize our corporate culture to increase empowerment, accountability and foster collaboration across the business. I would like to give an update on the progress we have made on our strategic plan and road map. The sale of Multifonds was a key step to focus on our product portfolio and research and development investment in line with our strategy. We have continued to attract senior talent. I already mentioned our new Chief Delivery Officer and Barb Morgan, our new CPTO who you met at CMD just hired a new Chief Product Officer with a very strong background coming from major US banks and financial technology providers. It's a first step to elevate our product and technology organization to the next level in terms of processes and skill sets.

Lastly, we are updating our disclosure to reflect industry-based practice and evolving customer demand. Importantly, including new disclosure of cloud ARR. This is highly a relevant and strategic given the direction the industry is moving in, as I highlighted in Capital Markets Day.

Many banks in the US and Western Europe, in particular, are developing their own in-house cloud skills to encompass proper cloud governance taking into account security and regulation obligation. So as you can see, we are very busy, and we are absolutely focused on execution and delivering our strategic plan, and we will continue to update you on our progress.

With that, I would like now to hand over to Takis to get through the financial highlights of the quarter.

Takis Spiliopoulos
Thank you, Jean-Pierre. On Slide 14, I'll start with an overview of the quarterly financials. All figures are non-IFRS and in constant currency unless otherwise stated. We delivered strong ARR growth of 12% in Q4, which was helped by a very strong SaaS ACV of 24.8 million as well as healthy growth in subscription. ARR continues to increase as a percentage of our product revenue now equal to 88% and equal to 77% of our total revenue in 2024. Our transition to subscription from term license is now largely complete, and we expect the contribution from term license to be very limited going forward.

I would also like to flag the strong growth in maintenance in Q4, up 12%, which again benefited from strong sales in premium maintenance as well as the value uplift on subscription signings and renewals. Free cash flow grew 25% under our old definition or 24% on our new definition, which includes the impact of IFRS 16 leases and interest costs. We will be using this new definition going forward. In total, we generated 121 million of free cash flow under our new definition.

DSOs were 152 days at quarter end, up 11 days due to the strong growth in subscription revenue in Q4. For 2025, we expect DSOs to marginally increase over the coming year and then to start declining from 2026 onwards as we will benefit from the cumulative cash flow from subscription deals sold from 2022 onwards. Lastly, we ended the year with net debt of 595 million and leverage at 1.3 times, well within our target range of 1 to 1.5, and we have announced a dividend of CHF 1.33 for 2024, up 8% on last year to be voted on at the AGM.

Moving to Slide 15. I would like to flag the new cloud ARR disclosure we are introducing, which Jean-Pierre mentioned earlier. This includes ARR from both SaaS contracts as well as subscription contracts where the client is using cloud infrastructure to run the software.

This is an important metric, and it reflects client demand. We see growing appetite for use of hybrid and public cloud. We spend on public cloud expected to grow at around 16% CAGR over the next few years. Therefore, Cloud ARR will give an insight into the demand for cloud infrastructure across our client base. We expect Cloud ARR to grow as a percentage of total ARR in 2025 and to continue increasing in the mix over the following years.

Looking at our services revenue. This continued to decline in line with our Partner first strategy, but there was a strong improvement in the services profitability in the quarter. I would expect service revenues to grow low-single-digits in 2025.

Looking at our cost base, operating costs were up 1% in the quarter as we benefited from the efficiency program which started in H2 '24. This masks the underlying acceleration in the investment in R&D and sales and marketing. We have not seen the full P&L impact of our investment program in 2024, and these investments will become more visible as the cost base continues to grow in 2025. Lastly, we delivered strong growth in our EBIT margin up 3 percentage points for the full year to reach 34%.

On Slide 16, we have like-for-like revenues and costs, adjusting for the impact of M&A and FX. The figures are organic and therefore in line with our constant currency growth rate. As I mentioned, services margin continued to improve, with costs down 11% in the quarter and 7% for the full year. Product-related costs, excluding services, were up 4% in the quarter as we have started to ramp the investments in R&D and sales and marketing, and this will continue under our investment plans for 2025.

As a reminder, we have flagged at the CMD, we expected to invest an incremental 30 million to 40 million in total in 2025. I would also like to flag that our net capitalized development costs declined significantly in 2024 to 10 million, down from 18 million in 2023. Looking at FX, there was roughly a 2.5 million headwind on EBIT largely due to euro weakness against the dollar, impacting revenue and some impact conversion.

On Slide 17, net profit was up 44% in the quarter versus EBIT growth of 18% with the outperformance mostly due to a one-off tax benefit of 15 million. EPS was similarly up 47% in the quarter. The underlying tax rate was 20.7% within the guidance range of 20% to 22%. For 2025, we expect a similar tax benefit. So our expected tax rate for 2025 is 15% to 17% and the normalized underlying tax rate, excluding the one-off benefit, is 19% to 21%.

Moving to Slide 18. We have the changes to group liquidity in 2024, we generated 391 million of operating cash, paid 97 million of dividends and both bagged to 227 million worth of treasury shares. We also used our debt facilities to repay 150 million Swiss e-Bond in April 2024. We ended the quarter with 114 million of cash on balance sheet and net borrowing of 727 million. Our leverage stood at 1.3 times, well within our target range of 1 to 1.5 times. And without M&A of share buyback will continue to deleverage further in 2025. In conclusion, we have ample flexibility and optionality to do further buybacks.

Moving to Slide 19. I'm sure you all saw the sale of Multifonds, we announced earlier this month for an EV of around 400 million, including an earn out. We expect the deal to close in Q2 '25. This aligns with our strategy to simplify our product portfolio and focus R&D investments.

In 2024, Multifonds contributed around 40 million to total software licensing and 50 million of EBIT, keeping in mind it has a solid maintenance revenue base as well as some service revenues. We have adjusted our 2025 guidance, 2028 target and 2024 pro forma figures to exclude the contribution from Multifonds.

Moving now to Slide 20. I would like to briefly discuss the change in our revenue disclosure. As I mentioned earlier, we have introduced new disclosure on cloud ARR to give greater transparency in the progress we are making on cloud. We are also changing our revenue line items to reflect changes in customer demand and industry best practice.

We are replacing total software licensing at niched parts with a single line called subscription and SaaS, which brings our guidance metrics and disclosure in line with global software players. We expect term license to continue trending down to around 20 million to 30 million per annum at a steady state. So the majority of the revenue in this line item will be from subscription and SaaS contract.

On Slide 21, we have our guidance for 2025, which is non-IFRS and in constant currency, except EPS and free cash flow, which are reported. Both the 2025 guidance and the 2024 pro forma numbers exclude any contribution from Multifonds and free cash flow is, of course, under our new definition, including IFRS 16 leases and interest costs. We are guiding for ARR growth of at least 12% and Subscription and SaaS growth of 5%. We expect EBIT growth of at least 5% and EPS growth of 7% to 9%. And we expect free cash flow growth of at least 12%.

And lastly, on Slide 22, we have our 2028 targets, which we have updated for the sale of Multifonds. It is important to note that the implied CAGRs have not changed from the targets we announced at the CMD in November. We now expect ARR to be more than 1.2 billion, implying a CAGR of 13%, EBIT to reach around 450 million implying a CAGR of 10% and free cash flow now to reach about 400 million at a CAGR of 16%.

With that, operator, please can we open the call for questions.

QUESTION & ANSWER

Operator
We'll now begin the question and answer session. Anyone who wish to ask a question may press * and 1 on their telephone. If you wish to remove yourself from the question queue, you may press * and 2. In the interest of time, please limit yourself to 1 or 2 questions.

The first question is from Toby Ogg with JP Morgan. Please go ahead.

Toby Ogg
Yes, hey, good evening. Maybe just on the subscription and SaaS guides, 5% to 7% in 2025. How should we think about the implied growth rates embedded within the different components here across SaaS and the term plus subscription revenues?

And then just secondly, just on the SaaS piece. Obviously, Q4 was 4%. I know the SaaS ACV of almost 25% in Q4 should help drive some of the reacceleration in 2025 on SaaS. But outside of that, could you give us a sense for how the SaaS pipeline is evolving and how we should expect the SaaS ACV to evolve through 2025? Thank you.

Takis Spiliopoulos
Hi, Toby. Yes, I was expecting this question. So you know, there is a reason why we haven't given any more SaaS guidance for what we have outlined our disclosure in terms of being aligned with the global software player, no one else discloses SaaS specifically. And it also reflects the reality of the buying decisions from clients, which ultimately dictate delivery and consumption model. And we see an increase in combination of on-premise hybrid public cloud and SaaS. So clearly, we will focus on ensuring that our world-class software services and support may work you know on the models clients have chosen.

And on SaaS ACV, it is strong... and it was strong and we had guided a bit for a stronger performance. Several reasons here, you know, clearly we had seen a negative impact also on the SaaS ACV business in the first 2 quarters of the year with push-outs due to Hindenburg happening. So clearly, we had this in terms of catch-up coming well in Q4. And we also have to acknowledge that there was a sizable contribution from the Multifonds business in Q4 on SaaS ACV, which also contributed to this very good number in Q4.

And finally, on the SaaS ACV pipeline, we have seen in the last few years, as we have commented already back in '23, clearly, a negative impact from the funding challenges of Fintechs, but clearly, we have seen now as for the rest of the business and a quite good improvement in the underlying, let's say, pipeline development. So we would expect over the next quarters to see a good performance of our SaaS ACV business. But at this point, we can't give any further disclosure.

Jean-Pierre Brulard

Let me add Toby, Jean-Pierre, that in a way, when we say customer demand is mostly for a very larger bank in the US, UK and where I am in the country that IPR scalers are developing as well a significant footprint. I met a lot of customers and even a very important one here in London, which has deploy overseas, I mean the software. And what they told me is the following, they say, we liked your software. We think that we can derive a lot of value from that. But with the regulation, with all the investments we have done in our skill set in cloud operations, we started to encompass noncritical application, like I don't know, Salesforce or Workday and now we are applying the same governance and the same regulation for a mission-critical application like yours.

So our duty in terms of architecture is to build modular application, either, I mean, run by us in the SaaS model and it's mostly successful in Tier 3 banks and some point sales as well or in a way to provide the best software for our customers. And I'm glad as well we have delivered that in a multi-cloud environment. As today, we have customers not only on Azure, but as well on AWS, on Google Cloud, and IBM Cloud as well. So it's giving, I mean, a much more possibilities as well to please our customers. And let me add as well that we have almost completed the term license evolution as pointed out by Takis. So there is no obvious reason to aggregate term license and subscription. And after 3 years of subscription license, as many, I mean, companies in the software are doing as well to regroup in a way SaaS and subscription together to give a more recurring and predictable revenue strain as well. So, it's the reason why we have done that, and not a surprise. We just announced as well this concept in Capital Market Day, when we have different growth rate about cloud and SaaS as well.

Toby Ogg

That's great. Thank you.

Operator

The next question is for Josh Levin with Autonomous Research. Please go ahead.

Josh Levin

Good evening. 2 questions from me. When you think about the 2025 guidance, what are the greatest areas of uncertainty? That is if you were to miss or beat guidance, what would be the most likely driver of each?

And the second question is, what do you intend to do with the 400 million dollars of proceeds from the Multifonds sale?

Takis Spiliopoulos

Hi, Josh. Okay. Let's go step-by-step. I think on subscription and SaaS, which we have guided 5% to 7%. If you look at what we communicated at the Capital Market Day, where we said we expect the market, which is product growth, to be around 7%. Maintenance, we expect around 7%. So, if you take the midpoint, we're, let's say, close to market growth, what we are expecting. This is in line with our stable sales and environment commentary, and clearly we want to be a bit prudent at the start of the year. I think that's one thing. So if the market is developing better, more favorable than our current assessment, you can…we're probably ending then on the upper end and vice versa.

On the ARR growth, you know, we had a good performance in 2024, despite the headwinds we were facing at the start of the year. I think on ARR, and given this is an important metric, we have been focusing a lot. Clearly, I would say the mix towards subscription is continuing. There is…as you've seen, there is little left in term, which will further decline. I think that's helping. The premium maintenance business is also helping maintenance and ARR. And clearly, ACV performance should also help ARR. So this is why we're actually quite comfortable with this one, but there is obviously a direct link to the underlying product investment, product growth.

EBIT, we said back in November that this will be a year of investment. If you take the guidance, this is about flat margin. There is still a substantial investment program ahead of us, as we have seen also in Q4, you know, clearly, the efficiency gains, they're kicking in very quickly.

So that was a benefit. So let's see, if we are able to deliver all our investment plans, you know, we will be in the guidance range. Clearly, always, as in the past, we have clearly some prudence in our EBIT guidance. EPS is as a consequence of that.

And then finally, free cash flow. We have consistently delivered over the few…over the last quarters. It clearly has been a good performance. Now, I think on free cash flow growth, it's nothing special there. We are prudent in our guidance and clearly, if the inflows come in better, and we manage to deliver the rest of the guidance, then there could be clearly up. The one thing which we need to consider is, clearly, we have you know, it's not an adjusted number, so the impact of the restructuring done last year and also being done this year, this is obviously a headwind to free cash flow because there is cash-out impact on this one. So I would say these are the moving parts in a nutshell, you know, we start with a prudent…with a prudent guidance, it's only mid-February.

Jean-Pierre Brulard

Let me add, I mean, before maybe Takis is taking the second part of your question, Josh. This year is a year of investment. I'm glad that we have completed our hiring on US salespeople initial hiring that we have committed to do to cover our sweet-spot, which is a Tier 3 original bank, so it's done. All of them were in sales kickoff, and they are onboarding as we talk. And but, you know, really in the sales cycle duration, I'm not expecting to be materially visible until the end of the year, and mostly in '26-'27.

So, and we will do as well, I mean, the second step of our product and technology, as well investment, self-funded by a couple of product simplification and rationalization. So, again, I'm not expecting that there will be meaningful visibility this year, even if we have this 5% to 7% growth rate. But let me reiterate my confidence that we will achieve the plan by 2028. And as you have seen, we have not modified the CAGR without Multifonds in the landscape as well.

So maybe I will hand over to you, Takis, again, for the use of proceeds for capital allocation.

Takis Spiliopoulos

Yes, Josh, let me take part of the question. Given our strong free cash flow profile, both, you know, in '24, but also given our forecast for 2025, clearly there is enough capacity for both share buybacks, but also do selective, you know, bolt-on M&A, which is always difficult to time. And let's be clear, we don't have anything, you know, transformational or anything, you know, looking at. And this clearly is something we also not intend to do. Now, let's be very clear here, I mean, ultimately, it's the board deciding on use of proceeds.

And clearly if we continue to de-lever like that, we will fall outside our target range. So I will put a high probability that there is…there will be a sizable share buyback, you know, happening this year.

Josh Levin
Thank you, very much.

Operator
The next question is from Charlie Brennan with Jefferies. Please go ahead.

Charlie Brennan
Hi, great. Good evening. Thanks guys. Just 2 questions for me actually. Firstly, just a high-level question on the market backdrop? It feels like banks are in rude health at the moment, certainly healthier now than they've been for some time. Have you detected any change in the nature of your conversations with banks? And is it in any way optimistic to think that you might start to get a bit of a macro tailwind as that feeds through to discretionary spending?

And then secondly, just a small financial question. Just on Multifonds, it looks like its 50 million of EBIT and about 20 million of free cash flow. What's the delta between EBIT and free cash flow there? It looks surprisingly wide, it would obviously help with our modeling to understand what's in the middle there? Thank you.

Jean-Pierre Brulard
So let me take the first question as well about the banking industry. I spend a lot of time, I mean, meeting CEOs and CIOs of banks all over the world. And basically they are facing this dilemma. So the most performing banks, are the ones that are investing the most on technology in terms of return on equity, CIR, NPS, et cetera. But at the same time, they are stocked by legacy bespoke core banking system, which are very difficult to move. And it's a dilemma that they are facing today. So there is no, according to, of course, we are still using a couple of independent analysts, and as well as the conversations that we could have with all the bankers, there is no slowdown in the technology investment. And I have a lot of projects surrounding the core is the reason why we continue to invest on modular architecture and application, on point solution, and many banks as well are replacing the core banking.

So I'm glad with what, in a way you're observing Q4, that we have concluded a couple of SaaS solution with the UK banks.

We have changed as well, our leader in the UK and basically the pipeline I've seen both in the UK and US, in terms of modernization is encouraging us as well. In terms of investment and we have not seen in our pipeline any slowdown and any signal of slowing down.

So with that regarding the specific question about Multifonds, I mean Takis if you can take it.

Takis Spiliopoulos
Yes Charlie, there is no magic in the number. Your calculation is not entirely wrong. There is you know one element and we have shown this also in the appendix. DSOs will be quite a bit lower without Multifonds. So Multifonds especially last year had a very low cash conversion if you want also EBIT to cash conversion given a number of larger deals signed also with Tier 1 institution with payment terms you know not very favorable i.e. high networking capital basically in the business. This explains, you know, how you get from the EBIT to the cash. And it's also something we would have seen you know over the next years if you look at the 2025-2028 updated targets you see, you know, EBIT down 50 million but cash only down 20 million. It's the nature of the business and it has been like that in the past.

Charlie Brennan
And just sorry it's a bit technical, but does that mean that you keep the working capital and you now get the cash flow benefits of that or is that working capital been sold with Multifonds?

Takis Spiliopoulos
Okay. So you seem to be an M&A specialist, so when we close there will be because of you know the working capital shifts and let's assume we're going to close you know on time in Q2. There will be, you know, depending on what we will see by then whether it's end of April or end of May there will be a netting of basically the balance sheet position with…this is why we said EV. So if we get the benefit of cash flows coming in in Q1 plus April/May this will be obviously netted as part of the transaction with the working capital transfer.

Charlie Brennan
Perfect, thank you.

Operator
The next question from Frederic Boulan with Bank of America. Please go ahead. Boulan you line is open.

Frederic Boulan

Yes. 2 questions from my side. One on the on the US side, if you can provide us an update on where you see the…so you mentioned on the sales efforts, but anything you want to share in terms of product position and traction that you've seen at this stage?

And then secondly just to clarify on the commentary around maintenance, I think you mentioned 7% so if you can mention what kind of growth you expect this year and just for us in terms of modeling on the subs and SaaS side just to confirm you're not going to provide any split going forward there? Thank you.

Jean-Pierre Brulard

Good evening Frederic. So I will take the first one. So in a way, as I mentioned earlier we have completed the initial targeted recruitment in the US. So and we are…I'm very glad as well about to have attracting a good talent which is not obvious for a non-US company in sales as well. So we have a very good answer for the market of talent. So now they are all in board. As I mentioned in CMD they are fully focused on a list of accounts which are mostly Tier 3 original banks where we would like to implement our level 1 which level A which is a best of fit software. We are contemplating as well our investment to respond to the specific product needs in the US. So it's part of the investment that Takis talked about. And I'm glad as well that we will announce, and I will be in the US in 2 weeks now our new innovation up in Florida.

And as well we have hired a lot of new executive in the US. I mentioned the Chief Product Officer that came from a major US bank and US technology provider. We are as well recruiting a new UI design architect as well and many other executives that will reinforce as well our team to take into account the specific needs of the US. So I'm very encouraged by our progress and I will spend with Takis and the team as well a couple of weeks in the US early March.

So on the second part of the question Takis if you can take it please.

Takis Spiliopoulos

Yes, hi Fred. On maintenance we had clearly another strong performance both in Q4 and also for the full year at 12%. It was definitely helped by the easier base in 2023 so the base now becomes a tougher comparison. If we look at the drivers for maintenance growth ultimately its growth of our subscription business with the value uplift we continue to see versus term license and also with the CPI locked in and also premium maintenance which is something we have started to put sales people on. And this is clearly delivering what we expected.

Now, the basis is now a bit higher, this is why we say it should be around 7% growth for maintenance in 2025. Maybe a bit higher in Q1, and then you have a bit lower growth than in Q4. This is where we should arrive. It's correct we're not going to guide for the individual components of subscription and SaaS.

Frederic Boulan
Thank you.

Operator
The next question is from Chandra Sriraman with Stifel. Please go ahead.

Chandra Sriraman
Yes hi. Good evening Jean-Pierre and Takis. Thanks for taking the question. I have a couple. Firstly, I mean you mentioned a lot of hires and interesting hires that you've made. I'm just trying to get a sense of the incremental investment. How much of it is already locked in just to get a better sense of the seasonality of these incremental costs?

And my second question is in terms of geographies obviously Q4 was very good, but I couldn't see any significant change in terms of any geography contributing to the strength. So you have any…would you like to call out any geography that moved the needle significantly? Thanks.

Takis Spiliopoulos
Hi Chandra. Okay on the costs we have seen some slight you know pickup as I mentioned on sales and marketing in R&D costs in Q4, but this is obviously not yet visible for the full year. So I would expect that especially Q1 and Q2 maybe also Q3 but especially Q1 and Q2 would see you know mid-high-single-digit cost increases given the easier comps for both sales and marketing and R&D. Yes I mean some people have been hired you know in December so it's visible in the exit rate. So this is why we say you know overall you should see a cost increase mid-to-high single-digit in Q1. Don't forget we still have services costs declining so let's say costs of, I don't know 7%, 8% in Q1 and similarly in Q2.

And there is as Jean-Pierre mentioned, we had front-loaded US sales hiring, but you know Will Moroney continues to hire sales people across the world. It's not just the US it's also Western Europe, UK, Ireland and clearly also Barb and you have seen some of the announcements that he's bringing in senior talent in her product organization in Q1 and this will also continue.

And this is what we have reflecting our model. Yes hiring is always usually takes longer but we are committed to our investment plans and this is what we have guided for.

Jean-Pierre Brulard

Yes, to give you some color about investment in product and technology as well. So of course, we will go a little bit more details and once Barb and I we will announce our new model for product and technology but it's basically share between products. Of course, I mentioned our US product portfolio, but let me mention as well investment around digital and around corporate banking. And we continue to innovate…to innovate on modular architecture and modular solution to innovate and SaaS and cloud architecture. And lastly and you will see that in our flagship event in May in Madrid in January as well. So it's in a way a very focused investment that we will announce at the occasion of TCF in Madrid on the 20th and 21st of May.

Regarding your second part of your question, we have a significant traction coming from Asia-Pac for the first time in the year, which was in a way I mean mostly driven by a couple of larger deals. And I'm glad as well to have seen a very large bank converting on-prem to SaaS which is basically a very good move. And as well as, I mentioned earlier, I'm feeling encouraged by a couple of SaaS transactions that we have concluded in the UK.

Chandra Sriraman

Great thank you.

Takis Spiliopoulos

Chandra and just to add on the region's question APAC saw a good performance. I think on the other regions they developed as expected. There was nothing specific actually to be said as you saw from our performance. And I think there was…yes there were a few surprises we delivered you know a good performance across the regions in line with the budget. Also on products nothing specific to highlight. Transact our core product being the main driver you know also of the performance as we had mentioned good contributions from multiple as well.

Jean-Pierre Brulard

Yes, just let me add as well that we have completed our sales-management team. We just hired as I mentioned earlier a new leader in UKI. As well I'm glad that we have hired a new leader in APAC that have immediate impact as well on Q4. And if you remember as well that we have an issue in Middle East in Q3. So we will have our new leader in Middle East starting in March. So we have completed as well all the sales-leadership under Will Moroney.

Chandra Sriraman

Thank you very much.

Operator

The next question is from Sven Merkt with Barclays. Please go ahead.

Sven Merkt

Great good evening. Can I just check how you will report Q1 and Q2? Is Multifonds moving into discontinued operations? So you will provide us with the P&L and cash flow on a continued basis?

And then secondly, how big is the Multifonds earn out of the 400 million and when would you get it? Thank you.

Takis Spiliopoulos

Hi, Sven. On the first one, no it does not given the size of the business and you know the accounting requirements Multifonds does not, is not discontinued operations. So it will be as you look at the balance sheet, it's what we call assets held-for-sale and you know the opposite side liabilities held-for-sale. So it will be reported as part of the operating business. However, because of our guidance we will clearly exclude the impact of Multifonds, but it will be visible it's not part of our guidance. Definitely for Q1 and then Q2 we'll see whether it's a few weeks 1, 2 months but it's not going to be a discontinued operation. So yes, that's what it is. What was the other question?

Sven Merkt

On the earn-out.

Takis Spiliopoulos

So the earn out clearly we have agreed with Montagu not disclose all the details of the transaction. It's something which given you know management Multifonds…the existing Multifonds management is it's also investing in the business. So it's basically aligned with you know the incentive plan for the management. So we're in the same boat. It's a multi-year earn out. The very vast majority more of 80% is up front. So we're going to get this at closing. Yes and then the remaining part is split over the next few years.

Sven Merkt

Perfect thank you.

Operator

The next question is from Laurent Daure with Kepler Cheuvreux. Please go ahead.

Laurent Daure

Yes. Good evening. Gentlemen, I also have 2 questions. The first one is, if we could have a little bit more disclosure on Multifonds to help us to deconsolidate it. Particularly I was a bit surprised on a very high profitability. Could you share with us the total revenue this company is doing and maybe a little bit of granularity on the split of revenue by region?

And my second question is more if an update on UOP which has been relatively weak for years. Do you consider now you have the right team, and do you start to see the very early signs of potential inflection in this region? Thank you.

Takis Spiliopoulos

Hi Laurent. I think we have provided already you know the details which we are comfortable with. It's again part of the confidentiality with the buyer. We said you know think about there was a sizable maintenance base in the business. Multifonds was a highly profitable business. There was also some services. I think this is as much as we can say.

Jean-Pierre Brulard

And hi Laurent, it's Jean-Pierre. So in your second question as well. So we have made a couple of changes in our European operation. Last year we have 2 teams. In a way a geographic team and a strategic account coverage about the Top 10 accounts that we have in Europe. So in a way we came back to a more linear organization based on geography and across 4 different sub-regions. I already mentioned that we changed our leadership in UKI. We have done the same in France and Benelux as well. A new leadership, and the rest is organized around Southern Europe and Germany and Eastern Europe which was traditionally working well, because it's a market of first equipment. It's more a market of buyers that build. As well I met a lot of customers in Europe. So in a way they're all waiting for us just to release our modular architecture. It's a different market that in the US or in emerging countries. And as I said before I'm encouraging with the first SaaS success that we have in UKI. And we will double click on the wealth where we have a very good traction across a couple of countries. But we would like to extend to countries like the UK for instance which we have a sweet-spot in Europe.

And lastly as well we are fortunate to have a Top 10 Tier 1 and Tier 2 banks in Europe that in a way are ready to develop all there, I mean, investment with us as well. So if I summarize in Europe 3 priorities UKI, wealth and strategic account.

Laurent Daure

Great. Thank you Jean-Pierre.

Operator

The next question is from Michael Ford with Vontobel. Please go ahead.

Michael Ford

Hi. Good evening gentlemen. Just 2 more questions on Multifonds. Sorry to get back on that. I was just puzzled by the high profitability of the business and you're selling it for an EV of 400 million. If you can share any comments on the valuation and your motivation to sell the business for what seems at least a low price. Maybe tying into that you're taking out only 50 million of the 28 EBIT target as well. So that implies that you wouldn't expect any growth in that business. So maybe that explains the low valuation. Anything you can share in addition, please.

Jean-Pierre Brulard

Yes. Let me start with the strategic reason first. As we mentioned in CMD as well we would like to focus on really what's matter for us which is our core business. And it's fair to recognize that Multifonds was ring-fenced within the organization in terms of go-to-market in terms of products. And we will never…got I mean, the in a way the interlock that this business will deserve with the main Temenos. They are mostly in very few limited Tier 1 banks. And the personnel within the account as well are far different. So in a way we have made the strategic assessment of Multifonds. And we are considering different options as well to keep in the landscape of terminals. And we have pros and cons. And at the end as well we have taken the strategic decision to put terminals on the market. And we are satisfied with the transaction we have done with Montagu.

And I will hand over to Takis to give you the reason why we are glad with the results of the transaction.

Takis Spiliopoulos

Yes. Hi Michael. Indeed we're very happy with the outcome. EV is a good number. And let me respond to the question from 2 different angles. So #1 why is the 2028 target now only 50 million less.

As we mentioned a couple of times Multifonds had a very strong 2024 year you know, on the back of a relatively weak '23. Also held by a strong finish to the year. So clearly we would not expect this performance to continue. If we look at the Business Plan we had. So clearly there is an outsized impact in Q4. That's Reason #1.

Reason #2, which you don't see but contrary to the rest of the products. Multifonds has really only started in the second half of '24. Its transition to SaaS. We mentioned they had a good ACV quarter. Now you know what this means if you transition to SaaS. There will be a multi-year headwind to your model. And that was also something clearly we didn't want to carry forward. So it's not visible but clearly it's visible in the investment plan that this SaaS transition is only starting.

And then finally, we mentioned that we want to be focused in our R&D investments. Clearly the Multifonds business for the transition to SaaS is also requiring quite some investments. For us this explains why we think they are better owners for this one.

And then finally on…unfortunately this is not the way buyers look at. They look at, and I think we gave in the footnote, the adjusted cash EBITDA multiple. Now, there is limited amortization within the business. So the EBITDA is maybe slightly higher than the EBIT. But the way private equity looked at this was clearly you need to subtract a number or a plethora of items. Standalone costs, day-to-day adjustments for the billing. We book…you know, how we book subscriptions. There were sales commission, a number of adjustments which basically then get you to an adjusted cash EBITDA which is materially lower than the basically reported EBIT. And this, you know the 20 to 24 times cash adjusted cash EBITDA multiple depending on the year, I think this is a good outcome and was really in line with the similar transactions. Yes, so there's a bit long response, but this is how we think about this and why we're happy with the EBITDA of 400 million.

Michael Ford

Okay, thank you. That's very helpful. Thank you.

Operator

The next question from Knut Woller with Baader Bank. Please go ahead.

Knut Woller

Yes, thank you. Just 2 quick questions.

The first one, looking at deferred revenues, they have been down 5% year-over-year in Q4 and showed the lowest sequential uptick with a plus of 45 million quarter-over-quarter in many years. Can you just give us some more color here what drove this development?

And then secondly, can you also please provide some more color on the one-off tax benefit that you cited in 2024, and that you expect to persist in 2025? Thank you.

Takis Spiliopoulos
Yes. Hi, Knut. Let me take those 2 questions maybe first on the tax rate. As you've seen, the underlying tax rate was 20.7%, in line with our guidance range for 2024. And we're actually structurally going in the right way. So the underlying one for 2025, we see at 19% to 21%. So clearly, we're moving in the right direction. We had in 2024, success on a few, call it uncertain tax positions and tax filings from prior years, which we benefited from, I think this is what it is. And I think the same, if we look at, you know, what we have done now, we're definitely going to see, you know, we've been conservative in the past. And clearly, those, you know, those uncertain tax positions are moving, you know, in our favor. And, you know, also tax authorities are usually worried late with confirming some of the filings. So these are, you know, what we will call one-off benefits in the amounts we have stated.

On deferred revenues, yes, we grew, I'm not sure about the absolute number, but the growth was just 1%. That's correct. I think if you look at, you know, deferred revenues, the balance sheet is, you know, it's clearly without Multifonds. Yes. So you don't like-for-like view on deferred revenues. We had a health increase in our deferred revenues, including funds, which is masked by the, you know, assets held for sale accounting position. So that's clearly one reason.

Secondly, there was quite a substantial negative FX impact on our balance sheet at the end of the year. And, you know, deferred revenues is a balance sheet position. So clearly recurring revenues are constant currency, but it's not really comparable to the balance sheet movement.

And finally, you know, I think 2023, we had 14%, deferred revenue growth and recurring revenue growth was lower. So clearly there is some timing difference. However, I think what's more important, I think we'll see deferred revenues growing in the next few quarters also due to be comparatives. And, you know, the momentum we have in maintenance and in ACV growth, you know, should support an acceleration in deferred revenue growth. But I think we're guiding on enough metrics and yes, I think that's…that should be okay for now.

Knut Woller

Thank you very much, Takis.

Operator

Ladies and gentlemen, that was the last question. I would now like to turn the conference back over to Jean-Pierre Brulard, CEO, for any closing remarks.

Jean-Pierre Brulard

Thank you. Thank you for your time, your question and your support. It's a long journey, but let me reiterate my full confidence for our midterm plan by 2028. I look forward to seeing you in our earning calls in April and as well to welcoming you in our Flagship event Temenos Community Forum in May 22. And we have pleasure to announce that we will restart the investment breakout during this event as well. Thank you a lot. Have a nice evening. Bye.

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