Final Transcript

InterCall

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Corporate Participants

David Arnott

Temenos

Max Chuard

Temenos

Presentation

Operator

Good afternoon ladies and gentlemen, thank you for standing by and welcome to the Temenos Q4 and Full Year 2012 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'll need to press star one on your telephone. I must advise you this conference is being recorded today, Tuesday, 26th February 2013. Your speakers today are David Arnott - Chief Executive Officer, and Max Chuard - Chief Financial Officer of the company. And with that, I will hand the conference to David Arnott, please go ahead sir.

David Arnott – *Temenos*

Thank you operator. Hello everybody and thank you for taking the time to join the call this evening. I'll start with some thoughts on the fourth quarter 2012 and the full year performance and on the market backdrop as we see it at the moment, before handing over the call to Max to talk about the financials, at which point, Max will hand back to me to talk about the guidance for 2013.

So moving on then, if you turn to slide four of the presentation that you should have been able to download from our website, in the fourth quarter we reversed the trend and returned to growth. We delivered a strong fourth quarter on all KPIs which allowed us to deliver full year 2012 within our outlook range. As we discussed at the time of our Q3 results, we've continued to see strong sales of products with shorter sale cycles and quicker time to value, with a depth of our multi-product offering really coming through in the quarter. Internal execution is continuing to improve and we're seeing the benefits. Following the strong fourth quarter, we're optimistic about our prospects for 2013, our confidence is further increased by our profitability being underpinned by maintenance which now stands at over $200 million for the first time, and our lower cost base of $360 million which is already locked in. Temenos is a highly cash generative company with a strong balance sheet which enables investment in the business, including industry leading R&D spend and funding for targeted acquisitions, while still providing for returns to shareholders. Given the maturity of the business as a whole and the confidence that we have in the future, I am pleased to say today that we are proposing the initiation of a regular annual dividend.

Turning now to slide five, Q4 was strong on all the KPIs we set ourselves. We delivered like for like licensed growth of 17%, with maintenance growing 5% to over $200 million underpinning future growth in both revenues and cash flow. The recovery and licensing, combined with better cost control, saw adjusted [EBIT] rise 36% in the quarter, with adjusted EPS more than doubling. Cash conversion was over 100% for the year, contributing to leverage of just under one times at the year end, both metrics in line with our outlook.

If you turn now to slide six, as we said in Q3, the market continues to look for products with shorter sales cycles with quicker payback. This plays to our multi-product approach where we saw growth in private wealth management, business intelligence and channels, the latter of which benefitted from our acquisition of IPK at the end of Q3. We also saw greater resilience in Q4 in core banking after six quarters of decline, and I'll come back to talk about that in a moment. In Q4, we also saw good sales in Europe, while certainly not wanting to call a turn in the market Europe is showing signs of stabilisation. The Americas were strong, albeit off a relatively low base. APAC and the Middle East and Africa were weaker in the quarter but, with new management teams in place since the start of 2013 and the fundamentals remaining in tact, we would still expect a good performance from these regions going forward. We saw strong sales into Tier One and Tier Two clients who accounted for over one-third of all our licence sales in calendar 2012. Q4 saw strong sales into our [installed] base, evidencing again the benefit of our multi-product approach and highlighting the strength of relationship we have with our customers, many of whom have been with us for many years. Q4 saw ten new customer wins, taking the total to 37 in 2013... in 2012, rather, contributing to Temenos being the only vendor to be recognised by Forrester in 2012 as both a global power seller for new customers and top global player, which is a separate category including sales to existing customers.

If you turn now to slide seven, I'd like to update you on our operating initiatives. We delivered on all our objectives in Q4; the sales organisation is now fully in place and is focussed and incentivised to sell all our products. We're clearly focussed on our multi-product base, on key areas of growth and, importantly, on our installed base. We've got a unified product team and the integration of [Edge] which we bought in September is now fully complete. Our cost reduction programme is now complete which underpins 2013 profitability but, importantly, not in any way impacting our ability to grow going forward. As part of our cost reduction programme, we've stripped out expensive central overheads; we've given full ownership to the regions whilst maintaining strong central governance. We also continue to execute strongly on projects with 43 implementation go-lives and 89 total go-lives in 2012, a huge number and the highest ever for Temenos. Our services business is now totally aligned with our product focus and tomorrow we'll talk about moving the strategy forwards by increasing the proportion of higher value added, higher margin [work] within the services. To complement this shift in services, partners will offer scale from an implementation perspective. In addition, our partner strategy is moving to the next phase with partners helping to drive licence sales especially in strategically important geographies. In summary, we're doing exactly what we said we would do back in the summer when the management team changed.

So with that, I'd like to pass you over to Max to go over the financials.

Max Chuard – *Temenos*

Thank you David. And thank you everyone for joining the call this evening.

Turning now to slide nine, I [valued] some financial KPIs for the quarter as well as the full year 2012. Q4 like for like licence returned to growth after six quarters of decline and was up 17%. However, we couldn't compensate for a difficult first half and [hence] like for like (unclear) for the full year was down 14%. Respectively, like for like revenue was up 5% in Q4 and down 3% for the full year. Despite the weaker (unclear) [revenues], the [adjusted EBIT] margin was up over the year with the Q4 margin up 8% points as we realised the benefit of our cost cutting programme initiated in July and completed by the end of 2012. Adjusted EPS more than doubled in Q4 and was also up for the full year. Finally, in Q4, we collected 140 million of operating cash flows and [generated] 97 million of free cash flow. This is our fourth consecutive year of exceeding (unclear) cash for conversion which is an indication of high quality of earnings. And, finally, we brought down our leverage to one times at the end of December.

Now turning to slide 10, Q4 for strong licence (unclear) of 17% as Europe showed signs of stabilisation and the Americas were strong. Q4 as well saw strong (unclear) in Tier One and Tier Two [banks], largely driven by [quite] a wealth margin segment. Maintenance was up, both for the full year and the quarter, with growth of 6% in Q4. Maintenance revenues for the full year have now passed $12 million for the first time. Once again, our maintenance business shows it's resilience as we would expect, given renewal rates in excess of 97%. Services saw a decline of 7% in Q4 as business felt the [large] effect of the LTM licence [revenue] with a decline of 14% which partially was offset by the move towards higher value services. Adjusted operating cost declined by 6%, both in the quarter and the full year, which led to adjusted [EBIT] growth of 36% in Q4. Adjusted [EBDA] margin was up two points, two percentage points for the full year, driven by lower cash cost which demonstrates our focus and success in taking cash cost out of the business. These are good achievements in a year which saw a decline licence [renewal] by 14%.

On slide 11, like for like revenues were up 5% in the quarter and down 3% for the full year. As I mentioned previously on the first slide, maintenance business once again showed its resilience and like for like growth at 5% for 2012 driven by high renewal rate [as discussed]. Services revenue declined 10% on a like for like in Q4 and declined 3% in 2012, which is less than the 14% decline licence for 2012. This represents a (unclear) to ensure that we are continuing to make use of the level of dependency of our services revenues on new licence. We've been able to successfully sell additional services into our [plan base] such as upgrades, expert services and training which is a trend we expect to continue and (overtalking) margin improvement in the business.

On slide 12, like for like cost were down over 8% in the quarter versus Q4 2011, with Q4 cost base less than in Q3 as we continued to realise the benefit of our cost cutting plan announced in July. As I said, this is now completed. On a full year basis, like for like costs were down 3% which is less than 6% decline on reported basis and the difference is due to the Forex movement as the dollar strengthened during that period of time which reduces our cost base.

On slide 13, briefly on the below the line, our Q4 adjusted [EBIT] grew by 36% which turned into an adjusted (unclear) growth, adjusted EPS growth of over 1%. This was driven by lower finance charge, lower FX and lower tax charge. As you can see and as I have mentioned during the last quarter, the majority of the 2011 tax [year] was taken in the final quarter of the year compared to in 2012, which was more evenly spread. And, finally, as I said, adjusted EPS was up 1.1% for the full year.

On slide, turning to slide 14 now, our full year cash conversion was at [one and two percent] in line with our guidance. As the chart shows, for the last four years we've been able to achieve more than 1% [EBDA] conversion to cash flow which underpins the quality of our earnings. We've been able to achieve, even in difficult times, which shows a resilience of our cash flows and I think this is the graph you can see on the right hand side. This is a KPI that we continue to track as it clearly shows that over the last four years, on an adjusted basis, [operating] cash flow has been very resilient even in a difficult environment.

In the appendix you'll find a slide showing [DSOs] including a revised calculation that is now aligned to industry norms. The previous definition backed out deferred revenues from the calculation and was used more as a proxy for working capital tied up in the business. To accurately reflect this new calculation, we've made some change to our presentation of accounts [receivables] and deferred revenues. Previously when billing customer for maintenance before the maintenance was due, we would book in accounts receivables with a corresponding amount in deferred revenue. Under our new reporting, we are netting this amount which will result in lower account receivables and deferred revenue balances. This has the largest impact in Q4 as most of our maintenance billing occurs in this quarter. This we believe more accurately reflect the definition of resalable assets and we believe it is a true reflection of our financial position. As you can see, over the year, [DSOs] decrease primarily due to the high upfront cash payment and shorter implementation time. However, in 2012, we were not able to compensate for the decline in revenues with higher receivable collections since most of the outstanding balance is tied up in [products] that are still in implementation. Looking forward, we expect DSOs to continue to decline by 10-15 days per annum, driven by a shift of [safe] to existing customer, increased partner involvement, and reduced implementation times.

Looking at slide 15 which gives a view of our balance sheet, the strength of our Q4 cash collection and our rising EBDS reduced our leverage to one times at the end of the year. Now this is excluding 2.9 million of Treasury shares; so if you include those Treasury shares, the leverage goes further down to point five times EBDA. This combines with our [preferred], provides a significant (inaudible) to pursue acquisition, along with returning cash to shareholders.

This leads me now to the next slide, which is slide 16. And as David mentioned in his opening, Temenos is a highly cash generative company with a strong balance sheet which enables investment in the business including leading (unclear) and funding for targeted acquisition whilst still providing for returns to shareholders. Given the maturity of the business as a whole and the confidence that we have in the future, we are pleased to say that we are proposing the initiation of a regular annual dividend. Our policy is to distribute a sustainable to growing dividend with a 2012 dividend of 30 cents, or 28 Swiss Franc cents, payable at the end of May. Obviously this is conditional of shareholder approval.

Now, I'm going to talk on slide 17 about the 2013 guidance which is, as I said, in slide 17 where I will discuss the guidance. And first I'd like to highlight at this point that we are moving to a non-high finance measure so from an adjusted measure which is in line with industry best practice, full details can be seen in the appendix on slide 28 and 29. It is worth noting that in 2012, there will have been no difference between our guided adjusted EBIT or a [non-I5] EBIT and the full reconciliation is shown in the appendix. So, now, for 2013, the guidance is as follow. Non-I5s from new growth of 2.5% to 5.5%, which implies revenues of $462 million to $475 million at constant currency. Licence growth of 5-10%, which implies licence revenue of between one million and 138 million. (Unclear) cost base reaffirm at 360 million. (Unclear) EBIT margin of between 22% to 23.5%, implying a non-I5 EBIT of between one and two million to one [and twelve] million for 2013. We continue with the metrics of 1% conversion of EBDA into (unclear) cash flow and as well expected tax rate of circa 17-18%. Finally, one thing to point out, while we expect the licence to grow between 5%-10% in the year, we believe we'll not be at level in Q1 given the strong comparative in Q1 2012 as well as in Q1 2011.

So with that, I'll pass back to David.

David Arnott – *Temenos*

Thank you Max. If you turn now to slide 19, as I'm sure all of you are aware, we've got our analyst and investor event tomorrow in London at which we'll be talking in detail about our strategy to achieve both our 2013 guidance and also to provide some medium term targets, so I really hope that as many of you as possible will be able to join us, either in person or on the webcast for that event.

The final slide, therefore, slide 20, deals with our medium term targets. We've included this here because there's a requirement to put these out while the markets are closed, clearly there will be a lot more flavour around this tomorrow, so let me quickly walk you through the medium term targets we'll be discussing tomorrow.

We expect at least 5% total revenue growth and at least 10% licence growth on average every year. With this growth will come economies of scale, higher services margins, all of which will lead to 100 to 150 basis points of margin expansion, EBIT margin clearly, on average per annum, and therefore our maintenance equation will hold true. The maintenance equation we've talked about for many years is one whereby increases in maintenance revenue flow through to profit increases and additional revenue growth is re-invested in the business. Driven by more cash upfront, a trend towards shorter projects and increasingly partner-led implementations, as well as a different profile for our services business, we expect to see cash conversion in excess of 100% every year.

So, to summarise then, you can hopefully hear from this call, we're very optimistic about 2013 and beyond, we've got a clear strategy in place to address a well-defined market opportunity that is increasingly aware of the need to change their systems to support both margin growth and to retain customers. We've had two quarters of improved execution on all our metrics and there's real momentum in the business. I've deliberately kept this presentation reasonably short given our investor and analyst day tomorrow, so I look forward to updating you in more detail tomorrow where I'll be joined by the rest of the management team. So with that, operator, I'd like to open up the call for Q&A please.

Questions and Answers

Operator

Thank you very much indeed, sir. And as a reminder, to ask a question please press star one on your telephone keypad and wait for your name to be announced. Your first question from Barclays, comes from Gerardus Vos; please ask your question.

Gerardus Vos – Barclays

Hi, good afternoon all, just a couple of questions. First of all, could you just provide a little bit of insight in the pipeline going into the first quarter and, secondly, did T24 return to growth in Q4? And, finally, perhaps you could just give us a little bit of insight in the, sorry, in the service model how you expect that to change and I picked up that you also want to change a little bit to an indirect sales model with third party integrators there, so perhaps you could give us a little bit of insight into that? Thank you.

David Arnott – *Temenos*

Hi, Gerardus, this is David, I was scribbling as fast as I could but give me a second here. So, first of all, pipeline for the first quarter; we, as you know, we don't guide on quarters specifically but there's been a very consistent trend since we realigned around a regional model, two of the regions were put in place last year, they saw an immediate impact, both Europe and the Americas benefitted [from it] having the best people back in the front line and that drove growth in both those regions. The Middle East and Africa and Asia took slightly longer to bed down and therefore those numbers, especially Middle East and Africa were marginally below expectations. But the common trend for all four regions is that the new regional organisation with the sales and the account management organisation has been consistently building pipeline now for six months. That pipeline is continuing to evolve exactly along the strategy you would expect, so faster in emerging markets, so faster in the Americas, so Latin America, Middle East and Africa and Asia. Europe, we did see signs of stabilisation in the fourth quarter, we actually had a great fourth quarter in Europe, definitely too early to call a turn around but clearly signs of stabilisation. And there was a clear move towards a stronger focus on the installed base which I believe you spotted in your report earlier this week. We have a very significant opportunity in our installed base which, if we address it properly with the right level of account management organisation, and the right people in the right geographies and the right go-to market, is a huge opportunity. So the pipeline is developing nicely, I won't comment specifically on Q1 other than to comment that if you remember at the time we did say Q1 last year was a reasonably strong quarter. So, in terms of pipeline evolution, I'm very happy with the way it's going.

T24, we had a good fourth quarter on T24 in the core banking space. You'll see tomorrow some slides where we talk about the dynamics around the core banking space – it is by far the largest addressable market over the medium to long term; however it is the most sluggish in terms of short term growth. We did very well in Q4, maybe leave me until tomorrow to give you a bit more flavour on that.

Gerardus Vos – Barclays

Okay, fair enough.

David Arnott – *Temenos*

In terms of partners, there was a question there on the services, maybe I'll try and cover that one tomorrow but... so the sales... let me cover the one I remember here. So the sales model with partners increasingly it's been an implementation led partnership in the past, but as you will, as you'll see tomorrow, and as we've talked about for the last few years, increasingly it's been a sales-led relationship. We've said here that 14% of our licensing comes from partners - that is an increasing trend, every year it's increased steadily, it's not hit an inflection point or anything like that but increasingly it's moving towards primarily a sales driven relationship instead of relationships rather than implementation.

Gerardus Vos – Barclays

Okay, thank you very much.

David Arnott – *Temenos*

I missed one there on services but I'm pretty sure it's covered tomorrow. If not, we'll talk afterwards.

Gerardus Vos – Barclays

Okay, fair enough, thank you.

Operator

Thank you very much. Now from Vontaobel, you have a question from Takis Spiliopoulous; please ask your question?

Takis Spiliopoulous – Vontobel

Hi David, hi Max. Two questions from my side. Number one would be what's the share of private wealth management in your licences in Q4, in percentage? And, second, would be on the service business, originally you always had planned to return the service business to a double digit EBIT margin sometime in the future – can you update us on the time schedule for this one? Is break even still realistic for 2013? Thanks.

David Arnott – *Temenos*

Hi Takis, this is David. Let me take both of those. So, first of all, private wealth we've avoided giving splits by segment by quarter because it can be very lumpy but what I would say is that private wealth, both to the installed base through our progressive renovation story is going to our installed base on the T24 side and selling them a front end solution was very successful in the fourth quarter. Secondly, as an entry point to banks for the first time in the fourth quarter, going in for a shorter time to value project like replacing a front end and subsequently coming back for the back end was also extremely successful. So, a good percentage of the fourth quarter was in private wealth – I would say around 20-30%. And, within that, the other key driver was obviously T24 stabilising, but I'd rather not be drawn every quarter into those sort of numbers but there is real momentum in the PWM business. And, again, we'll, not to labour the point, but we'll try and give you a bit more flavour on that tomorrow.

Services margins. Services margins I would expect to trend towards break even next year, not fully confident they will get there in one year – it's much more important that the services margin is there to protect a one off move towards partners. If we're successful in passing the growth to partners, they will make significant money on the SI side which will really accelerate the licensing channel for us, so it's much more important that that works smoothly than a few percentage points on the services margin which, ultimately, the whole thing is one big T24 deal. So, I would estimate that we would probably end up slightly behind break even fully loaded services next year but definitely trending in that direction. And over the medium term, there is no reason why our services business shouldn't return to industry standard margins over the next few years. The drivers are clearly moving towards more product [type] expert services which is high margin and therefore funds, low margin implementations and also leveraging the fixed cost of running a global services business around an overhead infrastructure that is probably fixed in absolute terms, even up to five or six times in the size of Temenos today. So just washing out those two drivers over the next few years will get us back to industry standard margins.

Max Chuard – *Temenos*

Maybe to add, Takis, we expect, in the medium term, services as a total of the contribution to revenues to be smaller and smaller and, in 2012 was down 27%, we see, you know, this going more towards the 25-20% in the future.

Takis Spiliopoulous – Vontobel

Okay, thanks.

Operator

Thank you very much. Now from Morgan Stanley, you have a question from Adam Wood; please ask your question?

Adam Wood – Morgan Stanley

Hi David, hi Max, congratulations on a strong quarter there. Just maybe a few, if I could? Just first of all on the guidance for next year, you're obviously guiding to licences being up at both ends of the range, could you maybe talk a little bit about what's built into that and can you do that if the business continues to be driven by smaller deals and add-on products, or are you assuming some big deals come back and that Europe and maybe the core banking business recovers? And then, secondly, if the business does get better from here, can you talk a little bit about the leverage on the cost base, and if we get more licences in, how much do costs go up to compensate for that and are there any examples you can give us of that up-sell on the install base, maybe a client that's been upgrading and what you've seen in terms of multiples of the original investment? Thanks very much.

David Arnott – *Temenos*

Okay, Adam, difficult... first of all, thanks for congratulating us on the results, very kind. A lot of this, your questions are covered in great detail tomorrow and I won't try and do that therefore without the slides, but just very briefly to talk about, to give you a quick flavour for them now. We are not clearly betting 2013 on big core banking deals; we're betting it on good solid execution against our very significant installed base. We're betting it on our progressive renovation story around the front end into our installed base on top of the T24 installed base and the shorter time to value therefore by definition relatively smaller projects around business intelligence and Edge which the channel solution sold very well in the fourth quarter. So we're also not dependent on a significant recovery in Europe – it's really contingent on stable Europe for core banking and growth drivers around shorter time to value projects in emerging markets. Again, let me give you a bit more flavour on that one tomorrow.

And the second point was on the cost leverage; again, there's some nice slides on this tomorrow so it would probably be easier to leave it till then but the natural leverage points are the services margin as I've talked about. So within services there's margin drivers, high end services, leveraging the fixed cost base, then there's the absolute driver that services as a percentage of total revenue goes down and therefore, because it's never a product margin, will drive overall margins. And that actually, if you do the maths, underpins a significant percentage of the overall margin improvement we've guided for over the medium term. And then obviously there's [GNA] leverage and sales leverage as we increasingly leverage the partner channel for sales.

Max Chuard – *Temenos*

Maybe on this one, I'll add, for 2013 I think the cost exercise on the cost reduction we introduced in the second half of last year was as well to allow us for some [speccing] investment in regions where we needed to invest. So if you want to, we start 2013 with, I would say, an organisation which is in line, and investment that is required to deliver as a guidance that was presented to you today. That's why from the 360 million [cost base] it's really a fully loaded, if you want, cost base for the year which includes, obviously, some viable as we've seen, some viable cost, and some fixed cost as, you know, we were reporting in the past.

David Arnott – *Temenos*

Is that okay, Adam?

Adam Wood – Morgan Stanley

Yes, great. Thank you.

Operator

Thank you sir. Now from BNP Paribas, you have a question from Josep Bori; please go ahead sir?

Josep Bori – BNP Paribas

Hi, good afternoon, thank you very much for taking my questions, just a couple if I may. The first one is just can we get some colour in the competitive landscape and trends, I mean, their comparative quarters [Iflex] and [Sopra] had good licence momentum and you obviously had a strong Q4 but [Infersus] seems to be struggling; so are you guys winning market share or just the tide seems to be lifting all the boats at this stage. And, more specifically, could you provide more detail on the [Nordea] deal you announced on the 18 December – how big is that deal and did any contribution fall into the Q4 figures? Thank you.

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David Arnott – *Temenos*

Okay. That reminds me Josep, I didn't fully answer Adam's question earlier about an example of progressive innovation, of course the best example is Nordea – we went back in and sold them T24 actually underneath the Triple A product. So, to deal with that one first; therefore the Nordea project has started, it's a fantastic progressive renovation story replacing [Eribanker] who was an established leader in the front end wealth space, and it's a key win for us of one of their anchor clients. And it is especially important that this is a bank making a strategic decision in Europe based on the value proposition of the strength of the product offering front to back over the medium term.

In terms of competition, we're definitely winning market share. Again you'll hear a lot about this tomorrow, not for me to comment on the problems in [Infersus] but definitely they are having problems at the moment on some larger projects. I'm surprised at [Iflex]; our understanding from Iflex is that in their core banking business, the licensing number was actually very low. However, I do believe that they made some progress in the BI space but not really in the core banking space, so we are seeing Iflex less and less or Oracle rather less and less in the core banking space and really they've been very badly hit by the strategic decision to rebuild Flexcube within the Oracle Fusion suite. So that causes two problems; first of all it means that the reference clients today are no longer reference clients of the new system when it's available. Secondly, it means you've probably got to wait two to three years until you see what the [OBP] solution looks like. This has given us a real opportunity to position Temenos as a continued strong developer of software who are not going back to scratch and rebuilding the product and the landscape is really clearing, certainly against Infersus, I would also say against Oracle, and the last competitor there would really be TCS who we do see occasionally but mostly in Middle East, Africa and Asia. In the private wealth space, interestingly, it's much less competitive, it's much more around [Avalogue] and [Eribank] here in Temenos but, as you'll see tomorrow, we also believe we're the leader in that space. So it's not a case of all, the rising sea raising all boats; we do believe we've gained good market share in the fourth quarter, very difficult to quantify but hopefully the anecdotal stuff I've just given you around the three will put it in context.

Josep Bori – BNP Paribas

Okay, excellent. And if I may just to squeeze one last one; in the deals you signed in Q4, how many of those were T24 deals?

David Arnott – *Temenos*

Can we take it off-line? I can probably find the number but I don't think it will help much. Can... Andrew will come back to you?

Josep Bori – BNP Paribas

Sure, no problem. Thank you very much.

Operator

Thank you very much. Now after a question from UBS, from Michael Briest, we'll have time for one more question. Mr Briest, your line is open, sir.

Michael Briest - UBS

Thank you. I'll leave some of the strategic ones for tomorrow. So in terms of [IPK] can you say what that contributed to licences and sales in Q4? And then looking at the cost run rate, it's a bit below 350 million in Q4; should we assume it sort of gradually increases as the year progresses and you make investments? And then, finally, just on the R&D amortisation charge, what was that in Q4 or the year? Thanks.

Max Chuard – *Temenos*

Hi Michael, this is Max. The [IPK] contribution, as such, to the numbers were obviously not material in Q4. Clearly the [channel] division which includes [IPK] is clearly growing faster but from a small base, so it's not from (unclear) view the contribution I would say just (unclear) was quite small. So that is the first one. Then on the cost side, I think you should, re-assume that we are starting the year with a cost base including viable of 360, so don't assume [it's a round park] so it would be more or less linear over quarter. Obviously a bit, you know, a bit more viable cost towards the end of the year, but I would say that you should assume that already in Q1 you were seeing a fully loaded cost base representative to the 360 million.

David Arnott – *Temenos*

Oh, and the [de-capitalisation]?

Max Chuard – *Temenos*

Oh, yes. And the [de-capitalisation] for, in fact you did not specify – was it for, the question was it regarding 2012 or what was the question on [de-capitalisation]?

Michael Briest - UBS

I mean the capitalisation number in the cash flow, but the amortisation, how much was that in either Q4 or full year – it doesn't matter.

Max Chuard – *Temenos*

Okay so in fact, amortisation for Q4 so you know we've had capitalisation for 13 million – 6 million six million was amortisation of [Capdev], and 8 million was... and 3.5 million, sorry, was amortisation of intangibles, so.

David Arnott – *Temenos*

Acquired intangibles.

Max Chuard – *Temenos*

Of acquired intangibles.

Michael Briest - UBS

And it seemed as though the restructuring in the fourth quarter was maybe a bit below what we've been led to expect; is there any reason for that or should we expect restructuring this year to continue?

Max Chuard – *Temenos*

Yes, I mean, restructuring clearly is over, as we said, last summer. People that have made, that have been noticed are now going to go, you know, over the next couple of weeks, so you will have a, I would say a small restructuring charge in the first half of the year which is basically linked to some departure dates that will happen in Q1 and Q2.

Michael Briest - UBS

Great. Thanks a lot.

Operator

Thank you. And now the final question comes from Goldman Sachs, from Prasad Borra; please ask your question?

Prasad Borra – Goldman Sachs

Thanks for taking my questions. Couple, if I may? Firstly, on the maintenance rates, could you take us through the maintenance mechanics because of your recognition on your balance sheet, is the nature of the contract changing at all with customers? And, secondly, on the completed landscape, could you also comment on the likes of SAP, how is the company landscape and are they gaining more market share, especially in the larger deals?

David Arnott – *Temenos*

Okay, let me take those relatively quickly. Thank you for the questions. So maintenance, our standard maintenance rate is 21% of licensing, so if you buy 10 million of licensing you will pay 2.1 million of maintenance every year for a minimum of five years. Under [US Gap], that flows through to the maintenance revenue line from day one of signing, so if we issue it as a discount or there's a free period of maintenance that is carved out, therefore maintenance flowed through to our P&L from the day of signing and, aside from a few percentage points of attrition, typically a very, very small number around 3-4%, maintenance grows at around 5-6% [constant currency] per year, driven by last year's maintenance plus 21% of this year's licence signings minus a small amount of attrition, and the only thing to watch out for is Forex. We can take you through the modelling more a bit offline if you like.

In terms of SAP as a competitor; we don't really see SAP as a competitor in our core market today, we've not lost a single deal to them in the last year and I actually cannot think of a single shortlist that were on the day that they also made. They're much better at surrounding the core with BI or [fashion] management or something like that. They don't really, today, have a core banking offering with the breadth, the functionality or the progressive renovation story and the established track record we do. So, today we don't see them as a competitor in the short term, having said that they are a global leader and they understand package software so they're the one to watch, in my opinion, they're the one to watch most closely over the medium term.

Prasad Borra – Goldman Sachs

And just on the nature of the contracts; is the nature of contracts changing, is the way you're negotiating with clients changing at all?

David Arnott – *Temenos*

Not that I can think of. No.

Max Chuard – *Temenos*

No, we don't change [elsewhere] maybe just to add those contracts are, those are contractual commitments for five years, so I think it's worth mentioning once we sign with the customer, it is a five year commitment on the maintenance from the customer.

Prasad Borra – Goldman Sachs

Okay, thank you.

David Arnott – *Temenos*

Thank you. So, operator, we hope to welcome as many people as possible on the call tomorrow, thank you very much for taking the time to listen to us today, and if we don't speak to you tomorrow, speak to you at the end of Q1. Thank you very much.

Operator

Thank you very much and many thanks to both our speakers today, Mr Arnott and Mr Chuard, and that does conclude our conference. Thank you all for participating, you may now disconnect.