

Full Reviewed Transcription

Temenos Group

Temenos - Q4 2023 Results

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COMPANY REPRESENTATIVES

Thibault de Tersant, Chairman

Andreas Andreades, CEO

Takis Spiliopoulos, CFO

PRESENTATION

Thibault de Tersant

Good afternoon. As the Chair of the Board of Directors and also Former Chair of the Audit Committee, I considered it extremely important to be here today to demonstrate the board's utmost support to the company and its management. And I would like to take this opportunity to thank the broad outreach and support we have received from investors and clients at this time.

The Board will oversee a thorough examination with independent third parties of the allegations made by a short seller, and we will revert with a considered response when we have had the appropriate amount of time to ensure our examination has been robust. We have a responsibility to our investors, of course, to our clients also, and of course also to our employees to be speedy, but also thorough, and we take that responsibility very seriously. Nonetheless, I think it's also important that I make some remarks in order to bring balance to the current circumstances.

Before addressing some of the main allegations, I would like to restate the obvious, which is that Temenos is a 30 year-old business serving close to 3,000 clients around the world, a much regulated industry. Its products, organization, processes, risk management and internal controls never stopped improving year-after-year. And its indicator of strength is the fact that its operating cash flow is consistently higher than EBITDA. And an answer to questions on its product's pertinence and quality resides in the very small amount of its overdue receivables and very few litigations or threatened litigations.

With this in mind, let's now review the main categories of allegations. First of all, the client implementations, of course, these are complex IT system implementations, and yes, occasionally they can go wrong for a myriad of complex reasons, which are very far from being all of them attributable to Temenos and more often due to change requests. It is never as simple as it may appear.

As a company, while we hate to lose any customer ever, regrettably, on occasion this can happen. And if it does, we do our utmost to learn from the loss and ensure that these learning's are absorbed into our future success. We statistically have very little litigation with clients. In 2023, we had 391 go-lives of our software, which is a very clear evidence to demonstrate our successful products and implementations.

Furthermore, we have an average churn of about 3% in dollar terms in our installed base, which is far better than the average churn of enterprise software. And in spite of being a very competitive market, unhappy customers generally use 2 levers you know, litigation, or threat of litigation is one of them, and we have had a very small number of them in past years and only one open at the present. And refusal to pay or lengthening of payments, which is not at all our case since we only have a bad debt overdue for more than 90 days of 19.1 million dollars at the end of 2023. And yes, DSOs increased in 2023, but this is as a result of our success in transitioning to a subscription model.

Mbanq; Mbanq is a partnership that is strategic in nature as a potential pathway to enter the BaaS market in the US. They are not a reseller who would resell licenses to end customers. In June 2021, we entered into an agreement to purchase a series of defined convertible instruments. In our interim report, we disclosed our initial investment for 19.9 million dollars. In total, we have made a total investment of 59.9 million dollars in Mbanq, and what we booked in total revenues did represent 22% of the value of these convertibles since the date of investment. All the relevant statutory information is available in our interim and annual report since June 2021.

We believe that Banking-as-a-Service where non-banks will seek to offer banking services will be a major contributor to the financial services sector in the future. For that to happen, service providers like Mbanq are going to be required as well also as software vendors like Temenos. We invested in Mbanq as we believe they will be a great BaaS provider to non-banks. We also confirm we have not made any other investments in businesses that would subsequently buy software from Temenos.

Allegation about pulling forward. Yes, our customers run mission-critical software and the negotiations can be time-consuming and sometimes quite complex following lengthy engagement and workshops. Purchases are not, of course, made off the back of brochures. Implementing a new system could take potentially years, so it's normal that discussions on renewals are engaged early. This makes good business sense for Temenos, but also for our clients. Sometimes it is just a compliance requirement for our clients that they conclude renewals with their existing core vendor well before the expiration of the current license agreement, so that they would have the option if they wanted to change providers which we need to respect. Our ARR growth indicates the fact that at the point of renewal, we generate significant value from existing customers.

Regarding the allegation of backdating contracts, we have very strong governance over contract signatures. For almost 4 years now, we use DocuSign as our contract signing software as standard.

We have a well-controlled approval process for contract execution governed by signature policies, internal audit preview and board oversight. In addition, in order to recognize license revenue in accordance with IFRS, all performance obligations must be fulfilled. And this includes the provision and delivery of software in the respective quarter.

Infinity; Infinity, we have integrated the Kony acquisition, whose R&D was mostly based in India as a great addition to our India development factory. The market segment and the enhanced value proposition are now much better aligned. We did see client attrition following the Kony acquisition, but these were residual issues not of our making, and we successfully managed the transition. We integrated the product organization into the Temenos product organization as would have been expected of us to allow us to integrate capabilities on our platform and achieve synergies. Our Infinity offering today is winning accolades and other large and prominent bank customers. We have hundreds of customers using it, and we continue to sell it.

R&D, we are capitalizing R&D as required by IFRS and have always maintained full transparency on capitalized R&D cost and amortization impact. In our Q4 results presentation, you will see the full impact of net capitalization to our profits.

In fiscal year '22, we had a 23 million dollars positive impact to the profit, whereas this reduces to 18 million dollars in 2023, which means that we are in fact on a decreasing trend of capitalization in 2023 and had less expense relief year-to-year. We capitalize efforts that result in functionality and technology that goes into our products and certainly not customization efforts.

Partners; partners are key to our business across the full ecosystem, including delivery, sales and distribution, and also Temenos exchange partners. And you will see more about how strategic partners are to our business in the presentation today and tomorrow. A large majority of our 2023 go-lives were managed by our partners. The vast majority of our sales, however, are direct sales. And as an example, in 2023, only 4% of our total software licensing revenue was derived from sales to partners.

Well, now, I will not use more of your patience with the allegations today, and I will let you draw your conclusions based on my comments and also on the results of the examination we will run. One of the strengths of Temenos is to be in a leading position in a growing market, and this is what we are going to review with you now, and I will hand it over to Andreas now.

Andreas Andreades

Thank you, Thibault. Good afternoon and welcome to our Q4 results call. I will first talk through our performance, the market environment, and some of the highlights from the quarter before handing over to Takis to run through the financials.

But before I do that, let me summarize the substance of what I'm going to say today. I'll say 3 things. In the last 18 months, we successfully changed the model to a recurring revenue model. We delivered a successful 2023 with increasing cash flows and of course all other KPIs. And thirdly, we are confident that we will deliver on our 2024 guidance based on where we ended 2023, and of course subject to extraneous factors.

Now, let's talk about Q4. Our Q4 results are in line with the pre-announcement we made in January with annual recurring revenues, total software licensing, EBIT and EPS, all well above guidance. We have now also given our EPS growth, which was 4% for the quarter and 13% for the full-year, again well above the guidance we gave.

I was particularly pleased with the growth in annual recurring revenue, which is our key KPI. Our ARR grew 16% in 2023, with a significant portion of the growth coming from upsell and cross-sell of the installed base. There is a slide in the presentation that in my view summarizes the year very well, I believe it is Slide 15.

If you do the math, our retention rate from the existing customer base or what the industry tracks us on net retention rate, NRR is a very strong 12%, so 112%, if you like. The down-sell within that number is very small indeed. The new logos bring the overall growth to 16%. This means a couple of things to me. Firstly, that the customer base is buying our products in earnest, i.e., cross-selling works. So a core customer buys Digital or Infinity as we used to call it, or payments or a retail or corporate customer extending in wealth, for example. It also means that clients are successfully renewing their agreements with us and when they do, there is a strong value uplift at the point of renewal.

We reached 730 million of ARR by year-end, which represents 84% of our product revenue in the P&L. We are seeing strong value creation in both subscription and SaaS deals and we have maintained a consistently low rate of churn across the entire client base of around 3% per annum on a dollar basis.

Our subscription transition is now substantially complete and our SaaS business have continued to grow. SaaS ACV this quarter was driven clearly by some incremental signing with new clients, in particular in Europe, and some additional volume consumption from existing clients. Whilst the absolute ACV number can be volatile between quarters, we have seen resilient growth in SaaS revenue, up 19% in the quarter and 25% for the full-year, and we expect stronger SaaS ACV over the coming quarters.

The sales environment remains stable through the quarter and we had a strong performance in Europe and the Americas in particular. We continued to see positive development in our pipeline and closed a number of important deals in the quarter. This included a deal with a Tier 1 US bank for their international corporate banking call after they already signed with us in 2022 to renovate their international private bank. We had a number of other clients renew and extend their relationship with us, including a global Swiss-based private bank and a leading European bank which renewed their use of Infinity, our front office digital platform. We also had a good level of contribution from Tier 1 and 2 clients at 60%...46% in the quarter, and 43% of total software licensing over the last 12 months, which is back at pre-pandemic levels. I'd also note we have not seen any impact from the conflict in the Middle East and we'll continue to monitor, of course, this closely.

We continue to invest in our salesforce. We announced at the start of the year the appointment of Will Moroney to President International, Phil Barnett continues to run our Americas business and both have now joined our Executive Committee. We've also made other external hires and internal promotions in several regions.

Earlier this month, we announced that we had achieved a net promoter score of plus 54 following a survey of over 900 customer contracts. NPS, an industry standard KPI, measures the propensity of customers to promote Temenos to prospective customers. According to the NPS survey, one of the key factors driving customers to recommend Temenos to others is our product capabilities.

Our clients are putting their trust in Temenos to run their mission-critical business as our banking platform has proven its robustness and resilience over the last few years. We've also made several exciting announcements at the start of this year, including the launch of Temenos Enterprise Services. These are end-to-end SaaS services for retail business and corporate banking. They come with over 120 pre-packaged banking products and 700 pre-configured APIs, enabling banks to rapidly deploy software solutions and significantly reduce modernization costs, complexity, and risk while accelerating time to value.

We also recently announced program LEAP. It's a new AI-powered offering that helps customers to modernize faster and to quickly move to the latest cloud native Temenos Technology. We'll be talking more about this initiatives and our approach to AI at our Capital Markets Day tomorrow.

I'll now hand it over to Takis to talk through the numbers for the quarter.

Takis Spiliopoulos

Thank you, Andreas. Starting with Slide 13, I'll give an overview of the quarter. All figures are non-IFRS and in constant currency, unless otherwise stated.

Having substantially completed our subscription transition, we have seen strong growth in ARR which reached 730 million by year-end, up 16%, also helped by the growth in SaaS and maintenance. Subscription revenue was up 40% to 67 million in the quarter. And as Andreas said, subscriptions were 67% of the license mix for the full-year. We have very little term license remaining in the pipeline for 2024, therefore subscription will be an even higher percentage of the mix this year. I think at least 80%.

SaaS revenue grew 19% in the quarter and 25% for the full-year with ACV of nearly 9 million. I appreciate this is low compared to other quarters, but ACV can and will remain volatile between quarters. However, please note that SaaS revenue also benefits from overages where we charge clients a premium for volume consumption over their contractually committed amounts. I also expect ACV to increase in the coming quarters based on our visible pipeline of deals, so I'm confident to deliver very good SaaS revenue growth in 2024 and beyond.

Total software licensing was up 6% and maintenance was up 7%, driven by similar trends that we saw in Q3, namely strong subscription growth which contributes to maintenance in the P&L, value uplift on renewal and CPI linkages. Services also continued its growth trajectory, up 6% in the quarter, and continued to be profitable as it has been throughout 2023.

EBIT grew 5% in the quarter and 12% for the full-year, with a full-year EBIT margin of 31.3%, a 260 basis point expansion. Our cash flow continues to be very strong. And this is something we are particularly focused on, as it underpins the quality of our contracts we sign and the appropriateness of our revenue recognition policies. We generated 176 million of operating cash and 114 million of free cash flow in the quarter, and our free cash flow grew 26% in 2023.

We continue to have a strong balance sheet with net debt of 623 million and leverage at 1.6 times by the end of the year, down from 1.8 in Q3. We have announced a proposed dividend of 1.23 for the year, up 9% to be voted on at our AGM in May.

Moving to Slide 14, it's worth remembering that in 2022, we had around... we had around 10 million or so of deals slipping from Q3 to Q4 when we were impacted by the slowdown in our end market, saw somewhat tougher comparison base for Q4 this year. In this context, total software licensing was up 6% for the quarter and 10% for the full-year, driven by growth in subscription and SaaS.

Operating costs were up 7% in the quarter, as we expected with the usual seasonal trend of investments, greater cost of sales linked to higher revenues in Q4, and greater variable costs accrual in the last quarter. Operating costs were up 2% for the full-year. Lastly, we delivered 101 million of EBIT in the quarter and 313 million for the full-year, and our EBIT margin roughly flat in the quarter and up 260 basis points for the full-year.

Next on Slide 15, the ARR bridge which we have shown for 2023. As you can see, a significant portion of the ARR was generated through upsell, cross-sell and incremental volume from existing clients. We had a minimal number of clients reducing the amount of software and services they use, and similarly only around 20 million of absolute churn were clients stopped using our platform. Overall, the negative impact amounted to only 3%. Our net retention rate, as Andreas mentioned, amounted to 112%, which clearly demonstrate the growth potential in our client base and also underpins our mid-term ARR projection.

Next on Slide 16, we have like-for-like revenues and costs adjusting for the impact of M&A and FX. The figures are all organic and therefore in line with our constant-currency growth rates.

Focusing on the cost base, our services costs continued to decline, down 4% in the quarter and 13% for the full-year, while product costs were up 9% in the quarter and 6% for the full-year, reflecting the ongoing investments we are making in our platform. Looking at FX, we had a weaker Indian rupee as the main driver on our cost base. Overall, there was a 2 million to 3 million positive impact from FX on EBIT.

On Slide 17, net profit was up 5% in the quarter, slightly lower than EBIT growth with higher tax charges offsetting lower financing costs and FX. EPS for the quarter was up 4% and it was up 13% for the full-year.

On Slide 18, our 2023 last 12 month cash conversion was 118%, above our target of converting at least 100% of IFRS EBITDA into operating cash. We also expect our cash conversion to be at least at 100% for 2024.

Slide 19 shows the group liquidity; we have the key changes over the year. We generated operating cash of 392 million and ended the year with 107 million of cash on balance sheet and net borrowings of 658 million. Our leverage was 1.6 times, and I expect it to decline further through 2024, excluding the impact of potential M&A.

On Slide 20, we've had our 2024 guidance which is non-IFRS and in constant currency. We are guiding for ARR of about 15%, as we continue to benefit from growth in subscription and SaaS revenue. We expect total software licensing to grow 7% to 10% and EBIT to grow 7% to 9%, reflecting the investments we plan to make this year, in particular, in R&D and sales. We are guiding for EPS to grow 6% to 8%, with our tax rate expected to move up to between 20% to 22%. And lastly, we expect our free cash flow to grow at least 16%. We have put the EBIT and free cash flow breaches into the appendix for your reference.

With that, I hand back to Andreas to conclude.

Andreas Andreades

Thank you, Takis. And so to conclude, we are successfully moving forward with a recurring revenue business model with ARR of 730 million dollars at the beginning of this year, up 16%, representing 84% of our product revenue and with very low churn, but even more importantly, a significant contribution to growth from the existing base.

Our subscription transition is substantially complete, and we see growing demand for SaaS and cloud across clienteles. We're expecting to see the first of our Tier 3 to 5 customers migrating to SaaS and cloud on renewal.

Our strong growth in ARR is also driving our free cash flow, which grew 26% in the year, and we are forecasting free cash flow to grow at least another 16% in 2024. We've had a good 2023 with strong cash generation, and we are confident in '24, subject to, of course, extraneous factors.

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

QUESTION & ANSWER

Operator

We will now begin the question and answer session. Anyone who wishes to ask a question or make a comment may press * and 1 on their touchtone telephone. You will hear a tone to confirm that you have entered the queue. If you wish to remove yourself from the question queue, you may press * and 2. Anyone who has a question may press * and 1 at this time.

The first question comes from Frederic Boulan from Bank of America. Please go ahead.

Frederic Boulan

Hi, good evening. Thanks a lot for taking my question. So, if I can come back on 2 points in the initial commentary from Thibault. So, firstly on Infinity, if you can share with us an update on the number of go-lives you've seen on Infinity in 2023, maybe from a growth basis also, net number of customers win, and if you can give us any perspective on how that's been trending versus 2022?

And then coming back on Mbanq, so you gave some useful background on that, but can you share with us again the kind of revenue that you've done with them and the specific timing of the investments you've done in the business? So I think you mentioned the initial 19.9 convertible into total 59.9, if you can explain a little bit the phasing of those investments and revenues in front of it. Thank you very much.

Adam Snyder

Fred, it's Adam here. So on Infinity, we haven't broken out the go-live, so that's not disclosed. But as Thibault said, there were multiple deals signed in Q4, and we have hundreds of clients live on that software. I'm going to hand over to Takis to talk about Mbanq.

Takis Spiliopoulos

Yes. Hi, Fred. So on Mbanq, to be a bit more specific, the investments were done as reported in the interim and full-year report. So there were you know, 20 million done in 2021 and 40 million done in 2022. That's on the investment. The revenue recognized was about 11 million in 2021 and 2 million in 2022. Mostly it was licensed, and clearly they bought software for their platform to scale their platform and to enable their growth, which you know, they have been delivering.

So no revenues taken in 2023, minimal in 2022 and none obviously going forward.

Frederic Boulan

Thank you.

Operator

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

Chandra Sriraman

Yes. Hi. Can you hear me?

Takis Spiliopoulos

Yes, we can hear you fine.

Chandra Sriraman

Perfect. So, yes, just a few questions in terms of the building blocks of the guidance. Takis, can you just give us how fast maintenance will be going? We have seen a step up in terms of maintenance growth in '23. Should that be sustained as we look into '24? And services, should we now look at a sustained recovery in terms of services, given that now the overall business in terms of new deals is moving in the right direction? Any comments on that will be helpful. And I have a follow-up.

Takis Spiliopoulos

Yes. Hi, Chandra. Maybe first on maintenance. Clearly, we have seen a very good trajectory, starting from 3% in Q1 '23 and then 7% in Q4 '23. Now, clearly, there is more to come. We would expect maintenance to grow on the full-year, you know, also, given a bit the tougher comparison base, around 5% to 6%. 5% to 6%, adjusting you know, for some hedging gains we had in 2023. But I think that's about what we expect. You still got the same trends, the uplift on renewals, the CPI having a good impact.

On services, the business model on services, i.e., implementation with partners as the preferred route, which Andreas and Thibault have mentioned, says clearly we had seen all the... what we had called red projects, almost all having moved out of a backlog. So the backlog obviously contains now a much healthier mix in terms of the margin projects. We would expect services revenue to grow this year again, as we have seen crossing the trajectory in the last quarter and clearly, profitability also to improve for the full-year.

Chandra Sriraman

Great, thanks.

And maybe a quick comment on Europe, it's seen some sustained recovery over the last 3 quarters. Is this the first sign of a sustained improvement now post-COVID, or is some of these slip deals getting signed? Are you seeing the momentum build up here in terms of the pipeline within Europe?

Andreas Andreades

It's true, we saw good market momentum in Europe and progressively through the year, it became better-and-better. And I'd say 2023 is probably the most successful year we've had in Europe for quite some time now. We think it's sustainable. We haven't had much in terms of slip deals into 2023. If you recall, we also had a good European quarter in Q4 2022. And we see traction both on-prem and SaaS.

Chandra Sriraman

Thank you.

Andreas Andreades

Thanks a lot.

Operator

The next question comes from Charlie Brennan from Jefferies. Please go ahead.

Charlie Brennan

Perfect. Thanks very much for taking my questions. I'm hoping Thibault is still around actually, because I wanted to ask 2 questions on process. Firstly, I think everyone will welcome the decision to bring some externals in to do a thorough independent review. Can you just give us some sense of timelines here, I think when Darktrace did something similar last year, it took them around 5 months to come back with the conclusion of a report. Is that the type of timeline that we should be thinking about here?

And then secondly, I understand that the CEO search is still underway. Do you think you've got to get to a conclusion of that independent report to be able to get a new Chief Executive over the line, or do you think we could get that before then? Thank you.

Thibault de Tersant

Yes, Charlie. Yes, for sure, the process will be run by... first of all, it is going to be reviewed by the Board and we will get help from independent third-parties on the legal and the accounting side.

At this point, you know, we want to go as quickly as possible, but we want to be very thorough as well in order to eliminate any doubt, and get absolutely to the bottom of all the topics. 5 months seems very long to me, you know, because, I mean, we are in a very well-controlled organization with Temenos, with the processes that were implemented. So my expectation is that it's going to be significantly shorter than 5 months.

And yes, you mentioned the impact... potential impact on the CEO search. This is a little early to say, but we want to find a very competent CEO but also a brave CEO, able to go through difficulties. So it's going to be an additional test, if you want.

Charlie Brennan

Perfect. Thank you. Hopefully, see you tomorrow if you're going to be there.

Operator

The next question comes from Toby Ogg from JP Morgan. Please go ahead.

Toby Ogg

Yes, hi. Thanks for the question. Just one more on the... just on the examination. Could you perhaps just give us a bit of a sense for the depth of the examination, and just a bit more detail on sort of what exactly it will look like? And then you talked about third-parties. Again, which third-parties do you think are going to be involved in the examination?

And then just one for Takis, just on the guide for 2024, TSL guidance 7% to 10%. Could you give us a feel for how we should be thinking about the respective growth rates for the on-prem licensing piece and then the SaaS component within that? And how we should think about the visibility you have around that 7% to 10% at this point in the year? Thank you.

Thibault de Tersant

So the examination will go to all the depth that is necessary in order to get clarity on every single allegation in the short seller report.

The third-parties, we are in the process of hiring them. There will be top third-parties, you know, we are planning to hire both a top law firm in Switzerland, and a top law firm in the US, as well as a top accounting firm in order to run this.

Takis Spiliopoulos

Okay. Toby, let me take the other one. Our guidance when we put this together clearly was based on a number of elements. One is, you know, how the pipeline evolved last year and what visibility we have today. And the pipeline has clearly developed well and is supporting the kind of total software licensing growth. In terms of, you know, we have given a slightly wider range. Usually we give 2%. We have given now 3% not showing it an element of prudence. That's one point.

Now, on you know, the individual elements, you know, when I talk about very good growth on SaaS, this would mean you know, at least 20%. And then you know, the... if you want, the remainder will come from largely subscription. In terms of term, you know, we had 78 million last year. I think you should expect this to half maximum, and the rest would then come from subscription.

Toby Ogg

Great. Thank you.

Operator

The next question comes from Josh Levin from Autonomous. Please go ahead.

Josh Levin

Good evening. I have 2 questions. The first is what is the current state of Temenos' relationship with DXC? Is there currently an active partnership?

And the second question, you talked about contract signing procedures using DocuSign. Just for the absolute sake of clarity, can you... are you saying that there was no backdating? Thank you.

Andreas Andreades

I'll take the question on DXC, of course, there is an active partnership, and we're working together with DXC. They participate in our partner program and we're working well together.

Thibault de Tersant

And DocuSign... why did I refer to DocuSign? Well, simply because it's an additional proof point you know, that there is no backdating, because or at least it's a proof point of the date at which a contract is signed, because it's recorded in the system. So am I saying that there is no... absolutely no backdating? I think it's extremely unlikely that there would be based on the process that was implemented.

Now, it's the thorough examination that is going to tell us you know, if there is or not.

Josh Levin

Thank you.

Operator

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

Knut Woller

Yes, hi. Thanks for taking my questions. Looking on the DSOs, you highlighted that the rise of DSOs has been due to the transition of the business model to subscription. With the transition now almost complete, how should we think about DSOs going forward? Are there any targets you can share with us?

And then on the operating cash flow, when I look at the operating cash flow, we have seen that other non-cash and non-operating items have been a more pronounced contributor to the cash flow in Q4. Can you give us some color here, as well as, regard to the income taxes paid, which have been up noticeably in the fourth quarter? And then I have a follow-up. Thank you.

Takis Spiliopoulos

Hi, Knut. Okay. On DSOs, we ended-up doing better than what we had internally budgeted. And you know, we said 2024 will be the peak as we conclude the transition to subscription and we can confirm that. So we would expect DSOs to go down in '24 and beyond how much they will be down. I don't think we should provide even more guidance KPIs other than that they should be going down going forward.

Now on the operating cash flow, and you know, maybe I missed it. Clearly, there were you know, a number of moving parts, but there was nothing specific. We had good collection. We had all clients paying on time, and so there was nothing specific on the income cash flow strength.

Now on taxes, well-spotted., you know, we had said in the past that you know, tax payments would be volatile and were volatile in the past. And you see this also on the movement, on the tax liabilities. This comes down to you know, when the ultimate... when ultimately the individual countries or authorities or tax authorities in the countries make final assessments and basically send us the bill-to-pay and then given the still high interest rates environment, you don't want to push out. So, yes, we had in various countries, UK, Luxembourg, some other.

We had this done quite a bit in the last year. We had very good cash performance which enabled us to pay taxes as they come due and to get the tax liabilities down. From today's point of view, clearly, tax outflows in this year will be quite a bit lower. So if you want, despite the substantial tax payment, we still delivered a good free cash flow performance.

Knut Woller

Thank you, Takis. Just getting back on the other non-cash and non-operating items, they have been going up from 12.7 million in Q4 '22 to 36.7 million in Q4 '23. If you don't have the number on hand, I'm also happy to get some more color on that. But I would like to understand this movement, because it was quite a substantial contributor to the cash flow, given the adverse net working capital momentum, particularly from trade receivables.

And then on services, if I understood you correctly, you said that services have been profitable. If I look at the P&L, I get to roughly 34.6 million service revenues and 36.4 million services costs. So I'm trying to square the profitability argument here. Can you help me understand whether I understood you correctly or not? Thank you.

Takis Spiliopoulos

Yes. We'll come back on the other non-cash items. Now, on the services, clearly, when we talk about profitability, this is you know, on a non-IFRS basis, and you know the IFRS costs you see reported clearly include some of the restructuring. They include some of the bonuses accruals. So I think that's the delta to the reported number... between the reported and non-reported number. So on a non-IFRS basis, you know, it was the 2% margin we say.

Knut Woller

Great. Thank you for the color, Takis.

Operator

The next question comes from Mohammed Moawalla from Goldman Sachs. Please go ahead.

Mohammed Moawalla

Great, thank you. I had 2. First one for Thibault just to follow-up on the kind of thorough third-party review. Would this entail kind of a forensic accounting review as well in terms of its scope?

And then secondly, just on the outlook for 2022 on license plus SaaS, kind of the midpoint implies some deceleration relative to '23.

I'd just be curious to understand, you know, is this sort of being more prudent from the macro? I know you've been a bit reluctant to kind of put in some outsized deals in the outlook, but also curious to get your perspective on any kind of initial kind of customer conversations you may have had since the short seller report came out and to what extent we should think of this guidance as being perhaps a bit more back-end loaded until at least the review is completed. Thank you.

Thibault de Tersant

Yes, Mo, of course, the examination will include forensic accounting review. We are in the process of hiring an accounting firm in order to do precisely that on all the allegations having an accounting consequence.

Takis Spiliopoulos

Hi, Mo. Yes, on the guidance, the midpoint is 8.5%. Now in 2023, we started with at least 6%, we ended up with 10%. We always said you know, there is still macro uncertainty out there. We were coming out of difficult environment since Q3 '22, which has then stabilized. The market environment has remained stable so far in Q4, and what we have seen so far. And this is also our prediction for 2024. So if you want, the midpoint is actually slightly higher than what we started last year given the good pipeline development and visibility. Is there some element of additional prudence in there, maybe, yes.

In terms of back end loaded or Q1, clearly, it's too early to assess any, you know, as Andreas and Thibault mentioned, any potential negative impact of the most recent event.

Mohammed Moawalla

Great. Thank you both.

Operator

The next question comes from Gianmarco Conti from Deutsche Bank. Please go ahead.

Gianmarco Conti

Yes. Thank you for taking my questions. So firstly, could you provide some more clarity on the Infinity claims, and perhaps give some more color on how Infinity is progressing and whether you're seeing strong attraction among larger banks in US. And if you could quantify how much is Infinity contributing to your revenues into 2023?

And secondly, if you could provide some details on the enterprise services announcement and the breakdown, perhaps, you know, the LEAP program, and how much you expect this to help your TSL growth into next year? Thank you.

Andreas Andreades

Hi, it's Andreas. I'll take the questions. I'll start with Temenos LEAP. It's a significant program. We launched it at the beginning of the year. It's addressing the needs of those clients that have, for whatever reason remained on older releases, older architecture, older technology platform. And we are putting process tooling AI together with a commercial value-proposition to bring them forward to the latest cloud-native solutions releases, so that they can take advantage of what the platform can offer today, but also be SaaS ready. So it's a... it's an important program, it's a multi-year program. It will inevitably... we've already launched it with the sales organization. It will be formally communicated to the community at Temenos Client Forum. So we expect to start ramping up revenues, if you like, from the second quarter of this year onwards. The opportunity, I may say a multi-year opportunity is significant. I'm not going to enumerate it. But as we progress the quarters, we should be able to be providing commentary around how that is developing.

Infinity, we are not breaking out either geographies or tier of banks, other than to say that progressively since the acquisition, we are actually working with larger and larger organizations. And in fact, at Capital Market Day tomorrow, I will give a couple of case studies with Infinity, and I will also provide a very important value benchmark information that we can now share with the public on how Infinity improves the bank's operations.

Gianmarco Conti

Thank you.

Operator

The last question for today's call comes from Justin Forsythe from UBS. Please go ahead.

Justin Forsythe

Thanks a lot, Thibault, Andreas, and Takis for squeezing me in. Really appreciated. So got a couple questions from me. First, Thibault, in your prepared remarks, just wanted to make sure that I caught one of your points correctly, which it sounded like in some of these instances with delays and integrations, that or maybe all of them or most of them, it should be attributable to change requests from the clients and not rather issues relating to the terminal side of the integration. And just wanted to make sure that I caught that one correctly.

Also just wanted to do a double-check on the guidance. We talked a little bit, I think, about earlier, the TSL guidance for 7% to 9%, and you unpacked it a little bit. Clearly, you've got ARR growing faster than that. Maybe you could talk a little bit about the delta there and what the key drivers of that ARR expansion are by materiality. Thank you very much.

Thibault de Tersant

The delays in implementation. No, of course, there is a vast array of reasons why there might be delays. I was simply trying to show that it's not necessarily because of the product. It can, and it happens frequently that we receive change requests, you know, because when you have a program that spans over a couple of years, the customer, the client can change his mind on a few points. And this is very common in enterprise software. But there are also other reasons, management changes, you name them. And of course, from time-to-time, glitches in the Temenos software, you know, I'm not saying this never happens, or also an implementation that is not successful in the way it is done, right?

Takis Spiliopoulos

Okay, let me take the delta between ARR and total software licensing. Clearly on SaaS, they both fully contribute to that. Now, if you look at subscription, we have the license part and the maintenance part, but clearly on the remaining term license and what we call customized development part of around, let's say, 40 million for this year, you know, you only have, you know, the term license part, which carries maintenance and which contributes to ARR. So that's clearly a number around 5% to 10%. So clearly, that's the biggest contributor. Once we have all on subscription or almost all on subscription, you will probably see a smaller delta going forward.

Justin Forsythe

Got it. Okay, very helpful. Thank you.

Operator

Gentlemen, that was the last question. Back over to you for closing comments.

Andreas Andreades

I'd like to thank you very much for attending today's call, and I hope that we'll see each other tomorrow. Thank you very much.

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