Ingenico Group
Investor Day
23 March 2016

Introduction

Adrian Dearnell

Moderator

I. Welcome

Hello and welcome, everybody. We are about to begin this 2016 Ingenico Group Investor Day to present the Strategic Plan 2020. My name is Adrian Dearnell. I will be your MC, panel moderator and Q&A moderator this morning.

II. Programme

Before we begin, I will just outline the programme of this morning. The Chairman and CEO of Ingenico, Philippe Lazare, will make some opening remarks. We will then hear about market trends from Thierry Denis. We will then go onto a moment on positioning and offer with Pierre-Antoine Vacheron and Jacques Guérin. That will be followed by a Q&A session with myself and these two gentlemen on stage, taking your questions in the room and questions from those of you looking at this webcast live, who can send in your questions to me on an iPad. We will be alternating between audience questions and online-viewer questions.

We will then have a coffee break. When we come back, we will talk about innovation with Michel Leger. We will then have a panel discussion led by myself, with region heads Jacques Behr, Patrice Le Marre, Jose Luis Arias and Oscar Bello to cover North America, Latin America, Asia-Pacific, Europe and Africa – and David Jimenez will also be in those sessions covering ePayments. We will have some Q&A on that and then we will have a financial presentation from CFO Nathalie Lomon. Finally, Philippe Lazare will wrap up with some Q&A again with you. Each time, Q&A will be online and in the room.

Without further ado, let me hand over the microphone to the Chairman and CEO, Philippe Lazare.

Convictions

Philippe Lazare

CEO, Ingenico Group

I. Introductions

Thank you, Adrian. Maybe I will give a quick introduction to make sure you know everybody. I would ask you to stand up, starting with Thierry Denis. You know Thierry. There is Pierre-Antoine Vacheron, Jacques Guérin, Michel Leger, Nathalie Lomon, Jacques Behr, Patrice Le Marre, David Jimenez, Jose Luis Arias and Oscar Bello. It is going to be a long journey. We are going to try to make it as interesting as possible. I am sure we will succeed in doing so.

II. Ambitious Plans

If we look back to 2013, we presented to you an ambitious strategy plan, which was designed to reach €1.8 billion at the end of 2016. When we bought GlobalCollect, you will probably recall that we pushed this ambition up to €2.2 billion, to be achieved at the end of 2016. In fact, we were able to get that by the end of 2015, one year ahead of schedule. As far as profitability was concerned, we were targeting a 20% EBITDA ratio as a threshold, a floor. At the end of the day, we have been able to deliver 23% at the end of 2015.

Those achievements are not the result of luck or chance. They are the result of decisions taken, most of the time I would say upstream, which are paying off now. The first example of a decision taken upstream was the decision to buy a subsidiary in China. It was in 2008; it was not completely obvious to everyone and anyone that it was a good idea to invest in China. Thanks to that decision, however, China is now the number one country for Ingenico as far as the volume of terminals is concerned, with something like more than three million terminals sold last year. We are number one in China as well, which is one of the fastest-growing markets in which we are operating.

The second example I could take would be the decision we took to invest in the US market when it was, again, not so obvious to do so. That was in 2010, from 2010-2012. We decided to invest money into one of the best teams we had to develop a local range of products to fulfil the local requirements. Thanks to that decision, which, in fact, went a bit against the tide, this year in 2015 the USA was the first market for Ingenico.

The third example of a decision taken that is now bearing fruit is the decision we made to move from a pure hardware company into a payment-services company. This was a decision taken at the very beginning of 2009. Now, we are getting 30% of our revenue from payment services. You will see in our next plan that we are targeting even more than that. The decision has been taken and implemented by a great management team, which is there, and a board of directors that supported our decisions. Now, it is time to look at the future.

III. The Future

In the electronic-payments industry – it is highly technical, extremely fragmented, not so global, and multi-local; frankly, from time, it is to time not so easy to understand, a bit obscure and non-specialist – we have tried to build our strategy plan by answering some basic questions. The first one is, 'What are we good at? What is the know-how of our company?' The second question is, 'What is the customer's need?' The third is, 'What, then, can we bring to the customer that competitors cannot?' The fourth one is, 'Which initiatives will pave the way to 2020?'

1. Our Strengths

What are we good at? In my view, it is card-present and card-not-present transactions. From a basic countertop to a sophisticated touchscreen, from a laptop or a smartphone or a tablet, we provide payment acceptance, whatever the channel, whatever the form factor, whatever device is in the hands of the merchant. From classical smartcard to NFC, from alternative payment method to payment wallet, we offer to our customers – I mean the merchants – more than 250 different payment methods, which is probably one of the largest portfolios of payment methods that a professional company, as we are, can bring. With such a high number of payment methods, we guarantee the merchant is paid in most of the cases. It helps them to have a better conversion rate.

With more than 1,000 acquirers, which is probably one of the biggest portfolio of acquirer connections, we are able to find an acquiring solution almost everywhere in the world and for almost any single customer. Thanks to our highly secured solution, we guarantee and protect the credentials of the consumers and the merchants. That is what we are doing, and I think we are good at that.

2. Customer Needs

The second question is, 'What are the needs of merchants?' Basically, we are working with two different types of customers. The first one is large retailers, including the online ones, and the second one is merchant acquirers and the banks. You know what a merchant acquirer is; they bring payment solutions to small merchants. They are some of our most important customers.

In the first category, what do the big retailers want? They seek solutions to follow their consumers in a multi-channel way. What do they buy on the internet? What do they buy in stores? They want to expand themselves across borders; they want to make sure they will be able to sell a solution in other countries. They want to increase their conversion rate. In that business, the main goal is to ensure that, if you start a transaction, you will be able to finish it.

Banks and acquirers want to strengthen their merchant loyalty; they want to reduce the total cost of ownership of their terminal fleet; and they want to differentiate their offer from the offer of the competition in a landscape which is highly competitive. For that, they try to bring more value for the merchants.

In our product portfolio, our solutions portfolio, we have all the answers to all those questions. We are the only company – the only one – with such a level of expertise in both face-to-face and online commerce. We are the only one to be able to combine those two in a single offer, which is our omni-channel offer.

3. Differentiation

The third question was, 'What can we bring to customers that competitors cannot?' On the top of the rather classical and basic omni-channel reporting that is offered by most of our competitors, we design and build a very innovative solution based on two of our main platforms. That will be explained to you later. It helps operations from web to store and store to web. We really strongly believe that it is a key differentiator from what the competition is bringing.

You will see presentations coming from our friends in a few minutes and you will have a demonstration around that, if you needed even more convincing.

4. Strategy

The fourth question was, 'What kind of strategic initiative is going to pave the way from now to 2020?' We are going to keep on being the leader in the physical world – the terminal world, to make it simple – and be best in class in online payment solutions. We will drive the convergence between the online and offline worlds. We have a lot of smart and disruptive innovation that will be presented by Michel Leger in a few minutes – or maybe more than a few minutes. All of these initiatives are going to pave the way to 2020.

IV. Key Figures

Let us now have a look at the key figures, which are the result of this strategic plan. In 2020, our revenue objective is to be above €4 billion. That is made of double-digit growth plus about €500 million of acquisition, which is perfectly doable. We already did this by buying Ogone and GlobalCollect, for example, which is probably not far from bringing €500 million to the company.

As far as profitability is concerned, we are targeting a 22-23% EBITDA margin, which is in absolute margin. We are always speaking in ratio, but from time to time we have to go back to the real world. In absolute value, that 22-23% will bring in something like €900 million of EBITDA, which will generate more than €400 million in free cash flow, given the fact that we will stick to the year free cash flow to EBITDA conversion ratio of 45%.

V. Conclusion

The next presentations are going to explain to you which business strands we establish our convictions, on which products and solutions we build our plan and how we intend to deploy them for our customers worldwide. Remember, we are the company with the largest, broadest local teams and organisations.

That is it for the first introduction. I will leave the floor to Thierry.

Market Trends

Thierry Denis

Advisor to the CEO, Ingenico Group

I. Growth Drivers

Good morning. We are going to talk about market trends and the dynamics around our industry. To start with, we will talk about growth drivers. The 'war on cash' is accelerating. As you can see, it went from 7% between 2007-2013; now, it is going at 9%. Obviously, the economic situation means that countries are trying to find cash. Cash is very expensive. You have countries like India where 96% of the transactions are in fact in cash. Countries are trying to avoid cash and introduce ways to promote electronic transactions and control tax. In India, again, now you have an incentive from the Government to try to push merchants to use electronic transactions.

If we also look at where those transactions will happen, you can see that the growth is going to be 6% in stores but online will grow a lot faster, at 14%. What is important – you will see this later on – is that the definition of online is really changing with new, connected devices. Nowadays, online does not have the same meaning it used to have.

In our industry, you have a lot of regulations. We have to provide a lot of security. We have to ensure that we do what we do securely for consumers and merchants. There are a lot of regulations, which is very often because of tax issues. In Turkey, for example, you have the fiscal memory; in Italy nowadays they have decided that any commercial selling of products over €30 requires a terminal to do electronic transactions. There are a lot of regulations. You have the security issues, as well. If you look at the US, in fact a lot of terminals were deployed over the years and there are still a lot of terminals out there that are no longer compliant. A lot of things are happening around regulations and security that are pushing the market.

Then you have the consumers. Looking at the 25 rapid-growth markets, it is estimated that by 2022 another 200 million households will have over $35,000 per year. That is a capacity to spend.

II. Our Worlds

1. Physical

If we look at the world in which we are living, first of all, let us take the physical world. The definition of how you are going to do the payment changes. Nowadays, you have more and more devices with which you can do payment. Obviously, there are smartphones. 30% of the population has a smartphone. At the moment, that is estimated to go to 60% by 2020. By that time, it will be generating about $900 billion in 2020. It is really changing on the smartphone side. Then you have new devices like wearables. Right now, you have about $70 million. That is expected to grow at about 50% per year, reaching about $500 billion by 2020.

You will see from the presentation from Michel Leger that the definition of a 'connected' device and what you can use for payment is changing all the time. The same is true for where you do the payment, as well. You now have the possibility to make payments at kiosks and vending machines. Even though there are not really many of these vending machines right now, it is a big market for us because it is one that is driving a lot of new implementations.

You have the screens. You will see a demonstration later on of the screens we have designed where you can do direct payments on different spots on the screen. Once again, there is a lot more happening in a lot more places. As consumers, we are not thinking about what we carry or where we are going. We expect that we are going to be able to do a transaction.

2. Online

Moving on to the online world, again, there is a lot more complexity. If you remember, when we started it was all about having a webpage on which you could use your Visa or your MasterCard. Nowadays, as a merchant, when you get to the checkout you want to make sure the customer has a very wide range of methods to pay. 50% of transactions online are done using alternative payment methods. You have local debit systems, global wallets like Europay or Apple Pay. Those are very important for merchants to ensure that you are going to make that transaction at the end.

The definition of online is changing, as I was saying earlier on. Nowadays, you can also expect to do online transactions through social media or advertising. We are going to have a demonstration later on where you have a buy button on an advertising page. The definition of online really is changing. There really are a lot of different avenues for merchants to get those transactions.

3. Implications

What does this mean? It means that the consumer journey is really becoming a lot more complex. Use cases of people buying online and collecting in store are now very common, as are cases of people buying online and then returning goods to the store. All of those use cases are becoming very, very common and they are expected by the consumer as a service from the merchant. It is key nowadays to be able to provide that omni-channel solution.

What does it mean for the merchant? It means the merchant needs to deepen and widen the relationship with the customer: deepen that relationship by ensuring they can do payment wherever they are online or on mobile, in the store, or on social media; and widen the relationship by offering all of the payment methods, by ensuring that they take into consideration their omni-channel journey and by collecting the data on what they have been doing, such that they can provide better service for them at the same time as, obviously, giving them a chance to increase their sales.

For us, it is very important that we manage the complexity for the merchant at the same time as making it very simple for them. In the coming presentations, you are going to see that those are key drivers to our strategy moving forward.

III. Dynamics

1. China and the US

If we look at the dynamics, first of all the terminal business is still growing. If you look at the revenue projections, they are growing by an average of 6%. What is important to see is that 50% of this growth will come from China and the US. As Philippe was saying, we are number one in the

Chinese market. It is a market where the number of terminals is still very low. The number is expected to double over the next few years. It is about 15 terminals right now, whereas in Europe it is 24-26. In the US, it is about 34. There is a lot of growth still happening in China. The retail market is expected to grow at 10% per year and, as we have seen, there is an emerging consumer market in China as well.

The second market is the US. There is a lot of talk about EMV and whether EMV is finished. EMV is not finished in the US. When EMV happened, it expanded the market. Locations where you were accepting payments without any devices now needed to have a device. All segments are being affected by EMV – even on mobility. All of the swipe terminals are slowly being replaced by EMV readers. Over the last quarter alone, we shipped 170,000 EMV devices in the US. The market is still moving. I talked about security. Regardless of the EMV migration, there is a large portion of devices in the US that will need to be replaced due to security.

China and the US will be very important in terms of growth. Those are markets where we have a very, very strong position. We can really outpace the market.

2. Rest of the World

Looking at the rest of the countries, we talked about the fact that the number of terminals in China is not up to the level of Europe. If you look at countries like Indonesia, where we have had very good success over the last few years, you only have five terminals per 1,000 inhabitants. That is very, very low. In India, which has been finally moving up in the last 18 months due to a big incentive from the Government, there is one terminal per 1,000 inhabitants. These markets are now moving and offering us great opportunities to grow.

If you look at the competitive landscape, basically there are only two players who can really deliver on a global scale. As you know, our platform has a very big advantage. It is one platform that we can use to develop and provide solutions for any segment of the market. As you will see in presentation from Jacques Guérin, we are going to leverage that platform to the next level. We are going to take all the certifications and relationships and bring them to the next level. We are in a unique position, once again, to take advantage of that growth.

3. Online

Moving on to online, the online world is actually moving even faster than the terminals. We expect revenue growth of 16% year-on-year. It is important to note that 16% is fast growth, but this is more about where the growth is happening. 12% will be on the domestic online; however, 27% will come from cross-border and full service solutions. That is very important, because it is faster growth. It is also very important that it is better at higher revenues. PSPs in that area who are able to provide those cross-border services expect it to grow at 15-16% during that time.

Looking at the competitive landscape, it is very fragmented when you look at the local markets. There are plenty of players able to provide local solutions. However, as soon as you look at the picture of cross-border full solutions with global deployments, there are only three players. Thanks to the fact that we really manage the terminal side and the online side, we are really in a unique position to take advantage of that growth.

IV. Conclusions

In summary, we know the market is moving very fast. There is growth on both the terminal side and the online side. Really, what we need to do is address how we are going to address this convergence and this complexity – i.e. how we are making it simpler – and how we are capturing growth. That is what we are going to show you today with the presentations of my colleagues, starting with Pierre-Antoine on the ePayments side. Thank you.

ePayments: Making Complexity Simple

Pierre-Antoine Vacheron

EVP ePayments, Ingenico Group

I. Introduction

Thank you, Thierry. Good morning to all of you. I will start by trying to make complexity simple, which is obviously a challenge. To start with, two weeks ago we had 15 key customers of Ingenico ePayments in Reykjavik in a kind of sounding board we organise on a yearly basis to understand what is at stake for them and what they expect from us in terms of the evolution of the offering to address their needs.

Within these customers there are many people who are quite advanced experts in payment, coming from various verticals: travel, in which we are very strong, as you know; gaming; and retail. These are quite advanced and demanding segments. What was very interesting was that they all shared the same concern, 'Our consumers want a seamless experience across the channels. Our management want us to offer that without any friction or security breaches – and we want to do this on a global basis. You at Ingenico, with what you have in terms of assets, are the only ones who are able to bring us this type of offering.'

This data comes from a yearly Merchant Risk Council event. You can see, when you enlarge the survey we did with a small group to a more organised survey, a lot of what merchants are looking for, 33%, is omni-channel. A lot of what they are looking for is international expansion, because most of the big merchants are international and they want to tackle payment on an international basis. It is a lot about mobile, because ecommerce is shifting to mobile. Obviously, fraud and data security are there. You will notice that the question of the cost, if you are able to address the complexity, is not the first subject of merchant customers. That is quite good news, I think.

We have quite a few customers who are more advanced than others in terms of implementing cross-channel solutions. However, it is important to have in mind that even when they are late – most of them are quite late in terms of implementing omni-channel – they have that on their agenda and they are working on it

II. Uniqueness

Why do they say we are unique in the market? In fact, we are the only ones to combine the smart terminals on a large scale, the ePayments and the in-store gateway solutions in Europe.

1. Terminals

Some of our competitors will tell you, ‘You know what? We do not need smart terminals. We do not need this product, this brick in our offering. In payment services, we can buy terminals from Ingenico or from Verifone. We do not care: it is just a commodity.’ You will notice that all these competitors are just local when we are speaking about in-store payment and they are just local when we are speaking about omni-channel. They are in the UK; they are in Germany. Some of them who are a bit more international are just limited to the mPOS segment of the market, which is a very niche market compared to what we are speaking about.

The reason is very obvious and very objective. The point is that the terminal business and the implementation of card acceptance in an in-store environment is very much regulated, complex and local. This has a specific application in every single country with a specific technical control in each and every country. If you do not get that, if you do not have that in your DNA, you are not able to support a merchant on a multi-local basis and you are not able to support the integration of alternative methods of payment in store besides the card payment, because you do not have the technology or the knowledge of the security constraints. This brick in our offering is very key in terms of differentiation.

2. ePayments

The second brick we have is obviously the ePayments brick. I will comment much more on that, but what is most important in the eyes of our customers as regards our ePayments positioning is the fact we are global. ePayments and ecommerce are more and more global, even if it is quite local in terms of implementation. We have made a strong commitment to shift to mobile – and I will comment on that. As you know, ecommerce is shifting to mobile. We have made the commitment to invest significantly on technology, on the product, to stick to the evolution of the market and to anticipate the evolution of the behaviours of consumers and merchants.

3. In-Store Gateways

The last brick we have that makes this unique, integrated offer, especially in Europe, is the in-store gateway in our portfolio. You know we have two significant gateways, which are processing something like 3.5 billion transactions a year. To give you an idea, this is the volume that one of the main acquirers in Europe, Crédit Mutuel, is processing. We really process a massive volume of transactions. We have two gateways.

One is based in Paris and it is called Axis. That is the reference gateway for in-store payments in Europe. It is operating in France, obviously, with most of the large retailers. There are very demanding customers like the motorways or the Paris Métro, to give you some examples. It is operating on a local basis in France, in Spain, in the UK, in Ireland and in Portugal. On top of that, now, it offers a pan-European solution based on the European standard, which I will talk about later on.

The second one comes from the easycash acquisition in 2009. The easycash platform is very complementary to Axis, because it brings to us and to our merchants the German solution for the German market, which is very specific. easycash has been doing very well since the acquisition. It is processing for eight of the top 10 retailers and it also has a wide portfolio of small merchants in Germany, Belgium, the Netherlands and Austria.

The combination of these two assets – the one coming from easycash, which has been rebranded Ingenico Payment Services, and the one coming from Axis – with ePayments and the terminal offering makes this unique, integrated offer of Ingenico in Europe.

III. Global Assets

As I said, size matters a lot in payments – especially in payment services. You see here a few figures that give you a feel for the size of our operations in payments services. When you are big in payment services, that means you are experienced enough to manage the complexity, to manage the different configurations in-store and online, and to manage different geographies. You have this experience and this track record that makes you successful.

1. European Work

We will give you one very simple example. You know we are working with Carrefour to operate their transactions for them in six countries in Europe in-store and online. It has been the very first project based on the Nexo[?] standard, which is the technical standard for the European market. It is the very first project implemented. We have been certified 18 months after the beginning of the project. The competitor to Carrefour – this is public knowledge, because it is a chain – has gone with the competition and they are still at the very beginning of the project, 18 months after beginning. I do not want to be negative versus the competition, but it is just to illustrate the fact that the track record matters a lot when you are speaking about payments, because these are very sophisticated and very complex matters.

What we have built in Europe over the last four years is something that is, again, very unique. We invested a lot in this cross-channel offering. It took us some time and some of the funders are here in this room. It is based on all the assets I mentioned. It is based on the unique skill we have developed to build the tokenization of the card data that allows the merchants, to some extent, to play with the information of their consumers across channels and to get that value across channels without putting the security of data at risk and without putting regulatory compliance at risk. That is the first asset.

2. Platform

The second asset we have put in place is an integrated customer-support platform that I will develop later on. That allows anyone in our teams who is interacting with one of our customers, whether they come from Axis, Ingenico Payment Services in Germany or ePayments, to know what is happening for the customers at any moment and allows him to interact with customers in a very seamless way. That is something that is very important.

3. Teams and Performance

The third thing we have is a dedicated sales and product team, which means we have expertise specialised in omni-channel constraints, regulation and some of the verticals that can address these needs and be intimate, I would say, with customers when they want to launch these types of projects. As I said, this offering is pan-European. It leverages the latest, most recent standard. That allows the merchant to operate in several countries in Europe where we are present and it also allows them to leverage the evolution of the regulation on merchant interchange fees by offering them the ability to group their transactions and negotiate the best fees with their acquirers, instead of discussing with each and every acquirer in each and every country.

Obviously, this brick of channels gives a big boost to our ePayments business, where we do have a very strong ambition. Our ambition is to be as strong in ePayments as we have been in payment terminals in recent years. Obviously, we have not had the right performance in recent quarters. There is no doubt about that. However, this is quite easy to rationalise. Entities we have acquired have probably been a bit late evolving their offer or delivering the evolution of their offer. You will see that we were not that far off. They were probably a bit unfocused by the merger between two entities who were a bit different in terms of culture and business model, Ogone and GlobalCollect.

This is clearly behind us. In the last six months, we have reshuffled and reenergised the team. It is a team that is now a very nice and balanced blend, as far as management is concerned, between specialists in ePayments and people from Ingenico who have done the transformation of the business model from terminals to payment services in Europe. That makes a team that is very much aligned, very much focused on the delivery of the project and focused on customer satisfaction. Ludovic Houri, who is somewhere in the room over there, is in charge of products. He has been with us for this transformation journey over the last four years. He is also a very strong specialist in ePayment, because he built the ePayment solutions for some of our competition in the past. That makes a very, very strong team.

4. Global Presence

This team, obviously, is focusing on leveraging on the assets of Ingenico in ePayments, assets that are coming from this combination of Ogone and GlobalCollect. These assets, again, are the size and the footprint. We are present all over the globe. We have 50 nationalities in terms of employees and we have very strong operations in Europe: Amsterdam, Brussels, a presence in France, Spain, Germany and in the UK.

In Latin America, we have a local gateway, which is a differentiating asset from the competition, because we are the only one to offer local connections and a local payment method on a large scale in Latin America, which is not the case, again, for our competition. We are present in Buenos Aires; we are present in São Paulo, together with the smart terminal guys; and we are present in Mexico.

We have a strong presence in Asia with a main office in Singapore, together with the smart terminal guys. However, we also have a gateway in India and we also have teams located in Australia and in China. Finally, we also have quite a strong presence in the US with teams who are mostly located in San Francisco. This presence is very important, because, again, customers, even if they want to go global, they want to have people in the regions where they operate – to be sure we tackle the local specificities of the market.

5. Connections

To tackle the specificities, the fact we have so many acquirer connections is a strong asset. The fact is that we have so many certifications with the middleware you have in travel – i.e. the Magentos of this world, to give an example from retail. In travel you have exactly the same story. This secures the merchant of the fact that integration of our payment solution with their middleware will be easy, smooth and will offer consumers all of the functionalities they want to have. This is very important.

The fact that we offer 150 payment methods – i.e. cards and all of the alternatives that make sense in each region and geography – is something that is very, very important. I will comment on that later on. This size is a key asset. What is also a key asset is the fact that, in ePayment, Ingenico is very much exposed to the most demanding customers. As you know, we have been very strong in travel; we have been very strong in gaming; we have been very strong in digital goods. These segments were the very first ones to move international, so they are the most demanding in terms of payment methods. They are the most demanding in terms of fraud prevention, because these are segments that are very much exposed to fraud. Now that we have a strong foot in retail, they are very demanding in terms of omni-channel.

I will take one example, which is Barceló. We issued a press release on that the other day. Barceló is a Spanish brand very much deployed in Latin America. They have different formats of hotels and resorts. They wanted solutions that could fit with this diversity of business model in terms of payment methods, because they are operating in different geographies where you will need different payment methods. They wanted solutions that were fitting with the different formats. At the same time, they wanted solutions that could bring them integrated reporting so that they could track what was happening in their chain at a corporate level. They chose us because we were the only ones who they considered – this is what they said – would provide them with such a footprint and such an offer designed to their very specific needs.

This is a strong asset. You also know we are quite strong in white-labelling our solutions for the banks, because the banks are unable to invest in ePayments. They cannot catch up with the market. Take Barclaycard, for instance: when you are paying with Barclaycard on ecommerce, it is an Ingenico solution. Yesterday, you saw that we announced a partnership with BNP Paribas. BNP Paribas has its own solution for domestic commerce. When the merchants of BNP Paribas want to go international, they will use Ingenico ePayments, because they are not able to offer that and catch up with the market needs. They were losing customers, because they were not able to follow their merchants going international.

IV. Leveraging Our Assets

We will leverage these assets using the dynamics of the market, about which Thierry already presented. I want to insist here that global ecommerce is growing much faster than domestic ecommerce. Global ecommerce is the area we are most well positioned, considering the offering we have.

When you are domestic, it is quite simple – to some extent. You have your direct commercial relationship with your bank or your acquirer and ask a technical provider, a gateway, to connect you to this acquirer. The gateway will provide you the service, which is to offer the payment page and route the transactions to the host of the acquirer to request for the authorisation of the transaction. Then all of the settlement and the reporting will be done by the acquirer. That was the traditional model for all the domestic PSPs. That was the model of Ogone in the past.

When you move international, it is a different ballgame. It is a different ballgame, because if you are coming into a foreign country with your domestic acquirer, your domestic acquirer will not be known by the issuing bank of your consumer. The issuing bank of the consumer may refuse or reject the transaction, because he will say, 'I do not know this acquirer very well. I prefer not to put my consumer at risk.' If you want to go international, you need to be local. You need to find an acquirer in this foreign country who will have the trust of the local issuing bank of your consumer. That is obviously a headache for merchants, because they cannot do that on a large scale. They cannot go into each and every country and do all of the KYC and the boarding process with each and every acquirer.

This is why these international merchants move to providers who can provide them the full service, which is saying, 'I will take care of finding you a local solution in the countries to which you want to export. I will take care of the KYC and everything else. I will also take care of your settlements, the reconciliation, the chargeback and so on and so forth.' This provider – Ingenico in this case – will go and see the acquirers and tell them, 'Give me your risk and compliance policies. I guarantee you that the merchants I will bring to your portfolio and the flows I will bring to you will be compliant with this policy.'

This is the model of GlobalCollect; this is the model we inherited from GlobalCollect. That is something that is key for card payment and also key for alternative methods of payment. The issue for merchants is to be able to transact with as many methods of payment as possible without having all of this headache to find the providers for each and every payment method.

V. Complementarity

1. Transaction Capture

What is at stake in these two segments of the business – because Ingenico obviously combined the gateway and the full service – is quite complementary. When you are speaking about the gateway part of this value chain – I insist on that, because then you will understand the product strategy we have – what is at stake is the capture of transactions. How will you optimise the capture of the transaction at the level of the payment page? The very first thing is to optimise the checkout experience. What does that mean? It means having the best payment page that fits the behaviour of the consumer.

I will give you a very simple example. I am a German consumer: I will never click on the pay button without having read the terms and conditions. I am a French consumer: I will go directly to the pay button and I will never read the terms and conditions. If I put the terms and conditions on the same level of the payment page, it will work in one geography and it will not work in the other geographies – and I may lose customers at this part of the checkout.

2. Payment Method

That is something that is very important. The second point that is important in terms of checkout experience is to offer the right method of payment. If I am in Venezuela or Argentina, where you have something like 60-70% of the population who are unbanked, if I just offer card payment I will lose 70% of the market. I need to offer the right payment method – for instance, Boleto Bancário – that will allow the consumer to pay cash when they buy on the internet. That means they will do the purchase on the internet and then they will go into a store in the city and pay in cash. The provider secures the fact that the cash has been done and the merchant will be paid. I need to offer this type of payment method in order to optimise, again, the capture of the transaction.

3. Fraud

Obviously, what matters at the level of the gateway is that I maximise the payment authorisation – meaning connections to the acquirers and, also, to provide the right fraud engine to the merchant so they can do the proper selection between fraudulent behaviours and non- fraudulent behaviours that could seem fraudulent if I do a very quick analysis. As part of the challenges in the gateway segment in the market, there is this one, which is to provide to the merchant the right fraud-prevention solution so the merchant can optimise the conversion without being at too much risk of chargebacks and fraudulent behaviour.

4. Acquisition

What is at stake in the full-service model is completely different, obviously. It is to offer the best counterpart in terms of acquiring capability; it is to offer the best tools in terms of reconciliation and reporting, so the merchant does not have a headache closing his books on a monthly basis; it is also – I will come back to this later – to offer, potentially, the right settlement methods in terms of currency so you can transact in the domestic currency of your consumers.

5. Differentiation

The difference between Ingenico and the competition is that we do offer that through partnerships with acquirers. We are not our own acquirer. It is a model we have inherited, which we like because it confers to us the capacity to propose to the merchant two acquirers in the same geography. That increases – we have proven it – the level of authorisation and thus the conversion at checkout. It may happen that an acquirer, for whatever reason, rejects a transaction. We send to a fallback acquirer – and this one accepts the transaction. We have demonstrated that it does increase the conversion at checkout by up to 15% in some geographies. Obviously, it is a model that is much more demanding than having its own acquiring, because you need to be very close to the acquirers so you understand the evolution of their risk and compliance policy so that when you board a merchant you are sure it will be accepted by the acquirer. Otherwise, you ruin the risk of being too exposed.

We like this model, and we will pursue this model. We may consider building, in parallel to that, our own acquiring capability for the ePayments business as a complement to this partnership model to gain some more flexibility and some more activity in some cases, where the model is not reactive enough and where we want to be much more reactive than we are today. The main driver, however, remains this partnership model in terms of acquiring. This is something that is very clear now.

VI. Best in Class

On all of these challenges, obviously all of our strategy is to build the best-in-class technology and the best-in-class product, to afford the best-in-class service and the best-in-class – in order to be, at the end of the day, ahead of the market in terms of the quality of the solution we provide, as we did in the payment-terminals business.

1. Technology

I will say a word on technology. This payment-services business is a technology business; it is an IT business. We have taken the approach at a Group level to build a technology Group which gathers all the various expertise in IT we have across the various platforms: the expertise in ePayments and the expertise in in-store gateways we have in Europe.

That makes a sizable team. It is something like 1,000 people dedicated to IT and technology within Ingenico. It is quite a significant one. This approach allows us to have alignment in terms of methods and alignment in terms of the methodology and architecture we want teams to implement. It also allows us to ease convergence between the platforms. That is something we consider very key: to have something that is modular and future-proof.

Ultimately, the objective we have is to demonstrate that there is no reason to oppose the history, footprint, and the best-in-class and future-proof technology. There is no reason for that. What we have been doing in terms of delivery in recent months demonstrates that there is no reason to oppose the newcomers and the ones who have much more history, such as Ingenico.

Focusing on what we have been doing in ePayments in terms of technology, clearly the key target has been to unlock the short-term growth while preparing the future. Unlocking the growth means updating the connections to the acquirer, so we can update merchants and their customers with the most advanced payment method in terms of a recurring payment or in terms of implementing Apple Pay or Google Pay and other of these types of payment methods, which are growing. It has been about updating connections to the middlewares I mentioned already – i.e. shopping carts and travel middleware – to offer the best features to the merchants.

2. Platforms

The second thing – this is still in progress, obviously – has been to update the platforms as everyone is doing. You know what the competition has done in the recent past. GlobalCollect was exactly the same story when we made the acquisition. We are just pushing the acquisition and the delivery of the project with very good successes. The first milestone is the delivery of the new front office, which is the gateway part of GlobalCollect. By mid April we will have finalised the migration of all of the customers to this new front office. It is really almost behind us. The next step is the back office, i.e. the engine that does take care of the settlements, the reconciliation and the reporting. That will take us into 2016 and the migration will take until 2017, but it is something that is clearly under control and it is progressing very well.

3. Product Evolution

The last thing – I will develop more on the offering – is to have an integrated and common approach in terms of the evolution of the product. The best example is Connect: Connect is the front layer that does the integration on our platform and provides the hosted payment page, on which I will comment later on. The key point you have to have in mind of is the fact that this Connect will be deployed on all our platforms.

It is now on GlobalCollect, and that is the only integration layer on GlobalCollect. It will be deployed on Ogone and on the Argentinean platform by the end of the year, meaning that a merchant will be able, with one single integration, to benefit from the value coming from the various gateways and be able to get the best hybrid of global and local solutions that we can offer in a very transparent way. Obviously, this means a significant commitment in terms of capex; you saw that on the slide.

VII. Products

1. Integration

In terms of products, I will just mention five game-changers. One is the integration of the platform. It is something that is live; it is linked to Ingenico Connect. Keep in mind that we now offer to merchants and developers a solution that makes integration on the platform very easy. We reduced the coding effort drastically. They can directly see, visually, the output of what they do develop in terms of integration. It is something that is amazingly powerful, and you will be invited to develop your own integration during the demonstration later on.

2. Mobile

The second thing I already mentioned is the shift to mobile. That is the second game-changer. We offer a hosted payment page to merchants, reducing the burden in terms of security and PCI compliance. We offer a payment page with a mobile-first design, with a responsive design that can adapt to any type of format. The page is easy to customise, which is, again, a game-changer. Up to now, hosted payment pages were absolutely not customisable for the merchant. Again, there will be a demonstration after the presentation.

3. Omni-Channel

The third game-changer is the omni-channel. We have already mentioned that. The approach is one integrated back office and one contract. It is live and available for the small merchants. It is being deployed in Germany, Benelux and the Netherlands, based on the combination of Ingenico Payment Services and ePayments. This has a lot of value for the small merchants and for the sharing economy, especially in the case where the contributors to the sharing platform do want to accept card-present payment and card-not-present payment. We go much further than that, however. This is where you find Ingenico's differentiation.

Thanks to the technology I already presented, we offer merchants business intelligence so they can track the behaviour of their consumers across channels. This is typically the use case of early adopters of our solution. We offer the possibility to refund the consumer by web. That has a very simple use case. You buy online; you are not happy; you go into the store to be refunded; and we refund you directly at the cash register on your card. It is a significant cost savings for the merchant. Up to now, all of the back-office support etc was something like €30. From one day to the next, you have shifted from that to a few cents. That is the transaction cost on the Ingenico platform. In terms of customer experience, it is something that is completely different for the merchant.

The last layer of this offering that is live – all of this is live – is the real cross-channel payment capability, i.e. the fact you can buy online and collect in-store. Store to web is also very attractive, notably for the merchants who sell subscription services in store. A very good use case is Indigo, the parking operator in Europe. They use a store-to-web solution. You go and buy your subscription for a year from Indigo for your parking. The following year, you do not have anything to do. It is an online transaction that will debit your credit card. Securing the recurrence of the revenue is very important for the merchant.

Obviously, for Ingenico it brings additional growth, meaning additional transactions – because there are additional transactions into that. It brings intimacy with the merchants, which is the most important thing. We are clearly part of their omni-channel strategy. That brings the ability to defend the pricing. To give you a feeling, since we have built this offering, the pricing behaviour of the Axis gateway has significantly improved in terms of what we get, as compared to the guidance we give to the sales team.

4. Customer Care Platform

The fourth game-changer is the customer care platform we have put in place. This is something that you usually do not make a lot of noise about, but in our case, since we are interacting with dozens of merchants on a daily basis given the size of our portfolio, it brings a level of comfort and interaction and a quality of service that has nothing to do with what it was in the past. We are able to route calls, emails and chat to the best agents, the one who is available and the one who has the skill linked to the vertical of the customer. That is something that is integrated; it is live. To give you an idea, before we deployed this in Brussels we had an abandon rate of something like 25%. 25% of the calls were not answered. Since we have deployed this, we are below 2%. It is really massive in terms of the game. This solution is deployed in Axis and Ingenico Payment Services in Germany to offer something that is seamless across the board.

5. Leveraging Data

The last game-changer is on how we leverage the data we get to advise merchant on how to improve and maximise conversion. I already mentioned the optimised payment page. We offer what we call 'A/B testing, meaning the merchant can route transactions to two alternative payment pages and see which one performs best.

We do the same when we advise on payment methods. If you remember the partnership we had with Google, thanks to Google we can advise a merchant on the best next country in which to go. Thanks to this solution, we can tell him, 'Okay, if you go to that country, this is the payment method you should use.'

The third one is about multicurrency advice and solutions. This is very important. To give you an example, say I was a consumer in Thailand. I am ready to pay in Thai baht; I am not ready to pay in US dollars or euros.' 'I am a merchant based in Europe. I do not want to be settled in Thai bhat.' The fact that we offer this service does significantly increase conversion. You lose far fewer consumers, because consumers are happy or know exactly what they will pay, and the merchant on the other side is happy to know exactly what amount will be settled. That is quite important.

The last brick in all of that is the Fraud Expert tool. We have our own tool, which comes from Ogone, and we also partner in order to have additional expertise for the verticals that require specific knowledge, such as airlines, for example.

VIII. Evolution

This evolution of the offering obviously allows us to unlock growth and to capture more growth. First, we can reinforce our strengths in the verticals in which we have always been strong: travel, gaming, retail and digital goods.

On this slide, you can see some of the items I mentioned in terms of the evolution of the product. We also want to be much more exposed in the fast-growing segments of ecommerce. The sharing economy is one of those to which we have limited exposure, because the offer was not there and the brand was not there. The knowledge Ingenico can provide was not present. Social commerce is also a trend that is of interest. The last one is very important for us: the development of retail marketplaces. This is not only the Amazons and Alibabas of this world, but also all of the large brands in retail who add to their website a marketplace capability in order to increase the traffic on their website. For that, they need adaptable payment solutions to drive and manage the flows in a way that is consistent with the regulatory requirement.

This investment we are doing in new verticals will bring us more growth. We will accelerate the growth of our portfolio. David Jimenez will go into much more detail on that. The growth in ePayment is not the same in each and every geography. It is growing much faster in Latin America and Asia. Obviously, we put a different focus in terms of positioning and offering depending on the geography in order to stick to the specific needs and requirements of the geography.

This is it. I think you understand that we have very strong foundations in ePayments, very strong teams and a clear and quite short-term commitment in terms of technology and product. This will allow us to accelerate significantly in terms of growth rate and first this double-digit ambition we have for H2 of this year. Obviously, we will leverage on terminals – and Jacques will present what we want to do there.

Capturing Growth in Smart Terminals

Jacques Guérin

EVP Smart Terminals & Mobile Solutions, Ingenico Group

I. Market Context

Thank you, Pierre-Antoine. Good morning, everyone. Before presenting this strategy, I would like to start with the four market trends we consider as being the most important to take into account to design our strategy for the smart-terminal business.

1. Growth Drivers

We strongly believe that over the next five years we will be operating in a grey market. Thierry has commented on this. I will go rather quickly on this one, but I would just mention the fact that the growth will come from all geographies and with different drivers.

There is growth in emerging markets. As a matter of fact this is mainly in Asia, where the POS penetration rate is, as mentioned by Thierry, much lower than average. It is around 13 POS per 1,000 inhabitants, which is much lower than in the major countries. Governments are pushing for non-cash payments to fight against tax avoidance and the shadow economy.

There is growth driven by the EMV shift. Currently, only 33% of the card transactions in store are EMV-compliant. There is also growth in mature markets, replacement markets. There is growth driven by security updates: the standard is updated, as you know, every three years. There is growth driven by technology in telecom-network upgrades, from GPRS to 3G to 4G.

There is growth driven by upgrades to terminals: larger screens, touchscreen, more powerful systems and larger memories – to meet the requests of merchants to combine services and payment. I will come back to that point. There is also growth driven by the expectations of consumers, who look for a speeding-up of the checkout process. In the physical world, that leads to additional point-of-sale checkouts such as an unattended kiosk, for example. Look at what happened in quick-service restaurants. You can pay at the counter, but you can also order and pay at a kiosk. This not only has a positive effect on the replacement rate, but it also increases the basis for installation.

2. Reducing Costs

The second key point is the increasing demand from our customers, retailers and acquirers to help them reduce the cost of their payment operations. It is not a new request. What is new is that their approach is now much more global. It is about the TCO, the total cost of ownership for a terminal over its lifetime in the field. That includes maintenance costs, installation costs and support. It is not only the price of the terminal. We strongly believe that this more global approach is a very good and promising opportunity for us. I will elaborate on this point later on.

3. Complexity

The third key point that was already mentioned in the introduction is the increasing complexity faced by our customers. There is increasing complexity, because the ways consumers are buying are becoming more and more complex. Commerce is becoming more and more complex and payment is totally related to the commerce evolution. Our merchants and customers are facing increasing complexity. They have to manage new payment means and new payment form factors. They have to manage multiple connected devices in store: tablets on which more and more often they run the cash-register application; tablets in the hands of their sales representatives in the aisles of the store; the smartphone of the consumer, which enters the store and will be tracked and recognised by a beacon.

They have to face this complexity. They ask us to be freed of this complexity so they can focus on their core job, which is to develop their business.

4. Connectivity

The last key point was already monitored. There is an increasing number of touch-points between merchants and consumers. The physical store is no longer the only place to buy and shop services and products. It is already possible and it will be more and more possible to shop and buy on connected screens on tablets handled by the sales representatives. In 2020, there will be around 10 billion connected devices with enough embedded intelligence to potentially become points of sale. I am not saying that all of them are going to become points of sale. I will let you do the maths: even if only a fraction of them do, the number will be significant.

What is sure, however, is the fact that if, on these connected devices and screens, for example, it is not possible to accept, at the end of the shopping process, a secured and seamless payment – what is more seamless and secure than payment by card? – the consumer will give up and the merchant will not be able to develop its business.

II. Strategy

We took these four key trends into account when designing our strategy. Before I present the strategy to you, I would like to stress the fact that, in order to capture the growth in small terminals at the starting line in this race, Ingenico can rely on very key and strong assets – and I will cover them in a few minutes.

1. Global Footprint

The first major asset is our global footprint. We are present in all geographies, and we are in the leading position in each of them. We are in the ideal position to benefit from the various dynamics of the different markets in all geographies. That is a key asset. We have been able to achieve this objective of taking advantage of the different dynamics. You can see the figures on the left-hand side of the slide. These are the growth rates for each geography in 2015 compared to 2014.

Why is it a key asset? It is a key asset because the payment market is a multi-local one. It takes time to enter a new market or a new country. You have to deal with local certifications, local payment schemes and local regulations. Being present is really a major advantage to reduce the time to market.

2. Powerful Software

The second key asset is the power of our software platform. Some people consider that a payment terminal is just a little box with some electronics in it. That is really a short-sighted view. It would be as if you were looking at the tip of an iceberg. The key value of a terminal is in the embedded software. It is thanks to this software problem that we can deal with and manage the complexity of payments. We have more than 2,000 payment applications and connections to more than 1,000 acquirers, and we manage and accept more than 300 means of payment. It took years to develop this embedded software and platform.

There are also continuous enhancements to the platform, the last one being the ability – I will come back to this – to combine payment applications and business applications. It is also a very cost-effective platform. There is another one for the Landi range, but it only addresses the Chinese market. We have one single platform for all the geographies. That means our payment application is not just running on one terminal in the range; it is running on all the terminals of the range.

We have the ability to deal with complexity. There is one single and cost-effective platform. The last advantage is that this software platform is also – it was conceived with this objective in mind – very easy to use. The best demonstration of this easiness was brought last November, when we organised the Hackathon event to promote our new TETRA platform. We gathered more than 100 HTML5 developers – they were not payment developers – and we got them to think about emerging ideas to address use cases combining service and payment. They were trained in two hours and at the end of the Hackathon we had 25 applications developed.

3. Security

The third asset is security. For all of our customers now, security is considered as a given. While they expect us to comply with the latest standards in security, it is understandable. Just because they consider this as a given does not mean they do not consider this as a very important topic. By the way, the consumer also considers security to be a very important topic. What is more reliable in terms of security than a payment terminal?

The second thing on security is that it is not because it is a given that it is easy to be security-compliant. Developing a payment terminal is not rocket science; developing a payment terminal that can be certified – and it has to be certified – is very difficult. That is very difficult; that is much more difficult. Why? Because it is not only about having the right expertise or technology; in addition to this, it is about experience. It is not only about applying a specification issued by the PCI regulatory bodies. It is about a deep understanding of the specifications and the objectives pursued by the specifications. This understanding and this knowledge is brought by experience. We have built this experience over the last 30 years, and we are leading the race in security. The last demonstration of this was the fact that we were the first to lunch PCIv4[?] terminal a few months ago.

By the way, if experience did not count, you would see hundreds of other vendors – and that is not the case. There is a high entry barrier on security.

4. Operational Organisation

The next asset is our operational organisation. A payment terminal provides a service: payment acceptance. Any disruption in this service has a direct impact on our customer. When they buy a terminal, they do not only buy a terminal due to price competitiveness; they buy reliability and quality of service. This can only be provided only with excellence in operational organisation. In our organisation, that relies on four pillars.

The first one is a [inaudible] model, as you know. We manufactured close to 10 million terminals last year and we can increase that capacity without an increase on the balance sheet and the working capital. The second asset is a very close relationship with our EMS. There is close intimacy starting at the development phase of the terminal to achieve superior quality and manufacturing. Third is a very powerful purchasing organisation that is continuously challenging our suppliers. We hold negotiations four times a year with all of the suppliers for all of the components to achieve cost reductions and to be able to achieve price competitiveness while protecting their own margin. We have a supply chain with a track record in on-time delivery, which is shown on the slide.

III. Ambition

Capitalising on these assets, our ambition is very simple: to remain the world leader in secure payment-acceptance solutions designed to facilitate in-store commerce. What does 'facilitate in-store commerce' mean? It means focusing on four major customer needs.

1. Provide solutions that help them reduce payment-operation-related costs.

2. Expand payment acceptance on new touch-points.

3. Provide easy combinations between services and payment to help them develop their business

4. Reduce the operational complexity of payment operations.

Following this strategy from a business perspective, this will lead to an increase in the in-store base and this will lead to new revenue by selling solutions that help our merchants to develop their business.

IV. Strategy

The strategy, which I will comment on in the following slides, has been defined with these four customer needs in mind.

1. Payment-Operation Costs

We foresee that the terminal business will progressively structure itself into two categories of terminal: entry-level terminals providing payment acceptance only and high-end terminals providing payment acceptance by card and services.

For the first category of terminals, of course price competitiveness is key. As a matter of fact, to achieve this price competitiveness we have to be very strong on the cost-optimisation of these terminals. We will achieve this cost optimisation offer, relying on the fourth asset presented, which is the operational organisation. We will develop it as a strategic priority. This organisation is located in Singapore, close to our suppliers. Its mission is to select and source the best component at the best price.

The second pillar is a common purchasing organisation with our Landi colleagues to increase the purchasing power by combining the 6 million terminals shipped by Ingenico last year and the 3 million shipped by Landi. We will have EMS intimacy, a close relationship, about which I already commented, and a specific team within R&D at Ingenico that is totally focused on redesigning the structure of our operations, to accelerate the cost reduction of our terminals, provide price competitiveness and protect our margin, which is key to capturing growth, especially in emerging markets.

Helping our customers reduce the costs of the payment operation is not at all only about the terminal. It is about the total cost of the ownership of the terminal. This line is for European markets, and you can see the breakdown of this cost on a four-year basis. What you can notice is that the price of the terminal itself accounts for only 24% of the TCO. The big bulk, 44%, of this total cost of ownership is made of installation costs and maintenance costs, along with updates and downloads of software and content during the lifetime of the terminal. That is the reason we will continue to deploy and enhance our estate-manager solution, our fleet-manager solution. This enables us to remotely operate these costly operations: installation, connecting to the server, maintenance and so on – in a much more cost-efficient way than doing it on the ground.

Clearly, for the client this tackles the big bulk of the costs related to the payment operation and also improves revenues. This increases the operational availability of the terminal. From an Ingenico perspective, we have invested in this solution in the past months and we will continue to upgrade it. Predicative maintenance is really a driver for terminal sales. It is a way to protect the ASP of our terminals. In the discussions we have with our customers, we talk about the real cost – i.e. the TCO, not the price of the terminal, which is only a small portion. It generates additional revenues, because we sell the solution on a monthly fee per terminal. Of course, it also increases customer stickiness: we sell it to acquirers and retailers.

2. Payment Methods

The second need is the expansion of payment acceptance to new touch-points. Here, we have two strategic priorities. The first one is to equip the unattended kiosks that are on the market right now with kiosks. We take this as a strategic priority, because we strongly believe that, due to the expansion noticeable right now in the number of contactless cards – the growth is impressive over the last 18 months; in 2016, the penetration rate of contactless cards will be double the one in 2014 – this will drive the need for installation of terminals in unattended kiosks. There are roughly 30 million unattended kiosks in the world, and only 10% of them accept payment by card. If you take vending machines, it is only 3% out of the 22 million vending machines already deployed.

In other sectors, such as transportation, there are also initiatives that will drive sales in unattended kiosks up. In transportation, for instance, there is the Open Payment Initiative. The purpose of the Open Payment Initiative is to transform your credit card as a travel pass and use it as a travel pass. We are currently in discussion with one of the main leaders in public transportation operators in the world. Right now, we are working with them to help them deploy this kind of Open Payment Initiative, which will of course require payment terminals on gates. The client benefits here are the increase in consumer engagement, because the buying act or process is more convenient. It reduces the cost linked to cash management, as well.

It is really a driver for terminal sales on the Ingenico side, and it is also a way to generate additional and recurring revenue because quite often – this is the case with the Open Payment Initiative, for example – it is a complete solution that we sell. We do not only sell the terminals in the gate; we also manage the transactions. With cross-channel use cases, for example, you can re-charge your card online and use it when travelling.

Expanding payment acceptance for new touch-points will also integrate payment capabilities in connected screens and tablets. These two categories of connected devices are, from our perspective, the most promising to become the next points of sale. Tablets address the two main use cases retailers are tackling: queue busting and equipping mobile sales representatives. When consumers are buying something, connected screens provide them with the same kind of interaction as the one they are used to when they shop online.

The trend is there. At the retail show last January in New York, you could see many of these connected screens – but none of them included the payment step. You could select your product or your service, but you could not pay. We will provide this payment capability, using the NFC expertise we have built over time along with the TETRA technology. As you know, with the TETRA technology we can easily combine services and payment running in a very secure environment.

3. Combining Payments and Services

The third need is about providing easy combination between services and payment. Providing easy combination between services and payment is leveraging the TETRA offering we have launched, which is a unique solution in today's market. There is no other solution providing the same value proposition, which is one all-in-one terminal with which the merchant will be able to accept payment via card, of course, and provide services to his consumers – such as taxi reservations or buying tickets for a concert nearby – or manage his business. You can run a cash register on a TETRA terminal, for example.

The second part of the offer – beyond this all-in-one terminal, which means that you do not need to have two devices: one for payment and one for services – is the marketplace. That is the easiest way to have access to business applications provided by the ecosystem of service providers. It is the easiest way, because we take care of the legal framework behind the relations between the service provider, the acquirer and the merchant, which is quite complex. The only thing the acquirer has to do is to select the application on the marketplace and build his own app store he wants to propose to his merchants; the merchant selects the applications he wants to run on his terminal – and that is it.

It is really these two assets that make the value proportion of the TETRA offering unique. In addition to this, it is also a way for the merchant to generate additional revenues. When the merchant sells something to his consumer through a TETRA terminal – ticket sales or taxi reservations – he will be paid a portion of the price; a commission will be driven to the merchant. It is also additional revenue for the merchant itself.

Providing easy communication between payment and services is also providing cross-channel services. It is a hot topic. We already mentioned it this morning. Consumers are buying omni-channel now. In order to develop their business, merchants have to provide their consumer with the same brand experience, whatever the channel. He has to provide new services linked to consumer behaviour. Click and collect and refunds have been mentioned. The merchant also has to track the data and link it to these new consumer journeys and behaviours to be able to become more efficient in his marketing policy and drive his business up.

Pierre Antoine explained how in Europe we are already selling and providing these cross-channel services and solutions. We will expand them outside Europe to other geographies. We will be able to do this, because the solution developed for the European market is made of bricks and it uses tokenisation. These bricks can be combined easily to provide these services. These bricks are already available outside Europe. Our job will be to combine them and provide some cross-channel services outside Europe.

To take a very quick example, if you look at the tokenisation service, the Ogone payment solution and the Merchant Services hub, which is solution and platform I will talk about in a minute, you can provide a complete and real multi-channel dashboard to the merchant, on which he can view his activity in-store and online; he can track consumer behaviour in terms of offline consumers, online consumers, returning consumers and average basket etc. He has a complete 360-degree view of his consumer, which is very value able to merchants. That is something we can sell outside Europe very quickly.

For some of the bricks we have, for example some on the payment gateway such as the access one we have in Europe, we do not have in other geographies. When certain use cases, refunds for example, need these kind of bricks, we will be able to provide cross-channel services on a case-by-case basis for a specific customer and integrate the missing bricks provided by partners. Our position will be one of an integrator, which is shown on the slide. In geographies outside Europe, we will combine and integrate in-house solutions – i.e. Merchant Services, tokenisation and the Ogone solution – and solutions provided by other partners. The objective is to provide value-added services to our merchants, of course with the benefit of generating additional revenue.

The other benefit of this integration positioning is to drive sales in the terminals and ePayments business.

4. Reducing Complexity

The last need driving the strategy for our offering is to reduce complexity. There are two main solutions here. The first one addresses the small merchants: IPOS, which stands for Integrated Point of Sale. By far, it is not only hardware. Even if there is a stand, as you see on the picture, this is really a complete hardware and software solution which integrates easily – this is plug and play– all of the connected devices the merchant is using on his premises: his tablets that will run his cash register application, the tablets of his employees, the barcode readers and the cash drawer. All of the connected devices will be easily integrated. It will be plug and play.

The second part of the solution is easy access through the cloud or the marketplace to business applications. The merchant can manage his business, interact with his consumer, and combine payment services and business applications easily. That is this integration offer that we provide to the market. We presented it last year and the feedback has been very positive. We think this kind of integration offer, dealing with the complexity faced by merchants, our customers, is a high-value proposition to meet their needs. We think the potential in this market is high. Some studies say that around 500,000 devices of this kind could be sold in the next 18 months in the North American market.

Reducing complexity for the merchant also means reducing complexity for the acquirers. This is the Merchant Services hub I mentioned earlier very briefly. The value proposition is very simple. Instead of having connections between each terminal of a fleet and the acquirer, the merchant services hub concentrates all of the flows. It will have on flow directed to the acquirer, which is a simplification of the complexity. On top of the routing made available by this hub, the solution provides reporting for the merchants and the acquirer on the activity of the merchant, on returning customers and on the level of sales. This is value-added reporting and analytic services for merchants and acquirer.

This can be deployed very easily because the payment architecture has not changed: the payment application is still in the terminal. It is not a payment gateway, so to speak. It is a hub service that provides easy routing and easy deployment of new services from the acquirer to merchants.

V. Conclusion

As a conclusion, to put these offers and the strategy driving our offering in perspective, I would say that we have the most comprehensive offer to answer all of the major needs and challenges of our customers, be they retailers or acquirers. That is what is shown on this line. It starts with security, which is clearly in Ingenico's DNA. We will accept any payment means using the power of our software platform. We will reduce the cost of payment operations; we will achieve this for our customers with a cost-optimised offer for the terminal range that provides payment acceptance only. We will also meet this request with the estate-manager solution and fleet-manager solution.

We will reduce complexity with the integrated paths for merchants; we will reduce complexity for the acquirer through the Merchant Services hub. We will help our merchants, our customers, to develop their business and increase their revenues. This is about easily combining payment and services, with the TETRA offering and the multi-channel and omni-channel solutions; it is about bringing payment-acceptance capabilities within connected devices. That is the focus on the self-service offer. Payment acceptance in connected devices has, as a priority, connected screens and tablets.

As you see, to capture the growth in small terminals is not only about terminals. Of course, it is about terminals, but, as you see, it is about software, integration and solutions. Beyond this, it is about men and women with expertise and experience in R&D, marketing and operations – totally committed within the Smart Terminals division to provide their colleagues, which we will be able to see in a moment, with the best solutions to be able to grab and capture the maximum growth in this business. Thank you.

Creating the Next-generation Value Proposition

Michel Léger

EVP Innovation, Ingenico Group

I. Preamble

Good morning, everybody. We will talk about innovation and mainly how we create our next generation of offers through innovation. Innovation is mainly about anticipation and speed. Anticipation is about new needs and new expectations: what are the new technologies that will help you to respond to these needs and expectations in better and different ways? Speed is about how fast you can come with solutions to respond to these expectations.

II. Ingenico LABS: Create New Value Propositions

1. Mission Statement: Speed Up Next Generation Offering

This is why, at Ingenico, a year ago we created an organisation specifically dedicated to innovation, its main mission being to speed up the generation of our new offers moving forward, particularly in the scope of global digitalisation that stimulates more initiatives than ever before. Again, the main objectives for us are anticipation and acceleration.

2. Anticipation

What we do for anticipation is, first, to focus our attention on all the new social trends that shape and influence consumer behaviour. It is very important for us, even though we are in the B2B business, to look at consumers and how they influence the whole chain of solutions by the evolution of their expectations.

Second, what we do is to connect Ingenico to the whole world of new players in the payment industry. It is clear that we are already connected to the existing players through all the connections we mentioned before: the retailers and the acquirers – we know all of them very well. What is very important for us is also to connect to the new players, whether they are the big, global, digital players like Google, Apple, Facebook and Amazon (the GAFAs) – and we are already engaged in projects with almost all of them – or the smaller start-ups and fin-techs that we all hear about, to better understand their needs, the way they look at the business, the way they want to position themselves, and how we can position Ingenico in their value proposition, looking at their new business model that they bring with them and seeing how we can better leverage Ingenico's expertise and technology, developing new solutions and new value propositions that fit what they want to do and how they want to do it.

3. Acceleration

Turning now to acceleration, how do we accelerate? First, we accelerate through open innovation initiatives. It is key for us in the labs that we create partnerships and connections with all sorts of new players or even new technologies and providers to really accelerate our access to new technology. We want to fight the not-invented-here syndrome that we all know about. That is something that we do not have in the company. We are extremely open on how to partner, so as to accelerate access to new technologies that will help us to develop the new value proposition.

The second thing that we do to accelerate our development is a test-and-learn approach. Each time we have a new idea, we do not wait to get something completely finished before testing it. A new idea goes to proof of concept, and the proof of concept goes to field test, and we partner with the ecosystem to put, in the field, things that are not fully certified yet. At least it accelerates our learning curve, so we can better understand not only the technology and how to deploy it but also the consumer acceptance of this new technology – the consumer and merchant acceptance of and appetite for these new technologies. We accelerate this learning curve to better come with solutions at the end of the day.

4. Ingenico LABS

In the organisation, in our own labs, we put a lot of different skills, because we want to make sure that innovation is not just a technology play. We are in the technology business – we all know that – but we want to make sure that everything we do in technology or in advanced research that we do in the lab is driven by market needs and business. It is fully aligned with our regions, our customers and our strategy, so we align everything we do, with marketing inside the lab, to focus all of our technology effort on business. It is very important for us. We operate across geographies with no limitations, and across product lines too, whether it is smart terminals, ePayment or whatever new channels we can imagine moving forward.

Our operating principles are based, first, as I mentioned before, on consumers and usage. It is very important that we look at who is using the technology, even if they are not yet our direct customer. It is very important that we look at that to shape our solutions. Second, they are based on open innovation in the way we design and accelerate our solutions, and on agility in the way we execute our plan. It is very important that we implement all the agile methodologies to really speed up the development of our solution.

III. New Trends Shaping Ingenico Group's Future

1. Social Trends

a. Internet of Things

Let us look now at a couple of social trends that we follow, because we believe that they will greatly influence our solutions and the way in which we should design them, the first one being the Internet of Things. It has been mentioned already. The numbers are all over the place, with billions and billions. We do not know exactly how much it is going to be but it is very important for us to look at the Internet of Things because it is creating more and more smart interactions between consumers and merchants. It is changing consumer behaviour, so it is very important that the payment is no longer at the end of the chain but everywhere in the process, because it increases the multichannel behaviour of the consumer.

b. Sharing economy

We are all talking about the sharing economy, which is also changing the interaction between people and creating more and more opportunities for direct transactions between people. We know that payments will be there, one way or another, and it will be different from a consumer-to-merchant relationship. It is something that we have to take into account as well.

c. Friction

There is a lot of change in consumer behaviour. We have no more tolerance for friction. It is something that you can experience yourself from your kids: there is no more tolerance for friction, friction being whatever is beyond you and what you want to achieve. For us, friction is always an opportunity for innovation. A lot of innovation is really focused on removing all this friction. We look at them and see how we can bring value to them. There is also a very strong appetite for immediate services. We do not want to wait anymore and we no longer have any patience, and this is changing the way we design our solutions globally. Whatever we do, it is to provide immediate services. You may have heard about immediate payment initiatives here and there; these are the things that we are following up, because they are shaping our industry.

d. Big data

Last but not least, everybody is talking about big data. What is quite interesting for us to look at is not the data themselves but how we can use them to create new services. How smart can we be at using data to create new services for consumers? That is very important for us as well.

2. New Trends for Payment Ecosystem

a. Contactless

How do we translate that into our payment ecosystem and industry? First, we believe our industry is going contactless. It has been mentioned by Jacques earlier that the increase in contactless transactions has been spectacular in the last three years. In Europe alone, it doubled last year. There are already countries, like Canada, that are 100% contactless. Australia is almost 100% contactless, as are Poland and the Czech Republic etc. On the innovation of Apple and Samsung, even in the US the number of contactless transactions is increasing. We believe that the world is going contactless on our side.

b. Mobile wallets

We believe that there will be more and more mobile wallets. You have seen the 'Whatever Pay': Chase Pay, Apple Pay, Samsung Pay, Android Pay – you name them – and probably more to come. The reaction of the banks too has been to create their own wallets. There will be more and more wallets. These wallets will be used to aggregate means of payment, so you will be able to put into your wallets all the means of payment that you want to use. That is how we think about the wallet moving forward.

c. Connected devices

There will be more and more integration of payment in connected devices in order to follow the evolution of consumer behaviour and also to allow the finalisation of a transaction anywhere there is a smart interaction with the consumer. That is why we work on that extremely hard. We believe that, in most of these new devices, the integration of payment will be done through an 'appification': a simple download of software into the device. That is why we are investing so much in software as well, because how to secure all of that is really key, and that is where we put all our expertise. There will be, in these devices, new forms of authentication in order to improve security in different ways from the ones we are already using, but also to improve the consumer experience, so that is completely secure, seamless and simple. It is very important for all these different kinds of devices that we will get moving forward.

d. Data analytics

To finish, data analytics are very important. These are smart ways of creating new services. There are already a lot of global players with a lot of data that can create those services. We believe that the future is also about sharing data. Smaller players will be able to offer the same kinds of services sharing the data that they have in order to monetise their assets in terms of data.

IV. Client Case

1. Tap & Go

There are a couple of proof of concepts that we already developed, and some examples that you have seen in the coffee room, starting with the integration of payments in connected devices with our digital screen. It is quite interesting to look at this screen. There are six invisible points of sale (POSs) included in the screens, so you can buy your product and service just by tapping your card on a smartphone. I have seen some of you trying your smartphone and being amazed that it worked. That is something that already exists and I would encourage you to look at this proof of concept.

2. Tap & Pay

Through our partnership with PAS[?], we included an integrity payment into a retail tablet that can be used for queue-busting and for payment on mobility and so forth. We mentioned mobile payment and how people are increasingly buying products directly on their mobile. It was quite interesting for us to look at how we could increase conversion while increasing security as well, so we created a proof of concept, whereby you can buy something on your smartphone just by tapping your contactless card on your smartphone, removing all the hurdles of typing your 16-digit PIN on the phone. It is increasing conversion and, at the same time, we can make sure that the transition has been done with a real card, so we increase security as well. Again, this is gaining everywhere.

3. Data Encryption

Security is something that we do not forget: it is still the foundation and core of our business. Securing data in the retail environment has proven to be extremely important – look at all the fraud that happened in the US in recent years. With our core operation with Intel, we created some solutions to improve the way you can secure the flow of your data, whatever they are, in a retail environment, and increasing the security extremely well. We were the first to leverage data-protection-security technology from Intel, which is fully available on our terminals now.

4. Buy Button

Social media and social commerce are definitely the new trends to look at. All social media are looking at ways to provide the ability for you to buy products and services directly in your application. We already created some proofs of concept around that, which we keep developing. They allow you, in your social-media app, to receive an advertisement for whatever. If you want to buy the product, you push just one button in the app and you can buy and pay for the product.

In e-commerce, terminals and new channels, we are creating new proofs of concept that are already available.

V. What Is Next?

1. Trust

What can we expect next? We believe that innovation will still be focused on the three pillars of our industry: trust, ubiquity and universality. Nothing happens in payments if you do not have an ecosystem of trust. Nobody uses a means of payment without an ecosystem of trust. We believe that there will be a need for improvement or change or evolution in our trusted environment and systems, especially for peer-to-peer transactions. This trusted ecosystem will have to be more distributed everywhere, and we believe that technology like Blockchain, which you have probably heard about, will play a key role in how we can distribute our trusted environment.

2. Ubiquity

Ubiquity will be obtained through integrating payments into any kind of smart, connected device. We mentioned digital screens and tablets, but tomorrow will be about TVs, home appliances, cars, or your seat in a plane or a train. Wherever you can have a good digital interaction, we will put secure payment.

3. Universality

Universality will bring the same frictionless and simple user experience, whatever the channel is. Wherever you use it and wherever you want to pay, it will be the same experience, and one that is completely simple and frictionless.

VI. Conclusion

As a conclusion, I mentioned at the beginning of my presentation that innovation is about anticipation and speed. We clearly believe that we are in a strong position, with all the partnerships we have created and with our incredible networks and our presence everywhere in the globe, to anticipate and understand all the needs moving forward. With the organisation that we put together, we feel extremely confident that we can transform all of these opportunities into real business. Thank you.

Rolling Out the Strategy Worldwide: Panel and Q&A Session

Adrian Dearnell

I would ask the region heads to join me on stage now for a panel discussion. They are also joined by David Jimenez, who is the Chief Revenue Officer for ePayments. He will be giving us an ePayments insight, region by region. At the end of this roundtable, we will resume another Q&A session for the region heads. Patrice Le Marre is APAC; Oscar Bello is North America; José Luis Arias is LatAm; Jacques Behr is Europe; and David is ePayments. Let us start with Jacques and the Europe region. Where do we stand today?

Jacques Behr, EVP Europe and Africa

Where do we stand today? I am not going to comment on the figures, because they speak for themselves. To make it very short, we are at the top and we are everywhere. It is very simple. Europe is our homeland. Ingenico is a European company and we are part of the history of the European card industry. Together with the card payment industry in the 1980s, we started with our terminals. I would challenge you to find any country in Europe where you cannot find Ingenico terminals; they are mostly everywhere. This is indisputable.

If you look at in-store gateways, we started these a little later, about 15 years ago. We started because one of the retailers asked us to build something like an integrated, concentrated transaction gateway. We did it and build that, and found it a very good idea. We started it in France of course and then grew it. We are now in several countries with our in-store gateway offers. As Pierre-Antoine explained this morning, we have two offers. We have Access and, in Germany, our Ingenico Payment Services Germany operations. We process a lot of transactions at a very high level. We are not number one everywhere, but we only started 15 years ago and still have some years to become number one everywhere in Europe.

In terms of ePayments, we thought it would be better to make acquisitions in order to accelerate. We recently had a couple of acquisitions and David is going to come back on them. We are accelerating a lot. We already have a very strong position, which we are continuing. The beauty of all this is that we are packing this all for our customers.

Adrian Dearnell

I forgot to add that you cover Europe, but also Africa. We will come back to that. Let us deep-dive into the terminal business first. How will you maintain market share in mature European markets?

Jacques Behr

I must tell you that I do not like your question, Adrian. We are not defending. We are attacking and growing. I can understand that, from a pure marketing point of view, our market share is very high. Most of you have this question about how we are defending that and keeping this strong position. Answering this is very easy. First of all, we have our image and track record. We have been here for years and users of Ingenico solutions like the fact that we have been here for a long time. Our image is the first point.

Of course, we also have our technology and range of products. Nobody else has this range of products and solutions. Let us picture it differently: imagine one second you are a customer from Ingenico and you have a new opportunity and project today, and you want to challenge us. You ask other competitors to provide you with some offers but, of course, the only way they can attack us is to drop the price. You are very happy, because you have a better offer that is, let us say, 20% cheaper than Ingenico's, but now you have to make a decision. That decision is about risk, future and vision, and it is about operations. Does this company have the same level of service, customer care, repayer facilities, software development, support, etc.? You had better ensure you have very good arguments to choose competition from Ingenico because, if something goes wrong, I cannot imagine what your boss is going to tell you. This is about defending.

How do we grow our business? It is very simple. We grow through innovation. You have heard about that. We grow through new markets appearing, especially in the verticals. Jacques told you about that this morning too. There are a lot of new areas or domains where electronic payment is now needed. Contactless is also one of the drivers, but you have vending, healthcare and fiscal. Patrice is going to come back on that latter, because it started in the Middle East. An increasing amount of governments are now using terminals to track transactions and fight VAT fraud. We have a full offer for that, so are integrating new functionality in our terminals. We are using all these innovations that we have to resist the marketplace and grow our market share, because there is still some percentage to grab.

Adrian Dearnell

What about entering new geographies, such as in Africa?

Jacques Behr

It is not only about Africa. Of course, Africa is part of my region and it is very interesting, if not promising. Everybody has read a lot of articles about Africa, like those about the new world gross relay for the economy and especially in payments. By the way, I would notice that, when you read articles about electronic or mobile payments in Africa, they are mostly about money transfers and not really about payments. Payments are a different way of transacting.

What we are doing here is that we have basically built an offer for financial inclusion based on what we call branch-less banking. We are helping financial institutions to roll out banking services using our terminals for what we call branch-less banking. This avoids having to build a branch and using any kinds of merchants in the street. You use a terminal to transact and do credits, debits, cash deposits, withdrawals, etc. This is the kind of offer that we have in the African market, and we want to keep this cheap. When you talk about financial inclusion, it is not about a transaction of €10, €50 or €100; it is a transaction of €1. If every transaction already costs you 50 cents, then it does not make sense. There is no business model for that. This is what we are looking at.

One point, which is not only about Africa, is that we also have emerging countries in Europe. The most important emerging country we have is actually Germany. It is a Chinese-European market, because there is a lot of growth to grab in Germany. It is a mostly cash market, but it is the biggest economy. When you think about it, we do not only have our terminals, but also have Payment Services Germany, which is number one in the German market. We are in a very good position to grab organic growth from the German market.

My last point is on Greece. It is a collapsing economy for everybody, but not for us, because of course the Greek Government counts on our terminals to collect taxes.

Adrian Dearnell

Let us look at your in-store gateway offer. How are you going to use that to address the challenges from retailers in Europe?

Jacques Behr

If you are talking about retailers, they are facing an increasing amount of complexity from the payment industry. Multi-channel is something that we hear about all the time, but we also hear a lot about cross-border. Pierre-Antoine explained this morning that we were the first to be part of this EPAS project, which is a single European protocol. We are about to announce a big retailer that is actually using this new EPAS platform. We are seen by tier-one and –two retailers, through our gateways, as the unavoidable partner to help them simplify the complexity that they are facing, not only in the in-store, but also the e-payment and mobile payment space, because it is a multi-channel approach for them.

Adrian Dearnell

Do you want to add something about the small merchant space?

Jacques Behr

The small merchants also have multi-channel projects and future. Most of them now have an internet website, so of course they want a multi-channel solution. They have an internet store. It is a little less complex. It is a more simplified offer that we have built with our ePayments division. This is just the start, but we are there.

Adrian Dearnell

Since we are talking about ePayments, David, could you shed your perspective on Europe as a whole?

David Jimenez, Chief Revenue Officer, ePayments

I would be happy to. To help you and the audience preface this, you saw that we had 8% penetration of the total card flows we process in Europe. You can also see that we have 1% card flows processed across the rest of the other regions. I do not want you to be misled into thinking that we have 99% market share to grab in payments, because a lot of the time part of that share is of localised payment types, which are either form factors or card volumes going through both in store and the web.

Nonetheless, this is very promising. There is very large market share potential, particularly in EMEA. Our strategy for growth there is actually contingent both on internal, as well as external customers. Internally, you should now that, on the Ogone platform, we have roughly 60,000 merchants, of which we have the great opportunity to bring the full service offering to almost 20,000 merchants. We have an entire team, working tactically right now, on ensuring that we approach those 20,000 merchants. The other 40,000 are part of our white-label solution, which is part of the base managed by our partner. We do not really have an ability to bring a full service offering to them, because in many cases the white-label partner is doing the settlement themselves. That could be a Barclaycard or ABN AMRO; you saw who some of those partners were.

There is also a tremendous opportunity in which we already dominate in some of the major verticals you know about – travel, gaming and digital. There is a great opportunity in some of the pure e-commerce plays. There are some new shared economies that Michel Léger talked about and Pierre-Antoine alluded to, which have the highest percentage of growth. Now, with a proper product suite – and you can see a demonstration of one of our products called Ingenico Connect – we have made a developer-friendly API connection to make it easier for merchants to want to do business with us. They will play in a sandbox and develop applications, and become that app-ification. This is probably where we see the greatest potential for growth, because those are the merchants that tend to grow by greater than 30%. This brings us back to the double digits we are looking for in the region.

In geographic expansion, we are going to put major focus on Germany and the UK. These are two dominant markets, as Jacques Behr just mentioned. A key driver for us is to ensure that we have the resourcing, people, feet on the street and opportunities within those geographies to ensure that we can continue to expand.

We also look to expand slightly beyond Germany and the UK. We want to go to Eastern Europe. Although we do have merchants in Africa, we have not quite taken the opportunity to expand our true service offering in that market, but it does bring opportunity. It still spells growth in some of these e-commerce sectors, which are adopting mobile payments and access to the web as a form of payment.

Adrian Dearnell

Before we move on to LatAm, Jacques, can you sum up your ambition?

Jacques Behr

It is basically two words: consolidate and grow. In the terminal business, we are going to grow by single digits. In everything else, we are going to grow by double digits.

Adrian Dearnell

Let us move to you, José Luis. My first question is the same: where do you stand today in LatAm?

José Luis Arias, EVP Latin America

Let me start by saying that we are leaders in Latin America. We are number one in Brazil, which is the largest market by far. We have manufacturing capabilities in Brazil which, together with our technology, make us the most competitive player in that market. We are also number one in Central America and a close number two in the other markets.

Last year, we had a market share in shipments above 50%, which means that one of two terminals shipped in Latin America last year was an Ingenico terminal. In terms of e-payments, Ingenico is simply the best solution that you can find in Latin America, in terms of reach and capability. Ingenico connects merchants and consumers in markets, offering 27 methods of payment, making it the most comprehensive solution in the market. This is not by chance; it is the result of the high commitment of Ingenico to the Latin American region, where we have 450 people in our different offices.

Adrian Dearnell

How do you plan to grow the in-store base and win market share in terminals, in Latin America?

José Luis Arias

We are planning on doing this by acting on several levers. The first is to leverage the relationship that we have with major acquirers in the region, by deploying Telium Tetra and Marketplace. This is an amazing technology. In every single meeting that I have had with customers, we have demonstrated Telium Tetra and the question is, 'José, when can we start deploying this?' It allows us to differentiate. This is what we have been looking for in the past few years. I encourage you, if you have not had the chance and been exposed, to try the very nice demonstration we have of Telium Tetra. That is one to the things we are going to do.

We are also going to do this by proposing the right terminals for the market. One of the main challenges that you find in Latin America is connectivity. Communications can be very shaky. We are adopting our terminals and proposing terminals; for instance, we have one terminal that has 3G wi-fi and Bluetooth, which assures the acquirer that they will be able to complete the transaction. We are proposing other complementary products, such as an estate manager.

We are also going to expand in verticals. Today, we are present in retail, but mainly through acquirers. The acquirers give the PIN pads to the retailers, but we see a strong demand for retailers to have control of the point of acceptance, among other things, to be able to move into cross-channel. We are going to expand in retail and help them to develop payments not only at the counter, but also in in-store mobility and queue-busting. That is one of the areas in which we would like to be direct or, depending on the market, we may also work in partnership with retail automation.

We are also experiencing quite strong traction for card payment in places that are virgin to card payments today, such as parking or unattended payments. Once people have cards in their hands, they expect to be able to pay in parking lots and other unattended kiosks.

Finally, we plan to be very close to our customers. We do not see ourselves as only a company selling terminals; we see ourselves as a company that helps acquirers and major retailers in the region to grow and optimise their business. In that sense, we are proposing a range of complementary products, in terms of fill, and repair and hardware services. We are going to do that not just in the big countries, but also in what we call CarCaan, which is the Caribbean, Andean and Central American regions, and in Argentina as well.

Adrian Dearnell

How do you plan to grow in-store gateway solutions in Latin America?

José Luis Arias

As you know, Latin America is a very large and diverse region. We do not think that a one-size-fits-all approach is the right one, so we are going to go market by market, and have already started doing this. In each market, we are going to see what the best solution is to bring something that exists from another geography into Ingenico or to go for an investment opportunity, if we see this as the right choice. Part of my background is in payments processing and I think that, together with the team and the rest of Ingenico, we can accelerate this process.

Adrian Dearnell

Over to you David; what are your priorities for ePayments in the Latin America region?

David Jimenez

This is probably one of the most exciting markets out there, as José Luis said, because we dominate there. We have the most robust solution, which has given us an opportunity to grab market share, particularly in the mature merchants – travel and online travel agencies, where there is a lot of cross-border activity. We have picked up and work with the great majority of those merchants.

Strategically, we want to defend the fort. To do that, we have built a travel hub to ensure that we are always securing the latest connection functionality and needs of those merchants against their GDS and BSP platforms. Those are like Sabre, Amadeus and Navitaire. That ensures that we bring the best value to that travel portfolio.

What is also unique about Latin America is that it is one of those markets that follows trends more than it initiates them. What does that mean? Basically, they are always lagging behind North America and Europe when it comes to development, whether it is app development, game development and some of the new economies that you are starting to see. Even things like recurring bill pay is a new function that you are starting to see have an explosive boom in e-commerce sectors. We are building the functionality within our gateways and platforms in Latin America to ensure that we can actually service those merchant needs as they start to pop up. We are already mature in other geographies. It is just about applying what we have learned in that market.

Lastly, it is about leveraging José Luis's teams' relationships with the acquiring banks, because there is a full service offering to be had there. It is fragmented, unlike some of the other geographies, where you are able to service one region with one solution. Here you almost have to go country by country and have a solution for each one. What is critical for us is to start in the economically advanced and fastest growing markets with the greatest potential. Those are going to be Mexico, Brazil and Colombia, and then we are looking to expand that service offering into the areas where you see more of a monopolistic practice within the acquiring space.

Adrian Dearnell

To wrap up, José Luis, what is your ambition for LatAm?

José Luis Arias

That is very simple; it is to grow with capital letters. The way to do that is in the largest markets where we want to partner, and are already partnering, with major acquirers. We want to help them optimise their operations and grow their business. In order to do that, we need to continue to be operationally excellent and to deploy Telium Tetra. In the rest of the markets, which are under-penetrated by card payments, we are going to ride their growth and the expansion of competition, definitely in e-payments. We are looking at growth of high single digits in terminals and mid-teens in services.

Adrian Dearnell

Let us turn to Oscar and North America. Where do you stand today?

Oscar Bello, EVP North America

Where do we stand today? 2015 was a breakout year for Ingenico. The EMV migration created an opportunity for us to really establish ourselves as our player. We took full advantage of that opportunity. We grew in the retail sector and our growth was staggering. When you look at tier one, two or three retailers, the solutions that we were able to deliver to them made a big difference. We tripled our business in the banking sector. We did this because we were able to deliver very timely applications. When you combine the high-volume demands that we had with our supply chain last year, which Jacques mentioned last year, we became a saviour to many acquirers in the US, as they moved to migration. Those were things that fuelled our growth in 2015.

The EMV migration is not over yet. Probably 300 million cards have been issued in the US, but acceptance of EMV is very low over there. There is still quite a bit of work to be done in terms of EMV, which should last for quite some time.

North America is the epicentre of the e-commerce side of things and especially of cross-border acquiring. This is an area where our e-payment solutions really stand out. We have an opportunity here to offer those solutions to merchants that are looking to grow outside the borders of the United States. We can combine that with the fact that we know mobile commerce is the key driver for e-commerce today and the Ingenico Connect products that Jacques mentioned earlier. This gives a powerful message to the market that, if you want to be an e-payments player, Ingenico has the right tools to get you there.

Adrian Dearnell

There is still potential in EMV migration in the US. What is next beyond that and what is your strategy for Canada?

Oscar Bello

Where do we go from here with EMV? Let us step back for a minute. What EMV migration created was extremely complex. It is the reason that a lot of retailers are still not EMV-compliant today. That complexity led to some of these retailers looking for more than just a terminal that can accept an EMV card. They realised that there is a lot more involved. It requires point-to-point encryption, terminal management, gateway services, hardware and software. Ingenico was able to go in and go from being a terminal supplier to a solution provider. Today, we are able to offer all of those services to our customers, which has created a much stickier relationship, which generates more revenue.

When you add to that the fact that we created some very interesting value-add products, such as our Telium semi-integrated solution, which allows merchants to take most of their systems out of the PCI scope and become EMV compliant much quicker, it gave them additional value. Besides that, we looked at the mobility space and it was the same thing. We knew that there are mobile merchants out there that had to go EMV, but that they do not have the resources to be able to develop a complicated EMV solution. We were able to develop a mobile SDK combined with our gateway, so that mobile merchants are able to deploy very quickly today and become EMV compliant.

We look at those things and we know that they are important to meet current and short-term needs. More importantly, they lay the groundwork for us to come back with our Telium Tetra solution. We are very well positioned inside those tier one, two and three retailers today, all the way down to the micro merchants with mobile solutions, with the entire product offering. That allows us the opportunity to introduce new products and platforms ,which will carry us well into 2020.

Adrian Dearnell

Do you want to say something about Canada as well?

Oscar Bello

Canada is an interesting market, because we are by far the dominant player. We are rewarded by our customers. They have a very trusting partnership with all of the acquirers. We are the only supplier that provides products and solutions to all of the acquirers in the Canadian market, so we have a great relationship with our customers there.

Where are we going next with Canada? This is pretty obvious. Being such a mature market, the logic is for them to enter the next phase of Ingenico, which is the Telium Tetra platform. That is really going to revolutionise the payments industry, especially in Canada, because we are not now looking at a solution that only provides a piece of hardware for you to be able to transact, but really provides a platform to have unlimited types of commerce. It is not only unlimited types of commerce, but it will generate new types of revenue streams. Probably for the first time, Ingenico is in a position to capture revenue streams coming from POS terminals, which in the past was primarily the business of the acquirers and processors. This platform gives us the ability to give much more power to the merchant and to capture those revenue streams.

Adrian Dearnell

How much of a priority is omni-channel for you in North America?

Oscar Bello

Just like it is everywhere else in the world, omni-channel is extremely critical in North America. The consumer relationship is at a premium for merchants and retailers. They need to know who that consumer is in order to be able to market things directly to them. When you combine our smart terminals, mobility offer and e-payments offer together, it gives that omni-channel solution that they are looking for. I am sure that will continue to evolve to become a cornerstone of our offering in North America.

Adrian Dearnell

David, it is over to you for the priorities for ePayments in North America.

David Jimenez

As Oscar said, omni-channel is the key driver for us in North America. As it matures as a product and a form factor, it will certainly evolve and drive better value with business intelligence, acceptance and user experience. Beyond that, everybody knows North America to be the e-commerce epicentre. It is one of those areas where ideas continue to flourish. E-commerce is a very mature market. The old adage is, 'What do I get to be when I grow up?' Candidly, merchants are struggling to look for double-digit growth. They have saturated the United States and reached the point where the only place where they can grow is cross-border, so they are looking at ways to distribute their product across the seas.

We have to market strongly and develop the right product presentation in front of these merchants. We have already done a good job at penetrating some of the biggest merchants in e-commerce, but the key is to continue to drive that message out there, with solutions for the cross-border part of the suite.

The second part of that is in pure play. You hear about e-commerce merchants like Airbnb and Uber. Everybody talks about them as shared economies. Sometimes we refer to them as part of that unicorn club. We want to ensure that we are continuing to develop solutions there, and we have with Ingenico Connect. We want to ensure that we position that in front of them to allow their developers to find a happy home for their solutions, so that the app can grow.

Lastly, this is really about some of the new form factors. You can see 'buy' buttons. We are talking to Pinterest and working closely with Apple and other players out there, which are trying to figure out a single-click check-out solution. There is a lot of what we would call test and guinea pig markets in the US, which are often taken overseas, but we want to be there first and ensure that we are in a position to capture that market share. We work closely with them as well.

Adrian Dearnell

Oscar, to close up the chapter on North America, could we have a few words about your ambition?

Oscar Bello

Unlike Jacques, we have the ability to grow and to capture market share in North America, especially in the US, and we plan to do exactly that. We have grown significantly, but our goal is to become the market leader in all aspects of our business. We will continue to strive to do that. The

EMV migration afforded us the opportunity to entrench ourselves in the US market. We are very well entrenched in that market today. Our business is very multi-faceted and diversified. We are not just a terminal provider to a specific retailer, but a solution provider to the entire market. We are very happy with our current positioning. We expect low double-digit growth in that aspect for years to come, through 2020.

Our omni-channel solution will probably start to take centre stage in 2016. It will be the basis of our continued growth through 2020. We expect that, on the e-payments side, we will grow in the mid-teens for years to come. Overall, our ambition does not change. We continue to want to grow, have bigger market share and be the leader worldwide, but certainly in the United States.

Adrian Dearnell

Let us conclude this world tour with the Asia-Pacific region and you, Patrice. Can you give us an update first?

Patrice Le Marre

In Asia, we are the undisputable leader in the payment industry. We have 30-35% market share today in shipments, and almost 30 million POSs have already been deployed and are operated by our customers in Asia-Pacific today. Our asset is that we have a very strong presence, a very strong sales network and a very strong understanding of local regulation. Having that gives us the ability to customise and adapt our products, and control the market. We have full control of our software applications. We are growing our services capability to support a massive rollout of terminals and, since the acquisition of GlobalCollect, we now have the foundation to develop a local e-commerce presence and capture that growth. We will use our sales network to support that growth in the coming years.

Adrian Dearnell

How will you continue to grow terminals at high speed in the region?

Patrice Le Marre

To grow terminals at a high speed, we have defined three pillars. The first is to continue to expand POS penetration or capture the POS market in countries where that penetration is low. In China, we expect the market to double by 2020. In India and South East Asia, with the Philippines, Thailand, Vietnam and Indonesia, it represents a massive opportunity. They have less than 1% terminals, which presents opportunities for the coming years, in terms of rollout.

The second pillar is to see how we can benefit from changes to regulation. If you take the different updates or upgrades to types of regulation in the region, and add Japan, which is moving to EMV, it represents something like 2 or 3 million terminal opportunities for upgrade. You will also have a shift from standard POS to POS plus fiscal memory, which can be upgraded. That is something like 1.5-2 million terminals being equipped in future years.

There are a few other opportunities around local domestic schemes. For example, Malaysia is launching its own contactless and Thailand is launching its own payment scheme. The government is pushing that deployment, and we expect to deploy another 1-2 million POSs in another two or three years. There are a lot of opportunities around regulations and standards in different countries.

The last point is to see how we could monetise our installed base. Having 30 million POSs already deployed in Asia-Pacific gives us a good asset to monetise and gain new revenue from the installed base, mainly by providing new technology and services to our customer, like marketplace application flexibility to improve the service that they want to offer to merchants and consumers. We can help them to administer that installed base of 30 million POSs. We are going to grow and double that base in the coming years. That represents a massive opportunity in terms of field services, support, call centres, maintenance and software upgrades, which we are going to provide in coming years and are already providing in certain areas..

Adrian Dearnell

Could you tell us more about areas of growth beyond hardware sales?

Patrice Le Marre

This is quite a complex question, because it is a very fragmented area with a lot of potential, but also a lot of complexity. I will answer on two different axes. The first is where we can offer an offline gateway and omni-channel strategy, which is mainly in Australia and Singapore. All the acquiring banks are looking for some flexibility in partners to address complexity in terms of payments. The number of payment methods is increasing. They are much more complex to manage, but a partner like Ingenico can manage that gateway and provide synergies with e-commerce.

Japan is also a big opportunity, because they are not EMV and are not PCI/DSS-compliant at all. They are the fourth market in terms of retail. The number so store chains or brands that have to be upgraded to PCI or to PIN encryption in order to secure their future is also a massive opportunity.

The second axis is how we can leverage our installed based to provide convergence between online and offline, using some large opportunities in different markets. I will give you some examples. If you take the market in China, it is moving to what we call O2O, online to offline. This is really being pushed by large companies like Alipay, Alibaba, Tencent and WeChat, and all those social networks and large internet payers, which want to push new services to the merchant in order to have promotions, coupons, royalty programmes and also to see how they can propose new services to the market and the consumer. The terminal is becoming our very strong platform of services, also including payments.

The second alternative we are seeing is how we can leverage our installed base. In India, a lot of new wallet solutions are coming to the market, and we are building a layer in terms of provide agnosticism at the point of sale to process that layer using our EBS capability. We have a local e-commerce gateway, which we use to provide that agnosticism and support all types of wallet at POS. That represents a few example of how we can leverage our existing installed base to provide that convergence between mobile and offline, or between online and offline.

Adrian Dearnell

David, can we have two cents from you about this exciting region, Asia-Pacific, and ePayments?

David Jimenez

I love it, because all the economic indicators tell you to go to Asia, China, etc. Everybody says that that is where the biggest growth is and there is truth to that, but just to level-set the table, when you look at China, they mostly have localised payments within the country. There are some restrictive accesses and barriers to entry there. That means that one of the strategies we may look at is for M&A. There may be potential to capitalise on localised payments within China and some of the other geographies. In South East Asia, we are looking to connect to several markets or potentially look at acquisitions to gain access to local form factors – e-wallets and local payment forms.

In Asia-Pacific, we have normally dominated by bringing in European and US merchants' access. What we have learned from selling there is that a lot of Asia-Pacific merchants are not just selling within APAC, but are starting to sell and do cross-border activity back to Europe and North America. They are starting to expand their retail, in-store, merchant and consumer base by trying to reach cross-border. That is another part of our strategy.

Lastly, we are going to have a geographical focus. South East Asia will continue to be part of our expansion strategy, using our white-label brand and products across the Australia and New Zealand markets. We have already done a tremendous job leveraging our platform in EBS in India, and will continue to do so with our cross-border merchants there.

Adrian Dearnell

To end this world tour, what is your ambition in Asia, Patrice?

Patrice Le Marre

Our ambition is to have double-digit growth in hardware. We have a strong sales network and understanding about local regulations. We have technical leadership in hardware platforms and a strong understanding about all local requirements. We have the assets to capture growth and a very strong installed base, too. Using that base, we can make Ingenico affordable to provide convergence between on and offline, which is a very big asset. The last point is that we have a very strong track record. If you look at our performance in the past year in Asia-Pacific, we have demonstrated that we were able to capture growth in that market.

Regarding e-commerce and omni-channel, since we finalised the acquisition of GlobalCollect, we have the foundation to capture e-commerce growth. We can then use our sales channels to meet that ambition. The mid-teens we are looking for in 2020 will then be delivered.

Adrian Dearnell

It is now over to your questions.

[Antoine Bonnavie?], HSBC

Ingenico is very strong. What is the answer to the competition, especially in the US? Have you seen a change there from VeriFone?

Secondly about e-payments in Germany, one of your competitors is currently in trouble, at least on the stock exchange. Does that change anything for you, in terms of the credibility of your offer? How do you manage that?

Oscar Bello

In regards to competition in the US, VeriFone is one of our competitors, but we are not scared of them. We have shown that our dominance worldwide is not by accident. It is because of the products, services and solutions that we deliver. Our growth in the US is for exactly the same reasons: customers have been exposed to Ingenico, and when they see our products and services, the dedication that we have and the types of solutions that we are able to deliver, we will certainly gain market share and grow in the market, and at their expense. We will not shy away from that. That is probably the same across the world.

David Jimenez

I am familiar with the situation in the German market and would say that we are doing a good job of calling on merchants in the region, as a result. With that said, the key message for us is strength and discipline. We have discipline in the way that we practice, the way that the leadership executes the business plan and the way that we ensure we do not become sloppy in our business practices, because those things would ultimately put the business at risk. We are risk-averse in that way, so tend to be very aggressive in our sales strategy, but very risk-averse in the way that we practise and execute our business.

[Adam Mitiku?], Merrill Lynch

You mentioned earlier that the US and China will drive most of the growth in the terminal space over the next five years. The penetration levels in China are close to those of that in Brazil at the moment and, by the end of 2016, will be higher than in Sweden, where literally no cash is used. What is going to drive growth in China over the next five years? Do you expect penetration to be significantly higher than in other countries you are seeing at the moment?

Secondly, there are a lot of SMEs that have not upgraded in the US. What gives you the confidence that they are going to? If they have not already done it by the deadline, why would they do it by 2016 and 2017? Is there any chance that you would see some delays? Could you also talk about what penetration rates you expect in the US, in terms of EMV? It has roughly 50% penetration now, so where will that be at the end of 2015 and 2016?

On integrated payments, you talked about providing iPOS solutions. A lot of the process for doing this, if you take First Data in the US or WorldPay in the UK, is putting a lot of intelligence into tablets and using dumbed-down terminals on the side. You have talked about the opportunity for Telium Tetra to be used as a cash register, for example. What gives you the confidence that you will be able to take the value-added services that the processor is providing? What makes you confident that you will be able to provide that?

Patrice Le Marre

Even if we are seeing the GDP of China slowing down, the retail expansion is growing by 10-15% and will grow by that level to 2020. That is the first point. The second is that POS penetration is still very low and we have very strong demand from all players today, from banks and local PSPs, to deploy terminals. The good news and what we are seeing in China is the fragmentation of the market of high-end POSs, which provide convergence between online and offline, which will increase the PSPs. That is very good news for us. The traditional segment of POS is to equip merchants and roll out a massive deployment of POSs. That will remain high and we are confident that the installed base will double by 2020.

The last sign we are seeing in China is payment for individuals. This is also a massive opportunity for how we can provide a means of acceptance to develop a new business model for credit for individual people. This is not only about merchants, but also about how we provide acceptance to develop new business models between consumers and merchants. This is a really innovative market. Behind growth, you also have a lot of innovation in the different segments.

Oscar Bello

With regards to EMV migration, where we are and them not converting and why, they will convert. The answer is very simple: it is chargebacks. US issuing banks have set a deadline of last year and are now using that to dump anything even marginal back on to the merchants. Merchants are being hit by very large chargebacks and they have to take action. The problem is that we are now in the most complicated phase of EMV migration, which is not tier one retail, but that tier two or three, which are very complicated. They have integrated systems, it is very fragmented and requires investment. The certification queues of these entire solutions inside of card organisations and laboratories are huge. Some laboratories have a queue of 1,800 merchants and retail chains waiting to begin certification. We are in that very complicated part of this, but there is no doubt that it is going to continue. They have to migrate because of the chargebacks. They will not be able to withstand the level of chargebacks they are receiving from the issuing banks today.

Jacques Behr

Keep in mind that, in the last 30 years, cash registers have tried to payments and the payment industry has tried to do in-store management of cash registers, including Ingenico. Nobody has really been successful at this. If you look at iPOS in the way we have presented it today, we have left the door open. We just take the payment part, integrate a very simple API between any kind of retail software and tablet. This is the right solution for the future of iPOS.

Also keep in mind that this is not just about building a proof of concept or about hardware. It is about support and the amount of services that you can provide a merchant in his day-to-day operations.

Participant

Can you give a sense of what your terminal shipments were in the US market?

You have talked about double-digit growth in Asia-Pacific as a whole, but how much of that is for terminals in China?

Oscar Bello

Last year in North America, we shipped 3 million terminals from our entire range of products.

Patrice Le Marre

Regarding the growth in China and other countries, if you take China, India and all the emerging countries in South East Asia, they have grown by double digits. Their installed base is small today and it is clear that they will all grow by double digits in coming years.

Oscar Bello

That was for US/Canada and our mobility division.

Participant, Oddo Securities

Do you not think that India can become the next China for Ingenico? It should have the same potential for terminals over the long term.

In the US, do you have a strategy to penetrate the petrol station vertical? If I am right, this is a huge market that you have not addressed at all.

In Europe, with some acquiring capacities for e-payments, do you think that some acquirers may react negatively, which could put pressure on your business?

Patrice Le Marre

In the Indian market, with the election of the new president we are seeing a drastic change in the digitalisation of the economy. For example, 200 bank accounts have been opened by individuals, which is really pushing the spread of the payment ecosystem. When we analyse the POS penetration in the market, we have 1-1.5 million POSs already deployed and, if you compare the size of the population, it is similar. A bit more than 20 million POSs have already been deployed in China, so there is no doubt that India represents a massive opportunity. The difficulty is to understand how long it will take to have a large middle class to support that ecosystem or make it profitable. There is no doubt that, in the long term, India is a massive opportunity. Since last year, we have seen a drastic change in the payment industry in terms of requests to deploy new terminals.

Oscar Bello

In regards to your question on the petrol opportunity in the United States, one of the phases of EMV migration is the liability shift on self-service or unattended devices. Naturally a large part of that is petrol in the United States. I do not want to give away too many strategic secrets, but will tell you that, in regards to vertical markets, Ingenico is very tactical in its approach. One of the first vertical markets we decided to pursue in the US was hotel and lodging. We executed very precisely and today that market is primarily Ingenico. We know the petrol market is there and we also know that there are other vertical markets. We are developing strategic plans to go after them, as they represent significant growth opportunities.

Adrian Dearnell

Am I correct that somebody else from the management team is going to speak about this question?

Jacques Behr

On the question about acquirers, the opportunity is to develop it only for e-payments, as a complement to the partnership approach. That is something that the acquirers most welcome, because they are not present in this type of segment, so do not see as a competitor. We will still continue to send flows to our acquiring partners at a major scale, so there is no issue that we foresee in making this move.

[Christophe Quarante?], Société Générale

Could you tell us your main drivers for LatAm outside of Brazil? You have done a great job in Mexico, if I am correct. Could you come back on that and maybe explain a little further what are the main strengths you can deploy in markets like Chile, Peru and Argentina maybe? What potential do they have?

Secondly on e-payment ecosystems, if I am correct you have also talked about M&A, particularly in Asia. It appears that the e-payment ecosystem is not exactly the same in terms of structure everywhere in the world of e-payments. How are you able to deliver potential opportunities there, as the players are in oligopolistic situations? How are you able to deliver growth in Asia in e-payments due to the difficult situation with the number of players?

José Luis Arias

In the rest of Latin America excluding Brazil, we take a market-by-market approach. Mexico is definitely a very relevant market to us, in which we are working with major acquirers and also expanding our strategy in retail by going direct to the retailers. In terms of retail, Mexico has a strong influence from the US, so we are seeing some of the trends that appear there as well, where retailers want to have control of their payments, whether over the counter, in store or through queue-busting. Also and as I mentioned, there is a strong interest in Telium Tetra, so we are working on deploying that.

For the rest of the market, you mentioned Chile and Peru. In some of those markets, our presence until now has been very limited. Argentina is another example of such and those are markets in which we are basically growing. We are establishing the right infrastructure and repair capabilities in order to have our products certified. We have been very successful and are leaders in Central America right now. One of our objectives is to continue growing there. In order to do that, we have the right product range for those markets. We have some entry products in new technology and Tetra, with the right connectivity because, as I mentioned, connectivity is very important in some of those markets.

Again, we do not see ourselves as just selling terminals, so the moment that we start working with acquirers in those regions, they experience everything that comes with Ingenico, which is basically our services. We deal with technology here but, whenever there is an issue with connectivity or some sort of acceptance, they feel the support that we can provide.

David Jimenez

I will keep it simple for Asia-Pacific. It is surgical precision; you are spot on. You cannot just throw out an e-payments net over Asia and capture all the flows. You need to look at the markets where you will get the biggest return on investment and greatest number of transactions. From an acquisitions strategy, you want to look at two things tactically. One is whether the platform you are looking to acquire brings a strategic acceleration to a solution within a specific geography; and does it give you access or instant access to a customer base and/or payment form factor that is used ubiquitously across the region? From that end, you have to be much more surgical and precise in looking at the various markets. Be very specific about what you want to target.

Adrian Dearnell

Thank you very much.

Finance

Nathalie Lomon

CFO, Ingenico Group

I. Preamble

Hello, everybody, and thank you for joining us today. As stated at the very beginning of the presentation by Philippe Lazare, and based on the various reports of my colleagues, we confirm that Ingenico is positioned as a fast-growing company. In the course of this plan, our objective is to grow our revenue at a double-digit rate on an annual basis. Our EBITDA-margin objective will be 22-23% for 2020, significantly above our last mid-term plan. We will have very robust cash-flow generation that will allow us to fund selected acquisitions and to pursue an attractive dividend policy for our shareholders.

II. Proven Track Record: 2016 Targets Reached a Year Ahead of Schedule

Let us first take a quick look at what Ingenico has delivered in the past year. Looking back three years ago, we stood before you to discuss what Ingenico Group's objectives would be for 2016. Now, we all know that we have met all of our projected targets one year in advance. Ingenico Group employees are highly committed to meeting our shared targets; hence, the company has regularly overachieved, and this proven track record now represents an important asset for our future. Looking at the figures now, our business has shown very strong revenue growth over the past five years, EBITDA has more than doubled, and free-cash-flow generation has been very strong, albeit positively impacted by some one-off advance payments during the past two years.

III. 2020 Revenue Objectives

Now, back to the future: as I said, Ingenico will be a fast-growing company in the coming years. Looking at our revenue objectives for 2020 of €4 billion, this implies a compound annual growth rate of revenue of around 13%, including 10% of organic growth. In our Terminals business line, we target high-single-digit growth. In our Payment Services business, we target mid-teen growth via a mix of in-store and online payment services. In summary, organic growth will be around 10%, and the model will shift from 70% Terminals and 30% Payment Services to approximately 60/40 Terminals versus Payment Services. On top of the organic growth, we plan for an additional contribution from acquisitions of €5 million in the top line, which I will come back to later. In summary, total growth will be around 13%.

IV. Growth Drivers: Terminals

1. Market Trends

As explained previously, the major trends supporting our assumptions are the increase in electronic versus cash transactions worldwide; the overall growth of the middle class in emerging countries, meaning more and more people having access to bank accounts; the increase in spending online and in store, with a very strong trend towards more online payments; and last but not least, a very favourable regulatory environment moving towards more security and favouring electronic payments.

2. Regions and Business Lines

a. Europe & Africa

Moving to the regions and business lines, summarising what has been said previously, and starting with the Terminals business, in Europe and Africa we are the leader in the terminals market. As Jacques said, we will continue to grow and to dominate this market. This is the area in which we have all the tools to sell in the mature countries, meaning all the solutions to help our customers to optimise their operations, through all our terminal-related products and services, meaning field services, remote-terminal-management systems and TETRA Marketplace etc. Moreover, our seasoned distribution network will help us capture the remaining growth opportunities in eastern Europe, in Germany and especially in Africa, where electronic payments still have a lower penetration. Based on these assumptions, we are targeting mid-single-digit revenue growth for Europe and Africa for this plan.

b. Latin America

We see a very fast replacement cycle in Brazil. In addition, we are very well-positioned, as Jose Luis just mentioned, to capture the growth in countries in which card payment is currently underpenetrated. Based on these assumptions, we are targeting high-single-digit growth in Latin America.

c. North America

In North America, based on the tailwind of the Europay, MasterCard and VISA (EMV) migration, and a further increase in near-field communication (NFC)-capable acceptance devices, we will enlarge our customer base in large retail and capture new payment trends with dedicated solutions such as pay-at-table and self-service. Based on these assumptions, we are targeting low-double-digit revenue growth for North America.

d. Asia Pacific

In Asia Pacific, we will leverage our leading position in China to continue providing our customers with the largest range of products in this fast-moving market. Further, we already have plans to increase our positions in countries where our footprint is presently limited. Based on these assumptions, we are targeting double-digit revenue growth for Asia Pacific.

V. Growth Drivers: Payment Services

1. In-store

Europe is the area where our cross-channel and cross-border offers will deliver the most. In other areas, we will adapt our offer and our positioning to the specifics of each country.

2. Online

Among the key drivers mentioned by David Jimenez, let me highlight that we are planning for key growth in markets that have fast-growing metrics for online and mobile consumers. We are targeting new segments and verticals by aligning to the fastest-growing sectors in shared economies and cross-border retail marketplaces. On cross-border, we will maintain a focus on addressing the client segments that have matured beyond their domestic region, with the goal of providing them with means for taking their businesses global. Overall, we target mid-teen revenue growth throughout the period for Payment Services, as a blend of in-store and online.

VI. Gross Margin by Business

In Terminals, the enlargement of the product range and the increased contribution from emerging markets will lead to a limited erosion of our gross profit compared to 2015 actuals. We estimate this to be around 100 basis points.

In Payment Services, a combination of operational excellence – namely, the return on our 2016 and 2017 investment programme – and growth in activity will support a margin improvement of around 100 basis points.

VII. Opex: Major Trends

We will continue running the business with very strong controls to contain opex. This implies a slowdown in Terminals research and development, milking revenue from the new TETRA range of products, while still continuing to innovate and invest in the development of new form factors. There will be a continuous effort in Sales & Marketing to support the revenue growth, and some decreases in our General & Administrative expenses ratio when compared to revenue. As a result, the EBITDA margin objective is significantly above our last mid-term plan, at 22-23% for 2020, despite the evolution of our activity mix, with relatively more revenue from Payment Services and less from Terminals. As you may have already understood, our 2016 EBITDA guidance of 21% has to be considered as a floor in our mid-term plan.

VIII. Cash Conversion Objectives

Cash-flow generation will remain strong. Our capex will stay in the range of 3-4% of revenue. As far as working capital is concerned, despite its industrial characteristics, we run our Terminals operations in a fabless mode, which requires a limited amount of working capital. Regarding online payments, apart from the collection of our invoices, the full-service model that we run is also not demanding in terms of working capital. Therefore, in our business model, we do not anticipate any additional pressure on our working-capital requirements. We expect the Group's average tax rate to diminish. We took an assumption that local tax rates by country will remain where they are currently, but that we would benefit at the Group level from a positive geographical mix. Overall, we target a conversion ratio of free cash flow to EBITDA of 45% as a floor for the plan.

IX. Use of Cash

As I said at the very beginning, our strong projected cash-flow generation will allow us to simultaneously fund for selected acquisitions and to pursue a shareholder-friendly distribution policy. M&A will be part of the growth story of Ingenico in the coming year. We have proved, over the last 10 years, our capacity to select and successfully integrate the relevant targets in order to extend our footprint and our payment-acceptance offers, and we do not plan to change that. We will focus on acquisition targets that will help us accelerate the implementation of our transformation strategy and to make the most of the momentum in the fastest-growth markets in Terminals or in Payment Services.

In terms of more outlook on the M&A targets, our key objective here is to accelerate our go-to-market. In the hardware sector, acquisitions of distributors in markets where we do not have direct operations are a smart way to accelerate our penetration. This is what we did in past years, in Indonesia, Russia and Turkey, and these moves have proved to be very efficient. Regarding Payment Services, we may target companies that will complete our offer, such as local gateways, either face-to-face or in the e-commerce sector, but in the fastest-growing countries in that sector.

From a top-line standpoint, we project that acquisitions will contribute €500 million in 2020. In our model, as we have presented it today, these acquisitions are funded by our free cash flow-generation and deleveraged pretty quickly, as we have done with our past acquisitions, to ensure that they do not jeopardise our future. Moreover, we confirm our dividend-distribution policy. Our plan is to distribute 35% of net income to shareholders each year.

X. 2020 Ambition Plan

As a conclusion, I am confident that all our presentations today have convinced you that Ingenico has the right assets and an undisputed level of expertise to strengthen its leadership in omni-channel payment acceptance. In addition, the alignment, the quality and the fierce commitment of our teams will ensure the successful execution of our plan. Thank you.

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