

# Audio transcript

## Q3 Revenue conference call.

**Moderator: Philippe Lazare**

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**Operator**

This is conference # 955592.

Thank you for standing by, and welcome to the Ingenico Group Revenue Q3 2015 Conference Call.

At this time, all participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session, at which time, if you wish to ask a question on the telephone, please press star one. If you are asking a question in the room, please remember to activate the microphone located in front of you indicated with the yellow sticker before asking your question.

The Q&A session will be shared by Philippe Lazare, Nathalie Lomon and Pierre-Antoine Vacheron.

I must advise you, the conference is being recorded today, Thursday, October 22, 2015.

I'd now like to turn the conference over to your speakers, Philippe Lazare, Group CEO; and Nathalie Lomon, Group CFO. Please go ahead.

**Philippe Lazare**

Thank you, good evening, and good evening, everybody. The presentation will be shared between Nathalie Lomon, our CFO; and Pierre-Antoine Vacheron, who will help us to answer the e-payments questions because you know that we recently assumed responsibility of e-payments and the platform technology division of the company.

So it's again a very good Q3 and nine-month revenue and 2015 results - I mean not results, but revenues. As usual, we target to have profitable rows: so don't have any doubt about that.

So both Q3 and year-to-date figures showed a double-digit growth, 15 percent, both coming from Smart Terminals and Payment Services. Given the strength of our offers and the solid perspective as we have in front of us, we have been able to review our guidance for the full year, and raising it up to 30 percent gross for the top-line and 23 percent EBITDA ratio for the EBITDA. So clearly it's a very encouraging result for the start of the year.

Before we understand that we have been able to protect our level of activities even increasing it in the Latin America and mainly in Brazil, which posted an impressive result. No need to say that the figures coming from the US market are extremely encouraging and we are foreseeing a double digit growth in that part of the world next year as well. So Nathalie will give you more detail on the figures and more broad review, and will be able to answer your questions.

Just one comment, by achieving the guidance I gave you few minutes ago, that we will achieve in 2016. The target we indicated to you is for the end of 2016, one year ahead of our objectives.

So, that's it for the first introduction and I leave this now to Nathalie and then I will come back to give you more color on the what's going to happen

in the last part of the year and what could be the main trends on which we are working for 2016 onward. Nathalie?

**Nathalie Lomon**

OK. Thank you, Philippe and good evening everybody. As Philippe mentioned, organic growth stood at 15 percent in Q3 with a double-digit growth in terminals and the single digit in payment services. Terminals' momentum remains very strong, especially in North America (NAR), in Asia and in Latin America (LatAm). And growth in payments services caught 5 percent on the back of the reduction of business from a significant customer and adjusted it from this exceptional impact the growth in transactions, which has been 10 percent.

Price impact has been positive for this quarter by a EUR16 million, with a negative impact from the emerging currencies, mainly Brazilian reals and Russian rubles being more than compensated by the strengthening of the US Dollars and the Chinese Yuans mainly.

Moving to geographies, as I mentioned the momentum has been strong everywhere. NAR has been quite impressive with 46 percent growth, due to the move to the EMV and NFC in the US and hence the US outgrowing by 69 percent quarter-on-quarter. Canada is performing well, as well. You may remember that we have a high comparison basis last year that came from the renewal of the Moneris estate in 2014.

Moving to LatAm, in spite of a difficult economic environment, LatAm has somewhat managed to show a very good performance, both in terms of volumes and in terms of revenues with 35 percent organic growth. And in Q3 Brazil is growing by 47 percent, which is really impressive. Asia-Pacific has also enjoyed a strong growth, driven by China, who grew by a 22 percent on the rest of the area.

Europe and Africa is more contrasted with a single digit of 5 percent in terminals, but this is in a very mature market and a mid-double digit growth 14 percent in Payment Services.

So as I mentioned previously, ePayments as of volume and revenue from a significant customer not showing growth for this quarter. But as it was a high volume customer, well with lower margin than the rest of the business, ultimately it has a positive impact on our margins.

The first nine-months' revenues stands at EUR1,606 billion, this is a like-for-like growth of 15 percent with a positive and sizable price impact of EUR85 million. Again, on the one hand due to the strength of the USD and the Chinese Yuans versus Euro, and on the other hand to the slide of the currencies I mentioned previously, so Brazilian Real and the Russian Ruble.

Price impact in Q4 should be somehow lower as the decrease of the euro has already developed over in the last quarter of last year. The growth over the first nine months of the year has been distributed all across the regions. Hardware business went on very well, plus 16 percent growth. And despite the revenue loss I mentioned, transaction services are broadly in line with our expectations of 12 percent growth. However, we consider that given the

size of the shortfalls and favorable comparison basis for H1 next year, we should recover a double growth digit in the course of next year.

Moving again to geographies for the first nine months; growth in North America has been outstanding, it's driven since the beginning of the year by the moves of EMV, NFC and also the successful development of our strategy, with processes and ISOs on the bank sector. And the growth in the US has exceeded 80 percent over the first nine months of the year. Canada, as I mentioned previously remains a very strong and healthy market for Ingenico.

LatAm is doing well, plus 30 percent with a very strong activity in Brazil, plus 40 percent and in Central America. Asia-Pacific also showing outstanding results, 19 percent growth year-on-year. We're confirming that we're the leader in China and Indonesia, which also very strong market for us.

I would illustrate that by telling you that Landi has sold so far to the 5 million terminals in China, which is 16 percent more than last year and it has increased its revenue also by an improvements in price and mix by 24 percent.

Europe and Africa has registered again an excellent performance, it's 5 percent organic growth in this very mature markets, mainly fueled by payment services transactions are growing there by 14 percent.

ePayments, first nine months it shows a good performance and when adjusted for the one-off I mentioned it's growing by 12 percent. And again as I mentioned previously, no impact on our margins.

So this is what I wanted to tell you regarding Q3 revenue, first nine-months. Giving the floor back to Philippe.

**Philippe Lazare** Yes, thank you, Nathalie. So a quick view on the highlights and trends for the end of the year and with some sort of what would be the trend for next year on the onward.

So on the terminals side, we are happy to see that our product ramping up for Tetra and the ramp up for the new range of products is exactly on the same pattern that the one we knew when we launched Telium 2 a few years ago. So we believe that it's a very good sign for the success of this new offer.

80 percent of our terminals are now NFC compliant. Meaning that we are bringing to the merchant the huge capacity to be paid whatever the issuing means is, meaning that we are compliant with the contactless card, we are compliant with Apple Pay and, of course, we are compliant with very last initiative, which will be taken by Orange, for example, in France.

We keep on gaining market share in both emerging economies like China and Russia, assuming that we can put China in the emerging economies, that is, if you consider that it is an emerging economy as we are. We are significantly

growing in that part of the world. In mature countries, good news are coming from Europe. And I really think that we're getting something like 5 percent growth in Europe today, something which is not so easy to do. And probably less spectacular than the double-digit growth coming from other countries, but I can tell you that, given the strength that we have in that part of the world, being able to do such of growth is impressive. Of course, the USA: we need to say that we are more than happy to see what happens in that country.

And in the U.K., we have been able to grow as well. So we are expecting some good news coming in the coming years from a market like Japan, with the recent confirmation that Japan and these market will move from non-EMV to EMV solution. And we have now a very solid relationship with local operators. And of course, we are ready to seize any opportunity to grow in that part of the world.

On the e-payment side, we launched very recently two new products, which are completely consistent with what the clients are expecting from us. The first one is a tool kit, including a full API, which allowed the merchant to better design their interface, meaning the mobile interface. We know that most of the e-commerce is going through the mobile, meaning the smartphone and tablet. And clearly, that product which name is Nami is one on which we are extremely confident that it will be successful.

Second one is a solution of reporting, name Elevate, that solution of reporting will help the analytics for the merchant. And we start to sell that solution embedded within our gloabl offer. And it will help the merchant to have a better understanding of their own consumers.

On top of that, under the management of Pierre-Antoine, a full review of our customer portfolio has been launched and we will organize our Company to benefit from the region Ingenico region managers to make sure that all our sources are behind our e-payment offers and recently we have seen that it can be useful from time to time.

So, on the cross-channel side, some very good news coming from some key accounts. The first one, which has been signed, it is very significant one, which is on its way but we're unfortunately, not allowed to speak about it, but it will be a very significant account.

We have signed PICARD. You know what PICARD is. It's a frozen food retailer. And more recently, we've signed with a train operator in the U.S. and in the U.K. And solutions based on unique consumers secure token which is extremely technically advanced. And we are the only company having for real and for good cross-channel offer for the retailers, and we believe that this will be part of the future of the company.

So I will not comment on what are the regional trends. North America driven by - mainly driven by EMV. Europe and Africa, we'll keep on developing our cross-channel offer and the launch of the new range of products. Asia and Middle-East, Asia is mainly driven by China, because we have as well very good news coming from Australia, for example.

Just a quick comment on the loss of the account that we had in the Asia Pacific. So it's clearly a one-off. It was a high-volume low-margin.

e-payments. ePayments, of course. Unfortunately, we are competing from time to time against competitors, who are seeking volume because they have a sense of the market and we will not concentrate on that. It will not happen and we will cover again, I mean, and we will all cover them pretty soon on that event.

Well, beginning of 2016, we will communicate to you our next strategic plan. The key trends on which the strategic plan is going to be based are, first, the Telium Tetra and the marketplace launches, and the cross-channel offer. Our ePayments offers with a strong focus on the mobile payments. We strongly believe that a big part of the e-com will come from the mobile. And we have real solutions in front of that.

New geographies and new opportunities, EMV migration in Japan, point-to-point encryption, etcetera. New consumer behavior, behind the very simple idea that everybody will be a merchant one day, and that we are in a position to bring solution for everybody to be a merchant one day. So more to come from Ingenico, and then we'll come back to you in the coming months.

So now we're ready to answer your questions.

**Question**

Good evening. Two questions, please, Philippe and all the team. First, following the WorldPay story, could you remind us your strategy in terms of M&A? What are you targeting in terms of acquisition? Are you notably interested to develop the merchant acquiring business?

My second question is about the slowdown you expect in Q4, with regard to your guidance. It seems to imply a single-digit growth, if I am right, for Q4. Is that just due to the business of comparison or do you expect, let's say, lower growth, notably for the coming quarter and also for 2016? Thank you.

**Philippe Lazare**

OK. Thank you for your questions. So starting with the M&A strategy. I will not spend too much time on the WorldPay story. We believe that combining WorldPay with Ingenico was a great opportunity for different reasons, because it was a consolidation of the e-com business and you know there are very few players and it was a good occasion to do in that part of their business, the same thing we did in the home run business.

And your question about the acquiring, clearly we didn't intend - we don't want to be a merchant acquirer in the off-line business, but being a merchant acquirer for the online business is something which would help us to reduce our costs and to have a better management of our offers.

So I don't tell you that we are not going to buy something in that space, but it makes sense for some company like Ingenico to be its own merchant acquirer for the online business. So keeping that in mind. So it doesn't mean that we're going to jump on the first online merchants acquirer.

But in our strategy, it makes sense to do such a move. But we don't want - we don't intend to compete against the usual merchant acquirer, doing merchant acquiring in the face-to-face business. That's precisely why when we were looking at WorldPay we give a clear view on the fact that we will not keep such asset within our portfolio.

Back to your second question, yes, you're right, it will be a single-digit growth in Q4. Mainly given the fact that we lose that customer in Asia Pacific for the e-payment business. But it is not a trend which was supposed to last and in 2016, clearly. Our strategy to go back to the double-digit growth and we feel that you can trust us, when we told you that - when we tell you that.

**Question**

I just wondered, just to follow up on the M&A side of things, whether you can give a more color. You obviously appointed a head of M&A. So what kind of opportunities could you be looking at and what kind of time horizon? Second of all, do you anticipate any negative impact on your terminals business when you think about EM demand and what kind of - and the kind of FX moves we've been seeing? And third of all, maybe you can give us just a bit more color on the Japan and India opportunities you mentioned as ramping? What could the kind of scope of those opportunities be and what kind of timeline? Many thanks.

**Philippe Lazare**

OK. Starting with the first part of your question. I mean, we used to have the people dedicated to M&A. There is nothing new in the company. So it's just a new person coming - joining the company to do M&A. But historically, we had people dedicated to M&A. So it doesn't mean that we are reinforcing our team, just changing people.

I mean, our strategy in the M&A didn't change, probably the size of our target changed a bit and our ambition changed a bit at the same time. But if we look at what we wanted to do a few years ago, we are just executing our strategy from the very beginning.

So the first idea we had was to consolidate the hardware payment industry. That's what we did. And then we made the decision to make acquisition to see the growth seen in some emerging countries by the acquisition of Landi, for example. And you see what we did with Landi. And then we decided to move to the online payment industry. We made two acquisitions in a row. Question is for us now to keep on maybe not consolidating but at least maybe at that part of the business a position similar to the one that we have in the hardware. So every opportunity, we will look through that focus.

So to answer your question about what is the time line, I don't have a clear idea because if you would have asked me one year from now if I was interested in WorldPay, probably the answer was probably no. Because at that time, we had no idea what could be the opportunity. For the next opportunity - if there is one - we will look at it, of course, very seriously.

The size of the Japanese market, we believe that the Japanese market will be something like 3 million POS at the end of the full EMV migration. And

we believe that there is no reason for us to get the market share below the global market share that we have at the worldwide level, which is something like 40 percent. And we believe that it is doable. Indian market is doing better than it was in the past, but it remains a small market. But we start to have the good news coming from that market, no sign of a big trend of developing acceptance network, but we're doing better than previously. And the first half of your question was...?

**Nathalie Lomon** You answered it already.

**Philippe Lazare** I think I did.

**Question** I think just on the FX moves if I don't think to be aware about, in terms of EM demand.

**Philippe Lazare** Nathalie, you want to take that?

**Nathalie Lomon** Yes. And that should complement the point that Philippe made when answering the question regarding Q4. I know the underlying assumption that we had for Q4 was that there will be, of course, I will say less dynamic market in Brazil compared to what we have witnessed so far.

Basically, we were very happy with the performance that we had in Q3 in Brazil, despite the weakening of the economic situation, and it is unlikely that we will be able to perform at that level in Q4. Hence, we have reduced our expectations for the Brazilian market for Q4. And this is one of the reasons why we end up with also single-digit growth in Q4.

**Question** I've got two questions. The first will be to come back on the client loss. If you could give us some more details? Because I understand, maybe it's wrong, but it's – this loss came from a kind of not such a good organization, or maybe paying not so much attention to the tenders or to your clients. Could you give some ideas about what really happened? You were guiding for the single-digit growth in Q4. So I understand the impact of this organic loss. What do you expect in payment terminals? Is it still the double-digit growth, which you expect in Q4? And if you could, in the end, give us some elements about on the growth you're expecting next year already, 2016? I understand that H1 will also be impacted by this loss and but what about the payment terminals?

**Philippe Lazare** Pierre-Antoine?

**Pierre-Antoine Vacheron** I think the comment will be quite straightforward; it was a significant customer in terms of volumes that has been within the company for quite a long time. The contract was coming to an end. One of the competitors has been very aggressive in terms of price, and we might not have been reactive enough to prevent us a loss. It is quite simple and since it is a very big customer, when you lose it, it has a big impact on your volumes and then on your revenues.

So, as Philippe said, it's one-off. We are currently performing a full review



of the portfolio of customers. First, to identify if they are aware of the risks where there will be some pressure in terms of competition. If the portfolio that we have is growing enough or could grow more than what it is doing today. The need for an upsell of our functionalities if there is some verticals that we do not address in the correct way and verticals that would generate more growth than the current portfolio. It's business as usual and on the back of an offering and on the platform, which is quite in line with the markets standards.

As Philippe was saying, it's something that was known that when we made this acquisition, we knew there were some evolutions in term of the offering that we had to do. So we are just now meeting some key-milestones and the two products that Philippe was referring to, are very significant in terms of evolution. Would it be the first one that will, that is, the significant step forward in terms of ease of integration of the Ingenico e-payments offering on the website of the merchant. So it's something that is a must of kind of drag-and-drop type of approach, you know, so instead of coding the way you integrate the command; the payment command on your website. And so it's really visual for the merchants. It's a significant step forward.

And the approach is, in terms of mobile, mobile pages, hosted pages that allow to be very much, I would say, compliant with the needs of the merchants to interact on mobile devices with the consumers. It is also something almost ahead of the market.

So all these, I mean, this could base a comparison for the coming quarters but clearly H2 would be back a double digit growth in this area.

#### **Question**

Good morning, gents - sorry good evening. So three questions, if I could. Firstly, looking a bit at margins into next year, you're saying the - this customer you've lost, had lower margins. But could you comment a bit on how we should think about margins into next year, EBITDA margins? And secondly, could you comment a bit on the trends you saw in the adoption of Telium 2 terminals, when those were ramping, to give us an idea of how these Telium TETRA terminals are going to ramp? And then finally, on the Indian opportunity, could you give us some idea of how big this opportunity could be, if you look five years out in terms of the market size? Thank you.

#### **Philippe Lazare**

So with the ramp-up of Tetra, usually if we compare to what happened with Telium 2. It starts with something like 10 percent of the total year volume is migrating from one range to the other one. And then you double that every year - globally I would say. So it starts at 10, then 20, 40, and then almost 100 three years later after the ramping up. We believe that exactly the pattern we are anticipating on Telium Tetra. You can already pay on Telium Tetra terminals in Paris, if you go to the Picard Surgelés. You will have a good occasion to use the new range of products. So it doesn't help people who are not based in Paris. But for the ones who are based in Paris, it is a good occasion to try the new range of product.

The other question Nathalie, was what?

**Nathalie Lomon** Yes, EBITDA margins for next year.

**Philippe Lazare** So of course, we are not in the – I mean, the budget is on its way and we start reviewing the different budgets coming from the regions. You know that we are trying to be cautious and as far as the growth is concerned for the top line and for the EBITDA as well. We believe that we will finish the year at 23 percent. Of course, we are doing our best effort to protect that level early, but it's a bit too early to give you a guarantee on that, but that's what we're working on.

**Nathalie Lomon** And then the next question is on market size and  
(off-mike)

**Philippe Lazare** Market size for the terminals? ....  
We believe that installed base is today around 60 million terminals in the world and we anticipate to go up to something like more than 90 million in the coming 3 years. So there is a lot of growth coming from the hardware business and driven by the EMV migration in Japan, we are far from being at the end of the game on the Chinese market, and the EMV migration is not completed on the U.S. one. And all the emerging countries like Russia are far to be at the best level we can imagine, so there is no concern on that – on the growth coming from the hardware business at all.

**Question** OK. Thank you. Just a quick follow-up on the Telium TETRA terminals. What kind of ASP uplift do you get relative to your average ASPs?

**Philippe Lazare** What kind of ASPs were we expecting?

**Question** ASP uplift ... relative to your average ASP, so relative to the standard products you sell at the moment.

**Nathalie Lomon** We have been able to grow our ASP. I mean, we will not give you any detail on that because we are communicating on revenue only, but I can tell you that, in 2015 the ASP of the Ingenico rental product is increasing. So we will see if we're able to keep on increasing our ASP in the – with the new result product. The idea is for part of the range of products we have been design – in design which is even better – than even more efficient than the previous one. We mean that even if we are not allowed to increase the ASP, we are at least able to protect the gross margin.

**Question** Maybe I come back on my previous question. The question was to understand if you are still expecting double-digit growth in Terminals in Q4 and next year.

**Philippe Lazare** So, I think that the next year – as Philippe mentioned, we will give you more information on this when we will comment on the guidance for next year.  
  
Regarding Q4, no, the underlying assumption of the guidance is that we would have a high single digit in terminals, mainly because you may recall that we had a very high Q4 last year, so it's a pretty high comparison basis.

On the one hand, we still witness good trends in the U.S. and in Russia, but I mentioned also that we were expecting a slowdown now, or reduction in terms of growth pace in Brazil, which is a significant market for us. And all in all, Europe and Africa is performing well but single digit and is representing a fair part of the terminals for Ingenico.

**Question** One question, while you were in China, it seems like PAX is pushing to the market for new terminals with quite low price points. And it seems that the pricing of the terminals are still lower than Landi. Have you seen any change in market dynamics in China? And one other question we get in the Turkish market because there is a potential opportunity with terminals embedding a new physical memory. You are not mentioning this in the press release. So is there any delay or..?

**Philippe Lazare** We could mention that in the press release because we had a good Q3 in - on the Turkish market. So I'm back from China. I was in Shanghai yesterday. So we had a full review of the business with the Landi's team. And with our partner Fosun with now our partner at the holding level in Hong Kong. And clearly, we are not suffering from the price policy of PAX. Landi is clearly the market leader. And the reason why we've made the decision of buying the company a few years ago - no, not a few years, something like seven years ago, are still the same and still demonstrating the efficiency. It is a company, which has a very strong local base. They have a very strong sales force in every Chinese region. They have a very close relationship with the main banks, which are the primary merchant acquirers, and the good relationship will be the various third party payment providers. So they remain very strong on the market. And frankly, every time we have conversation with these people, we do not believe that they are really in front of a significant threat.

**Question** Hi, thanks so much for the opportunity. Just three questions, please, the first on Telium TETRA. You mentioned that you would have 10 percent and then double each year. Are you talking about the new sales of terminals or penetration of installed base?

**Philippe Lazare** It's shipment.

**Question** OK. And then just thinking about Telium TETRA overall, I mean, in the - over the last couple of years, there have been a number of large profit pools that arrived in the hardware segment, primarily around EMV migrations. I'm trying to understand the size of the profit pool or profit opportunity from Telium TETRA, and rolling that through your base and changing your installed base. Can you give some sort of context of how you think about this as a profit opportunity in '16, '17 and '18, please?

**Philippe Lazare** I'm not completely sure to understand precisely what's your question you are asking me?

**Question** Thinking about this as a profit driver. I mean, in the past, the hardware businesses benefit from series of significant profit opportunities, such as the U.S. and Chinese EMV migration, for example, in recent years. And now you're going - those opportunities are still there, but you're passing on to

Telium TETRA. Is it a significant opportunity? There a lot of services attached to this, which are attractive to clients and may encourage migration of their base? I'm just trying to think about how you think the Telium TETRA product rollout evolve through your install base as a profit opportunity, giving it some context for some of the past profit pools?

**Philippe Lazare** Thank you for the question. I'm sorry I was not completely sure to understand what you were asking for.

I mean, TETRA is not going to make the size of the cake bigger that we today. I mean, just we are bringing to the market a new range of products, probably more efficient than the one we had previously, Telium 2, which was really successful. And you know that Telium TETRA is related to marketplace offer meaning that it will bring to the merchant the ability for them to download applications, which are value-added services, we believe that the stickiness that we have with the merchant will be even stronger with the Telium TETRA offer.

The Telium TETRA is not going to grow the market by itself. It will be a new offer for the merchant. And we believe that this offer will be very unique. And the first preview that we have coming from the merchant and really the one that we are already using the Tetra products, they are quite happy with it. So don't expect the market to grow significantly because of Tetra.

Of course, because of the fact that it's new design, as soon as it would be over the 1 million - 1 million, sorry, terminal manufacturers, the effect on the cost of manufacturing will be, we hope, extremely spectacular and it will at least help to protect our gross margin, as I previously mentioned.

**Question** What about if as an accelerated driver of replacement rate, is what I was thinking of, rather than growing the market, but accelerating the replacement of the install base?

**Philippe Lazare** I mean, no. I mean, there is no merchant, who are willing to change our - I mean, to renew their install base just because there is a newer product. That's true for us, and that's true for all the competitors. Clearly, that - it's of course clear that every time that we are in front of the merchant, we know that the new range of product, I mean, the installed base is going to be above 3 to 4 years old. And we believe that it would be a good opportunity for us to either to replace our own product or to take market share against competition.

**Question** And the last question just on LatAm. You note that Brazil should be weak and, however, the rest of LatAm should grow for the next quarters. Would you - as you look forward into 2016, would you expect LatAm as a whole to be growing?

**Nathalie Lomon** All right, so for the end of the year as we have already witnessed since the beginning of the year, we had a good momentum in Central America. And we expect to keep this pace on growth in Q4, so it's a bit different from Brazil.

Well regarding next year, again, for us, it's a bit too early to provide you

with some detailed information regarding the growth in this area. We have to take into account the fact that the macroeconomics has deteriorated over the past month in Brazil and it will affect, for sure, the level of revenue we have, but it's a bit too early to provide you with more information.

**Question** Hi, thanks for letting me ask one. Actually, two little details on the e-payment. Just to clarify, when you say that there will be one year of life on this client coming off the numbers, do you mean that there will be no growth in the first half of the year in e-payments? And then I will ask a follow-up.

**Pierre-Antoine Vacheron** Yes. The gross would be limited in H1.

**Question** In e-payments but overall in payment processing, was it still going to – I mean you announced quite a lot of contracts this year. So I was wondering how far it is coming into ...

**Philippe Lazare** Clearly, the question will be limited to the e-payment and more specifically if we look at what happened precisely, it's much more of the global product story than the rest of the transaction possibilities that we have within the company.

You know that we are processing transaction through Axis, and with easycash, which is doing extremely well. Ogone is doing extremely well. So we had one-off with GlobalCollect. We have a clear view of what happened. And particularly on that, we will do our best to make sure that it will not happen again. So back to your question, of course, we don't expect the rest of the business to be impacted by that story, and we believe that the rest will grow normally.

**Question** OK, awesome. So a quick follow-up, just to give us a flavor of if there is risk actually, that these kind of things would happen, and how quickly they would happen? Can you give us an idea of the time concentration at GlobalCollect? And if I may also one last follow-up is the pricing dynamics in general in the business since you mentioned you lost this contract because someone outpriced you. So I was wondering if you see that as something that happens everywhere in this industry and how do you fight against that?

**Philippe Lazare** So starting with the question of pressure on pricing, we are not competing every year against companies, who have a story to tell. Some of them are going to have a story to tell on how to protect their margin. So we believe that it will be a help to have a more consistent behavior on the market. And for the rest, clearly, it's a competitive landscape. So a part of the solution is not coming from the possibility of pricing. The solution is coming from the quality of the offer, from the new offer that we are putting on the market. And we are pretty confident that at least the two which had been presented by Pierre-Antoine previously, are going to be successful to help us protect our market share.

So the other question is how can we make sure that this will not happen again? So you remember that in 2013, we had a very bad impact coming from the one-off event on the business of easycash. So we had the very

serious trouble at that time. We were anticipating EUR25 million impacts on the EBITDA margin and it was, at that time, a very serious impact, and it was, again, something which was not expected. And so at the end of the day, we had completely in-depth analysis of what happened. And because we believe that we understood what happened. And since then, the situation is under control, and our anticipation and our bet, or to quote on a bet is much more certainty that it will not happen again for the same reason, because the situation is under control.

**Question** Just a quick follow-up. You said earlier that you expect double-digit growth next year. Can you comment a bit on how this will be split between transaction services and terminals? Would it be high single-digit growth in transaction services and maybe low teens in terminals? Would that be the right way to think about it? Thank you.

**Philippe Lazare** Again, the budget process is on its way, so we are not going to give you information about our internal data on how we are going to deliver the double-digit growth. Our commitment to the market is to be a growth stock, and since now years we have been successful in doing so. And my personal certainty that we will remain double-digit growth company next year, and for the detail on how we are going to get that, I will ask some more months or weeks.

**Question** Just one question about your EBITDA guidance, if you upgrade of your guidance on the needs to the client plus and if no, how much does it explain on the upgrade?

**Nathalie Lomon** Well, as I mentioned previously, well, the business we have lost was deducted on the gross margin so part of the guidance rise is coming from that, but not only we have a solid level of confidence regarding the profitability of the group for the second half of the year. Hence, we are raising our guidance and we expect to reach close to 23 percent of EBITDA margins for the full year.

**Philippe Lazare** Maybe just one detail about that on that story. I mean we didn't lose 100 percent of the client, we keep something like 20 percent of the volume. But the volume that we keep beyond which is related to the ForEx management, which is the most profitable one. So it's sort of a good news inside a bad one.  
And the question of the concentration on the customers on the e-commerce partner, Pierre-Antoine, if you can take it.

**Pierre-Antoine Vacheron** Customer was by far the first customer and the rate is much more, I mean, it's much spread in the portfolio. So if we want to do another one, which will not be the case, this impact will be less.

**Philippe Lazare** It will not happen.

**Pierre-Antoine Vacheron** And, it will not happen.

**Question** OK. Just you told us Europe now is growing at a clip of about 5 percent,

which is actually quite impressive as you mentioned of the business. Do you expect this momentum to stay next year? Or do you think that you will be able to deliver another year of 5 percent in '16?

**Philippe Lazare** In Europe?

**Question** Yes.

**Philippe Lazare** Yes. That's one of the assumptions we are working on.

**Question** And when I mean Europe, I mean the region, Europe and Africa.

**Philippe Lazare** Yes. I mean, in Europe and Africa, the big part of the business is coming from Europe. Maybe one time - one day, it will come from Africa, but no.

**Question** We hope so.

**Philippe Lazare** Not yet, not yet.

**Question** Thank you.

**Philippe Lazare**  
**53 :00** Mainly coming from France, U.K., Italy, which is a country which we have very good results, Scandinavia as well, Spain, which is recovering, and now Europe and Middle-East where we have very strong position in .... The fact that we are getting 5 percent gross in that part of the world is fantastic.

**Question** One question. For Pierre-Antoine, maybe, on the services side, you targeted initially to interconnect the platform from Ogone and GlobalCollect? What has been that so far? Are you, I would say, pleased with the achievements?

**Pierre-Antoine Vacheron** I mean, the - I mean, you're right. The plan was not to merge the platform but more at the same time to connect to Ogone and GlobalCollect that we avoid to duplicate too much development for the connections and some source. The second point was to share modules that could be shared between two platforms.

But typically, the API interface that we are referring to will be shared between GlobalCollect and Ogone's; so the first phase is to launch it on GlobalCollect. But in the course of 2016, it will be extended to Ogone which is very important for the small merchants' base of Ogone. And the same with "Elevate" that we were interested, which is a very powerful tool in terms of analytics that will help the merchants to analyze the performance of their website, performance of the payment methods they used, the reasons why potentially transaction are dropping in some source. This tool will be shared between - possibly between Ogone and GlobalCollect starting with GlobalCollect.

The same approach will come with the first engine and that will be shared between the two entities and so going down the road. So I mean there is - as you remember certainly we've got one product team for the whole ePayments division, which has this orientation, so that progressively I would say for the customers, it is completely transparent to whether they are in

the Ogone platform or on the GlobalCollect platform, they just know they are working with the ePayments division of Ingenico. And then we drive the flows to the platform that is the most suitable for the customers from our point of view.

**Question** And do you target to connect the in-store transaction's engines like Axis or easycash on these kinds of platforms or it will run separately on the online and the physical platform?

**Pierre-Antoine Vacheron** No, I mean - the crosschannel is exactly this approach. And the Ingenico token that we have now industrialized, it is exactly there on that purpose. I mean to allow a merchant to interact with a consumer offline and online, depending on the use case.

So today, we've got this interaction between Ogone and Axis and the plan for 2016 is to extend this connection quote unquote to the easycash's so that we will have a crosschannel offering for the German market, the German and the Middle East market and progressively to extend that also to the GlobalCollect's, so that we have an offer calling more global merchants and that will be also present on this (coughing - inaudible) base, upfront. All the due projects we probably have in terms of technology is obviously to have as much interaction as we can and as much sharing of components as we can between these two platforms.

**Question** OK, thank you.

**Question** Yes, good evening. I have two questions, please. First, can I just be very sure that the bid you made for Worldpay was because it was an opportunistic - opportunity that appeared, and not because there is any slowing in momentum in your only payments business, or that it's not performing in the way that you'd hoped?

**Philippe Lazare** It was clearly an opportunistic decision we made. We could not anticipate that the decision to go to public from Worldpay was supposed - I mean, we had no indication that the decision was taken. So when we understood that it was chosen by the Worldpay owners, we decided to try to disrupt the process, and then choose to make an offer because we believe again that the combination of both was a powerful one. But now we were not in a position to knock the door of Worldpay if they were not for sale.

**Question** OK. And on the terminals side, I know you're still in the process of doing your budget for next year. But just generally, do you think that there's enough new growth in emerging markets and continuing EMV migration to sustain double-digit Terminals' growth over the next several years? Or do you think it's more realistic to be thinking that it goes back to a high single-digit growth rate?

**Philippe Lazare** Again, we are working on that. It's a bit too early. And the size of the Japanese opportunity is, at any cost of view, a very significant one. Now we to make sure that we will be able - I mean, first, we have to make sure that the decision will be taken to move to the EMV standard, which is not completely sure today.



The size of the Indian market is very significant. We are not completely sure that we will be - that the acceptance network will be developed by the local authorities. So there is a lot of question. But I mean since now, we have been able to grow double-digit in the hardware business when we believe that the global trend is high single ones. So are we able to continue to over perform the market that the answer is more yes than no.

**Question** And do you - I mean, if one listens to VeriFone, they sound like they are making something of a comeback, if I can put it like that. Is that something that you see? Or is that - do you think that's just their spin on how they're doing? I mean, they are - they do seem to be making some progress, but you still seem to be outperforming.

**Philippe Lazare** No. I mean, we are coming from a competitive landscape in which we had something like 10 competitors five years or six years ago. Now we're down to two, meaning that we have VeriFone impacts, so we believe that it's a market on which there is room for a lot of - I mean for everybody. And we believe that the strength of our offer, which is based on the offer itself and the go to market, which is based on the regional organization, is very powerful.

So again, I can't tell you what VeriFone is doing to deliver. I hope for them that they will do better than they did in the past. But I have no clue of what's going to be outcome of the new range they are launching. I have no idea about that, and we try to stick to our strength. I mean, so far, it's been successful doing so.

**Question** OK. Thank you.

**Philippe Lazare** Thank you.

**Question** So I wanted to ask, so you haven't guided yet for next year and in a lot of specifics, but you have chosen to guide for U.S. growth next year. And the question is: what gives you the particular - the specific confidence for the U.S. market to be able to provide that guidance? And is it specific contracts and wins? Or is it just your assessment about where we are in the upgrade cycle?

And then second question, a little bit of a kind of a futuristic one. Looks like you've done some deals to integrate the acceptance of Bitcoin into your payment terminals. Is that something you think will pick up? What time frame do you foresee? Any specific countries or context where you think that, that's going to be successful?

**Philippe Lazare** No, I mean, back to your first part of your question about the U.S. market, I mean, our assessment, I mean our idea on what is going to happen in U.S. market is mainly coming from the local subsidiary that we have in the U.S. We have a lot of people. We have hundreds of people, more than 200s or 300s of people, of Ingenico people, working in the U.S. market, we made by half, who are working with most of the biggest retailers since years and we have people in Atlanta, we have people in Boston. We have people in San

Francisco. And we believe that our intimate understanding of the local market is something which we can count.

And since now two to three years, we have been reasonably accurate in our forecast on what's going to happen in the U.S. market. So no reason for us not to be successful next year doing that type of forecasts.

The Bitcoin story is another one. We are developing the ability to pay Bitcoin on our payment solution when the customers are asking for and when the merchants are asking for. And if you ask me, what could be the size of the Bitcoin market; I don't have a clue on that. But clearly, every time that a merchant is asking us to develop an application which help them to accept the Bitcoin payment, we would do it.

**Question**

Hi, thanks very much for taking the questions. Just two, if I may. Firstly, it's been about a year obviously since you launched Telium TETRA in the marketplace. At the time, you gave us some figures on how many developers you're working with and what progress you're making. I was wondering if you could give us an update on where we are with that, and what progress you've had getting people developing for the platform? And then I'll come back with a second.

**Philippe Lazare**

I don't have the recent figure on how many applications are now available to the marketplace. I would say from - I mean, from memory, it's 30, yes, 30 to 40. And we recently launched a sort of what we call game quote unquote Hackathon... and Pierre-Antoine is very familiar with ...

**Pierre-Antoine Vacheron**

Yes, I think I have to come in there. No, I think it's very interesting because that's something that we launched two weeks ago, if I remember well. So we launched this hackathon to test, I would say, the appetite of the developer community for the HTML5 solutions that are certainly downloaded on payment terminals in terms of interaction between merchants and consumers.

So I would say the process is - of participation is ongoing. We've got a lot of expression of interest from people who have requested to take part to it. I think we will disclose the outcome at Cartes so that would be in two weeks from now. We will select some of the winners, should be forecasted, and the applications that have been developed will be presented during the show and you will see at the Show what you can do based on the Telium TETRA and its marketplace.

**Question**

That's great, thanks. And just one follow-on. In terms of the - you made it quite clear earlier that you would consider becoming an online acquirer in your own right. Obviously, there are a few of the competitors in online acquiring that are probably also quite significant customers for you in the terminals business. Do you think there's enough of a distinction between the two that, that wouldn't cause a knock-on effect in the terminal business, even if you're not being a direct in-store merchant-acquiring competitor?

**Philippe Lazare**

It's a good question. Of course, we have to select our target just to make sure that we are not going to be in competition with the main face-to-face

merchant acquirers. So we will be working on that. And but we believe that putting an acquiring capability in the back of our e-com offer would be a good thing for us, if we compare to what our main competitors are doing.

**Question** And maybe just one tied into that. Given all of the commentary was made very public in the press, I wonder if you could give us some comments as to whether you've got any incoming from any of your customers during the processes as to what they thought about your potential plans.

**Philippe Lazare** No. I don't really know. I had some phone calls coming from customers, and I explained very - as clearly as possible because we are not supposed to comment on rumors. Exactly what I comment more, I mean, just a few minutes ago, that we believe that having an acquiring capability plugged on our e-com business would be great. But we don't intend to become a merchant acquirer in the U.S. market to compete against the people with whom we're working everyday.

**Question** OK. Thank you.

**Philippe Lazare** OK. So thank you very much for your questions. The next communication will come mid-February, the 18th, as far as I know. In the meantime, just make sure - just be sure that we will keep on delivering the figure that which we commit. And next time, we will give you a better view on 2015. So thank you, and have a good day.