2023 Half-Year Results

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PRESENTATION

Arthur Carli: Ladies and gentlemen, good evening and welcome to Axway H1 2023 Result presentation. My name is Arthur Carli and I'm in charge of investor relation for the company. Before turning the floor over to our management team, we will present Axway performance in H1 2023. I would like to remind you that this event is live and is being recorded. Replay will be available right after our meeting. In addition, as usual, I must inform you that this presentation contains forward-looking estimates that are subject to risk and uncertainties that are described in Axway Universal Registration Document. With that, I would like to hand over to our CEO, Patrick Donovan.

Patrick Donovan: Thank you, Arthur. And thank you all for joining us here today for our first half call. As you're going to see today, the first half turned out to be very positive for us and we're on track to do the full year. We've put in place the foundation of our business plan that will allow us to drive into the next three-year cycle with strength. So today, our agenda is quite standard. You're going to hear from me on a few comments about the first half. Then Cecile will go into more detail of the financial figures. Roland will join us to give us some customer insights and what's happening in the market. Then I'll come back to you and talk more broadly on what's up next for Axway and then we'll open it up as usual for questions. So let's go ahead and dive right in. As I continue to talk about, we changed our business model and we evolved our business model. And we're seeing the benefits of all the work we put in over the past years coming through in the figures over the last three quarters.

So we've had three consecutive quarters of strong growth and we could really thank the transformation to the subscription model for this visibility and for this consistency. And we're now able to, as we've moved enough of our contracts as subscription now, we're now able to have a reasonable prediction of what's going to happen with both revenues and signings for far out in the future. Our free cash flow, as you're going to see and we're going to go through in more detail, is starting to come back to us as we predicted at the end of the year. And our portfolio rationalization efforts we took last year and our focus on the portfolio management is positively impacting many aspects of the business, not only on the profitability. And our customers in this period, as they did at the end of last year, are continuing to reinvest at longer terms to secure their relationships with us for well into the future.

So as we exit 2023 and we're ready to start a new three year business plan cycle, I'll be giving you some comments of how we're thinking about it and then we'll be coming back to you later in the year with more detail on that. So let me make a few comments on the first half figures. As you saw from our press release, we finished out 145.5 million euros of revenue, which represented organic growth of 11%. When you compare the organic to the total growth, remember we exited the product lines last year, which has the differential between the total and organic growth. Our profit on operating activities finished strong at 12.2% of our revenue or roughly 18 million euros up from the 4.9% last year. And we continued strong subscription revenue growth and ARR growth in the first half. And Cecile will cover both of those later.

So as I've presented many times before, we have built our strategy and our business plans, and we'll continue to build our next three-year cycle of business plans to try and serve all three stakeholders. For our customers, we want to deliver brilliant customer experiences. For employees, we want to make Axway to be for all of us. And for our shareholders, we want a predictable profitable company over the long term.

And I believe the business plan we've been delivering on is achieving all of these goals. And we've done this by centralizing around our four main product lines. And we've continued to put more and more focus on supporting these core product lines, making sure they're profitable and delivering what the customers want. We also have some specialized product lines, which are smaller use cases and we make sure to deliver the value our customers are expecting, but they also are profitable for Axway. So we keep them in our specialized lines. But our four core product lines, which represent 90% of the overall revenue, center around our managed file transfer B2B integrations, API management, as well as our Axway financial accounting hub.

And when I talk about the portfolio rationalization, last year, I want to come back and talk about our product portfolio investments we're doing this year because we have our four core products. And we want to make sure that the products we carry and go forward serve the customer needs and remain profitable. So we have to build this portfolio discipline within the business. And we have to make sure that what no longer fits our plans doesn't say within our portfolio or is managed carefully in a certain way. And for the product lens we do have, we continue to serve and look forward to how we're serving our customers for the long term. So this year, we acquired in April and announced acquisition of AdValvas. This is a e-invoicing product capability that provides e-invoicing for B2BI product line and it was a technology feature buy.

We also are looking at how we invest in other areas around our product. So in the amplify side of our business, we have built over the last several years, a consumption-based marketplace for the Amplify Integration scenarios. And we've started to see traction on selling this into the market over the first half. And Roland will cover some of that in his presentation. And we also added, if you remember, in the summer of last year, DxChange, which is now called Amplify Integration. This is a bit of a future looking technology that all our products are going to need. And so, we bought a company that was still in a startup phase so we can make sure the roadmaps fit our customer needs. But we're happy to say we've also signed some early adopters of this technology to finalize and harden the production of this. And so we're pleased on the portfolio management of the investments this year and the rationalizations we've done last year, and we're seeing the benefits of all of this. So with that I'm going to turn it over to Cecile to go deeper into the financials. Cecile.

Cecile: Thank you, Patrick. Hello everyone. So let's now do a quick dive into the 2023 half year financial results. Going through the half year income statement, as you can see total revenue is up 11% organic and 6.6% on total. Cost of sales decreased around both licenses costs, inconsistency with the revenue trend and subscription costs. We have the optimization of the hosting costs, part of which is due to last year's product disposal. Our gross product is slightly higher at 70.5% versus the 66.4% in half year 2022. Our operating expenses increased slightly with the R&D increase, which is mainly due to the impact of the Indian acquisition which occurred last year, second semester. And in sales and marketing and G&A, you can see that we stay relatively stable. We work sequently to generate a higher margin at 17.8 million euros or 12.2% of our revenues up from the 4.9% in the prior year.

Our operating profit includes mostly the acquisition cost for AdValvas, the Belgian company, and stock incentive expenses. Overall, our net profit finished at 3.7 million of 0.17 euro per share versus the 2.4 million or 0.11 euro per share in the prior year.

Let me now go into details on the revenue by activity. So license revenue drops 44.9% organic, which is in line with our forecast and confirming the move to subscription. Maintenance revenue decreased 19.1% which was expected with both the decreasing licenses revenue and the migration to subscription. But this is still showing a satisfactory level of renewal with a 98% rate. Subscription is growing 50.5% organic with two positive quarters. And when added to the maintenance revenue, we reach 85% of our revenue and our recurring contracts.

Service revenue increased 7.5% back from last year with the impact of COVID slowing down the activity. Overall, our revenue finished at 145.5 million euros up from the 131 million euros reported in the prior year. So to focus now on the license and maintenance activities. As I just mentioned, we experienced a 44.9% organic decrease in the license activity, which is mainly related to specialized products which are not available for subscription. On the maintenance side as forecasted, an inconsistency with that license revenue decrease and the continued migration to subscription, we have a 19.1% drop. However, we are still seeing that good level of renewal with a 98% renewal rate for the first semester on the maintenance that is to be renewed. Meaning that it's not taking into account the maintenance that has migrated to subscription.

Now moving to the subscription revenue, which is the growth driver of the company. We observed that in keeping with a strong Q4 2022, we had a strong momentum on customer managed signatures. We've had 34.2 million upfront revenue versus the 18.3 million for half year 2022. We also have a strong recurring base with the existing contracts and their renewables which are layering as anticipated. Axway managed contracts pursued their growth with an increase of over 12% compared to H1 2022. All of this resulted in a 50.5% organic growth.

Let's now take a look at the services activity. The activity continues on the good trend started in 2022, with strong traction in EMEA and in the US with several key customers. They are more delivered day compared to H1 2022, as well as an increase in the daily rates. This results in a revenue of 19.2 million, which is a 7.5% organic growth. On total, the service activity represent 30% of Axway's revenue.

So with regards to our ARR. We have a 11.2% increase at constant scope compared to H1 2022. Per memory, our annual recurring revenue is the combination of the recurring revenue generated by all the active contracts we have for both maintenance and subscription.

A few words now on our balance sheet. So our cash and cash equivalent finished at 14.2 million with a net debt of 73.4 million. This increase in net debt is mainly due to the acquisition of the AdValvas entity in Belgium, and to the shares buyback to serve our free shares plan. Our DSO went up to 137 days as we have added more customer manage on-premise subscription contracts. But if we retreat the unbuilt part of our DSO, we are now down at 47 days for H1 2023 versus 68 days end of 2022. So as I mentioned in the previous presentation beginning of 2023 actually for the result of 2022, the DSO drifted at the end of the year 2022 because of the system changes we were going through. But we are now back down as planned.

And our current default revenue, which is mainly made of maintenance and subscription, ended at 66.5 million, which is increasing compared to last year due to the increase in customer managed contracts. Our assets decrease is mainly due to the account receivables decrease, which is offset by the goodwill accounting for the acquisition of the AdValvas entity in Belgium. Our equity includes the dividend payment for 8.4 million and the shares buy back for 4.4 million.

Our cash flows for H1 2023 are down 4.9 million compared to H1 2022. When our free cash flow is significantly increasing compared to H1 2022. As we saw in our income statement, we have an improved ROA driven by better margin, and we also see that positive impact in our cash position. Variation on clients is the main reason explaining the change in networking capital, which is increasing by 2.2 million and impacting the cash position positively of 4.5 million. This is mainly due to a significant decrease of the DSO on the build part minus 11 days compared to H1 2022, and minus 21 days compared to full year 2022. Which is partially offset by the DSO increase on the build part due to the high level of customer managed contract signature.

With regards to indebtedness, we always stay mindful of our covenants which are met. And as confirmed, we have the availability of our credit line to use if needed.

With that, I thank you for your attention and hand over to Roland, to provide you a focus on customers and market trends.

Roland: Thank you. Thank you, Cecile, and good evening, everyone. So just let me start you by saying that I couldn't be more proud of the team and more grateful to our customers and partners for the result of this first year. First off, the continuous improvement of our customer success focus and organization that we started years ago continue to pay off. And our customers continue to trust us as their preferred partner for their mission-critical project. And our success and growth is powered by a strong customer success focus, driving high renewal rates, value generating migration to subscription and new business acquisition. These are three KPIs that we are tracking are clearly validating our strategy and execution model. The ongoing efforts we invest in our product and in our customers continue to bear fruit. We have established ourselves and our NPS with in the top quartile of the NPS for the industry in software. The score of the NPS remain as stable as last year and is really the fuel of the growth.

The first KPI here on net retention rates, show that our customers are very loyal with net retention value over the 100%, demonstrating a strong renewal, and Cecile mentioned it, and increase their value spanning with us. Cecile mentioned the 98% and we were reporting the renewal of the maintenance. In this KPI, we have this renewal maintenance to maintenance, the subscription renewal and increase of their contract. But also taking into consideration the move to subscription when we are having maintenance moving to subscription. So when we had at the beginning of the year 100, we had a big year all renewed for 108.

So you can see on the second one it's the average migration multiplier that we are tracking for several quarters as we are in this migration program and we continue to deliver this program with migration multiplier of 1.9. The customers still taking the advantage of this program to move from new offer, benefiting from flexibility in term of deployment as well as new features facilitating their move to a more modern architecture, leveraging their cloud infrastructure.

While the customer base remain a strong asset for our growth, we continue to see new customers selecting Axway as their preferred partner. And during this first semester, we saw we had 16% of our transaction made with new customers. So the customer centricity requires a strong engagement with customers proximity and intimacy with them is essential to fully understand and align with their needs and their vision. And after several years of remote and fully virtual engagement, we finally have been able to resume the fully in-person meetings with our customers. During the first half, our product general managers hosted more than the 30 user group or customers advisory board meetings, engaging with more than 600 participants.

And in addition, in end of May and in June, we stood three major event the three Axway Summits in Brussels, Scottsdale and Sao Paolo. And these events of two days were involving more than a 300 of our key customers. That was a huge success in which we have all these customers and customers being keynote speakers, sharing their success, leveraging Axway technology to open their system and transform their business. Was really interesting during this meeting to see a customers from Germany sharing with French customers what they've done with our products, and really creating some new opportunities for us based on direct customer's feedback and community. All these events, the cabs, the summit, the user group are very important moment for us to connect with our customers. It's very important for our customers to connect with themselves and with in part of the community. But it's also very important for our product line general managers to present their innovation and vision, as well as to have very interactive session with their customers to define and co-define directions and future investment.

The organization that we put in place on the regional side with four region and four regional managers is also delivering great result, enabling us to adapt our global strategy to the local market and the local customer base. In Europe, we put in place a team two years ago that is fully delivering in full speed, I will say. And you've seen on the result the nice growth that we have in France, but also in Germany and in the UK. On the product side, the organization we put in place during the last year over the last 18 months, providing a very successful and promising for the future thanks to the product general management organization. Each of the product line has been able to accelerate the innovation and generate customer growth thanks to these closer customers engagement and alignment. And the success of H1 really have been built on all the product line.

Our principal strength remains managed file transfer, a domain that never been so critical for our customers and for us. The volumes and criticality of files continue to increase. The need of file transfer, security and resilience has never been under so much pressure. We have seen a high level of booking growth over the first semester for this product line, with a clear increase of our customer base and prospect, for the Axway manage file transfer in our transaction and pipeline. The largest deal that we've done this semester was done with an historical called B2B customers in Germany. A large worldwide automotive supplier who selected Axway MFT for a multi-year contract for a value of our 10 million, demonstrating the trust and confidence with our vision and strength. The same customer as I said, the B2B customers. They also went live with the Amplify Enterprise Marketplace during the semester.

This product line, the Amplify Enterprise Marketplace, is an offering in which we have invested a lot over the last few years. The API market that we talked a lot about has mature in term of securing and managing the APIs. And today we are seeing an increase in customer needs on API governance, but an API consumption and monetization. We may have been a bit early in this market. But today we are seeing new customers and more and more customers allocating budgets, starting projects to base on the marketplace requirement. We have now several customers live in production. We've signed during the first semester six customers in each across the world. And we have been identifying more than 100 opportunities during the first half on this product line. In North America, for example, the interest in the solution and technology to help financial institution to leverage the open banking movement is growing fast. And we are recently assigned a financial institution in North America with our Amplify Marketplace, just to support and accelerate their open banking strategy.

Finally on B2B Integration. There is an increased number of early adopters on the Amplify Integration that Patrick mentioned based on the D exchange acquisition of last year. We've made several customers and we now have several customers live on this solution that will order us to be launching really the product for the full market, as we are building pipeline for the end of the year and for the next years. The recent acquisition also in AdValvas help us to position us as a key player in the invoicing, completing our offering in B2B, and creating good traction for us with the new European regulation that is happening around this domain. So thanks for all of these. Our pipeline generation performance, we talked about the booking. But I'm looking now the pipeline generation. During this first semester we have generated about a 15% more new pipeline compared to what we've been able to do last year during the same period.

So when I looked ahead and in conclusion, the momentum that we built over the last several quarters continue and I feel positive for the year. However, we need to keep in mind that our fourth quarter remains a very high target and it's critical for the full year result. After a very, very strong booking performance in H1, we are entering the second half with a strong 2.7 coverage rates for the pipeline. We are working on more than 50 opportunities over the 1 million mark. And our continuous effort on the go-to markets should allow us to rapidly get above the three X coverage that we are always targeting to be secured for the year. I'm confident on our ability to drive this and to drive the success and growth with the strategy that we have and bringing innovation to our customer base, building our success and growth on the positive net renewal rates and customer acquisition for the next quarters and the years to come. And with that, I'm going to hand it over. Back to you Patrick.

Patrick Donovan: Thanks, Roland. I'll close with some notes looking to the second half and also going into the next three-year business cycle. So we started the year 2023 with three main priorities around employee engagement. We want to continue communicating our project with the team and helping them understand why we've done all these changes. We've rationalized the portfolio. We've made some acquisitions of startups, we've invested heavily in a new product that was early to market, and we've put in place a new organization to run the business. So we've done a lot of change and our employees have to understand why we put in place these changes and how it's benefiting us and them for the long term. And I believe we're doing a good job, but it's never over every week, every month we got to continue to communicate what we're doing and why and bring everybody with us. Because with the employees understanding why we're doing something, they're able to better serve the customers, and help the customers and be with them for the long term.

So we also had a focus on delivering operational efficiency. And we continue to do so every day looking for how we could do something more efficiently and not waste any time, or not build the wrong products or go down the wrong path that won't deliver value back to Axway and to the customer. And portfolio management, we really wanted to put in place the discipline around portfolio management. And although it's still new, we've always been operating this way for just over a year. I could see the benefits of all we're doing here on this aspect as well. So these were our priorities for 2023. But without a doubt, we're not forgetting the overall mission constantly to serve our customers well in our customer centricity. It's just now hopefully part of the culture in Axway and no longer a main priority that we have to address because we should be doing it every day.

For 2023, I want to confirm our full year guidance. As Roland mentioned, Q4 was a very high comparison. At this time last year when we were talking to you, we did achieve our sales goals for the first half. But unfortunately, it's just how it was. We've signed a lot of Axway managed contracts in the first half last year, which was a lot of revenue that would be done in future periods. This year we've signed more customer manage. But now with the subscription business model, we're able to look out at the dynamics of the contracts in the pipeline, we've built models on how we could look at the translation to revenue. And what we see for the full year is that our guidance for the full year is still with or slightly above this range; but normally we need to have it a little bit above in the forecast to make sure we hit at or slightly at the top of our range.

So we feel good about the full year guidance on revenue. And the profit and operating activities between 15 and 18%, we still confirm. And you saw the work we have done and the impact of the portfolio rationalization coming through these figures in the first half. So we're well on track to be able to meet that guidance as well and we're targeting at the upper end of that metric as well. So as we continue pushing forward for 2023, we're already starting to think about what happens in the future. And I've talked to you about these figures before. Midterm ambitions being a profit on operating activity, hitting 20 and then driving above 20%. We're well in place to do this more in the short than the midterm. I'm hopeful that we could have everything in place that as we start 2024, these objectives are in sight.

And when it comes to the always ambitious goal of achieving the 500 million of revenue, this was something that we've had out there for a while. But let me be clear and go into more detail of why I continue say this but why it's not something that you're seeing immediate action on. But I continue to talk about it in the midterm because we've talked about it a lot over the years. I want to go back to the capital market state presentation we did in 2021, I believe it was. And we had this slide here showing our historical performance since the IPO. And the blocks in blue was the transformation we were going through changing our business model.

And so, since Axway's start, we've always been profitable, and we are growing often through acquisition. But as we moved into 2016, as I mentioned during our capital markets day, we saw that our business was slowing, the need for subscription products was really there, and we had to do some changes. So we started a plan in 2018 to move our portfolio, to invest in our products, to start pushing into the subscription business model. And this work was done in 2018, '19 and '20 and when – we are talking to[?] at the beginning of 2021. We saw that this was coming to end when we should start coming out. But we actually ended up having 2021 also another full year of changing our business model to where the target was. And we even carried over some of the spill over into 2022 with a portfolio rationalization.

But now here on this graph, you could start to see everything that we were forecasting and talking about coming back to us. And so we reached a peak in revenue a bit for 2016, but that started to drop with this disruption of this subscription business model. And then we had to rationalize some portfolio which adjusted our revenues a bit, but all the while we were starting to build all the pieces to return to a profitable business at a level we expect. And as you could see on the graph for 2023, if we hit within our guidance, we should be above the prior 2016 performance on profitability, and we should say above that for all the years after that.

So we had to do this change to get a much more predictable business, which was one of our targets with the subscription business model. And now as Cecile said, I believe we have about 85% of our revenue in the first half coming from this recurrent type of business, which means it's very predictable even if you have the fluctuations in the revenue due to the accounting rules. We have control of the cost and what we need to invest in to get this revenue and to build the products. And so, we now have good control over the profitability and it's returning to us.

And so what's next? Well, it comes back to the cash flow, as Cecile was talking about and went into great deal detail. This is the slide from the capital market say I'm not sure I actually updated this. This may be the same one we presented. The move to the subscription business model, you move to an annual billing cycle. So this changed the license model where we had to get all the license revenue or about 80% of the contract paid upfront or at least within the first year so we could take the revenue upfront on license. Now with the subscription model and the move in the market, it's more of almost like a pay as you go, but we bill annually, which is quite standard to our industry. By this transformation and the disruption in the subscription on the revenue, you see that we started to drop our free cash flow as a percentage of revenue all the way through 2019. But as these three-to-five-year contracts need to layer on top of each other to give us predictable free cash flow, 2019, 2020, even 2021, we were pretty much at 0% of our revenue returning to us in free cash flow. But as we were predicting in our prior presentations and we continue to see the guidance for 2023, we should end up at 6%, 7%, 8% or so of our turnover in free cash flow.

In 2024, we'll be roughly double that. And then by 2025 we should get very close to the levels to where our result on operating activities is equal to our free cash flow where we should be. And so with the free cash flow returning back to us, it gives me the capital ability to do something with it. And so what is the next 2024 to 2026 business plan that we're going to come back to you around year-end and present what we're seeing for Axway for the next three years? It's all based on our work we've done for the past several years in building this very sustainable, repeatable, predictable business model that's generating capital. And generating capital at the level that you expect from a company like Axway. And we could forecast it and we see it well within our reach. So now that I have capital, I could start looking at how we allocate that capital.

And so, for 2024 and beyond, we're going to be looking at how now that as we move into 2024, 2025 and we're generating free cash flow and we're generating the good margin, now we could go back and reconsider the M&A that gets us at 500 million, because for the past several years I've put a hold on all M&A that wasn't just buying functionality for the product; because really that's all we could afford with our free cash flow and our results as we were making all these changes. Now as we're coming out of 2023 and going forward, we could start look at consolidation plays on revenue or much larger acquisitions that will impact our business to get us to that 500 million, and it's within our reach. And we will continue to move forward and try to do it in very measured way, looking at how we evaluate our share repurchases. Currently our plan, as I've communicated, we're buying out about three years of our anticipated employee stock purchase plans to keep down the dilution of any of these plans. But we also could be open for other alternatives if they present themselves and make sense either in M&A or other activities. Also with dividends we plan to continue trying to return to shareholders' capital. And we need to put a clear structure and guidance for 2024, how we're looking at this, because we have the elements that drive strongly into the next three-year period with what we've done over the past periods.

So with that, I'm going to ask the operator to open it up for Q&A and open up the lines. And Operator, do you have any questions queued up so far?

Questions and Answers

Operator: Thank you very much. As a reminder, you can ask a question by phone or by chat. By phone, please press star 1 on your keypad to access the queue. By chat, click on ask a question button in the bottom right corner of the player.

Arthur Carli: Patrick, we've got a first question on the chat coming from Guillaume Buhours at Gay-Lussac Gestion. Could you please come back on the bridge between operating profit and net income, as the difference is quite significant? What is the reason of the tax surge on H1 2023 compared to H1 2022?

Patrick Donovan: Sure. And I'll let Cecile handle that and go through that.

Cecile: So if I take the first question on the bridge between operating profit and net income, we have as mentioned in the presentation some... We'll make it...

Patrick Donovan: We have some amortization of the intangibles.

Cecile: So we have some amortization, yes, of the intangibles. We also have some acquisition costs. We have some restructuring costs due to the disposals we did end of last year, beginning of this year, which is explaining the discrepancy. With regards to the tech surge, the explanation is due to us revisiting our business plan on some of our subsidiaries while starting to review our transfer pricing policy internally. So this is a media review that will be finalized next year, which led us to deactivate some tax deficit on one end. And then we also have the tax regulation which has changed in the US with the capitalization of the R&D cost, not enabling us to activate as much of the deferred losses we had in the past, which is creating that bump in the tax for half year. Should we retreat or adjust from those two events, we are back to what we will consider a normalized tax rate around 20-22%.

Patrick Donovan: And the half year is always difficult for taxes as we've seen over the last... since we went public. Half year is always a bit volatile as we make a lot of our profits in Q4. So you need to look at the tax rates on the annualized basis really. Half year it's very difficult to explain. It's very affected by regional activities.

Arthur Carli: Thanks. I've got another series of question from Derric Marcon. Maybe I go one by one, but the first one is what will be the contribution to your revenue of AdValvas in 2023?

Patrick Donovan: Well, remember the acquisitions were functionality for the core product line. So AdValvas will just be part of our B2B revenue. AdValvas had very little revenue and it's really not that material to our overall activities. The European regulations with e-invoicing, we do see an opportunity that it may allow us to have significant revenue growth starting from very, very low numbers over the next three years. But the contribution we're not counting for anything material out of it. It was functionality we needed to meet the B2B market and the upcoming wave on the European regulations for e-invoicing.

Arthur Carli: Back to P&L. Can you further reduce your hosting cost in percentage of sales in the semesters to come? And maybe a second question, what was the growth of OpEx on the like for like basis in H1 2023? What do you expect for H2 to reach the high end of your EBIT guidance under your …

Patrick Donovan: Well, maybe I'll cover it first and let Cecil cover the second. Because the hosting costs, we're always looking for ways to optimize and tune. We're at a point in our business that to get further reduction in the operations costs with our customer hosting for those that we're doing in Axway managed cloud. We need some core product changes which take... it's not overnight. It takes years to rebuild the architecture into one that runs very effectively in a cloud environment. And we're well underway, but each product line has different characteristics there in containerization and running microservices. But we'll continue to reduce but the reductions will be slow and will be seen gradually quarter over quarter. Maybe the second question on the OpEx?

Cecile: Yeah, on the OpEx. So if we compare on a for basis, meaning that we neutralize the effect on of the disposals, we had for the disposals around 6 million revenue. And it is neutral margin all blended together. So we have the same amount of cost, which doesn't really have an effect in terms of cost for us. From year-end perspective, we consider that sales and marketing and G&A should remain stable, as we have hit the baseline we expect. And R&D, as we already explained in the past communication we did, the increase in R&D is mainly only due to the pyramid scope effect with the acquisition of the exchange in the second semester of 2022 and the AdValvas for 2023. So we will not have outside of those growth of scope. We do not expect to have increase there as well.

Arthur Carli: Next question still from Derric Marcon, Société Générale. Were you satisfied by the level of new ACV signing in Q2 2023? What do you expect for H2?

Patrick Donovan: And so for Q2, if I remember right, we did about 10 million in ACV signing. And maybe I think the total was 187 or 19 for the year. But what do you expect for the second half, Roland? I'll turn it over to you.

Roland: As I said, I believe that we will for the first quarter of the second half, so Q3 we will be... I'm expecting growth. As I said Q4 is a high target compared to last year. So what will be the growth of next quar- the last quarter? Still have lots of work to be done but. I will not give a figures exactly on the booking of the ACV for the second half right now.

Arthur Carli: Another question maybe for Roland. Why the average migration multiplier is trending downward 1.9 time in H1 versus 2.1 in full year?

Roland: So the first thing is to you, the way we are running this program is really migrating our customers by adding value. Adding value in term of products. That's why I was talking about innovation on each of the product line. That's this added value that is pushing the customer to the migration. Then there's multiple factors that are taking into account when we are getting this multiplier, the duration of the deals that can impact, and the share and balance between customer manage and Axway manager. Obviously when we're doing migration to the Axway manage, we have a much higher multiplier than when we are doing a customer manage, which is just the value of the product and the innovation that we are bringing.

As we said, last year during the first half we were very, very heavy on the Axway manage migration when this year the result and that we've seen the impact of the result of signing more customer manage on the revenue. So that's the two component we have. We are driving that to value. We are never and we have a goal to provide innovation and value to be at least above 1.5 for any migration that we are doing. So that's the explanation of why I think the 1.9, 2.1 is really depending on the type of deals and size of deals that we have, duration of the deals and customers versus Axway manage.

Arthur Carli: A new question on the chat from Eric Blain at Finance Connect. So if the US dollar stay at 1.1 euro in the second half, should we see significant effects on revenue, profit or balance sheet?

Patrick Donovan: It won't be too significant. We've always been a bit at a natural hedge because our US sellers our biggest exposure and moving one... Not one, and we were at 1.08. So it's about 1.5% and then the US does about 40% of our revenue. So you multiply it out and understand we've built more of a natural hedge balancing our revenues and expenses through the US operation. So we should not see much, especially at the margin level impact. Balance sheet could sway a little bit more because some of the goodwill, if I remember right, that's sitting in dollars.

Cecile: Yes.

Patrick Donovan: So you'd have a 2% or so balance sheet adjustment.

Cecile: But it wouldn't be material.

Patrick Donovan: Yeah. Operator, do we have any call-in questions at all?

Operator: We do not have any questions on the phone line.

Patrick Donovan: And Arthur, do we have any other questions coming in the chat?

Arthur Carli: No more on the chat, Patrick.

Patrick Donovan: Okay. Well, thank you all for joining us. We're really happy to talk about the good first half results. And I look forward to having a good discussion at for the year-end as well and talk about what we're going to do over 2024-2026. So I look forward to seeing speaking to you all of you soon. Thank you.

[END OF TRANSCRIPT]