

Audio transcript

Q2 Revenue and H1 Results 2015
conference call.

Moderator: Philippe Lazare

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Operator This is conference # 954277.

Thank you for standing by, and welcome to Ingenico Group H1 2015 results. At this time all participants are in a listen-only mode. There will be a presentation followed by a question and answer session.

At which time, if you wish to ask a question you will need to press star and one on your telephone keypad.

I must advise you that this conference is being recorded today, Wednesday, July 29, 2015.

I would now like to hand the conference over to your first speaker today, Philippe Lazare. Please go ahead, sir.

Philippe Lazare Thank you. So, good afternoon and good evening to everyone. A quick presentation of the attendees, starting with the newcomer -- I mean, Stéphanie Constand, who's our new VP in charge of Investor Relation and External Communication; following with Nathalie Lomon, our EVP Finance; and Pierre-Antoine Vacheron, EVP in charge of Strategy, Performance & Finance.

So, I will give you quick guidelines on the H1 performance; and then Pierre-Antoine will comment on the financial results; and then I will come back on the 2015 advice; and then we will go to the questions and answers.

So, the H1 is, I would say, again, the confirmation of the strength of our Company. If you look at the top line, we have been able to grow by 15 percent, and growth is coming from every business segment of the Company. The Terminals business is growing by 15 percent. The Payment Services is growing by 16 percent, including 70 percent coming from e-Payments. So, it's a very nice performance on those segments.

If you look at the growth coming from the four different regions of the Company, we are growing as well, in every single region, but we will see that later.

So, in the same time, the P&L is doing well, and with some significant improvement. The EBITDA ratio is up to 23.6 percent versus 21.2 percent last year, pro forma. The net result is up to EUR122 million, compared to EUR75 million last year. So, in the same time, the balance sheet is improving as well, with a successful convertible bond which has been issued a few weeks ago. Thanks to that convertible bond, and thanks to the conversion of the last convertible bond, our leverage is back to below 1, which was the level that we had before the acquisition of GlobalCollect in 2014.

So, given the strong first semester and some solid forecast for H2, we've decided to raise our full-year guidance. The revenue will be somewhere between 10 percent and 12 percent growth and the EBITDA will be above 20 percent ratio - 22 percent ratio, sorry.

So, if we look more precisely at what happened region by region -- so, in Europe and Africa, which accounts for 35 percent of the total volume of the Company, we have been able to grow by 4 percent, which is better than what we did in Q1, which was a bit disappointing; but you remember that our commitment was to be back in Europe and Africa, which is the biggest and the largest region for the Company.

In Asia-Pacific and Middle East, which is something like 20 percent of the total revenue of the Company, we have been able to grow by 19 percent.

In Latin America, which is -- was 11 percent of the total revenue, we have been able to grow by 28 percent, which, again, is a very strong result, coming from -- mainly from Brazil; but we will see that later. And in North America, which accounts for 12 percent of the total revenue of the Company, we have been able to grow by 40 percent; and I will give you more detail on that later.

To the new business segment, which is e-Payments or online payment, it accounts for 22 percent of the total revenue of the Company, and is growing by 17 percent -- I think that it shows to everybody that we are able to integrate successfully the global coverage of the Company.

So, if we look more precisely at the performance of the countries within the region, and starting with the Asia-Pacific and Middle East, we are contemplating some very good results coming from India. In India -- even if the absolute value of the figures is not so high, we have been able to grow by 32 percent, which is pretty new in the landscape of Ingenico.

Indonesia grew by 35 percent; China by 24 percent. And, I mean, so far there is no sign of any commercial turndown in that part of the world, and we are pretty confident to keep on performing in that part of the world in the coming months.

We are expecting improvement from Turkey, which was a bit disappointing in Q1, and we believe that they will recover in H2 thanks to the new ECR-POS, which is the new device that we've designed for that market.

So, in Europe and Africa, Germany is growing about 18 percent; UK by 8.5 percent. You remember that historically we had some very significant growth on the UK market, so being able to keep on growing in that part of the world is -- it's good news. Even in France, in which we have, of course, significant market share, we have been able to grow by 2.2 percent.

So, we expect improvement from Italy and Spain in H2 -- in Italy. And we believe that Italy will be back in growth segment in H2.

And we expect good news to come from Russia. You remember that in Russia we have made the acquisition of our distributor something like 2 years ago. And of course, the local subsidiary has been impacted by the economical crisis and the weakness of the ruble.

But thanks to the new tender which has been launched by Sberbank, which is

the biggest client that we have in Russia, we believe that H2 will bring us good news in that part of the world.

In Latin America, Brazil is back. You'll remember that in 2014 it was a bit disappointing. But the two biggest acquirers of the country are striking back against the smaller competitors, and thanks to that very aggressive commercial ambition coming from Cielo and Redecard, we have been able to grow by 36 percent in Brazil.

And we expect the Mexican market to improve in H2, which was a bit disappointing in H1, but nothing compared to Brazil as far as the absolute value of the figure is concerned.

North America -- for the first time in the history of that Company, in H1, USA is now the second-largest contributor of our revenue at the level of Ingenico Group. And the growth was impressive at 92 percent compared to last year. EMV migration and NFC adoption is, of course, the two key drivers for that evolution in the USA.

Canada is not growing, of course. You can easily conclude that from the two figures I give to you. But it's not a disappointment at all, because you would probably remember that 2014 was an extremely high basis of comparison. So, we are pretty happy, and are really happy with the Canadian performance this year.

In e-payment, we enjoyed 17 percent growth, Ogone was growing by 14 percent, and GlobalCollect is growing by above 17 percent. And the combination of those within the e-payment segment within Ingenico is delivering 17 percent growth in total.

So, it's very good news. It demonstrates that we have been able to integrate those two acquisitions, and turning them into a single company. In the same time, and without giving you any figures, because we don't communicate on that, I can tell you that the ASP is growing at -Group level, which is very good news. I don't think that there are so many hardware companies able to achieve such performance.

So, that's it for the first part of the presentation. I'm going to leave the floor to Pierre-Antoine for more details on the financial result, and I will come back for specific conclusions a bit later.

**Pierre-Antoine
Vacheron**

Thank you, Philippe. So, I will go quickly through the P&L and the balance sheet and the free cash flow. So, regarding the P&L and the revenue, I think you understand that the like-for-like of the Company is strong again at 15 percent.

The published revenue increase by 50 percent, and the gap between the two is coming first from the contribution of GlobalCollect, and the second element is the ForEx impact, which is quite significant since it's something like EUR68 million during H1. So, I will not comment more on the revenue considering what Philippe explained to you.

As regards to the gross profit of the Company -- so, we have, again, an increase in the gross profit margin at 44.8 percent. The good news is that, obviously, we consolidate the gross profit on the terminal side, with a slight increase of 40 basis points, on the back, as Philippe mentioned, of a very good behavior of the ASP of our terminals, due at the same time to a product mix -- favorable product mix and geographic mix. And the second point which is also significant is the quality evolution in terms of gross profit in Payment Services.

This evolution is not linked to e-payment, which is quite stable in terms of gross profit, but much more from the face-to-face transactions. So, the Axis gateway, based in France, and the former easycash in payment solutions in Germany.

And this positive evolution of gross profit is linked, on the one hand side, to an improvement in terms of gross profit on the Axis Gateway, so it's something that is controlled based on the -- our initiatives that have begun in the last months to either improve the situation.

And the second point is in Germany, where we have an improvement which is linked to some evolution in the business model especially the fact that we have invested in collection (our servers) vis-a-vis our merchants.

And the second point is some more accounting treatment on one of our payment schemes, so which is something that is more a one-off -- an accounting one-off, than an organic positive evolution.

In terms of EBITDA -- so, as you -- as Philippe mentioned, we have a nice improvement of the EBITDA margin at 23.6 percent. So, there is the contribution of the gross profit, of the revenue, and so the reasonable evolution of the OpEx, which do represent on the period 23.9 percent of the revenue, versus 25.5 percent in H1 2014 pro forma.

So, as you noticed in the comments, it's very slow growth in sales and marketing as well as G&A. What is growing is more the R&D, which is progressing like the revenue, coming from continuous investment that we are doing in innovation, at the same time in the terminal business and in the payment services side of the Company.

In terms of net result -- so, turning from the EBIT -- or, EBITDA to the EBIT, and to the net result, I think it is worthwhile to mention the evolution of the income tax, which is growing faster than the revenue.

So, there are two elements that do explain this evolution in terms of tax. One, I would say, is linked to the improvement, or into the increase in terms of profitability of the Company, in some geography where the tax is higher. And the second element is more some kind of one-off effect. And I would mention here, mainly the impact of the disposal of 20 percent of the Landi business to Fosun.

So, this level of tax rate at 34.2 percent is probably a bit high as compared to

what it should be in the long term, so it's not something - I don't think there are good reasons to change the mid-term tax rate of the Company. So, the net result comes to EUR124 million.

In terms of free cash flow -- so, we do generate EUR59 million of free cash flow -- so coming from the EBITDA, we have so a negative impact of the working capital change at EUR81 million.

So, two comments on that. One is to remind you, the one-offs advance payment that we have benefited in China at the end of 2014, which obviously has a negative impact in terms of working capital during H1.

For the rest, and this is my second comment, the working capital is quite stable as compared to what it was in H1, 2014 would it be in terms of level of stocks or level of receivables as compared to the revenue of the Company. So, there is no deterioration of the working capital.

When we are going down in the analyses, so nothing very special in terms of CapEx, so there is a slight increase as compared to 2014, which is linked to the ramp-up in terms of Telium Tetra as well as the Fosun investment that we are doing in terms of payment services investments. And the second element which is worth to be mentioned is the significant increase in tax paid during this period, which is linked first to the increase of tax that you already noticed during 2014.

And also a change in terms of down payment in France, where we do -- we had more down payment than at the same period for the same level of tax to be paid. So, this is, to some extent, increasing the level of tax paid during H1, that should be partially offset during H2 of this year.

So, all in whole, in terms of free cash flow, this performance of H1 does give us a lot of comfort to concern the, I would say, usual EBITDA-to-free-cash-flow conversion of 45 percent to 50 percent, which is one of the basic -- one of the fundamentals of our model.

Final comments on the financial structure. So, Philippe already mentioned that the leverage has come down to less than 1X the EBITDA. So, this is coming first from the cash flow generation; but also from three, I would say, one-off elements.

One, which is the conversion of the previous OCEANE -- the one that had been issued in 2011.

The second one -- the second element is the issuing of the OCEANE of this year where we have EUR73 million of equity impact.

And the last point is the positive impact of the disposal of 20 percent of (lending) to Fosun, which has positive impact in terms of net debt of EUR94 million. So, this evolution of the leverage is obviously very good news for us.

And as a conclusion, I would say that, again, this result of the period do concern the business model and the robustness of the business model of the

Company would it be in terms of growth higher than 10 percent in the long term, the EBITDA margin higher than 20 percent in the long term and as a rehash high cash conversion from EBITDA to free cash flow.

Philippe Lazare Thank you, Pierre-Antoine. So, some comment and some update and highlight on what we are expecting from 2015. So, as far as the figures are concerned, you understand that we raise our guidance.

You probably remember that, at the very beginning of the year, we had four significant ambitions, or significant targets, for 2015.

The first one was to be successful in integrating GlobalCollect, and I believe that it's almost done. The two Companies -- I mean, Ogone and GlobalCollect -- are on their way to be, not officially merged but working together. There is single management. And most of the key function within the Companies are now driven -- within that part of the Company, are now driven under a single authority.

The second target that we had -- ambition that we had for 2015, was to be successful in launching our multichannel offer. Unfortunately, we are not allowed to communicate so much on the name of the success that we have with significant retailers. The only thing I can tell you is that we have signed more than 15 of them, and some of them are very well-known Companies in the retail industry.

And as soon as we will have the green light, we will be more than happy to tell you that we are successful in launching that new offer, and you know that it's a big part of our future and of our ambition. So, just keep in mind, 15 retailers already signed, and they're -- some of them are going to be operated in the very coming weeks.

The Telium Tetra launching is on its way. It's partly related to the multichannel offer, because most of the multichannel offer that we have sold are based on the new range of product. That's a very highly complementary offer that we have been able to put on the market.

And then the last, but not least, ambition that we had for 2015, was to put innovation within the heart of the Company. Probably that -- you remember that we have been able to sign a partnership with Intel, and we believe that the first product coming from, again, a very significant hardware manufacturer, will be on the market in 2016.

We're working closely with Apple for the Apple Pay solution, and we have developed all the -- necessary application to help any merchant to accept an Apple Pay solution on its -- on them -- on their -- excuse me, on their terminals. And we are partnering with Apple in a very positive way.

And, last but not least, the partnership with Google in Belgium, which help our customers to have a better international coverage and international reach.

So, that's where we were -- we are today. I think that's it for the formal presentation, and we are ready to answer your questions.

Question

Good evening. Many thanks for the question, and congrats on a strong quarter. Had a couple of quick questions, first on the US.

Clearly, you evidenced very strong growth there, at over 60 percent. I wondered if you could give a bit more color on the sustainability of that growth beyond this year -- so, into 2016? Should we still expect some growth? Should we expect double-digit growth?

And also, relating to that, are you still confident about taking market share as we look over the next year?

Second question would just be on China. You mentioned in your introductory remarks that you're not seeing a macro impact in Asia more broadly. I wondered if you could elaborate a little bit further, what gives you the confidence just on China, going forward, particularly given the number of European companies who seem to have seen some impact on the consumer side? Many thanks.

Philippe Lazare

Well, I'm going to start with the second part of your question about China. First, we were -- we are not a B2C company, so most of the product and solution that we are selling on the Chinese market are dedicated to retailers and to banks, and mainly to banks.

You probably remember that the electronic payment is a kind of payment which is encouraged when the government wants to make sure to get the tax that they want to get. And all in all, we have never seen anywhere a direct relationship between the level of activity of electronic payments -- for the merchant part of the electronic payment, and any economic crisis.

I would say that probably it's impacted the contrary. If you look at the decrease in which has been taken by Italy, for example, last year, just to make sure that the Italian government is able to track their -- the VAT and the revenue of the merchant, they encourage and they push the electronic payment as a mean to be paid.

I believe that the Chinese government will do the same. And frankly we anticipate, and if we look at the forecast that we have in our books, we're pretty confident that China will remain a very significant level of growth, in 2015 of course, and probably 2016 as well. So, I mean, so far so good on China.

So, in the US, your question was related to probably the EMV migration/NFC adoption. As far as we know, on the -- based on the -- what we have been able to deliver, we believe that in 2015 the install base -- the global install base is divided into something between 45 percent and 50 percent is already EMV-compliant. So, you can easily deduct that the rest is not EMV-compliant.

So, you probably remember, as well, that we don't believe that it will be one

100 percent of the market, but we believe that there is something like 50 percent which is not equipped so far. Do you want to comment more on that, Pierre-Antoine?

Pierre-Antoine Vacheron

No -- the additional comment that we can make is that, as you know, we've been ramping up in terms of market share in the US in the last -- in the last three years with certifications with the processor that took place until very recently.

So, we may consider that, in the years to come, there would still be some advantage and we think for us compared to the competition linked to the policy of the processors to have a balanced sourcing in terms of payment terminals.

So, we were quite confident that -- I mean, probably there will not be, again, 90 percent or 100 percent growth; but that there will still be a significant growth for us in the US in the years to come.

Question

I would like -- just staying on the theme of North America, I was just wondering if part of the growth this quarter was driven by eventually inventory pulls from ISOs before you start pushing it into the smaller retailers?

Philippe Lazare

Frankly, I don't think so. I mean, your question is -- did you think -- I mean, you're asking yourself, if the ISO are fitting the pipe, and don't deploy the product in the field? Is that your question?

Question

Yes, that's it. But not necessarily in a bad way. It's just because we're going to ...

(CROSSTALK)

Philippe Lazare

Frankly, I don't think so. Because most of the ISO -- they don't want to bear too many inventory, because it cost a lot of money to them. So, most of the time, they are, as far as we know, putting in the field the terminal they are buying to us -- from us.

Question

Thanks. Great. Another quick question on EBITDA. So, over the last few years you've raised, very often, the revenue guidance, because you did a lot better. But you kept the EBITDA guidance usually around the level you've guided to for years, which is 20 percent-ish.

So, now, I'm just wondering if there was a change in the way you look at things, and you reached the end of some big development projects, and you're going to focus more on profitability going forward; or, are you more disciplined on the spending on the roadmap going forward?

Philippe Lazare

Usually, we are pretty disciplined on the roadmap going forward. Probably, I will let -- leave the floor to Pierre-Antoine; but just keep in mind that,

broadly speaking, the payment services and the e-payment is a bit dilutive compared to the EBITDA ratio that we are getting from the other business. But Pierre-Antoine is going to give you more color on that

Pierre-Antoine Vacheron

If your question is that we are more -- I mean, we are less conservative in terms of guidance as compared to what we used to be, I mean, the H1 is very good in terms of profitability, and obviously it wouldn't be reasonable to consider that, except if we had an accident, that the H2 would be so low that we would remain in the previous -- in the previous guidance.

So, I mean -- so, as Philippe said, there is no -- otherwise there is no inflection. We do consider that there will be growth in OpEx in H2, probably a bit faster than in H1, because we are not at the end of developments to the processors wouldn't be on the terminal side, because the launch of Telium Tetra is not over. The launch of the marketplace is not over; or, in terms of payments received, because we do have to continuously invest in terms of new connections; in terms of evolution of the platform; in terms of front end.

And hopefully we'll announce something around that in the coming weeks. So, there is continuous investment, and -- but in a disciplined way, as it has always been, for the Company.

Question

Thank you so much. And can I have a very last question quickly on FX -- you have said, I think, in -- previously, that you consider that there is more or less about EUR95 million of tailwind of FX this year. Is this still the case, or have you changed your view on that? What would be the full FX benefit this year?

Pierre-Antoine Vacheron

In terms of top line, based on what we do see, it's -- yes, it would be a bit more. It would be probably a bit north of EUR100 million.

Question

Thanks for taking the question. I just wanted to -- if you could give us a bit more detail on the collaboration with Google, and the go-to-market strategy for this in the region. Is this something that a customer would sign a single agreement that covers both of you, or do they still need to sign separate agreements? And in that context, how does the kind of revenue model around this work?

And then I've got a couple of quick financial follow-ups afterwards.

Philippe Lazare

Pierre-Antoine is going to answer the question about the agreement that we have with Google in Belgium.

Pierre-Antoine Vacheron

So, it's obviously linked to the e-payment part of the business, as you understood. And it is a service that we do sell to our merchants, where they can get some information coming from Google in terms of -- to be very concrete, if you were operating in this country as compared to your domestic country, this is the revenue that you could make, based on what you are doing in your domestic country.

And based on that, there can be an insight for a merchant to open this new geography for his product. And, relating to that, we do offer to the merchant the local payment solutions for this new -- potential new geography for the merchant.

And so, it's some kind of win-win, for us, for Google and for the merchant. We bring data to the merchant. The merchant gets some insight as -- to this -- especially for this merchant, in terms of business potential. And we do refer and get more transactions linked to this new geography.

Question

Thanks very much. And then, just on the two clarifications, you mentioned there was a kind of accounting impact on the gross margin. Can you possibly say how much that was, and clarify whether that was a one-off step-up and then we move on; or if it was a temporary impact and you step back down after that goes away?

And then secondly, you called a -- can you help us -- remind us -- I can't remember if it was disclosed at the full year, but how much the impact was on the working capital from that prepayment in China?

Philippe Lazare

OK. So, in terms of gross profit impact, it's something that we give the range of, in terms of million of euro, in the range of EUR7 million in H1. So, that's something that you will find also to some extent in the revenue of H1 in the payment services.

And so, this does explain why the performance of this business has been so high in H1, and could be slower in H2. And so, this is an impact that is -- that will be recurrent to some extent, but that will not have a positive impact in terms of a step in terms of revenue, and in terms of margin.

As regards your question on the advance payment, if I remember correctly it was something like EUR40 million that we had as extraordinary advance payment.

Question

Yes, good evening. Actually I've got two questions on the guidance. The first one is on the third line, because you are now guiding to 10 percent to 12 percent growth, with 15 percent in the first half. So, means that you're basically guiding for single-digit growth in the second half. Where -- is it just cautiousness at this stage, or is there some important fear that you have for the second half?

And then the question also is on the margin guidance. You have some significant improvement in H1. Part of this improvement is coming from the improvement on gross margin, on transaction services. Can you help us understand why you would only do above 22 percent for the full year? Thank you.

Philippe Lazare

So, I mean, starting with the first part of your question, it's clear that you know that we usually are reasonably cautious in the way we are guiding.

We wanted to restart from the very last guidance given to the market, so that is the reason why we put 10 as the floor. It's clear that we are not expecting to do 10 percent, and you're pretty right that doing 10 percent is -- means something like mid-single-digit growth in H2, and that's not what we are expecting.

On the margin side, and the improvement of the margin in the (contraction) services, maybe Pierre-Antoine, or Nathalie -- if someone wants to answer that one, and give more color on the 22 percent EBITDA margin target.

Pierre-Antoine Vacheron

OK. So, I mean there are various elements that have to be taken into account, having in mind that, as it was mentioned earlier on, that's the first time that we raised the guidance in terms of EBITDA in H1.

So, then you've got some element -- I mean some elements in terms of uncertainty, and there is one which is linked to the ForEx obviously. Because, as you know, if there were some negative evolution of the euro versus the dollar in H2, that would have a negative impact in terms of EBITDA margin.

We have -- those one off impact that we already mention, or this recurrent impact in terms of margins in transaction services.

Then there was a question about the mix in terms of geography, that can change and that can have an impact in terms of the -- of gross profit mix. As we said during H1, we had a very nice accretion of the ASP, and depending on the customer mix in some geographies, that can have -- the evolution can be less positive in H2.

And the last comment I would make would be on the OpEx where, as I said, already we do expect some further growth in terms of OpEx in H2 compared to H1, but that have a (dilutive) impact as compared to the EBITDA in H1

Question

In percentage of sales, the increase in OpEx, or just absolute number?

Pierre-Antoine Vacheron

No, potentially in terms of percentage of sales, yes.

Question

OK. Thank you. And maybe just a follow-up. On slides, you have said the potential impact for the full year could be about EUR100 million or a little bit more for the full year. In term of EBIT or EBITDA, what's the net impact?

Pierre-Antoine Vacheron

I mean, if you take the H1, the impact on the full H1 is quite comparable to the one I mentioned in Q1, which means something like 1 percent of EBITDA margins.

Question

Negative, right?

Pierre-Antoine Vacheron

Negative, yes.

Question

Yeah, hello everyone. I have got another question regarding the US market and the opportunity linked to the ECR reterminalisation. Have you started to see any opportunity there? This is my first question.

And so and one is your leverage is already below one time, you've said. Should we expect any sizeable accretions in H2, or you will remain -- you will be remaining focused on organic growth development in the very short term? Thank you.

Philippe Lazare

I mean, your question is, do we address the market which was not equipped with any terminal on the US market? Clearly, that's -- part of the growth is coming from that.

It's pretty clear that, if you are a restaurant in the US and you want to make sure that you will be able to accept a payment coming from a card -- an EMV card or any Apple Pay solution, you have to have a terminal, and we are benefiting from that. I think that the competition is probably benefiting as well, because there is room for growth in that part of the business.

Your second question was -

Pierre-Antoine Vacheron

M&A ..

Philippe Lazare

M&A. So, we don't -- I mean, it's very difficult to say that we are going to -- not going to make any acquisition in the coming months. But in the same time, we strongly believe that being successful in making acquisition is based on the fact that we are being successful -- we have been successful in integrating the previous acquisition that we've made.

So, we're working on those objectives -- on those targets. One is to make sure that the acquisition which has been made recently, are first delivering what we were expecting from them; and, second, looking at what could be the next acquisition for Ingenico. But, I mean, nothing in the foreseeable future.

Question

OK. And one last question, if I may. Have you noticed any improvement in the competitive landscape? Is your increase in ASP is also a little bit due to the competitive landscape, or onto the mix?

Philippe Lazare

It's mainly due to the mix, and it's coming for -- a significant part of that is coming from China because in that country we launched new range of product, which is very successful. And -- but the ASP is also growing in the rest of the world, and it's mainly a question of mix and geo mix -- I mean, product mix and geographical mix as well.

Question

Yes, hi. Thanks for letting me ask questions. Firstly, I just wanted to clarify your comments earlier on second-half outlook, in terms of like-for-like growth, which implies high single-digit growth in second half.

But I think you said, you don't intend to have high single-digit growth, but it's more of a cautiousness around outlook. Because I think this is sort of probably you -- I mean, previously you were guiding to greater than 10 percent, but now you've given a fixed range of 10 percent to 12 percent, which suggests you probably have some level of visibility on second-half growth as such.

And second question I had was, -- I mean, one question was, I noticed a material slowdown in APAC constant currency growth in Q2 despite China being strong. So, can you just help us understand what's happen in -- outside China?

And any highlights in terms of any competitive dynamics changes from either of your -- I mean, either your big competitor or smaller competitor -- sorry. Thank you.

Philippe Lazare

OK. So, starting with the story of the guidance, again, the idea is to give to the market the most we are able, projection that we can make, at the time that we are making it. So -- meaning that, we start with the 10 percent, which was the previous guidance, we look at what we have in the book for the 6 coming months, and we give you the idea of what could be gross on the full-year basis.

Of course, the figures which are in our books are not fixed one. They are changing. We are winning things; losing things; things are coming; things are -- I mean, things are changing. And every time that we believe that the change is significant enough, we come back to you to give you more color on that.

So, it mean that at the end of Q3, which will be probably displayed -- not displayed, but long -- communicated in October -- October 22, which is a new date, by the way -- we will give you more color on what could be the target for the full year.

But, of course, as you know -- or maybe you don't really know, because you're just starting to work on Ingenico -- but our guidance is usually extremely reliable and cautious in the same time.

But the EBITDA ratio -- same story. We believe that we are comfortable at 20 percent. Of course, if we are able to deliver more, we will tell you in due time.

And the other question was based on the -- was related to the growth in Asia. So, if you remember, the very beginning of that conference, we have been able to grow very significantly in China. China is the second-largest, or maybe the first-largest install base worldwide now. So, it mean that being able to grow by 25 percent, as we did this year, compared to last year on --

in H1, is something which is a very good result.

Indonesia is doing extremely well. I think that we are market leader from far. Even if India is a tiny market so far, we -- of course, we believe that the potential of this market will one day or another start to be a reality. And you're seeing that we are able to -- we have been able to grow in this part of the world.

The only market on which we are not growing is Australia, but I don't think that the market itself is growing.

Question Understood. And any change you've noticed in terms of competitive dynamics in any region, that you think are material enough to be highlighted? Or, you think things are steady on competition side?

Philippe Lazare No, we are not following the figures coming from competition every single day, as we are mostly concentrated on what we have to do. As far as we know, on the market on which we are significantly growing -- I'm thinking about China and Indonesia -- I don't think that market share -- competition is taking any market share against us.

Question Good afternoon everyone. Just coming back with five questions, if I may. Just coming back to Telium Tetra, you give us an update on where you are; what are the main pilots that you have deployed; and what are the main signature that you may be able to announce; and are you online -- you -- with your -- the government, more particularly in terms of region, that you will do step-by-step starting 2016? First question.

Second question, about mobile payment. Could you give us an overview of what's going on, more particularly in US, just having an update on what are the main drivers there, and do you see still companions evolutions from your side, Roam data more particularly on -- from the competitors?

Third question is related to gross margin. You say that you are going to 50 percent gross margin in terminals. Is it fair to assume that this is clearly a reach for you and an objective, and do you see any opportunity of having such objective in which term?

Third question -- fourth question, sorry -- is EBITDA conversion. While -- since that you have a lag with regard to the payments, and advance payments negative impacting H1, how you -- confident are you with -- come back to a more sustainable conversion rate in H2 and for this full year? And could we have some positive news coming from this conversion?

And lastly, more globally for you, Philippe, you have mentioned 15 signatures for your one-stop-shop approach multichannel, and so on. And so (one-off and so forth) could you give us your view that the strategy that you have deployed for having such a signature?

I mean, are the clients really looking at prices; at solutions; at their ability to have a dedicated solution for every channel? How do you see your

positioning there? I mean, do you have goodwill with regards to volumes on profitability from this multichannel offer?

Philippe Lazare

Thank you, Christophe. So, starting with the very first question that you're asking us about the Tetra deployment -- so the first terminal on the field will be the lane 5000, which is a retail pinpad which has been designed for one of the key, top retailer in France, and, I mean, in the world in the same time -- so, maybe you can guess who's behind that description.

As you know, the premium Tetra offer is also a combination with the -- I mean, it has to be linked -- not -- it's not mandatory, but it's better when it's linked to a multichannel offer. And we believe that the first terminal will be in the various shops of the world, starting from in Europe, and then probably starting in the (value end) market, which is usually an early adopter of the new technologies.

On the mobile payment side, I don't think that anyone is about to give some very positive news on that part of the business. You know that since the very beginning we have been a key player in the mobile payment business, meaning how to -- mobile meaning, how to turn a smartphone into a payment acceptance device, which is one part of the mobile payment.

Because another part of the mobile payment is, how to use your smartphone with an in-app payment solution, which is something on which we are working with Ogone and GlobalCollect in the e-Payments division or segment of the company.

So, on the mobile -- pure mobile side, meaning, when -- how to turn your smartphone into mobile payment by plugging an external device, or by preferring an external terminal, business is still, I would say, tiny. And we don't anticipate any significant growth in that part of the industry.

On the EBITDA, on the -- there is a question of gross margin that -- probably Pierre-Antoine will answer it. So, on the EBITDA conversion, you mean the free cash flow to ratio compared to the EBITDA. As far as I remember, our commitment was something like 45 percent -- 42 percent, 45 percent. And we confirmed that we will be at that level in 2015.

And the last question for me -- the multichannel offer. So, multichannel offer is just the demonstration that we are mastering all the various element of the electronic payment, from the online payment to the initial payment, and to the mobile payment.

So, most of the retailers who are interested in such an offer are the one who are thinking of how to have a better management of the consumer relationship -- how to know if you stop -- if you buy more on Internet than in shop; how to stop, to buy something in shop, and to finish it on Internet; how to be refund on Internet when you've made an acquisition in shop, and things like that.

And we strongly believe that the first outcome of such a strategy is to

increase the stickiness and the quality of the relationship with the retailers. And as soon as we will be in a position to communicate on that, we will give you more color on how it works, and what we are getting from it, and what the customers are getting from it in the same time.

Pierre-Antoine -- question on gross margin.

Pierre-Antoine Vacheron

Yes. So, your question on gross margin on terminals, Christophe. So, I mean, as we said, we had an extremely good behavior of this terminal of business in H1, in terms of ASP, linked as Philippe mentioned to product mix, geography mix and also customer mix.

So, we should not consider this as -- I mean, this performance should not be considered as guidance for the mid-term. It's more very high and very good performance, and we are very happy that during this period; but let's not extrapolate too much.

Question

OK. Just another, if I may ask, Pierre-Antoine. Could you just give us what's going on with e-payments and more generally speaking with payment services as it seems that volumes are -- have a dedicate -- have a direct impact to the gross margin, and more probably with the EBITDA margin?

Or, is it fair to assume that you are going to do 20 percent EBITDA margin on the medium term, if you refer to GlobalCollect at -- is starting from 17.7 percent, if you refer to last year, for instance?

Pierre-Antoine Vacheron

No. Again, I would not extrapolate too much. You remember that, in terms of revenue mix, there is a significant portion of our revenue which is linked to acquiring type of revenue where we have pass-through of the interchange. And this part of the revenue is growing, by definition, faster than the gateway business because it's based on the volumes in euro of the transaction.

So, the -- I think we will -- we do not change the mid-term approach -- the mid-term guidance that we have, as regards payment services. I mean, the -- this period has been extremely good, and we also did benefit of good behavior in terms of ForEx, and you know that we make significant revenue in terms of ForEx management for the cross-border e-merchants. And so, I mean, all this makes also the performance of this semester a very good performance as compared to mid-term expectations.

Question

Hi there, thank you, thanks very much for fitting me in.

A couple more, I think haven't been asked. Could you maybe unpack growth in Europe a bit more in the second quarter? Clearly, you've seen a material improvement from the first quarter. You've highlighted the UK and Germany. Maybe if you could highlight what is driving that strength, whether it's terminals or transactions, and how far you expect that to continue in the second half.

Secondly, on GlobalCollect, clearly you're part-way through the integration of that. You've been able to sustain growth pretty well in the light of what, I'm sure, is an increasing amount of competitive pressure in that business, from various of your competitors.

How -- could you maybe talk a little bit about how and where you're winning business -- how the sorts of business that you're winning now might differ from the sort of business GlobalCollect was winning while it was a stand-alone entity?

And then my third and final question is on the increased cash tax payment. I think you said that was partly due to a one-off gain on the Fosun disposal. I just wanted to check I'd understood that correctly. Sorry, Fosun -- yes, Fosun disposal.

Philippe Lazare

OK. So, starting the question of GlobalCollect, I don't think that GlobalCollect is winning customers that they were not able to win in the previous situation. I think that we are bringing them a better coordination with Google, and we are bringing them a brand, which is the Ingenico one.

But, I mean, so far, they have been successful in working with most of the type of customer they used to have -- I mean pure player in the e-commerce; people related to transportation with the online business; and people related to the software and the -- and gaming online.

So, nothing completely new. The good news is that we are not impacting them negatively with the global discipline that we are asking the new company acquired to respect in our Company.

The first part of your question was -- excuse me -- ?

Question

Sure. So, just on trying to unpack the strength in Europe a bit in the second quarter.

Philippe Lazare

Yes. So, I mean, if you remember, last year was an extremely high basis of comparison in Europe. So, we believe that the French market and the UK market will remain at the good level. Germany is doing well as well. And we anticipate that the Russian market could do better than we were expecting.

So, we will see how things work, and probably during the course of Q3 we'll have a better idea on what could be the outcome of the European market. But, I mean, so far, being able to get to 4 percent growth of -- coming from that part of the world, is something on which we were not able to bet 6 months ago.

And there -- and then there is questions -- yes.

Pierre-Antoine Vacheron

Yes. There was a question on the Fosun disposal. It's quite simple. We had to pay some taxes on the profit we made on the disposal of this 20 percent and these -- and the taxes were not deductible from our income tax. So, this

has a mechanical impact on the average income tax rate of the Company.

Question Sure. Can you quantify that impact on the P&L and cash flow?

Pierre-Antoine Vacheron OK. I'm not sure we want to disclose that level of -- it's not huge, but it's something that does impact -- I mean, that does contribute to this 200-basis-point of increasing tax rate.

Question Hi good evening, thanks very much for squeezing me in. I've got two questions, actually. One would be on the gross margin in payment services. You mention in the press release that the budget in e-payments -- you're budgeting basically for greater spend in the second half.

Could you give us an indication on what you're spending on, and why this would be affecting your gross profit? Actually, I'm a bit struggling with that

And my second question would be related to some of the stuff you mention in the slides -- on slide 22, in particular. You -- regarding your multichannel gateway, you do mention that you've got just one gateway to manage in-store and online transactions.

Here, again, I'm a bit confused. Is it the Ogone gateway which you're bringing in-store? Is it GlobalCollect gateway? Is it Axis, that's -- you've taken on running as well, and how should we be thinking about it? I thought, basically, that following the GlobalCollect acquisition, you said you had no plan of integrating the two platforms. So, any color there would be most helpful. Thank you very much.

Philippe Lazare OK. Starting with your last question, in fact, we changed our mind and we're working on combining the two platform, and so far the offer is made on the Axis platform for the in-store part of the multichannel offer, and based on Ogone for the online part of the -- on the -- of the offer. And we're working through a tokenization process, which helps the two platforms to be able to deal with a single -- with the same customer and a single customer, the way it works.

What was the first part of your question?

Pierre-Antoine Vacheron The first part of your question. So, to clarify, the investment that we are making -- they are not in the gross profit. So, they are -- the delivery of the OpEx. And this is why we are anticipating an increase in terms of the weight of the OpEx as compared to the revenue.

And what we are investing on is -- I would say its continuous evolution of the platform. Its new connections to new acquirers and new payment method; new content, especially to support, I would say, the evolution of e-commerce towards mobile commerce. So, this -- all these type of stuffs to -- I mean, to keep the leadership that we have in terms of offering in e-payment.

Question Yes. When you're talking about front end in mobile commerce, shall we understand you're investing on one-tap checkout, or these sort of things -- you have already.

Pierre-Antoine Vacheron Yes. It's payment in the app. It's easy integration on mobile front end. So, it's API type of architecture also. It's all these type of things that allow us to support the merchant in the diversification of interfaces with the consumer.

Question Yeah, good afternoon gents, good quarter. Congrats.

Just a couple. Firstly, on the previous question, in your press release you specifically say on the -- you have an e-payment budget that projects greater spending in the second half of the year, and that the gross margins in the processing business were better because of lower spending.

How should I think about gross margin in relation to the payment space within the second half? Generally you see a good increase in the second half over the first half. How should -- is it going to be a bit lower than what we saw last year, or in the years before? That's my first question.

And secondly, a bit more of a qualitative question. If you look at the processes, they're generally trying to put more of the intelligence that is now in the terminal, into the cloud. Whereas, you guys are trying to make your terminals a bit more -- increasing intelligence in the terminal. So, how do you see this fight playing out over the next 4 to 5 years? Thank you.

Philippe Lazare Trying to answer the second part of your question about the -- question of the application in cloud, and things like that. So, you know that the Telium Tetra offer is mainly based on the fact that we can bring on the terminal various application which are non-payment application and located in our marketplace. So, I think that it's a trend for that market.

Meaning that, most of the payment application and the secure payment application will remain in the terminal, but most of the non-payment application probably will be elsewhere.

And all the architecture that we are working on is precisely to help the terminal to be able to display equally payment and non-payment application, and I believe that we are state of art for such a scenario.

Pierre-Antoine Vacheron So -- question on the gross profit. I mean, again, I mean, as we released today, performance in terminals is very, very high in terms of ASPs, it does impact the productivity of gross profit, and in terms of payment services as we said also, we have some elements which are sustainable, such as the evolution of the Axis platform.

Some other element are less -- I mean, less easy to predict and is the case of the ForEx to margin that we are doing, and the ForEx on the GlobalCollect side. And some elements were some kind of one-offs in the

H1. And this is the one which are linked to the evolution of the business model in general.

Question

Hi, thanks very much. Just -- well, two shorter questions; one longer one. On the Telium rollout, I was wondering if you could help us understand whether you felt this would have any impact on sales patterns as you go through the second half of the year, either positively or negatively.

Then, since you mentioned the platform integration decision on Ogone and GlobalCollect, I was wondering if you could give us some understanding on how you think that should phase through H2 or into 2016.

And then, the last question is just looking at slide 23, we -- your strategic update on Telium Tetra. I was wondering if you could give us some understanding as to how you think the revenue model works for your partners in the marketplace, and for -- and how it works for Ingenico, whether a customer takes the services or operates a Telium terminal as a terminal alone, will rollout. Thank you.

Philippe Lazare

Starting with the very last part of your question, of course you can buy a terminal without buying the whole ecosystem. And the -- it's clear that in the Telium Tetra offer, I mean, the marketplace is more really (geared) for the high-end type of terminal than for the basic countertop.

So, of course, we are expecting to sell terminal on the Telium Tetra range without selling the -- 100 percent of the offer; even if the target is to be able to sell the offer, or 100 percent of the offer.

So, the business already -- we are not expecting to get revenue from the applications -- I mean, for the apps themselves, because we delivering those application for the merchant, and the idea is to help them to increase their revenue. And we'll do the best bet that we (view), but we are willing to improve the stickiness of the merchant, because the new offer is bringing them more than only payment solution.

So, the Telium Tetra range of products is not supposed to deliver significant revenue during H2. The work that we are doing on how to combine the Ogone and the GlobalCollect platform, is not supposed to be completed in H2 as well. So, it's a 2016 impact.

Question

OK. But -- so, just back on the first part, when you look at -- from a perspective of the types of deals you're signing, obviously it has a very good loyalty effect in the services you can offer, and a big advantage.

Can you talk about where you think the revenue uplift opportunities are, where -- from launching Tetra? Is it through combining with the payment applications to get that traffic, or is it through other sort of application-driven; or is it just through higher ASP, because you have a new product?

Philippe Lazare

So, we believe that the Telium Tetra -- I mean, the 100 percent Telium Tetra

offer is mainly designed for banks and the merchant acquirers.

Meaning that, most of the merchant acquirers who want to have a more rich relationship with the merchant -- they are all wishing to have the -- to have offers which are not on e-payment, and the first conversation that we have around the Telium Tetra offer is mainly with the significant merchant acquirers. And of course, they count on such an offer to improve the stickiness and the loyalty of their own customers with themselves, and that's a big part of their strategy.

So, the usual suspect of the business are the first we are speaking with -- are speaking with the people in Brazil; we are speaking with some significant merchant acquirer in Europe; and the US will come later, because the US range of product will be launched later.

Philippe Lazare

Thank you very much. Thank you for those questions. Next communication we will give will be on the -- October 22, and we will comment on the Q3 revenue. And that's it. We wish you a good summertime, and hopefully see you in September. Bye-bye.

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