Axway Full Year 2014

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Full Year 2014 Analysis

Christophe FABRE
Chief Executive Officer, Axway

Preamble

Good morning, good afternoon, and good evening, ladies and gentlemen. Thank you for joining this Axway conference. We are going to comment on the 2014 results. I will do the first part, Patrick our CFO will comment on the account tables, and in the third part I will talk about Axway's positioning and strategy going forward. Then we will take the questions and answers.

Full Year Analysis

2014 in a nutshell (Slide 5)

What are the key points for 2014 to start with? Today, of course, we will report on the profit warning that we made in the third quarter, which was mainly due to a postponement in closing the deal. We had an excellent performance in Q4, where we were able to close most of the pipe, and finally, Axway delivers a solid year in 2014, demonstrating the quality of our positioning in this middleware market, where Axway's performance is excellent.

Regarding key points on the acquisition, we did an acquisition in the first half of the year of a French company, Systar. It is true that in the second half of the year Systar did not deliver as much profit as Axway, but we confirmed in the middle of the term that it was a good acquisition. We found an excellent customer base in the FSI vertical, very skilled staff in terms of operational intelligence, and a new generation product that has real potential for Axway. Remember that in the beginning of the year we acquired a distributor in Australia which also delivered a good performance in 2014, and at the end of 2013 we acquired a distributor in Brazil, which also delivered a good performance in 2014.

I will comment on the main pillars of Axway: France and US. France delivered an excellent year with very good sales execution, on top of a very good coverage of the Axway portfolio to build a strong performance. Regarding the US, we started to rebuild the sales organisation at the end of 2013, and we did a lot of improvement in 2014, but there was not enough time to build and close a good volume of deals. The US is able to leverage a good portion of the Axway 5 portfolio, even if they missed some innovation on MFT that is available in Europe.

Regarding domains, we had very good performance around the Axway 5 Suite, which represents a large volume of the licences. There was very good growth with very good pull from API and also very good performance from MFT in Europe.

Regions and Types (Slides 6-9)

Regarding regions, France's growth for the full year was 8.8%, which was a good performance delivered quarter after quarter since 2012. The rest of Europe grew by 2.7%. The US, at minus 4.2%, is not at the level we can expect.

Asia delivered 46% growth, but on a small number, but showed good trends. Therefore, organic growth at Axway level was 3.6%, with total growth of 10.1% for the year.

Regarding revenue by type, licences were flat at minus 1.8%. Maintenance grew at 6.8%, which is an excellent result. Service grew at 4.6% along with service cloud subscriptions on the cloud services, and this activity around the cloud was a good driver for this performance.

Regarding regions, the revenue for Q4 was very good in France; it was a record quarter that will establish a strong track record for this year at 24%. The growth at the Axway level was 9.4%. Licences grew by 18.3%, which was interesting, demonstrating our ability to deliver a significant volume of business. Maintenance was 5.5% and services was flat at minus 0.7%.

A Balanced Business Model (Slide 10)

Therefore, Axway has a balanced business model. Looking by region, you can see the two pillars of France and the US, representing a third of our revenue. There is an interesting position in the rest of Europe, at 23%, where we could grow more, and we already have a significant base in that region. APAC, Asia-Pacific, was 4%, and it is still important to be able to follow big accounts around the world, so it is still a key part of the mix.

Looking at the balance by activity, the classical profile for a software leader, 76% of our revenues come from the products, maintenance and licences, and 24 % from services.

License Metrics 2014 (Slide 11)

Looking at some metrics we usually comment on concerning the year's performance, firstly, the number of deals has been decreasing by roughly 10%, but this was compensated in value by the large deals, so on the large accounts, what we call the Tier 1, the deals that were greater than EUR 250,000 represented 2.4% of the total number of deals, and in value these deals represented 42%, so that clearly represents the success in the positioning of Axway on the large accounts.

The indirect business part is stable at around 9% compared to 2013, certainly an area where we could find more leverage, and we will work on that in France or Europe, as with Sopra-Steria. The share of new business is stable at around 9%, but I would say that in certain areas like API, it could go to 30%, so Axway still has the ability to open doors.

The average sales price is growing, in fact to compensate for the decreasing number of deals, with more of a constant focus on the big accounts and big projects, and as a consequence, less on smaller deals.

License Metrics 2014 by Verticals (slide 12)

Looking at the analysis by vertical, FSI takes a big piece of the pie at 40%, a structural effect coming from the acquisition of Systar, because Systar is mainly acting in FSI. Supply chain, public sector and healthcare are decreasing in 2014 compared to 2013, mainly due to the bad performance in the US, where most of this business is usually done.

Maintenance Metrics 2014 (slide 13)

Going now to the metrics on maintenance, maintenance represents EUR 120 million, 46% of our revenues. Two key metrics are, first, the attachment rate, how much maintenance we sell compared to the new licences, so the average in 2014 is 20%, which is a good result I think we can maintain going forward. The renewal rate went from 93% in 2013 to 93.5% in 2014, also a very good ratio that we can sustain.

Cloud Metrics 2014 (slide 14)

Regarding cloud, metrics of services in fact, here we are talking first of subscriptions, revenues that are really coming as a service, so in 2014 we recognised EUR 6.2 million of subscription, a growth of 53 % compared to 2013, and if we look at the ASR, the committed subscription revenue in the next 12 months, at the end of last year we already had EUR 7.5 million secured.

There are two points on the cloud. First, our cloud strategy varies, and rather than addressing the middle market, we address the large accounts in terms of cloud solutions. We have the ability to deliver what they need, and that is a key point. Adding also the growth of cloud to the numbers of licences, you see that finally people are still buying more and more of Axway technologies, and the mix is starting to be a hybrid, even if today the cloud number is still not relevant compared to Axway's total revenue.

Headcount (slide 15)

The headcount at the end of 2014 is 1,961, a growth of roughly 10% compared to 2013, mainly coming from Systar. This also means that we are still keeping our investments around the products and everything that is needed to grow going forward, and taking into account the 10% in headcount growth and 10% growth in the revenues, we should be able to rationalise the organisation a little bit to make it a little bit more efficient.

Key Figures (slide 16)

Regarding the key figures, to make the transition to Patrick, in 2014 there were EUR 261.6 million in revenues, a total growth of 10.1%, which is again a good performance in the middleware market. The profit from business activity was EUR 39.7 million, 15.2% of the revenue, a slight decrease compared to last year, which was 15.8%. The net profit is EUR 26.7 million, 10.2% of the revenues, to be compared to the year 2013 where we had some exceptionals. Now I will let Patrick tell you how these numbers are built.

Accounting and Financial Results 2014

Patrick DONOVAN
Chief Financial Officer, Axway

Income Statement (Slides 18,19)

Thanks, Christophe. 2014 revenue, as Christophe mentioned, finished at EUR 261.64 million, up 10.1% over 2013, which finished at EUR 237.5 million. Our revenue allocation between license, maintenance and service activities remained relatively constant over the three periods presented. We acquired Systar in April 2014, to remind you, and therefore in 2014 we have included in our revenues and costs nine months of Systar's activities. We have approximately EUR 13 million of total costs in our 2014 accounts coming from Systar, of our total EUR 22 million total cost increase for the year.

Gross Profit Margin

Our gross profit margin for all periods presented showed constant improvement year over year in both terms of percentage of revenue and in absolute value, with 69.8% for 2014 versus 69.6% in 2013. Our total operating expenses finished at EUR 143 million or 54.7% of our revenues for 2014, the increase coming from our Systar acquisition, key investments in our distribution network and adding some additional R&D capacity to advance our A5 Suite, which included both the API and Decision Insight activity coming from our recent acquisitions.

Our profit on operating activities finished at EUR 39.7 million for 2014, or 15.2% of our revenues, versus 37.5 million for 2013, or 15.8%. Profit on operating activities has remained stable for all periods presented, and grew by about EUR 2 million per year in absolute value.

Amortization

Our amortization of intangible assets in 2014 increased to EUR 5.3 million, which includes the assets coming from our Systar acquisition. Our other income and expenses for 2013 relate to the GSA settlement in the US, whereby our 2014 other income and expenses is primarily acquisition cost. Our operating profit in 2014 finished at EUR 31.3 million versus EUR 27.2 million in 2013. Our net profit for 2014 finished at EUR 26.7 million or 10.2% of our revenues, which resulted in a basic earnings per share of EUR 1.29 per share.

Our net profit in 2013 was EUR 35.6 million or 15% of the revenues. Excluding the exceptional items in 2013, our basic earnings per share would have been EUR 1.33 per share.

Balance Sheet (slide 20, 21)

Goodwill

Our goodwill increased significantly in 2014, which included EUR 33 million coming from the Systar acquisition and the rest coming from the US dollar to euro currency impact on our goodwill remaining in our US books. Our intangible assets increased by EUR 17 million, which are then tangible assets coming from the Systar acquisition.

Receivables

Our trade receivables finished the year at EUR 84.9 million, up from EUR 64.4 million in 2013. That equates to day sales outstanding, our DSOs, of 105 days in 2014 versus 90 days in 2013. The 105 days in 2014 is the result of the strong Q4 licence sales at the end of the year; from memory, the 2012 trade receivables balance represented 102 DSOs, and in 2012 we also had a strong fourth quarter licence revenue.

Cash and Equity

Our cash ended at EUR 44.6 million for 2014 versus EUR 49.2 million for 2013, and our total assets finished at EUR 478.7 million, up from the EUR 392 million at the end of 2013.

Our total shareholders' equity finished at EUR 298.5 million for the year, and our bank debt finished at EUR 44.5 million at the end of 2014. Combined with our treasury of EUR 44.6 million at the end of 2014, that means we had no bank debt coming out of the year. We had EUR 35 million of bank debt at the end of 2013. We recorded deferred maintenance revenues in other current liabilities, and those increased to EUR 61 million for the year from EUR 40 million in the prior year.

Change in Equity (slide 22)

Therefore, at the end of 2014 the US dollar-euro conversion rate moved quite significantly in the fourth quarter. My balance sheet converts at the ending rate for the year, and so for 2014 you see in the changes in equity a translation gain of EUR 20 million. This is due to the fact that our 2013 finished the year with a conversion rate for the balance sheet of USD 1.37 per Euro; that is compared to a conversion rate of USD 1.21 per euro in 2014, which is driving the translation gain, primarily all coming from the US books.

However, for the income statement, the currency exchange rate used for the income statement is the average of the rate for the year, and so in 2013 and 2014, the US dollar to euro conversion rate was quite stable at USD 1.33 per Euro, which means I took almost no impact of the dollar to euro through the P&L for 2014.

Cash Flow Statement (slide 23)

Regarding the cash flow, our operating cash flows included a positive EUR 11 million change to our operating working capital requirements. This was due to the monetisation of EUR 16 million of our tax credit receivables here in France, which benefited our net cash from operating activities, increasing EUR 47.3 million for 2014 versus EUR 28.3 million in 2013. Our net cash use and investing activities of EUR 54.4 million in 2014 was due to the acquisition of Systar, which represents almost all of that change, and in 2012 it represents the acquisition of Vordel.

Therefore, for the year my cash balance ended at EUR 44.6 million compared to EUR 49.2 million for the prior, as we tried to utilise most of our operating cash flows to help fund the acquisition in the year.

Covenants (slide 24)

We renewed our revolving credit facility in July of 2014, increasing the amount available to Axway to EUR 125 million, up from the EUR 100 million available to us before this renewal. We have three financial covenants under this new credit facility, but with no net bank debt coming out of the year, all my financial covenants are well met and within the amounts considered within the line.

Shareholder Structure (slide 25)

My shareholder structure for 2014 remains stable, and my shareholder pact continues to hold 67% of the voting rights of the total outstanding, and with that I will turn it over to Christophe.

Positioning and Strategy

Christophe FABRE
Chief Executive Officer, Axway

Market Drivers (slide 27)

Thank you, Patrick. I will give the status of Axway's positioning in this first section, and give you the basis of why we are working on an update of our strategy, as we mentioned in our last press release. I will start by saying that Axway is confirming its market drivers. They take a different weight, they take a different speed, but they are all present. The first one that has been significantly improving and has become a massive trend is the need for companies of all verticals to consider the digital transformation. This means, for us, that we can see a growing demand in technology that enables the digital business, and Axway does that through its API offering and the global Axway 5 suite.

The second driver which is also pulled by the business is risk and compliance needs - new regulations in the healthcare industry and new regulations in finance impact the way you integrate the flows. We also saw a lot of activity around security. We offer servers which permit the exchange of data with an ecosystem of partners or clients. These servers must be secure, and when they are not secure, we can come and replace them. Therefore, security is also a big trend.

Digital business is mainly about the top line, and operational efficiency remains a big driver in the digital area, but also in terms of the legacy of the back office. First, there is the need that pushed us to acquire Systar for a line of business that monitors the business process end to end; if I am monitoring a payment for a corporate customer in a bank, I want to see where the payment is, and if all the steps in computing that payment are done on time and without error. Therefore, that is what operational intelligence is about.

I want to make sure, if I am at the IT level, that my infrastructure is dealing correctly with its flows of data, the blood of the enterprise, so we are also providing a lot of demand on these topics. Regarding management of the community, because in fact digital business is about B2B or B2C, there is a need to management this community of users, community of developers, and that also improves your operational efficiency, the way you serve your customers or partners. That is also a trend in the traditional B2B world, what is called onboarding; if I sign a contract with a corporate customer in a bank, how fast you can do business with this customer is a key problem.

There are also some typical IT drivers. The digital world and also the rise of the Internet are creating a lot of volume, and this rise is uncontrollable in the way the infrastructure in place needs to be refreshed, needs to be up-scaled, and we still see that happening in our pipe.

The rise of cloud and mobile, where applications are all over the ground, implies that the integration technology is also able to connect the back office and the front end, in the cloud, so that is what we call hybrid. For example, it is now understood that when you develop a new mobile application, a big part of the project is going to be how you connect your mobile application to your back end. The same thing applies if you are using Salesforce, in terms of how I synchronise my core systems with what is happening in my CRM.

Therefore, hybrid integration is growing, and because hybrid integration is growing from an architectural point of view, IT systems are becoming more and more API-centric, and so customers are also investing in this technology to prepare for the evolution in the future.

Therefore, in this existing business, in this existing core market, Axway definitely has a good competitive position, being a leader in all the analyses done by IT analysts who are dealing with significant business for us. The suite is in a good position, even if it does not include any ESB, which may be a chance for us, as leader in MFT, as leader in B2B and as leader in API, and most importantly, we are one of the only vendors able to demonstrate an ability to mix API and legacy technology to service the digital projects.

Signatures (slides 29,30)

EMEA & APAC

I will give you a few examples of deals in 2014, mainly to illustrate that demand and give you a sense of what it means. The first reference is with our partner, Sopra Banking Software, which is operating an OEM Axway 5 Suite to serve La Banque Postale for a full governing of the data platform which deals with the new digital flows and the legacy flows in order to answer the change needed by the bank from its business point of view and from its IT point of view.

A second deal has been done in Australia with the National Australia Bank. It also shows a pure business transformation project, where this bank, one of the most profitable in the world, wanted to create an omni-channel customer experience, and whether you interact with the bank through your mobile app, the web or through an agency or branch, you have the same features and nearly in real time. That has been done with our API technology.

MFT, which is a stable technology and one of the most secure, in fact, to exchange flows, is also impacted by digital, so one project, for instance, was with Peugeot-Citroen, a French carmaker, where the file transfer technology is in fact called through a digital interface or device.

Americas / EMEA

Regarding the second set of signatures, the first one is an example of what we can do with operational intelligence at Crédit Agricole in France, where we helped them to monitor and get visibility on their payments and transactions. It has to be said that in 2014 we had a few successes outside of the FSI vertical that was Systar's only target, and there is no reason that this could be replicated in other verticals, because it is about giving visibility on a business process which is implemented through multiple layers of software, and that kind of tool can give you a pure, consolidated business view.

The deal with the IRS, over the United States Department of Treasury collecting tax for the US Government, is maybe the most impressive of 2014 and in terms of bookings, certainly one of the bigger ones. It is a multi-year agreement for Axway in partnership with Unisys, which is one of the main system integrators of the US Government, to establish this platform which is supposed to implement the new FATCA regulation. Therefore, in a word, or maybe a line, FATCA is a new initiative from the United States to make sure that their citizens are declaring the right amounts of gains posted outside of the US. Therefore, 600,000 financial institutions agreed to report the revenues of US tax residents made through their services. Fifteen governments agreed to exchange the data that they collect from US citizens, and by reciprocity, the US have engaged to do the same for them, so maybe we will have other instances of that project in Europe, for instance.

This is a pure cloud project, so the IRS decided to delegate to Axway the management of its 600,000 connections and flows, and also the flows with the governments, not to have them directly connecting to their own information system. They did not want to manage; they wanted to have a cloud infrastructure, and here it is a pure service model based on Amazon. It is also something that is going to scale; its introduction was in January this year, five months of implementation, which is very quick and made possible by the use of cloud, growing to 600,000 type of flows in the future. This kind of infrastructure, as you might imagine, requires a very high level of security, because the IRS does not want people to be able to see what has been exchanged.

Changing Market (slide 31, 32, 33)

Transformation

Therefore, since 2011, and you have seen a flavour of that in these examples of deals, the middleware market has been evolving, and that change has deeply accelerated in 2014. The digital business transformation is mainly how customers have to react to leverage mobile, the Internet of Things, social networks and big data in their core systems. It is the first wave that is impacting this middleware market. The second is that this middleware technology can now be consumed from the cloud, and users may want some time to consume it on the premises or also in the cloud. Therefore, the middleware market is not one that is going to disappear; it is USD 25 billion, and it is something that basically helps you connect new applications to legacy applications, whatever the technology is.

Every time there is a new wave of technology, there is a need for a new generation of middleware, and so all the players here are impacted in their business models, in their offerings, in their go-to-market approach by that evolution, and Axway saw the same thing. What are the key factors that are changing the middleware market since 2011?

Key Factors

The first one is that, gradually since 2011, but we saw an acceleration last year, the digital business has become a corporate mandate for all the enterprises, banks, retailers, carmakers with connecting cars, and energy providers. Everybody has now understood that, because consumers are using this technology, it changes the way they have to propose services to them.

The second phase in 2012 is that we have seen these large enterprises starting to use cloud to build their mobile apps and to build their new services to their customers, and so, by a ripple effect, when they are looking for an integration middleware technology, they want something that is able to be a grid, to integrate things in the cloud with things on the ground, and also cloud-to-cloud.

What are the consequences in terms of offering? First, the middleware market for the enterprise service bus is one of the main domains. We have seen this domain maturing, and we have seen the obsolescence of the kind of architecture that ESB was pushing. Because ESB was the answer, IT wanted to rationalise the information systems, and digital is changing that equation and changing the priorities.

Therefore, we have seen the API technology emerge in three phases. The first phase was the middleware to connect the digital technology between themselves, which was definitely API since the beginning. API is now used to digital. The second phase was people like the National Australia Bank starting to think about omni-channel, interacting with the customer, whatever technology they used, to provide a single customer experience, so MFT, B2B and API are adding value to each other. The third step is that, as this new technology is now so important and there is so much investment in the companies, they also use that as a standard inside to integrate quicker and in a more agile way to the core of the systems.

New World

Therefore, digital business is not only a trend impacting the offerings. Axway, by the way, was a pioneer in API on the offerings side, and I think we have a strong offering and a strong direction with Axway 5 Suite. Digital business is also impacting the way we go to market. Before 2011, we were mainly talking to IT and selling to IT, proposing value to IT, but now our landscape is more heterogeneous. We have lines of businesses that are impacted - they are chief digital officers, you have typical people from IT that are specialised in the API technology, you have the enterprise architect who has to make the information evolve, and is definitely key to the choice the company would make. The security officer is concerned, because you are exposing services to the outside, API to the outside and this means his network is open in many ways. The key point, in fact, is that for companies that are not IT businesses, the API becomes a product, so you have an API product manager, and you have people taking care of any type of evolution in the roadmaps, so how we sell has definitely been impacted.

This, for customers, is a true, strong and deep business transformation; if it is a business transformation there are big projects, so it also means finding ways to create new partnerships with system integrators in order to be involved more in these projects. The way they consume the technology is evolving, so that a project now has to take a couple of months, it has to be faster and it has to be better. Here you are in a competitive area, so it has to be better than the competition. It has to be cheaper to operate. Therefore, it is about new flows, and new governance to manage the life cycle of these APIs and to manage these new products.

Adaptation since 2011 (slide 34)

Market Positioning

Therefore, the market is under pressure and there is a need for the new offerings that we have, and we are starting to build a go-to-market strategy that needs to be adapted. We adapted to that change in 2011 with success and we changed our positioning. We have an Axway 5 Suite which has anticipated the multi-channel need by already proposing a convergence between different technologies. We have moved to an API-centric architecture, and we have made some new innovations on MFT and also B2B in order to help better govern the flow of data and improve operation.

Transformation

We have also adapted in our organisation, and, as I said, we have done a lot of work in the US to rebuild the sales network so that people are able to sell to the business and to IT. We are going to market worldwide with these new offerings, and we have also adapted R&D to develop and produce what is needed.

Conclusion (Slide 35)

Therefore, to conclude, in a market which is changing there is need for a new offering, which we have. There is a need to sell differently and to have a different profile of salesperson and new sales methodology, which we have. However, the go-to-market approach is a challenge, along with selling to business and IT, the vertical approach, the partners, and cloud. We need to know what all of that means for Axway's projects, and what the perspective is from a financial viewpoint on a three-year horizon. That is what we are working on, and that is what we will deliver in the middle of the year.

We did not want to give any guidance on the year until that work is done, because it could have short-term implications. Nevertheless, we have a good sales pipe to begin the year. We think our Q1 is well oriented, so we should deliver a good performance at the beginning of the year anyway. We will have some visibility later on as regards the rest.

I am done now with this presentation, and maybe we can go to the questions.

Questions and Answers

Participant

We have a few questions from the web. The first one is as follows. You mentioned the monetisation of the CIR in 2014. Do you plan to do the same thing in 2015 and the following years?

Patrick DONOVAN

We were able to monetise EUR 16 million worth of our CIR tax credits in 2014. We have not decided if we will continue this programme, but we were able in 2014 to monetise enough so that our net debt was zero at the end of the year, and we do not carry a net debt into 2015. We are limited in the amount of monetisation we can do under our revolving credit, and so there is not much additional opportunity that will carry on here year after year.

Participant

The second question is as follows. The US had a very disappointing achievement in 2014. Do you plan a significant increase in 2015, and how will this develop?

Christophe FABRE

We started to rebuild the sales network in the US at the end of 2013, as I said in the presentation. We started by reconsidering the abilities of the team, and by the first semester of 2014 we had a new sales manager for the US. During 2014 we replaced 40% of the team in order to really ensure people were able to sell to the business and to sell to IT, and to position the value of governing the flow of data correctly. Therefore, at the moment we have a team with the right abilities and skills. Now, we had to enable them on our technology, as we had a worldwide release in 2014, along with the methodology to grow deals, to qualify deals and to properly expose the value to the customer. That is now done, with nearly 140 people trained on that methodology, and it is active every week; in fact, when we review pipes, we review that methodology to ensure all the steps have been done.

Looking at 2015, what are we doing now? We are rebuilding pipes in the US, so I will not give you a number for 2015, but the pipe is where we have to work, and it is improving. We were able to close the deal we had in the pipe at the end of 2014, so we had a professional team, skilled at playing the right methodology. We need more opportunities in order to get the volume at the end, so we are really meeting customers, explaining the value, and growing a qualified pipe.

Participant

Thank you. There are more questions from the web. You mentioned EUR 6.2 million for committed subscriptions in 2014. What are the related costs, and is it a profitable activity?

Christophe FABRE

It was not profitable in 2014, so you can guess, roughly, the number for cost. Because we are reporting some solutions now, I think nearly all the main solutions of Axway 5 are available in the cloud. We were building a development team to run these solutions for customers. We are building a homogeneous organisation around the world, and so this business should start to become profitable in the following years and slowly increase.

The point I want to make on the cloud is that, again, we are not comparable to Salesforce or other companies that are also targeting midmarket. We do cloud only for large accounts and high-end solutions, so the financial equation is a little bit different.

Participant

The final question from the web is as follows. You underline the maturation of the ESB market. Is there a risk of having the same trend on the MFT or B2B markets, and if so, how can Axway react?

Christophe FABRE

That is a good question, but if you do not mind I will finish my answer on sales before answering that, because it was a question we had today in the analysts' meeting. Regarding what we have done in the US, we applied the same methodology as when we re-qualified the team in France, so the US was not the first country where we did that - the US was the country where we had to do that. Therefore, in France the team is at that level and applies the methodology, but outside of France there is the US, and there is still some work to do. However, that is not to say that the next one will be France and that we will have to go through the same thing. It is not at all the same trend.

Regarding the maturation of the ESB, yes, the ESB is maturing, and it is something that is not adapted to digital. It still has a purpose, of course, but it is not the right architecture for the new projects. The same thing could definitely happen to MFT or B2B, but MFT and B2B are also around connecting to the partners, and because we see this trend of offering a service in multiple channels, MFT and B2B are still involved in these new projects, and it is still something that is worth investing in. Therefore, we have innovation on top of MFT and B2B in order to provide that in the new projects, whereas with ESB, you cannot perform an ESB to do digital; it does not work like that.

What I would also say here is that if I use MFT or B2B in a traditional context, Axway has also worked for three years to give new solutions to the market for unsolved issues. Using MFT to manage the flows inside a large bank where there are thousands of internal servers to administer, I would leverage Axway innovation around central governance where I could handle all these flows from a central point, add new flows and change-manage the life cycle. Regarding traditional B2B, we are working on delivering new on-boarding solutions to traditional networks, adding value, shortening time-to-market and improving operational efficiency, so we are adding innovation on top of MFT and B2B. I have not heard so far that the ESB vendors were able to develop something in ESB that would be worthwhile for their customers, but they may work on that.

Therefore, MFT, B2B and ESB are impacted by the same digital trend but are not at all in the same situation.

Participant

Actually, we have another question. What is Axway's strategy concerning growth in 2015 and 2016?

Christophe FABRE

That is exactly what we are going to reveal to the market this summer, because we want to build an ambitious project, and obviously, considering our track record in the last few years and considering this market evolution, which is creating opportunities but also asking a lot of questions about how we should operate, we want to take this couple of months to finalise the strategy and expose the project in summer. Growth, especially, will be a part of it, along with the acquisition story and the expectation on margin. However, the project will be an ambitious one, I guess.

Participant

Thank you. There are no further questions.

Christophe FABRE

Thank you, everybody, for your attention.

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