

Company: Aconex Group Limited

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Start of Transcript

Rachel Cooper: Good morning, this is Rachel Cooper, Head of Investor Relations at Aconex. I would like to welcome you to our FY17 full year financial results teleconference and webcast. With me here are Aconex Chief Executive Officer, Leigh Jasper and Chief Financial Officer Paul Koppelman.

We have released our FY17 results and presentation materials to the market earlier this morning.

Today Leigh will provide a summary of our business performance, as well as an update on our strategy and outlook for the coming financial year. Paul will provide a snapshot of our financial performance. After that, we will open the floor for your questions.

Before we start, I would like to call your attention to our important notice regarding forward-looking information and other matters related to today's discussion.

I would now like to introduce our CEO, Leigh Jasper.

Leigh Jasper: Thanks Rachel and welcome to all investors on the call. Firstly, I would like to start by touching on the highlights for the financial year. During the year, Aconex further strengthened its global leadership position across ANZ and our international markets of Europe, the Middle East, Asia and the Americas. While we had a softer than expected start to the year, we delivered solid financial results in line with our revised guidance from January. Delivering this strong second half sets us up well for continued growth into next year.

We completed the Conject integration, creating a clear market leader in Europe and we launched our Connected Cost product, significantly increasing the long term addressable market for Aconex. Connected Cost is unique in the market and a big differentiator for the Company, helping us win customers looking to control their project financials. Finally, we continue to invest for long term growth, given our multi-billion-dollar market opportunity and low penetration, investing particularly in product, sales and marketing and in scaling our corporate functions and systems.

We delivered revenue of \$161.2 million in FY17 in line with our guidance from January of this year, an increase of 31% year-over-year. Based on constant exchange rates from when we provided guidance, this equates to \$163 million and is above the mid-point of the range that we provided to the market. On a constant currency basis, the Company grew 36.4% from FY16 to FY17. We saw a step up in our EBITDA to \$15 million, a 10% increase year-over-year. This strong revenue growth has doubled the size of the Company over the last two years and further extended Aconex's global leadership position. The digitisation of the construction industry continues to accelerate and Aconex is in the box seat to realise this significant opportunity.

I'd now like to hand over to our CFO, Paul Koppelman, to run through our financial results.

Paul Koppelman: Thank you Leigh.

The financial results summary shows a high-level summary of the Group's FY17 financial results. A detailed half-on-half analysis is included in the appendix. Focus should be on revenue and EBITDA from core operations. As mentioned by Leigh, Aconex delivered headline revenue and EBITDA results in line with guidance provided to the market on 30 January 2017 and reiterated in May. Revenue for FY17 was \$161.2 million, an increase of 31% on the prior corresponding period, or 36% on constant currency. The uplift was driven by 16% growth from the underlying business, particularly international growth and a 20% increase from the Conject acquisition.

Costs of revenue, namely hosting and servicing costs, grew 35%, broadly in line with revenue growth. The Group maintained a strong gross margin of 74%. The slight decline on the 75% achieved in FY16, was due to Conject's mix of business and slightly higher implementation costs to support new customers in the Americas. The Group's contribution margin totalled \$60.3 million, up 30%. All regions had positive contributions.

Operating expenses increased 38% because of the ongoing, deliberate investment in product and sales and marketing to support growth. EBITDA from core operations and excluding FX increased 10% or \$1.4 million to \$15 million, reflecting the Group's growing revenue base. The Company's EBITDA margin reduced slightly due to a higher mix of offshore business which is still early in its investment cycle, and had significant investment for growth during the year and thus contracted 1.7% to 9.3%.

EBIT from core operations in FY17 was \$4.5 million, compared to \$8.2 million in the year ending 30 June 2016. The reduction is a result of \$3.6 million increase in product amortisation. This reflects increased investment in product over the past couple of years. It should be noted that the impact would have been less if we had an amortisation policy of a longer period than the current three years. A full reconciliation of statutory results to NPAT and core operations is included in the appendix at the back of the presentation lodged with the ASX this morning.

On to slide 8. Aconex has established a good history of strong revenue growth over a sustained period. Revenue for FY17 is double that of the \$82.4 million achieved in FY15. Taking into consideration adverse currency movements of \$7.1 million, revenue grew 16% year-over-year on an underlying basis. This is lower than the long-term growth rate we achieved and we have previously stated the mid-term outlook is for 20%-plus growth again. Conject contributed \$32.8 million to FY17 revenue, slightly lower than expected, due mainly to currency and lower-than-expected UK growth.

On to slide 9. Aconex continues to grow revenue in a disciplined manner, which has seen a pickup in profitability over time. The graph on the left-hand side shows revenue by half over the past five years. In FY17, revenue was stronger in the second half than the first, in line with the underlying trend over the past five years. This trend should continue into FY18, with back ended growth particularly from Connected Cost revenues. As mentioned earlier, EBITDA from core operations increased 10% from \$13.6 million in FY16 to \$15 million in FY17. The improvement reflects the ongoing growth in the Group's revenue base over the last five years.

The acquisition of Conject further extended Aconex as a truly global player. Aconex continues to grow revenue outside of Australia, reflecting the success of our targeted regional strategies, underpinned by the Company's investment in product, sales, marketing and customer support. The graph on the left-hand side shows revenue derived outside of Australia and New Zealand which was \$107.9 million or 67% of total revenue, a 45% increase year-over-year. The lion's share of the uplift can be attributed to the Conject acquisition, which contributed \$32.8 million. This year's underlying international revenue grew 20% and going forward, offshore revenue will become a larger percentage of the overall revenue, in line with the significant market opportunity and ongoing investment.

ANZ revenue increased 9% from \$48.8 million in FY16 to \$53.3 million in FY17 due to new business and growth of existing accounts. The ongoing conversion of customers to enterprise agreements, which now represents more than two-thirds of the region's revenue, is an extremely high recurring revenue base and has almost zero lapse [churn]. Leigh will provide a more detailed breakdown of regional performance later in the presentation.

This slide provides a detailed breakdown of the Group's revenue, contribution margin and EBITDA by region. Aconex invests profits earned in well-penetrated markets, such as Australia and New Zealand, into those that have high growth potential. Margins improve as service delivery and sales productivity improves over time. In FY17, revenue in all regions increased and all regions had positive operating contributions. That is, each region's revenue more than covered their incremental expenses. It should be noted that most sales, marketing and product spend is for future revenue and thus margins are not reflective of the existing revenue base.

EBITDA margins are indicative of market penetration. Our most penetrated market, ANZ, is highly profitable. In FY17, the region's EBITDA margin was 39%. International margins will improve with further penetration. High adoption markets, such as the Middle East at 18% and Europe at 11%, have positive margins reflecting scale achieved in these markets to date. In the high growth markets of Americas and Asia, EBITDA margins are negative, reflecting the significant upfront investment made by the Company to leverage growing adoption, building awareness and supporting future growth in these large markets. Margins in offshore markets will become more positive as operating leverage improves. All regional margins will trend up over time towards those of the ANZ business.

Aconex has a high recurring revenue base and forward visibility, with more than 75% of FY18 revenue contracted or 90% of the revenue as at 30 June 2017. There are three key components that make up the existing portion of our revenue. Firstly, our existing business, which includes both ongoing projects and enterprise agreements. In FY17 close to 50% of our overall revenue was derived from enterprise agreements.

Our revenue visibility increases as our enterprise revenue increases. This portion of our revenue has negligible churn and can essentially be viewed as an annuity stream. Existing business makes up just over 70% of future revenue. In making up the remainder of the 75% of existing revenue are upcoming renewals of enterprise agreements, the Conject evergreen accounts and base revenue from our user-based contracts. The remaining 25% is new business, made up of new subscription contracts including the sale of new products such as Connected Cost or packages to new or existing customers and a small portion of professional services, particularly in the Americas, as well as the projected ramp up of user-based contracts.

FY17 was a year of significant investment for Aconex. It should be noted a significant proportion of this investment was for future sales. Expenses, excluding D&A, in FY17 grew \$25.7 million or 33%, to \$104.5 million, up from \$78.8 million in FY16. The addition of Conject and Connected Cost products, together with continued enhancements to the core product, contributed to the 60% increase in engineering and product costs expensed through the P&L which rose from \$12.7 million in FY16, to \$20.3 million in the financial year ended 30 June 2017.

Sales and marketing grew 29% in line with revenue growth, driven by increased commissions and additional expenditure in high growth markets of Asia and the Americas, to leverage growing adoption and building awareness. G&A grew 24% to \$25 million, primarily driven by additional head office and operational staff, supporting the business growth and investment in systems and an increase in share option expenses of \$0.9 million to \$2.4 million during the year. The G&A cost as a percentage of revenue will reduce over time.

During the year, we deliberately increased expenditure on engineering and product development to drive future growth and maintain and extend our competitive advantage. Aconex has invested profits and free cash into product development at an accelerated rate over the past two years. In FY17, total cash expenses, including capitalised software development costs, increased 63% to \$35.7 million, or 22.1% of revenue, following an uplift of 85% from FY16. We expect the level of cash investment in R&D to return within the 15% to 20% of revenue in the future.

The uplift in FY17 was driven by an investment in new products, including Connected Cost and packages, as well as the ongoing enhancements including design management and mail routing. Just over 40% of R&D spend has been capitalised in each of the last two years and amortised over a three-year period. This is conservative relative to peers who tend to capitalise more and amortise over longer periods of time.

Total cash balance at 30 June 2017 was \$33.9 million, including \$2.9 million of restricted cash. This is an \$18.6 million reduction on the prior corresponding period's cash balance of \$52.5 million. Several investment activities impacted the results, including the one-off costs relating to the acquisition, restructure and integration of the Conject business, totalling \$7.9 million and net cash outlays of \$1.4 million relating to business acquisition. A 52% increase in product investment from \$9.2 million to \$15.4 million year-over-year also occurred.

\$7.2 million of capex related to business growth. This included new office fitouts, IT hardware and other improvements to support the growth of the business. This is at a high point of the investment cycle and will come down. Next financial year we expect cash flows to be positive because of higher EBITDA, lower one-time cash outlays and an increase in deferred revenue.

A breakdown of the Company's invoicing profile over the past five years shows an unwind of the upfront cash received which was a funding source prior to listing. The current operating cash flow result includes the impact of a reduced level of upfront invoicing, which fell from 24% in FY16 to 21% in FY17. This should stabilise just below 20%, therefore as the business grows in future, the absolute dollars of deferred revenue will increase again, assisting working capital management.

Gross cash receipts from customers were \$168 million, up 35% on the prior corresponding period's number of \$124.5 million, broadly in line with revenue growth. As a percentage of revenue, gross cash receipts were 104%. Cash collections have been higher than revenue and are forecast to remain that way.

The Group's net asset position was \$102.6 million at 30 June 2017. As mentioned, cash fell \$18.6 million in FY17, largely driven by the investment in R&D and one-time investments. The Group's intangible asset balance of \$140.5 million includes \$119 million of goodwill and intangible assets acquired as a result of the Conject acquisition. The remaining \$21 million relates to capitalised software development costs incurred to develop the Aconex and Conject platforms. Deferred revenue has fallen from \$89.7 million to \$83 million. Deferred revenue should increase in the future, assisting cash management as I said earlier. We only have \$1 million of debt, which came from the Conject acquisition.

I'll now hand over to Leigh who will provide more detail on regional performance, strategy and our outlook for the coming year.

Leigh Jasper: Thanks Paul. Before I go around the grounds in the different regions, I'd like to highlight the tremendous growth we have seen in our global network. Aconex is proud to serve many of the leading companies in the global construction market. Working with these leaders ensures Aconex is developing the world's best digital project delivery platform, serving the highest profile and most complex projects around the world. Our customers include Multiplex, CIMIC, John Holland and Lend Lease here in Australia; Chiyoda and Sumitomo in Japan; Bechtel, CH2M Hill and Fluor in the US; Dubai and the Government of Dubai; Vinci in France and Siemens in Germany, to name a few.

Aconex serves over 30,000 projects worth well over \$1 trillion across 70 countries. We have 5.3 million project users, managing 2.4 billion documents, a data set several orders of magnitude than any other provider in the world. We have delivered more successful projects, controlling more data than any other platform. We will continue to invest in these customer relationships through our product and customer service team, helping them manage their project data to deliver insights to improve their performance.

Starting with the Australia and New Zealand region, our customers continue to standardise on the Aconex platform, with ongoing conversion of project customers to enterprise agreements. We signed 36 new enterprise agreements in FY17, including many first-time customers. 68% of revenue and growing is now in enterprise agreements and we had a 100% renewal rate. We are winning customers on our Connected Cost product and starting to roll out the Project Claims

component and we continue to grow share of wallet with existing customers with product up-sell. We have been extending our key account management capabilities to provide further value to our customers.

Finally, Aconex is particularly well positioned to benefit from the increasing investment in infrastructure. A number of our key customers, such as CIMIC, John Holland, and Lendlease, have recently won large new programs and we expect to see an increase in revenue from this segment of the ANZ business. Revenue in ANZ was just over \$53 million, extending the significant growth in this business from \$27 million five years ago at a compound annual growth of 19% year-over-year. Profitability is high in the ANZ business, showing the long-term growth and margins we can deliver in our other regions.

In the Americas, we are driving increasing awareness and reference-ability as we grow our customer base, particularly in the key US market, which increased revenue 30% year-over-year. We have won some very high profile infrastructure programs, most notably with California High Speed Rail and Mexico City airport. We have seen a strong ramp up in our user based customers, with total user numbers doubling during the year. We continue to invest in sales and marketing, with sales head count 25%, and have extended our client operations team to support new customer implementation. We are very excited about the opportunity in the Americas and will continue to invest aggressively to grow the market.

It's been a good year in Asia and we have built out an increasingly diverse revenue base. A few years ago, most of our business in Asia was residential and commercial projects. Over the last few years we have transitioned this business to government and infrastructure, which now represents 60% of new sales in the region. Government funded infrastructure programs tend to be a lot more stable. These will provide greater revenue certainty for the company. We are expanding our China partner program, now at 10 partners, and will continue to focus on cross-regional opportunities.

We are extending our relationships with global EPCs in North Asia, targeting oil and gas projects and Chinese-influenced international projects. Aconex is in a strong position to leverage the rapid growth in infrastructure investment across Asia. On the right you can see a picture of one of the One Belt One Road projects in Pakistan for which Aconex has been selected. We see significant opportunity in this multi-trillion dollar program, with the projects we have won providing strong references to target additional opportunities.

For the European business, our focus over the last year has been integrating Conject and Aconex. The integration is now complete. We have great operational and cultural alignment in the business and are shifting the teams across to selling the Aconex project, which is completed in the UK and under way in mainland Europe. This has increased the average contract size in mainland Europe.

We sold five times more contracts over 100,000 euro this year compared to last year. We have had really solid engagement with the Conject customer base, maintaining all key Conject accounts. We have also improved sales productivity with the potential to lift it to similar levels that we see in Australia. As we improve productivity, we expect the operating contribution levels to lift towards those of the Australian business over time. While it's been a challenging year in the UK, second half results were strong and the pipeline grew.

In the Middle East, we saw steady growth in a volatile environment. We grew our core UAE market by 33% and having ongoing success with the infrastructure programs. We are strengthening our key account management capabilities and our strong position as the clear market leader means we benefit from the region's development. We also benefit from serving global contractors who work on the large programs in the region, as many of our largest global customers began using Aconex in the Middle East.

I'd now like to turn to a number of product highlights. The most significant product launch in recent years for Aconex has been Connected Cost, a key long-term growth driver for Aconex. We launched the product in November 2016 and have seen strong sales momentum, winning new customers across all regions. The Aconex Connected Cost product is an integral part of digital project delivery, allowing project teams to manage budgets, financial change applications, and

progress claims. The product is unique and the first in the world to provide a truly collaborative environment for managing project financials. We believe it will significantly increase the total addressable market for Aconex. We have already seen increased win rates, winning customers that we would not have won without Connected Cost. Ultimately, we believe the product will enable us to drive higher customer yield where customers extend their contracts to include Connected Cost.

In addition to Connected Cost, we have launched a number of other new modules and functionality in FY17, to enable us to increase yield from our customer base. We launched a new packages product, or configuration management as it is often called in the US, for customers to control project complexity and particularly the flow-on impacts with changes during design and construction. It is a powerful solution and really takes information control to a completely new level for our customers.

We continue to invest in our field mobility applications, with the launch of pdf forms last year. We have a huge opportunity ahead as the construction job site becomes increasingly digitised, providing tools for workers using Aconex to access and capture project information at the job site. Aconex customers capture a huge amount of data onto the platform and the company's investing in our analytics capabilities. Because of the incredible dataset that Aconex has, the largest in the world, we are able to provide significant insights to our customers on how to improve project performance and manage their built assets more effectively.

Finally, Aconex has always led our market in security and we continue to extend the security and compliance capabilities of our platform. This includes FedRAMP to meet the compliance needs of government infrastructure projects in the North American market. Our continued investment in products has enabled Aconex to serve global construction market leaders, underpinning our network growth. Working with the world's best contractors and owners ensures Aconex remains at the forefront of technology in our sector. We're incredibly grateful for the support these customers have shown, rolling Aconex out across their projects and working closely with us to develop our product to meet the industry's needs.

I'd like to now turn to our strategy and outlook. As many of you know, Aconex has a large and under-penetrated market, but one showing increasing technology adoption. The construction market is massive at over US\$9.5 trillion and set to expand to 14.7% of global GDP by 2030. In developing markets, such as Asia, construction infrastructure is an even more significant share of GDP. There are also positive industry dynamics at play.

Projects are growing in size and complexity. For example, mega projects, projects of over \$1 billion, are now 21% of the market compared to 4% in 2005. Project delivery methods are evolving, with more design and construct, increasing numbers of public/private partnerships, and integrated project delivery teams and JVs. Compliance requirements, often driven by government, continue to increase and the industry is consolidating. For example, project management firms, contractors and EPCs are adding specialist project delivery capabilities through acquisitions.

Technology adoption is rapidly increasing, even for a market which has lagged other industries in the use of technology. As in other industries, there is a move to cloud-based computing and software service systems. Mobility in the field or job site enablement is taking technology out to the worker on the construction site. Use of BIM, building information modelling, is growing and security is more important than ever. More devices are being connected with the Internet of Things, with the potential to integrate data on one platform. Overall this is leading to an explosion of data and the opportunity for our customers to use this data to generate insights to improve performance.

This large and growing market, the industry dynamics, and increasing technology adoption provide significant opportunities for Aconex, we are the number one cloud collaboration platform for digital project delivery and in a prime position to realise this opportunity. As the market leader, I believe Aconex is uniquely positioned for growth. We set ourselves apart from our competition in a number of areas. Starting with our business model, we are simply the best at

connecting project teams together. We have the largest network and the only truly neutral platform for delivering projects.

Aconex has established itself as the industry's most trusted digital project delivery platform. I believe we have created this through four unique aspects of our platform. Firstly, we have the broadest suite of applications, built through continued investment in our product, and working closely with our customers. Two, we have the most easily adaptable platform that is easy to set up and easy to configure to the needs of all sorts of different customers and projects. Third, Aconex has the most secure platform, period. We are by far the market leader in security in our space. Fourth, we have an open ecosystem allowing our customers to connect their systems and other applications into the Aconex platform.

Aconex prides itself on our customer focus. We have an incredibly dedicated and experienced team working globally to support our customers. We believe we are the leading service partner for our customers to ensure they successfully deliver their projects. Ultimately, this means for our customers Aconex delivers the most fully connected processes, creating the largest dataset in the industry, to enable the deepest insights. Our investment strategy has two planks. Investment in product and scaling our corporate support functions, coupled with regional strategies to maximise growth. From a corporate point of view, we are investing heavily to develop the market-leading products and building scale in our sales and marketing functions, our client service teams, and our corporate systems.

Across our regions, we have different strategic approaches, depending on market penetration. In more penetrated markets, like ANZ, we are focusing on growing into new segments, expanding key accounts and product up-sell and monetising existing networks. In the Middle East, we are extending penetration outside of our core market of the UAE, consolidating key accounts, and focusing on infrastructure programs.

In the European business, we will grow through focusing on our key accounts. We think we can significantly improve our sales productivity and leverage the combined business synergies of bringing Aconex and Conject together. In the less penetrated markets, such as Asia and the Americas, we are investing heavily in sales coverage and increasing our account management functions. In both regions, we are leveraging growing infrastructure spend and in Asia building out our China partner program.

Medium to long term growth reflects the market penetration of each region, with the ANZ and Middle East regions growing at 10% plus, UAE at circa 20% and the Americas and Asia at 30%. We believe this will continue to drive revenue growth of over 20% per annum for the Company. It is important to point out that this is more conservative than our compound annual growth rate for the last five years, so I'm confident that the company will move back to high growth rates of over 20% in the medium to long term.

Finally, moving to our outlook for FY18, we aim to maximise growth while maintaining positive cash flow. We expect revenue to grow in the order of 15% to 19% next year, while we increase EBITDA and maintain positive cash flow. As just highlighted, over the medium and long term we believe revenue growth will be over 20% with increasing EBITDA, continuing the trend of increasing EBITDA year-over-year for the last five years. Aconex has an enormous multibillion dollar market opportunity and I am confident we can execute well to deliver long-term growth and increasing value for our shareholders into the future.

Thank you for your ongoing support of the company. Thanks for your time today. We look forward to taking your questions. I will now hand over to the operator.

Operator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. If you would like to ask questions on the phone, please press star one and wait for your name to be announced. If you would like to cancel your request, please press the pound or hash key. Once again, to ask a question, please press star one. There will be

a short silence while questions are being collated. Our first question comes from the line of James Bales from Morgan Stanley. Please go ahead.

James Bales: (Morgan Stanley, Analyst) Hi, guys. A couple of questions from me. Firstly, the deferred revenue balance. Can you talk through the decline in deferred revenue balance in the current section? I had the impression that - you sort of - the previous guidance was that was supposed to grow in line with top line growth.

Paul Koppelman: Yes, so when we've got deferred revenue, James, I mean I've looked at it in totality, it's just the blend of the accounts where the deferred revenue is on. If I look at it in total, rather than just current versus non-current, I think the key thing when you're modelling out into the future is that when we look at FY18 that number will go up. It's come down this year because the overall balance is still coming to a natural equilibrium point at just below 20%.

James Bales: (Morgan Stanley, Analyst) Right, so does the previous guidance still hold for the long term, in terms of deferred revenue growing in line with the top line?

Leigh Jasper: Yes.

Paul Koppelman: Yes. Definitely. If you look at the business and the guidance that we've given today - you've got a situation where the business will grow between 15% and 19%. If you take the midpoint of the range at 17%, you will see that deferred revenue will grow pretty much in line with what the growth in the business will do when it gets to the equilibrium point. The blend of business will be pretty similar at that point.

Leigh Jasper: As previously disclosed, this unwind of upfront will reduce deferred revenue, but we expect that to turn this year. I think the impact on current deferred revenue is simply some of the tail of those contracts in the end of that particular year period. In terms of that deferred revenue in current starting to grow in line with revenue, we expect that to be true.

James Bales: (Morgan Stanley, Analyst) Okay, great. Then, secondly, a lot has changed in this business post the integration of Conject, etcetera, and having increasing mix offshore. How have the key metrics in terms of unit economics evolved, in terms of your acquisition costs, lifetime value, churn, revenue retention, etcetera?

Leigh Jasper: I can certainly talk to revenue retention and churn between the business, which is very similar. As we have highlighted before, we see, very good - or very low customer churn, particularly for enterprise agreements. On a dollar basis, we see all accounts, whether a project-based cohort or an enterprise-based cohort, growing year-over-year. This is very similar for the Conject business. However, as highlighted, particularly with the sales team, we think there's an opportunity to improve productivity.

The European sales team did not operate at the same productivity levels as the ANZ business. We see that as an opportunity over time to drive better performance, not just in Europe, but frankly across all of our international businesses. Of course, as you know, as we invest in these markets that are growing fast, the unit economics are not quite as strong as in Australia. But over time, as those markets become more penetrated, as we get a larger customer base, we see those unit economics improve. We expect all of those economics to trend on the lines of what we've seen in the Australian business over time.

James Bales: (Morgan Stanley, Analyst) When you sign an enterprise deal from - a project deal, is there typically some sort of price deflation that you guys face in order to secure that volume?

Leigh Jasper: No, so we already have a pricing model that essentially is volume based, so the more you commit to the platform, we'll give you a better price. But there's no difference between project and enterprise pricing for a certain volume. What we see of course is enterprise customers tend to take up more of the product, so they'll tend to be at a

higher price point or a higher yield. They're also more profitable for us because our support costs go down, generally because these companies are long-term Aconex customers, know how to use the platform and require less servicing from Aconex.

James Bales: (Morgan Stanley, Analyst) Great, thanks guys.

Operator: Thank you for your questions. The next question comes from the line of Paul Mason from RBC, please ask your question.

Paul Mason: (RBC Capital Markets, Analyst) Hi guys, a couple of questions from me. The first one, I'm just wondering if you can maybe elaborate a little bit on the exact economics this year of the Connected Cost business? How much of your R&D is related specifically to that product? Therefore, what is the net loss, if it's in a loss-making position still, or the net profit at the EBITDA line was from that product?

Paul Koppelman: Are you going?

Leigh Jasper: I'll start and you can jump in. So clearly that product is an investment for the Company and we've invested - we don't disclose a specific amount - millions of dollars in developing that product. As we roll it out to our customer base, we'll be investing in supporting our customers in using the product. Compared to selling core document management products, information management and collaboration systems which we've been selling to the market for 15 years, it's not quite as profitable in the short term.

But over the long term, we expect it to firstly, significantly increase our total addressable market. Secondly, be a very profitable product. But as with all new products, there's an investment phase. It's important to recognise we expense a chunk of that investment up front and we also wear all of the costs of sales of supporting that - marketing sales of support upfront. As with any SaaS business, you essentially bear all the costs upfront and then have a revenue trail over time. With all our products, we go out, we build it, we sell it, we support it, market selling support it, and then we essentially have an annuity stream on that product over time.

Paul Koppelman: Yes, I mean the only other thing I'd say to that, Paul, as Leigh said earlier in the discussion, was there was a significant investment in the product because it has multi-year payback. If I look at the payback through two lenses, in the Australian marketplace when we talk about up-selling, we believe it will have sort of 50% leverage on our client base there. More importantly, we had to develop that product, because in the US market it was important for some critical clients that we had that product to get a foot in the door, and we've seen that payback come in. If we're looking at FY18, the return from a revenue perspective on Connected Cost will be more back-ended into the second half of the year.

Paul Mason: (RBC Capital Markets, Analyst) Just maybe a related question. I think when you guys acquired Worksite, there was about 130 employees that were brought across. Are you able to maybe shed some light on that? Is that basically all intact, that workforce? Or have they been - has that been reduced or increased?

Leigh Jasper: The number was a lot less than that, it was about 15 to 20 that were brought across. That team has remained intact and we've actually increased the team. Essentially all of the key management of that team came across, they're still with the Company. That team based in San Francisco, it's a great team, they're delivering great product and working very well together, and also with that broader both American business and with the broader engineering and product teams.

Paul Mason: (RBC Capital Markets, Analyst) Okay. Now on your R&D overall, you made a comment that you're going to get it back to 15% to 20% of revenue. But I don't think you said explicitly when that was going to happen. Is that next year? Can we take that as a next year comment?

Leigh Jasper: Yes, that's right. Next year we'll come back under 20%. There's two reasons why it was a bit higher this year. Firstly, we are investing a lot in product and we think that's very important to invest in product for the long-term growth of the business. Secondly, as you know, revenue, particularly in the first half, was a bit softer than we expected. So that 22% rate was a little higher than we expected this year and we expect that to come back under 20%. Over the long term, we expect that to come down.

But it is very important to highlight in the short term that investment in product is key for the long-term growth of this business. We see, frankly, more opportunities with product than we can even invest in at that rate, and we're obviously prioritising where we can get the best return in that product. But there's a big opportunity in this market to continue building product for our customers and to become - well to continue to extend our global leadership. I think we're unique in being the global leader, being an Australian business as the technology leader within our niche, and we want to keep investing to maintain and grow that position.

Paul Mason: (RBC Capital Markets, Analyst) Just on a different guidance point, you've said you're going to be cash flow positive in FY18. Can you maybe refine that? Is that going to be operating cash flow plus investing cash flow, is that the definition?

Paul Koppelman: When we're looking at the cash balance that we've got this year, you've seen that cash balance come down by \$18 million down to \$33 million. The view is that the back end of FY18 that number will be higher than the number that we've landed at the end of this year. Albeit there's a little bit more of a cash drain in half 1 relative to half 2.

Leigh Jasper: This year we operated with positive cash flow on an operating basis. Next year it'll be on a total cash basis, so operating and investment activities.

Paul Mason: (RBC Capital Markets, Analyst) Okay, great. Just two more quick questions I've got. The first one is, on Conject and the European business, I think at your last result you were saying that you'd basically started transitioning all your employees over there towards selling Aconex and not selling the Conject product. Can you maybe give us a status update on that? Is that the case now that you're just selling Aconex there, or is Conject still being marketed separately?

Leigh Jasper: Yes, as highlighted in the comments earlier, the UK business essentially transitioned to selling virtually 100% Aconex in that market. In the French business, as well, it has essentially transitioned to selling almost exclusively Aconex. We think with the German business, or what we call the DACH region, which includes Germany, Austria and Eastern Europe, that this will take a little bit longer.

We're seeing some good trends already with a lot of wins coming through on the Aconex product. Particularly some of those larger contract wins I mentioned in my comments earlier, like Siemens and others. Those global companies based out of Germany are coming across onto the Aconex platform. But we're not looking to rush that. I think particularly what we saw in the UK, we'll do that as a steady approach to moving that across to Aconex. But certainly, over time, and we've been very clear with our customers in the region, with our employees, that we will have one product moving forward and that will be the Aconex product. We will transition functionality from Conject across onto Aconex and we're going through that process at the moment.

The development teams in Europe are already building forward product, so 80%-plus of their efforts are now on forward product. That's the first step. Then we will transition to selling it and then eventually turn off the system. But that's again, in the long term. We'll continue to support existing customers all the way through on current projects and then turn off that platform in the next - you know, at the four or five-year mark.

Paul Mason: (RBC Capital Markets, Analyst) Okay. Just the last one for me on Conject. You've got \$8 million of integration costs this year. Is that basically it, or should we kind of be thinking about more to come in 2018?

Paul Koppelman: No, that's certainly it. What we made sure when we put our budget together for FY18, there was no more integration costs for the Conject business. It will all go through business as usual.

Paul Mason: (RBC Capital Markets, Analyst) Okay, perfect, thanks a lot guys.

Operator: Thank you for the questions. The next question comes from the line of Peter Stamoulis from Evans and Partners, please ask your question.

Peter Stamoulis: (Evans and Partners, Analyst) Hi, good morning. I was interesting if you could talk through sales and marketing efficiencies. At what point can we expect the Company to scale in terms of headcount and then perhaps improve that cost line as a percentage of sales? I know you talked to that about growing in line with revenues, but just interested in your thoughts around the time to cover those incremental investments in sales and marketing, thanks.

Leigh Jasper: Thanks Peter. Look, in the short term we will not be looking to improve that percentage, cost of sales and marketing as a percentage of revenue. Given the large market opportunity globally, we want to keep investing in sales and marketing and we'll do that in the short to medium term. Over time we expect to see continued efficiencies in our international business. As you know, the Australia New Zealand business operates on a much lower cost of sales and marketing.

But given the big opportunity, I think it'd be premature to try and drive down that cost. That said, of course, we are looking to sell efficiently, so we are making sure our teams are selling well, are selling efficiently. We look at the metrics across the different teams. But the reality is, we sell a deal, a new customer today over a three or four-year period, that sales investment doesn't pay off immediately, it pays off over time as those contracts flow through. It is important that we do invest upfront in sales and marketing, like we're investing in our product, to make sure that we maintain our global leadership position and grow rapidly into this big, multi-billion market opportunity that we're going after.

Peter Stamoulis: (Evans and Partners, Analyst) Okay, great. Could you talk to incremental investment in headcount by region and also perhaps across product development as well heading into '18?

Paul Koppelman: When we're looking at the incremental headcount growth in FY18, and even beyond, it leverages back onto what Leigh said. Most of our offshore regions are predominantly sales orientated offices. The investment has to be in sales quota staff and the infrastructure that supports them, i.e. service and marketing.

So that's where the investment is. This year it's particularly around Europe getting productivity, and the US and Asia around growing their headcount to increase their sales force. When it comes to product, we said earlier that the investment in product as a percentage of revenue is 22% this year. It will come back next year, but the business is still growing and therefore there will be continued growth in product, but most of our investment in the short term is around sales and marketing.

Peter Stamoulis: (Evans and Partners, Analyst) Great. Just on the product side, I was interested if you could elaborate on what you view as the key competitive advantage of the Aconex platform and backend engineering regarding BIM obviously being data intensive and I suppose do you see that as an opportunity to see you guys propel into that market?

Leigh Jasper: Yes. From a product point of view, we believe we have the broadest suite of applications on the market. We have - our collaboration platform itself is - connects teams better than anybody else in the world - any other player in the world. That neutrality is something that very few of any of our competitors really design their system that way.

Having Connected Cost, BIM, deep workflows, packages capabilities is something that nobody else in the market has. I certainly think we are absolutely the leader in the market in security.

The platform infrastructure and the way we've built that out and continue to add high security levels into the platform, particularly for those very high security requirements around government and infrastructure projects around the world, such as in the US with FedRAMP, yes, that capability is something that we absolutely lead the market on. And we're also looking to continue to build out our ecosystem and we're saying increasingly companies come to us and say we'd like to connect into your platform and work with you as you serve your customers.

This ability to build an ecosystem means we can bring together a data set that's never existed before in the industry. There are 2.4 billion documents, drawings, correspondence, etcetera that we have in Aconex, a data set that is far bigger than anything else that has existed in this industry before. That's now enabling us to provide insights back to our customers. In addition to all that base product investment, the infrastructure modules, we're also investing into our analytics and reporting capabilities to provide deep insights to our customers on how they can improve their performance.

Peter Stamoulis: (Evans and Partners, Analyst) Okay. Great. Just one last question: could you talk to the pricing differential on your core products across key markets and in particular how pricing compares, say, across the more competitive markets in UK and Europe and the opportunities in Asia and the Middle East? Then, I suppose, that being a segue to the competitive landscape here in Australia and perhaps those competitors more for price in those markets to get some traction. Cheers.

Leigh Jasper: Yes. We have never competed on price and the reason for that is believe we have simply the best platform for delivering value to our customers in how they deliver their projects. Oddly, we're taking around 10 basis points or 0.1% of a project's value, save a couple of basis points, it isn't significant in the overall cost of a project. We've increasingly had customers say that they want the best platform to run their projects, given such it is a such small overall cost of the project.

Across our regions, we tend to price - and we have exact same pricing structure costs at different regions. Some of the more complex regions we'll sometimes put a loading in there, so picking up on North Africa, we've done that in the past, but by and large we price at the same level across all of our markets. Of course, when we're entering a market, we will always look for opportunities where we've got key influencers that can help us drive growth, so that's where we're able to provide more competitive pricing.

But overall, we have always been a premium provider in the market. We aim to remain a premium provider, provide the best overall value, but not at the cheapest price. Clearly, if we can deliver more value to our customers at a higher price, everybody wins. So being the most cost effective in terms of the overall outcomes for our customers is where we aim to be.

Peter Stamoulis: (Evans and Partners, Analyst) Fantastic. Thank you.

Operator: Thank you for the question. Next question comes from the line of Raju Ahmed from CCZ Equities. Please go ahead.

Raju Ahmed: (CCZ Equities, Analyst) Hi, guys. Three questions from me. The first one is just going back to IPL, you mentioned that the - your pricing is about - I think from memory it was about 0.9 of a per cent of project value. Can you give us an idea where that value is at now?

Leigh Jasper: Yes. It is around 0.09% to be clear. We'd love to get 0.9 of a per cent, but it's 0.09% when we went to the IPO and it's a similar level today. We are talking about roughly 0.1% of project value. There's been a couple of factors

driving that. One is it's going up, there are two levers driving it up. One is increasing penetration or increasing upsell of new products, so the yield or a like-for-like customer is going up. What we've also found over that time is we've been winning increasingly bigger customers and so, of course, we'll get pricing benefits as people commit to more volume on the system.

We've got customers putting tens of billions of dollars of projects onto the platform. Those two things have been essentially counteracting. On a like-for-like basis, we're seeing price increases over time, but we're scaling up to bigger customers, which offsets that to some degree, particularly around the same percentage that it did two or three years ago.

Raju Ahmed: (CCZ Equities, Analyst) Right. On something like Connected Cost do you have a view on what sort of loading that could bring in? 10%, 20%, 30%? Just some sort of a flavour.

Leigh Jasper: Certainly, we believe it is a step up. It is a bit early to say exactly how big that step up will be, but certainly in the 10%, 20%, 30%, somewhere in that range, certainly the pricing will be well more than that. It just depends on what the uptake is across the market, so it's a bit early to put a specific number on it, but one that we are confident of though is it does increase our total addressable market and it is just be a question of how quickly we can penetrate our customer base with taking up that additional product and win new customers with the product.

Raju Ahmed: (CCZ Equities, Analyst) Sure. Okay. Thank you.

Leigh Jasper: Since we launched the product, we've had around 20 customers sign up. Some of those are customers that would not have used Aconex if not for the Connected Cost product and others are, of course, existing customers who have chosen to extend their agreement with us to include Connected Cost. We see great momentum in work that we can accelerate that uptake over the next 12 months.

Raju Ahmed: (CCZ Equities, Analyst) Okay. Thank you. The second question is a bit over a year ago you had some of the - pretty much the industry majors like Bechtel sign up with enterprise agreements. I think particularly with Bechtel I think it was a three-year initial contract with the ramp-up that's loaded towards the backend of the contract. Can you give us an update on where you are at with the likes of Bechtel and how that is going to manifest in to revenue expectations going forward?

Leigh Jasper: Without going into specific customers, we have several user-based accounts, which include Bechtel, Fluor, Exxon and a couple of others in - particularly in the North American market. Those accounts are perhaps a little slower than we expected to begin ramping up. We're seeing an acceleration of that. Last - this year compared to last year is almost double the number of users on those accounts, so we're seeing really good uptake and adoption.

Importantly, I think it's working closely with those customers to build out the platform, so a lot of what we've done, say, with Bechtel is aside from on projects, they have been integral in how we develop a product over the last few years and the packages product, which serves a number of our customers, such as Bechtel, also the likes of CIMIC and John Holland here in Australia, Lendlease, that packages product is something that is quite significant and we've built into the application based on input from a number of those key customers.

I think it's been a great relationship for Aconex and one that will continue to expand over time. A company like Bechtel, the size and scale of their projects means that it - you can take five to 10 years to fully roll through the project base, just given the length of some of the projects that they're operating on today. But, yes, really good engagement. They've been a great partner for us and, as I mentioned during my comments, we're very grateful for the support that those large customers - in fact, all of our customers, the entire customer base, provided with development of our product.

Raju Ahmed: (CCZ Equities, Analyst) So can I just ask in a roundabout way, maybe you can't specifically talk to Bechtel, but if you were to take your top 10 clients in terms of enterprise customers and where they are in the lifecycle, are they actually profitable for you?

Leigh Jasper: Without a doubt, that top 10 customer base of enterprise customers is profitable. As mentioned before - we've partnered with them in the development of the platform, so that does reduce that short-term profitability, but even allowing for that though, that customer base is profitable for us.

But as I mentioned before, it takes time to build out these new products, the Connected Cost product, if you look at that on a revenue [less investment in] product, it may not be profitable yet, but if you look at it sales won using that product. We already know that we've sold well in excess of development costs of that product, so it will be a profitable product for us. It just takes time, because of the extremely conservative nature of our revenue recognition recognising over the life of an engagement. It takes time for that profitability to flow through.

Raju Ahmed: (CCZ Equities, Analyst) Okay. The last question is more on the competitive environment. I heard somewhere that the US based Procore is entering or thinking of entering the Australian market. I just wanted to get your thoughts on that. Do you expect that to change the Australian market dynamic? I mean, it is your most profitable market. Also, the follow-on question on that end, have you actually taken customers away from Procore at this point in time in the US?

Leigh Jasper: So, on the first part of the question, we will clearly look at all competitors around the world and make sure we're building our product and serving our customers in a way that differentiates us in the market. We continue to do that. We've seen numerous competitors in Australia over the last five to 10 years. We have always focused on doing what we do well, continue to serve our customers well, so we haven't seen any dramatic impact from any of those new entrants into the market. It's a bit early to say with a company like Procore, but I'm confident that our customer base understands the value of what we bring to them.

We have different and quite unique characteristics which mean that our customers buy us for a reason, for our ability to add value to their projects and really support them in the delivery of those projects. We are very confident in what we're doing in the market. We'll continue to invest heavily in our product and in our customers to make sure we stay at the forefront of technology in our sector.

But, yes, still early days, but I can - it's certainly not something that we're - is keeping me awake at night, but we always look at our competition and make sure we're providing the best value to our customers.

Raju Ahmed: (CCZ Equities, Analyst) Okay. In terms of the second one, have you taken much - not so much market share, but major customers away from them?

Leigh Jasper: I mean, we've absolutely competed with them on projects in the US and won them, so it depends again on what sectors of the market, because we currently operate in different sectors of the market. We're selling to infrastructure projects, I think we would win every major infrastructure program that we go after, because of the strength of our platform and the security. In terms of smaller contractors or smaller builders, that might be more of a market that Procore plays into, but we have been in competitive situations with Procore where we've won.

Raju Ahmed: (CCZ Equities, Analyst) Okay. Thank you.

Operator: Thank you for the question. Next question comes from the line of Lucas Goode from Credit Suisse. Please go ahead.

Lucas Goode: (Credit Suisse, Analyst) Yes, hi, guys. Look, a couple more questions on the guidance, maybe a bit more clarity. Where you said increasing EBITDA, just confirming, are you expecting EBITDA margins to increase? I'm just conscious if you've got the deferred revenue starting to grow, instead of unwinding that you could potentially have EBITDA barely nudge upwards at all and hit some positive cash flows.

Are we expecting some margin expansion? Then just the second point on the revenue, I'll guess just if you - well, first of all, does that revenue guidance include expectations of more adverse currency moves, given that on a year-on-year basis the currency would have moved against you from where it is now compared to a year ago? What sort of - what gives you confidence that you can reaccelerate that revenue growth upwards of 20% beyond this year, given you'd be going off a larger base?

Paul Koppelman: Okay, Lucas. The first thing it is a one-year guidance outlook and obviously, we wouldn't put a guidance outlook out there if we hadn't undertaken a budget and the budgets got a fair bit of rigour to it. On the EBITDA, it's in absolute dollar terms. I'm just conscious when I came into the chair that you can play that EBITDA number up or down a little bit, depending on how much growth you want to do on the revenue basis.

The critical thing is it will go up and it will go up because the revenue base will ultimately go up. That's still a one-year view. If you take the 25% plus that Leigh alluded to and the composition of that through the different regions, on our level confidence, well, you wouldn't put it out there if we hadn't had a lot of understanding around where we are evolving from a book perspective.

So, the enterprise agreements that we've got in place in Australia gives us a good foundation. But what we've seen in the offshore businesses is the correlation between sales quota staff, marketing and what the order book does, albeit that there's a lag. Because ultimately when you're looking at any contract the average tenure of a deal is about 38 months. By the time, you sign something it takes a while for it to flow through. That's how we've sort of come up with the view in the future of 20%-plus.

When we're talking about the guidance on the revenue line it is assuming that we use, like we did at the previous guidance, the 31 December FX rate. Sorry, 30 June FX rate. The critical thing there is we will have movement and we will sort of obviously track that when we got to the market at 31 December, and likewise 30 June.

Lucas Goode: (Credit Suisse, Analyst) Thanks guys.

Operator: Thank you for the question. The next question comes from the line of Mitchell Sonogan from Macquarie. Please go ahead.

Mitchell Sonogan: (Macquarie, Analyst) Yeah, hi Paul and Leigh. Just a quick question on the ANZ region. I just wanted to get your thoughts on the visibility of future revenue from your key enterprise customers regarding all the upcoming infrastructure spend. Then secondly just your expectations if you can for Connected Cost contributions toward the 10% growth target in ANZ in the medium to longer term.

Paul Koppelman: Do you want me to start?

Leigh Jasper: So just on the contracts, and maybe Paul can comment on margins and growth. But in terms of contracts we have seen, as I mentioned in my comments, we have had very big infrastructure wins across our customer base. So, I think that gives us confidence over the long-term for the Australia and New Zealand region. Of course, some of those contracts take some time to flow through.

The way we sign up an enterprise agreement, as I think most of you know, is that we commit to a certain volume over a period. Where there are excesses on those caps, or where some may go - say they contracted 15 billion, where they go

through that 15 billion of 20 billion, or whatever the number is, that seems to be at the backend of those contracts. So, it's not something that changes those contracts in the short-term, but it certainly gives us confidence over the medium to long-term that those contracts will continue to grow.

Paul Koppelman: So just a little bit more colour on the Australia and New Zealand region. When we talk about the 10% plus guidance, and we also spoke about the release of the Connected Cost product, the view we've got over a sort of a three-year time horizon there is that we should be able to get about 50% penetration across that Australia and New Zealand book, as we've said earlier.

Then each of those individual customers will have different packages, and the range of margins on those packages ranges from say circa 20% to 60%. So, the view would be that if you took a blended rate that you have half your book taking up something at around 30% over a three-year timespan. That's the view on the Australia and New Zealand business.

As we've said earlier, the critical thing around the enterprise deals, particularly our larger clients, we've got account management individuals that look after those clients. We have got good visibility around what's on the horizon and what they win, and therefore the consequences that has on the deals themselves.

Mitchell Sonogan: (Macquarie, Analyst) Thanks. I'm just looking at costs compared to sort of the typical collaboration project, how much - and how much time and cost does it take to probably get some of these bigger enterprise customers up to speed and get it integrated at the Connected Cost system?

Leigh Jasper: Yeah, so it takes more than I think for our standard collaboration products. It's still early days in terms of we're obviously learning a lot about implementing that with customers. Sometimes there's integrations that customers will need back into their financial systems which can take a little longer up front, but it also increases the stickiness of those customers.

But again, like Aconex, you're talking about a much faster ramp up and implementation time compared to traditional software. If you look at implementing an ERP system or a financial system, and having implemented ERP systems internally here at Aconex, we know how long it can take to implement different systems. I mean that takes a lot of time. Our typical implementation process for collaboration has been in the order of days to weeks. So, we can get customers up and running very fast.

Connected Cost is - software as a service, it's easy to implement, easy to turn on and go. Like the core products that we - or the products we already have in the market, it's very easy for customers to get up and going. But I think in terms of the support and the consulting, or professional service that we provide, there's a little more in terms of mapping processes and connecting those systems - or that system - back into the back office financial systems that customers have.

Mitchell Sonogan: (Macquarie, Analyst) Perfect.

Paul Koppelman: That's what we could have said when we were looking at the revenues in FY18 it is a bit more back ended, because when we're looking at the Connected Cost revenues the infrastructure support around sales will take a little bit more time to ramp up and flow through from a revenue perspective.

Mitchell Sonogan: (Macquarie, Analyst) Cheers, thanks guys.

Operator: Thank you for the questions. The next question is from the line of Luke Macnab from Baillieu Holst. Please go ahead.

Luke Macnab: (Baillieu Holst, Analyst) Good morning guys. I just had a quick question on the cost side of things in terms of software engineers, whether you are having - seeing any cost pressures there given the demand for software engineers now?

Leigh Jasper: We've always seen that. I think the reality is hiring software engineers is always challenging, hiring really capable engineers has always been a challenge in our markets. It's one of the reasons why we do have several development centres around the world so it gives us access to different pools of talent.

I think overall though we're not seeing any significant cost pressure over and above what we've seen in previous years. One of the - we've had very little turnover in our engineering team. I think that's one of the strengths of the business, that relative to other IT businesses and software businesses we've had a very stable team.

The other thing we do is of course blend experience levels. You have senior engineers with junior engineers. What we keep asking the universities to do is to produce more software engineers for us, and that's I think a challenge that Australia has more broadly that we need to keep students, and particularly high school students, men and women going into STEM courses - so into science, technology, engineering, mathematics - and then doing those courses.

So, the reality is we do need to bring in a lot of our team from overseas. We have a very diverse team just in Melbourne alone. We have software engineers from all over the world because Australia just simply doesn't produce enough engineers. We're always going to be banging on about trying to invest more into the STEM - getting students to do STEM so we have more, we produce more software engineers coming out of university.

Luke Macnab: (Baillieu Holst, Analyst) Cool, thanks.

Operator: Thank you. Our last question comes from the line of Ross Barrows from Citigroup. Please go ahead.

Ross Barrows: (Citigroup, Analyst) Good morning, thanks, just a question on cash collection. It looks like as a percentage of revenue improved to about 104%. I just want to look at the first half, second half split. It looks like it was 19% in the first half in terms of upfront invoicing, but it increased in the second half. If you could just try and reconcile that for us, please?

Leigh Jasper: I don't think it moved significantly. We'll check the numbers but it may have been slightly up on the second half. But we've seen that continued trend down in terms of what's coming up front. We've allowed that to unwind. I think to be very clear with why we're doing that, that pre-IPO encouraging our customers, incentivising them to pay us upfront was a way of funding the growth of the business.

We're in a stable position, we're generating cash, and even as we've allowed that to unwind we've still got collections above revenue. But let's check the specific numbers, but I thought they were roughly the same half to half. Look, next year we expect that to go below 20%. We don't necessarily know exactly where it bottoms out, but we think we're sort of at the end of that - towards the end of that unwind.

It's partly to do with how we incentivise our sales team. But those levers can take months to flow through in terms of the impact on what's invoiced upfront.

Ross Barrows: (Citigroup, Analyst) Sure, just one last question, just in terms of I guess the sales cycle, or the sales process. In terms of getting customers across the line or winning new customers, I'm just wondering if the duration has been extended on certain contracts? Or can you just kind of talk about Aconex's discipline to keeping timeframes of certain contracts I guess to the timeframes you want and the incentivisation of the sales staff around that, that'd be great.

Leigh Jasper: We have not seen any significant changes. I mean that seems to be running in line with previous years. Of course, bigger customers and bigger engagements can take longer. When you're engaging in a multi-billion-dollar infrastructure program with multiple decision makers, that's going to take longer to sell than a small project with one decision maker.

It does depend somewhat on the mix of customers and the types of contracts that we're selling but overall, we've seen no change in those sales times. Importantly our win rates remain very similar. As I mentioned before, with Connected Cost we see that starting to tick up. We lose very few projects to competitors. Where projects don't come onto Aconex it is generally because customers choose to keep using an internal system or don't have the change management capabilities to make that move.

So, we look at two things when we're looking at win rates. One is what we're winning, and what's lost fits into two categories. The no decision category, which is by far the biggest component, the status quo if you like and then a very small component that is lost to competitors.

Ross Barrows: (Citigroup, Analyst) Thank you.

Operator: Thank you for the questions. I would now like to hand the call back to Rachel Cooper for closing remarks.

Rachel Cooper: Thank you Operator. We'd like to thank all of you for joining us today. A replay of this webcast will be available at the same site, www.openbriefing.com or through the Aconex Investor Centre website, investor.aconex.com.

Thank you, and we look forward to speaking with you again soon.

End of Transcript