



Customer success in the digital age  
Analyst & Investor Event  
11 February 2015

# Disclaimer

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Any remarks that we may make about future expectations, plans and prospects for the company constitute forward-looking statements. Actual results may differ materially from those indicated by these forward-looking statements as a result of various factors.

In particular, the forward-looking financial information provided by the company in this meeting represent the company's estimates as of 11 February 2015. We anticipate that subsequent events and developments will cause the company's estimates to change.

However, while the company may elect to update this forward-looking financial information at some point in the future, the company specifically disclaims any obligation to do so. This forward-looking information should not be relied upon as representing the company's estimates of its future financial performance as of any date subsequent to 11 February 2015.

# Today's agenda

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10.00 to 10.45	Strategy and vision	David Arnott, CEO
10.45 to 11.15	A new era in banking	Juan Pedro Moreno, Accenture Global Senior Managing Director - Banking Industry
11.15 to 11.30	Coffee	
11.30 to 12.00	Experience driven banking	Dharmesh Mistry, Product Director UXP
12.00 to 12.30	Driving growth in North America	David Arnott Jay Mossman, Founder & CEO, Akcelerant
12.30 to 12.50	Financials	Max Chuard, CFO
12.50 to 13.15	Q&A	With the above speakers, and Mark Gunning (Director of Business Solutions) and Mike Davis (Client Director)
13.15 to 14.00	Lunch	

Customer success in the digital age



# Key takeaways

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- The structural drivers for technology renewal are stronger than ever
- We are extremely well placed with the best products and record of customer success
- We are executing against a very clear strategy
- We are focussing on key strategic initiatives
- We expect strong software licensing growth with an increasing recurring revenue base
- Revenue growth and good cost control will drive earnings growth and cash generation

Executing well in a structurally growing market





Structural drivers

# The structural drivers for technology renewal are stronger than ever

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**BBVA**

*“Banks that are not prepared for new competitors like Amazon or Google face certain death.”*

McKinsey & Company

*“Banks urgently need to digitize their businesses, and should invest in areas that meet the best payoff [...] like automation of back-office processes and in sales-side analytics”*



*“A bank cannot be digital with a core system built for the last century.”*

Banks are facing pressure to change legacy systems

# Digitize or die

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Changing competition



Changing technology

Changing regulation

Changing customer

Pressures coming from all sides

# Market drivers accelerating

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## North America

- Banks well capitalised, and underinvested in technology
- Digitalisation changes competitive landscape

## Europe

- IT renovation as only solution to higher ROE and digitalisation increasingly gaining acceptance
- Northern Europe recovering fastest, south showing no signs of recovery.

## MEA

- Banks well capitalised and looking for native Islamic offerings

## APAC

- Growth economies (China, SE Asia) need cores to manage growth, emerging wealth opportunity, digitalisation
- Singapore, HK, Australia, Japan similar to Europe, with strong wealth demand

## Latin America

- Demographic, ageing cores, digitalisation key drivers across region.
- Mexico/Brazil key focus

Growing traction across the world

# Temenos well positioned to capture opportunity

## North America

- Trinovus and live clients brings credibility, incumbents not strong
- Akcelerant expands our footprint

## Latin America

- Key references in all countries except Brazil (2015 initiative)
- Winning all key deals in the region

## Europe

- Technology and progressive renovation winning solution for all tiers and segments
- Best references/partner ecosystem

## MEA

- Market leader in Islamic, 40% market share
- Best reference clients in the market, strong local presence

## APAC

- Leading player in growth economies, packaged offerings a differentiator
- Best wealth references in the region

A differentiated proposition in every market

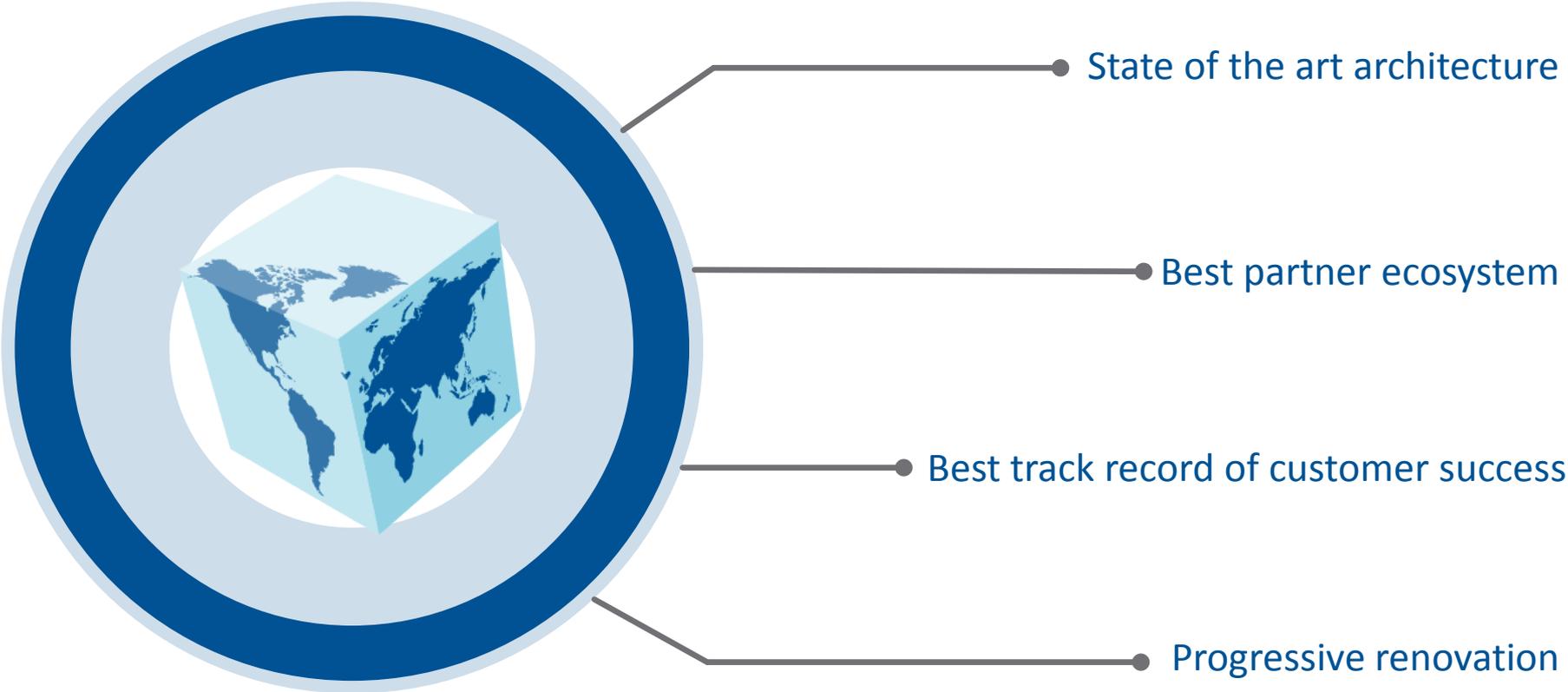




Temenos credentials

# Temenos is extremely well placed

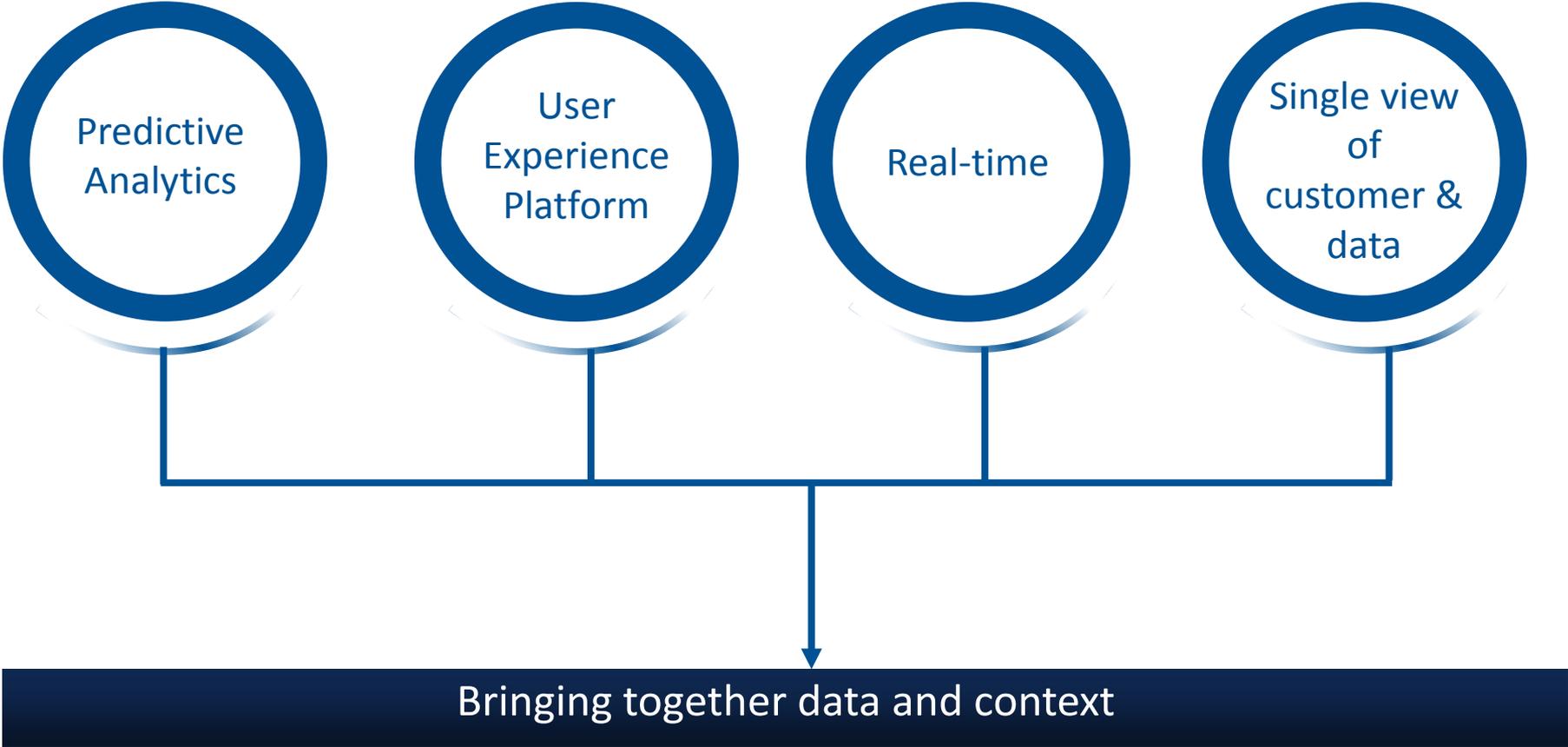
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The building blocks are all in place

# The best capabilities for experience-driven banking

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# The best capabilities for experience-driven banking (2)

## Channels

30 signings in 2014

147% revenue increase vs 2013

40 on-going implementations



## Analytics

30 signings in 2014

24% revenue increase vs 2013

130+ Insight customers



## Momentum in Channels and Analytics

# Highly rated by industry analysts

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- “Leader” in Forrester Wave
- Sole vendor to top both pyramids for new and existing business



- T24 ranked no. 1 for past two years
- Twice number of deals of nearest competitor

## Gartner®

- “Leader” in Magic Quadrant
- 6<sup>th</sup> consecutive year



“Most innovative use of technology”



“Market Leader”

3<sup>rd</sup> party validation of leadership



# Track record of customer success

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# 135

Number of go-lives in 2014

# 50%

Increase in number of implementations where partners were involved

# 42%

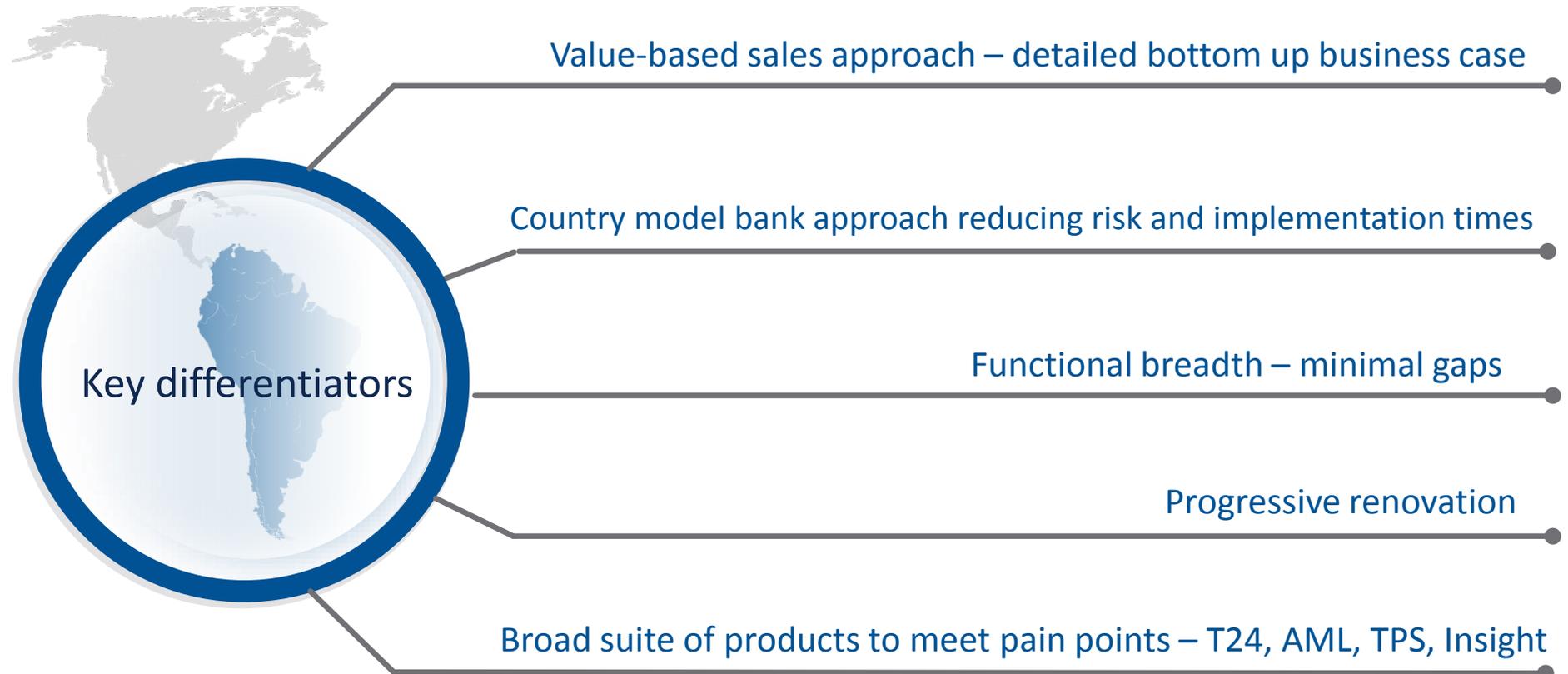
Higher return on equity – Temenos customers



Unrivalled levels of customer success

# Case Study 1 – Why we win

Major bank in LatAm, win against international competitor



Best value proposition with fastest time and lowest risk to value

## Case study 2 – extending footprint with existing customers



More sites, more solutions as business case delivered

# Installed base opportunity

## Customer numbers by product



Remains big opportunity to address existing customer needs



2015 and beyond

# Key planks of strategy



Strong licensing growth with an increasingly recurring revenue base

# Extending our lead in core banking

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- Continued industry leading R&D spend
- Further investment in state of the art technology
- Packaged, upgradable model banks will shorten deployments even further
- Strategic alliances (eg Accenture) target C-level in key accounts
- Continued investment in geographical sales coverage and sales specialisation

A disruptive product roadmap of packaged, componentized software

# Extending lead in lead in private wealth

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Julius Bär



Tier 1  
references



Multiple  
deployment  
options



Strategic  
partners



Convergence

200+ private wealth customers

Developing unrivalled product and go-to-market capabilities

# Penetrating the US market

# \$20 billion

Largest core banking market in the world



*US financial institutions can prosper only by replacing legacy software with modern, real-time core systems, to improve customer service, rapidly launch new products and significantly reduce operating expenses*

2013

Acquisition of Trinovus

2014

First US Model Bank client live

2014

Additional T24 signings

2015

Acquisition of Akcelerant

2015

US market big-launch

A credible platform and strategy for world's largest market



# Taking the lead on SaaS

New SaaS implementations underway

5



4

new SaaS deals signed in 2014

Go-to-market launches in Q1

6

2

SaaS go-lives in 2014

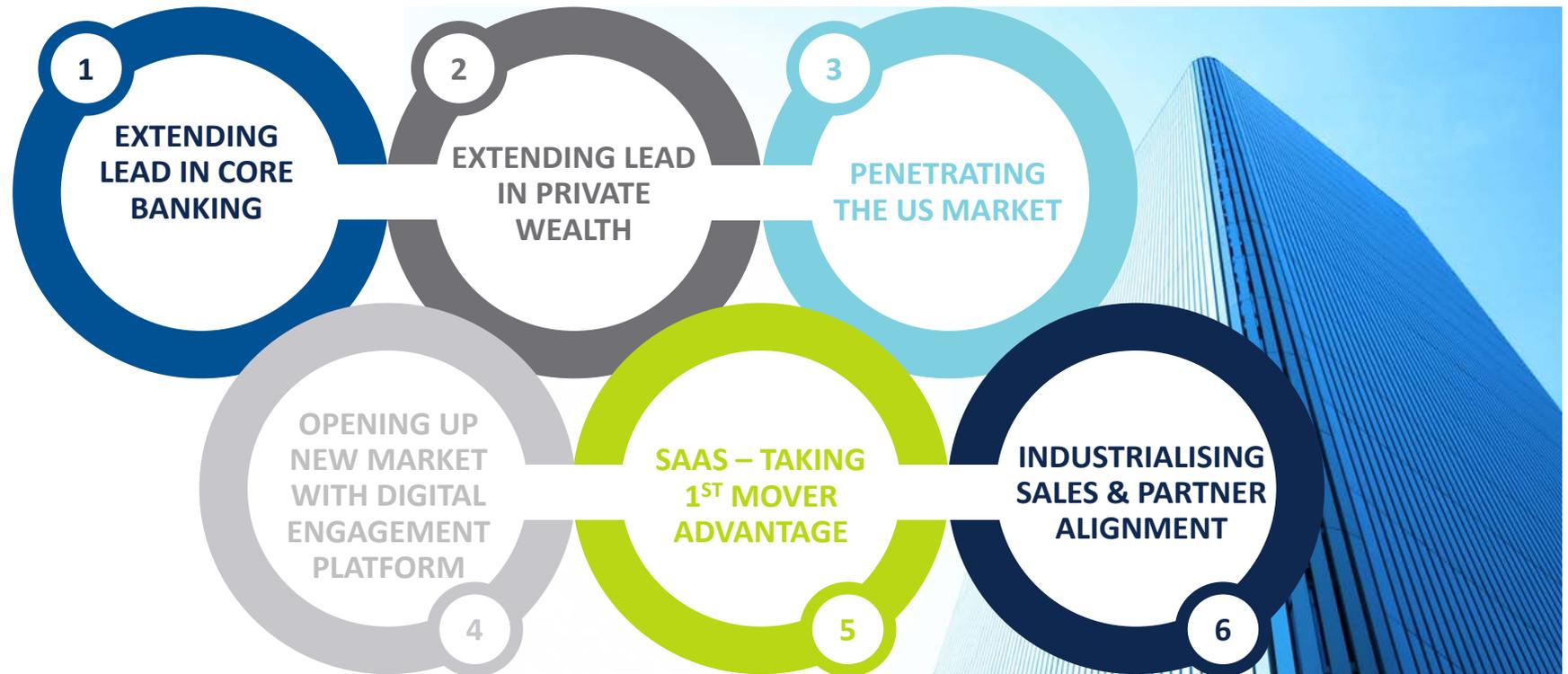
*Temenos has taken its software, run it in the cloud and got banks in Africa to run with literally no IT staff*

Satya Nadella, Microsoft CEO

Taking first mover advantage; increased investment as the market develops



# Key planks of strategy



Strong licensing growth with an increasingly recurring revenue base

# A new era in Banking

February , 2015



High performance. Delivered.

  
accenture

Strategy | Digital | Technology | Operations

# Global financial crisis marks a turning point for the banking industry and financial system

## Complex Drivers

Deregulation

The Great Moderation

Global Imbalances

Search for Yield

Under-appreciated Risks

Complex Interdependencies

Mismatched Incentives

Implicit Guarantees



## Crisis Outcomes

Loss of Trust

Reconsider Role of Banks

Re-regulation

Level Playing Field

Deleverage

De-risk Business Models

Digitalisation

New Growth Agenda

# **“FS Challenges & Opportunities: Executing Strategic Transformation” in 1 slide**

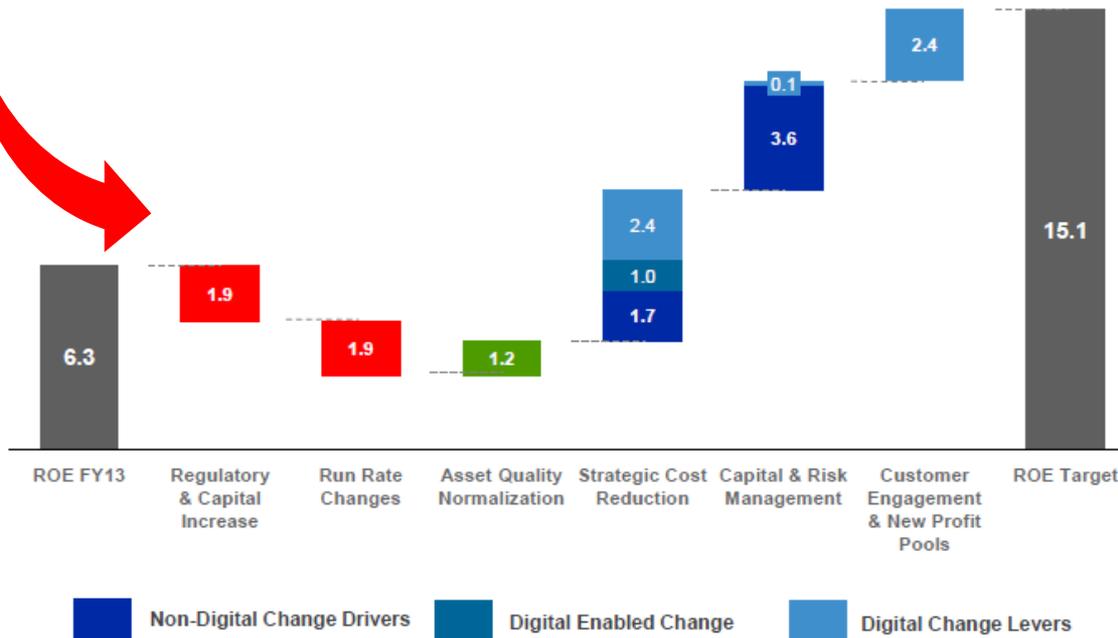
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# “FS Challenges & Opportunities: Executing Strategic Transformation” in 1 slide

## The challenge: lower average ROE industry

### Developed Market Banks ROE Projection Analysis – Business Model

ROE Evolution, Developed Market Bank – Business Model Change Analysis  
Base Case for 15% ROE

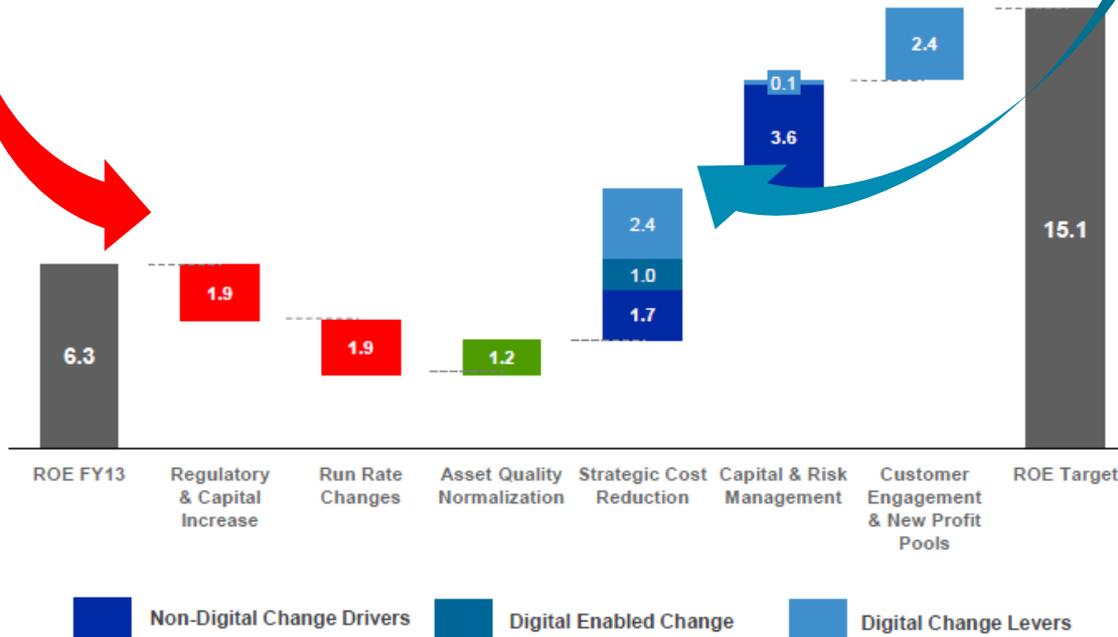


# “FS Challenges & Opportunities: Executing Strategic Transformation” in 1 slide

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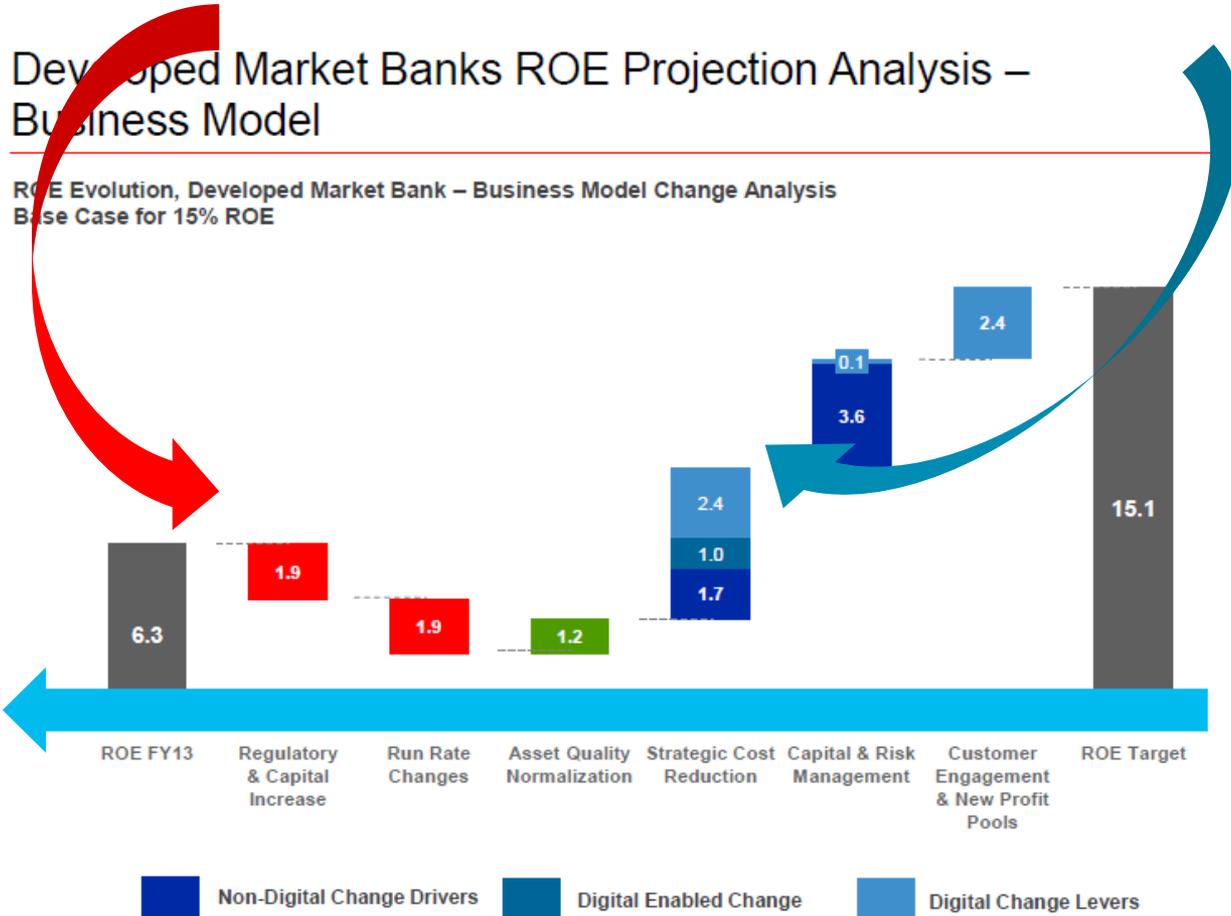


## The opportunity:

- Next level of efficiency
- Excellence in Capital & Risk Management
- Winning the customer battle
- Increasing revenue from adjacent businesses

# “FS Challenges & Opportunities: Executing Strategic Transformation” in 1 slide

## The challenge: lower average ROE industry



## The opportunity:

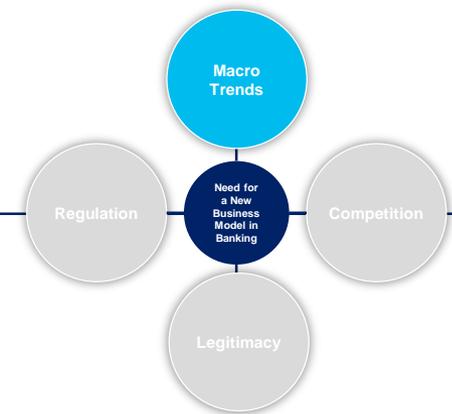
- Next level of efficiency
- Excellence in Capital & Risk Management
- Winning the customer battle
- Increasing revenue from adjacent businesses

**The Transformation journey: a mix of “legacy” concepts and Digital Technology.**

# The trends that are shaping the new era go far beyond the outcomes of the crisis



# A set of mega macro trends are reshaping the world banks operate in



## The demographic agenda

From ageing to the millennial generation, demographics shapes who banking customers are and what they need.

## Growth of the emerging market economies

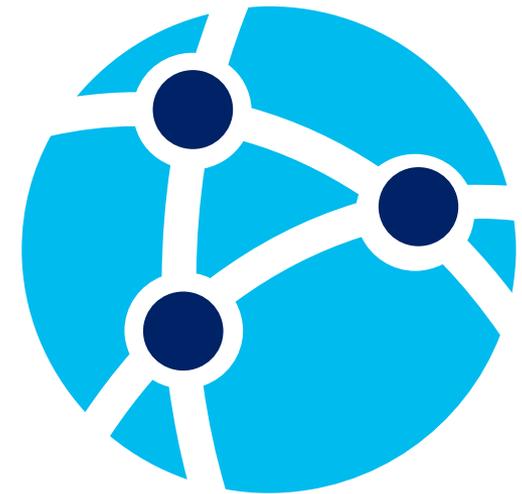
Economic growth and the related growth in banking markets are rapidly changing where banks need to be.

## The rise of the global middle class

Earnings and wealth will be much more distributed in the multi-polar world.

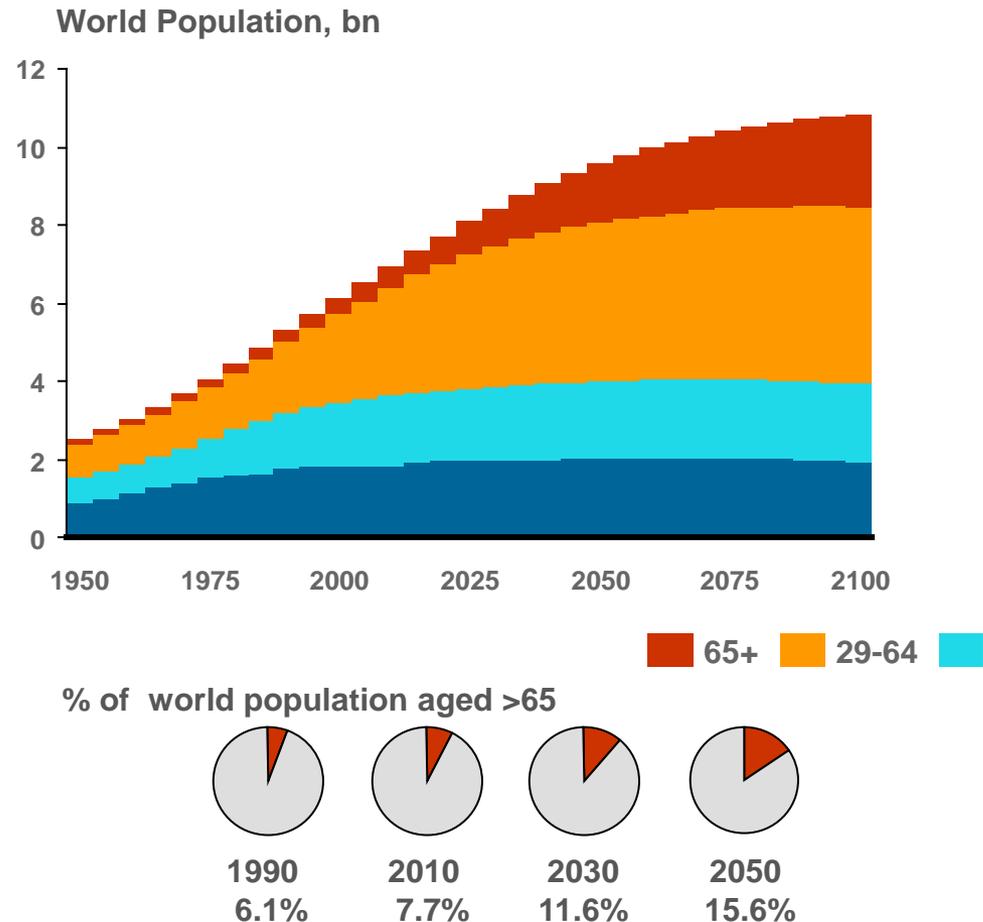
## The technology revolution

The consumerisation of technology means we are rapidly approaching digital saturation.



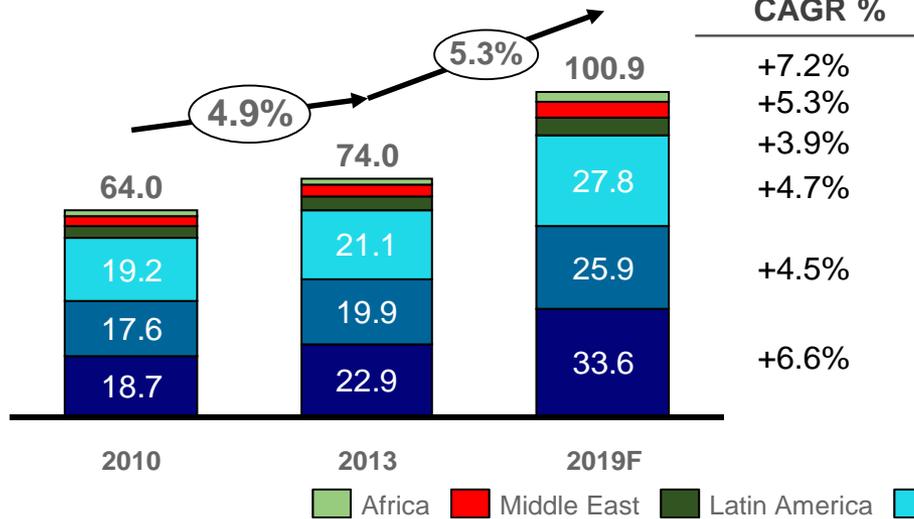
# Demographics shapes who banking customers are and what they need

## World Population Forecast and Age Composition (bn)

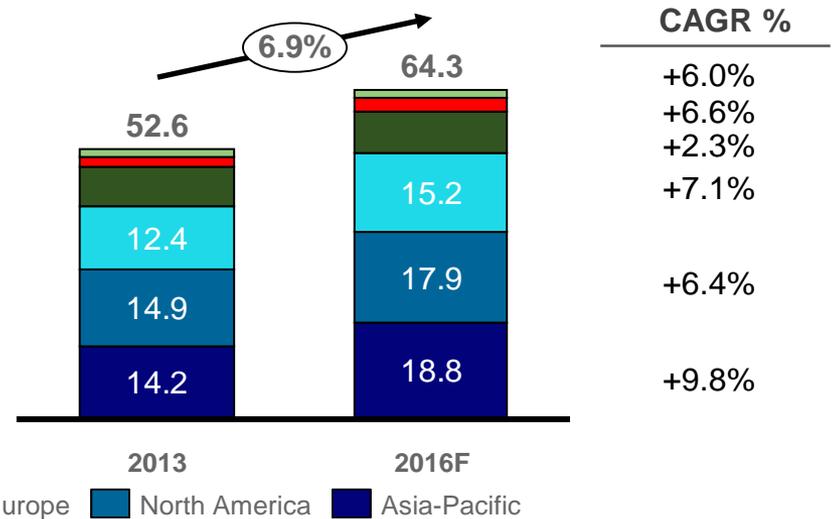


# Shifting engines of growth are changing where banks need to be

Global GDP Forecast to 2019  
GDP current prices (\$tn)

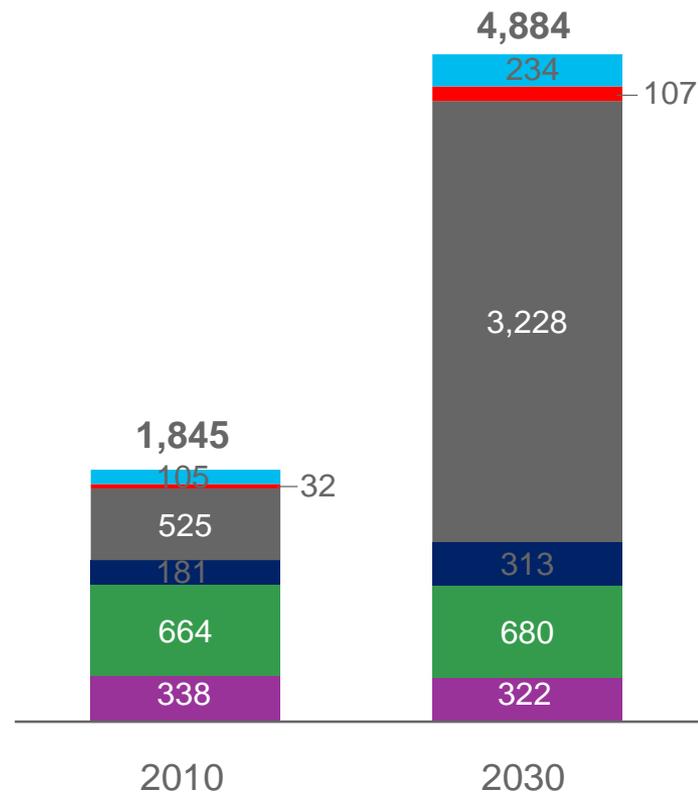


HNWI Wealth Forecast to 2016 by Region  
HNWI Investible Wealth (\$tn)

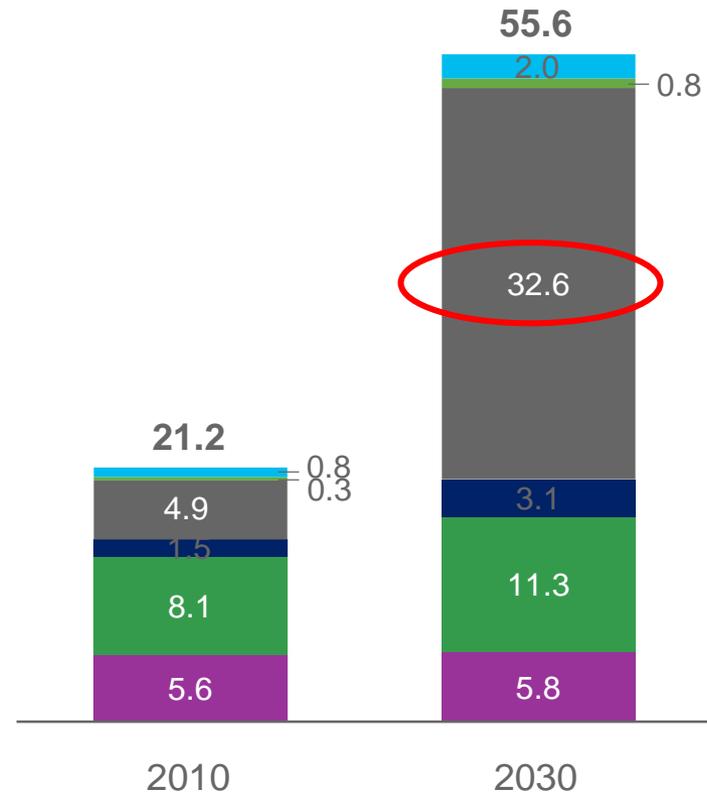


# Earnings and wealth will be much more distributed in the multi-polar world

Middle Class Population (m)



Middle Class Consumption (\$tn)

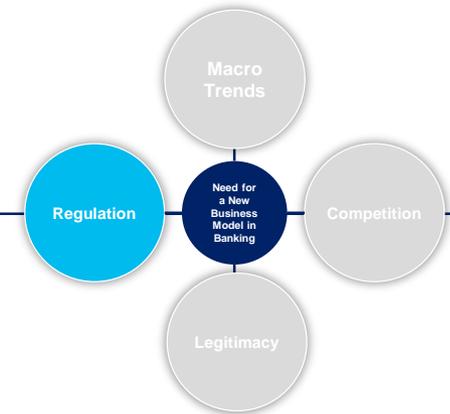


MENA
  Sub-Saharan Africa
  Asia Pacific
  Central & South America
  Europe
  North America

Source: Homi Kharas, The Emerging Middle Class in Developing Countries, OECD, 2010

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# Regulation: new rules for the game



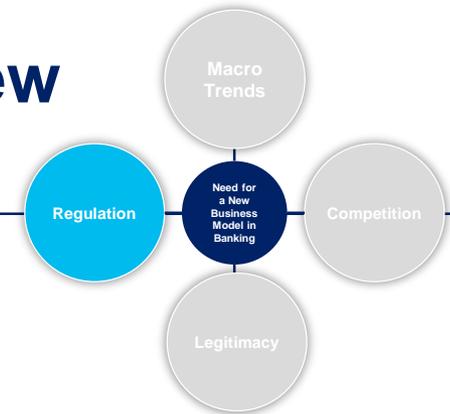
## A complete overhaul

- One of the most important outcomes of the financial crisis is a complete overhaul of banking regulation, but the question remains: “Is the system safer?”



# Regulated Outcomes: Navigating the new regulatory landscape

The regulatory change agenda requires a reappraisal of the bank's role and strategic direction



## Economic Returns

Adjust expectations to lower ROE but lower cost of capital & volatility

## Capital Allocation

- Greater focus on economic return of capital allocation
- Exit low return business

**New regulatory paradigm will create opportunities to differentiate and rebuild reputations**

## Structural Reform

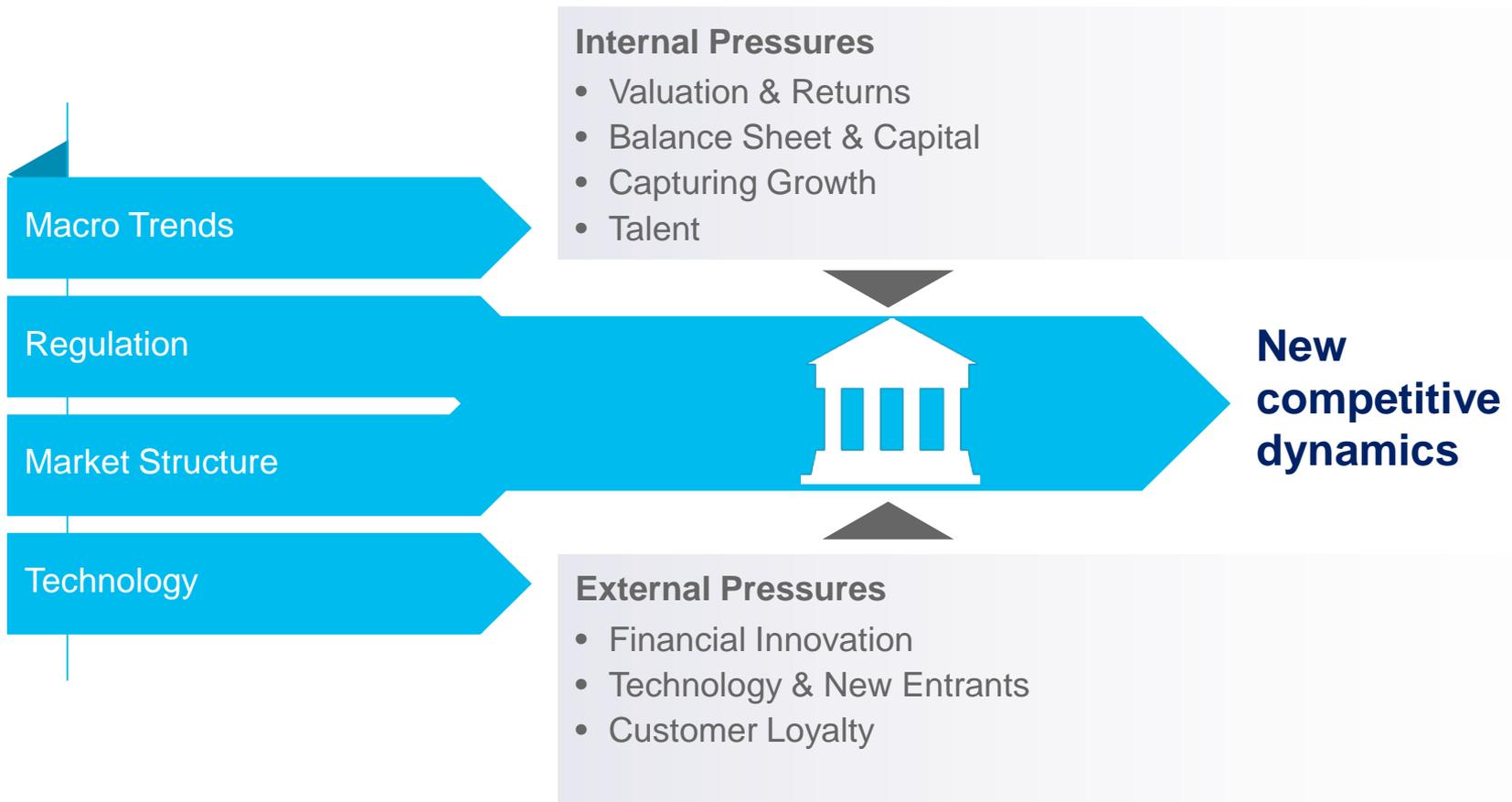
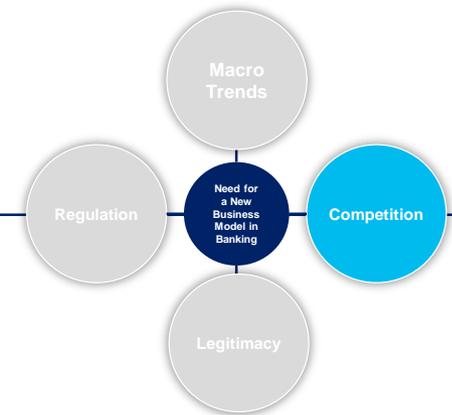
Adapt organization structure and business model to “separation of activities”

## Consumer Protection

Opportunity to differentiate through organization culture and conduct re-focused on customer

# Competition in banking: a new role after the crisis

Changes in regulation, market structure and business models are changing the nature of competition across banking markets

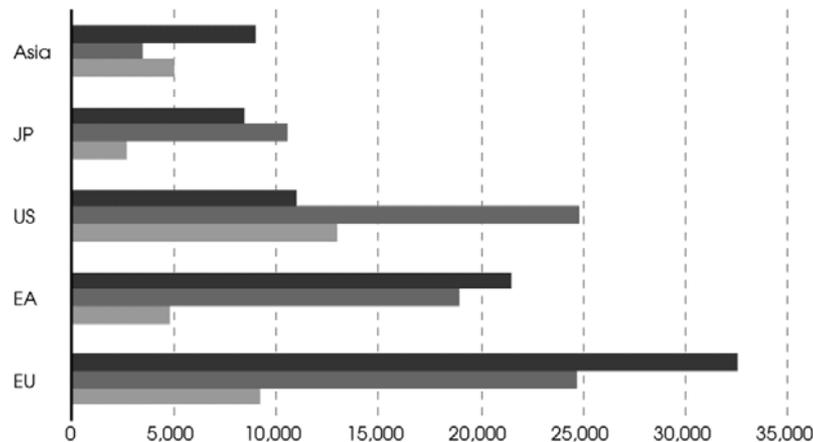


# Bank market composition – structural differences continue to dominate competitive agenda

The depth and market orientation of financial systems are among the key forces that define the banking system...

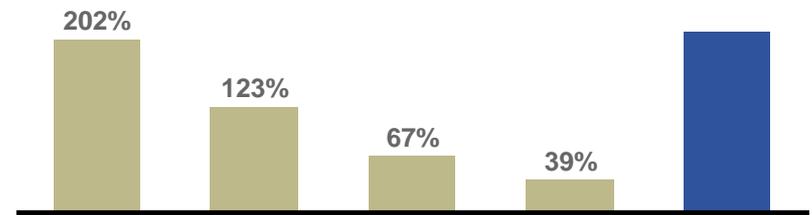
Structural differences in market depth and composition

Figure 3-1. Bank Assets Compared to Equity and Debt Markets

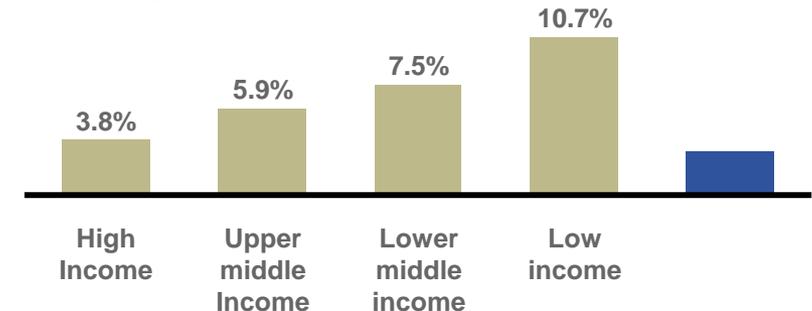


Structural differences in market depth and competition

FS Domestic Credit to GDP, 2013 (%)

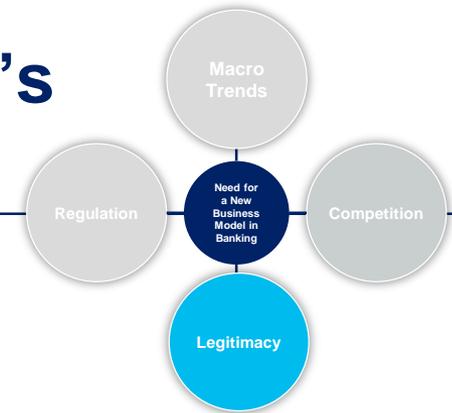


Lending-Deposit Spread, 2013 <sup>1</sup>(%)



... financial development, financial access and deleveraging are changing these structures in addition to regulation

# Legitimacy: What trust means for today's customers?



Trust is the currency of banks and is, therefore, beyond a PR problem

## The decline of legitimacy

### Bank legitimacy has suffered on three fronts

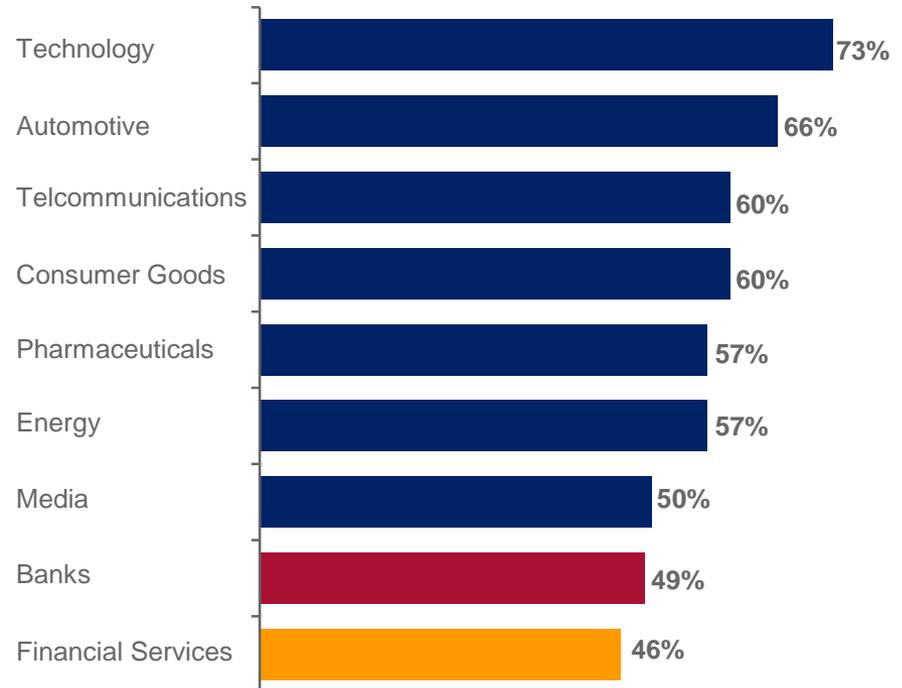
- A decline in trust with all stakeholders
- Criticism of corporate governance and incentives
- Declining customer loyalty

### Banks need to re-asses how they build legitimacy

- Trust goes beyond a PR problem Encompass corporate governance, stakeholder management and risk management
- Top management attention
- Short term technical and long term cultural change

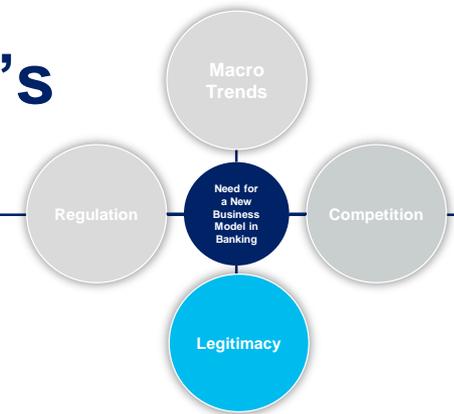
## Banking and FS are the least trusted industries

How much do you trust businesses in each of these industries to do what is right?

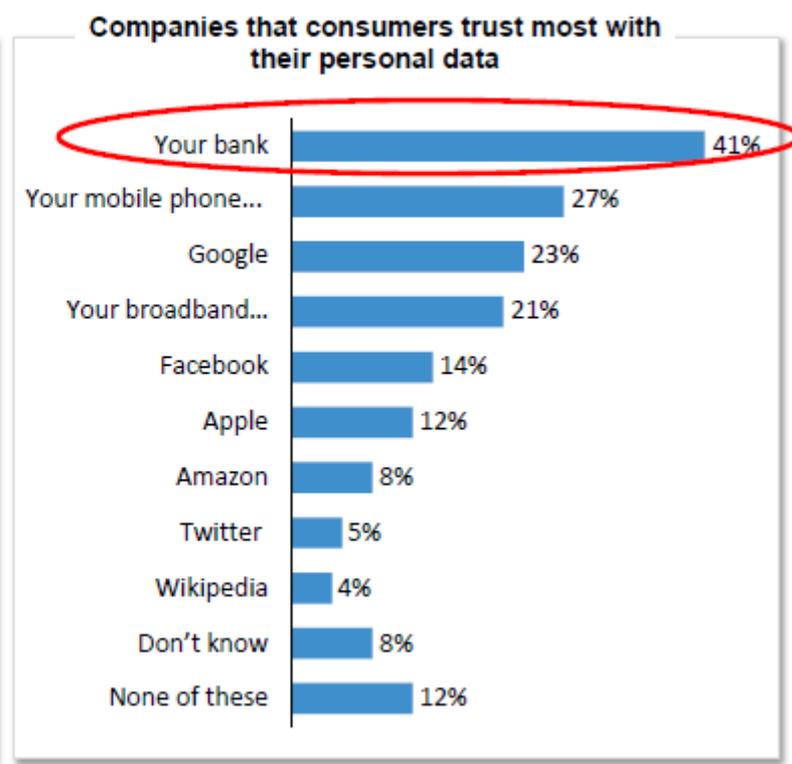
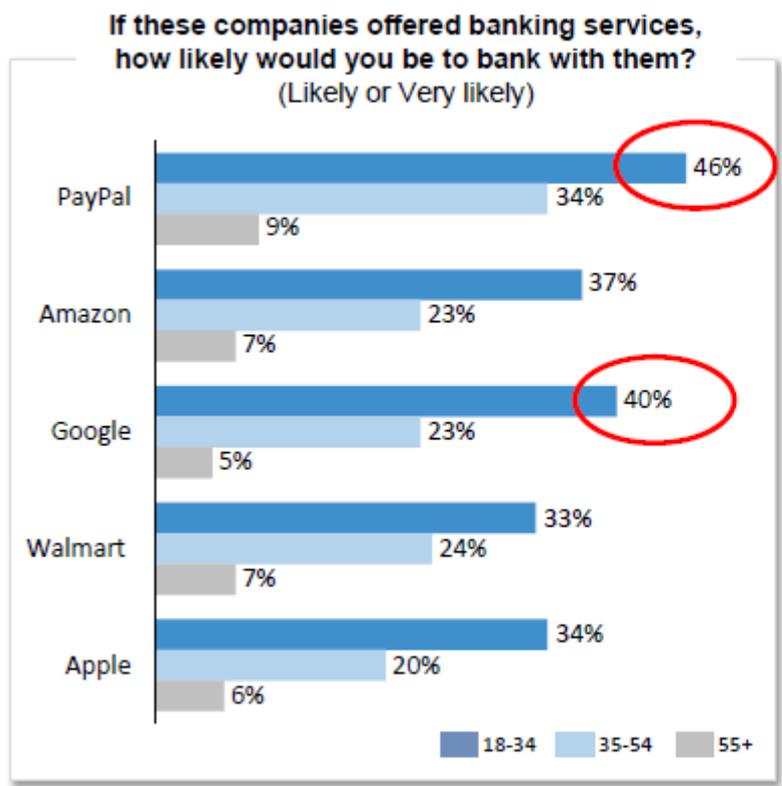


Source: Edelman Trustbarometer, 2013

# Legitimacy: What trust means for today's customers?



Trust is the currency of banks and is, therefore, beyond a PR problem



# Technology change

Will technology disrupt banking as it has done to other industries?

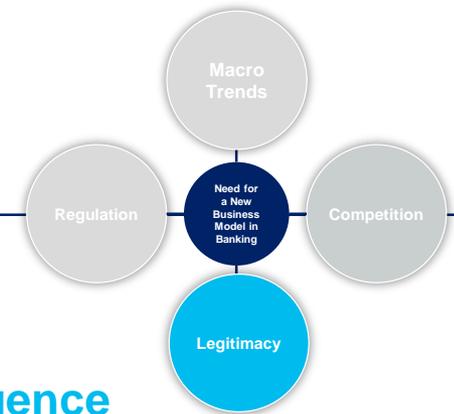
## Two driving forces

Increasing flexibility for customers to switch

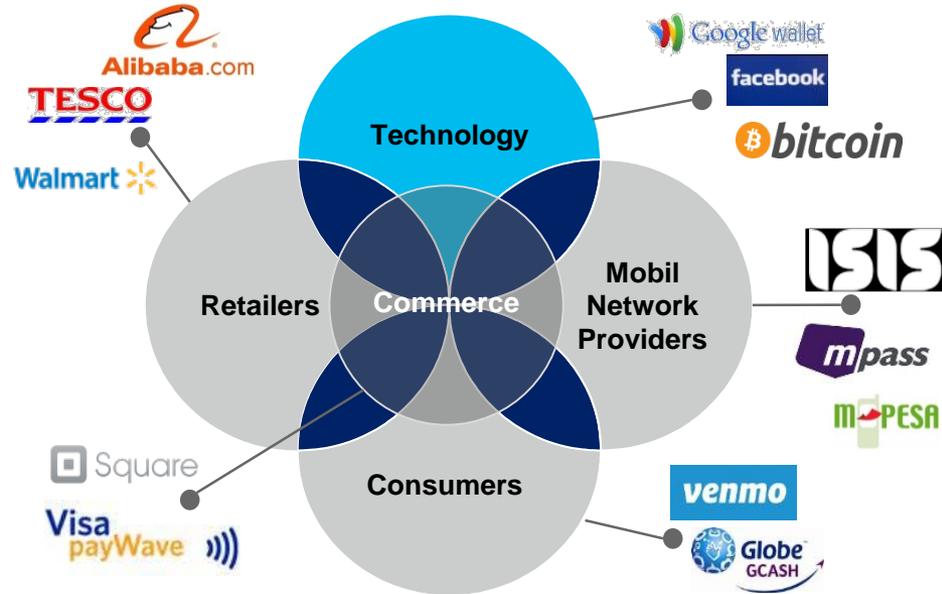
- Low levels of trust and satisfaction with the banking industry
- Little differentiation and engagement with young population
- Regulatory initiatives to facilitate switching
- New entrants to industry facilitated by technology

Increasing importance of 'hard' information

- Bank models, direct channels and automation privileging "hard" data over "soft" relationship data
- Increased availability and access to customer data



## Technology Convergence in Retail Banking



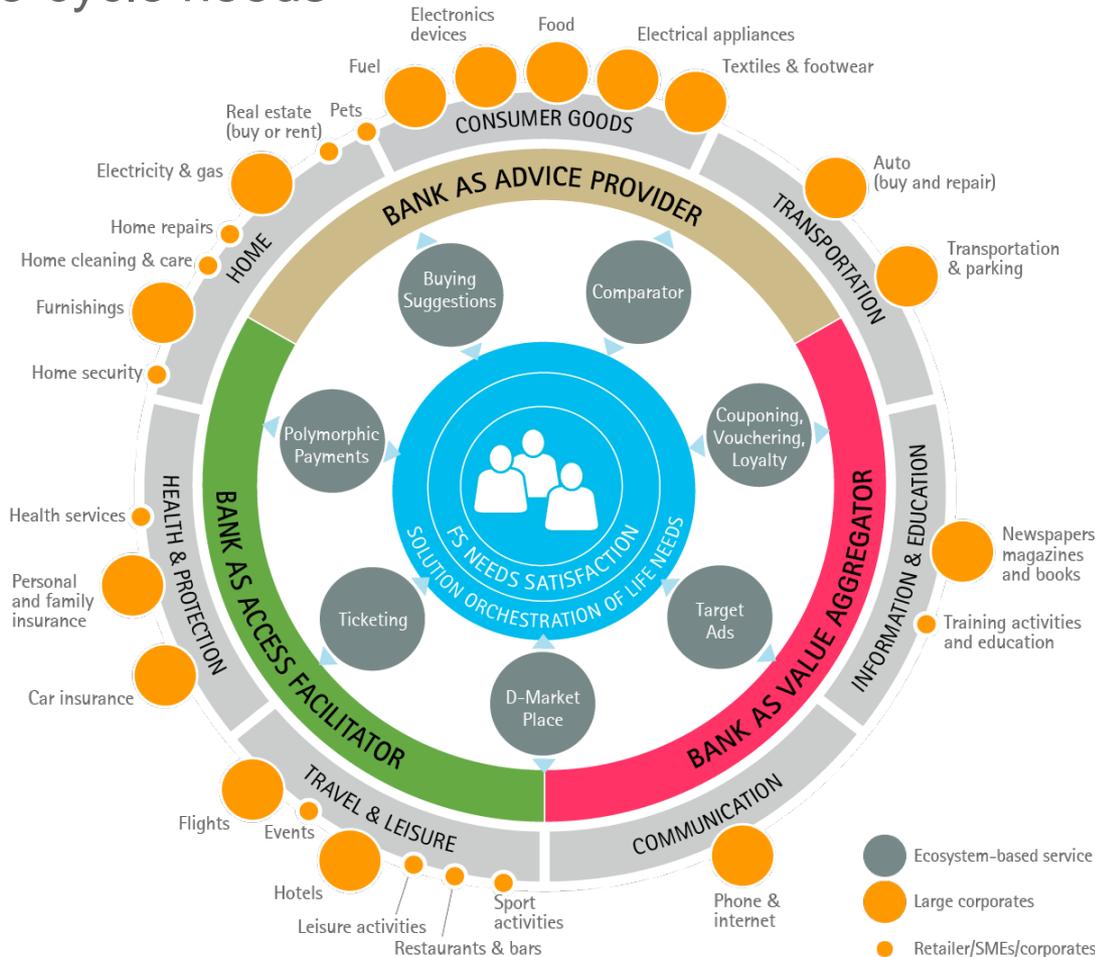
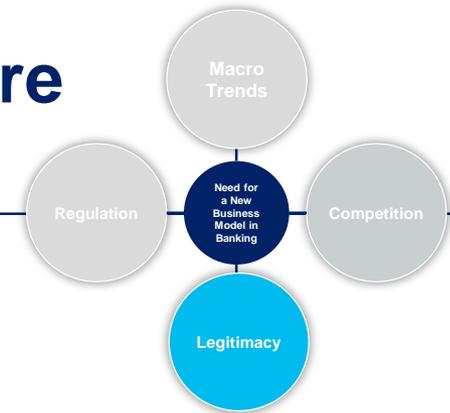
Percentage of Customers "likely" or "very likely" to bank with the following brands



Source: Accenture, The Digital Disruption in Banking, 2014

# Recovering client satisfaction will require a digital transformation

Banks can now satisfy a broad range of customer life-cycle needs



## BANK AS VALUE AGGREGATOR

Assembly components (financial and non financial, own and third parties) to create an integrated solution for "real world" customer needs

## BANK AS ADVICE PROVIDER

Provide specific buying suggestions, based on deep customer knowledge and purchasing algorithms

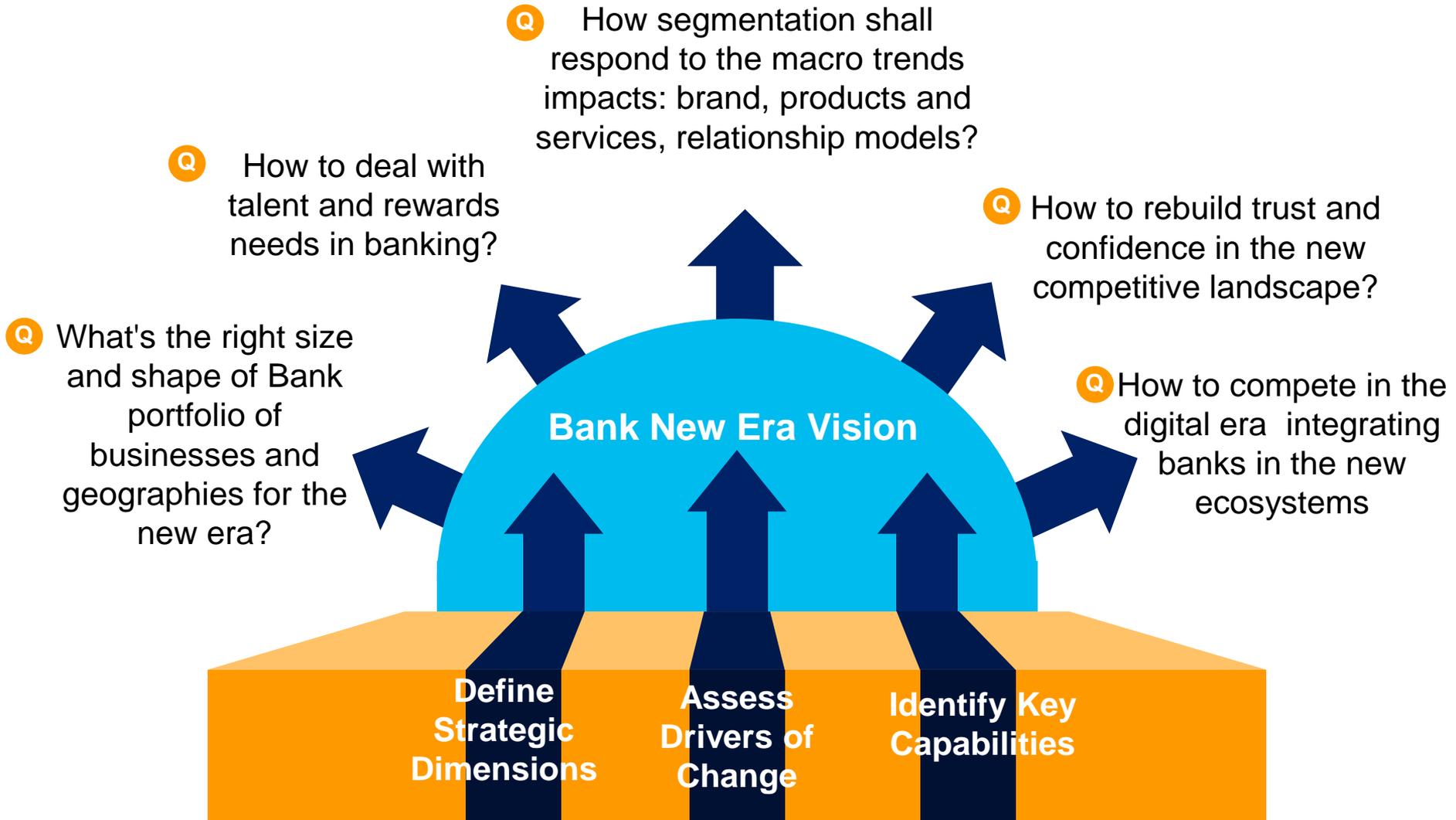
## BANK AS ACCESS FACILITATOR

Support the customer in "everyday/everywhere" buying processes (shopping, access to daily services)

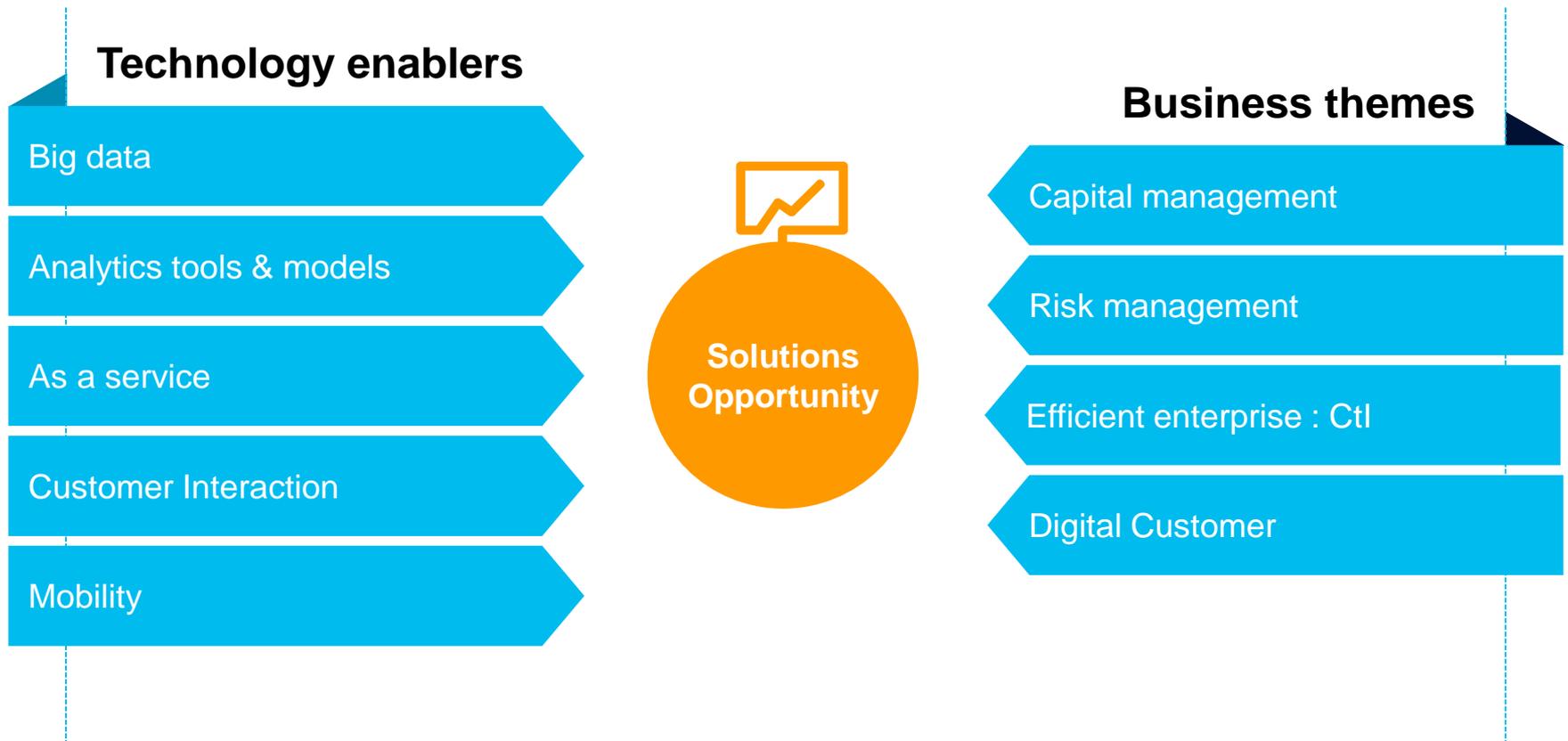
Source: Accenture, The Everyday Bank, 2013

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# Transformation means responding to big questions



# Execution: mixing new technology enablers and business application





Experience driven banking  
Dharmesh Mistry, Product Director UXP





**British Banker  
Association reports:**

2.3m over 70 use Internet  
Banking

20% of the population over  
80 use internet banking

450,000 over 60's use  
mobile for banking



A circular graphic with a blue border containing four logos for children's financial services. The logos are arranged vertically: goHenry, PennyOwl, osper, and smartypig.

goHenry

PennyOwl  
Mobile Pocket Money

osper

smartypig

# WARD CASH AND EXPRESS CASH ACCOUNTS.

Getting started guide  
For use from 1st December 2014



smartypig

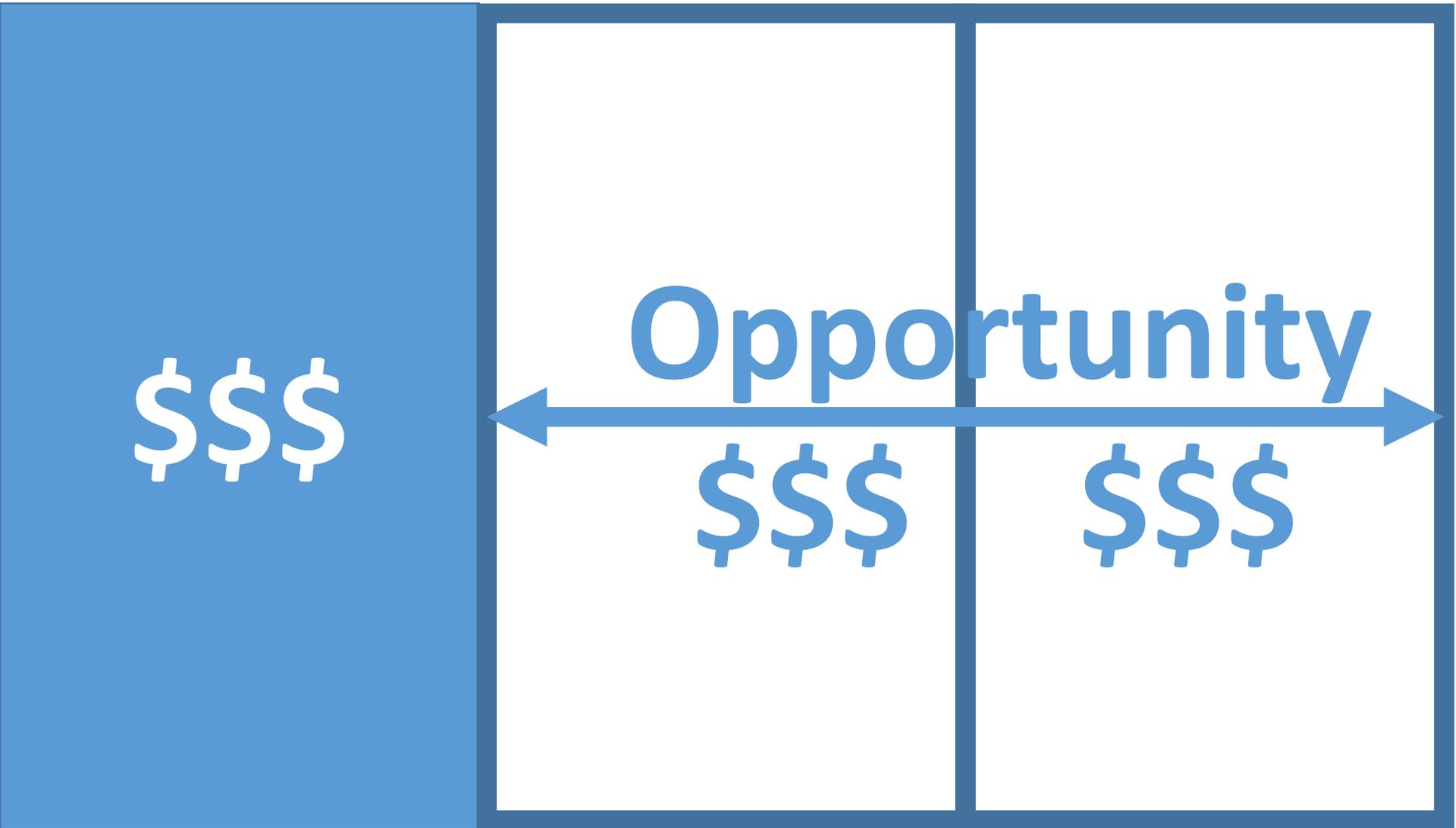
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Opportunity

\$\$\$

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**One Lap Top Per  
Child**

2006 Goal to  
produce laptop  
<\$100





**One Lap Top Per  
Child**

2006 Goal to  
produce laptop  
<\$100

**Gates Foundation**

“Our goal is to help the people in the worlds poorest regions improve their lives and build sustainable futures by connecting them with digitally-based financial services “

## A top priority...

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**\$22<sub>bn</sub>**

Global spend on  
channels in 2015



**89%**

Banks surveyed  
plan to increase  
spend on  
channels

"The top priority for CIOs is delivering customer-centric banking services, allowing them access to accounts at any time, in any place, and on any device," says Kieran Hines, practice leader, financial services technology, Ovum.



## ...with real-world examples

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Over £1bn being spent on digital transformation



7% increase in online transactions versus a drop in all other channels



16% of branches closed in last 5 years



90% all transactions completed outside of branch

Early adopters of digital transformation are realising gains already







Branch





Branch

Call Centre



**Branch**

**Call Centre**

**Internet**

The image features four identical stone pillars with arched tops, arranged in a row. Each pillar contains a different distribution channel name in white, bold, sans-serif font. The background is a bright blue sky with scattered white clouds. The pillars are set on a dark, flat surface.

**Branch**

**Call Centre**

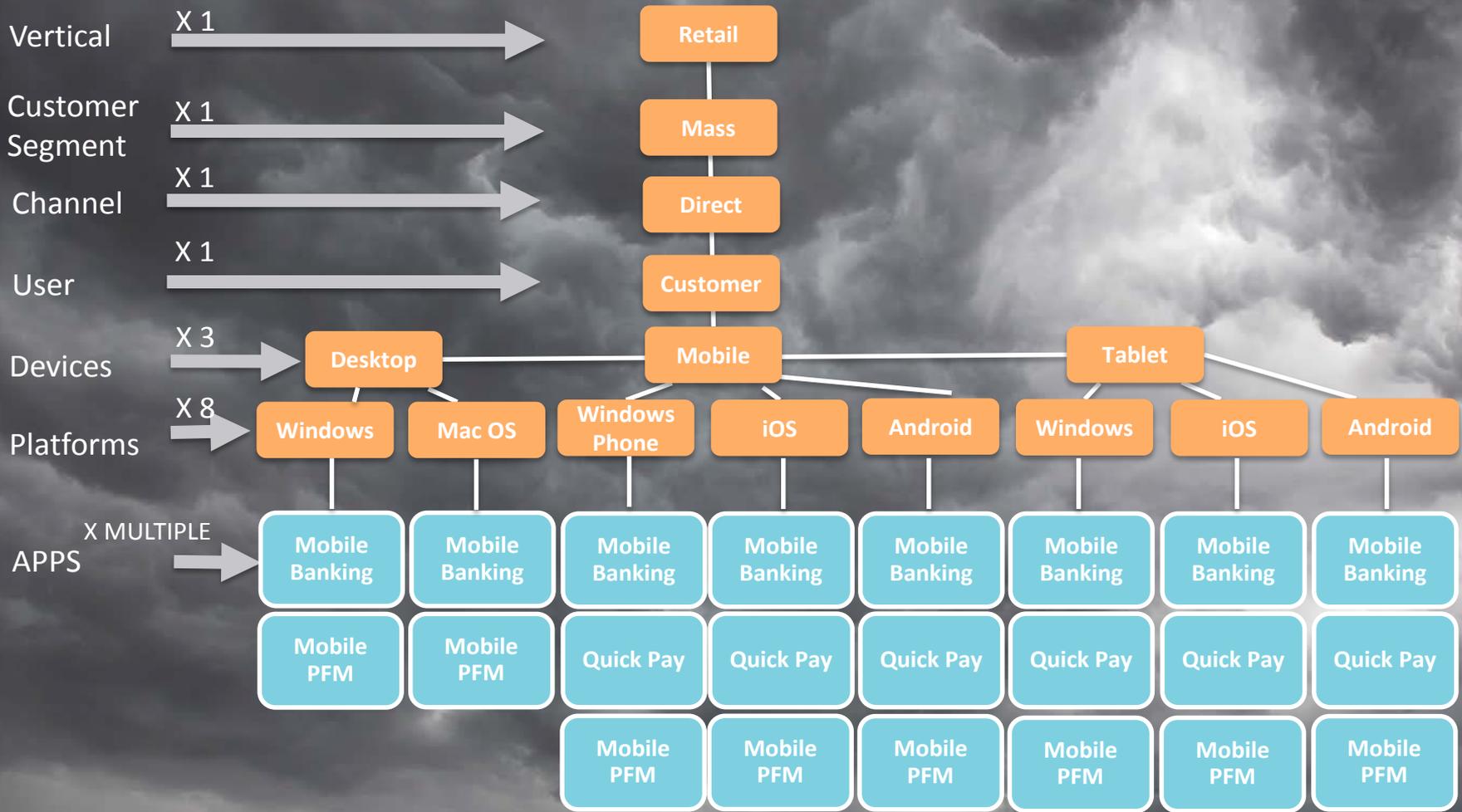
**Internet**

**Mobile**

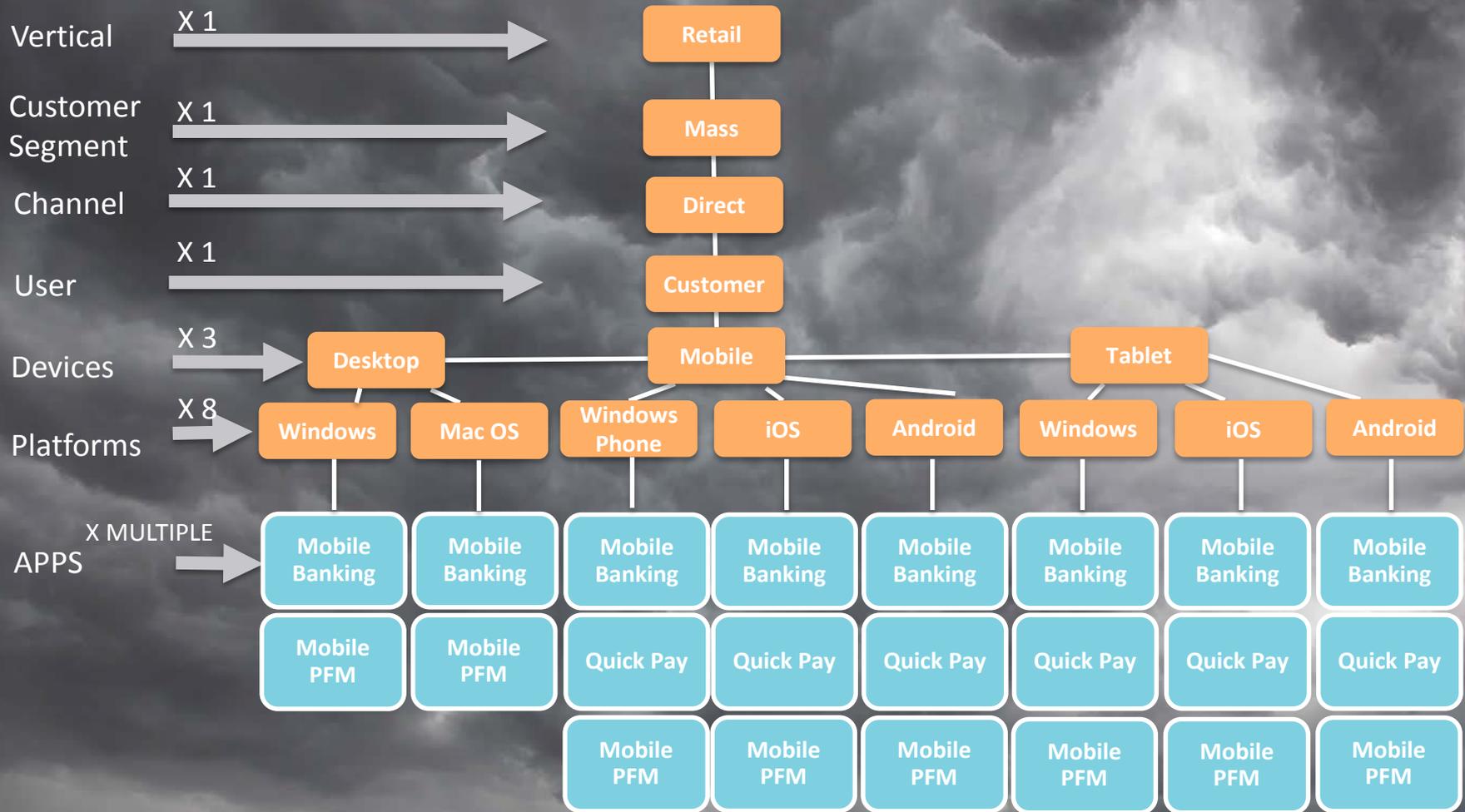
A storm is brewing with mobile development



# A storm is brewing with mobile development



# A storm is brewing with mobile development



“Without a different approach, in 5 years 80% of our budget today will be spent on maintenance” ... CIO Bank in APAC



Speed to market



Maintenance



Enhancements



Resources



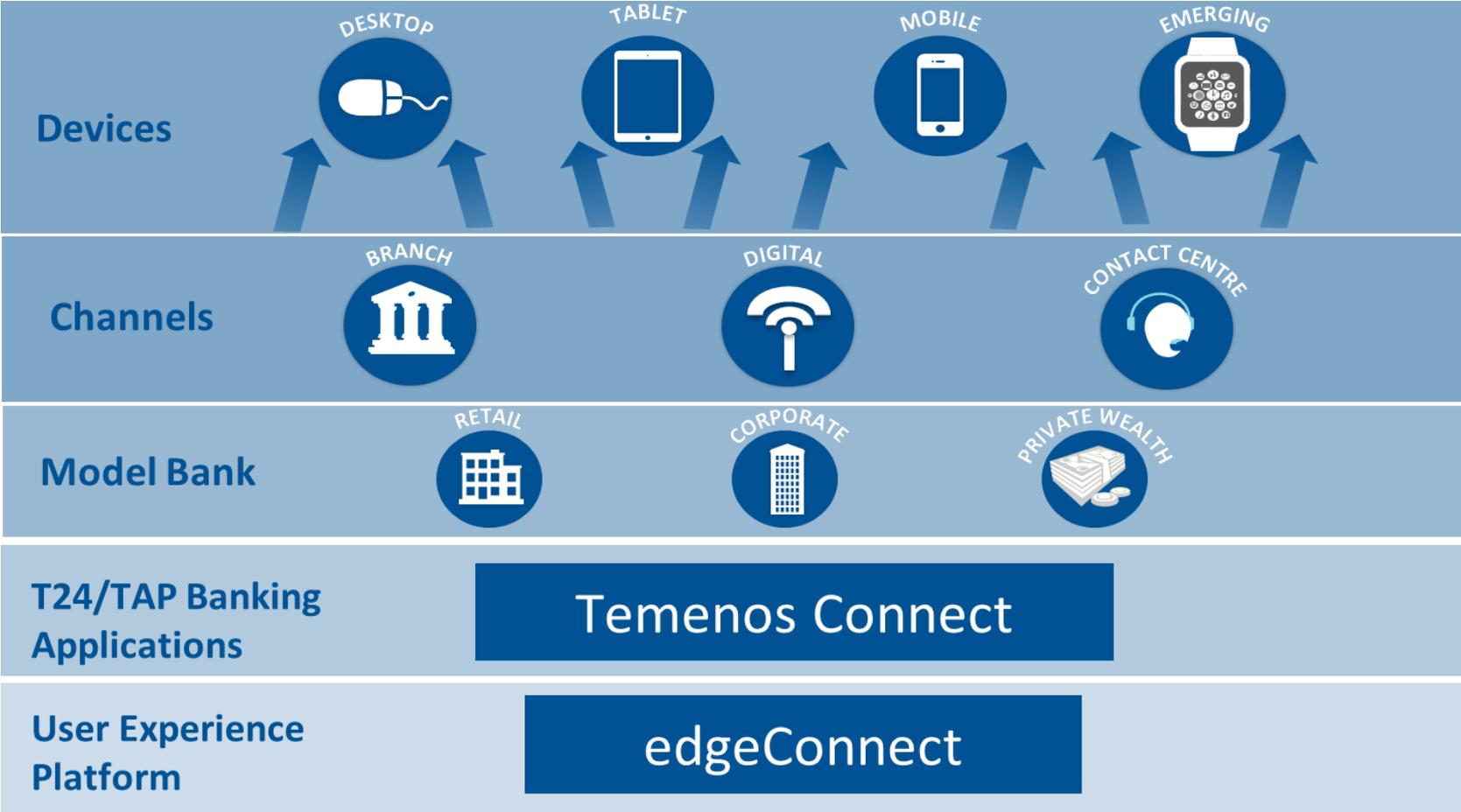
Scalability



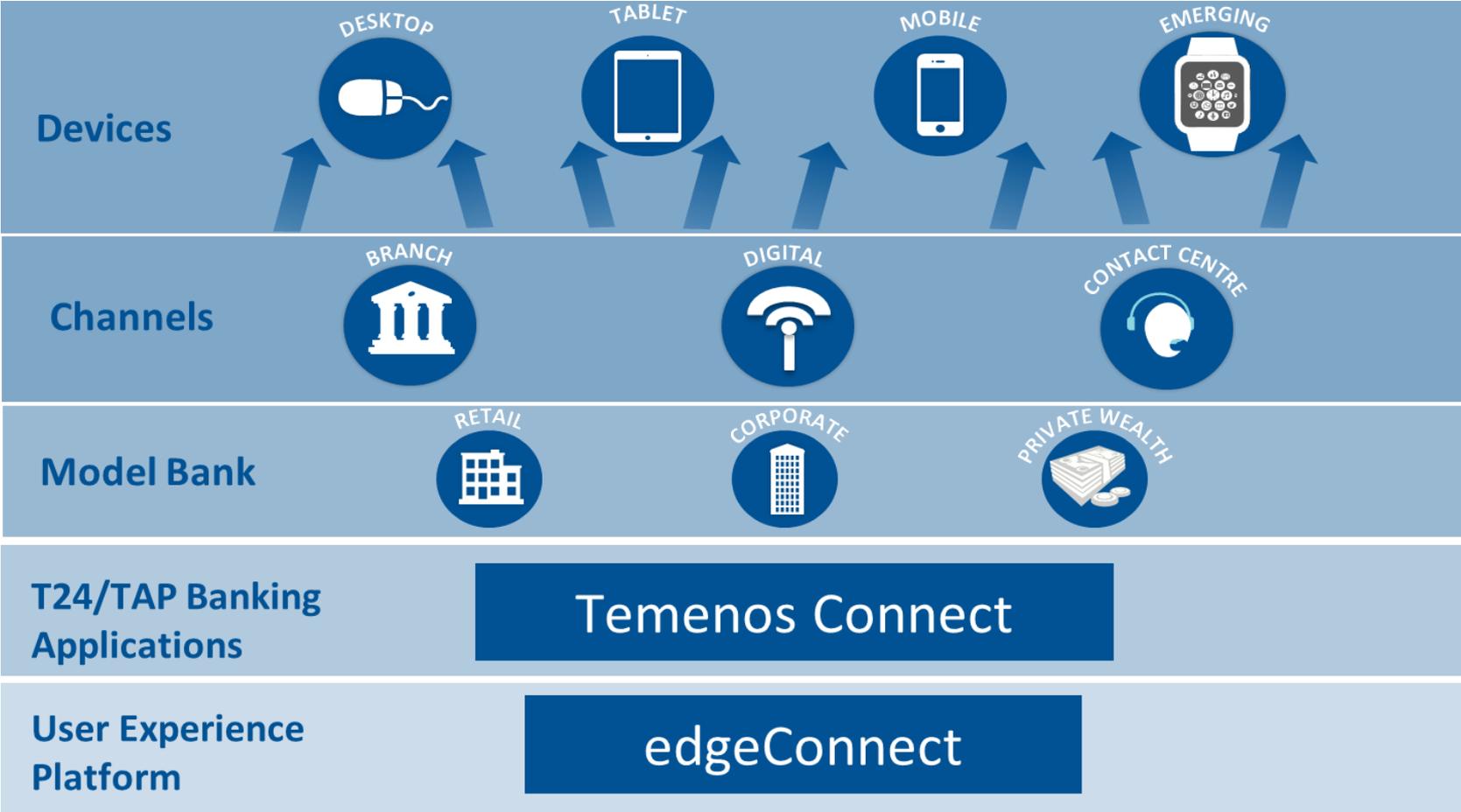
Emerging technologies



# A single UX Platform across all verticals, channels and devices...

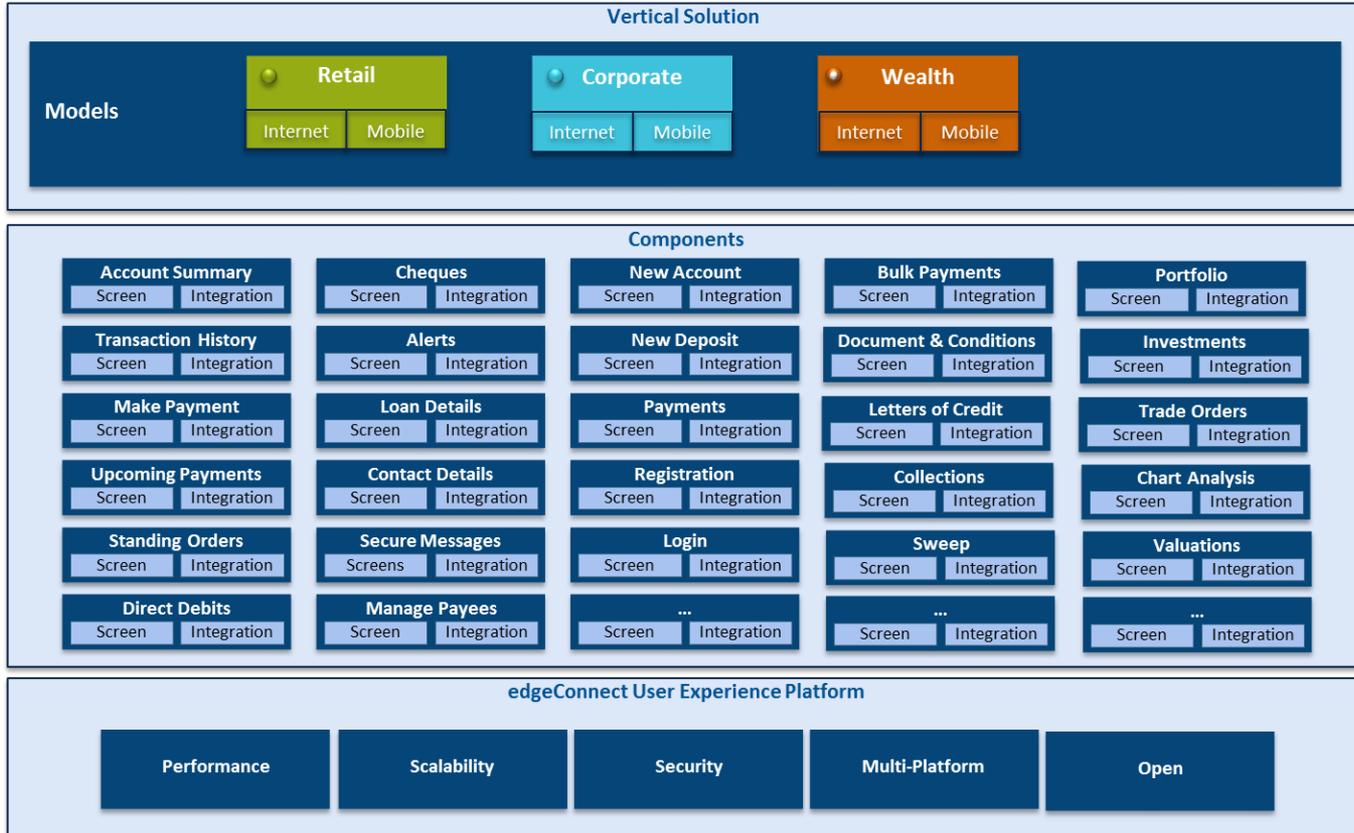


# A single UX Platform across all verticals, channels and devices...



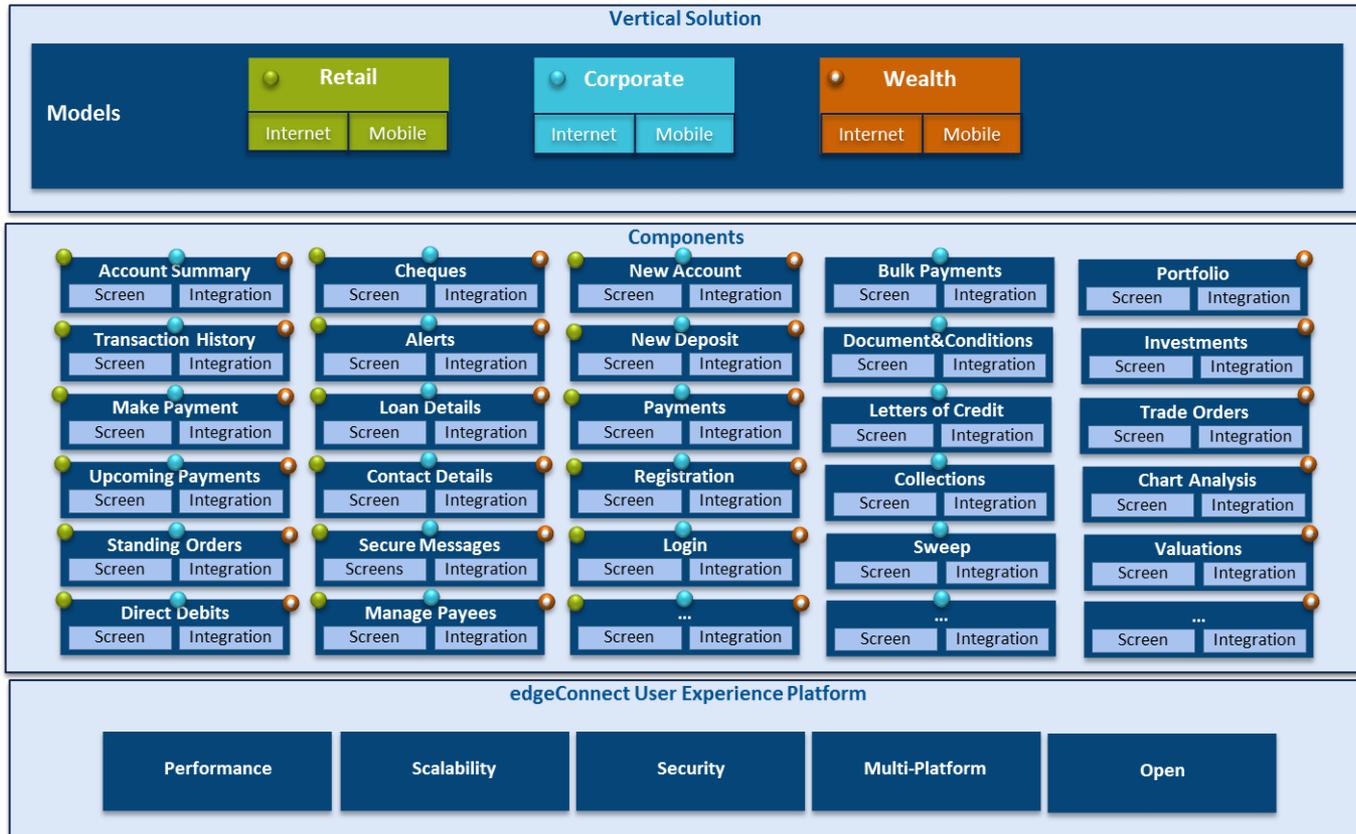
An industry first in core banking!

# Componetised solutions



Faster time to market, lower maintenance cost

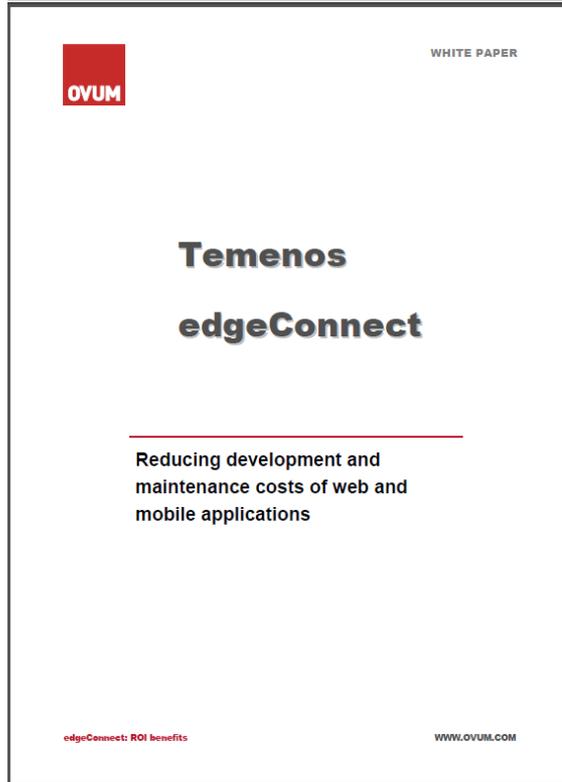
# Componetised solutions



Faster time to market, lower maintenance cost

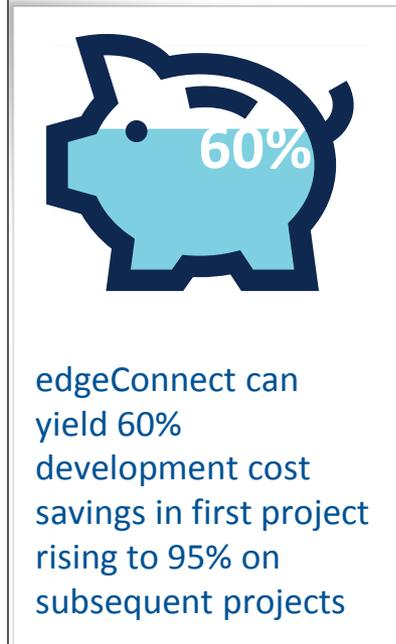
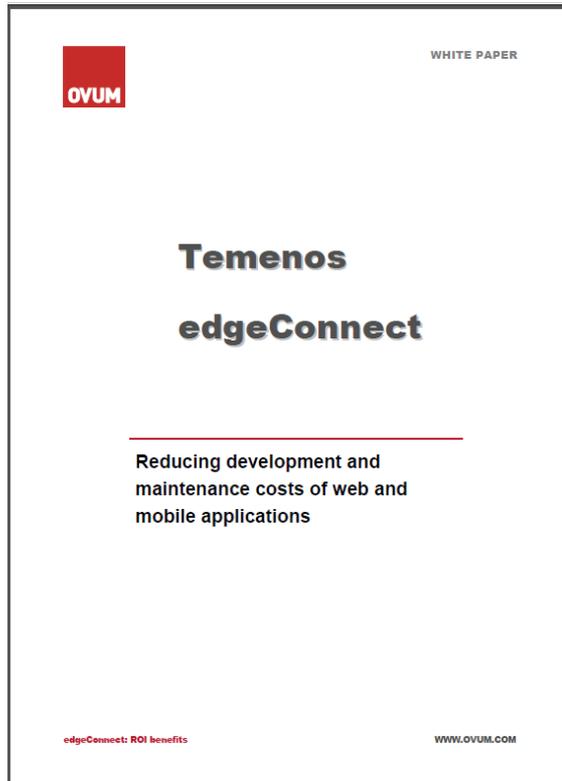
# Independently validated

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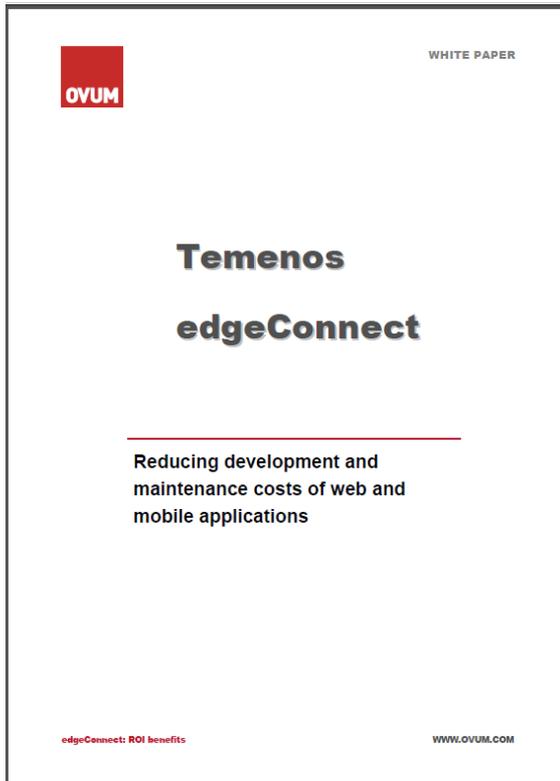
“Real world case studies reflect these savings” ... Ovum

# Independently validated



“Real world case studies reflect these savings” ... Ovum

# Independently validated



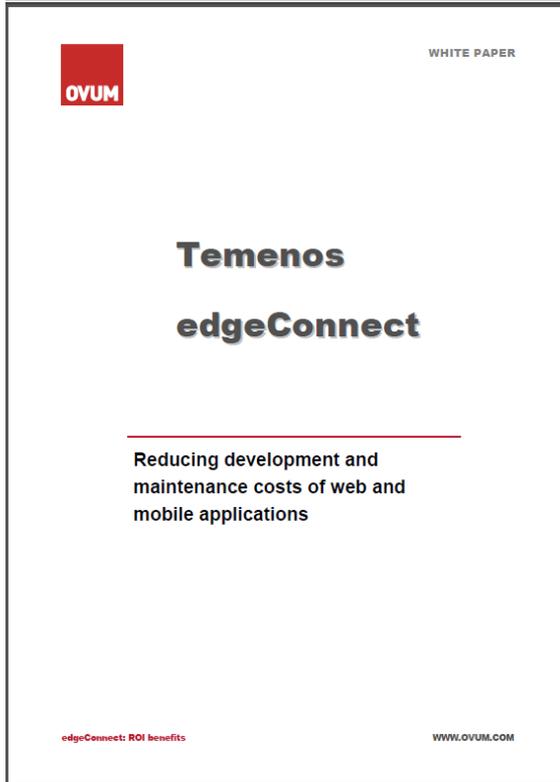
edgeConnect can yield 60% development cost savings in first project rising to 95% on subsequent projects



Speed to market can be accelerated by up to 4 x than traditional development approaches

“Real world case studies reflect these savings” ... Ovum

# Independently validated



WHITE PAPER

**OVUM**

**Temenos  
edgeConnect**

Reducing development and maintenance costs of web and mobile applications

edgeConnect: ROI benefits

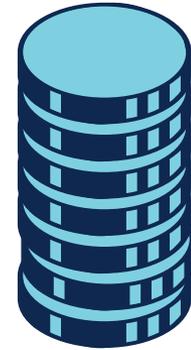
WWW.OVUM.COM



edgeConnect can yield 60% development cost savings in first project rising to 95% on subsequent projects



Speed to market can be accelerated by up to 4 x than traditional development approaches



The more edgeConnect is used, the greater the savings

“Real world case studies reflect these savings” ... Ovum



# Temenos Connect Mobile: A SmartHybrid solution

**Configurable** High fidelity / pixel perfect layout

**Native** Shells & skins for iOS, Android & Windows

**Device access** Access phone functionality: Camera, GPS, Phone Book...

**Dynamic** Screens & content

**High Performance** Intelligent caching mechanism

**Ease of Distribution** Dynamic updates, without loading new apps on store

The best of native and web apps in one solution

# Experience driven banking...



Banking for the segment of 1



# Summary

- Invested
- Exploited
- Innovated
- Expanding
- Leading

Experience driven banking



## Driving growth in North America

David Arnott, CEO, Temenos

Jay Mossman, Founder & CEO, Akcelerant

# The North American opportunity

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## The market backdrop

- The largest financial services market in the world
- Dominated by a few large vendors with little choice
- Rationalisation will result in fall out
- Legacy technology – batch processing, not real-time, inflexible, difficult to launch new products

## Temenos has a platform for significant growth

- Existing presence and expertise in US market and Canadian credit union market
- TriNovus provided scale and expertise in community banking
- US Model Bank now available
- Live reference customers for T24 and BI
- Strong pipeline for both on-premise and SaaS solutions

The foundations are in place for an acceleration of growth in North America



# Acquisition rationale

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- ✓ The US is a highly strategic market for Temenos
- ✓ Akcelerant is a market leading provider of collections software to US credit unions
- ✓ Client base of c.600 financial institutions including 18 of the top 25 US credit unions
- ✓ Leverages existing Canadian credit union experience and Temenos' US model bank providing a quick route to market
- ✓ Revenue synergies from selling the T24 credit union model bank together with full Temenos product suite
- ✓ Adds scale and accelerates our route to achieving critical mass in North America
- ✓ Impressive management team with deep experience of the US credit union market

A strategic fit for Temenos

# Overview of Akcelerant

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- A privately owned US provider of debt collection, loan/account origination, servicing, and profitability analysis software
- Founded in 2000 and headquartered Malvern, PA (outside of Philadelphia) with c.130 employees.
- Almost 600 financial institution customers with c.400 credit unions and c.130 banks
  - 60% penetration into credit unions over USD1 billion in assets
  - 18 of the top 25
- Strong financials
  - expected revenues of c.USD 15m in 2015
  - 75% recurring, subscription model
  - expected reach group margins by the end of 2017



Malvern, PA

An established US presence

# What Akcelerant brings to Temenos

## A leader in Credit Union software

- Established brand in US CU market
- Opportunity to introduce Temenos at the “C” level in CUs and sell Temenos products
- Experienced and impressive management team

## Complementary product portfolio

- Strong Collections product
- Already have interfaces / reports required for Collections and Consumer Lending
- Building product to enter the significant Origination market

## Strong organic growth

- Strong organic and inorganic growth since incorporation
- Significant revenue CAGR forecast between 2014 and 2017 driven by new targets and cross-selling

## High level of recurring revenues

- 75% of recurring revenues
- Minimal historic attrition

## Opportunities for synergies

- Opportunity for revenue synergies through cross selling T24 and other products to existing customers
- Some cost synergies in G&A

Ticking all of the boxes



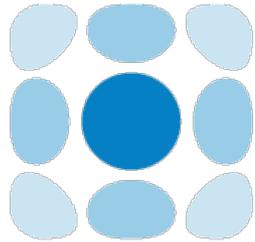
# Akcelerant's value proposition



Technology to improve relationships across an account's life cycle

# Product overview

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akcelerant  
**FRAMEWORK**



akcelerant  
*e*lements



akcelerant  
PROFIT**WISE**

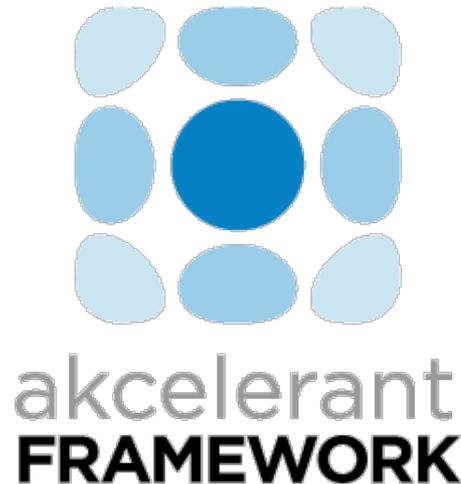


akcelerant  
**Spotlight**



# Akcelerant's products: Framework

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c.500 customers

Market focus on credit unions with USD  
250million in assets or greater

Direct sales staff plus alliances

Solution focused

- collections
- recovery
- consumer loan origination
- new account origination
- Service (ticketing)
- marketing - future

# Akcelerant's products: Elements

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c.100 customers

Market focus on

- credit unions with less than USD 250million in assets
- community and regional banks
- collections / recovery only

Sales through partnerships

- SWBC – White label called AutoPilot
- Allied – referral

# Akcelerant's products: Profitwise

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c.20 customers

Market focus on

- credit unions with USD 250million in assets or greater
- community and regional banks

Direct sales staff plus alliances

Solution focused

- costing
- profitability
- consulting

# Akcelerant's products: Spotlight

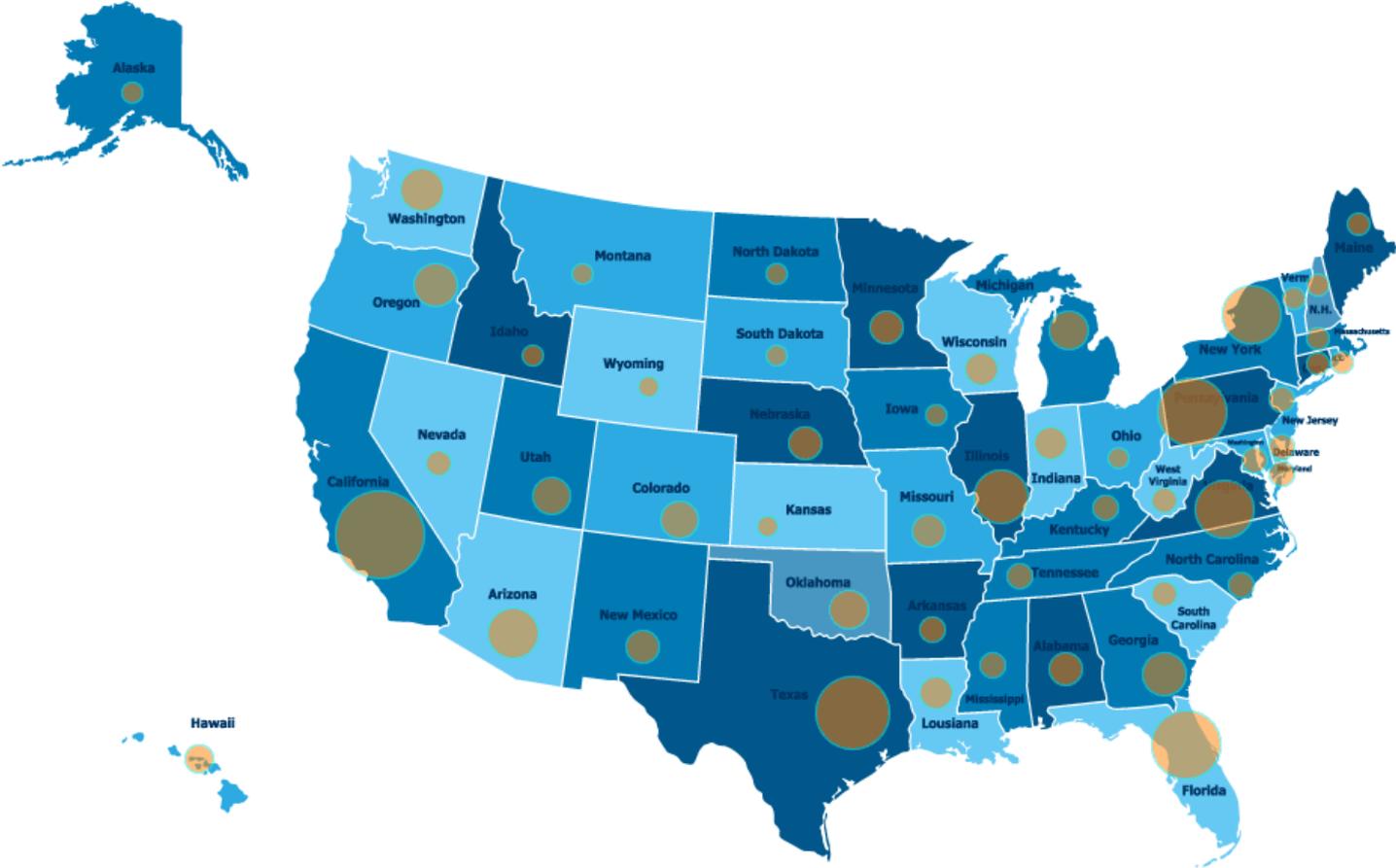
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Will be the data warehouse and analytics for all of Akcelerant's products

Benchmarking based on Akcelerant's product data

# Akcelerant's customer base



Presence across the US

# Akcelerant's growth strategy

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- Akcelerant has an large installed client base for its collections product, particularly amongst the larger credit unions (18 of the top 25)
- Its key growth drivers are:
  - expand collections to medium sized Credit Unions and Banks
  - develop new products to sell into the installed base and other Credit Unions
- The new products are also considered a natural hedge
  - in economic downturns, delinquency increases and financial firms invest in collection solutions
  - in times of growth they want to acquire customers and invest in lending and account origination products

Clear growth plans



# Go-to-market strategy

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- Increase client awareness around differentiators (real-time core, rich channels, state of the art product set)
- Launch branding campaign in the US following 2 acquisitions, live references and establishment of a strong management team
- Target installed base of US competitors in community banking and credit union markets using live T24 US references
- Cross-sell our other products into the installed bases of Trinovus and Akcelerant
- Offer both SaaS and on-premise deployment solutions to maximise addressable market
- Leverage strong partnerships in SIs and complementary solutions providers to increase sales bandwidth and campaign coverage
- Increase sales for Trinovus' and Akcelerant's existing products to increase cross-sale opportunity

A clear strategy to deliver



# Summary

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- The US is a highly strategic market for Temenos
- Leverages existing Canadian credit union experience and Temenos' US model bank
- Revenue synergies coming from building and selling the T24 credit union model bank together with full Temenos product suite
- Adds scale and accelerates our route to achieving critical mass in North America
- Impressive management team
- Adds additional annual recurring revenue

A natural fit for Temenos





Financials  
Max Chuard, CFO

## A recap of FY 2014 financial highlights

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- LFL total software licencing growth of 3%
- LFL maintenance growth of 6%
- 9% pts improvement in non-IFRS services margin taking margin to 5%
- Non-IFRS EBIT up 13% with margin of 27.3%
- Cashflows of USD 190.3m, up 12%
- Cash conversion of 113% with DSOs down 18 days in the year
- Strength of profit growth and cashflows supported 2014 buyback of USD 120m and supports 14% increase in dividend to CHF 0.40 (2013: CHF 0.35)

Weaker software licensing; strong profit and cash



## 2015 guidance

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**Total software licensing growth of 15% to 20%** (implying total software licensing revenue of USD 164m to USD 172m)

- includes **software licensing growth of 10%+** (implying software licensing revenue of at least 149m )

**Non-IFRS revenue growth of 8% to 13%** (implying revenue of USD 482m to USD 504m)

**Non-IFRS EBIT margin of 28.5%** (implying non-IFRS EBIT of USD 137m to USD 144m)\*

**100%+ conversion** of EBITDA into operating cashflow

**Tax rate of 17% to 18%**

- Growth at constant currency
- Includes impact of Akcelerator acquisition

**Strong growth in 2015**



# Updated medium term targets

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Non-IFRS revenue growth of 5% to 10% pa (was 5%+) with

- total software licensing growth of 15%+
- services contributing c.20% of group revenue (was 20% to 25%)

Non-IFRS EBIT margin improvement of 100 to 150bps on average pa

Cash conversion over 100% pa

DSOs reducing by 10 to 15 days pa

Tax rate of 17% to 18%

Updated medium term targets



# Growth in 2015 and beyond

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## By geography

- All regions in growth
- Europe performing solidly
- Strong growth from MEA driven by leadership in Islamic
- APAC and Americas biggest contributors to growth (with APAC benefitting in 2015 from Q4 2014 slippage)

## By product

- All products in growth
- Core banking continuing to grow solidly
- Strong growth in BI and Wealth
- Very strong growth in Channels
- Increasing contribution from Payments

## By new deals / add-ons to installed base

- New deals / add-ons to contribute broadly equally to growth
- New deals expected to be strong in improving markets
- Add-ons driven by focussed account management and relicensing opportunity

## Relicensing

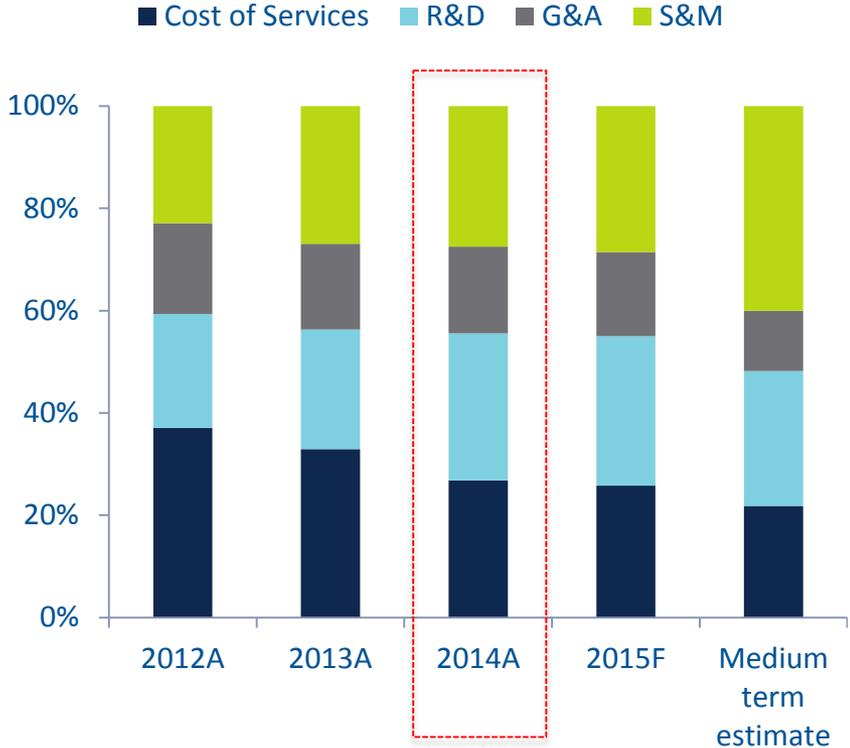
- Provides opportunity to engage
- Hard to distinguish between relicensing and new sales so will not separately disclose
- Increasing contribution from relicensing each year

Multiple levers for growth



# A view on costs

## Cost breakdown



- Cost of services falling as % of revenue: focus on “premium” services and leveraging fixed costs
- R&D falling as % of revenue (although increasing in actual amounts)
- G&A falling as % of revenue: leveraging fixed costs of running an already global business
- S&M rising as % of revenue: significant investment drives licencing growth

Cost base moving towards target model

# Year-on-year margin expansion

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100-150bps of margin expansion on average per annum in the medium term

Medium term margin improvement to be driven by

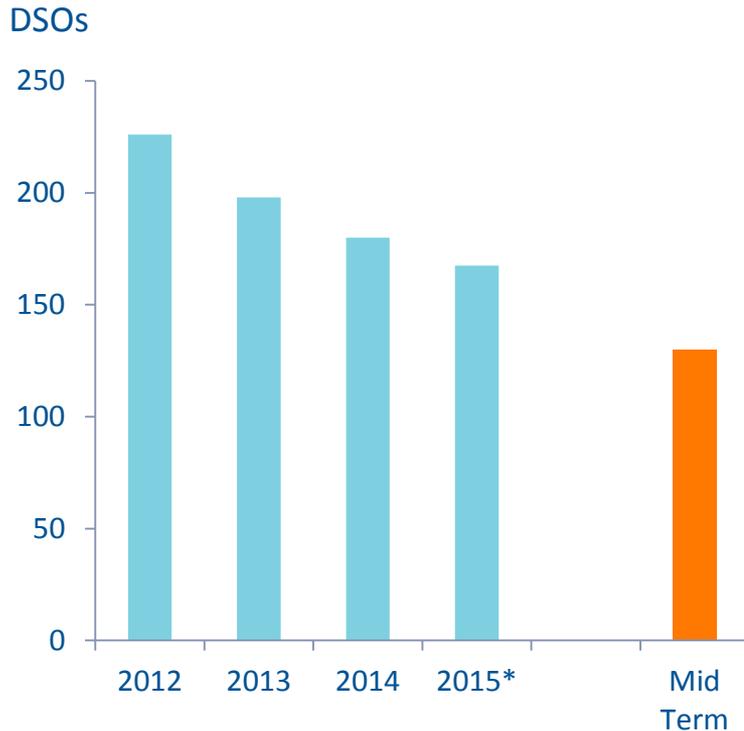
- economies of scale – leveraging R&D and G&A
- improving services margin

Licence growth funds investment; incremental maintenance delivers growth in profit

Significant margin expansion



# High quality earnings



\* 2015 DSOs based on reduction of 12.5 days, at the midpoint of guidance

100%+ conversion of EBITDA into operating cashflow

10 to 15 days reduction in DSOs per annum driven by

- reducing implementation time
- continued expansion of partner programme

Significant growth in operating cash, coupled with an efficient tax and financing structure, to drive free cashflow

DSOs expected to reach 130 in medium term



# Financial flexibility

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## Use of funds

Temenos is highly cash generative with a strong balance sheet which enables investment in the business as well significant cash return to shareholders

Preference for M&A over returning additional capital to shareholders, providing suitable acquisition opportunities exist

## Leverage

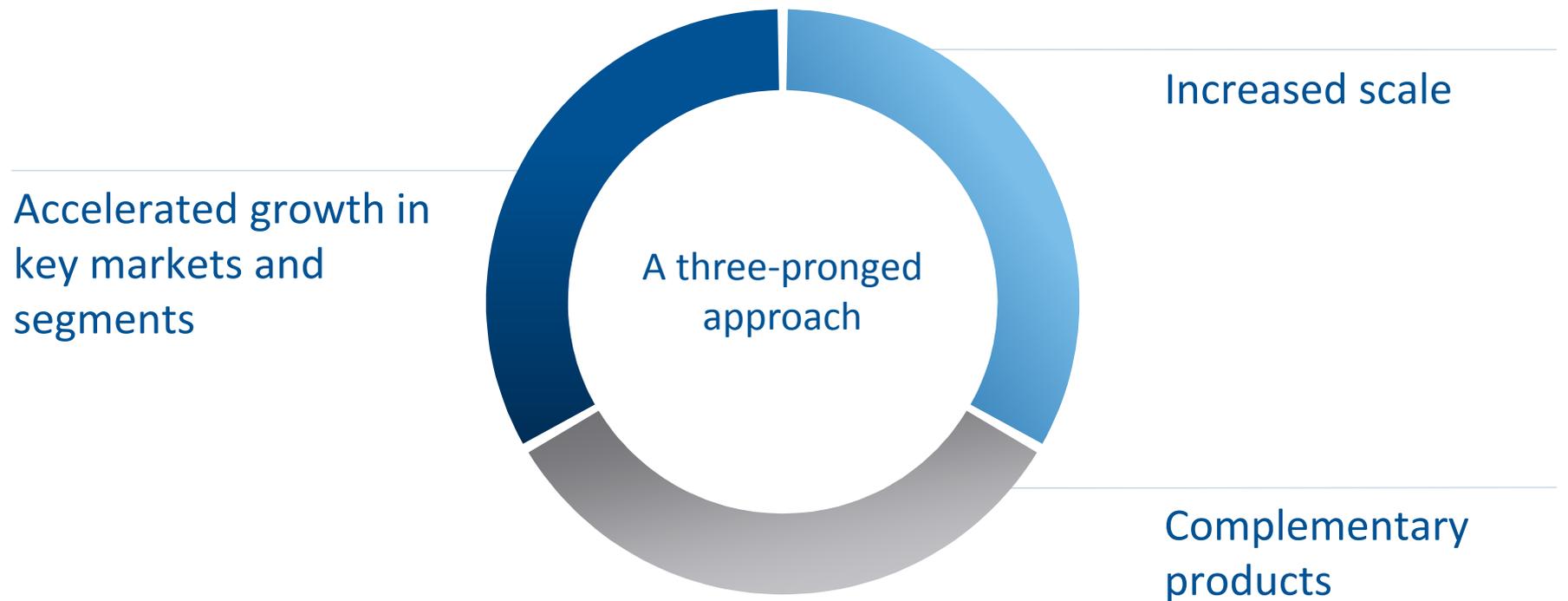
Temenos has significant flexibility

- currently c.1.0x leveraged following the acquisition of Akcelerant
- 1.0x to 1.5x optimal but would increase for acquisitions if clear path to deleveraging
- leverage is constantly reviewed to ensure efficiency

Significant financial flexibility to achieve corporate objectives



# A three-pronged approach to M&A



# M&A criteria and pipeline

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## Strong financial metrics

- EPS accretive within 12 months
- IRR of at least 13%

## Most attractive and synergistic areas are

- Core banking
- Payments
- Wealth management / asset management
- SaaS / Cloud

## Good pipeline of opportunities

- Broad geographic and market spread
- Range of values, with “sweet spot” of c.USD 100m of revenues but would do larger deals of strategic importance

A disciplined and selective approach to M&A



# Key takeaways

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- The structural drivers for technology renewal are stronger than ever
- We are extremely well placed with the best products and record of customer success
- We are executing against a very clear strategy
- We are focussing on key strategic initiatives
- We expect strong software licensing growth with an increasing recurring revenue base
- Revenue growth and good cost control will drive earnings growth and cash generation

Executing well in a structurally growing market





Thank you  
[www.temenos.com](http://www.temenos.com)