

Temenos announces strong start to 2016 with Q1 total software licensing revenues up 53%

GENEVA, Switzerland, 19 April 2016 – Temenos Group AG (SIX: TEMN), the market leading provider of mission-critical software to financial institutions globally, today reports its first quarter 2016 results.

<i>USDm, except EPS</i>	Non-IFRS				IFRS			
	Q1 2016	Q1 2015	Change	CC*	Q1 2016	Q1 2015	Change	CC*
Software licencing	26.9	20.0	34%	36%	26.9	20.0	35%	36%
Software-as-a-Service	12.3	5.8	111%	108%	12.0	3.9	209%	204%
Total software licencing	39.2	25.9	51%	53%	38.9	23.9	63%	64%
Maintenance	60.5	55.6	9%	10%	60.5	55.5	9%	10%
Services	29.6	22.7	30%	33%	29.6	22.7	31%	34%
Total revenues	129.4	104.3	24%	26%	129.1	102.0	27%	28%
EBIT	22.2	16.4	35%	29%	12.4	4.0	208%	155%
EBIT margin	17.2%	15.8%	1.4% pts	0.4% pts	9.6%	4.0%	5.7% pts	4.9% pts
EPS (USD)	0.21	0.18	17%		0.09	0.01	800%	

The definition of non-IFRS adjustments is below and a full reconciliation of IFRS to non-IFRS results can be found in Appendix II

* Constant currency (c.c.) adjusts prior year for movements in currencies

Q1 2016 highlights

- Strong start to 2016 across all KPIs
- Digitisation and cost focus continue to drive bank decision making
- Continued progress on larger deals, key milestones achieved
- Committed spend from progressive renovation and Q1 activity driving increased revenue visibility for 2016
- Very strong pipeline, giving confidence in 2016 guidance
- Refinancing in Q1 2016 increases flexibility for future growth opportunities

Q1 2016 financial summary

- Non-IFRS total software licencing up 53% (c.c.) and IFRS total software licencing up 64% (c.c.) Y-o-Y
- Non-IFRS maintenance growth of 10% (c.c.) and IFRS maintenance growth of 10% (c.c.) Y-o-Y
- Non-IFRS services margin improvement of 140bps in Y-o-Y
- Non-IFRS EBIT up 29% (c.c.) and IFRS EBIT up 155% (c.c.) Y-o-Y
- Non-IFRS EPS increase of 17% and IFRS EPS increase of 800% Y-o-Y
- Q1 2016 LTM cash conversion of 131%
- DSOs down 32 days Y-o-Y

Commenting on the results, **Temenos CEO David Arnott said:**

“I am very pleased with the strong start we have had to 2016. We have seen excellent performance across all KPIs be it sales, operational or financial. The level of activity in Q1 demonstrates that financial institutions continue to embark on transformational IT renovation, with the digitisation trend and focus on costs putting ever more pressure on banks to upgrade their IT platforms.

In this environment, our value proposition of packaged, upgradeable software is resonating with our clients. We saw good growth across all regions and our pipeline for 2016 remains very strong. The significant number of implementations in the quarter are also a testament to our ability to deliver customer success. We continue to take market share and are proud once again to be recognised as the leading provider of software to financial institutions by the independent industry analysts in 2016.”

Commenting on the results, **Temenos CFO and COO Max Chuard said:**

“Our growth in revenue, profitability and cash generation has been excellent in Q1, reflecting the strength of our business model and the momentum we have in the market. We continue to make good progress with larger financial institutions embarking on progressive renovation, which has helped to maintain our high levels of revenue visibility for the coming quarters and the medium term. The refinancing we carried out in Q1 2016 has also increased our balance sheet flexibility for future growth opportunities. Given the strong start to 2016 and our healthy pipeline, we are confident in reconfirming our guidance for 2016.”

Revenue

IFRS revenue for the quarter was USD 129.1m, up from USD 102.0m in Q1 2015. Non-IFRS revenue was USD 129.4m for Q1 2016 up from USD 104.3m in Q1 2015, representing an absolute increase of 24% and 26% in constant currencies. IFRS total software licensing revenue for the quarter was USD 38.9m, and non-IFRS total software licensing revenue for the quarter was USD 39.2m, up 51% from Q1 2015 on a reported basis and 53% in constant currencies.

EBIT

IFRS EBIT was USD 12.4m this quarter. Non-IFRS EBIT was USD 22.2m in Q1 2016, 29% higher than in Q1 2015 in constant currencies, with a Q1 2016 non-IFRS EBIT margin of 17.2%, up 1.4% points on Q1 2015.

Earnings per share (EPS)

IFRS EPS for the quarter was USD 0.09 vs. USD 0.01 in Q1 2015. Non-IFRS EPS was 0.21 in Q1 2016, an increase of 17% vs Q1 2015.

Pre-tax operating cash

IFRS operating cash was an inflow of USD 23.9m in Q1 2016 compared to USD 10.1m in Q1 2015. For LTM to March 2016, operating cash was USD 240.9m representing a conversion of 131% of IFRS EBITDA into operating cash.

2016 guidance

The company reaffirms its outlook for the year as follows*:

- Non-IFRS total software licensing growth at constant currencies of 10% to 15% (implying non-IFRS total software licensing revenue of USD 234m to USD 245m)
- Non-IFRS revenue growth at constant currencies of 7.5% to 11.0% (implying non-IFRS revenue of USD 594m to USD 614m)
- Non-IFRS EBIT at constant currencies of USD 180m to 185m (implying non-IFRS EBIT margin of c.30%)
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 17% to 18%

*Assumes FX rates as disclosed in Q1 2016 results presentation - <https://www.temenos.com/en/about-temenos/investor-relations>)

Conference call

At 18.30 CET / 17.30 GMT / 12.30 EST, today, 19 April 2016, David Arnott, CEO, and Max Chuard, CFO and COO, will host a conference call to present the results and offer an update on the business outlook. Listeners can access the conference call using the following dial in numbers:

0800 001 184	(Swiss Free Call)
1 866 904 9433	(USA Free Call)
0800 279 7058	(UK Free Call)
+44 (0) 1452 580 111	(UK and International)

Conference ID # 90929134

A transcript will be made available on the Company website 48 hours after the call. Presentation slides for the call can be accessed using the following link: <http://www.temenos.com/en/about-temenos/investor-relations/results-and-presentations/>.

Non-IFRS financial information

Readers are cautioned that the supplemental non-IFRS information presented in this press release is subject to inherent limitations. It is not based on any comprehensive set of accounting rules or principles and should not be considered as a substitute for IFRS measurements. Also, the Company's supplemental non-IFRS financial information may not be comparable to similarly titled non-IFRS measures used by other companies. In the reconciliation of IFRS to non-IFRS found in Appendix II, the Company sets forth the most comparable IFRS financial measure and reconciliations of this information with non-IFRS information. The Company's non-IFRS figures exclude any deferred revenue write-down resulting from acquisitions, discontinued activities that do not qualify as such under IFRS, acquisition related charges such as advisory fees and integration costs, charges as a result of the amortisation of acquired intangibles, costs incurred in connection with a restructuring plan implemented and controlled by management, and adjustments made to reflect the associated tax charge relating to the above items.

Below are the accounting elements not included in the 2016 non-IFRS guidance:

- FY 2016 estimated amortisation of acquired intangibles of USD 35m
- FY 2016 estimated restructuring costs of USD 4m

Restructuring costs include completion of Multifonds integration and realising R&D efficiencies in acquired products. These estimates do not include impact of any further acquisitions or restructuring programmes commenced after 19 April 2016.

The above figures are estimates only and may deviate from expected amounts.

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About Temenos

Temenos Group AG (SIX: TEMN), headquartered in Geneva, is a market leading software provider, partnering with banks and other financial institutions to transform their businesses and stay ahead of a changing marketplace. Over 2,000 firms across the globe, including 38 of the top 50 banks, rely on Temenos to process the daily transactions of more than 500 million banking customers. Temenos customers are proven to be more profitable than their peers: in the period 2008-2014, they enjoyed on average a 31% higher return on assets, a 36% higher return on equity and an 8.6 percentage point lower cost/income ratio than banks running legacy applications.

For more information please visit www.temenos.com

Appendix I – Q1 2016 IFRS primary statements
TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 31 March 2016	Three months to 31 March 2015	Twelve months to 31 March 2016	Twelve months to 31 March 2015
Revenues				
Software licensing	26,898	19,996	179,853	129,885
SaaS & subscription	12,020	3,894	34,577	10,111
Total software licensing	38,918	23,890	214,430	139,996
Maintenance	60,549	55,456	239,050	225,025
Services	29,643	22,674	116,114	96,136
Total revenues	129,110	102,020	569,594	461,157
Operating expenses				
Sales and marketing	22,850	20,711	108,020	88,466
Services	28,888	23,044	107,364	90,190
Software development and maintenance	45,379	35,446	171,110	115,846
General and administrative	19,554	18,777	77,945	61,686
Total operating expenses	116,671	97,978	464,439	356,188
Operating profit	12,439	4,042	105,155	104,969
Other expenses				
Net interest expenses	(4,168)	(3,508)	(16,606)	(10,986)
Borrowing facility expenses	(384)	(515)	(1,441)	(1,703)
Foreign exchange loss	(741)	821	(2,718)	599
Total other expenses	(5,293)	(3,202)	(20,765)	(12,090)
Profit before taxation	7,146	840	84,390	92,879
Taxation	(1,001)	(122)	(12,619)	(12,323)
Profit for the period	6,145	718	71,771	80,556
Earnings per share (in US\$):				
basic	0.09	0.01	1.08	1.20
diluted	0.09	0.01	1.03	1.17
non-IFRS	0.21	0.18	1.79	1.43

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	31 March 2016	31 December 2015	31 March 2015
Assets			
Current assets			
Cash and cash equivalents	113,603	193,252	106,405
Trade receivables	228,670	221,828	212,490
Other receivables	35,707	25,734	36,048
<i>Total current assets</i>	<u>377,980</u>	<u>440,814</u>	<u>354,943</u>
Non-current assets			
Property, plant and equipment	15,145	15,610	17,621
Intangible assets	749,979	737,998	723,925
Trade receivables	12,652	13,865	19,186
Other receivables	3,628	3,380	4,153
Deferred tax assets	19,105	17,307	22,158
<i>Total non-current assets</i>	<u>800,509</u>	<u>788,160</u>	<u>787,043</u>
Total assets	<u><u>1,178,489</u></u>	<u><u>1,228,974</u></u>	<u><u>1,141,986</u></u>
Liabilities and equity			
Current liabilities			
Trade and other payables	117,618	104,019	89,825
Deferred revenues	207,808	213,197	171,115
Income tax liabilities	26,001	24,683	10,564
Borrowings	5,222	15,011	147,163
<i>Total current liabilities</i>	<u>356,649</u>	<u>356,910</u>	<u>418,667</u>
Non-current liabilities			
Borrowings	388,278	445,441	365,864
Deferred tax liabilities	22,847	23,181	29,049
Income taxes payable	1,765	1,765	1,782
Trade and other payables	15,992	18,472	1,814
Retirement benefit obligations	8,458	7,908	6,409
<i>Total non-current liabilities</i>	<u>437,340</u>	<u>496,767</u>	<u>404,918</u>
Total liabilities	<u><u>793,989</u></u>	<u><u>853,677</u></u>	<u><u>823,585</u></u>
Shareholders' equity			
Share capital	225,398	210,774	228,357
Treasury shares	(4,783)	(19,686)	(148,464)
Share premium and capital reserves	(175,345)	(148,516)	(60,147)
Fair value and other reserves	(109,724)	(110,084)	(108,513)
Retained earnings	448,954	442,809	407,168
Total equity	<u><u>384,500</u></u>	<u><u>375,297</u></u>	<u><u>318,401</u></u>
Total liabilities and equity	<u><u>1,178,489</u></u>	<u><u>1,228,974</u></u>	<u><u>1,141,986</u></u>

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	Three months to 31 March 2016	Three months to 31 March 2015	Twelve months to 31 March 2016	Twelve months to 31 March 2015
Cash flows from operating activities				
Profit before taxation	7,146	840	84,390	92,879
<u>Adjustments:</u>				
Depreciation and amortisation	19,273	15,014	78,720	52,036
Other non-cash and non-operating items	7,756	6,228	49,102	23,204
<u>Changes in working capital:</u>				
Trade and other receivables	(4,175)	956	(17,678)	14,628
Trade and other payables, and retirement benefit obligations	4,233	(1,049)	17,139	(11,883)
Deferred revenues	(10,368)	(11,871)	29,268	9,230
<i>Cash generated from operations</i>	23,865	10,118	240,941	180,094
Income taxes paid	(2,752)	(4,101)	(9,541)	(8,572)
Net cash generated from operating activities	21,113	6,017	231,400	171,522
Cash flows from investing activities				
Purchase of property, plant and equipment	(740)	(1,720)	(5,206)	(6,210)
Disposal of property, plant and equipment	-	-	-	3
Purchase of intangible assets	(1,086)	(810)	(4,223)	(3,924)
Disposal of intangible assets	-	-	-	2,000
Capitalised development costs	(10,825)	(10,294)	(45,824)	(43,798)
Acquisitions of subsidiary, net of cash acquired	(1,581)	(297,878)	(1,430)	(297,878)
Disposal of subsidiary or business, net of cash disposed	-	8	26	51
Settlement of financial instruments	(2,336)	(81)	(414)	3,812
Interest received	27	16	79	65
Net cash used in investing activities	(16,541)	(310,759)	(56,992)	(345,879)
Cash flows from financing activities				
Dividend paid	-	-	(28,605)	(26,633)
Acquisition of treasury shares	-	-	-	(119,948)
Proceeds from/(repayments of) borrowings	(79,425)	225,965	(316,623)	227,943
Proceeds from issuance of bonds	-	-	190,568	(23)
Interest paid	(2,336)	(2,393)	(9,792)	(8,174)
Payment of other financing costs	(4,517)	(962)	(5,730)	(2,335)
Payment of finance lease liabilities	-	(25)	(6)	(111)
Net cash (used in)/generated from financing activities	(86,278)	222,585	(170,188)	70,719
Effect of exchange rate changes	2,057	(4,048)	2,978	(10,246)
Net (decrease)/increase in cash and cash equivalents in the period	(79,649)	(86,205)	7,198	(113,884)
Cash and cash equivalents at the beginning of the period	193,252	192,610	106,405	220,289
Cash and cash equivalents at the end of the period	113,603	106,405	113,603	106,405



Appendix II – reconciliation of IFRS to non-IFRS Q1 2016 Income Statement

Readers are cautioned that the supplemental non-IFRS information presented in this press release is subject to inherent limitations. It is not based on any comprehensive set of accounting rules or principles and should not be considered as a substitute for IFRS measurements. Also, the Company's supplemental non-IFRS financial information may not be comparable to similarly titled non-IFRS measures used by other companies.

To compensate for these limitations, the supplemental non-IFRS financial information should not be read in isolation, but only in conjunction with the Company's consolidated financial statements prepared in accordance with IFRS.

IFRS - Non-IFRS Reconciliation Thousands of US Dollars	3 Months Ending 31 March						Change	
	2016 IFRS	Adjustment	2016 Non-IFRS	2015 IFRS	Adjustment	2015 Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	38,918	265	39,183	23,890	1,993	25,883	63%	51%
Maintenance	60,549		60,549	55,456	181	55,637	9%	9%
Services	29,643		29,643	22,674	76	22,750	31%	30%
Total Revenue	129,110	265	129,375	102,020	2,250	104,270	27%	24%
Total Operating Expenses	(116,671)	9,516	(107,155)	(97,978)	10,144	(87,834)	19%	22%
Restructuring	(1,586)	1,586	-	(6,484)	6,484	-	(76%)	
Amort of Acquired Intangibles	(7,930)	7,930	-	(3,660)	3,660	-	117%	
Operating Profit	12,439	9,781	22,220	4,042	12,394	16,436	208%	35%
Operating Margin	10%		17%	4%		16%		
Financing Costs	(5,293)		(5,293)	(3,202)		(3,202)	65%	65%
Taxation	(1,001)	(1,200)	(2,201)	(122)	(980)	(1,102)	720%	100%
Net Earnings	6,145	8,581	14,726	718	11,414	12,132	756%	21%
EPS (\$ per Share)	0.09	0.12	0.21	0.01	0.17	0.18	800%	17%