

## Temenos announces outstanding Q2 with total software licensing revenues up 25%

GENEVA, Switzerland, 20 July 2016 – Temenos Group AG (SIX: TEMN), the market leading provider of mission-critical software to financial institutions globally, today reports its second quarter 2016 results.

<i>USDm, except EPS</i>	Non-IFRS				IFRS			
	Q2-16	Q2-15	Change	CC*	Q2-16	Q2-15	Change	CC*
Software licensing	47.8	36.8	30%	31%	47.8	36.7	30%	31%
Software-as-a-Service	12.6	11.7	8%	7%	12.4	7.0	78%	74%
<b>Total software licensing</b>	<b>60.4</b>	<b>48.4</b>	<b>25%</b>	<b>25%</b>	<b>60.1</b>	<b>43.7</b>	<b>38%</b>	<b>38%</b>
Maintenance	61.2	58.2	5%	7%	61.2	57.7	6%	7%
Services	32.2	25.8	25%	25%	32.2	25.7	25%	26%
<b>Total revenues</b>	<b>153.8</b>	<b>132.4</b>	<b>16%</b>	<b>17%</b>	<b>153.6</b>	<b>127.1</b>	<b>21%</b>	<b>22%</b>
<b>EBIT</b>	<b>38.7</b>	<b>31.7</b>	<b>22%</b>	<b>19%</b>	<b>28.9</b>	<b>12.5</b>	<b>131%</b>	<b>115%</b>
<b>EBIT margin</b>	25.2%	23.9%	1% pts	0% pts	18.8%	9.9%	9% pts	8% pts
<b>EPS (USD)</b>	<b>0.42</b>	<b>0.36</b>	<b>17%</b>		<b>0.29</b>	<b>0.10</b>	<b>190%</b>	

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

### Q2 2016 highlights

- Outstanding performance across all KPIs
- Total software licensing up 25% for the quarter, driven by strong license growth of 31% y-o-y
- Digitisation and cost focus continue to drive bank decision making
- Leadership in Wealth with signing of Standard Chartered Bank and Banque Internationale à Luxembourg (BIL)
- Leadership in Retail with signing of Laurentian Bank and BIL
- Strong start to Q3 resulting in record level of revenue visibility for Q3 and FY 2016
- Very strong pipeline, significant breadth and depth of deals
- Expect to achieve high end of FY 2016 guidance

### Q2 2016 financial summary

- Non-IFRS total software licensing up 25% (c.c.) and IFRS total software licensing up 38% (c.c.) Y-o-Y
- Non-IFRS maintenance growth of 7% (c.c.) and IFRS maintenance growth of 7% (c.c.) Y-o-Y
- Non-IFRS EBIT up 19% (c.c.) and IFRS EBIT up 115% (c.c.) Y-o-Y
- Non-IFRS EPS increase of 17% and IFRS EPS increase of 190% Y-o-Y
- Q2 2016 LTM cash conversion of 130%
- DSOs down 46 days Y-o-Y

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

“Q2 has been an excellent quarter on the back of a strong Q1, and the business continues to perform well across all KPIs. The level of sales activity has remained very high, particularly in Developed Markets, and we have seen banks across all tiers and segments commencing significant IT renovation projects. I am particularly pleased with the continued growth in revenues from Tier 1 and 2 clients, which demonstrates the scalability of the product and the traction we have with the world's largest banks.

We signed a number of highly strategic deals, most notably Standard Chartered Bank, Laurentian Bank and Banque Internationale à Luxembourg, and we continue to take market share in a growing market. The structural pressures of digitisation and cost focus mean banks are continuing to press ahead with upgrading their IT platforms. In particular, we have a win rate of nearly 100% in Wealth with multiple key deals signed in the last 18 months and have signed 2 of the largest Retail deals in the market in the last 12 months.”

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

“I am very pleased with our performance this quarter, with strong growth in both revenues and profitability. With strong levels of upfront license collection and good progress on a number of implementations, cash collection was exceptionally high in Q2. This was reflected in our DSOs, which ended the quarter at 130 days, a reduction of 46 days year-on-year. With record levels of revenue visibility for Q3 and FY 2016 and a very strong pipeline, we are confident in achieving the high end of our 2016 guidance.”

### **Revenue**

IFRS revenue for the quarter was USD 153.6m, up from USD 127.1m in Q2 2015. Non-IFRS revenue was USD 153.8m for the quarter, up from USD 132.4m in Q2 2015, representing an increase of 17% in constant currencies. IFRS total software licensing revenue for the quarter was USD 60.1m, and non-IFRS total software licensing revenue for the quarter was USD 60.4m, an increase 25% from Q2 2015 in constant currencies.

### **EBIT**

IFRS EBIT was USD 28.9m this quarter. Non-IFRS EBIT was USD 38.7m in Q2 2016, 19% higher than in Q2 2015 in constant currencies, with a Q2 2016 non-IFRS EBIT margin of 25.2%, up 1% points on Q2 2015.

### **Earnings per share (EPS)**

IFRS EPS for the quarter was USD 0.29 vs. USD 0.10 in Q2 2015. Non-IFRS EPS was 0.42 for the quarter vs. USD 0.36 in Q2 2015, an increase of 17%.

### **Pre-tax operating cash**

IFRS operating cash was an inflow of USD 37.7m in Q2 2016 compared to USD 19.2m in Q2 2015. For LTM to June 2016, operating cash was USD 259.5m representing a conversion of 130% of IFRS EBITDA into operating cash.

## 2016 guidance

The company reconfirms 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 233m to USD 244m)
- Non-IFRS revenue growth at constant currencies of 7.5% to 11.0% (implying non-IFRS revenue of USD 593m to USD 612m)
- 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 Q2 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, 20 July 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 828 006	(Swiss Free Call)
1 866 966 9439	(USA Free Call)
0800 694 0257	(UK Free Call)
+44 (0) 1452 555 566	(UK and International)

Conference ID # 48545519

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 20 July 2016.

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

### **Investor and media contacts**

#### **Investors**

Adam Snyder  
Head of Investor Relations, Temenos  
Email: [asnyder@temenos.com](mailto:asnyder@temenos.com)  
Tel: +41 22 708 1515

#### **Media**

Kiran Farooque  
Burson Marsteller for Temenos  
Email: [kiran.farooque@bm.com](mailto:kiran.farooque@bm.com)  
Tel: +44 207 300 6181

### **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](http://www.temenos.com)

**Appendix I – Q2 2016 IFRS primary statements**
**TEMENOS GROUP AG**

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 30 June 2016	Three months to 30 June 2015	Twelve months to 30 June 2016	Twelve months to 30 June 2015
<b>Revenues</b>				
Software licensing	47,752	36,733	190,871	136,136
SaaS & subscription	12,365	6,964	39,978	15,052
Total software licensing	<u>60,117</u>	43,697	<u>230,849</u>	151,188
Maintenance	61,246	57,742	242,555	227,076
Services	<u>32,200</u>	<u>25,685</u>	<u>122,629</u>	<u>97,746</u>
Total revenues	<u>153,563</u>	127,124	<u>596,033</u>	476,010
<b>Operating expenses</b>				
Sales and marketing	29,539	25,600	111,959	89,500
Services	31,563	24,657	114,270	90,309
Software development and maintenance	44,412	42,864	172,658	132,095
General and administrative	<u>19,119</u>	<u>21,475</u>	<u>75,589</u>	<u>66,685</u>
Total operating expenses	<u>124,633</u>	114,596	<u>474,476</u>	378,589
Operating profit	<u>28,930</u>	12,528	<u>121,557</u>	97,421
<b>Other expenses</b>				
Net interest expenses	(3,869)	(3,552)	(16,922)	(11,530)
Borrowing facility expenses	(342)	(372)	(1,411)	(2,178)
Foreign exchange loss	<u>(631)</u>	<u>(563)</u>	<u>(2,786)</u>	<u>(57)</u>
Total other expenses	<u>(4,842)</u>	(4,487)	<u>(21,119)</u>	(13,765)
Profit before taxation	24,088	8,041	100,438	83,656
Taxation	<u>(3,150)</u>	<u>(1,288)</u>	<u>(14,481)</u>	<u>(10,594)</u>
Profit for the period	<u>20,938</u>	<u>6,753</u>	<u>85,957</u>	<u>73,062</u>
<b>Earnings per share (in US\$):</b>				
basic	0.30	0.10	1.28	1.10
diluted	0.29	0.10	1.22	1.08
non-IFRS	0.42	0.36	1.84	1.56

**TEMENOS GROUP AG**

All amounts are expressed in thousands of US dollars

	30 June 2016	31 March 2016	31 December 2015	30 June 2015
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	97,372	113,603	193,252	59,669
Trade receivables	205,225	228,670	221,828	218,039
Other receivables	32,838	35,707	25,734	28,206
<b>Total current assets</b>	<b>335,435</b>	<b>377,980</b>	<b>440,814</b>	<b>305,914</b>
<b>Non-current assets</b>				
Property, plant and equipment	15,231	15,145	15,610	17,887
Intangible assets	728,613	749,979	737,998	751,912
Trade receivables	9,573	12,652	13,865	14,893
Other receivables	3,593	3,628	3,380	7,963
Deferred tax assets	16,676	19,105	17,307	20,320
<b>Total non-current assets</b>	<b>773,686</b>	<b>800,509</b>	<b>788,160</b>	<b>812,975</b>
<b>Total assets</b>	<b>1,109,121</b>	<b>1,178,489</b>	<b>1,228,974</b>	<b>1,118,889</b>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Trade and other payables	83,715	117,618	104,019	86,578
Deferred revenues	197,109	207,808	213,197	160,264
Income tax liabilities	25,756	26,001	24,683	8,173
Borrowings	3,634	5,222	15,011	13,858
<b>Total current liabilities</b>	<b>310,214</b>	<b>356,649</b>	<b>356,910</b>	<b>268,873</b>
<b>Non-current liabilities</b>				
Borrowings	382,160	388,278	445,441	495,622
Deferred tax liabilities	20,059	22,847	23,181	28,943
Income taxes payable	1,765	1,765	1,765	1,782
Trade and other payables	15,460	15,992	18,472	8,460
Retirement benefit obligations	8,552	8,458	7,908	6,865
<b>Total non-current liabilities</b>	<b>427,996</b>	<b>437,340</b>	<b>496,767</b>	<b>541,672</b>
<b>Total liabilities</b>	<b>738,210</b>	<b>793,989</b>	<b>853,677</b>	<b>810,545</b>
<b>Shareholders' equity</b>				
Share capital	225,654	225,398	210,774	228,357
Treasury shares	(4,666)	(4,783)	(19,686)	(147,175)
Share premium and capital reserves	(171,560)	(175,345)	(148,516)	(56,609)
Fair value and other reserves	(116,676)	(109,724)	(110,084)	(101,545)
Retained earnings	438,159	448,954	442,809	385,316
<b>Total equity</b>	<b>370,911</b>	<b>384,500</b>	<b>375,297</b>	<b>308,344</b>
<b>Total liabilities and equity</b>	<b>1,109,121</b>	<b>1,178,489</b>	<b>1,228,974</b>	<b>1,118,889</b>

**TEMENOS GROUP AG**

All amounts are expressed in thousands of US dollars

	Three months to 30 June 2016	Three months to 30 June 2015	Twelve months to 30 June 2016	Twelve months to 30 June 2015
<b>Cash flows from operating activities</b>				
Profit before taxation	24,088	8,041	100,438	83,656
<u>Adjustments:</u>				
Depreciation and amortisation	19,427	19,767	78,381	59,238
Other non-cash and non-operating items	8,701	9,843	47,960	25,744
<u>Changes in working capital:</u>				
Trade and other receivables	20,927	3,832	(583)	13,245
Trade and other payables, and retirement benefit obligations	(27,342)	(5,199)	(5,004)	(13,185)
Deferred revenues	(8,093)	(17,091)	38,266	9,015
<b>Cash generated from operations</b>	<b>37,708</b>	<b>19,193</b>	<b>259,458</b>	<b>177,713</b>
Income taxes paid	(260)	(2,085)	(7,717)	(8,496)
<b>Net cash generated from operating activities</b>	<b>37,448</b>	<b>17,108</b>	<b>251,741</b>	<b>169,217</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(1,031)	(1,532)	(4,704)	(6,574)
Disposal of property, plant and equipment	-	-	-	2
Purchase of intangible assets	(1,375)	(1,703)	(3,896)	(4,807)
Disposal of intangible assets	-	-	-	2,000
Capitalised development costs	(11,313)	(11,213)	(45,924)	(45,207)
Acquisitions of subsidiary, net of cash acquired	-	151	(1,581)	(297,727)
Disposal of subsidiary or business, net of cash disposed	489	-	515	20
Settlement of financial instruments	(1,276)	1,434	(3,125)	4,398
Interest received	11	12	77	65
<b>Net cash used in investing activities</b>	<b>(14,495)</b>	<b>(12,851)</b>	<b>(58,638)</b>	<b>(347,830)</b>
<b>Cash flows from financing activities</b>				
Dividend paid	(31,733)	(28,605)	(31,733)	(28,640)
Acquisition of treasury shares	-	-	-	(114,737)
Proceeds from/(repayments of) borrowings	(14)	(213,342)	(103,295)	14,618
Proceeds from issuance of bonds	-	190,568	-	190,562
Interest paid	(5,810)	(1,605)	(13,998)	(9,308)
Payment of other financing costs	(672)	(639)	(5,763)	(2,470)
Payment of finance lease liabilities	-	(2)	(4)	(78)
<b>Net cash (used in)/generated from financing activities</b>	<b>(38,229)</b>	<b>(53,625)</b>	<b>(154,793)</b>	<b>49,947</b>
<b>Effect of exchange rate changes</b>	<b>(955)</b>	<b>2,632</b>	<b>(607)</b>	<b>(7,002)</b>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>	<b>(16,231)</b>	<b>(46,736)</b>	<b>37,703</b>	<b>(135,668)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>113,603</b>	<b>106,405</b>	<b>59,669</b>	<b>195,337</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>97,372</b>	<b>59,669</b>	<b>97,372</b>	<b>59,669</b>



## Appendix II – reconciliation of IFRS to non-IFRS Q2 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 30 June 2016						Change	
	2016 IFRS	Adjustment	2016 Non-IFRS	2015 IFRS	Adjustment	2015 Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	60,117	265	60,382	43,697	4,736	48,433	38%	25%
Maintenance	61,246		61,246	57,742	504	58,246	6%	5%
Services	32,200		32,200	25,685	82	25,767	25%	25%
<b>Total Revenue</b>	<b>153,563</b>	<b>265</b>	<b>153,828</b>	<b>127,124</b>	<b>5,322</b>	<b>132,446</b>	<b>21%</b>	<b>16%</b>
<b>Total Operating Expenses</b>	<b>(124,633)</b>	<b>9,542</b>	<b>(115,091)</b>	<b>(114,596)</b>	<b>13,814</b>	<b>(100,782)</b>	<b>9%</b>	<b>14%</b>
Restructuring	(1,470)	1,470	-	(5,517)	5,517	-	(73%)	
Amort of Acquired Intangibles	(8,072)	8,072	-	(8,297)	8,297	-	(3%)	
<b>Operating Profit</b>	<b>28,930</b>	<b>9,807</b>	<b>38,737</b>	<b>12,528</b>	<b>19,136</b>	<b>31,664</b>	<b>131%</b>	<b>22%</b>
Operating Margin	19%		25%	10%		24%	9% pts	1% pts
Financing Costs	(4,842)		(4,842)	(4,487)		(4,487)	8%	8%
Taxation	(3,150)	(1,000)	(4,150)	(1,288)	(1,328)	(2,616)	145%	59%
Net Earnings	20,938	8,807	29,745	6,753	17,808	24,561	210%	21%
EPS (\$ per Share)	0.29	0.13	0.42	0.10	0.26	0.36	190%	17%