



# TEMENOS

The software specialist for banking and finance

# Financial results & business update

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Quarter ended 30 September 2016  
19 October 2016

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 the conference call represent the company's estimates as of 19 October 2016. 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 19 October 2016.

Readers are cautioned that the supplemental non-IFRS information presented in this presentation 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 tables accompanying this presentation the Company sets forth its supplemental non-IFRS figures for revenue, operating costs, EBIT, EBITDA, net earnings and earnings per share, which exclude the effect of adjusting the carrying value of acquired companies' deferred revenue, the amortization of acquired intangibles, discontinued activities, acquisition related charges, restructuring costs, and the income tax effect of the non-IFRS adjustments. The tables also set forth the most comparable IFRS financial measure and reconciliations of this information with non-IFRS information.

When the Company believes it would be helpful for understanding trends in its business, the Company provides percentage increases or decreases in its revenue (in both IFRS as well as non-IFRS) to eliminate the effect of changes in currency values. When trend information is expressed herein "in constant currencies", the results of the "prior" period have first been recalculated using the average exchange rates of the comparable period in the current year, and then compared with the results of the comparable period in the current year.

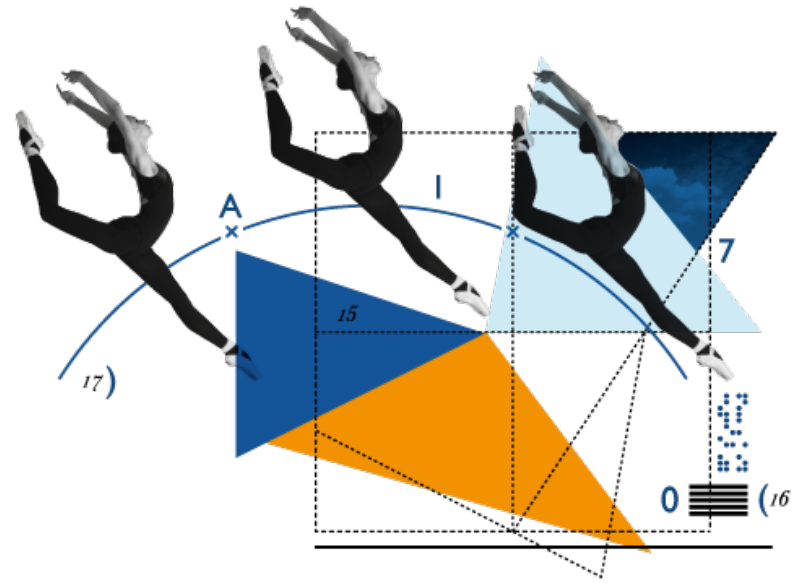
# Agenda

1. Business update David Arnott
2. Financial update Max Chuard
3. Summary David Arnott
4. Q&A

# Business update

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David Arnott



- Outstanding performance across all KPIs, FY 2016 guidance raised
- Total software licensing grew 5.5% in constant currencies against tough comparative, which was up 95.5% and included Nordea, our largest deal ever
- On an LTM basis, total software licensing grew 32% in constant currencies and 20% LFL
- Digitalization and cost focus continue to drive strategic decision making and market growth
- Technology partner of choice for system modernization as demonstrated by Bank of Ireland (BOI), Standard Chartered Bank and Nordea
- Strong start to Q4 due to BOI, record level of revenue visibility
- Pipeline into 2017 is very strong, significant breadth and depth of deals

Guidance raised on back of strong revenue growth and visibility

- ◆ Grew licenses versus tough comparative Q3 2015 which included Nordea
- ◆ Sales execution remains strong across the board, all client tiers and segments
- ◆ BOI win underlines large bank credentials and strength in Europe
- ◆ Asia saw strong license growth with multiple deals including Standard Chartered Bank
- ◆ Vertically integrated product suites a key differentiator with large banks
- ◆ Tier 1 and 2 clients continue to contribute over 50% of total software licensing LTM
- ◆ 14 new customer wins in Q3 2016
- ◆ Investing in sales and product to capture the market opportunity

Taking market share in a growing market



- ◆ Banks still face same pressures of cost, digitalization and competition
- ◆ IT renovation is key to banks' strategy, it is not discretionary spend
- ◆ Banks have significantly higher levels of capital vs. last financial crisis
- ◆ No slow down in client engagement and decision making post Brexit referendum
- ◆ All planned deals closed with no delay or change in scope
- ◆ Pipeline is very strong in all geographies and segments

Structural drivers remain top of mind

- ◆ Announced deal with BOI for Temenos' UniversalSuite
- ◆ Complete front-to-back solution for retail, commercial and corporate banking to be implemented as BOI's new core banking and channels platform
- ◆ Decision driven by multiple factors
  - ◆ Need for scalable, modern platform
  - ◆ Enhance customer centricity through real-time analytics and integrated digital channels
  - ◆ Capitalize on open banking initiatives
- ◆ Implementation to involve a number of system integrators

Temenos is the solution of choice for large banks

Q3 2016 maintenance revenue growth of 10% (LFL)

Partner ecosystem functioning well

- ◆ Multiple strategic partners engaged in new deals
- ◆ Partners involved in the BOI win
- ◆ Partners continue to be involved in nearly all implementations

Increased services activity

- ◆ 18 implementation go lives in Q3 2016 vs. 10 in Q3 2015
- ◆ Non-IFRS LTM services margin at 8.4%
- ◆ Premium services contributed 21% of total services revenue in Q3 2016

Focus on delivering customer success

- ◆ Top 20 U.S. bank went live in Q2 with partial replacement of its core, a key reference for closing future deals
- ◆ Sales organisation is in place and building the pipeline
- ◆ Working closely with top U.S. partners to target specific opportunities
- ◆ Continued progress on key campaigns, in advanced negotiations
- ◆ Differentiated product value proposition combining global expertise with local focus

U.S. momentum is building

# Financial update

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Max Chuard



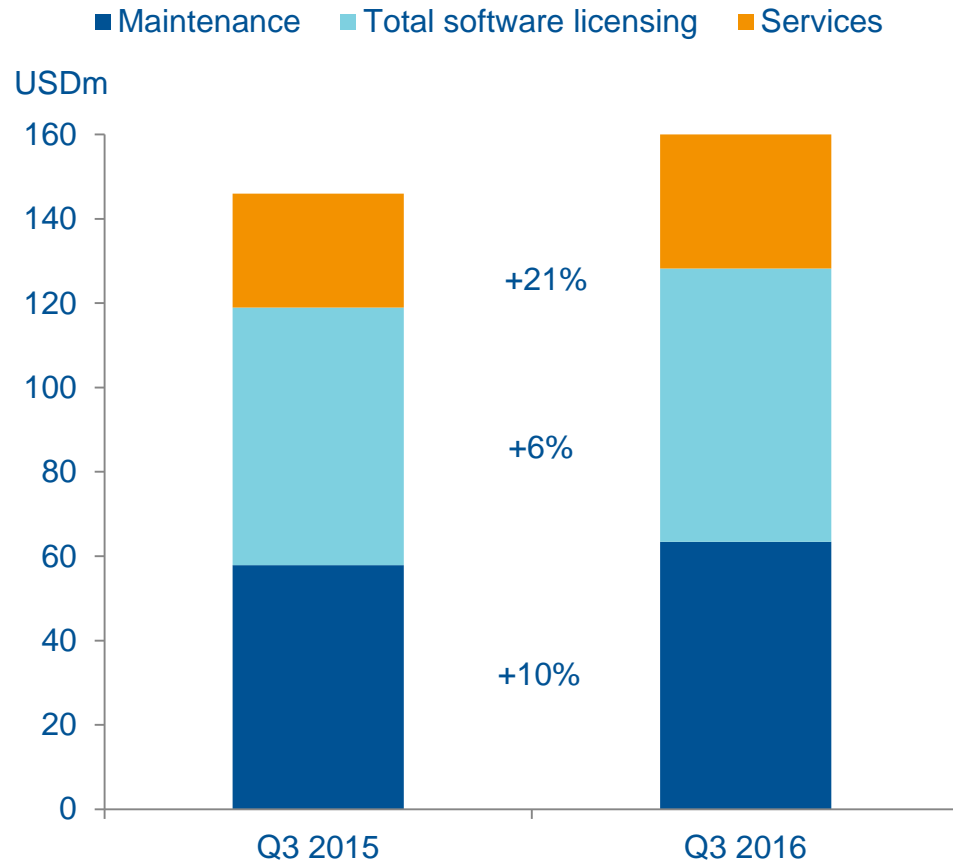
- Total software licensing up 5.5% Y-o-Y, lapping Q3 2015 +95.5%
- Software licensing up 4% Y-o-Y
- SaaS and subscription up 12% Y-o-Y
- Maintenance growth of 9% Y-o-Y
- Total revenue growth of 9% Y-o-Y and 22% LTM
- EBIT up 17% Y-o-Y, with LTM EBIT margin of 28.7%
- Q3 operating cash flows of USD 40m, DSOs down 40 days Y-o-Y to 129 days

Strong performance across all metrics

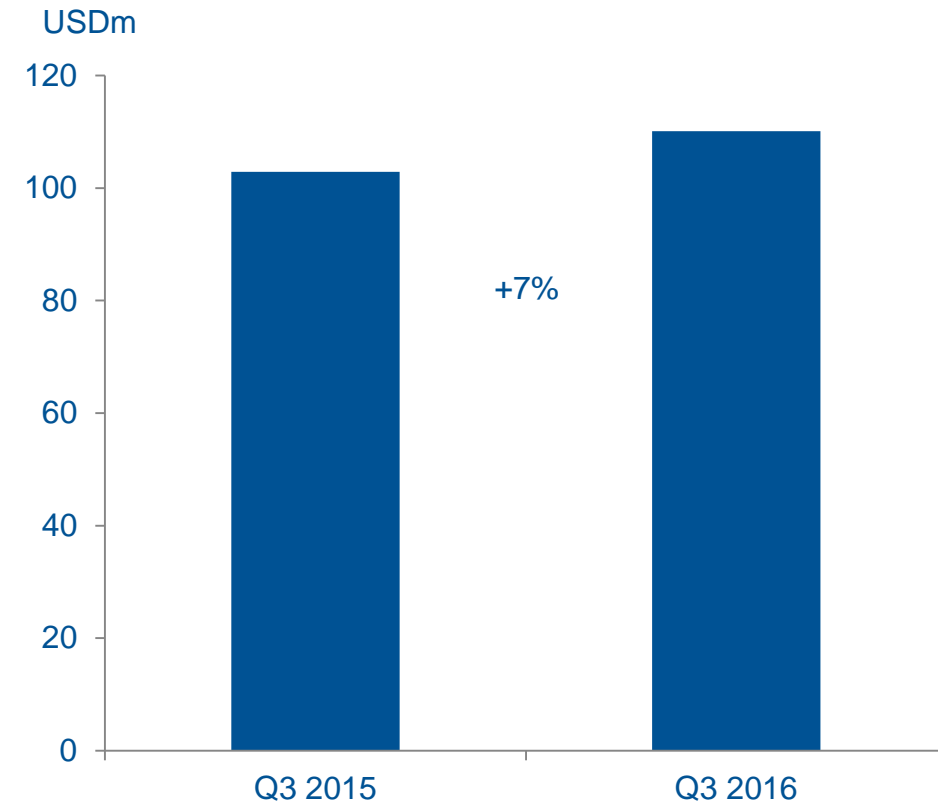
In USDm	Q3 16	Q3 15	Y-o-Y reported	Y-o-Y c.c.	LTM 16	LTM 15	Y-o-Y reported	Y-o-Y c.c.
Software licensing	51.7	50.3	2.9%	3.9%	192.7	155.4	24.0%	27.0%
SaaS and subscription	13.1	11.7	12.4%	12.2%	49.5	31.3	57.9%	57.5%
<b>Total software licensing</b>	<b>64.8</b>	<b>61.9</b>	<b>4.7%</b>	<b>5.5%</b>	<b>242.2</b>	<b>186.7</b>	<b>29.7%</b>	<b>32.3%</b>
Maintenance	63.4	59.3	6.9%	8.9%	247.5	230.2	7.5%	9.6%
Services	32.6	27.6	18.0%	19.1%	127.9	101.8	25.5%	28.5%
<b>Total revenue</b>	<b>160.8</b>	<b>148.9</b>	<b>8.0%</b>	<b>9.4%</b>	<b>617.5</b>	<b>518.7</b>	<b>19.0%</b>	<b>21.5%</b>
Operating costs	110.1	105.2	4.6%	6.3%	440.5	366.6	20.1%	23.2%
<b>EBIT</b>	<b>50.8</b>	<b>43.6</b>	<b>16.3%</b>	<b>16.7%</b>	<b>177.0</b>	<b>152.0</b>	<b>16.4%</b>	<b>17.6%</b>
Margin	31.6%	29.3%	2.2% pts		28.7%	29.3%	-0.7% pts	
<b>EBITDA</b>	<b>61.5</b>	<b>55.0</b>	<b>11.8%</b>	<b>12.2%</b>	<b>221.4</b>	<b>196.3</b>	<b>12.8%</b>	<b>14.6%</b>
Margin	38.3%	37.0%	1.3% pts		35.9%	37.8%	-2.0% pts	
Services margin	9.6%	5.8%	3.9% pts		8.4%	9.8%	-1.4% pts	

Strong operating performance

## Q3 LFL non-IFRS revenues up 10%

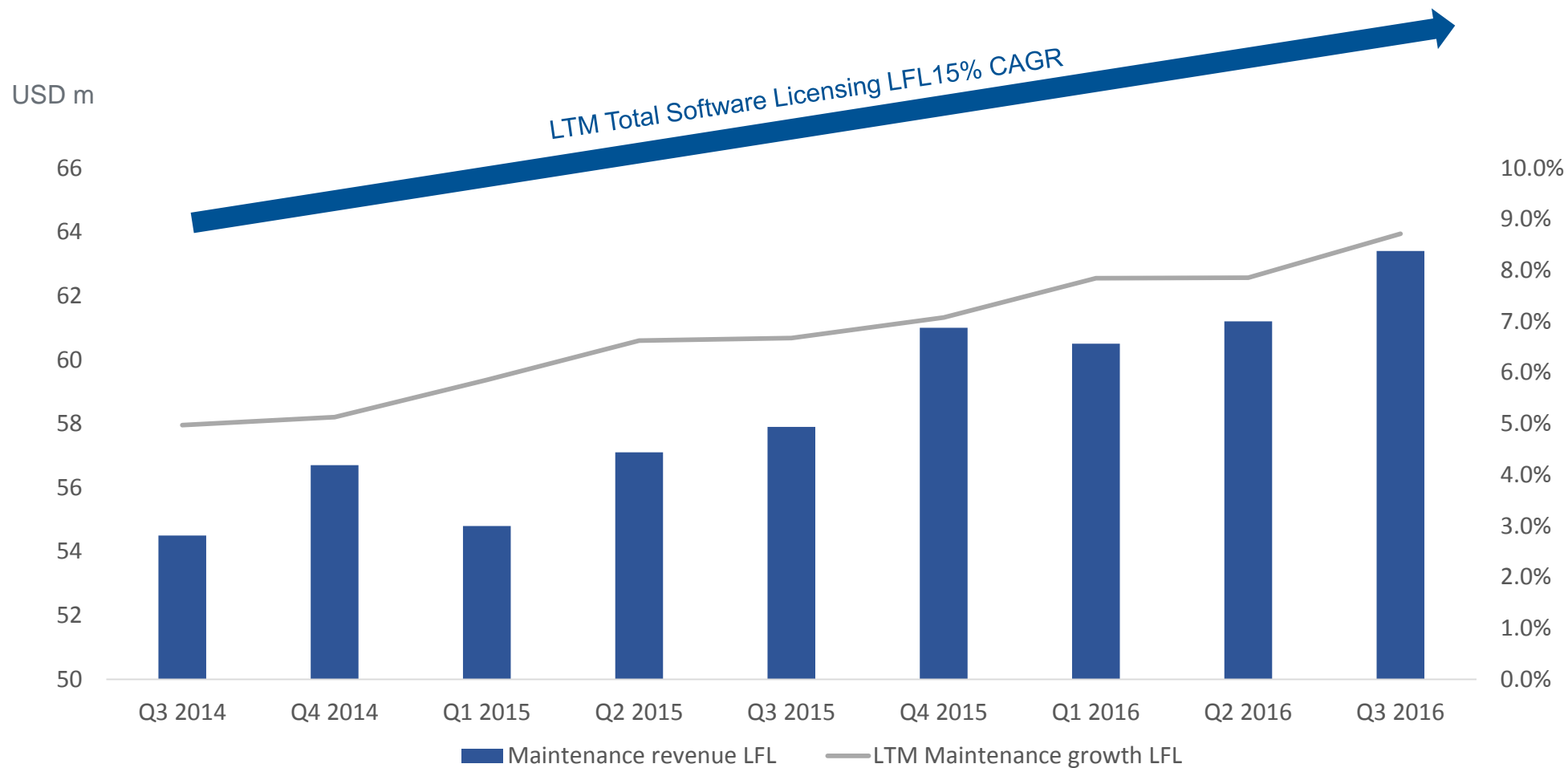


## Q3 LFL non-IFRS costs up 7%



Organic license growth lapped exceptional Q3 2015 which was +44% LFL

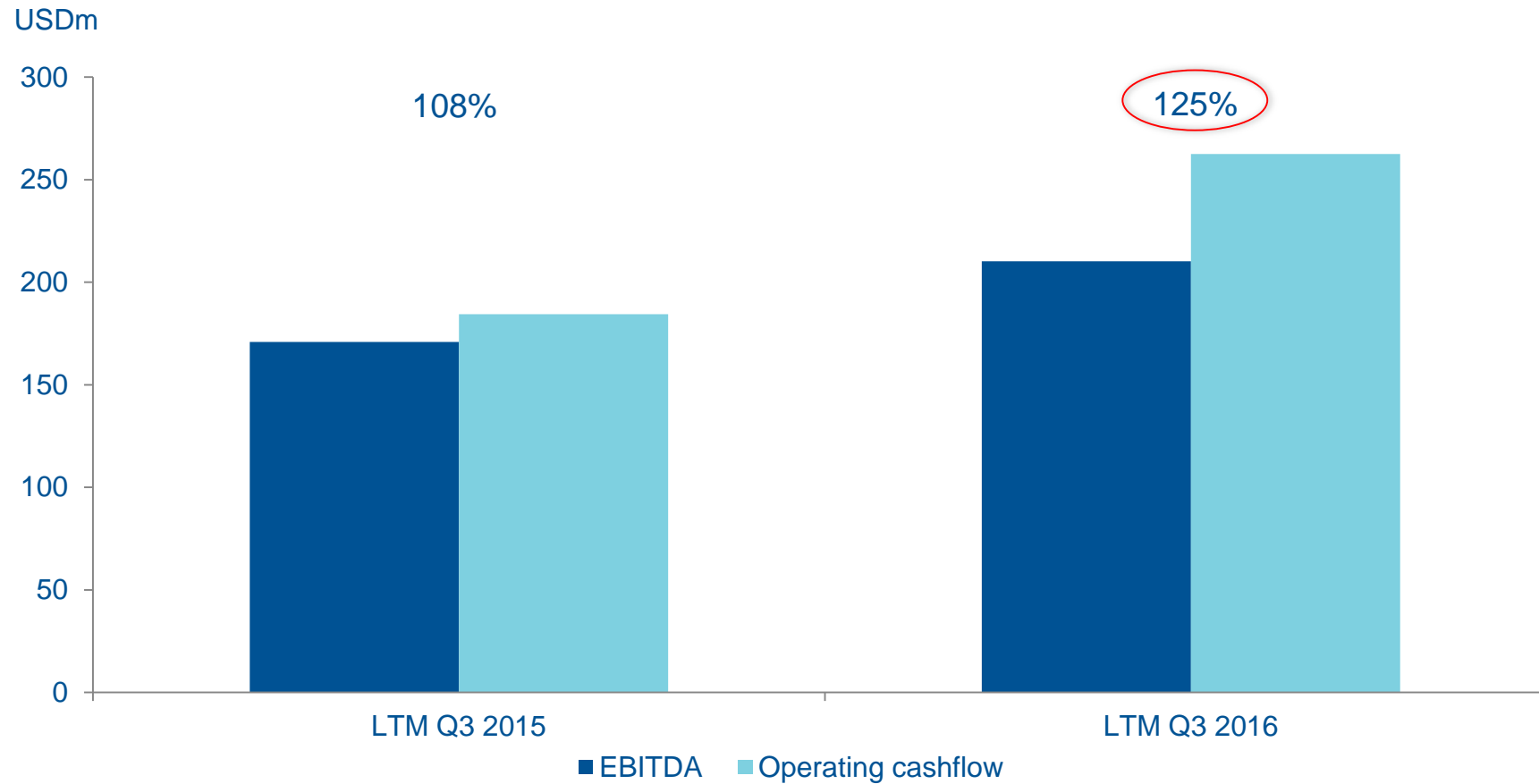




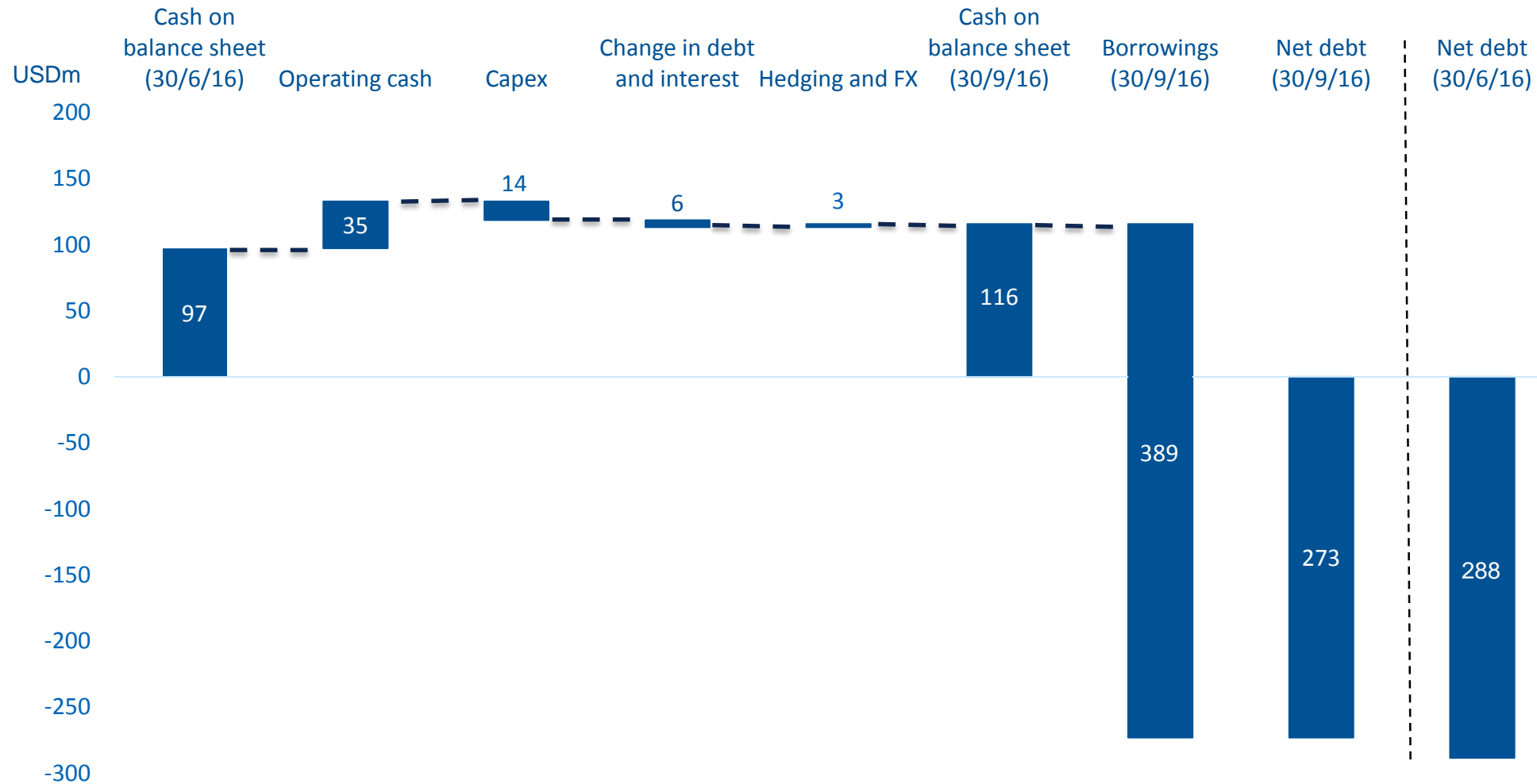
License growth driving consistent increase in maintenance

In USDm, except EPS	Q3 16	Q3 15	Y-o-Y	LTM 16	LTM 15	Y-o-Y
EBIT	50.8	43.6	16%	177.0	152.0	16%
Net finance charge	-4.2	-4.9	13%	-17.7	-15.7	-12%
FX gain / (loss)	0.4	-0.7	N.A.	-1.7	-0.9	N.A.
Tax	-5.7	-5.2	-9%	-20.0	-15.7	-27%
Net profit	41.2	32.9	26%	137.6	119.7	15%
EPS (USD)	0.58	0.49	18%	1.93	1.78	8%

Profit and EPS continue to expand



Cash conversion significantly above target of 100%



Strong cash generation, leverage down to 1.2x vs. 2.1x in Q3 '15

- ◆ **Non-IFRS total software licensing growth at constant currencies of 15% to 20%** (implying non-IFRS total software licensing revenue of USD 245m to USD 256m), up from 10% to 15%
- ◆ **Non-IFRS revenue growth at constant currencies of 12.5% to 14.5%** (implying non-IFRS revenue of USD 621m to USD 632m), up from 7.5% to 11.0%
- ◆ **Non-IFRS EBIT at constant currencies of USD 184m to 186m**, (implying non-IFRS EBIT margin of c.30%), up from USD 180m to USD 185m
- ◆ **100%+ conversion** of EBITDA into operating cash flow
- ◆ **Normalized tax rate of 17% to 18%**

- Currency assumptions on slide 27
- See slide 37 for definition of non-IFRS

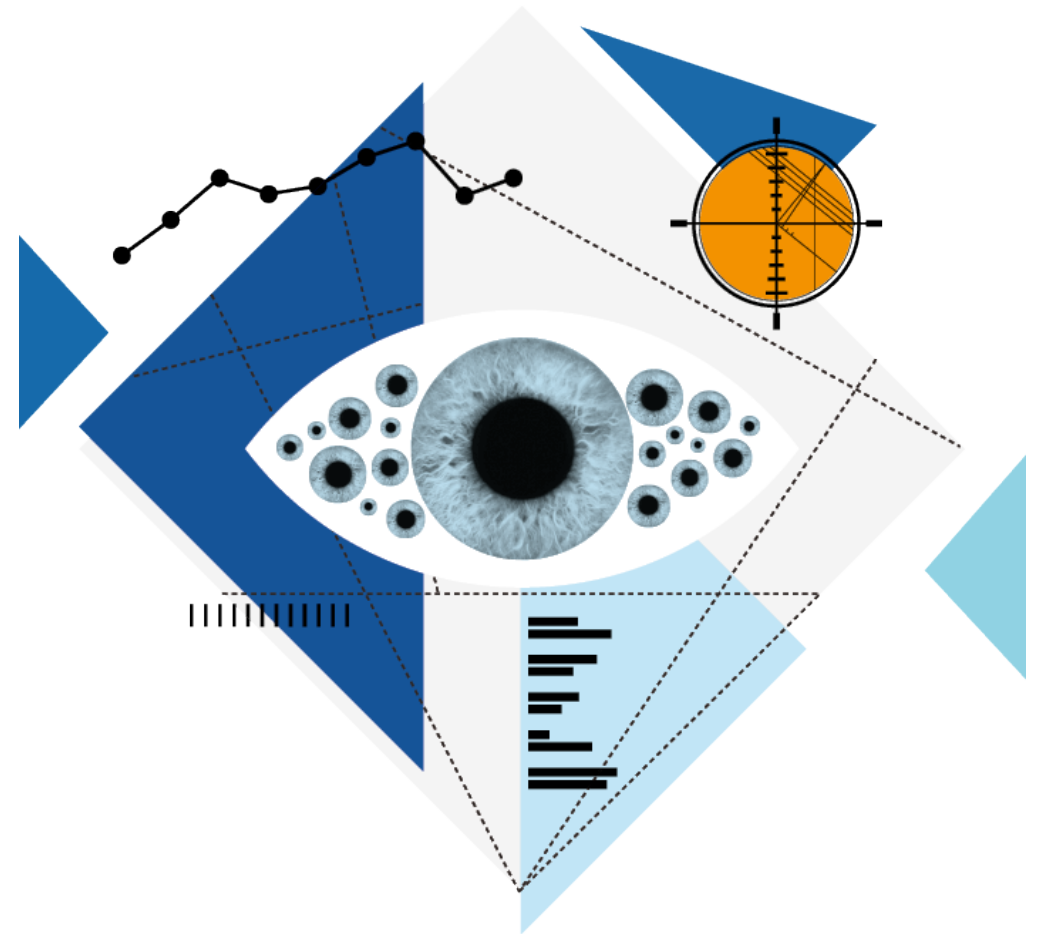
- ◆ Board approval has been given for a share buyback of up to a total of USD 100m
- ◆ Temenos intends to use the repurchased shares to cover future employee stock ownership plans (ESOP) and/or for potential acquisitions
- ◆ Launch is contemplated to take place in Q4
- ◆ The buyback will be subject to regulatory approval

- Large pipeline of ongoing discussions, from early stage to more advanced
- Three areas of focus
  - Increasing scale
  - Accelerating growth in key markets and segments
  - Acquiring complementary products
- More than USD 1bn of funding available for M&A
- Disciplined approach, with high IRR and accretion hurdle rates

# Summary

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David Arnott





- ◆ Digitalization and cost focus continue to drive strategic decision making and market growth
- ◆ Temenos grew licenses versus tough comparative Q3 2015 which included Nordea, and gained market share
- ◆ Sales execution remains strong across the board, all client tiers and segments
- ◆ BOI win underlines large bank credentials and strength in Europe
- ◆ Investment being made in sales and product to drive growth
- ◆ Strength of revenue growth and visibility driving increase in guidance

Strong momentum for Q4 and 2017

# Appendices

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In preparing the 2016 guidance, the Company has assumed the following FX rates for the unhedged element of Q4:

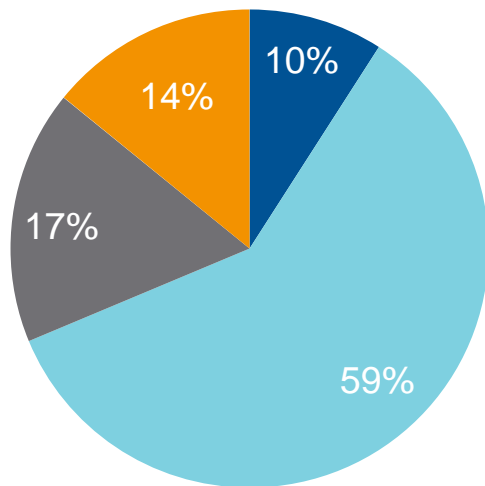
- USD to Euro exchange rate of 0.909
- USD to GBP exchange rate of 0.820; and
- USD to CHF exchange rate of 0.988

<b>% of total</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>CHF</b>	<b>Other</b>
Total software licensing	36%	45%	8%	8%	3%
Maintenance	65%	20%	6%	6%	3%
Services	45%	29%	10%	10%	6%
<b>Revenues</b>	<b>49%</b>	<b>31%</b>	<b>8%</b>	<b>8%</b>	<b>4%</b>
<b>Non-IFRS costs</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>10%</b>	<b>30%</b>
<b>Non-IFRS EBIT</b>	<b>127%</b>	<b>60%</b>	<b>-24%</b>	<b>1%</b>	<b>-64%</b>

NB. All % are approximations based on 2015 actuals

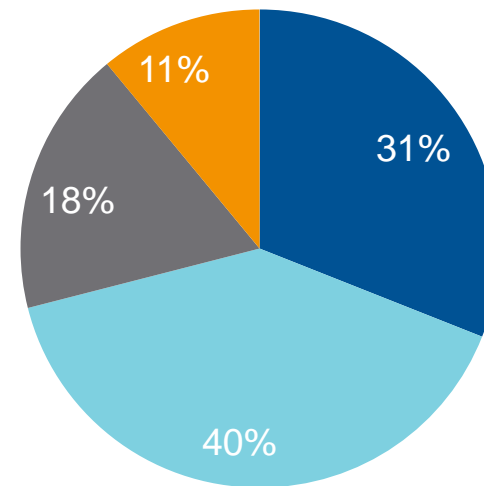
Mitigated FX exposure – matching of revenues / costs and hedging

### Q3 2015



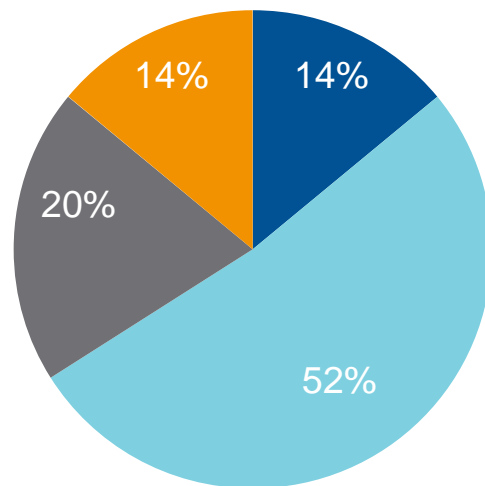
- APAC
- Europe
- Americas
- MEA

### Q3 2016



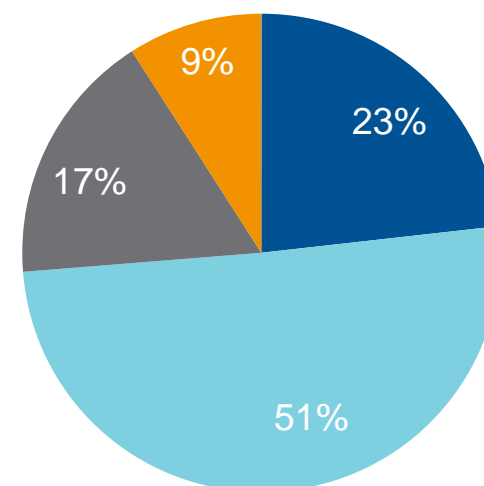
- APAC
- Europe
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- MEA

### LTM Q3 2015



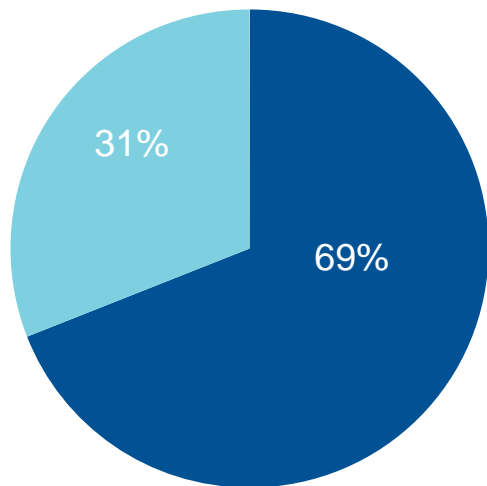
- APAC
- Europe
- Americas
- MEA

### LTM Q3 2016



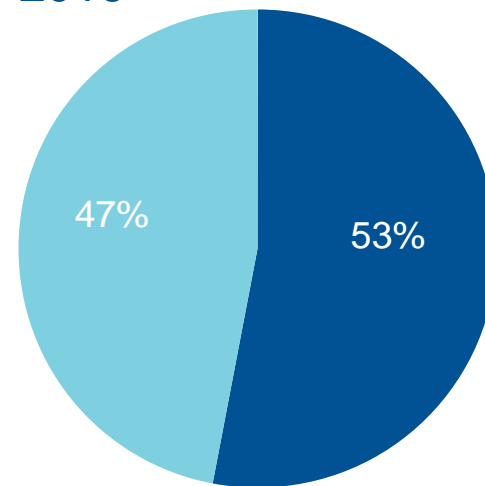
- APAC
- Europe
- Americas
- MEA

Q3 2015



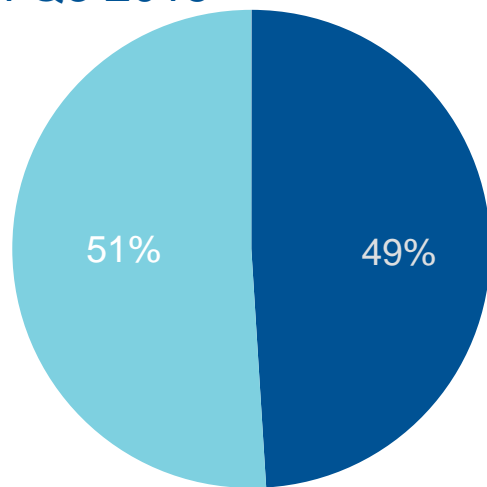
- 1 and 2
- 3, 4 and 5

Q3 2016



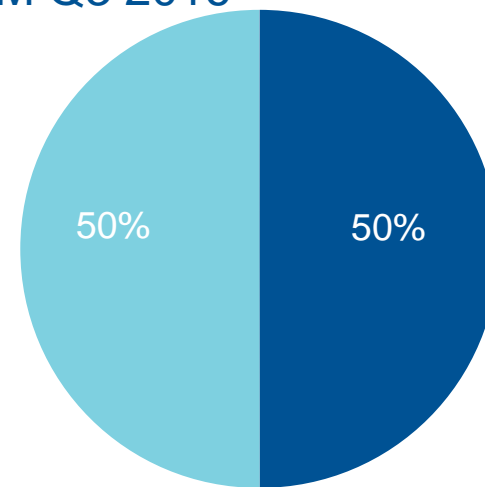
- 1 and 2
- 3, 4 and 5

LTM Q3 2015



- 1 and 2
- 3, 4 and 5

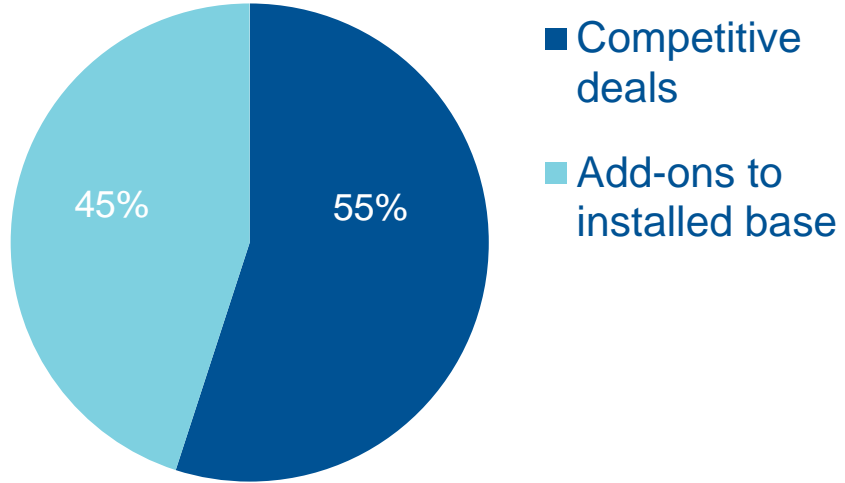
LTM Q3 2016



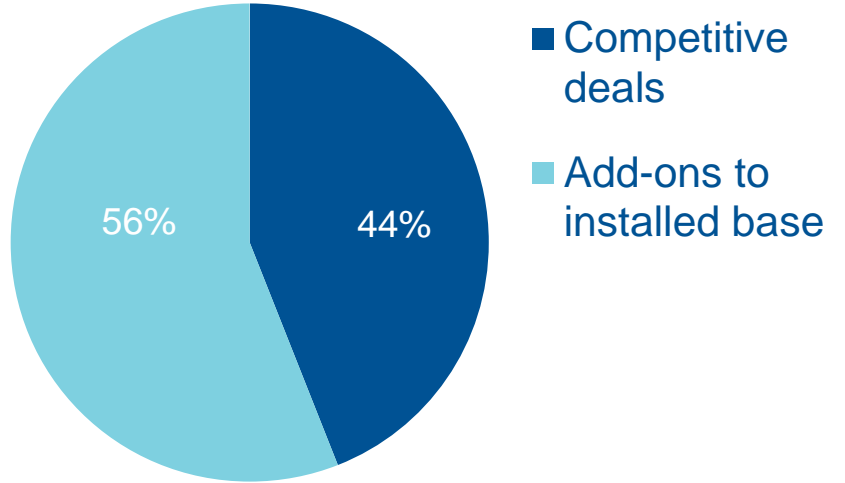
- 1 and 2
- 3, 4 and 5

# Software licensing revenue breakdown by competitive deals / add-ons to installed base

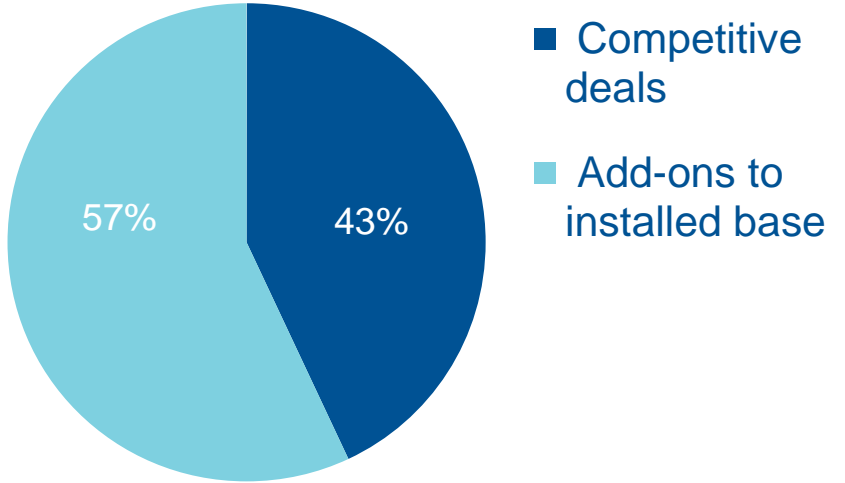
Q3 2015



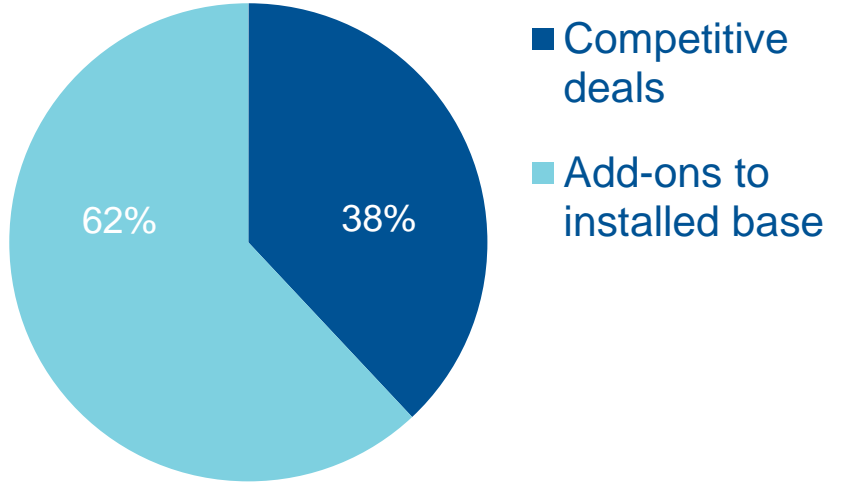
Q3 2016

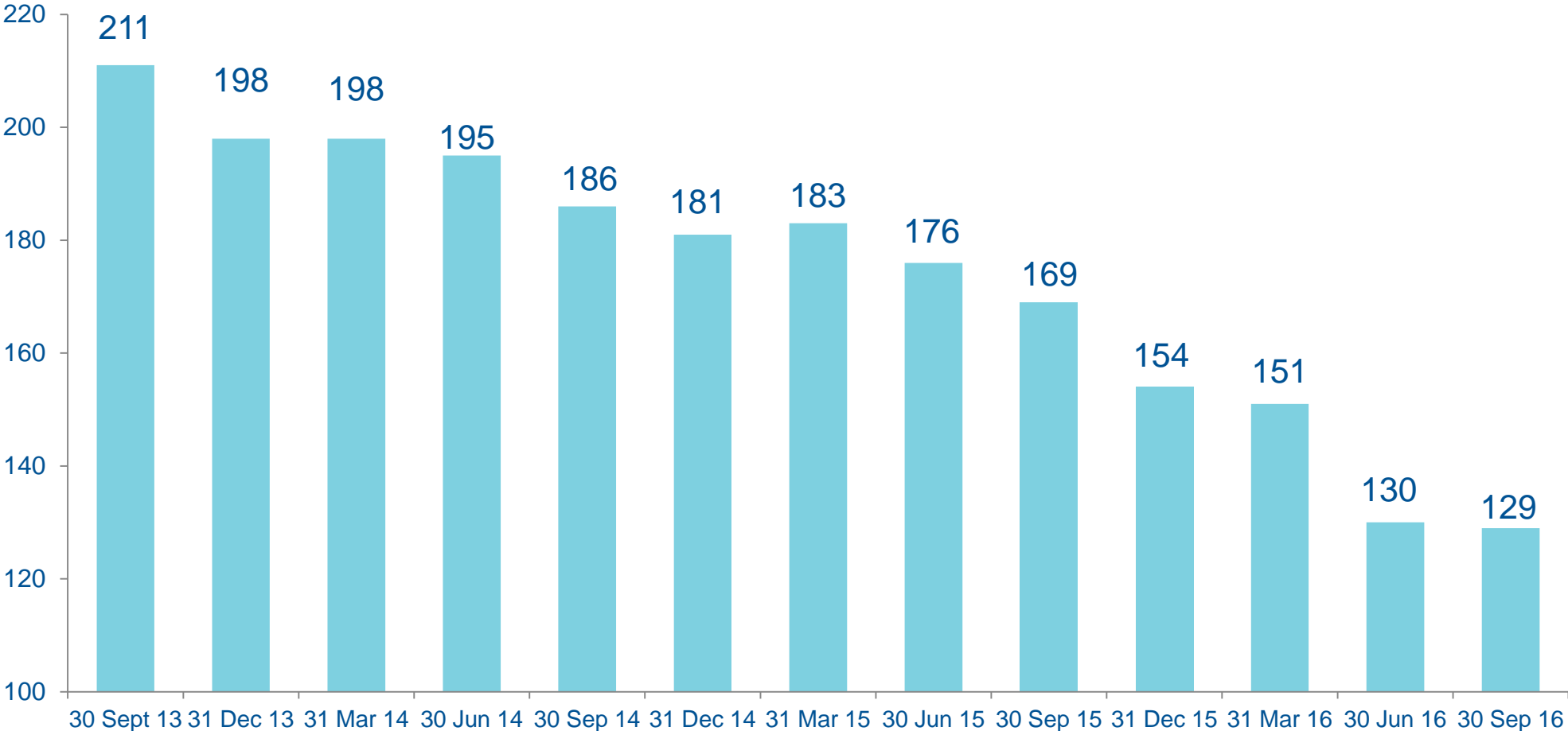


LTM Q3 2015



LTM Q3 2016

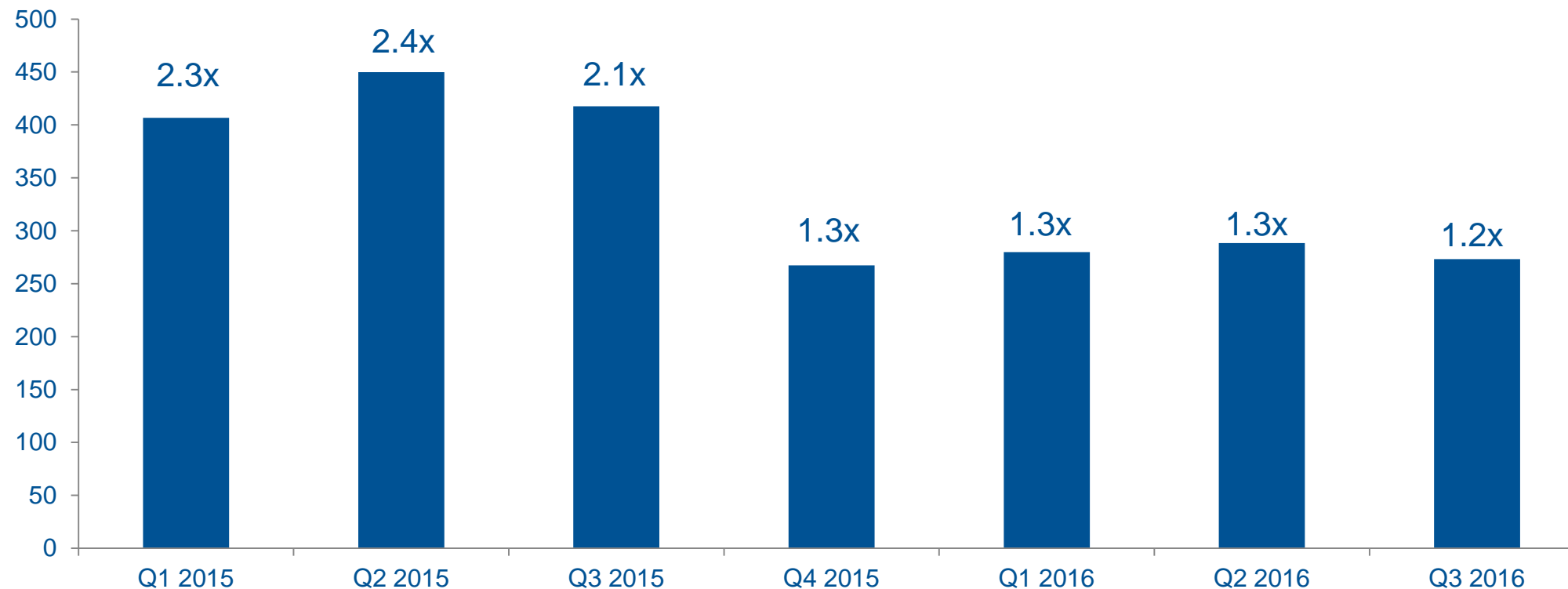






## Net debt and leverage ratios\*

USDm



\* proforma non-IFRS EBITDA

Strong deleveraging profile

<b>USDm</b>	<b>Q1 14</b>	<b>Q2 14</b>	<b>Q3 14</b>	<b>Q4 14</b>	<b>FY 14</b>
Cap' dev' costs	-9.7	-9.8	-9.7	-13.9	-43.1
Amortisation	8.3	8.3	8.3	8.5	33.4
<b>Net cap' dev'</b>	<b>-1.3</b>	<b>-1.5</b>	<b>-1.4</b>	<b>-5.5</b>	<b>-9.8</b>

<b>USDm</b>	<b>Q1 15</b>	<b>Q2 15</b>	<b>Q3 15</b>	<b>Q4 15</b>	<b>FY 15</b>
Cap' dev' costs	-10.3	-11.2	-10.8	-13.0	-45.3
Amortisation	8.8	8.8	8.7	8.7	35.0
<b>Net cap' dev'</b>	<b>-1.5</b>	<b>-2.4</b>	<b>-2.1</b>	<b>-4.3</b>	<b>-10.3</b>

<b>USDm</b>	<b>Q1 16</b>	<b>Q2 16</b>	<b>Q3 16</b>		
Cap' dev' costs	-10.8	-11.3	-10.8		
Amortisation	8.8	8.8	8.8		
<b>Net cap' dev'</b>	<b>-2.0</b>	<b>-2.5</b>	<b>-2.0</b>		

## IFRS revenue measure

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+ Deferred revenue write-down

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= **Non-IFRS revenue measure**

## IFRS profit measure

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+/- Deferred revenue writedown

+ / - Discontinued activities

+ / - Acquisition related charges

+ / - Amortisation of acquired intangibles

+ / - Restructuring

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+ / - Taxation

= **Non-IFRS profit measure**



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 October 2016.

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

In USDm, except EPS	3 Months Ending 30 September						Change	
	2016		2016	2015		2015		
	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	64.6	0.3	64.8	58.5	3.4	61.9	10%	5%
Maintenance	63.4		63.4	59.0	0.3	59.3	8%	7%
Services	32.6		32.6	27.5	0.1	27.6	19%	18%
<b>Total Revenue</b>	<b>160.6</b>	<b>0.3</b>	<b>160.8</b>	<b>145.0</b>	<b>3.9</b>	<b>148.9</b>	<b>11%</b>	<b>8%</b>
<b>Total Operating Costs</b>	<b>(119.2)</b>	<b>9.1</b>	<b>(110.1)</b>	<b>(115.0)</b>	<b>9.7</b>	<b>(105.2)</b>	4%	5%
Restructuring	(1.1)	1.1	0.0	(1.3)	1.3	0.0	(14%)	
Amort of Acq'd Intang.	(8.0)	8.0	0.0	(8.4)	8.4	0.0	(5%)	
<b>Operating Profit</b>	<b>41.4</b>	<b>9.4</b>	<b>50.8</b>	<b>30.0</b>	<b>13.6</b>	<b>43.6</b>	<b>38%</b>	<b>16%</b>
<b>Operating Margin</b>	<b>26%</b>		<b>32%</b>	<b>21%</b>		<b>29%</b>	<b>+5% pts</b>	<b>+3% pts</b>
Financing Costs	(3.9)		(3.9)	(5.6)		(5.6)	(31%)	(31%)
Taxation	(4.7)	(1.0)	(5.7)	(3.9)	(1.3)	(5.2)	20%	9%
Net Earnings	32.8	8.4	41.2	20.6	12.3	32.9	60%	26%
<b>EPS (USD per Share)</b>	<b>0.46</b>	<b>0.12</b>	<b>0.58</b>	<b>0.30</b>	<b>0.19</b>	<b>0.49</b>	<b>53%</b>	<b>18%</b>

In USDm, except EPS	Q3 16	Q3 15
IFRS net earnings	32.8	20.6
Deferred revenue write-down	0.3	3.9
Amortisation of acquired intangibles	8.0	8.4
Restructuring	1.1	1.3
Acquisition related costs	-	-
Taxation	-1.0	-1.3
<b>Net earnings for non-IFRS EPS</b>	<b>41.2</b>	<b>32.8</b>
No. of dilutive shares (m)	71.5	67.5
<b>Non-IFRS diluted EPS (USD)</b>	<b>0.58</b>	<b>0.49</b>

USDm	Q3 2016 EBIT	Q3 2016 EBITDA
<b>IFRS</b>	<b>41.4</b>	<b>60.1</b>
Deferred revenue write-down	0.3	0.3
Amortisation of acquired intangibles	8.0	-
Restructuring	1.1	1.1
Acquisition-related charges	-	-
<b>Non-IFRS</b>	<b>50.8</b>	<b>61.5</b>

## Non-IFRS adjustments

### Deferred revenue write-down

Adjustments made resulting from acquisitions

### Discontinued activities

Discontinued operations at Temenos that do not qualify as such under IFRS

### Acquisition related charges

Relates mainly to advisory fees, integration costs and earn outs

### Amortisation of acquired intangibles

Amortisation charges as a result of acquired intangible assets

### Restructuring

Costs incurred in connection with a restructuring plan implemented and controlled by management

Severance charges, for example, would only qualify under this expense category if incurred as part of a company-wide restructuring plan

### Taxation

Adjustments made to reflect the associated tax charge relating to the above items

## Other

### Constant currencies

Prior year results adjusted for currency movement

### Like-for-like (LFL)

Adjusted prior year for acquisitions and movements in currencies

### SaaS and subscription

Revenues generated from Software-as-a-Service and subscription licenses



Thank you



# TEMENOS

The software specialist for banking and finance