



TEMENOS

The banking software company

Financial results & business update

Quarter and year ended 31 December 2017
13 February 2018

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 13 February 2018. 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 13 February 2018.

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.

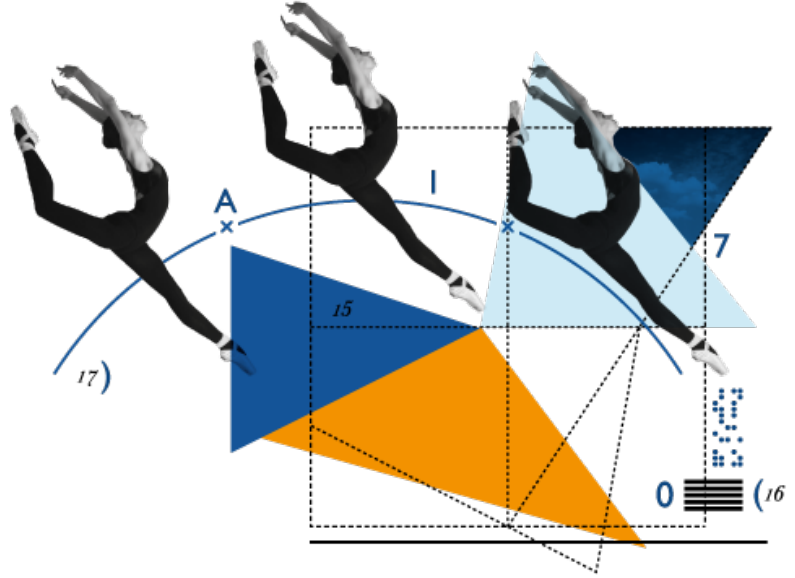
When the Company believes it would be helpful for understanding trends in its business, the Company provides percentage increases or decreases in its revenue (in both IFRS as well as non-IFRS) to eliminate the effect of changes in currency values. When trend information is expressed herein "in constant 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, CEO
2. Financial update and 2018 guidance Max Chuard, CFO, COO
3. Summary David Arnott, CEO
4. Q&A

Business update

David Arnott, CEO



Outstanding performance in Q4 2017

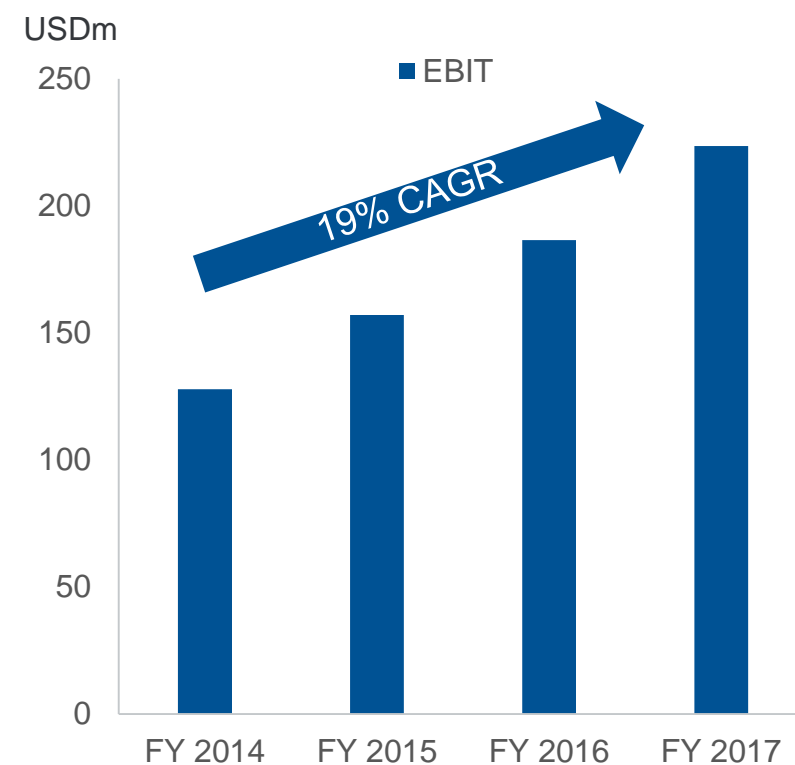
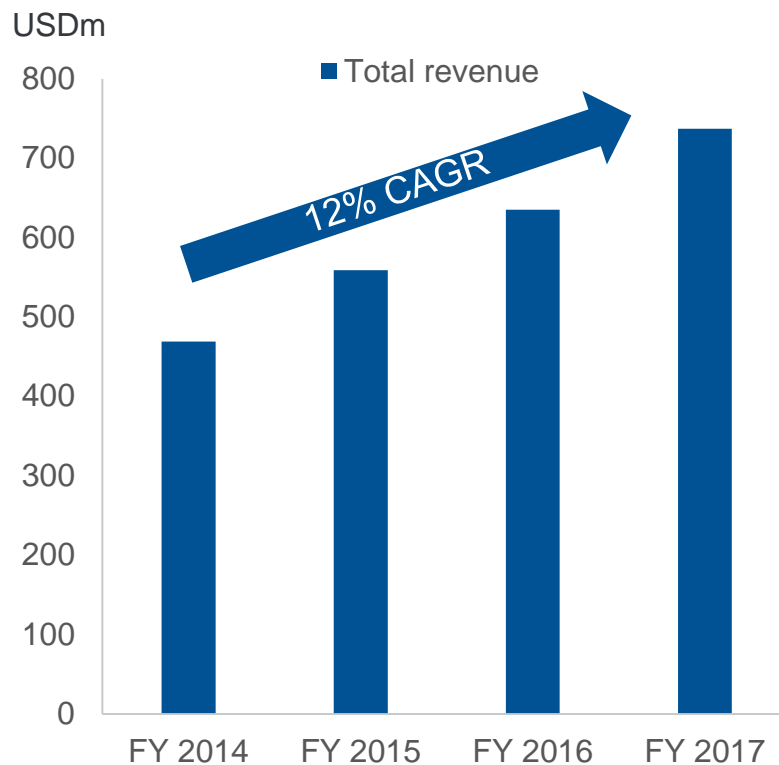
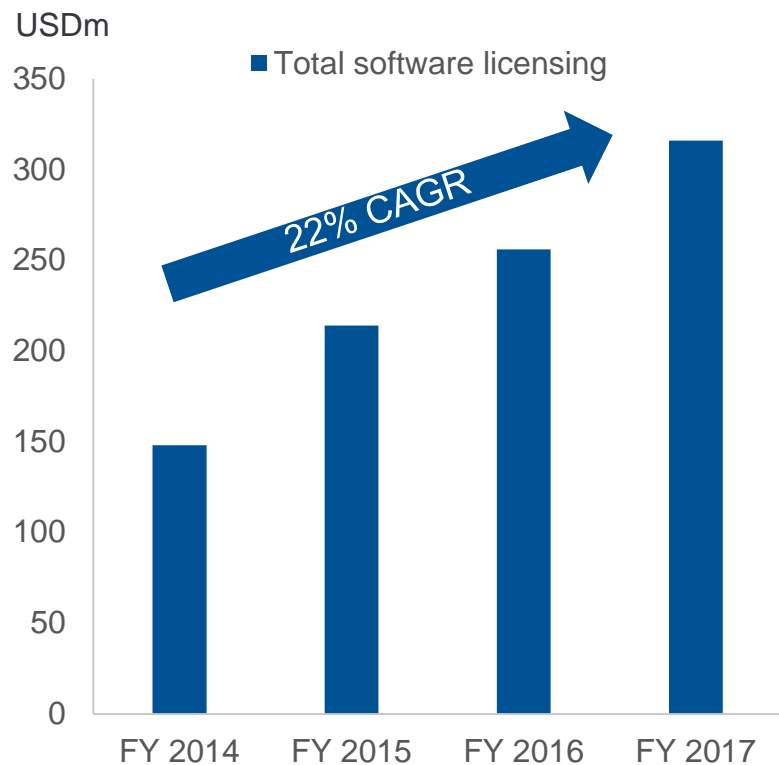
- Total software licensing growth of 29%
- Total revenues up 22%
- EBIT up 17%
- Multiple tier 1 bank deals signed in the quarter
- Taking market share, pulling ahead of competition

Leading vendor for tier 1 banks



“ Banks cannot afford to wait any longer to extract the potential of digital to industrialize their operations ”

McKinsey&Company
The Phoenix Rises - Remaking the Bank for An Ecosystem World
McKinsey Global Banking Annual Review 2017

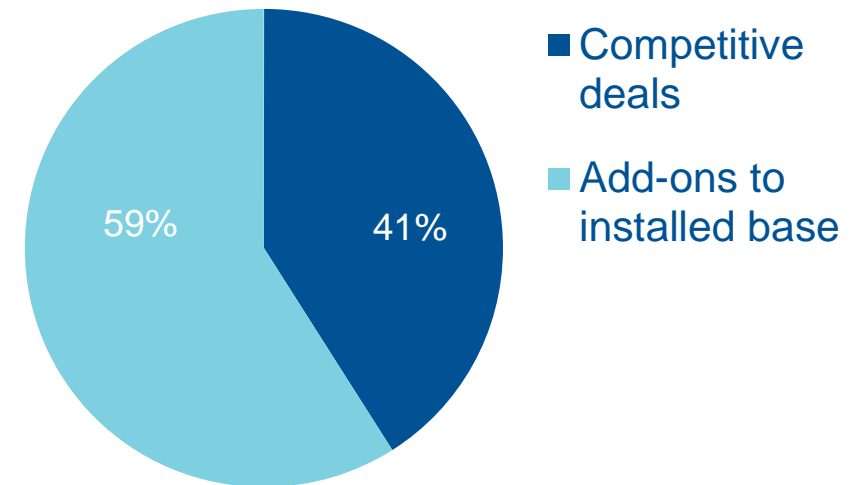


Consistent 20%+ total software licensing growth

- Strong double-digit growth across all geographies in FY 2017
- Digital and regulatory pressure and move to open banking are driving market growth
- Tier 1 and 2 banks contributed 71% of total software licensing in Q4 and 59% in FY 2017
- 19 new customer wins in Q4, total of 65 in FY 2017
- Competitive deals contributed 56% of software licensing in Q4 and 41% of software licensing in FY 2017
- Continued investment in sales and marketing

Strong contribution from competitive deals

FY 2017 software licensing



Strong growth across all markets



- Openbank, Santander's digital bank, selected Temenos Core Banking for retail and SME banking



- Multi-country progressive renovation after successful Ireland roll out



- Largest bank in Latin America selected Temenos WealthSuite for international private banking

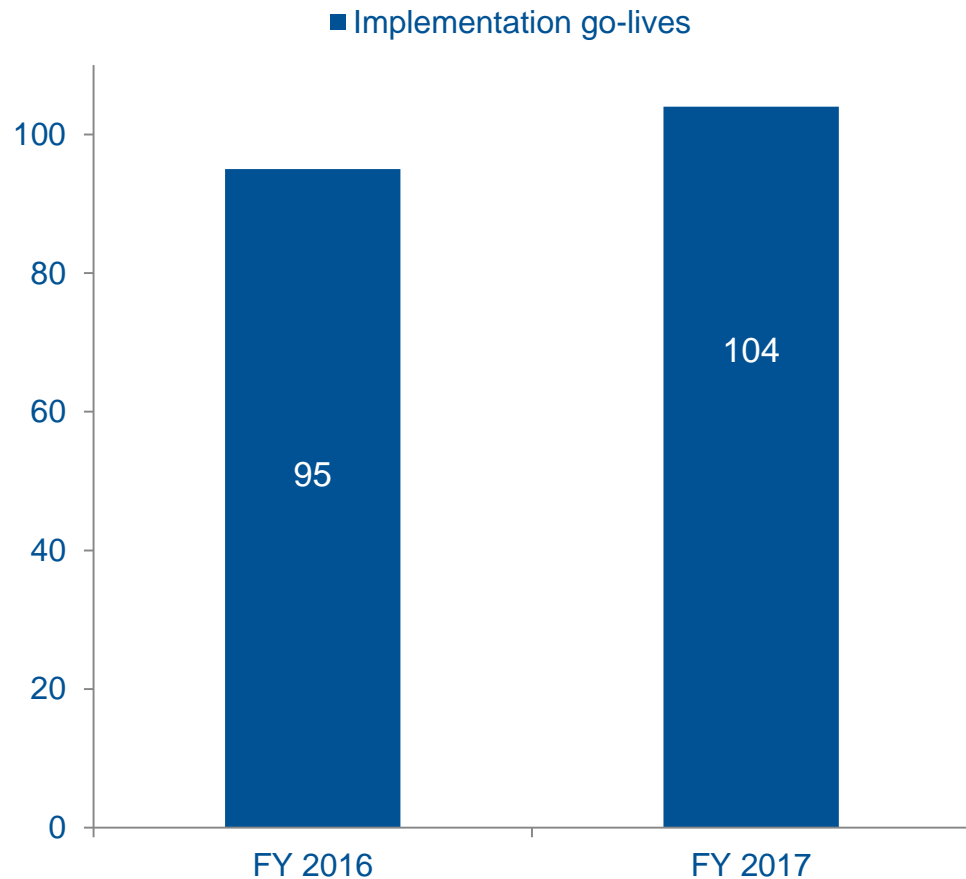


US tier 1 bank

- Tier 1 US bank selected Temenos Core Banking for its global cash management platform

Temenos is the partner of choice for the world's largest banks

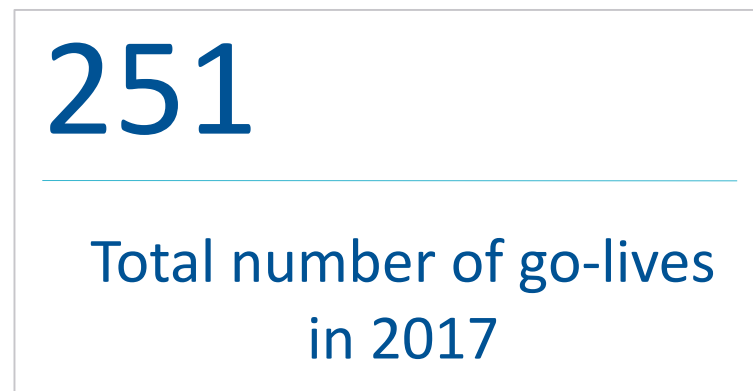
Taking a new client live every 3.5 days



Key implementations continue to progress well



Strong operational performance



- ◆ Digital and regulatory pressures are top of mind for banks
- ◆ Open banking a new driver of opportunity and changing business models
- ◆ IT renovation is therefore key to banks' strategy, not discretionary spend
- ◆ Installed base a key driver of growth, selling to clients who understand the value proposition
- ◆ Market leader, raising barriers to entry and pulling ahead of the competition
- ◆ Strong start to Q1 2018, highest ever revenue visibility driven by pipeline growth and committed spend

Leadership position, best placed to capture the market opportunity

Financial update and 2018 guidance

Max Chuard, CFO, COO



	Initial guidance	Revised guidance	Achieved
Non-IFRS Total software licensing	10% to 15%	20% to 22.5%	+22%
Non-IFRS Total revenues	7.5% to 11.0%	13% to 14.5%	+15%
Non-IFRS EBIT	USD 210 to 215m	USD 219 to 223m	USD 223.5m
IFRS EBITDA conversion into operating cash flow		100%+	114%

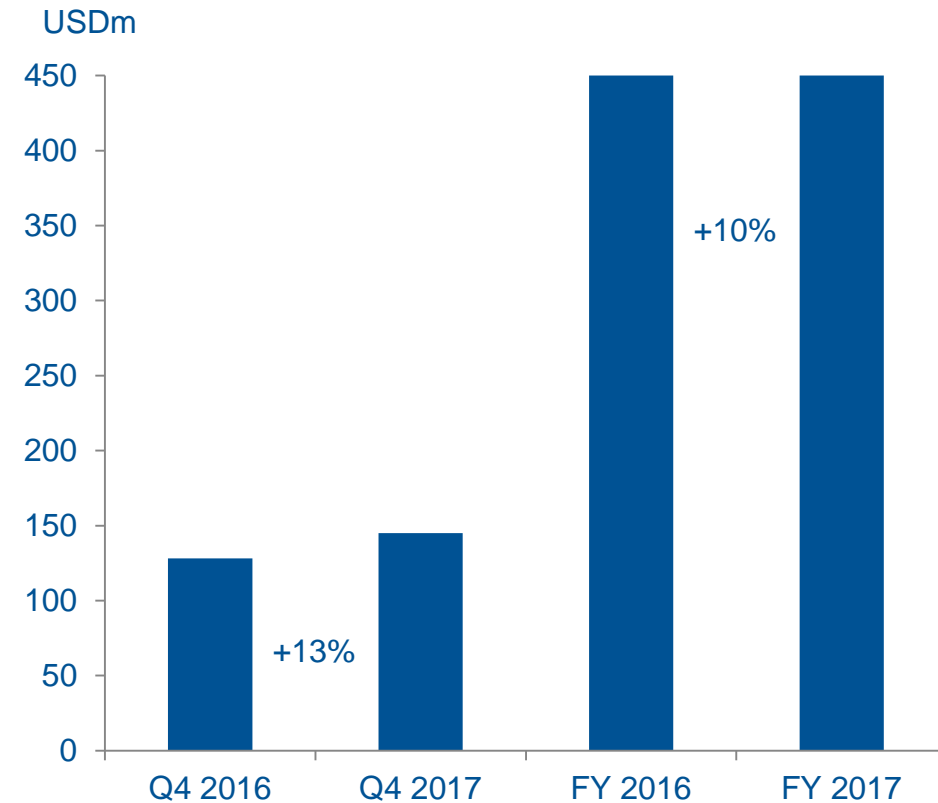
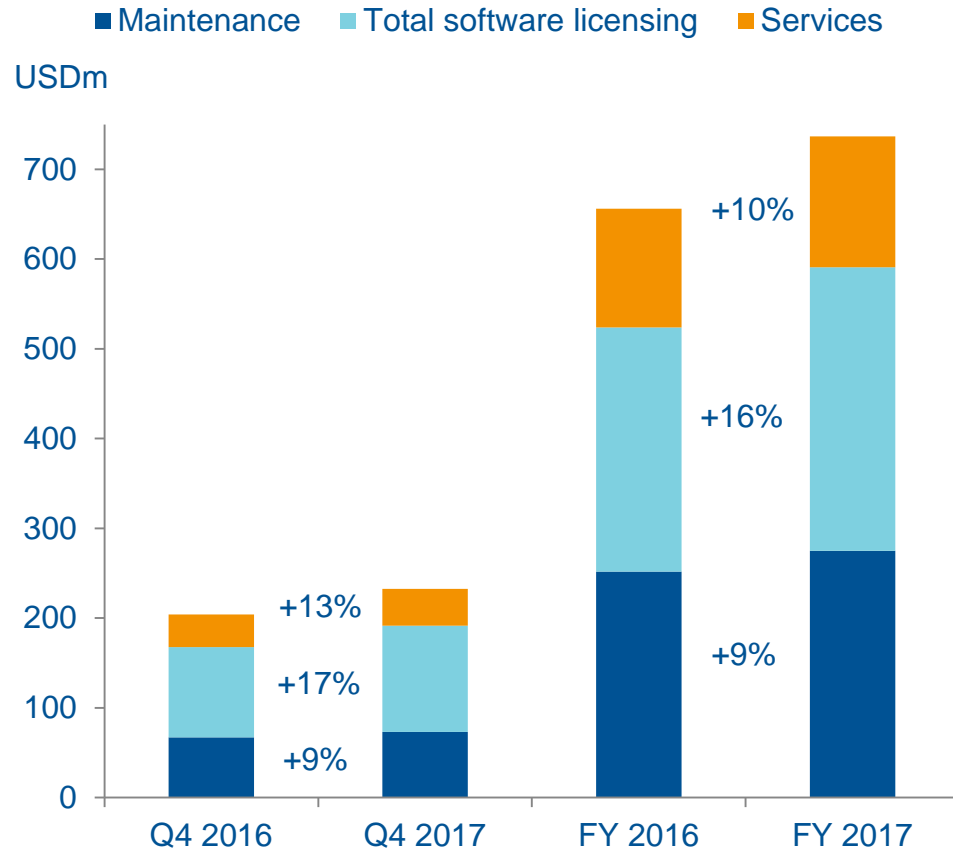
Achieved top end of revised 2017 guidance

In USDm	Q4 17	Q4 16	Y-o-Y reported	Y-o-Y c.c.	FY 17	FY 16	Y-o-Y reported	Y-o-Y c.c.
Software licensing	99.2	78.7	26%	22%	248.5	205.1	21%	20%
SaaS and subscription	19.1	13.1	46%	40%	67.5	51.1	32%	31%
Total software licensing	118.3	91.8	29%	25%	316.1	256.2	23%	22%
Maintenance	73.1	65.1	12%	10%	274.8	250.4	10%	10%
Services	41.2	34.1	21%	17%	145.8	128.5	13%	13%
Total revenue	232.6	191.1	22%	18%	736.7	635.1	16%	15%
Operating costs	145.0	116.3	25%	20%	513.1	448.6	14%	14%
EBIT	87.6	74.8	17%	15%	223.5	186.5	20%	17%
Margin	37.7%	39.1%	-1.5% pts		30.3%	29.4%	1.0% pts	
EBITDA	101.2	85.6	18%	14%	273.5	230.8	19%	15%
Margin	43.5%	44.8%	-1.3% pts		37.1%	36.3%	0.8% pts	
Services margin	16.0%	20.2%	-4.2%		9.7%	9.1%	0.6%	

Outstanding operating performance

- Q4 17 LFL non-IFRS revenues up 14%
- FY 17 LFL non-IFRS revenues up 12%

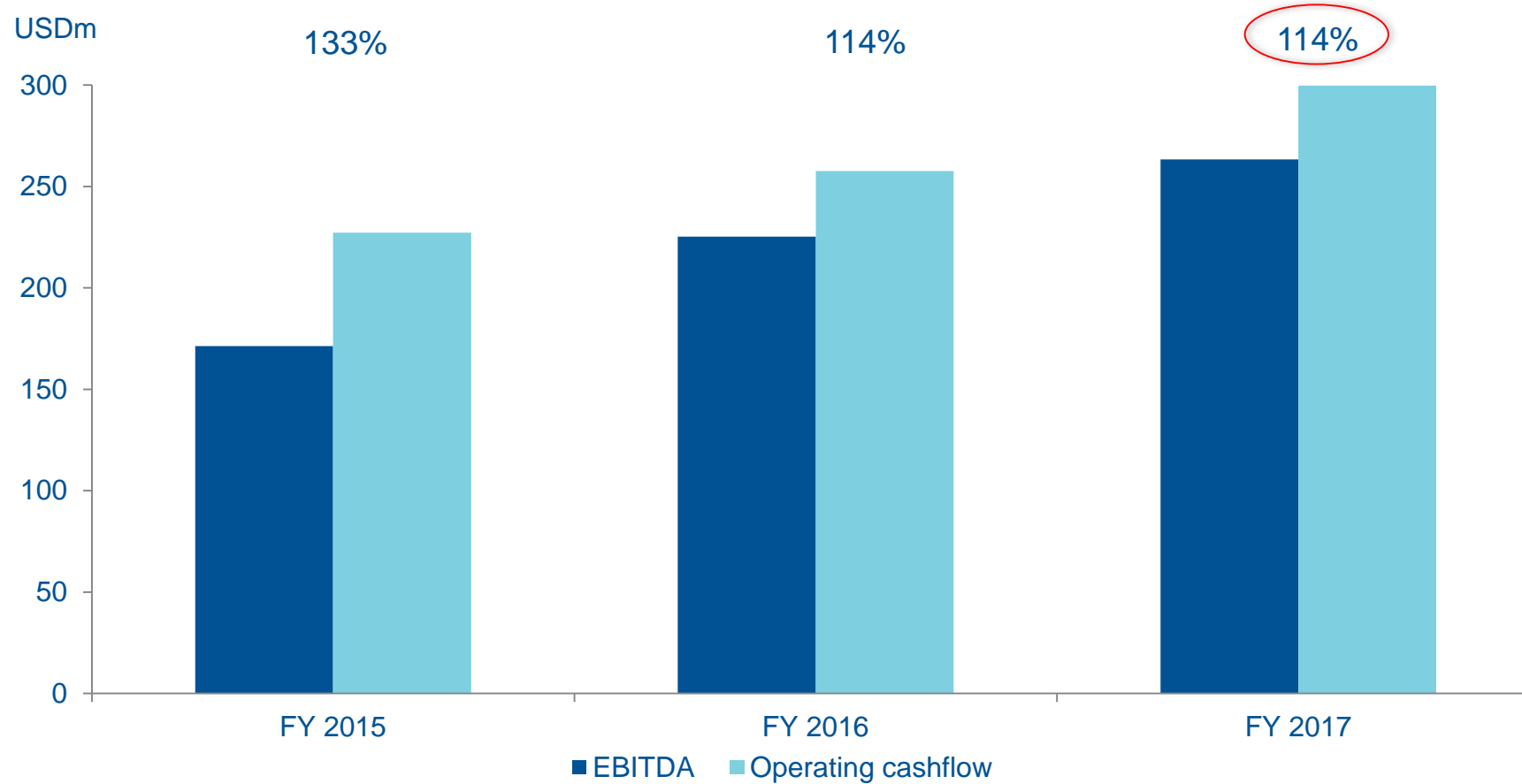
- Q4 17 LFL non-IFRS costs up 13%
- FY 17 LFL non-IFRS costs up 10%



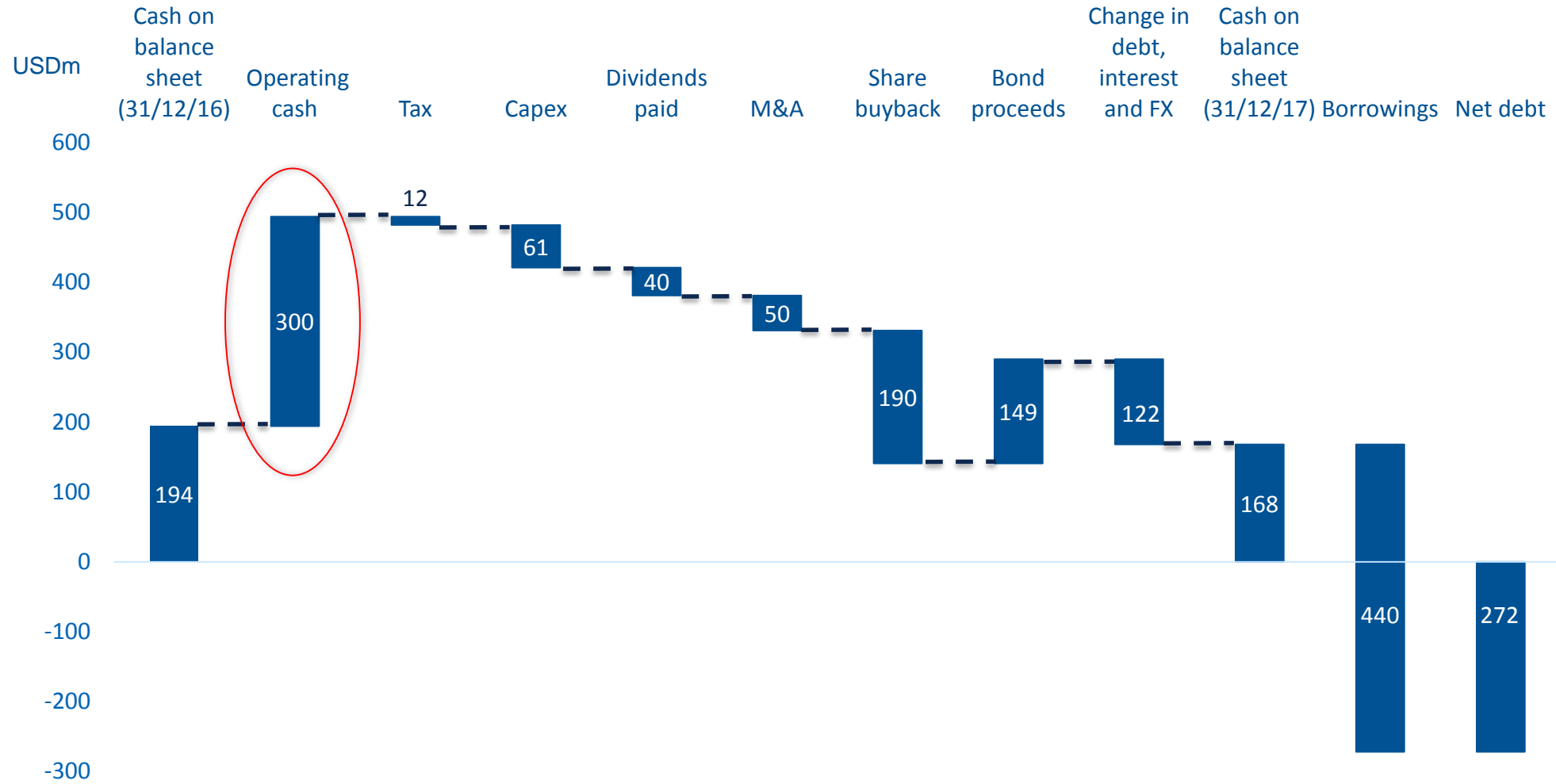
Continued strong organic growth

In USDm, except EPS	Q4 17	Q4 16	Y-o-Y	FY 17	FY 16	Y-o-Y
EBIT	87.6	74.8	17%	223.5	186.5	20%
Net finance charge	-3.0	-3.9	-23%	-14.9	-16.9	-12%
FX gain / (loss)	-0.5	0.8	NA	-2.5	-0.3	NA
Tax	-11.6	-8.3	40%	-27.6	-20.3	36%
Net profit	72.6	63.4	14%	178.6	149.1	20%
EPS (USD)	1.00	0.88	14%	2.45	2.07	18%

Strong growth in profit and EPS



Cash conversion remains significantly above target of 100%



Leverage at 1.0x, 2017 dividend of CHF 0.65 announced

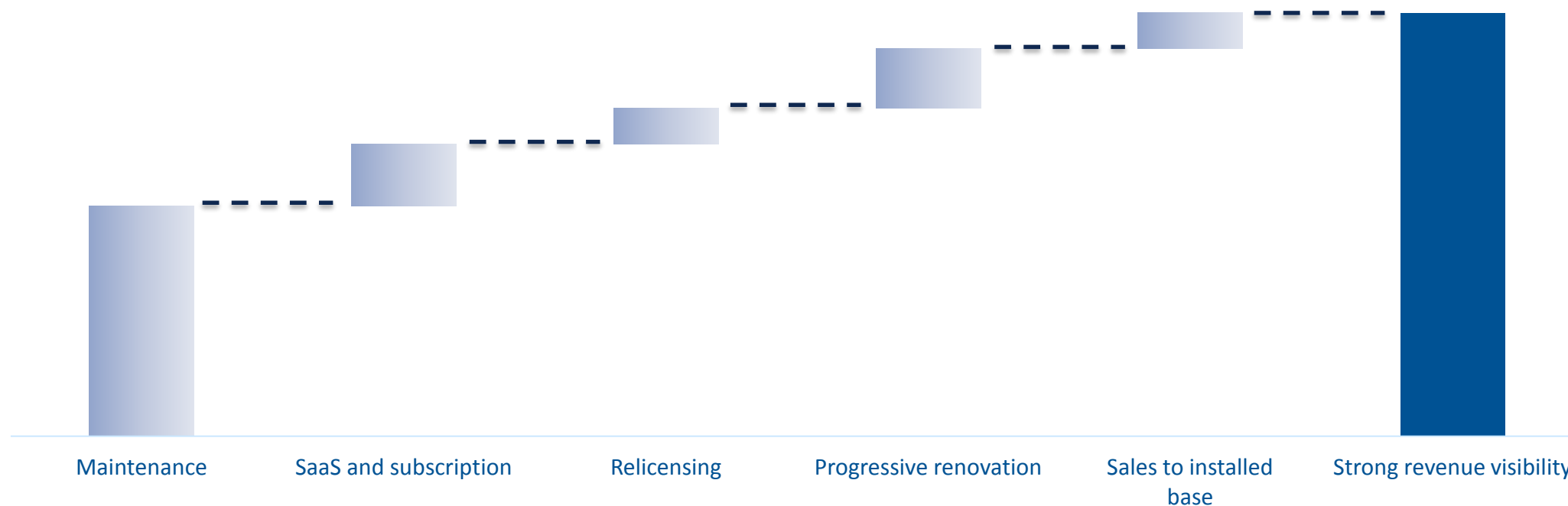
- Effective 1 January 2018, Temenos adopted IFRS15: Revenue from contracts with customers
- The company will transition using a modified retrospective methodology
- In 2018, we will provide
 - Quarter and Full Year financial statements under both old and new standards
 - Full Year guidance under old standards only
 - No restatement of 2017 comparative quarters
- From 2019, we will provide financial results and guidance only under the new standards
- The main impact will be on subscription licenses (see appendix slide 40)
- The expected impact of these new standards for FY 2018 is as follows:
 - Non-IFRS total software licensing impact of (USD5m)
 - Maintenance impact of USD5m
 - No impact on non-IFRS total revenue or EBIT

Guidance

Max Chuard, CFO, COO

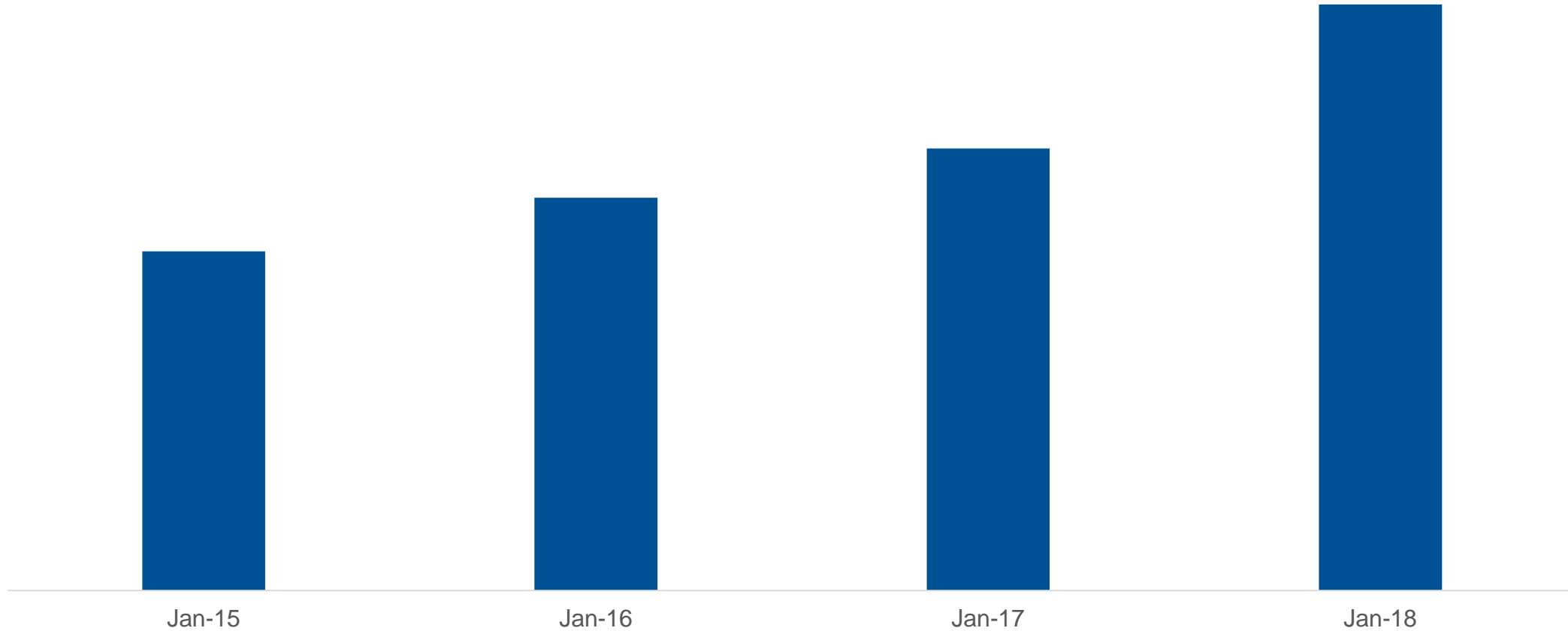


Strong visibility on c.85% of FY 2018 product revenues



Visibility driven by recurring revenue, committed spend and the installed base

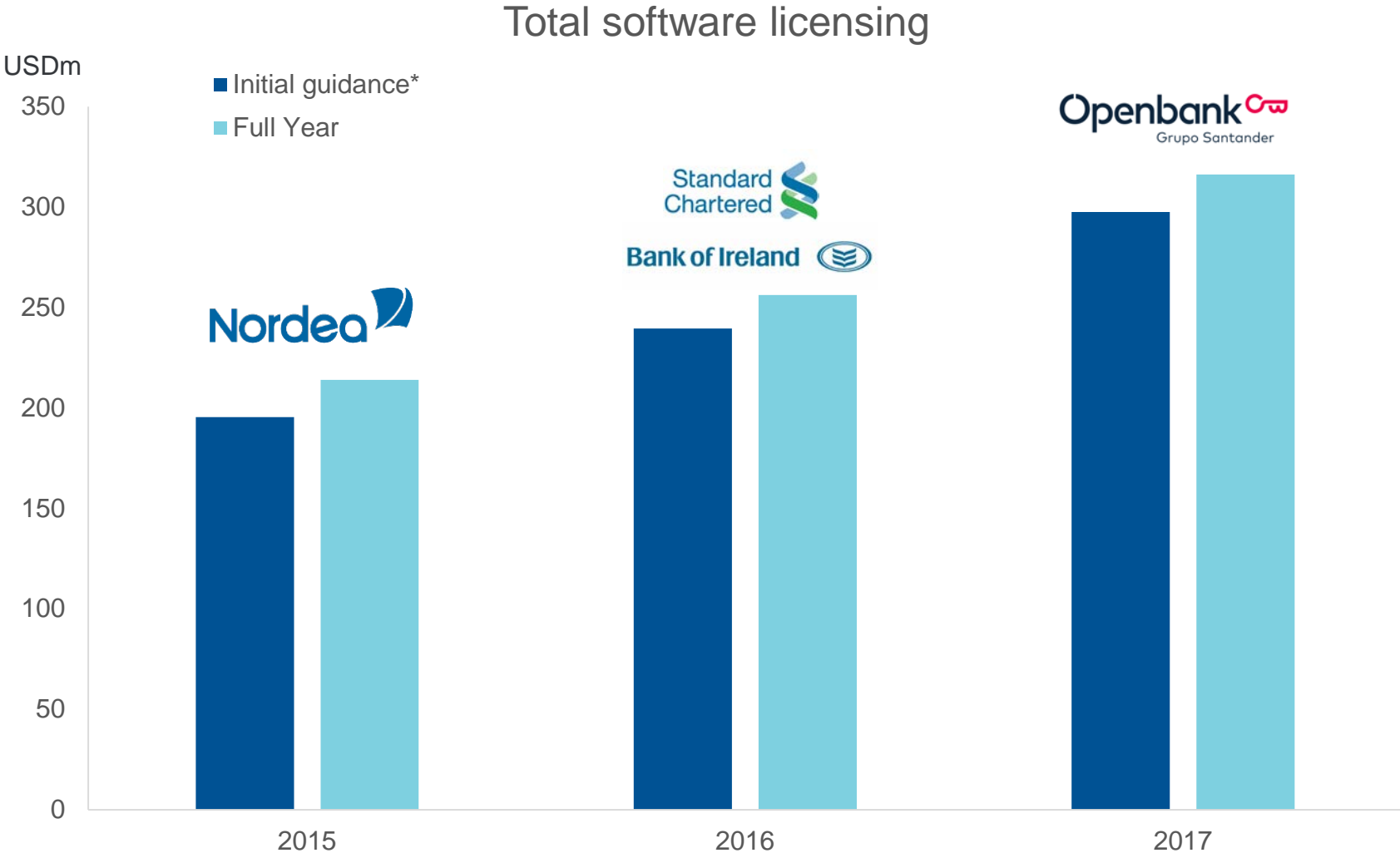
Software licensing pipeline



Acceleration in pipeline growth

FY 2018 guidance based on old standards i.e. pre adoption of IFRS15	
Total software licensing (%)	13.5% – 18.5%
<i>Implied USDm</i>	363 – 379
Total revenue (%)	10% – 13%
<i>Implied USDm</i>	819 – 840
EBIT (USDm)	255 – 260
<i>Implied margin</i>	31.1% – 31.0%
Cash conversion	100%+ conversion of EBITDA into operating cash flow
Tax rate	Expected FY 2018 tax rate of 15% to 16%

- Currency assumptions on slide 32
- See slide 46 for definition of non-IFRS



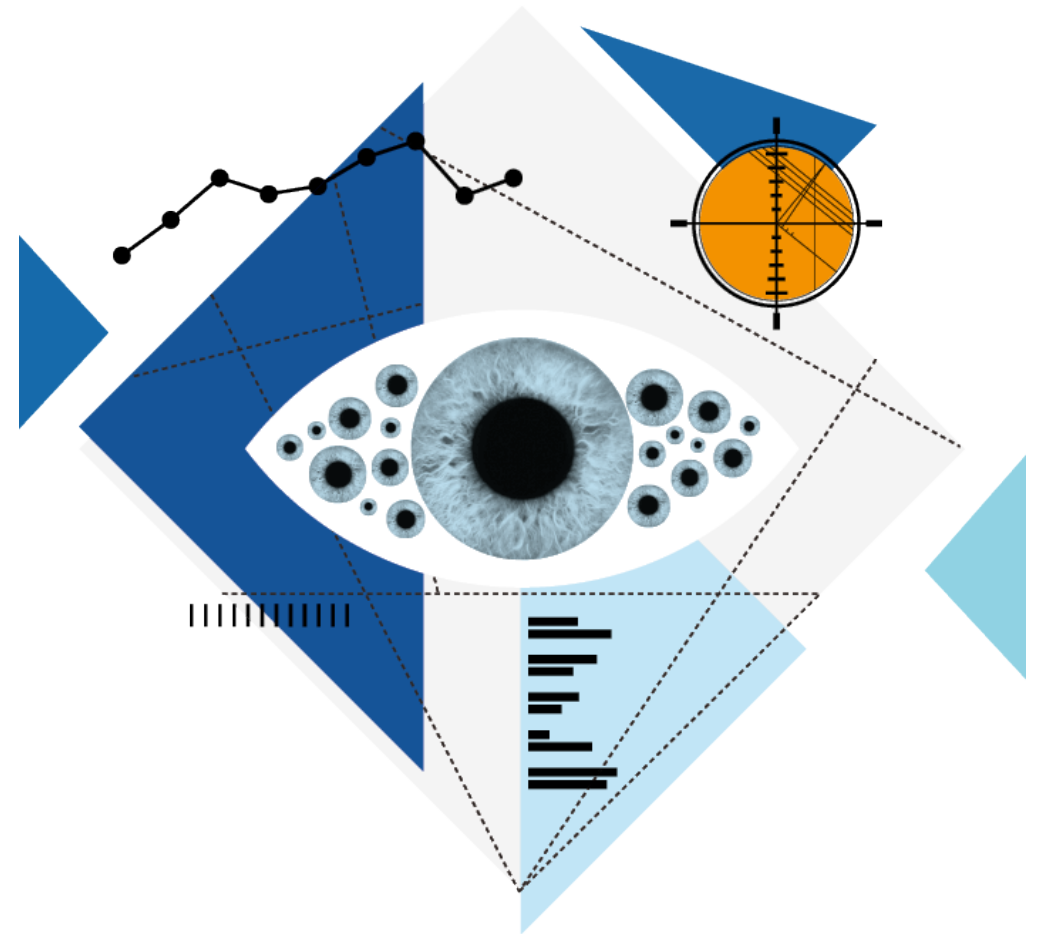
Increasing demand from tier 1 and 2 banks

* mid point of total software licensing guidance post any M&A

Metric (Non-IFRS)	Medium term targets
Total software licensing	At least 15% CAGR
Total revenue	10-15% CAGR
EBIT	100-150 bps p.a.
EPS	At least 15% CAGR
DSO reduction	5-10 days reduction p.a.
Cash conversion	100%+ of EBITDA
Tax rate	17-18%

Summary

David Arnott, CEO



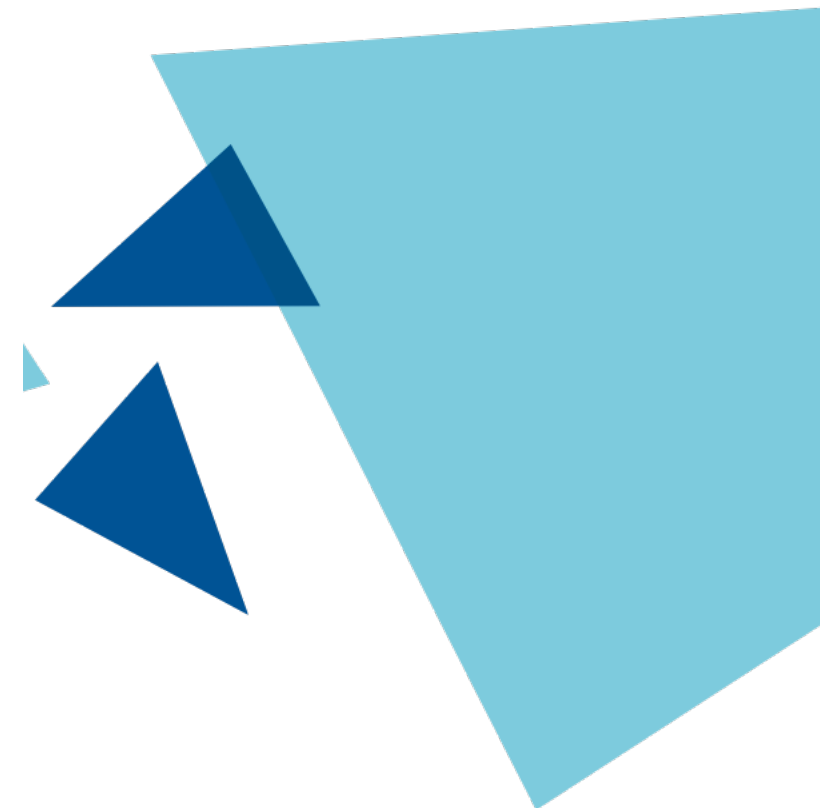
Time	Event	Speaker
09.30 - 10.00	Registration	
10.00 - 10.45	Strategy and vision	David Arnott, CEO
10.45 - 11.30	Building Enterprise Architecture around Temenos	Willem Hueting, Senior General Manager International Markets, KBC Group
11.30 - 11.45	Coffee	
11.45 - 12.30	Product leadership	Mark Winterburn, Chief Product Officer
12.30 - 13.00	Creating shareholder value	Max Chuard, CFO and COO
13.00 - 13.15	Q&A	
13.15 - 14.00	Lunch	

London Stock Exchange, 10 Paternoster Row, EC4M 7LS

- ◆ Outstanding performance in 2017 on back of landmark 2016
- ◆ Digital and regulatory pressure on banks continues to drive market expansion
- ◆ Strong sales execution across geographies and segments
- ◆ Significant growth among tier 1 and 2 banks
- ◆ Ongoing investment in sales and product
- ◆ Strong start to Q1 2018, highest ever revenue visibility driven by pipeline growth and committed spend

Strong outlook for 2018

Appendices



In preparing the 2018 guidance, the Company has assumed the following FX rates:

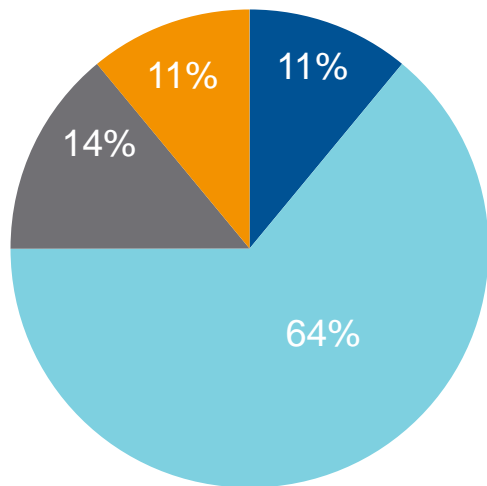
- USD to Euro exchange rate of 0.846
- USD to GBP exchange rate of 0.719; and
- USD to CHF exchange rate of 0.946

% of total	USD	EUR	GBP	CHF	Other
Total software licensing	44%	40%	1%	3%	12%
Maintenance	68%	22%	5%	5%	0%
Services	42%	38%	5%	1%	14%
Revenues	53%	33%	3%	3%	8%
Non-IFRS costs	23%	20%	14%	8%	35%
Non-IFRS EBIT	120%	62%	-21%	-7%	-54%

NB. All % are approximations based on 2017 actuals

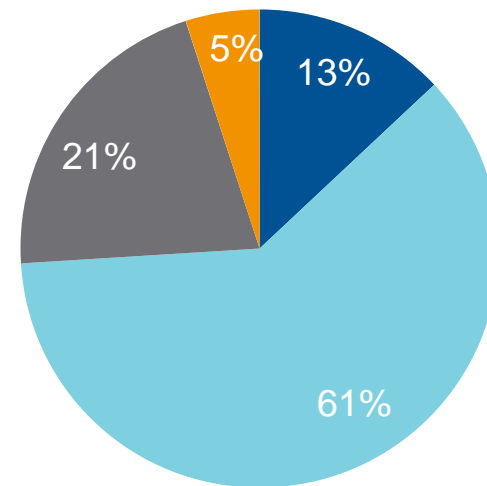
Mitigated FX exposure – matching of revenues / costs and hedging

Q4 2016



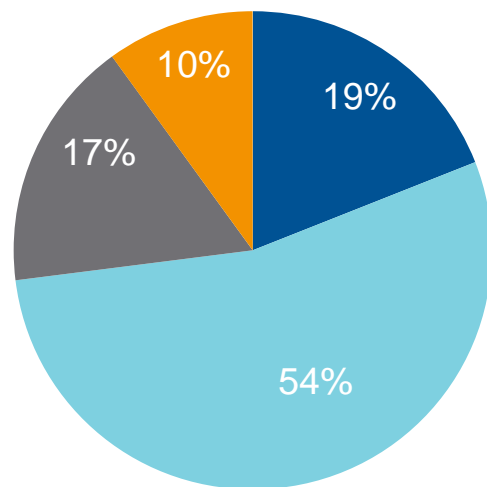
- APAC
- Europe
- Americas
- MEA

Q4 2017



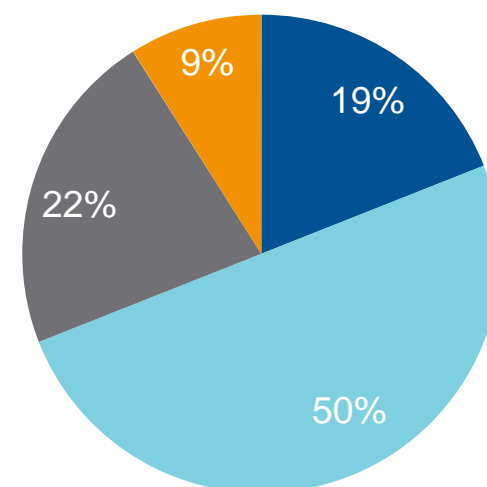
- APAC
- Europe
- Americas
- MEA

FY 2016



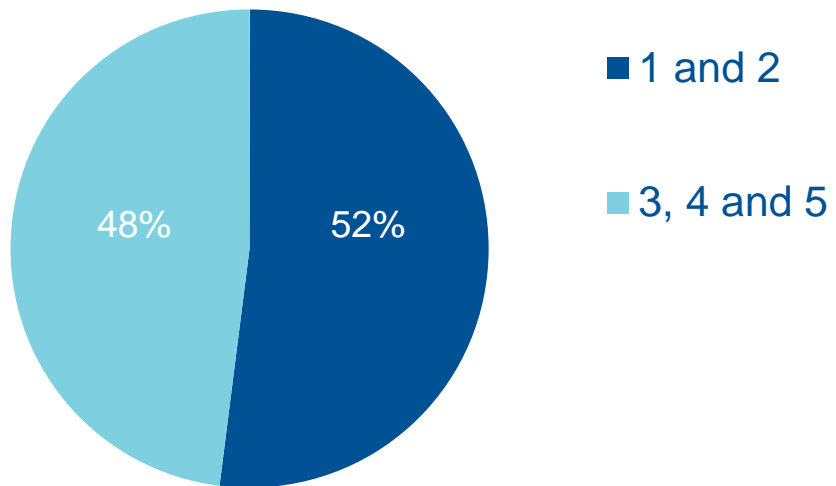
- APAC
- Europe
- Americas
- MEA

FY 2017

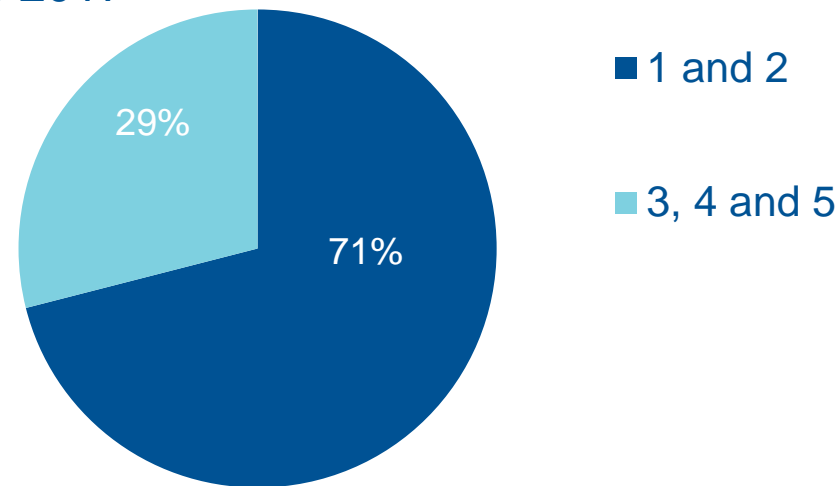


- APAC
- Europe
- Americas
- MEA

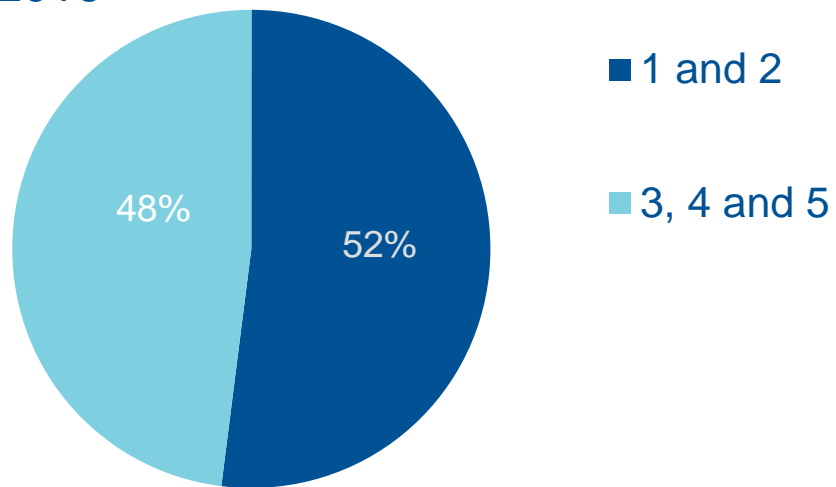
Q4 2016



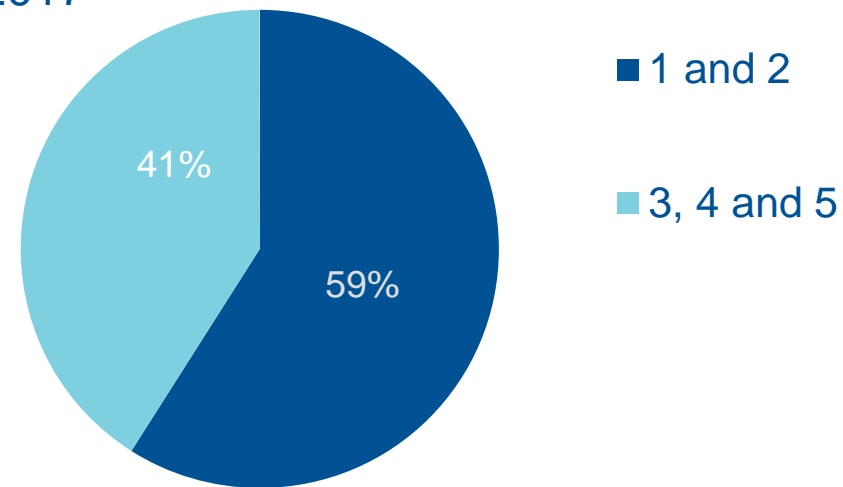
Q4 2017



FY 2016

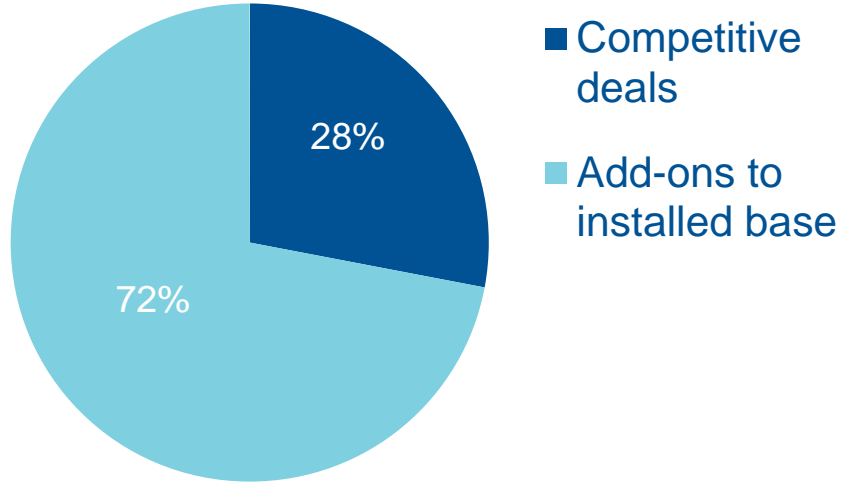


FY 2017

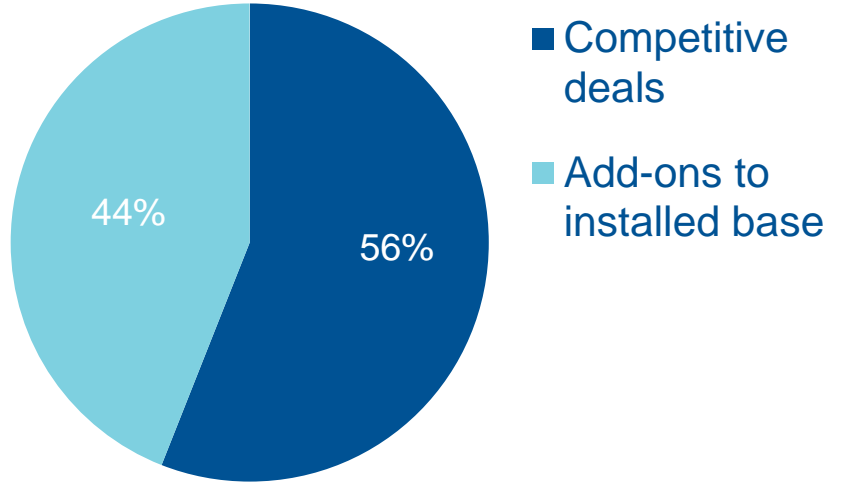


Software licensing revenue breakdown by competitive deals / add-ons to installed base

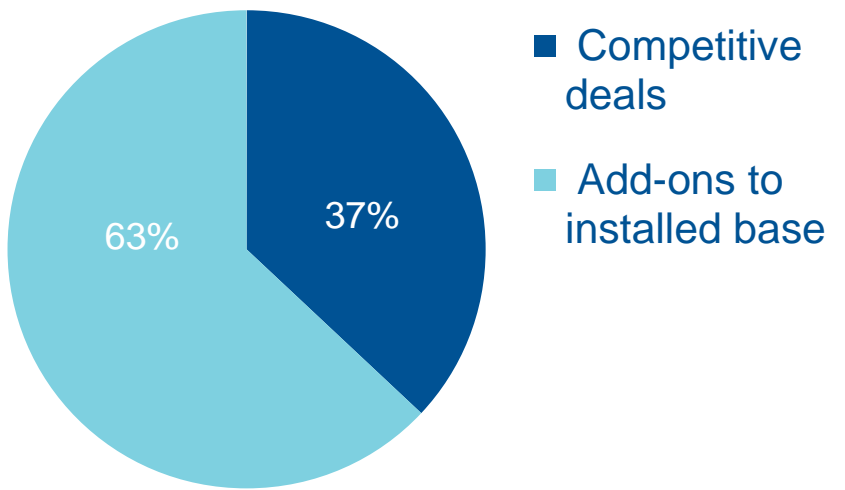
Q4 2016



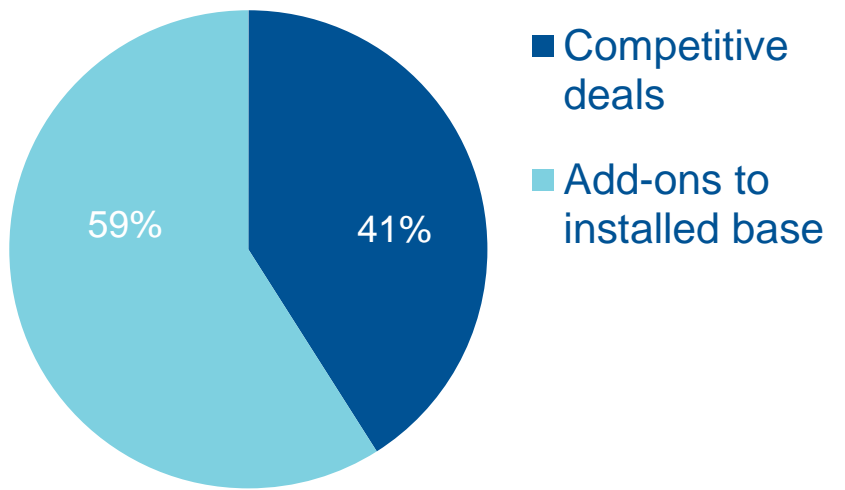
Q4 2017

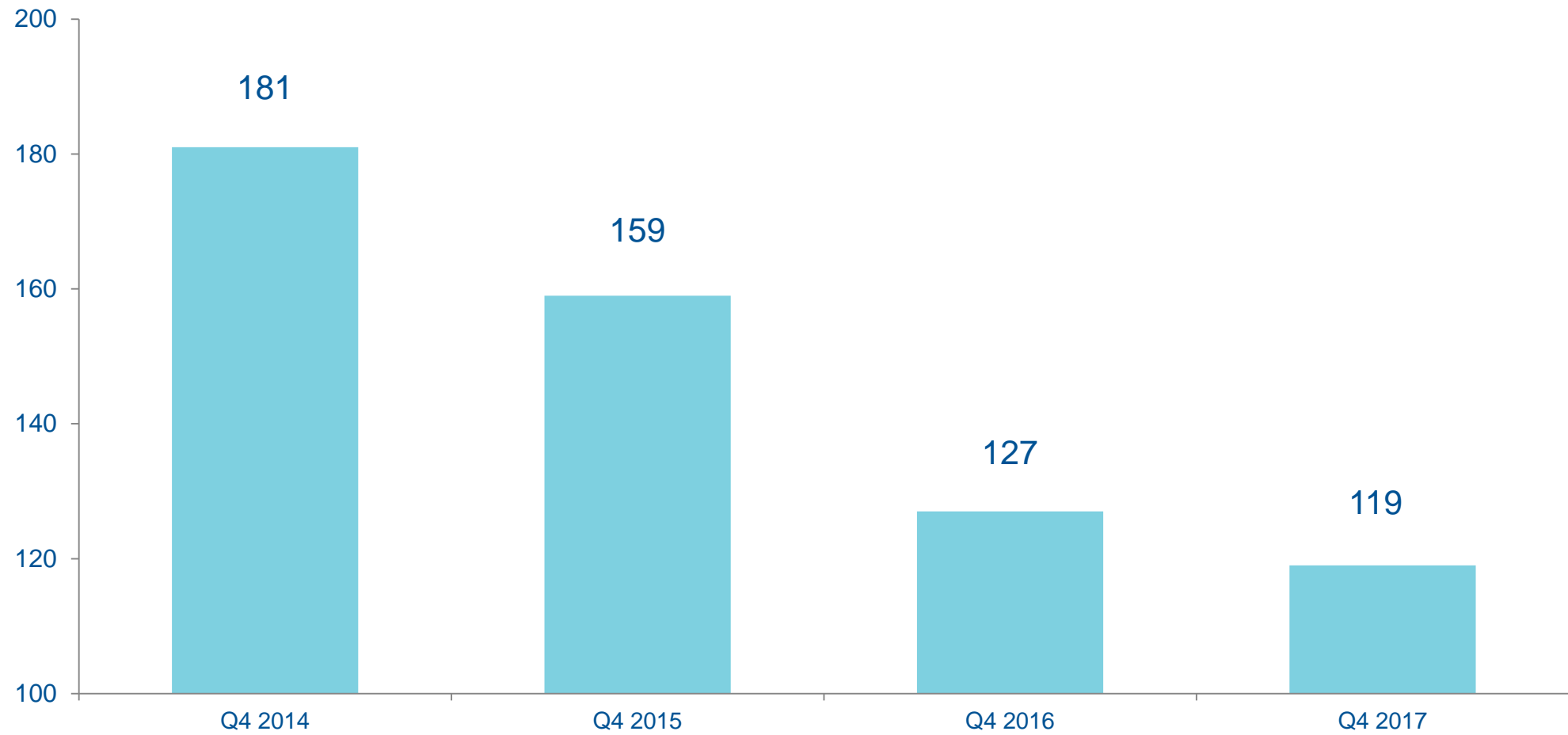


FY 2016



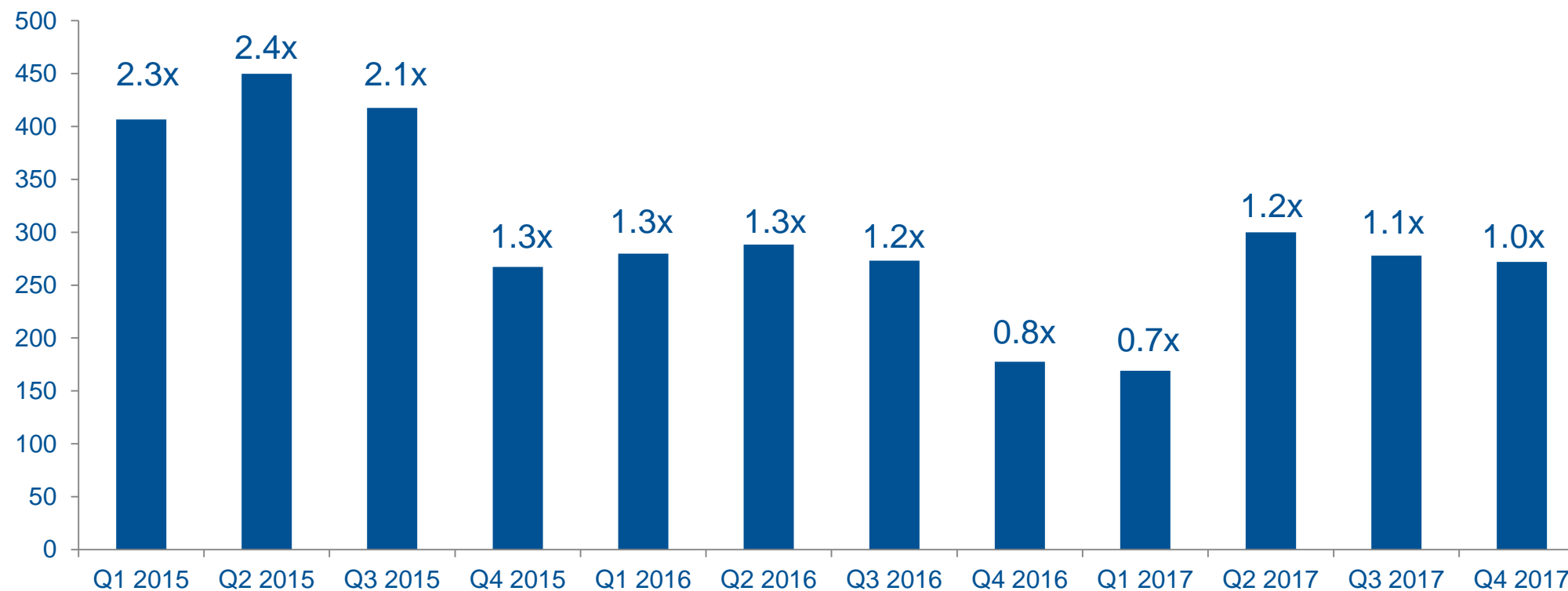
FY 2017





Net debt and leverage ratios*

USDm



* proforma non-IFRS EBITDA

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

USDm	Q1 16	Q2 16	Q3 16	Q4 16	FY 16
Cap' dev' costs	-10.8	-11.3	-10.8	-12.7	-45.6
Amortisation	8.8	8.8	8.8	8.8	35.2
Net cap' dev'	-2.0	-2.5	-2.0	-3.8	-10.3

USDm	Q1 17	Q2 17	Q3 17	Q4 17	FY 17
Cap' dev' costs	-11.2	-11.8	-13.4	-14.1	-50.5
Amortisation	8.8	9.8	10.9	10.5	40.0
Net cap' dev'	-2.4	-2.0	-2.5	-3.6	-10.5

In USDm	Mid-point of FY 2018 guidance	Estimated IFRS15 adjustment	Post IFRS15 adjustment
Software licensing		42	
SaaS and subscription		(47)	
Total software licensing	367	(5)	362
Maintenance		5	
Services		-	
Total revenue	824	-	824
Operating costs		-	
EBIT	257	-	257
Net earnings		-	

Immaterial impact on total revenue, EBIT and net earnings

IFRS revenue measure

+ Deferred revenue write-down

= **Non-IFRS revenue measure**

IFRS profit measure

+/- Deferred revenue writedown

+ / - Discontinued activities

+ / - Acquisition related charges

+ / - Amortisation of acquired intangibles

+ / - Restructuring

+ / - Taxation

= **Non-IFRS profit measure**



Below are the accounting elements not included in the 2018 non-IFRS guidance:

- FY 2018 estimated deferred revenue write down of USD 1m
- FY 2018 estimated amortisation of acquired intangibles of USD 38m
- FY 2018 estimated restructuring costs of USD 5m

Restructuring costs include realising R&D, operational and infrastructure efficiencies. These estimates do not include impact of any further acquisitions or restructuring programmes commenced after 13 February 2018.

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

In USDm, except EPS	3 Months Ending 31 December						Change	
	2017		2017	2016		2016		
	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	118.0	0.4	118.3	91.5	0.3	91.8	29%	29%
Maintenance	73.1		73.1	65.1		65.1	12%	12%
Services	41.2		41.2	34.1		34.1	21%	21%
Total Revenue	232.3	0.4	232.6	190.8	0.3	191.1	22%	22%
Total Operating Costs	(157.2)	12.2	(145.0)	(124.3)	8.0	(116.3)	26%	25%
Restructuring	(2.3)	2.3	0.0	(0.3)	0.3	0.0	776%	
Amort of Acq'd Intang.	(9.9)	9.9	0.0	(7.8)	7.8	0.0	28%	
Operating Profit	75.1	12.6	87.6	66.5	8.3	74.8	13%	17%
Operating Margin	32%		38%	35%		39%	-2.5% pts	-1.5% pts
Financing Costs	(3.5)		(3.5)	(3.1)		(3.1)	11%	11%
Taxation	(10.1)	(1.5)	(11.6)	(7.5)	(0.8)	(8.3)	36%	40%
Net Earnings	61.5	11.1	72.6	55.9	7.5	63.4	10%	14%
EPS (USD per Share)	0.85	0.15	1.00	0.77	0.11	0.88	10%	14%

In USDm, except EPS	Q4 17	Q4 16	FY 17	FY 16
IFRS net earnings	61.5	55.9	138.4	115.8
Deferred revenue write-down	0.4	0.3	1.3	1.1
Amortisation of acquired intangibles	9.9	7.8	35.0	31.7
Restructuring	2.3	0.3	6.9	4.5
Acquisition related costs	-	-	2.0	-
Taxation	-1.5	-0.8	-5.1	-4.0
Net earnings for non-IFRS EPS	72.6	63.4	178.6	149.1
No. of dilutive shares	72.7	72.1	72.9	72.0
Non-IFRS diluted EPS (USD)	1.00	0.88	2.45	2.07

USDm	Q4 2017 EBIT	Q4 2017 EBITDA	FY 2017 EBIT	FY 2017 EBITDA
IFRS	75.1	98.6	178.3	263.3
Deferred revenue write-down	0.4	0.4	1.3	1.3
Amortisation of acquired intangibles	9.9	-	35.0	-
Restructuring	2.3	2.3	6.9	6.9
Acquisition-related charges	-	-	2.0	2.0
Non-IFRS	87.6	101.2	223.5	273.5

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



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The banking software company