



## Temenos delivers strong Q1 2014 results across all metrics and reaffirms full year guidance

GENEVA, Switzerland, 29 April 2014 – Temenos Group AG (SIX: TEMN), the market leading provider of mission-critical software to financial institutions globally, today reports its first quarter 2014 results.

USDm, except EPS	Non-IFRS				IFRS			
	Q1 2014	Q1 2013	Change	LFL*	Q1 2014	Q1 2013	Change	LFL*
Software licencing	29.8	24.5	22%	20%	29.8	24.5	22%	20%
Software-as-a-Service	1.7	-	NA	16%	1.7	-	-	16%
<b>Total software licencing</b>	<b>31.5</b>	<b>24.5</b>	<b>29%</b>	<b>19%</b>	<b>31.5</b>	<b>24.5</b>	<b>29%</b>	<b>19%</b>
Maintenance	53.8	51.0	6%	4%	53.8	51.0	6%	4%
Services	24.2	28.1	-14%	-15%	24.2	28.1	-14%	-15%
<b>Total revenues</b>	<b>109.6</b>	<b>103.6</b>	<b>6%</b>	<b>3%</b>	<b>109.6</b>	<b>103.6</b>	<b>6%</b>	<b>3%</b>
<b>EBIT</b>	<b>19.8</b>	<b>13.5</b>	<b>47%</b>		<b>17.3</b>	<b>8.2</b>	<b>111%</b>	
EBIT margin	18.1%	13.0%	5% pts		15.8%	7.9%	8% pts	
<b>EPS (USD)</b>	<b>0.20</b>	<b>0.13</b>	<b>54%</b>		<b>0.17</b>	<b>0.05</b>	<b>240%</b>	

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

\* Like-for-like (LFL) excludes contributions from acquisitions and adjusts for movements in currencies

\*\* Earnings before interest, tax, depreciation and amortisation (EBITDA) into cash generated from operations

### Q1 2014 financial highlights

- Strong Q1 results across all key performance indicators
- LFL software licencing growth of 20% taking growth on an LTM basis to 12%
- Continued strong execution on services strategy with LTM non-IFRS services margin approaching breakeven
- Better revenue mix and operational leverage drives non-IFRS EBIT up 47% with margin up 5.1% points
- Non-IFRS EPS up 54%
- Cash conversion\*\* of 119% in the twelve months to March 2014; DSOs down 18 days vs Q1 2013
- Full year guidance reaffirmed

### Q1 2014 operational and industry highlights

- Good sales to both the installed base and to new customers
- 9 new customer wins (Q1 2013:7)
- Continued customer success with 20 implementation go-lives (Q1 2013: 7) and 40 in total (Q1 2013: 32)
- Taking market share as multi-product remains winning model
- Recognition of market leadership from both Forrester and IBS Intelligence
- High levels of customer activity in all regions
- Strong Q1 and pipeline underpins confidence in achieving reaffirmed full year guidance

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

“I am once again pleased to report strong quarterly results across all key performance indicators. Software licensing growth was above our guidance range which drove revenue growth and, together with a better revenue mix, significant growth in non-IFRS EBIT and margin expansion.

We are seeing high levels of customer activity in all regions with banks feeling more confident and taking longer term views against an improving macro backdrop. Looking forward, our award winning multi-product offering together with the strength of our pipeline gives me great confidence in our ability to continue to take market share and deliver strong operating and financial results for our shareholders.”

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

“Q1 once again saw strong operational performance translated into strong financial performance with non-IFRS EBIT up 47% and non-IFRS EBIT margin up 5.1% points. Our continued focus on cash saw strong cash inflows, with DSOs down 18 days against the same time last year.

For the twelve months ended March 2014 we have delivered software licensing growth of 12%, non-IFRS services margin approaching breakeven, non-IFRS group EBIT margin of 25.2% and cash conversion of 119%, all of which gives me great confidence in achieving our 2014 guidance.”

## **Revenue**

Both IFRS and non-IFRS revenue for the quarter was USD 109.6m, up from USD 103.6m in Q1 last year, representing an increase of 6% on a reported basis and 3% on a like-for-like basis. Licence revenue for the quarter was USD 29.8m, 22% higher than in the same period in 2013 on a reported basis and 20% higher on a like-for-like basis.

## **EBIT**

Non-IFRS EBIT was USD 19.8m in Q1, 47% higher than in Q1 2013, with a non-IFRS EBIT margin in Q1 of 18.1%, up 5% points on Q1 2013. IFRS EBIT increased from USD 8.2m in Q1 2013 to USD 17.3m in Q1 2014.

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

Non-IFRS EPS was USD 0.20 in the quarter compared to USD 0.13 in the prior year. LTM 2014 non-IFRS EPS was USD 1.30, up 27% on the previous 12 months. IFRS EPS for the quarter more than tripled from USD 0.05 per share to USD 0.17 per share.

## **Pre-tax operating cash**

Operating cash was an inflow of USD 20.4m in Q1 2014 compared to USD 8.0m in Q1 2013. For LTM to March 2014, operating cash was USD 181.6m representing a 119% conversion of EBITDA into operating cash.

## 2014 guidance

Our reaffirmed guidance for 2014 on a non-IFRS basis is:

- Total non-IFRS revenue growth of 5% to 10% (implying non-IFRS revenue of USD 491m to USD 515m)\*
- Software licensing growth of 10% to 15% (implying software licensing revenue of USD 152m to USD 158m)\*
- Non-IFRS EBIT margin of 25.1% (implying non-IFRS EBIT of USD 123m to USD 129m)\*
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 17% to 18%

\* Based on the currency assumptions set out below

## Conference call

At 17.30 BST / 18.30 CET / 12.30 EST, today, 29 April 2014, David Arnott, CEO, and Max Chuard, CFO, 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:

+44 (0)1452 569 335	(UK and International)
0808 238 0673	(UK Free Call)
0445 804 038	(Swiss Local Call)
0800 650 052	(Swiss Free Call)
+1 866 655 1591	(USA Free Call)

Conference ID # 23845809

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/>.

## Currency assumptions for 2014 guidance

In preparing the 2014 guidance, the Company has assumed the following currency assumptions, which remain unchanged from those announced at the company's Q4 and FY 2013 results:

- USD to Euro exchange rate of 0.734;
- USD to GBP exchange rate of 0.607; and
- USD to CHF exchange rate of 0.903.

## 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.

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## **About Temenos**

Founded in 1993 and listed on the Swiss Stock Exchange (SIX: TEMN), Temenos Group AG is the market leading provider of banking software systems to retail, corporate, universal, private, Islamic, microfinance and community banks, wealth managers, and other financial institutions. Headquartered in Geneva with 57 offices worldwide, Temenos software is proven in over 1,600 installations in more than 150 countries across the world. Temenos' products provide advanced technology and rich functionality, incorporating best practice processes that leverage Temenos' expertise around the globe. Temenos customers are proven to be more profitable than their peers: in the period 2008-2010, Temenos customers enjoyed on average a 32% higher return on assets, a 42% higher return on equity and an 8.1 percentage point lower cost/income ratio than banks running legacy applications.



**Appendix I – Q1 2014 IFRS primary statements****TEMENOS GROUP AG***All amounts are expressed in thousands of US dollars**except earnings per share*

	Three months to 31 March 2014	Three months to 31 March 2013	Twelve months to 31 March 2014	Twelve months to 31 March 2013 *
<b>Revenues</b>				
Software licensing	29,779	24,474	143,063	126,155
Software-as-a-Service	1,745	-	6,567	-
<b>Total software licensing</b>	<b>31,524</b>	24,474	<b>149,630</b>	126,155
Maintenance Services	53,829	50,996	215,329	204,134
	24,212	28,144	108,794	123,186
<b>Total revenues</b>	<b>109,565</b>	103,614	<b>473,753</b>	453,475
<b>Operating expenses</b>				
Sales and marketing	24,482	25,128	97,919	95,829
Services	25,996	32,226	112,656	137,497
Software development and maintenance	25,689	23,197	99,215	95,313
General and administrative	16,129	14,871	61,388	62,484
<b>Total operating expenses</b>	<b>92,296</b>	95,422	<b>371,178</b>	391,123
<b>Operating profit</b>	<b>17,269</b>	8,192	<b>102,575</b>	62,352
<b>Other expenses</b>				
Net interest expenses	(2,147)	(1,151)	(8,512)	(5,512)
Borrowing facility expenses	(354)	(403)	(1,366)	(1,836)
Foreign exchange loss	(474)	(618)	(2,008)	(2,220)
<b>Total other expenses</b>	<b>(2,975)</b>	(2,172)	<b>(11,886)</b>	(9,568)
<b>Profit before taxation</b>	<b>14,294</b>	6,020	<b>90,689</b>	52,784
Taxation	(2,501)	(2,339)	(14,362)	(12,808)
<b>Profit for the period</b>	<b>11,793</b>	3,681	<b>76,327</b>	39,976
Attributable to:				
Equity holders of the Company	11,793	3,681	76,327	39,976
Non-controlling interest	-	-	-	-
	<b>11,793</b>	<b>3,681</b>	<b>76,327</b>	<b>39,976</b>
<b>Earnings per share (in US\$):</b>				
<b>basic</b>	<b>0.17</b>	0.05	<b>1.12</b>	0.58
<b>diluted</b>	<b>0.17</b>	0.05	<b>1.09</b>	0.57
<b>non-IFRS</b>	<b>0.20</b>	0.13	<b>1.30</b>	1.02

\* Comparative information has been restated to reflect the retrospective application of the amendment to IAS19 "Employee benefits".



## TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	31 March 2014	31 December 2013	31 March * 2013
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	220,289	115,649	92,785
Trade receivables	230,343	228,165	233,219
Other receivables	33,288	28,918	31,176
<b>Total current assets</b>	<b>483,920</b>	<b>372,732</b>	<b>357,180</b>
<b>Non-current assets</b>			
Property, plant and equipment	13,217	12,945	14,145
Intangible assets	474,972	475,269	446,916
Trade receivables	27,276	25,300	35,250
Other receivables	9,838	8,842	2,337
Deferred tax assets	23,312	24,817	28,356
<b>Total non-current assets</b>	<b>548,615</b>	<b>547,173</b>	<b>527,004</b>
<b>Total assets</b>	<b>1,032,535</b>	<b>919,905</b>	<b>884,184</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	96,338	100,885	100,138
Deferred revenues	169,646	171,830	160,858
Income tax liabilities	11,016	13,903	9,681
Borrowings	12,558	11,598	10,380
<b>Total current liabilities</b>	<b>289,558</b>	<b>298,216</b>	<b>281,057</b>
<b>Non-current liabilities</b>			
Borrowings	303,904	201,487	200,285
Deferred tax liabilities	2,338	2,781	5,359
Income taxes payable	1,844	1,848	1,593
Trade and other payables	3,230	3,342	1,598
Retirement benefit obligations	4,070	4,063	3,397
<b>Total non-current liabilities</b>	<b>315,386</b>	<b>213,521</b>	<b>212,232</b>
<b>Total liabilities</b>	<b>604,944</b>	<b>511,737</b>	<b>493,289</b>
<b>Shareholders' equity</b>			
Share capital	239,798	239,798	239,798
Treasury shares	(111,512)	(131,775)	(87,696)
Share premium	(163)	16,442	15,342
Fair value and other reserves	(55,258)	(59,225)	(78,015)
Retained earnings	354,726	342,928	301,466
<b>Total shareholders' equity</b>	<b>427,591</b>	<b>408,168</b>	<b>390,895</b>
Non-controlling interest	-	-	-
<b>Total equity</b>	<b>427,591</b>	<b>408,168</b>	<b>390,895</b>
<b>Total liabilities and equity</b>	<b>1,032,535</b>	<b>919,905</b>	<b>884,184</b>

\* Comparative information has been restated to reflect the retrospective application of the amendment to IAS19 "Employee benefits"



**TEMENOS GROUP AG**

All amounts are expressed in thousands of US dollars

	Three months to 31 March 2014	Three months to 31 March 2013	Twelve months to 31 March 2014	Twelve months to 31 March 2013 *
<b>Cash flows from operating activities</b>				
Profit before taxation	14,294	6,020	90,689	52,784
<u>Adjustments:</u>				
Depreciation and amortisation	12,563	10,828	50,731	46,379
Other non-cash items	6,560	2,775	32,002	16,145
<u>Changes in working capital:</u>				
Trade and other receivables	(7,626)	1,089	8,701	4,135
Trade and other payables, and retirement benefit obligations	(3,475)	(19,000)	(6,057)	(12,591)
Deferred revenues	(1,963)	6,299	5,577	13,290
<b>Cash generated from operations</b>	<b>20,353</b>	<b>8,011</b>	<b>181,643</b>	<b>120,142</b>
Income taxes paid	(3,974)	(3,160)	(8,653)	(8,897)
<b>Net cash generated from operating activities</b>	<b>16,379</b>	<b>4,851</b>	<b>172,990</b>	<b>111,245</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(1,375)	(415)	(4,295)	(4,535)
Disposal of property, plant and equipment	21	8	22	22
Purchase of intangible assets	(1,236)	(928)	(5,432)	(4,336)
Capitalised development costs	(9,677)	(9,683)	(41,866)	(41,821)
Acquisitions of subsidiary, net of cash acquired	-	(12,530)	(180)	(26,941)
Disposal of subsidiary or business, net of cash disposed	-	-	316	-
Settlement of financial instruments	(541)	2,586	(9,522)	(5,212)
Interest received	54	45	233	241
<b>Net cash used in investing activities</b>	<b>(12,754)</b>	<b>(20,917)</b>	<b>(60,724)</b>	<b>(82,582)</b>
<b>Cash flows from financing activities</b>				
Acquisition of treasury shares	-	-	(53,652)	-
Proceeds /(repayments) of borrowings	(10,000)	(3,569)	(120,040)	6,613
Proceeds from issuance of bond	112,355	-	216,435	-
Interest payments	(565)	(1,524)	(4,068)	(5,925)
Dividend paid	-	-	(20,400)	-
Payment of other financing costs	(592)	(2,720)	(3,712)	(3,424)
Payment of finance lease liabilities	(51)	(88)	(254)	(328)
<b>Net cash generated from/(used in) financing activities</b>	<b>101,147</b>	<b>(7,901)</b>	<b>14,309</b>	<b>(3,064)</b>
<b>Effect of exchange rate changes</b>	<b>(132)</b>	<b>(982)</b>	<b>929</b>	<b>(934)</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period</b>	<b>104,640</b>	<b>(24,949)</b>	<b>127,504</b>	<b>24,665</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>115,649</b>	<b>117,734</b>	<b>92,785</b>	<b>68,120</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>220,289</b>	<b>92,785</b>	<b>220,289</b>	<b>92,785</b>

\* Comparative information has been restated to reflect the retrospective application of the amendment to IAS19 "Employee benefits".

## Appendix II – reconciliation of IFRS to non-IFRS Q1 2014 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 be read not 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	
	2014 IFRS	Adjustment	2014 Non-IFRS	2013 IFRS	Adjustment	2013 Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	31,524		31,524	24,474		24,474	29%	29%
Maintenance	53,829		53,829	50,996		50,996	6%	6%
Services	24,212		24,212	28,144		28,144	(14%)	(14%)
<b>Total Revenue</b>	<b>109,565</b>		<b>109,565</b>	<b>103,614</b>		<b>103,614</b>	<b>6%</b>	<b>6%</b>
<b>Total Operating Expenses</b>	<b>(92,296)</b>	<b>2,549</b>	<b>(89,747)</b>	<b>(95,422)</b>	<b>5,263</b>	<b>(90,159)</b>	<b>(3%)</b>	<b>(0%)</b>
Restructuring	(602)	602	-	(2,342)	2,342	-	(74%)	
Acquisition related charges			-	(287)	287	-	(100%)	
Amort of Acquired Intangibles	(1,947)	1,947	-	(2,634)	2,634	-	(26%)	
<b>Operating Profit</b>	<b>17,269</b>	<b>2,549</b>	<b>19,818</b>	<b>8,192</b>	<b>5,263</b>	<b>13,455</b>	<b>111%</b>	<b>47%</b>
Operating Margin	16%		18%	8%		13%	99%	39%
Financing Costs	(2,975)		(2,975)	(2,172)		(2,172)	37%	37%
Taxation	(2,501)	(323)	(2,824)	(2,339)	(190)	(2,529)	7%	12%
Net Earnings	11,793	2,226	14,019	3,681	5,073	8,754	220%	60%
EPS (\$ per Share)	0.17	0.03	0.20	0.05	0.08	0.13	240%	54%