Temenos acquires Multifonds to broaden its portfolio of mission-critical banking software

Acquisition provides complementary products, exposure to fast-growing fund administration market and client relationships with more than 30 of the world’s largest financial institutions

GENEVA, Switzerland, 04 March 2015, Temenos Group AG (SIX: TEMN), the market leading provider of mission-critical software to financial institutions globally, today announces the acquisition of Multifonds, a leading global provider of fund administration software. The acquisition will give Temenos additional scale, access to highly complementary products, client relationships with more than 30 of the world’s largest financial institutions, and exposure to the fast-growing fund administration market. Following the acquisition, Temenos now provides mission-critical software to 38 of the top 50 banking institutions in the world. Temenos is paying EUR235m to acquire Multifonds from a shareholder group led by growth equity investor Summit Partners. The transaction is being funded through a mixture of cash and debt.

Founded in 1995 and headquartered in Luxembourg, Multifonds provides software to financial services institutions globally, predominantly in the third-party fund administration market. Multifonds’ software allows fund administrators to perform key accounting functions such as intra-day valuations and end-of-day NAV calculations as well as to support fund administrators in key investor servicing and transfer agency functions such as investor dealing and shareholder record keeping. Multifonds has over 470 employees in 14 offices globally.

In common with the overall financial services sector, the fund administration market is undergoing significant change creating a structural need for third-party software. While assets under management are growing by around 7% per annum on the back of growing global wealth, fund managers’ margins are under pressure leading them either to use third-party administrators, who have the scale to operate at lower costs, or to reduce their infrastructure costs by investing in scalable IT platforms. Multifonds is very well placed to benefit from these trends given its leading position in the third-party administration market, where it is used by 9 of the top 15 institutions, as well as its ability to meet the needs of the broader base of asset managers and owners, such as mutual funds, insurers and hedge funds. Multifonds’ software helps customers to improve efficiency by around 40% on average, underlining the potential for cost savings.

The acquisition of Multifonds reinforces Temenos’ position as the leader in mission-critical software for financial institutions as well as providing significant opportunities for operational synergies. Multifonds’ global platform for fund administration is extremely well-regarded in the industry and is used by a host of tier 1 financial institutions, such as JP Morgan, Citi, BNP Paribas and Credit Suisse. The addition of the Multifonds platform thus adds a highly complementary product line to the Temenos portfolio, allowing Temenos to offer a broader, more compelling solution to new and existing customers. In particular, the combined proposition of Temenos’ securities processing, custody and enterprise data management functionality with Multifonds’ fund accounting platform creates a complete, integrated solution for the fund management industry.
Following the acquisition, Oded Weiss, CEO of Multifonds, will continue to run the company along with its current management team. In addition, Oded joins the Temenos senior management team.

The acquisition of Multifonds, which is due to close on 5 March, is expected to make a material contribution to Temenos’ revenues, profits and earnings per share (EPS). Multifonds is expected to contribute non-IFRS revenues of around USD46m in 2015 (USD56m on a pro-forma basis), of which more than 60% will be recurring revenues. In 2015, the acquisition will contribute around USD15m to group non-IFRS EBITDA (or USD18m on a pro-forma basis) and around USD23m in 2016. The consideration for the acquisition is EUR235m to be funded through cash and debt. The acquisition is expected to be around 4% accretive to non-IFRS EPS in 2015 (or around 6% on a pro-forma basis), rising to around 10% in 2016. Multifonds has been growing total revenues at around 10% per annum over recent years.

Temenos expects to incur restructuring charges of USD11m in relation to this acquisition, the acquisition of Akcelerant and other cost rationalisation activities across the group.

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

- Total non-IFRS revenue growth of 18% to 23% (implying non-IFRS revenue of USD 528m to USD 550m)
- Total non-IFRS software licensing growth of 36% to 41% (implying total non-IFRS software licensing revenue of USD 194m to USD 202m) which includes software licensing growth of 13%+ (implying software licensing revenue of at least USD154m)
- Non-IFRS EBIT margin of 28.5% (implying non-IFRS EBIT of USD 150m to USD 157m)
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 17% to 18%

*Assumes constant FX rates (see Q4 and FY 2014 press release - https://www.temenos.com/en/about-temenos/investor-relations)

Commenting on the acquisition, Temenos CEO David Arnott said:

“We are delighted to have completed the acquisition of Multifonds. This represents a highly strategic investment for us that will reinforce our position as the global leader in mission-critical banking software. Following the Multifonds acquisition, Temenos now has best-of-breed software spanning private and wealth management, retail banking, transaction banking, compliance and fund administration, enabling us to offer a broad and highly compelling solution to meet our customers’ needs in a rapidly changing environment. Further, we achieve a greater level of scale with a higher proportion of recurring revenues, which will give us the size and the predictability to accelerate strategic investments to grow the overall business. As such, we are confident that, together with Multifonds, the Temenos group can grow faster and with better profitability.”
Oded Weiss, CEO at Multifonds, said:
“The combination of Temenos and Multifonds represents an excellent fit for our customers and employees and we are delighted to be joining forces. Temenos adds complementary, market-leading fund management software to its portfolio of market-leading products. And, as part of Temenos, Multifonds will have the opportunity to grow much faster by leveraging Temenos’ sales and marketing, partner and R&D infrastructure. The deal is a win-win for all stakeholders and, together with the management team from Multifonds, I am committed to the group’s future success.”

Temenos CFO Max Chuard, added:
“The acquisition of Multifonds generates significant value for our shareholders. Temenos is able to obtain debt financing at very attractive rates which, coupled with revenue and cost synergies, makes this acquisition highly accretive and allows us to take up our profit guidance for the year. As a consequence of the acquisition, Temenos’ leverage will increase to around 2.4x EBITDA and, with very strong anticipated cashflows, we expect to bring this back to the range of 1-1.5x EBITDA within 12 to 18 months.”

At 09.30 CET / 08.30 GMT, today, 04 March 2015, David Arnott, CEO, Max Chuard CFO, and Oded Weiss, CEO Multifonds, will host a conference call to present the acquisition. Listeners can access the conference call using the following dial in numbers:

031 580 0059  (Swiss Local Call)  
0800 920 016  (Swiss Free Call)  
+1 866 966 1396  (USA Free Call)  
+44 (0)2071 928000  (UK and International)  
0800 376 7922  (UK Free Call)  

Conference ID #98059220

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/](http://www.temenos.com/en/about-temenos/investor-relations/results-and-presentations/)

Temenos was advised on the transaction by Barclays, Davis Polk & Wardwell, and PwC.

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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. 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.

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 2008-2012, 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.

About Multifonds

Multifonds, a Temenos company, is the award winning investment software providing fund accounting, portfolio accounting and investor servicing and transfer agency on a single platform. Today more than USD5 trillion in assets for both traditional and alternative funds are processed on Multifonds in more than 30 jurisdictions for the world’s leading global custodians, third-party administrators, insurance companies and asset managers. Multifonds is a member of the FinTech 100 of top global financial services software vendors.