

Temenos announces Q1 2015 results and reaffirms full year guidance

GENEVA, Switzerland, 21 April 2015 – Temenos Group AG (SIX: TEMN), the market leading provider of mission-critical software to financial institutions globally, today reports its first quarter 2015 results.

<i>USDm, except EPS</i>	Non-IFRS				IFRS			
	Q1 2015	Q1 2014	Change	CC	Q1 2015	Q1 2014	Change	CC
Software licencing	20.0	29.8	-33%	-30%	20.0	29.8	-33%	-30%
Software-as-a-Service	5.8	1.7	234%	235%	3.9	1.7	123%	124%
Total software licencing	25.9	31.5	-18%	-15%	23.9	31.5	-24%	-21%
Maintenance	55.6	53.8	3%	9%	55.5	53.8	3%	9%
Services	22.7	24.2	-6%	2%	22.7	24.2	-6%	1%
Total revenues	104.3	109.6	-5%	0%	102.0	109.6	-7%	-2%
EBIT	16.4	19.8	-17%	-19%	4.0	17.3	-77%	-80%
EBIT margin	15.8%	18.1%	-2% pts	-4%	4.0%	15.8%	-12% pts	
EPS (USD)	0.18	0.20	-11%		0.01	0.17	-94%	-95%

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

* Constant currency (CC) adjusts prior year for movements in currencies

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

Q1 2015 financial summary

- Weak software licensing performance in Q1 2015 with total software licensing revenues down 14.7% Y-o-Y (constant currency)
- Maintenance growth of 9% Y-o-Y and 5.5% LTM (constant currency)
- Continued focus on high margin services has delivered profitability in Q1
- EBIT margin of 15.8% in Q1 2015 and 26.8% for LTM
- Strong cash conversion above target of 100%
- Continued strong cost control protects margins
- Strong start to Q2 and full year guidance reconfirmed

Q1 2015 operational highlights and outlook

- Two strategic acquisitions, Akcelerant and Multifonds, completed and integration on track
- Signing of Julius Baer key event for wealth management business
- Sole vendor at top of Forrester Global Banking Platform Deals for new-named clients and all counted deals
- #1 position in IBS league table for third consecutive year

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

“The licensing revenue number in Q1 was clearly disappointing, but business fundamentals remain sound and we expect a strong rebound in Q2. License revenue in the quarter was negatively affected by a number of factors, such as the sales reorganization we initiated at the start of the year, the lack of compelling events for new business to close in Q1, and despite the strong performance from the installed base we were unable to lap the strong comparative in Q1 2014. Our win rate remains high and we expect execution to improve materially from here.

The fundamentals of the Temenos business are sound and we see market conditions gradually improving. In Q1, Temenos made two strategic acquisitions, which we are now integrating. Our services business is now back to profitability. Cost control remains tight, helping to protect margins in the quarter and underpinning strong cash conversion and further material reductions in DSOs. Demand in many areas, such as channels and analytics, is buoyant and for core banking, the largest part of our business, we see conditions improving as corroborated by recent third party analysis.

Given the strong start to Q2, expected improvement in sales execution as remedial action takes effect, solid execution in most areas of the business and strong market fundamentals, we remain confident we can deliver our full year outlook.”

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

“Despite weaker than expected licenses revenues, we have continued to grow our recurring revenue base with maintenance revenue growing at 9% at constant currencies and our SaaS revenue increasing materially through organic growth and the contribution of our recent acquisitions. We continue to focus on cash generation with DSOs once again materially down and cash conversion comfortably over our target of 100%. Our leverage has increased following the acquisition of Multifonds but with very strong anticipated cashflows, we expect to bring this back to the range of 1-1.5x EBITDA within 12 to 18 months.”

Revenue

IFRS revenue for the quarter was USD 102.0m and non-IFRS revenue was USD 104.3m, down from USD 109.6m in Q1 last year, representing an absolute decrease of 4.8% and a 0.5% increase in constant currency. Total software license revenue for the quarter was USD 25.9m, 17.9% lower than in the same period in 2014 on a reported basis and 14.7% lower adjusted for constant currencies.

EBIT

Non-IFRS EBIT was USD 16.4m in Q1, 17.1% lower than in Q1 2014, with a non-IFRS EBIT margin in Q1 of 15.8%, down 2.3% points on Q1 2014. IFRS EBIT decreased from USD 17.3m in Q1 2014 to USD 4.0m in Q1 2015 with a margin of 4%, largely due to the two acquisitions in the quarter.

Earnings per share (EPS)

Non-IFRS EPS was USD 0.18 vs. 0.20 in Q1 2014. LTM non-IFRS EPS was USD 1.43, up 10% on the previous 12 months. IFRS EPS for the quarter was USD 0.01 per share, down from USD 0.17 per share in Q1 2014.

Pre-tax operating cash

Operating cash was an inflow of USD 10.1m in Q1 2015 compared to USD 20.4m in Q1 2014. For LTM to March 2015, operating cash was USD 180m representing a 115% conversion of EBITDA into operating cash.

2015 guidance

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

- Total non-IFRS revenue growth of 18% to 23% (implying non-IFRS revenue of USD 526m to USD 548m)
- Total non-IFRS software licensing growth of 36% to 41% (implying total non-IFRS software licensing revenue of USD 192m to USD 199m) which includes software licensing growth of 13%+ (implying software licensing revenue of at least USD 152m)
- Non-IFRS EBIT margin of 28.5% (implying non-IFRS EBIT of USD 150m to USD 156m)
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 17% to 18%

*Assumes FX rates as disclosed in Q1 2015 results presentation - <https://www.temenos.com/en/about-temenos/investor-relations>)

Conference call

At 18.30 CET / 17.30 BST / 12.30 EST, today, 21 April 2015, 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:

0315 800 059	(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 # 29021298

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/>.



TEMENOS

The Banking Software Company

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 2015 non-IFRS guidance:

- FY 2015 estimated deferred revenue write-down of approximately USD 23m
- FY 2015 estimated amortisation of acquired intangibles of USD 30m
- FY 2015 estimated acquisition related charges of USD 5m
- FY 2015 estimated restructuring costs of USD 8m

These estimates do not include impact of any further acquisitions or restructuring programmes commenced after 21 April 2015.

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

Press and Investor contacts

Investors

Adam Snyder
Head of Investor Relations, Temenos
Email: asnyder@temenos.com
Phone: +41 22 708 1515

Media

Heidi Salan
Burson-Masteller
Email: heidi.salon@bm.com

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 as well as over USD 5 trillion in assets. Temenos customers are proven to be more profitable than their peers: in the period 2008-2012, they 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.

For more information please visit www.temenos.com



Appendix I – Q1 2015 IFRS primary statements

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 31 March 2015	Three months to 31 March 2014	Twelve months to 31 March 2015	Twelve months to 31 March 2014
Revenues				
Software licensing	19,996	29,779	129,885	143,063
Software-as-a-Service	3,894	1,745	10,111	6,567
Total software licensing	23,890	31,524	139,996	149,630
Maintenance Services	55,456	53,829	225,025	215,329
	22,674	24,212	96,136	108,794
Total revenues	102,020	109,565	461,157	473,753
Operating expenses				
Sales and marketing	20,711	24,482	88,466	97,919
Services	23,044	25,996	90,190	112,656
Software development and maintenance	35,446	25,689	115,846	99,215
General and administrative	18,777	16,129	61,686	61,388
Total operating expenses	97,978	92,296	356,188	371,178
Operating profit	4,042	17,269	104,969	102,575
Other expenses				
Net interest expenses	(3,508)	(2,147)	(10,986)	(8,512)
Borrowing facility expenses	(515)	(354)	(1,703)	(1,366)
Foreign exchange gain/(loss)	821	(474)	599	(2,008)
Total other expenses	(3,202)	(2,975)	(12,090)	(11,886)
Profit before taxation	840	14,294	92,879	90,689
Taxation	(122)	(2,501)	(12,323)	(14,362)
Profit for the period	718	11,793	80,556	76,327
Earnings per share (in US\$):				
basic	0.01	0.17	1.20	1.12
diluted	0.01	0.17	1.17	1.09
non-IFRS	0.18	0.20	1.43	1.30

**TEMENOS**

The Banking Software Company

TEMENOS GROUP AG*All amounts are expressed in thousands of US dollars*

	31 March 2015	31 December 2014	31 March 2014
Assets			
Current assets			
Cash and cash equivalents	106,405	192,610	220,289
Trade receivables	212,490	210,128	230,057
Other receivables	36,048	24,662	33,288
<i>Total current assets</i>	354,943	427,400	483,634
Non-current assets			
Property, plant and equipment	17,621	14,089	13,217
Intangible assets	723,925	437,808	473,649
Trade receivables	19,186	20,537	27,276
Other receivables	4,153	2,149	9,838
Deferred tax assets	22,158	23,865	23,312
<i>Total non-current assets</i>	787,043	498,448	547,292
Total assets	1,141,986	925,848	1,030,926
Liabilities and equity			
Current liabilities			
Trade and other payables	89,825	83,324	96,338
Deferred revenues	171,115	179,894	169,646
Income tax liabilities	10,564	14,177	11,016
Borrowings	147,163	12,860	12,558
<i>Total current liabilities</i>	418,667	290,255	289,558
Non-current liabilities			
Borrowings	365,864	279,232	303,904
Deferred tax liabilities	29,049	1,087	2,338
Income taxes payable	1,782	1,782	1,844
Trade and other payables	1,814	5,098	1,621
Retirement benefit obligations	6,409	6,356	4,070
<i>Total non-current liabilities</i>	404,918	293,555	313,777
Total liabilities	823,585	583,810	603,335
Shareholders' equity			
Share capital	228,357	228,357	239,798
Treasury shares	(148,464)	(152,942)	(111,512)
Share premium and capital reserves	(60,147)	(59,187)	(163)
Fair value and other reserves	(108,513)	(80,639)	(55,258)
Retained earnings	407,168	406,449	354,726
Total equity	318,401	342,038	427,591



TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	Three months to 31 March 2015	Three months to 31 March 2014	Twelve months to 31 March 2015	Twelve months to 31 March 2014
Cash flows from operating activities				
Profit before taxation	840	14,294	92,879	90,689
<u>Adjustments:</u>				
Depreciation and amortisation	15,014	12,563	52,036	50,731
Other non-cash items	6,228	6,560	23,204	32,002
<u>Changes in working capital:</u>				
Trade and other receivables	956	(7,626)	14,628	8,701
Trade and other payables, and retirement benefit obligations	(1,049)	(3,475)	(11,883)	(6,057)
Deferred revenues	(11,871)	(1,963)	9,230	5,577
Cash generated from operations	10,118	20,353	180,094	181,643
Income taxes paid	(4,101)	(3,974)	(8,572)	(8,653)
Net cash generated from operating activities	6,017	16,379	171,522	172,990
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,720)	(1,375)	(6,210)	(4,295)
Disposal of property, plant and equipment	-	21	3	22
Purchase of intangible assets	(810)	(1,236)	(3,924)	(5,432)
Disposal of intangible assets	-	-	2,000	-
Capitalised development costs	(10,294)	(9,677)	(43,798)	(41,866)
Acquisitions of subsidiary, net of cash acquired	(297,878)	-	(297,878)	(180)
Disposal of subsidiary or business, net of cash disposed	8	-	51	316
Settlement of financial instruments	(81)	(541)	3,812	(9,522)
Interest received	16	54	65	233
Net cash used in investing activities	(310,759)	(12,754)	(345,879)	(60,724)
Cash flows from financing activities				
Acquisition of treasury shares	-	-	(119,948)	(53,652)
Proceeds /(repayments) of borrowings	225,965	(10,000)	227,943	(120,040)
Proceeds from issuance of bonds	-	112,355	(23)	216,435
Interest payments	(2,393)	(565)	(8,174)	(4,068)
Dividend paid	-	-	(26,633)	(20,400)
Payment of other financing costs	(962)	(592)	(2,335)	(3,712)
Payment of finance lease liabilities	(25)	(51)	(111)	(254)
Net cash generated from financing activities	222,585	101,147	70,719	14,309
Effect of exchange rate changes	(4,048)	(132)	(10,246)	929
Net (decrease)/increase in cash and cash equivalents in the period	(86,205)	104,640	(113,884)	127,504
Cash and cash equivalents at the beginning of the period	192,610	115,649	220,289	92,785
Cash and cash equivalents at the end of the period	106,405	220,289	106,405	220,289

Appendix II – reconciliation of IFRS to non-IFRS Q1 2015 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	
	2015 IFRS	Adjustment	2015 Non-IFRS	2014 IFRS	Adjustment	2014 Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	23,890	1,993	25,883	31,524		31,524	(24%)	(18%)
Maintenance	55,456	181	55,637	53,829		53,829	3%	3%
Services	22,674	76	22,750	24,212		24,212	(6%)	(6%)
Total Revenue	102,020	2,250	104,270	109,565		109,565	(7%)	(5%)
Total Operating Expenses	(97,978)	10,144	(87,834)	(92,296)	2,549	(89,747)	6%	(2%)
Restructuring	(6,484)	6,484	-	(602)	602	-	977%	
Amort of Acquired Intangibles	(3,660)	3,660	-	(1,947)	1,947	-	88%	
Operating Profit	4,042	12,394	16,436	17,269	2,549	19,818	(77%)	(17%)
Operating Margin	4%		16%	16%		18%	(75%)	(13%)
Financing Costs	(3,202)		(3,202)	(2,975)		(2,975)	8%	8%
Taxation	(122)	(980)	(1,102)	(2,501)	(323)	(2,824)	(95%)	(61%)
Net Earnings	718	11,414	12,132	11,793	3,000	14,019	(94%)	(13%)
EPS (\$ per Share)	0.01	0.17	0.18	0.17	0.03	0.20	-94%	-10%