

Temenos announces strong start to 2017 with Q1 total software licensing revenue growth of 19%

GENEVA, Switzerland, 20 April 2017 – Temenos Group AG (SIX: TEMN), the software specialist for banking and finance, today reports its first quarter 2017 results.

<i>USDm, except EPS</i>	Non-IFRS				IFRS			
	Q1-17	Q1-16	Change	CC*	Q1-17	Q1-16	Change	CC*
Software licencing	32.0	26.9	19%	23%	32.0	26.9	19%	23%
SaaS & subscription	13.3	12.3	8%	10%	13.0	12.0	9%	10%
Total software licencing	45.4	39.2	16%	19%	45.1	38.9	16%	19%
Maintenance	64.9	60.5	7%	9%	64.9	60.5	7%	9%
Services	32.5	29.6	9%	11%	32.5	29.6	9%	11%
Total revenues	142.7	129.4	10%	13%	142.5	129.1	10%	13%
EBIT	27.3	22.2	23%	15%	18.7	12.4	50%	34%
EBIT margin	19.2%	17.2%	2% pts	0% pts	13.1%	9.6%	3% pts	2% pts
EPS (USD)	0.27	0.21	29%		0.17	0.09	89%	

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

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

Q1 2017 highlights

- Strong start to 2017 across all KPIs
- Digitization and cost focus continue to drive strategic decision making and market growth
- Strong sales momentum across geographies, both signings and pipeline generation
- Integrated, front-to-back digital offering is critical to client wins
- Ranked #1 best selling core banking system by IBS
- Ranked top of Forrester pyramids for new-name clients and for new and existing clients
- Strong pipeline supports outlook for 2017
- Bond issuance in Q1 2017 strengthens balance sheet and extends maturity profile

Q1 2017 financial summary

- Non-IFRS total software licensing revenues up 19% in Q1 17 (c.c.)
- Non-IFRS maintenance growth of 9% in Q1 17 (c.c.)
- Non-IFRS EBIT up 15% in Q1 17 (c.c.), LTM non-IFRS EBIT margin of 29.5%
- Non-IFRS EPS increase of 29%
- Q1 2017 LTM cash conversion of 117%
- DSOs at 127 days, down 24 days Y-o-Y

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

“We have built on the momentum from last year with a strong start to 2017. Our performance and execution has been excellent across all our KPIs. Banks continue to focus on their digital future and are putting IT at the heart of their strategies to achieve this. More and more we are seeing banks moving from legacy in-house software, to complete front-to-back digital solutions that are seamlessly integrated, rather than focusing only on changing the front end.

We have once again been recognised as the leader in our market, with IBS ranking Temenos as the #1 best selling core banking solution as well as the best selling digital solution. We were also ranked at the top of both of the Forrester pyramids for sales to new and existing clients. These achievements are only possible with the dedication and hard work of all our employees and the continued trust and support of our clients around the globe.

With the continued growth in our market and our leading position within it, I am confident in the outlook for 2017 and the medium term.”

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

“We had strong growth in both revenue and profitability in the first quarter, with total software licensing up 19% and our EPS up 29%, reflecting the momentum we have in the market. Our pipeline has continued to grow since the start of the year and, with multiple clients undergoing progressive renovation, our revenue visibility remains very high.

We took advantage of favourable market conditions in Q1 to issue CHF150m of new bonds on very attractive terms, enabling us to extend our maturity profile and further strengthen our balance sheet. We are in a strong position to deliver our strategic objectives and to capitalise on the market growth. Given the strong start to 2017 I am confident in reconfirming our guidance for year.”

Revenue

IFRS total revenue for the quarter was USD 142.5m, up from USD 129.1m in Q1 2016. Non-IFRS total revenue was USD 142.7m for the quarter, up from USD 129.4m in Q1 2016, representing an increase of 13% in constant currencies. IFRS total software licensing revenue for the quarter was USD 45.1m, and non-IFRS total software licensing revenue for the quarter was USD 45.4m, an increase of 19% from Q1 2016 in constant currencies.

EBIT

IFRS EBIT was USD 18.7m this quarter, up from USD 12.4 in Q1 2016. Non-IFRS EBIT was USD 27.3m in this quarter, an increase of 15% in constant currencies. Q1 2017 non-IFRS EBIT margin was 19.2%, up 2% points on Q1 2016.

Earnings per share (EPS)

IFRS EPS for the quarter was USD 0.17, an increase of 89% vs. Q1 2016. Non-IFRS EPS was 0.27 for the quarter vs. USD 0.21 in Q1 2016.

Operating cash flow

IFRS operating cash was an inflow of USD 36.6m in Q1 2017 compared to USD 23.9m in Q1 2016. For LTM to March 2017, operating cash was USD 270.4m representing a conversion of 117% of IFRS EBITDA into operating cash.

Annual General Meeting

Temenos will hold its 16th AGM on 10 May 2017 at its offices in Geneva, Switzerland. Further information can be found on the company website - <https://www.temenos.com/en-us/about-temenos/investor-relations/annual-general-meeting/>

2017 guidance

Our guidance for 2017, which excludes the impact of the proposed acquisition of Rubik, is as follows*:

- Non-IFRS total software licensing growth at constant currency of 10% to 15% (implying total software licensing revenue of USD 276m to USD 288m)
- Non-IFRS revenue growth at constant currency of 7.5% to 11.0% (implying revenue of USD 667m to USD 689m)
- Non-IFRS EBIT at constant currency of USD 210m to 215m (implying non-IFRS EBIT margin of c.31%)
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 14% to 15%

*Assumes FX rates as disclosed in the Q1 2017 results presentation - <https://www.temenos.com/en/about-temenos/investor-relations>)

Conference call

At 18.30 CET / 17.30 GMT / 12.30 EST, today, 20 April 2017, David Arnott, CEO, and Max Chuard, CFO and COO, 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:

0800 920 016	(Swiss Free Call)
1 866 966 1396	(USA Free Call)
0844 571 8892	(UK Free Call)
+44 (0) 207 192 8000	(UK and International)

Conference ID # 6677279

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/>.

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 2017 non-IFRS guidance:

- FY 2017 estimated amortisation of acquired intangibles of USD 32m
- FY 2017 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 20 April 2017. Specifically it does not include the potential impact of the acquisition of Rubik.

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

Investor and media contacts

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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. Temenos customers are proven to be more profitable than their peers: over a seven year period, they enjoyed on average a 31% higher return on assets, a 36% higher return on equity and an 8.6 percentage point lower cost/income ratio than banks running legacy applications.

For more information please visit www.temenos.com

Appendix I – Q1 2017 IFRS primary statements
TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 31 March 2017	Three months to 31 March 2016	Twelve months to 31 March 2017	Twelve months to 31 March 2016
Revenues				
Software licensing	32,047	26,898	210,230	179,853
SaaS & subscription	13,043	12,020	51,082	34,577
Total software licensing	45,090	38,918	261,312	214,430
Maintenance	64,933	60,549	254,754	239,050
Services	32,450	29,643	131,333	116,114
Total revenues	142,473	129,110	647,399	569,594
Operating expenses				
Sales and marketing	26,225	22,850	117,979	108,020
Services	30,800	28,888	119,104	107,364
Software development and maintenance	46,488	45,379	179,778	171,110
General and administrative	20,263	19,554	75,058	77,945
Total operating expenses	123,776	116,671	491,919	464,439
Operating profit	18,697	12,439	155,480	105,155
Other expenses				
Net interest expenses	(3,495)	(4,168)	(14,622)	(16,606)
Borrowing facility expenses	(420)	(384)	(1,602)	(1,441)
Foreign exchange gain/(loss)	(755)	(741)	(269)	(2,718)
Total other expenses	(4,670)	(5,293)	(16,493)	(20,765)
Profit before taxation	14,027	7,146	138,987	84,390
Taxation	(1,936)	(1,001)	(17,208)	(12,619)
Profit for the period	12,091	6,145	121,779	71,771
Earnings per share (in USD):				
basic	0.17	0.09	1.76	1.08
diluted	0.17	0.09	1.70	1.03
non-IFRS	0.27	0.21	2.15	1.79

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	31 March 2017	31 December 2016	31 March 2016
Assets			
Current assets			
Cash and cash equivalents	209,889	194,340	113,603
Trade receivables	213,467	208,802	228,670
Other receivables	33,869	27,024	35,707
<i>Total current assets</i>	<u>457,225</u>	<u>430,166</u>	<u>377,980</u>
Non-current assets			
Property, plant and equipment	16,287	15,788	15,145
Intangible assets	692,605	690,097	749,979
Trade receivables	12,027	12,801	12,652
Other receivables	3,839	3,649	3,628
Deferred tax assets	21,105	19,001	19,105
<i>Total non-current assets</i>	<u>745,863</u>	<u>741,336</u>	<u>800,509</u>
Total assets	<u>1,203,088</u>	<u>1,171,502</u>	<u>1,178,489</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	124,171	114,327	117,618
Deferred revenues	217,285	216,251	207,808
Income tax liabilities	30,701	28,992	26,001
Borrowings	104,815	102,780	5,222
<i>Total current liabilities</i>	<u>476,972</u>	<u>462,350</u>	<u>356,649</u>
Non-current liabilities			
Borrowings	274,217	269,182	388,278
Deferred tax liabilities	15,470	16,617	22,847
Income taxes payable	1,801	1,801	1,765
Trade and other payables	10,586	13,237	15,992
Retirement benefit obligations	9,143	9,176	8,458
<i>Total non-current liabilities</i>	<u>311,217</u>	<u>310,013</u>	<u>437,340</u>
Total liabilities	<u>788,189</u>	<u>772,363</u>	<u>793,989</u>
Shareholders' equity			
Share capital	232,075	226,058	225,398
Treasury shares	(26,753)	(66,487)	(4,783)
Share premium and capital reserves	(201,924)	(154,249)	(175,345)
Fair value and other reserves	(125,575)	(131,168)	(109,724)
Retained earnings	537,076	524,985	448,954
Total equity	<u>414,899</u>	<u>399,139</u>	<u>384,500</u>
Total liabilities and equity	<u>1,203,088</u>	<u>1,171,502</u>	<u>1,178,489</u>

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	Three months to 31 March 2017	Three months to 31 March 2016	Twelve months to 31 March 2017	Twelve months to 31 March 2016
Cash flows from operating activities				
Profit before taxation	14,027	7,146	138,987	84,390
<u>Adjustments:</u>				
Depreciation and amortisation	18,827	19,273	75,627	78,720
Other non-cash and non-operating items	8,064	7,756	38,033	49,102
<u>Changes in working capital:</u>				
Trade and other receivables	(8,278)	(4,175)	(2,470)	(17,678)
Trade and other payables, and retirement benefit obligations	5,388	4,233	3,976	17,139
Deferred revenues	(1,410)	(10,368)	16,225	29,268
Cash generated from operations	36,618	23,865	270,378	240,941
Income taxes paid	(1,500)	(2,752)	(9,103)	(9,541)
Net cash generated from operating activities	35,118	21,113	261,275	231,400
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,062)	(740)	(6,464)	(5,206)
Purchase of intangible assets	(762)	(1,086)	(4,194)	(4,223)
Capitalised development costs	(11,250)	(10,825)	(45,985)	(45,824)
Acquisitions of subsidiary, net of cash acquired	-	(1,581)	-	(1,430)
Disposal of subsidiary or business, net of cash disposed	-	-	489	26
Settlement of financial instruments	689	(2,336)	8,870	(414)
Interest received	189	27	295	79
Net cash used in investing activities	(12,196)	(16,541)	(46,989)	(56,992)
Cash flows from financing activities				
Dividend paid	-	-	(31,733)	(28,605)
Acquisition of treasury shares	(6,648)	-	(68,469)	-
Proceeds from/(repayments of) borrowings	(6)	(79,425)	53	(316,623)
Proceeds from issuance of bonds	-	-	-	190,568
Interest paid	(2,051)	(2,336)	(12,316)	(9,792)
Payment of other financing costs	(976)	(4,517)	(3,495)	(5,730)
Payment of finance lease liabilities	-	-	-	(6)
Net cash used in financing activities	(9,681)	(86,278)	(115,960)	(170,188)
Effect of exchange rate changes	2,308	2,057	(2,040)	2,978
Net increase/(decrease) in cash and cash equivalents in the period	15,549	(79,649)	96,286	7,198
Cash and cash equivalents at the beginning of the period	194,340	193,252	113,603	106,405
Cash and cash equivalents at the end of the period	209,889	113,603	209,889	113,603



Appendix II – reconciliation of IFRS to non-IFRS Q1 2017 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 not be read 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	
	2017 IFRS	Adjustment	2017 Non-IFRS	2016 IFRS	Adjustment	2016 Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	45,090	265	45,355	38,918	265	39,183	16%	16%
Maintenance	64,933		64,933	60,549		60,549	7%	7%
Services	32,450		32,450	29,643		29,643	9%	9%
Total Revenue	142,473	265	142,738	129,110	265	129,375	10%	10%
Total Operating Expenses	(123,776)	8,374	(115,402)	(116,671)	9,516	(107,155)	6%	8%
Restructuring	(950)	950	-	(1,586)	1,586	-	(40%)	
Amort of Acquired Intangibles	(7,424)	7,424	-	(7,930)	7,930	-	(6%)	
Operating Profit	18,697	8,639	27,336	12,439	9,781	22,220	50%	23%
Operating Margin	13%		19%	10%		17%	3.5% pts	2.0% pts
Financing Costs	(4,670)		(4,670)	(5,293)		(5,293)	(12%)	(12%)
Taxation	(1,936)	(1,053)	(2,989)	(1,001)	(1,200)	(2,201)	93%	36%
Net Earnings	12,091	7,586	19,677	6,145	8,581	14,726	97%	34%
EPS (USD per Share)	0.17	0.10	0.27	0.09	0.12	0.21	89%	29%