

FOR IMMEDIATE RELEASE
April 16, 2019

Temenos announces very strong start to 2019 with total software licensing growth of 28%

GENEVA, Switzerland, 16 April 2019 – Temenos AG (SIX: TEMN), the banking software company, today reports its first quarter 2019 results.

<i>USDm, except EPS</i>	Non-IFRS				IFRS		
	Q1-19	Q1-18	Change	C.C.*	Q1-19	Q1-18	Change
Software licensing	63.2	54.4	16%	22%	63.2	54.4	16%
SaaS & subscription	13.0	8.1	61%	71%	11.9	8.0	50%
Total software licensing	76.2	62.5	22%	28%	75.1	62.4	21%
Maintenance	84.7	76.3	11%	13%	84.7	76.3	11%
Services	43.9	34.1	29%	34%	43.9	34.1	29%
Total revenues	204.9	172.8	19%	23%	203.8	172.7	18%
EBIT	49.5	38.5	29%	27%	34.7	27.3	27%
EBIT margin	24.1%	22.3%	2% pts	0.9% pts	17.0%	15.8%	1% pts
EPS (USD)	0.52	0.42	24%		0.34	0.23	48%

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 2019 highlights

- Strong broad based demand across regions, tiers and products
- Digital, regulatory and costs pressure, and move to open banking are driving market growth
- Key deals announced in the quarter including signings with Al Rajhi Bank, the largest Islamic bank globally, for its digital transformation and ABN Amro for Temenos Continuous Deployment
- Strong contribution from installed base, growing wallet share in existing clients
- 22 new customer wins in Q1 2019 vs. 18 in Q1 2018
- Benefiting from six major engines of growth – T24 Transact, Temenos Infinity, Wealth, Payments, Fund Management and SaaS
- Continued investment in sales and marketing
- Strong incremental growth in demand for SaaS and cloud adoption

Q1 2019 financial summary (non-IFRS)

- Non-IFRS total software licensing revenues up 28% c.c.
- Non-IFRS maintenance growth of 13% c.c.
- Non-IFRS total revenue growth of 23% c.c.
- Non-IFRS EBIT up 27%, EBIT margin of 24.1%
- Non-IFRS EPS increase of 24%
- Operating cash flow up 19%, LTM cash conversion of 115%
- DSOs down 6 days to 111 days (8 days proforma)

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

“We had a very strong start to 2019, delivering an excellent set of results across all our KPIs. With the launch of our next generation products in January, we are the only vendor in our market able to offer a combination of 25 years of rich, packaged functionality with a cloud native, cloud agnostic technology platform. We are leveraging this competitive advantage to continue taking market share and pull further ahead of the competition.

The growth in Q1 was broad based across geographies, tiers and products, and I am particularly pleased with the traction we have with Avoka, both on a standalone basis and as part of Temenos Infinity, our independent digital platform. We announced a number of important deals in Q1 including with ABN Amro for Temenos Continuous Deployment, our new product to significantly reduce the cost of running, testing and deploying new innovation, and with Al Rajhi Bank, the largest Islamic Bank globally, for its digital transformation. We also held our annual client event, the Temenos Community Forum, which was our largest ever with nearly 2,000 people in the Temenos ecosystem attending to hear about our latest innovation and share ideas, and this has already generated numerous leads for us.”

Commenting on the results, **Temenos CFO Takis Spiliopoulos said:**

“Q1 was a very strong quarter with total software licensing growth of 28% and total revenue growth of 23%, driving EBIT growth of 27%. We are benefiting from our broad range of product offerings across Temenos T24 Transact, Temenos Infinity, Wealth, Payments, Fund Management and SaaS, meaning we have more levers of growth than ever before.

Our cash flow was very strong in the quarter, with an inflow of USD 55m of operating cash, up 19%. Our DSOs continued to decline and were down 6 days in the quarter or 8 days proforma to reach 111 days. With the strength of our Q1 performance and the level of revenue visibility we have, I am confident we will achieve our full year guidance for 2019.

On a personal note, I am delighted to have joined Temenos as CFO this month. I look forward to supporting Max in driving the business going forward and working with all our stakeholders to achieve our strategic vision.”

Revenue

IFRS revenue were USD 203.8m for the quarter, an increase of 18% vs. Q1 2018.

Non-IFRS revenue was USD 204.9m for the quarter, an increase of 19% vs. Q1 2018.

IFRS total software licensing revenue for the quarter was USD 75.1m, an increase of 21% vs. Q1 2018.

Non-IFRS total software licensing revenue was USD 76.2m for the quarter, an increase of 22% vs. Q1 2018.

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EBIT

IFRS EBIT was USD 34.7m for the quarter, an increase of 27% vs. Q1 2018.

Non-IFRS EBIT was USD 49.5m for the quarter, an increase of 29% vs. Q1 2018.

Non-IFRS EBIT margin was 24.1%, up 2% points vs. Q1 2018.

Earnings per share (EPS)

IFRS EPS was USD 0.34 for the quarter, an increase of 48% vs. Q1 2018.

Non-IFRS EPS was USD 0.52 for the quarter, an increase of 24% vs. Q1 2018.

Operating cash flow

IFRS operating cash was an inflow of USD 55m in Q1 2019 compared to USD 46m in Q1 2018, representing an LTM conversion of 115% of IFRS EBITDA into operating cash.

2019 guidance

Our guidance for 2019 is in constant currencies. The guidance is as follows:

- Non-IFRS total software licensing growth at constant currencies of 17.5% to 22.5% (implying non-IFRS total software licensing revenue of USD 431m to USD 450m)
- Non-IFRS revenue growth at constant currencies of 16% to 19% (implying non-IFRS revenue of USD 966m to USD 991m)
- Non-IFRS EBIT at constant currencies of USD 310m to 315m, (implying non-IFRS EBIT margin of c. 31.9%, or 150bps expansion organically excluding the impact of Avoka)
- 100%+ conversion of EBITDA into operating cash flow
- Expected FY 2019 tax rate of 15% to 16%

Currency assumptions for 2019 guidance

In preparing the 2019 guidance, the Company has assumed the following:

- USD to Euro exchange rate of 0.881;
- USD to GBP exchange rate of 0.757; and
- USD to CHF exchange rate of 1.00.

Conference call

At 18.30 CET / 17.30 GMT / 12.30 EST, today, 16 April 2019, Max Chuard, CEO, and Takis Spiliopoulos, 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:

0800 740 377 (Swiss Free Call)
1 866 966 1396 (USA Free Call)
0800 376 7922 (UK Free Call)

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+44 (0) 207 192 8000 (UK and International)
Conference ID # 8949259

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/>.

IFRS 16

Temenos has implemented IFRS 16 for reporting period 1st January 2019 onwards using the modified retrospective method. Under the modified retrospective method the 2018 and prior results will not be restated under IFRS 16. From 2019, the reporting results will only be provided under IFRS 16.

For more information on the impact of IFRS 16, please visit the Temenos Investor Relations website:

<https://www.temenos.com/en/about-temenos/investor-relations/>

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 2019 non-IFRS guidance:

- FY 2019 estimated deferred revenue write down of USD 4m
- FY 2019 estimated amortisation of acquired intangibles of USD 48m
- FY 2019 estimated restructuring costs of USD 5m

Restructuring costs include realizing R&D, operational and infrastructure efficiencies. These estimates do not include impact of any further acquisitions or restructuring programs commenced after 16 April 2019. The above figures are estimates only and may deviate from expected amounts.

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About Temenos

Temenos AG (SIX: TEMN), headquartered in Geneva, is the world's leader in banking software, partnering with banks and other financial institutions to transform their businesses and stay ahead of a changing marketplace. Over 3,000 firms across the globe, including 41 of the top 50 banks, rely on Temenos to process both the daily transactions and client interactions of more than 500 million banking customers. Temenos offers cloud-native, cloud-agnostic front office and core banking, payments, fund management and wealth management software products enabling banks to deliver both consistent, frictionless customer journeys and gain operational excellence. 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.

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Appendix I – Q1 2019 IFRS primary statements

TEMENOS AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 31 March 2019	Three months to 31 March 2018	Year to date 31 March 2019	Year to date 31 March 2018
Revenues				
Software licensing	63,216	54,380	63,216	54,380
SaaS & subscription	11,924	7,971	11,924	7,971
Total software licensing	75,140	62,351	75,140	62,351
Maintenance	84,746	76,299	84,746	76,299
Services	43,875	34,076	43,875	34,076
Total revenues	203,761	172,726	203,761	172,726
Operating expenses				
Sales and marketing	(45,013)	(37,845)	(45,013)	(37,845)
Services	(39,804)	(32,250)	(39,804)	(32,250)
Software development and maintenance	(62,468)	(53,383)	(62,468)	(53,383)
General and administrative	(21,785)	(21,994)	(21,785)	(21,994)
Total operating expenses	(169,070)	(145,472)	(169,070)	(145,472)
Operating profit	34,691	27,254	34,691	27,254
Other expenses				
Net interest expenses	(3,913)	(3,055)	(3,913)	(3,055)
Borrowing facility expenses	(420)	(5,022)	(420)	(5,022)
Foreign exchange (loss) / gain	(683)	554	(683)	554
Total other expenses	(5,016)	(7,523)	(5,016)	(7,523)
Profit before taxation	29,675	19,731	29,675	19,731
Taxation	(5,054)	(2,917)	(5,054)	(2,917)
Profit for the period	24,621	16,814	24,621	16,814
Earnings per share (in US\$):				
basic	0.35	0.24	0.35	0.24
diluted	0.34	0.23	0.34	0.23
non-IFRS	0.52	0.42	0.52	0.42

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	31 March 2019	31 December 2018	31 March 2018
Assets			
Current assets			
Cash and cash equivalents	96,811	287,439	195,306
Trade receivables	258,896	254,935	237,593
Other receivables	38,761	35,039	44,875
Total current assets	394,468	577,413	477,774
Non-current assets			
Property, plant and equipment	59,494	18,021	16,711
Intangible assets	998,129	1,008,873	802,673
Trade receivables	6,990	7,534	9,033
Other long term assets	19,519	18,876	4,231
Deferred tax assets	20,560	17,663	24,905
Total non-current assets	1,104,692	1,070,967	857,553
Total assets	1,499,160	1,648,380	1,335,327
Liabilities and equity			
Current liabilities			
Trade and other payables	153,480	166,545	134,761
Deferred revenues (Contract liabilities)	265,054	262,861	244,287
Income tax liabilities	37,828	38,568	42,124
Borrowings	21,421	107,797	110,813
Total current liabilities	477,783	575,771	531,985
Non-current liabilities			
Borrowings	624,793	706,278	339,394
Deferred tax liabilities	35,886	37,594	15,345
Trade and other payables	17,725	19,646	29,729
Retirement benefit obligations	10,322	10,320	8,265
Total non-current liabilities	688,726	773,838	392,733
Total liabilities	1,166,509	1,349,609	924,718
Shareholders' equity			
Share capital	235,294	233,217	233,283
Treasury shares	(264,608)	(264,608)	(197,750)
Share premium and capital reserves	(283,087)	(289,095)	(175,577)
Fair value and other reserves	(118,491)	(121,491)	(87,105)
Retained earnings	763,543	740,748	637,758
Total shareholders' equity	332,651	298,771	410,609
Total equity	332,651	298,771	410,609
Total liabilities and equity	1,499,160	1,648,380	1,335,327

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	Three months to 31 March 2019	Three months to 31 March 2018	Year to date 31 March 2019	Year to date 31 March 2018
Cash flows from operating activities				
Profit before taxation	29,675	19,731	29,675	19,731
<u>Adjustments:</u>				
Depreciation and amortisation	30,173	23,274	30,173	23,274
Other non-cash and non-operating items	13,265	20,010	13,265	20,010
<u>Changes in working capital:</u>				
Trade and other receivables	(9,668)	(18,798)	(9,668)	(18,798)
Trade and other payables, and retirement benefit obligations	(11,485)	(4,826)	(11,485)	(4,826)
Deferred revenues (Contract liabilities)	2,985	6,693	2,985	6,693
Cash generated from operations	54,945	46,084	54,945	46,084
Income taxes paid	(6,652)	(4,311)	(6,652)	(4,311)
Net cash generated from operating activities	48,293	41,773	48,293	41,773
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,485)	(1,408)	(1,485)	(1,408)
Disposal of property, plant and equipment	358	-	358	-
Purchase of intangible assets	(1,678)	(597)	(1,678)	(597)
Capitalised development costs	(14,149)	(12,599)	(14,149)	(12,599)
Acquisitions of subsidiary, net of cash acquired	(2,114)	-	(2,114)	-
Settlement of financial instruments	(982)	4,428	(982)	4,428
Interest received	575	401	575	401
Net cash used in investing activities	(19,475)	(9,775)	(19,475)	(9,775)
Cash flows from financing activities				
Repayments of borrowings	(110,000)	(2)	(110,000)	(2)
Repayment of bond	(100,652)	-	(100,652)	-
Payment of lease liabilities	(3,575)	-	(3,575)	-
Interest paid	(3,399)	(2,162)	(3,399)	(2,162)
Payment of other financing costs	(604)	(4,679)	(604)	(4,679)
Net cash used in financing activities	(218,230)	(6,843)	(218,230)	(6,843)
Effect of exchange rate changes	(1,216)	2,296	(1,216)	2,296
Net (decrease) / increase in cash and cash equivalents in the period	(190,628)	27,451	(190,628)	27,451
Cash and cash equivalents at the beginning of the period	287,439	167,855	287,439	167,855
Cash and cash equivalents at the end of the period	96,811	195,306	96,811	195,306

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Appendix II – reconciliation of IFRS to non-IFRS Q1 2019 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.

Reconciliation of IFRS to non-IFRS

IFRS - Non-IFRS Reconciliation Thousands of US Dollars	3 Months Ending 31 March						Change	
	2019 IFRS	Non-IFRS adjustments	2019 Non-IFRS	2018 IFRS	Non-IFRS adjustment	2018 Non-IFRS	IFRS	Non-IFRS
Software licensing	63,216		63,216	54,380		54,380	16%	16%
SaaS & subscription	11,924	1,100	13,024	7,971	106	8,077	50%	61%
Total Software Licensing	75,140	1,100	76,240	62,351	106	62,457	21%	22%
Maintenance	84,746		84,746	76,299		76,299	11%	11%
Services	43,875		43,875	34,076		34,076	29%	29%
Total Revenue	203,761	1,100	204,861	172,726	106	172,832	18%	19%
Total Operating Expenses	(169,070)	13,674	(155,396)	(145,472)	11,124	(134,348)	16%	16%
Restructuring	(1,297)	1,297	-	(1,291)	1,291	-	0%	
Amort of Acquired Intangibles	(12,377)	12,377	-	(9,833)	9,833	-	26%	
Operating Profit	34,691	14,774	49,465	27,254	11,230	38,485	27%	29%
Operating Margin	17%		24%	16%		22%	1.2% pts	1.9% pts
Financing Costs	(5,016)	-	(5,016)	(7,523)	4,602	(2,921)	(33%)	72%
Taxation	(5,054)	(1,968)	(7,022)	(2,917)	(2,149)	(5,066)	73%	39%
Net Earnings	24,621	12,806	37,427	16,814	13,683	30,498	46%	23%
EPS (USD per Share)	0.34	0.18	0.52	0.23	0.19	0.42	48%	24%