

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

GENEVA, Switzerland, 29 July 2013 – Temenos Group AG (SIX: TEMN), the market leading provider of mission-critical software to financial institutions globally, today reports its second quarter 2013 results.

<i>USDm, except EPS</i>	Non-IFRS				IFRS			
	Q2 2013	Q2 2012	Change	LFL*	Q2 2013	Q2 2012	Change	LFL*
Software licencing	27.7	24.2	14%	15%	27.7	24.2	14%	15%
Software-as-a-Service	1.6	-	NA	31%	1.6	-	NA	31%
Total software licencing	29.3	24.2	21%	16%	29.3	24.2	21%	16%
Maintenance	52.4	50.1	5%	4%	52.4	50.1	5%	4%
Services	28.3	31.3	-10%	-11%	28.3	31.3	-10%	-11%
Total revenues	110.0	105.6	4%	2%	110.0	105.6	4%	2%
EBIT	20.1	10.8	86%		14.4	6.9	109%	
EBIT margin	18.2%	10.2%	8.0% pts		13.1%	6.5%	6.6% pts	
EPS (USD)	0.19	0.05	254%		0.12	-	NA	

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

- Like-for-like licence growth of 15% (14% reported), the third consecutive quarter of growth
- 7 new customer wins including important strategic wins in Asia; continuing to take market share
- 4% pts improvement in non-IFRS services margin
- Like-for-like non-IFRS costs down 7% (IFRS costs down 3%) with non-IFRS EBIT margin up 8% pts
- Non-IFRS EBIT up 86% with IFRS EBIT more than doubling
- Cash conversion** of 132% in the twelve months ending June 2013
- Initiated share buyback with USD 12.4m returned up to end of June 2013
- Remain on track to deliver reaffirmed 2013 guidance

Commenting on the results, Temenos CEO David Arnott said:

“Our strong performance in Q2 reflects the changes we have made to the business over the last 12 months. The organisation has been delayed and our strategic priorities have been made clear. As a consequence, we are executing much better across the business, extending our product leadership and generating greater levels of customer success. We have now delivered three consecutive quarters of licence growth in a market that is still challenging, underlining market share gains, and we remain on course to deliver our guidance for the full year.

Looking forward, I remain confident in our ability to capture the significant market opportunity that exists as financial institutions continue to switch IT spending to third parties. Our product suite is functionally rich, packaged and upgradable, and is proven to deliver the highest levels of customer success in the industry. We also now offer our products on a hosted, SaaS basis as well as through the cloud, which positions us extremely well as financial institutions change the way they consume mission critical applications, a trend we see accelerating. Lastly, we are making significant progress with our partners, broadening their role to encompass sales as well as delivery, which we see as key to scaling our organisation to meet the growing demand for system renewal.”

Revenue

Both IFRS and non-IFRS revenue for the quarter was USD 110.0m, up from USD 105.6m in Q2 last year, representing an increase of 4%. Software licence revenue for the quarter was USD 27.7m, 14% higher than in the same period in 2012 on a reported basis.

EBIT

Non-IFRS EBIT was USD 20.1m in Q2, 86% higher than in Q2 2012, with a non-IFRS EBIT margin in Q2 of 18.2%, up 8% points on 2012. IFRS EBIT more than doubled from USD 6.9m in Q2 2012 to USD 14.4m in Q2 2013.

Earnings per share (EPS)

Non-IFRS EPS was USD 0.19 in the quarter, compared to USD 0.05 in the prior year. For the twelve months to June 2013, non-IFRS EPS was USD 1.14, almost doubling from USD 0.61 in 2012. IFRS EPS for the quarter moved from zero to profit per share of USD 0.12.

Pre-tax operating cash

Operating cash was an inflow of USD 18.9m in Q2 2013 compared to an outflow USD 13.5m in Q2 2012. For the twelve months to June 2013, operating cash was USD 152.6m, representing a 132% conversion of EBITDA into operating cash.

2013 guidance

Our guidance for 2013 on a non-IFRS basis is:

- Total non-IFRS revenue growth of 4.5% to 7.5% (implying non-IFRS revenue of USD 469m to USD 482m)*
- Software licensing growth of 5% to 10% (implying software licensing revenue of USD 131m to USD 137m)*
- Non-IFRS cost base of USD 368m with non-IFRS EBIT margin of 21.7% to 23.2% (implying non-IFRS EBIT of USD 102m to USD 112m)*
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 17% to 18%

** Based on the currency assumptions set out below which remain the same as at the Q1 results*

Conference call

At 17.30 BST / 18.30 CET / 12.30 EST, today, 29 July 2013, 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 # 94281864

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/investor-relations/results-and-presentations/>

Currency assumptions for 2013 guidance

In preparing the 2013 guidance, the Company has taken the actual Q1 and Q2 2013 results and for the remainder of 2013 assumed the following (which are unchanged from the assumptions in the Q1 2013 results):

- USD to Euro exchange rate of 0.780;
- USD to GBP exchange rate of 0.658; and
- USD to CHF exchange rate of 0.950.

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.

Press and Investor contacts

Investors

Andrew Smith
Head of Investor Relations and Corporate Communications, Temenos
Tel: +44 (0) 207 423 3713
Email: asmith@temenos.com

Media

James Macey White / David Shriver
Tulchan Communications

Tel: +44 (0) 207 353 4200
Email: temenos@tulchangroup.com

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 financial institutions. Headquartered in Geneva with 59 offices worldwide, Temenos software is proven in over 1,500 customer deployments in more than 140 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 30% higher return on assets, a 46% higher return on capital and an 8.5 percentage point lower cost/income ratio than banks running legacy applications. For more information please visit www.temenos.com



Appendix I – Q2 2013 IFRS primary statements

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 30 June 2013	Three months to 30 June 2012	Twelve months to 30 June 2013	Twelve months to 30 June 2012
Revenues				
Software licensing	27,659	24,191	129,623	126,390
Software-as-a-Service	1,643	-	1,643	-
Total software licensing	29,302	24,191	131,266	126,390
Maintenance	52,424	50,107	206,451	198,114
Services	28,279	31,345	120,120	129,350
Total revenues	110,005	105,643	457,837	453,854
Operating expenses				
Sales and marketing	25,037	20,635	100,231	97,877
Services	32,159	36,582	133,074	144,719
Software development and maintenance	23,430	26,037	92,706	109,759
General and administrative	14,937	15,496	62,654	75,299
Total operating expenses	95,563	98,750	388,665	427,654
Operating profit	14,442	6,893	69,172	26,200
Other expenses				
Net interest expenses	(2,074)	(1,075)	(6,511)	(6,491)
Borrowing facility expenses	(343)	(477)	(1,702)	(2,030)
Foreign exchange loss	(714)	(1,465)	(1,469)	(7,359)
Total other expenses	(3,131)	(3,017)	(9,682)	(15,880)
Profit before taxation	11,311	3,876	59,490	10,320
Taxation	(2,843)	(3,925)	(11,726)	(17,351)
Profit/(loss) for the period	8,468	(49)	47,764	(7,031)
Attributable to:				
Equity holders of the Company	8,468	(49)	47,764	(7,066)
Non-controlling interest	-	-	-	35
	8,468	(49)	47,764	(7,031)
Earnings per share (in US\$):				
basic	0.12	-	0.69	(0.10)
diluted	0.12	-	0.68	(0.10)
non-IFRS	0.19	0.05	1.14	0.61



TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	30 June 2013	31 March 2013	31 December 2012	30 June 2012
Assets				
Current assets				
Cash and cash equivalents	67,297	92,785	117,734	59,105
Trade receivables	231,057	233,219	239,709	246,985
Other receivables	31,254	31,134	23,287	32,799
Total current assets	329,608	357,138	380,730	338,889
Non-current assets				
Property, plant and equipment	13,245	14,145	13,798	13,669
Intangible assets	453,063	446,916	436,124	402,264
Trade receivables	34,125	35,250	39,400	38,656
Other receivables	2,533	2,337	2,229	2,595
Deferred tax assets	26,931	28,356	30,326	30,393
Total non-current assets	529,897	527,004	521,877	487,577
Total assets	859,505	884,142	902,607	826,466
Liabilities and equity				
Current liabilities				
Trade and other payables	106,612	100,138	119,300	100,936
Deferred revenues	144,483	160,858	156,742	131,756
Income tax liabilities	10,021	9,681	11,916	13,426
Borrowings	10,823	10,380	10,735	10,682
Total current liabilities	271,939	281,057	298,693	256,800
Non-current liabilities				
Borrowings	204,218	200,285	203,625	213,034
Deferred tax liabilities	4,640	5,359	6,318	6,643
Income taxes payable	1,660	1,593	1,544	1,544
Trade and other payables	3,356	1,598	1,591	3,972
Retirement benefit obligations	3,245	4,374	4,079	3,850
Total non-current liabilities	217,119	213,209	217,157	229,043
Total liabilities	489,058	494,266	515,850	485,843
Shareholders' equity				
Share capital	239,798	239,798	239,798	239,798
Treasury shares	(97,320)	(87,696)	(105,264)	(112,089)
Share premium	15,881	15,342	20,398	23,695
Fair value and other reserves	(77,779)	(78,015)	(64,941)	(71,932)
Retained earnings	289,867	300,447	296,766	261,151
Total shareholders' equity	370,447	389,876	386,757	340,623
Non-controlling interest	-	-	-	-
Total equity	370,447	389,876	386,757	340,623
Total liabilities and equity	859,505	884,142	902,607	826,466



TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	Three months to 30 June 2013	Three months to 30 June 2012	Twelve months to 30 June 2013	Twelve months to 30 June 2012
Cash flows from operating activities				
Profit before taxation	11,311	3,876	59,490	10,320
<u>Adjustments:</u>				
Depreciation and amortisation	11,668	12,033	46,014	46,425
Other non-cash items	8,926	5,360	19,710	21,581
<u>Changes in working capital:</u>				
Trade and other receivables	326	(10,698)	15,159	(2,766)
Trade and other payables	2,851	(10,134)	1,123	(7,018)
Deferred revenues	(16,188)	(13,965)	11,068	30,616
Cash generated from operations	18,894	(13,528)	152,564	99,158
Income taxes paid	(965)	(1,936)	(7,928)	(7,976)
Net cash generated from/(used in) operating activities	17,929	(15,464)	144,636	91,182
Cash flows from investing activities				
Purchase of property, plant and equipment	(894)	(1,256)	(4,173)	(4,886)
Disposal of property, plant and equipment	1	-	23	91
Purchase of intangible assets	(1,601)	(886)	(5,051)	(4,615)
Capitalised development costs	(9,641)	(9,560)	(41,902)	(43,906)
Acquisitions, net of cash acquired	305	-	(26,636)	(3,325)
Disposal of subsidiary, net of cash disposed	-	-	-	378
Settlement of financial instruments	(3,304)	1,125	(9,642)	10,689
Interest received	50	26	265	167
Net cash used in investing activities	(15,084)	(10,551)	(87,116)	(45,407)
Cash flows from financing activities				
Proceeds /(repayment) of debt	(100,032)	19,994	(113,413)	(45,030)
Proceeds from issuance of bond	104,281	-	104,281	-
Acquisition of treasury shares	(9,115)	-	(9,115)	(5,361)
Interest payments	(884)	(1,410)	(5,399)	(6,552)
Dividend paid	(20,377)	-	(20,377)	-
Payment of financing costs	(1,591)	(279)	(4,736)	(995)
Payment of finance lease liabilities	(90)	(92)	(325)	(424)
Net cash (used in)/generated from financing activities	(27,808)	18,213	(49,084)	(58,362)
Effect of exchange rate changes	(525)	(1,213)	(244)	(4,643)
Net (decrease)/increase in cash and cash equivalents in the period	(25,488)	(9,015)	8,192	(17,230)
Cash and cash equivalents at the beginning of the period	92,785	68,120	59,105	76,335
Cash and cash equivalents at the end of the period	67,297	59,105	67,297	59,105

Appendix II – reconciliation of IFRS to non-IFRS Q2 2013 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 30 June						Change	
	2013 IFRS	Adjustment	2013 Non-IFRS	2012 IFRS	Adjustment	2012 Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	29,302		29,302	24,191		24,191	21%	21%
Maintenance	52,424		52,424	50,107		50,107	5%	5%
Services	28,279		28,279	31,345		31,345	(10%)	(10%)
Total Revenue	110,005		110,005	105,643		105,643	4%	4%
Total Operating Expenses	(95,563)	5,622	(89,951)	(98,750)	3,867	(94,883)	(3%)	(5%)
Restructuring	(2,429)	2,429	-	(697)	697	-	248%	
Acquisition related charges			-			-		
Amort of Acquired Intangibles	(3,193)	3,193	-	(3,169)	3,169	-	1%	
Operating Profit	14,442	5,622	20,054	6,893	3,867	10,760	110%	86%
Operating Margin	13%		18%	7%		10%	101%	79%
Financing Costs	(3,131)		(3,131)	(3,017)		(3,017)	4%	4%
Taxation	(2,843)	(403)	(3,246)	(3,925)		(3,925)	(28%)	(17%)
Net Earnings	8,469	5,219	13,678	(49)	3,867	3,818	NA	258%
EPS (\$ per Share)	0.12	0.07	0.19	(0.00)	0.06	0.05	NA	254%