



Temenos delivers Q2 2014 software licensing growth of 10% and reaffirms full year guidance

GENEVA, Switzerland, 28 July 2014 – Temenos Group AG (SIX: TEMN), the market leading provider of mission-critical software to financial institutions globally, today reports its second quarter 2014 results.

USDm, except EPS	Non-IFRS				IFRS			
	Q2 2014	Q2 2013	Change	LFL*	Q2 2014	Q2 2013	Change	LFL*
Software licencing	30.5	27.7	10%	10%	30.5	27.7	10%	10%
Software-as-a-Service	2.0	1.6	23%	23%	2.0	1.6	23%	23%
Total software licencing	32.5	29.3	11%	10%	32.5	29.3	11%	10%
Maintenance	55.7	52.4	6%	5%	55.7	52.4	6%	5%
Services	24.1	28.3	-15%	-16%	24.1	28.3	-15%	-16%
Total revenues	112.3	110.0	2%	1%	112.3	110.0	2%	1%
EBIT	22.5	20.1	12%		20.1	14.4	39%	
EBIT margin	20.0%	18.2%	2% pts		17.9%	13.1%	5% pts	
EPS (USD)	0.23	0.19	21%		0.20	0.12	67%	

The definition of non-IFRS adjustments is below with 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

Q2 2014 financial highlights

- Strong Q2 results across all key performance indicators
- LFL software licensing growth in Q2 of 10% taking growth in H1 to 16%
- Continued strong execution on services strategy with non-IFRS services margin positive on LTM basis
- Non-IFRS EBIT up 12% in Q2 2014 vs Q2 2013 and up 19% on an LTM basis
- Non-IFRS EBIT margin up 1.8% points in Q2; LTM margin of 25.5%
- Cash conversion** of 115% in the twelve months to June 2014; DSOs down 16 days vs Q2 2013
- USD 120m share buyback initiated
- Full year guidance reaffirmed

Q2 2014 operational highlights and outlook

- Strong sales to new customers
- 10 new customer wins (Q2 2013:7)
- Continued strong execution with 9 implementation go-lives (Q2 2013: 8) taking H1 total to 28 (H1 2013:15)
- Continued encouraging levels of customer activity across all geographies
- Progress made on discussions for larger deals
- Strong H1 and pipeline underpins confidence in achieving reaffirmed full year guidance

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

“I am once again pleased to report strong quarterly results across all key performance indicators. The strong performance through the first half of the year, together with the strength of our market leading product offering and the highest levels of customer success we deliver, gives me confidence in our ability to continue to take market share.

The encouraging levels of customer activity seen at the start of the year have continued as has the positive trend of larger deals emerging, and we are making good progress in discussions on these deals. This emerging trend is reflected in the mix of our pipeline and we are anticipating good growth as the rest of the year progresses and remain on track to meet our full year guidance.”

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

“Software licensing saw double-digit growth in the quarter taking growth for the half year to 16%. Our improving revenue mix and operational leverage drove further margin expansion, with the non-IFRS EBIT margin at 25.5% on a twelve month basis. Our continued focus on cash delivered cash conversion of 115% for the twelve months to the end of Q2 2014.

The strength of our operational and financial performance gives me confidence in delivering another year of growth in revenues and profit, margin expansion, strong cash inflows and a further reduction in DSOs.”

Revenue

Both IFRS and non-IFRS revenue for the quarter was USD 112.3m, up from USD 110.0m in Q2 last year, representing an increase of 2% on a reported basis and 1% on a like-for-like basis. Licence revenue for the quarter was USD 30.5m, 10% higher than in the same period in 2013 on both a reported basis on a like-for-like basis.

EBIT

Non-IFRS EBIT was USD 22.5m in Q2, 12% higher than in Q2 2013, with a non-IFRS EBIT margin in Q2 of 20.0%, up 1.8% points on Q2 2013. IFRS EBIT increased from USD 14.4 in Q2 2013 to USD 20.1m in Q2 2014.

Earnings per share (EPS)

Non-IFRS EPS was USD 0.23 in the quarter compared to USD 0.19 in the prior year. LTM 2014 non-IFRS EPS was USD 1.34, up 17% on the previous 12 months. IFRS EPS for the quarter increased from USD 0.12 per share to USD 0.20 per share.

Pre-tax operating cash

Operating cash was an inflow of USD 21.6m in Q2 2014 compared to USD 18.9m in Q2 2013. For LTM to June 2014, operating cash was USD 184.3 representing a 115% conversion of EBITDA into operating cash.

2014 guidance

Our reaffirmed guidance for 2014 on a non-IFRS basis is:

- Total non-IFRS revenue growth of 5% to 10% (implying non-IFRS revenue of USD 491m to USD 515m)*
- Software licensing growth of 10% to 15% (implying software licensing revenue of USD 152m to USD 158m)*
- Non-IFRS EBIT margin of 25.1% (implying non-IFRS EBIT of USD 123m to USD 129m)*
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 17% to 18%

* Based on the currency assumptions set out below

Conference call

At 18.30 CET / 12.30 EST / 17.30 BST, today, 28 July 2014, 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:

0445 804 038	(Swiss Local Call)
0800 650 052	(Swiss Free Call)
+1 866 655 1591	(USA Free Call)
+44 (0)1452 569 335	(UK and International)
0808 238 0673	(UK Free Call)

Conference ID # 69836940

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/>.

Currency assumptions for 2014 guidance

In preparing the 2014 guidance, the Company has assumed the following currency assumptions, which remain unchanged from those announced at the company's Q4 and FY 2013 results:

- USD to Euro exchange rate of 0.734;
- USD to GBP exchange rate of 0.607; and
- USD to CHF exchange rate of 0.903.

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.

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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.





Appendix I – Q2 2014 IFRS primary statements

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 30 June 2014	Three months to 30 June 2013	Twelve months to 30 June 2014	Twelve months to 30 June 2013*
Revenues				
Software licensing	30,483	27,659	145,886	129,623
Software-as-a-Service	2,023	1,643	6,947	1,643
Total software licensing	32,506	29,302	152,833	131,266
Maintenance Services	55,690	52,424	218,595	206,451
	24,074	28,279	104,590	120,120
Total revenues	112,270	110,005	476,018	457,837
Operating expenses				
Sales and marketing	24,566	25,037	97,448	100,231
Services	24,538	32,159	105,035	133,074
Software development and maintenance	26,615	23,430	102,399	92,706
General and administrative	16,476	14,937	62,927	62,152
Total operating expenses	92,195	95,563	367,809	388,163
Operating profit	20,075	14,442	108,209	69,674
Other expenses				
Net interest expenses	(2,541)	(2,074)	(8,979)	(6,511)
Borrowing facility expenses	(364)	(343)	(1,387)	(1,702)
Foreign exchange gain/(loss)	93	(714)	(1,201)	(1,469)
Total other expenses	(2,812)	(3,131)	(11,567)	(9,682)
Profit before taxation	17,263	11,311	96,642	59,992
Taxation	(3,016)	(2,843)	(14,536)	(11,726)
Profit for the period	14,247	8,468	82,106	48,266
Earnings per share (in US\$):				
basic	0.21	0.12	1.21	0.70
diluted	0.20	0.12	1.18	0.69
non-IFRS	0.23	0.19	1.34	1.15

* Comparative information has been restated to reflect the retrospective application of the amendment to IAS19 "Employee benefits".

**TEMENOS GROUP AG**

All amounts are expressed in thousands of US dollars

	30 June 2014	31 March 2014** Re-presented	31 December 2013** Re-presented	30 June 2013* Re-presented
Assets				
Current assets				
Cash and cash equivalents	195,337	220,289	115,649	67,297
Trade receivables	232,433	230,057	227,879	230,771
Other receivables	27,967	33,288	28,918	30,944
Total current assets	455,737	483,634	372,446	329,012
Non-current assets				
Property, plant and equipment	13,720	13,217	12,945	13,245
Intangible assets	472,409	473,649	473,946	451,740
Trade receivables	22,500	27,276	25,300	34,125
Other receivables	9,762	9,838	8,842	2,533
Deferred tax assets	21,859	23,312	24,817	26,931
Total non-current assets	540,250	547,292	545,850	528,574
Total assets	995,987	1,030,926	918,296	857,586
Liabilities and equity				
Current liabilities				
Trade and other payables	95,306	96,338	100,885	106,612
Deferred revenues	153,383	169,646	171,830	144,483
Income tax liabilities	8,318	11,016	13,903	10,021
Borrowings	13,670	12,558	11,598	10,823
Total current liabilities	270,677	289,558	298,216	271,939
Non-current liabilities				
Borrowings	302,882	303,904	201,487	204,218
Deferred tax liabilities	1,902	2,338	2,781	4,640
Income taxes payable	1,844	1,844	1,848	1,660
Trade and other payables	1,466	1,621	1,733	1,747
Retirement benefit obligations	4,472	4,070	4,063	3,245
Total non-current liabilities	312,566	313,777	211,912	215,510
Total liabilities	583,243	603,335	510,128	487,449
Shareholders' equity				
Share capital	239,798	239,798	239,798	239,798
Treasury shares	(114,239)	(111,512)	(131,775)	(97,320)
Share premium	(436)	(163)	16,442	15,881
Fair value and other reserves	(54,755)	(55,258)	(59,225)	(77,779)
Retained earnings	342,376	354,726	342,928	289,557
Total equity	412,744	427,591	408,168	370,137
Total liabilities and equity	995,987	1,030,926	918,296	857,586

* Comparative information has been restated to reflect the retrospective application of the amendment to IAS19 "Employee benefits" and re-presented to reflect the finalisation of the initial accounting of TriNovus Capital LLC.

** Comparative information has been re-presented to reflect the finalisation of the initial accounting of TriNovus Capital LLC.



TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	Three months to 30 June 2014	Three months to 30 June 2013	Twelve months to 30 June 2014	Twelve months to 30 June 2013*
Cash flows from operating activities				
Profit before taxation	17,263	11,311	96,642	59,992
<u>Adjustments:</u>				
Depreciation and amortisation	12,565	11,668	51,629	46,014
Other non-cash items	7,302	8,926	30,378	19,710
<u>Changes in working capital:</u>				
Trade and other receivables	5,216	326	13,593	15,159
Trade and other payables, and retirement benefit obligations	(3,896)	2,851	(12,804)	621
Deferred revenues	(16,876)	(16,188)	4,889	11,068
Cash generated from operations	21,574	18,894	184,327	152,564
Income taxes paid	(2,161)	(965)	(9,849)	(7,928)
Net cash generated from operating activities	19,413	17,929	174,478	144,636
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,168)	(894)	(4,570)	(4,173)
Disposal of property, plant and equipment	1	1	22	23
Purchase of intangible assets	(820)	(1,601)	(4,651)	(5,051)
Capitalised development costs	(9,804)	(9,641)	(42,030)	(41,902)
Acquisitions of subsidiary, net of cash acquired	-	305	(485)	(26,636)
Disposal of subsidiary or business, net of cash disposed	31	-	347	-
Settlement of financial instruments	847	(3,304)	(5,371)	(9,642)
Interest received	12	50	195	265
Net cash used in investing activities	(10,901)	(15,084)	(56,543)	(87,116)
Cash flows from financing activities				
Acquisition of treasury shares	(5,211)	(9,115)	(49,749)	(9,115)
Proceeds /(repayments) of borrowings	(18)	(100,032)	(20,020)	(113,413)
Proceeds from issuance of bond	(17)	104,281	112,137	104,281
Interest payments	(470)	(884)	(3,659)	(5,399)
Dividend paid	(26,597)	(20,377)	(26,619)	(20,377)
Payment of other financing costs	(503)	(1,591)	(2,625)	(4,736)
Payment of finance lease liabilities	(35)	(90)	(200)	(325)
Net cash (used in)/generated from financing activities	(32,851)	(27,808)	9,265	(49,084)
Effect of exchange rate changes	(613)	(525)	840	(244)
Net (decrease)/increase in cash and cash equivalents in the period	(24,952)	(25,488)	128,040	8,192
Cash and cash equivalents at the beginning of the period	220,289	92,785	67,297	59,105
Cash and cash equivalents at the end of the period	195,337	67,297	195,337	67,297

* Comparative information has been restated to reflect the retrospective application of the amendment to IAS19 "Employee benefits".

Appendix II – reconciliation of IFRS to non-IFRS Q2 2014 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	
	2014 IFRS	Adjustment	2014 Non-IFRS	2013 IFRS	Adjustment	2013 Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	32,506		32,506	29,302		29,302	11%	11%
Maintenance	55,690		55,690	52,424		52,424	6%	6%
Services	24,074		24,074	28,279		28,279	(15%)	(15%)
Total Revenue	112,270		112,270	110,005		110,005	2%	2%
Total Operating Expenses	(92,195)	2,426	(89,769)	(95,563)	5,612	(89,951)	(4%)	(0%)
Restructuring	(454)	454	-	(2,429)	2,429	-	(81%)	
Acquisition related charges			-			-		
Amort of Acquired Intangibles	(1,972)	1,972	-	(3,183)	3,183	-	(38%)	
Operating Profit	20,075	2,426	22,501	14,442	5,612	20,054	39%	12%
Operating Margin	18%		20%	13%		18%	36%	10%
Financing Costs	(2,812)		(2,812)	(3,131)		(3,131)	(10%)	(10%)
Taxation	(3,016)	(323)	(3,339)	(2,843)	(403)	(3,246)	6%	3%
Net Earnings	14,247	2,103	16,350	8,468	5,209	13,677	68%	20%
EPS (\$ per Share)	0.21	0.02	0.23	0.12	0.07	0.19	75%	21%