



Temenos Q2 2015 results show strong revenue growth

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

<i>USDm, except EPS</i>	Non-IFRS				IFRS			
	Q2 2015	Q2 2014	Change	CC*	Q2 2015	Q2 2014	Change	CC*
Software licencing	36.7	30.5	21%	26%	36.7	30.5	21%	26%
SaaS and subscription	11.7	2.0	477%	480%	7.0	2.0	244%	246%
Total software licencing	48.4	32.5	49%	56%	43.7	32.5	34%	41%
Maintenance	58.2	55.7	5%	11%	57.7	55.7	4%	10%
Services	25.8	24.1	7%	17%	25.7	24.1	7%	16%
Total revenues	132.4	112.3	18%	25%	127.1	112.3	13%	20%
EBIT	31.7	22.5	41%	37%	12.5	20.1	-38%	-46%
EBIT margin	23.9%	20.0%	4% pts	2% pts	9.9%	17.9%	-8% pts	-10% pts
EPS (USD)	0.36	0.23	55%	52%	0.10	0.20	-50%	-58%

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

Q2 2015 financial summary

- Strong software licensing growth in Q2 2015 with total software licensing revenues up 56% Y-o-Y (non-IFRS, constant currency), 15% LFL
- Maintenance growth of 11% Y-o-Y and 8% LTM (non-IFRS, constant currency)
- Non-IFRS services margin improvement of 770bps Y-o-Y
- Non-IFRS EBIT up 37% Y-o-Y (constant currency), LTM non-IFRS EBIT margin to 27.6% up 210bps Y-o-Y
- Continued strong cash conversion above target of 100%
- DSOs down 19 days Y-o-Y (27 days proforma)

Q2 2015 operational highlights and outlook

- High win-rate and strong execution across all geographies
- Particularly strong performance in the European business
- Two landmark deals won in the U.S. with top tier domestic banks
- Meaningful progress on specific larger deals, key milestones achieved in the quarter
- Market conditions improving
- Increased H2 revenue visibility following strong deal flow in Q2

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

“This is an excellent performance. Our licence revenues grew strongly on the back of improving market conditions and very strong execution. We had a high win-rate across the board, and our European business in particular performed well. In addition, we continue to develop the US market opportunity, signing highly strategic deals with two of the top 35 US banks. In terms of larger deals, we are in an increasing number of discussions and have achieved several major milestones in the quarter.

Profits and margins showed strong growth in the quarter owing to an improving sales mix and the improving profitability of our services business, which we continue to shift towards higher end consulting and training.

Looking at the balance of year, in view of the improving market conditions, specifically in Europe, and our increased revenue visibility, we remain confident that we will deliver our outlook.”

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

“Our Q2 non-IFRS results saw strong growth in total software license revenues of 56%, of which software licensing grew 26%. Our SaaS revenues increased materially to 24% of total software licensing, through a full quarter of contribution from our recent acquisitions. Our cash generation remains strong at well over our target of 100%, and DSOs are once again down materially both an absolute and proforma basis.”

Revenue

IFRS revenue for the quarter was USD 127.1m and non-IFRS revenue was USD 132.4m, up from USD 112.3m in Q2 last year, representing an absolute increase of 18% and a 25% increase in constant currency. Total non-IFRS software license revenue for the quarter was USD 48.4m, 49% higher than in the same period in 2014 on a reported basis and 56% higher adjusted for constant currencies.

EBIT

Non-IFRS EBIT was USD 31.7m in Q2, 37% higher than in Q2 2014 (constant currency), with a non-IFRS EBIT margin in Q2 of 23.9%, up 2% points on Q2 2014 (constant currency). IFRS EBIT was USD 12.5m this quarter, down from USD 20.1m in Q2 2014.

Earnings per share (EPS)

Non-IFRS EPS was USD 0.36 vs. USD 0.23 in Q2 2014. LTM non-IFRS EPS was USD 1.56, up 16% on the previous 12 months. IFRS EPS was USD 0.10 vs. USD 0.20 in Q2 2014.

Pre-tax operating cash

Operating cash was an inflow of USD 19.2m in Q2 2015 compared to USD 21.6m in Q2 2014. For LTM to June 2015, operating cash was USD 178m representing a 113% 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 Q2 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 July 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 # 85559480

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 2015 non-IFRS guidance:

- FY 2015 estimated deferred revenue write-down of approximately USD 20m
- 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. 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 – Q2 2015 IFRS primary statements

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 30 June 2015	Three months to 30 June 2014	Twelve months to 30 June 2015	Twelve months to 30 June 2014
Revenues				
Software licensing	36,733	30,483	136,136	145,886
SaaS & subscription	6,964	2,023	15,052	6,947
Total software licensing	43,697	32,506	151,188	152,833
Maintenance	57,742	55,690	227,076	218,595
Services	25,685	24,074	97,746	104,590
Total revenues	127,124	112,270	476,010	476,018
Operating expenses				
Sales and marketing	25,600	24,566	89,500	97,448
Services	24,657	24,538	90,309	105,035
Software development and maintenance	42,864	26,615	132,095	102,399
General and administrative	21,475	16,476	66,685	62,927
Total operating expenses	114,596	92,195	378,589	367,809
Operating profit	12,528	20,075	97,421	108,209
Other expenses				
Net interest expenses	(3,552)	(2,541)	(11,530)	(8,979)
Borrowing facility expenses	(372)	(364)	(2,178)	(1,387)
Foreign exchange gain/(loss)	(563)	93	(57)	(1,201)
Total other expenses	(4,487)	(2,812)	(13,765)	(11,567)
Profit before taxation	8,041	17,263	83,656	96,642
Taxation	(1,288)	(3,016)	(10,594)	(14,536)
Profit for the period	6,753	14,247	73,062	82,106
Earnings per share (in US\$):				
basic	0.10	0.21	1.10	1.21
diluted	0.10	0.20	1.08	1.18
non-IFRS	0.36	0.23	1.56	1.34

**TEMENOS**

The Banking Software Company

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	30 June 2015	31 March 2015	31 December 2014	30 June 2014
Assets				
Current assets				
Cash and cash equivalents	59,669	106,405	192,610	195,337
Trade receivables	218,039	212,490	210,128	232,433
Other receivables	28,206	36,048	24,662	27,967
Total current assets	305,914	354,943	427,400	455,737
Non-current assets				
Property, plant and equipment	17,887	17,621	14,089	13,720
Intangible assets	751,912	723,925	437,808	472,409
Trade receivables	14,893	19,186	20,537	22,500
Other receivables	7,963	4,153	2,149	9,762
Deferred tax assets	20,320	22,158	23,865	21,859
Total non-current assets	812,975	787,043	498,448	540,250
Total assets	1,118,889	1,141,986	925,848	995,987
Liabilities and equity				
Current liabilities				
Trade and other payables	86,578	89,825	83,324	95,306
Deferred revenues	160,264	171,115	179,894	153,383
Income tax liabilities	8,173	10,564	14,177	8,318
Borrowings	13,858	147,163	12,860	13,670
Total current liabilities	268,873	418,667	290,255	270,677
Non-current liabilities				
Borrowings	495,622	365,864	279,232	302,882
Deferred tax liabilities	28,943	29,049	1,087	1,902
Income taxes payable	1,782	1,782	1,782	1,844
Trade and other payables	8,460	1,814	5,098	1,466
Retirement benefit obligations	6,865	6,409	6,356	4,472
Total non-current liabilities	541,672	404,918	293,555	312,566
Total liabilities	810,545	823,585	583,810	583,243
Shareholders' equity				
Share capital	228,357	228,357	228,357	239,798
Treasury shares	(147,175)	(148,464)	(152,942)	(114,239)
Share premium and capital reserves	(56,609)	(60,147)	(59,187)	(436)
Fair value and other reserves	(101,545)	(108,513)	(80,639)	(54,755)
Retained earnings	385,316	407,168	406,449	342,376
Total shareholders' equity	308,344	318,401	342,038	412,744
Total equity	308,344	318,401	342,038	412,744
Total liabilities and equity	1,118,889	1,141,986	925,848	995,987



TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	Three months to 30 June 2015	Three months to 30 June 2014	Twelve months to 30 June 2015	Twelve months to 30 June 2014
Cash flows from operating activities				
Profit before taxation	8,041	17,263	83,656	96,642
<u>Adjustments:</u>				
Depreciation and amortisation	19,767	12,565	59,238	51,629
Other non-cash items	9,843	7,302	25,744	30,378
<u>Changes in working capital:</u>				
Trade and other receivables	3,832	5,216	13,245	13,593
Trade and other payables, and retirement benefit obligations	(5,199)	(3,896)	(13,185)	(12,804)
Deferred revenues	(17,091)	(16,876)	9,015	4,889
Cash generated from operations	19,193	21,574	177,713	184,327
Income taxes paid	(2,085)	(2,161)	(8,496)	(9,849)
Net cash generated from operating activities	17,108	19,413	169,217	174,478
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,532)	(1,168)	(6,574)	(4,570)
Disposal of property, plant and equipment	-	1	2	22
Purchase of intangible assets	(1,703)	(820)	(4,807)	(4,651)
Disposal of intangible assets	-	-	2,000	-
Capitalised development costs	(11,213)	(9,804)	(45,207)	(42,030)
Acquisitions of subsidiary, net of cash acquired	151	-	(297,727)	(485)
Disposal of subsidiary or business, net of cash disposed	-	31	20	347
Settlement of financial instruments	1,434	847	4,398	(5,371)
Interest received	12	12	65	195
Net cash used in investing activities	(12,851)	(10,901)	(347,830)	(56,543)
Cash flows from financing activities				
Dividend paid	(28,605)	(26,597)	(28,640)	(26,619)
Acquisition of treasury shares	-	(5,211)	(114,737)	(49,749)
Proceeds from/(repayments of) borrowings	(213,342)	(18)	14,618	(20,020)
Proceeds from issuance of bonds	190,568	(17)	190,562	112,137
Interest paid	(1,605)	(470)	(9,308)	(3,659)
Payment of other financing costs	(639)	(503)	(2,470)	(2,625)
Payment of finance lease liabilities	(2)	(35)	(78)	(200)
Net cash (used in)/generated from financing activities	(53,625)	(32,851)	49,947	9,265
Effect of exchange rate changes	2,632	(613)	(7,002)	840
Net (decrease)/increase in cash and cash equivalents in the period	(46,736)	(24,952)	(135,668)	128,040
Cash and cash equivalents at the beginning of the period	106,405	220,289	195,337	67,297
Cash and cash equivalents at the end of the period	59,669	195,337	59,669	195,337

Appendix II – reconciliation of IFRS to non-IFRS Q2 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 30 June						Change	
	2015 IFRS	Adjustment	2015 Non-IFRS	2014 IFRS	Adjustment	2014 Non-IFRS	IFRS	Non-IFRS
licensing	36,733	20	36,753	30,483		30,483		
SaaS & subscription	6,964	4,716	11,680	2,023		2,023		
Total Software Licensing	43,697	4,736	48,433	32,506		32,506	34%	49%
Maintenance	57,742	504	58,246	55,690		55,690	4%	5%
Services	25,685	82	25,767	24,074		24,074	7%	7%
Total Revenue	127,124	5,322	132,446	112,270		112,270	13%	18%
Total Operating Expenses	(114,596)	13,814	(100,782)	(92,195)	2,426	(89,769)	24%	12%
Restructuring	(5,517)	5,517	-	(454)	454	-	1115%	
Amort of Acquired Intangibles	(8,297)	8,297	-	(1,972)	1,972	-	321%	
Operating Profit	12,528	19,136	31,664	20,075	2,426	22,501	(38%)	41%
Operating Margin	10%		24%	18%		20%	(8% pts)	4% pts
Financing Costs	(4,487)		(4,487)	(2,812)		(2,812)	60%	60%
Taxation	(1,288)	(1,328)	(2,616)	(3,016)	(323)	(3,339)	(57%)	(22%)
Net Earnings	6,753	17,808	24,561	14,247	2,103	16,350	(53%)	50%
EPS (\$ per Share)	0.10	0.26	0.36	0.20	0.03	0.23	(50%)	57%