



# TEMENOS

The software specialist for banking and finance

# Financial results & business update

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Quarter ended 30 June 2017  
19 July 2017

Any remarks that we may make about future expectations, plans and prospects for the company constitute forward-looking statements. Actual results may differ materially from those indicated by these forward-looking statements as a result of various factors.

In particular, the forward-looking financial information provided by the company in the conference call represent the company's estimates as of 19 July 2017. We anticipate that subsequent events and developments will cause the company's estimates to change.

However, while the company may elect to update this forward-looking financial information at some point in the future, the company specifically disclaims any obligation to do so. This forward-looking information should not be relied upon as representing the company's estimates of its future financial performance as of any date subsequent to 19 July 2017.

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Readers are cautioned that the supplemental non-IFRS information presented in this presentation 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 tables accompanying this presentation the Company sets forth its supplemental non-IFRS figures for revenue, operating costs, EBIT, EBITDA, net earnings and earnings per share, which exclude the effect of adjusting the carrying value of acquired companies' deferred revenue, the amortization of acquired intangibles, discontinued activities, acquisition related charges, restructuring costs, and the income tax effect of the non-IFRS adjustments. The tables also set forth the most comparable IFRS financial measure and reconciliations of this information with non-IFRS information.

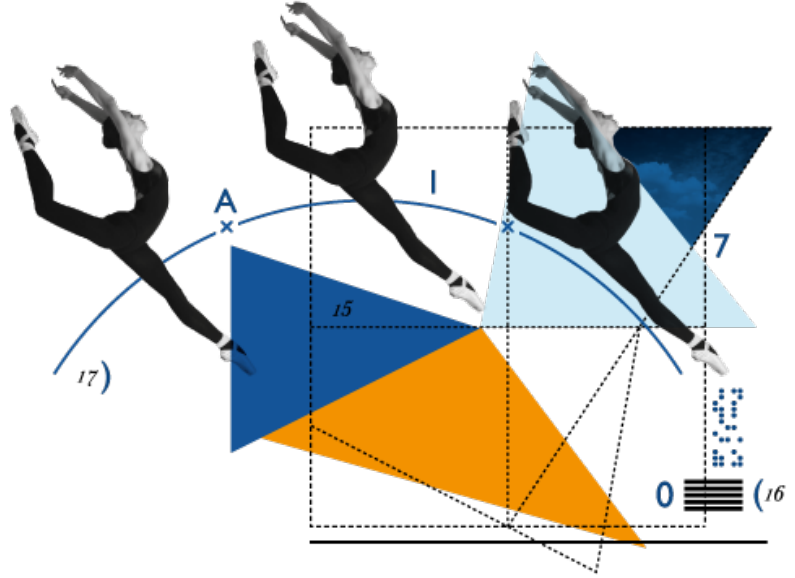
When the Company believes it would be helpful for understanding trends in its business, the Company provides percentage increases or decreases in its revenue (in both IFRS as well as non-IFRS) to eliminate the effect of changes in currency values. When trend information is expressed herein "in constant currencies", the results of the "prior" period have first been recalculated using the average exchange rates of the comparable period in the current year, and then compared with the results of the comparable period in the current year.

# Agenda

1. Business update David Arnott, CEO
2. Financial update Max Chuard, CFO, COO
3. Summary David Arnott, CEO
4. Q&A

# Business update

David Arnott, CEO



## Strong momentum across all KPIs

- Total software licensing up 22%
- Total revenues up 15%
- EBIT up 21%
- Core renovation critical to digital strategy
- Significant pipeline growth supports outlook

## Recognised as a Leader by industry analysts

Gartner

Magic Quadrant for Global Retail Core Banking\*

FORRESTER®

Digital Banking Engagement Platforms

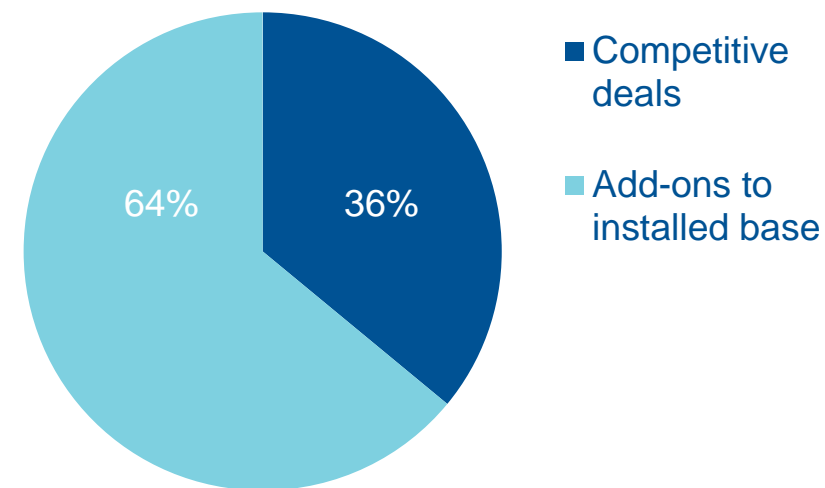
“  
Temenos stands out with broad and rich banking capabilities.”

FORRESTER®  
The Forrester Wave™: Digital  
Banking Engagement  
Platforms, Q3 2017

## A strong first half to 2017

- Strong growth in signings and pipeline generation across all geographies
- Digital and regulatory pressure on banks driving market growth
- 55% of LTM license revenues from Tier 1 and 2 clients
- 12 new customer wins in Q2 2017
- Continued investment in sales and marketing

## Strong momentum within the installed base driven by progressive renovation



Software licensing LTM Q2 2017

Continued sales momentum



## Geographies

- Europe - digital transformation and cost focus
- Developed Asia - growth in Private Banking assets and digital transformation
- Australia - digitisation and wealth players integrating wealth management and superannuation businesses
- Emerging Markets - time-to-market around digital services
- North America - increasing competition and regulatory burden

## Segments

- Sustained momentum in Retail, Corporate and Wealth in particular
- Front-to-back renovation a key theme

**Strong growth across geographies and segments**



- Core replacement for domestic Retail and Corporate across 4 Nordic countries

- Greenfield digital bank (Pepper) and subsequent migration of existing business



- Core replacement and digital transformation for domestic Retail, SME and Large Corporates

- Core replacement and digital transformation for domestic Retail



- Core replacement for domestic Retail and Commercial Bank with 350 branches

- Front-to-back renovation for Wealth across more than 30 countries



Go-lives driving further market growth

- ◆ U.S. banks are focused on fintech competition and risk around supporting ageing legacy systems
- ◆ Increase in banks assessing their digital strategy and considering embarking on progressive renovation
- ◆ Strength and quality of pipeline continues to improve month-on-month
- ◆ Making further investments in U.S. sales to expand coverage
- ◆ Sustained engagement with partners in the U.S. yielding new leads
- ◆ Commerce Bank implementation progressing well

Continued progress in the U.S.

- 19<sup>th</sup> TCF held in Lisbon with over 1,200 attendees, showcasing new products and technologies
- Temenos Marketplace particularly well received
- Demonstrated strength of Temenos ecosystem across clients, prospects, partners and fintechs
- Key takeaways included:
  - Core renovation is critical for digital strategy
  - Banks need to transform to stay ahead of end-customer adoption of digital banking services
  - Engagement across the Temenos ecosystem will deliver success for our clients



# Financial update

Max Chuard, CFO, COO



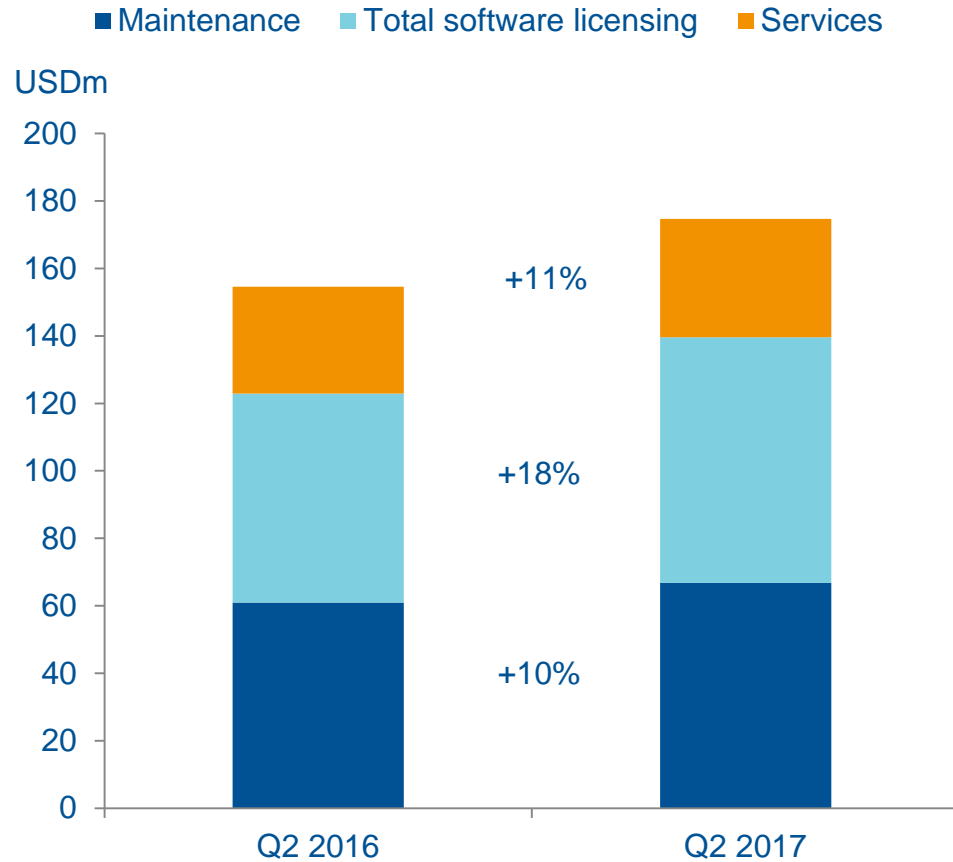
- ◆ Total software licensing up 22% Y-o-Y
- ◆ Maintenance growth of 11% Y-o-Y
- ◆ Total revenue growth of 15% Y-o-Y
- ◆ EBIT up 21% Y-o-Y, with LTM EBIT margin of 30.0%
- ◆ EPS growth of 24% Y-o-Y, LTM EPS of USD 2.25
- ◆ Q2 operating cash flows of USD 44m, DSOs down 6 days Y-o-Y to 124 days
- ◆ Services margin of 10% for Q2 2017 LTM, up 3% points
- ◆ 2016 share buyback of CHF 99m completed in June 2017

Strong performance across all KPIs

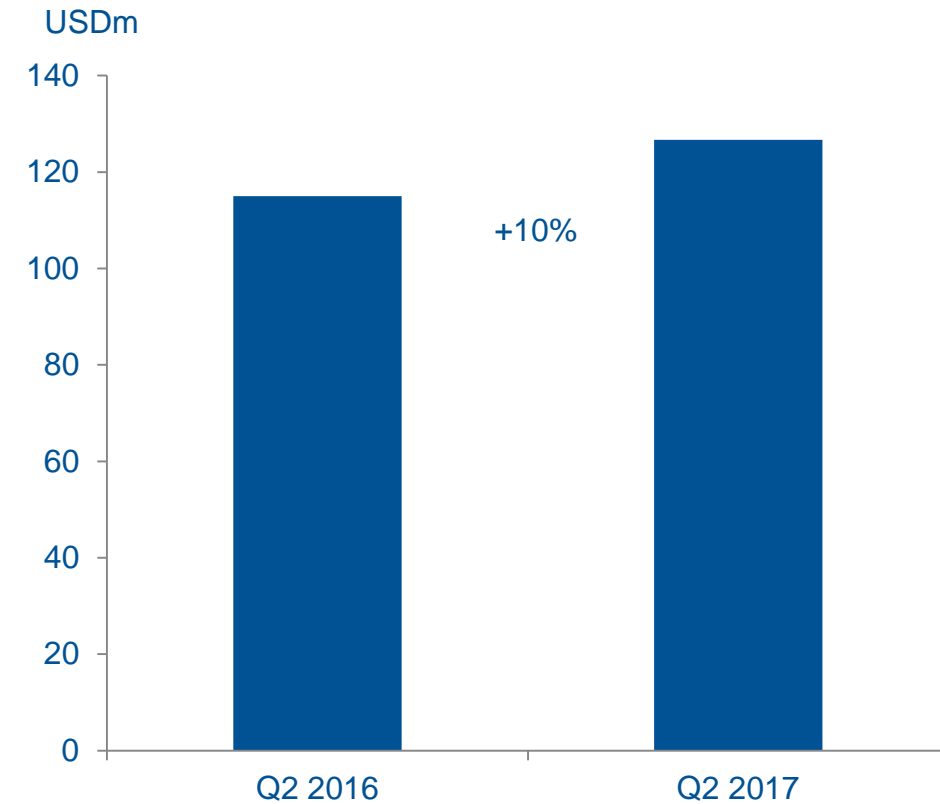
In USDm	Q2 17	Q2 16	Y-o-Y reported	Y-o-Y c.c.	LTM 17	LTM 16	Y-o-Y reported	Y-o-Y c.c.
Software licensing	57.4	47.8	20%	21%	219.9	191.2	15%	16%
SaaS and subscription	15.4	12.6	22%	24%	54.9	48.0	14%	16%
<b>Total software licensing</b>	<b>72.8</b>	<b>60.4</b>	<b>21%</b>	<b>22%</b>	<b>274.8</b>	<b>239.3</b>	<b>15%</b>	<b>16%</b>
Maintenance	66.8	61.2	9%	11%	260.3	243.3	7%	10%
Services	35.1	32.2	9%	12%	134.2	122.9	9%	12%
<b>Total revenue</b>	<b>174.7</b>	<b>153.8</b>	<b>14%</b>	<b>15%</b>	<b>669.3</b>	<b>605.5</b>	<b>11%</b>	<b>13%</b>
Operating costs	126.7	115.1	10%	13%	468.5	435.7	8%	11%
<b>EBIT</b>	<b>48.0</b>	<b>38.7</b>	<b>24%</b>	<b>21%</b>	<b>200.8</b>	<b>169.8</b>	<b>18%</b>	<b>18%</b>
Margin	27.5%	25.2%	2.3% pts		30.0%	28.0%	2.0% pts	
<b>EBITDA</b>	<b>59.9</b>	<b>50.1</b>	<b>20%</b>	<b>18%</b>	<b>245.8</b>	<b>214.9</b>	<b>14%</b>	<b>15%</b>
Margin	34.3%	32.6%	1.7% pts		36.7%	35.5%	1.2% pts	
Services margin	6.2%	2.7%	3.5%		10.4%	7.5%	2.9%	

Strong growth across revenue lines

## Q2 LFL non-IFRS revenues up 13%



## Q2 LFL non-IFRS costs up 10%

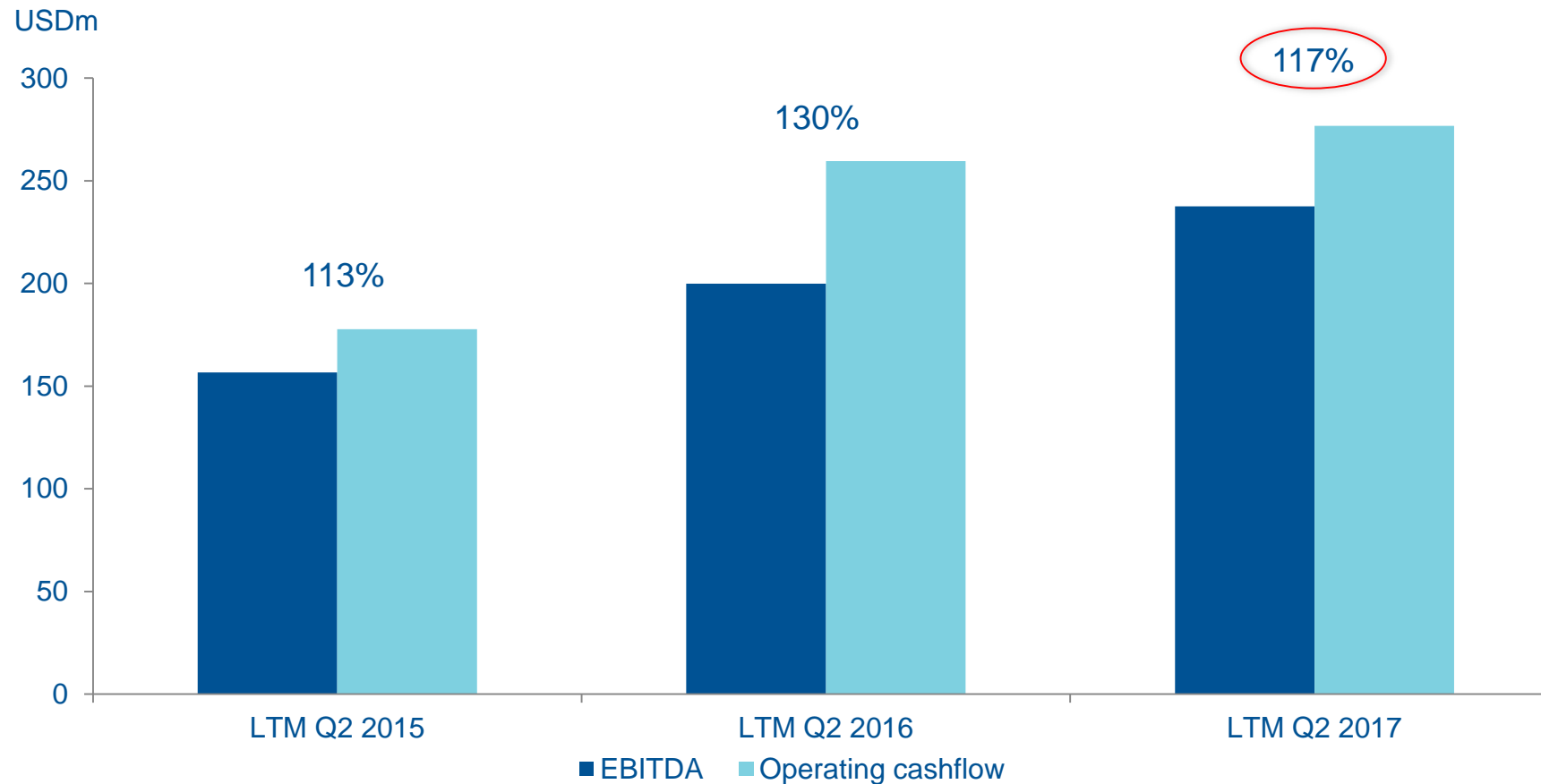


Continued investment driving strong organic growth

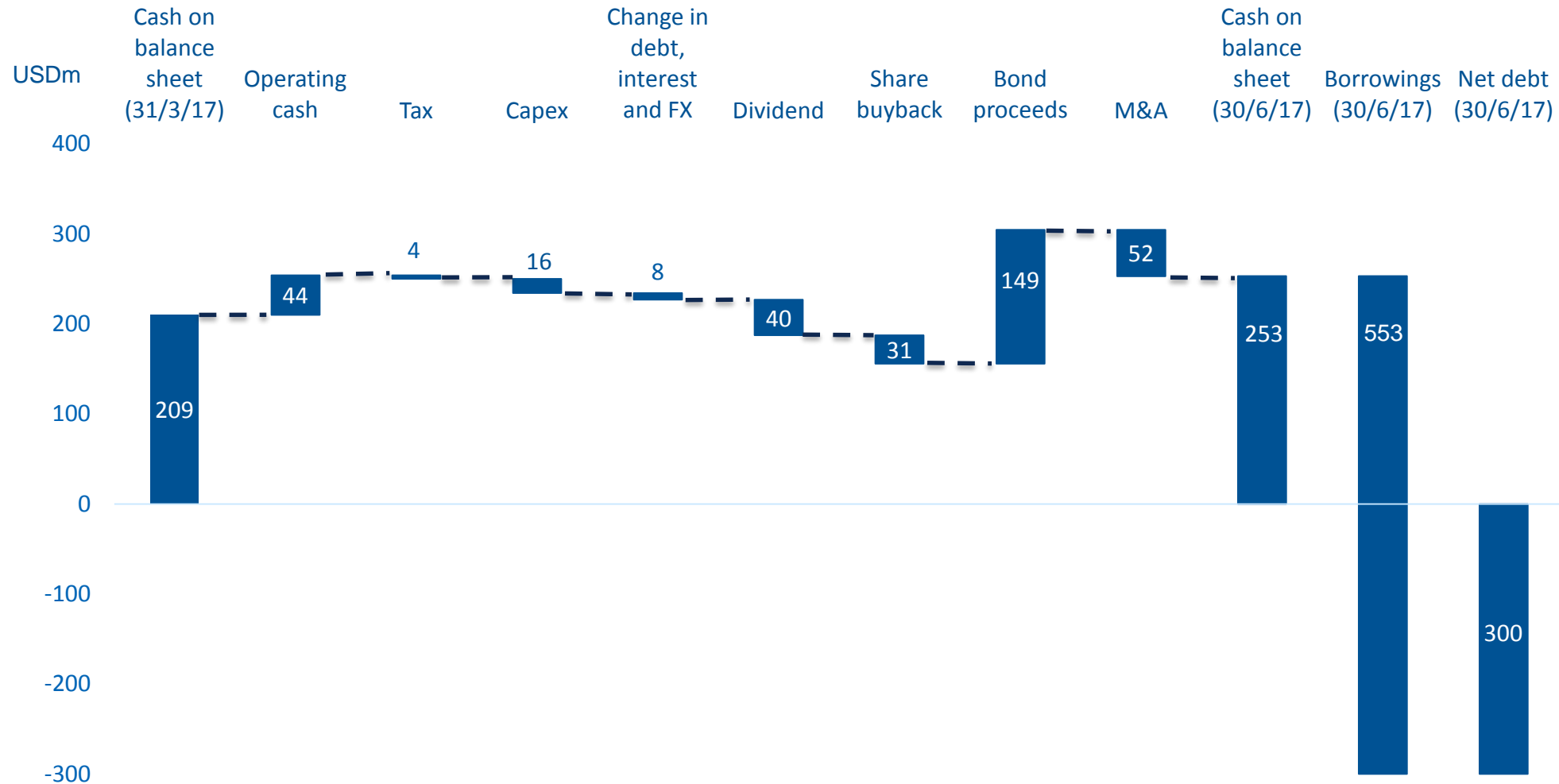


In USDm, except EPS	Q2 17	Q2 16	Y-o-Y	LTM 17	LTM 16	Y-o-Y
EBIT	48.0	38.7	24%	200.8	169.8	18%
Net finance charge	-4.4	-4.2	4%	-16.4	-18.3	-11%
FX gain / (loss)	-0.6	-0.6	NA	-0.3	-2.8	NA
Tax	-5.6	-4.2	36%	-22.6	-19.5	16%
Net profit	37.3	29.7	25%	161.6	129.2	25%
EPS (USD)	0.52	0.42	24%	2.25	1.84	22%

Strong growth in profit and EPS



Cash conversion remains significantly above target of 100%



Operating cash flow up 17%, leverage at 1.2x

- ◆ Acquisition of Rubik completed on 22 May 2017
- ◆ Integration into Temenos Asia Pacific progressing well
- ◆ High level of pipeline activity in Australia for core banking renovation and wealth
- ◆ Market being driven by digitisation and wealth players seeking to integrate their wealth management and superannuation businesses
- ◆ Leveraging Rubik products into Temenos Asia Pacific client base

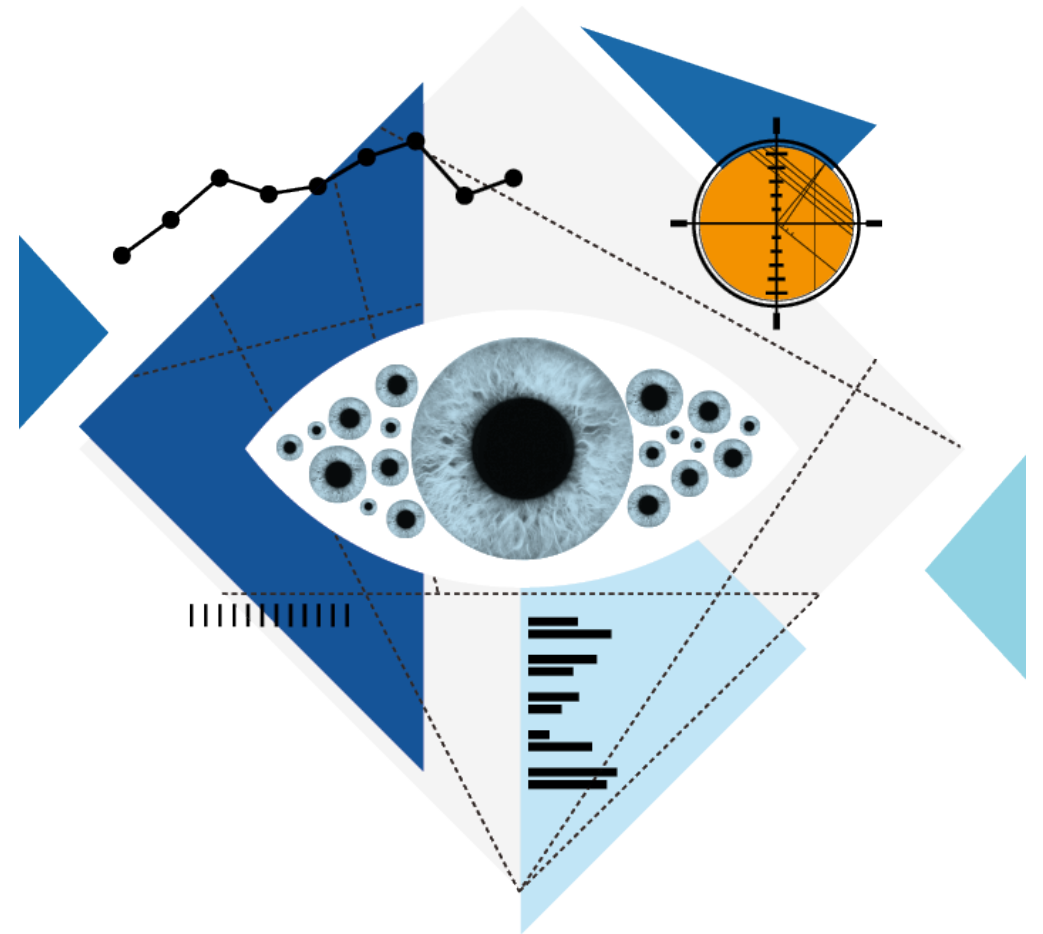
- ◆ **Non-IFRS total software licensing growth at constant currencies of 15% to 20%** (implying non-IFRS total software licensing revenue of USD 291m to USD 304m)
- ◆ **Non-IFRS revenue growth at constant currencies of 10% to 13%** (implying non-IFRS revenue of USD 693m to USD 712m)
- ◆ **Non-IFRS EBIT at constant currencies of USD 210m to 215m**, (implying non-IFRS EBIT margin of c. 30.5%)
- ◆ **100%+ conversion** of EBITDA into operating cash flow
- ◆ **Expected FY 2017 tax rate of 14% to 15%**

- Currency assumptions on slide 25
- See slide 38 for definition of non-IFRS

# Summary

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David Arnott, CEO

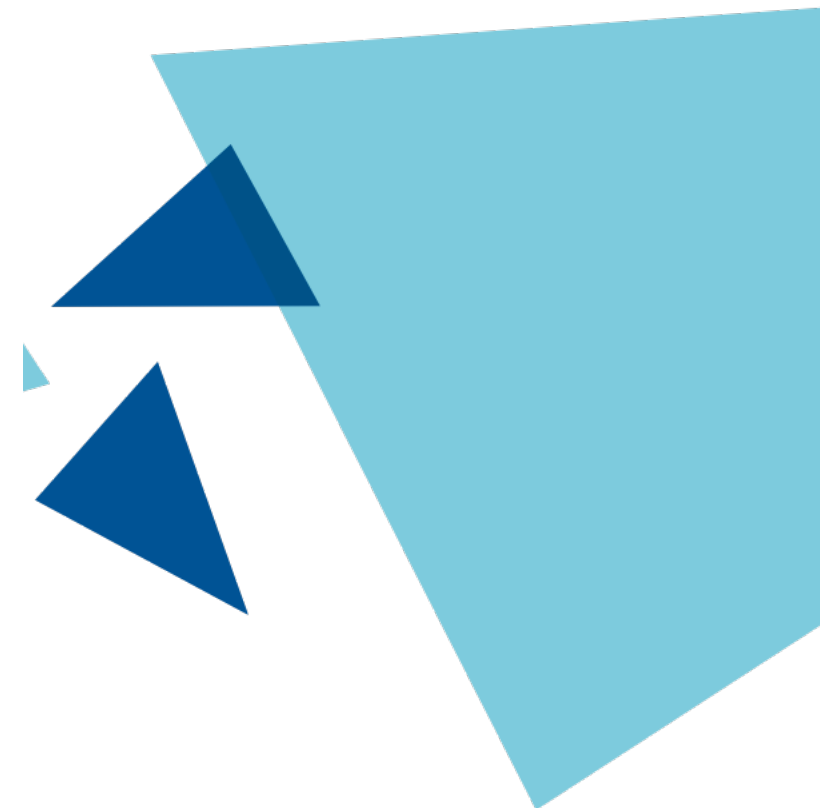


- Strong momentum in Q2 across all KPIs
- Digital and regulatory pressure on banks is driving market growth
- Core renovation is non-discretionary
- Strong growth across all geographies, client tiers and segments
- Strong start to Q3, increased visibility and strength of pipeline gives confidence for full year

Strong start to Q3, confidence in full year outlook

# Appendices

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In preparing the 2017 guidance, the Company has assumed the following FX rates:

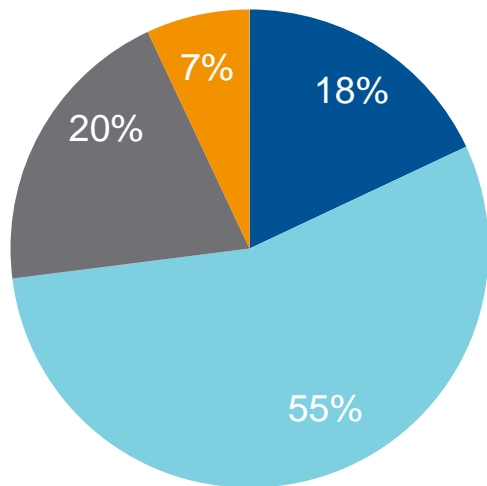
- USD to Euro exchange rate of 0.895
- USD to GBP exchange rate of 0.787; and
- USD to CHF exchange rate of 0.971

<b>% of total</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>CHF</b>	<b>Other</b>
Total software licensing	55%	35%	2%	4%	4%
Maintenance	65%	22%	6%	6%	0%
Services	41%	34%	5%	5%	15%
<b>Revenues</b>	<b>56%</b>	<b>30%</b>	<b>4%</b>	<b>5%</b>	<b>5%</b>
<b>Non-IFRS costs</b>	<b>26%</b>	<b>18%</b>	<b>18%</b>	<b>8%</b>	<b>30%</b>
<b>Non-IFRS EBIT</b>	<b>128%</b>	<b>58%</b>	<b>-24%</b>	<b>-2%</b>	<b>-60%</b>

NB. All % are approximations based on 2016 actuals

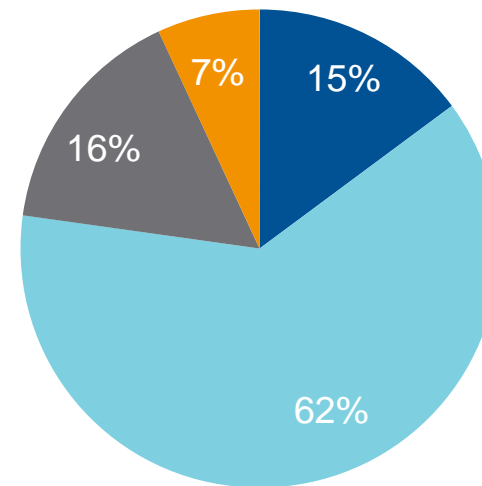
Mitigated FX exposure – matching of revenues / costs and hedging

### Q2 2016



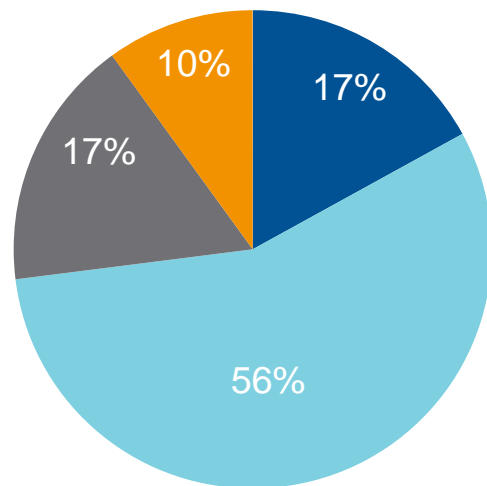
- APAC
- Europe
- Americas
- MEA

### Q2 2017



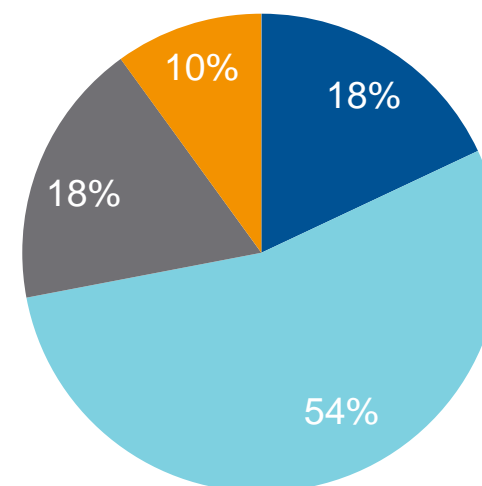
- APAC
- Europe
- Americas
- MEA

### LTM Q2 2016



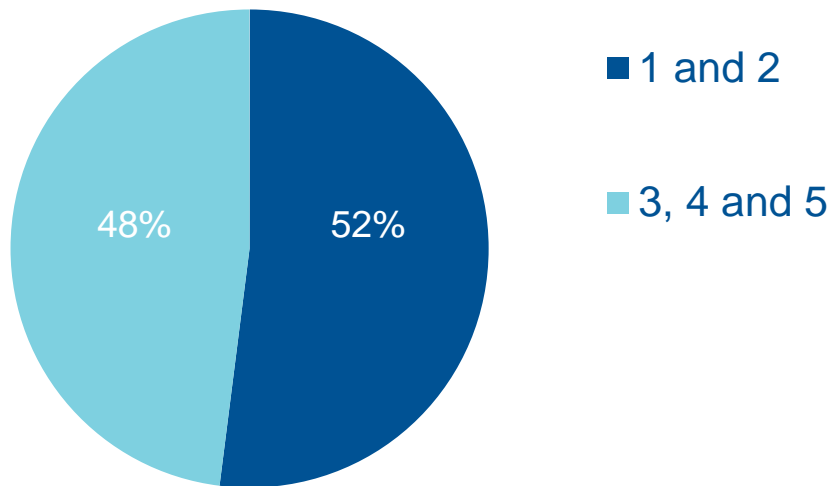
- APAC
- Europe
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### LTM Q2 2017

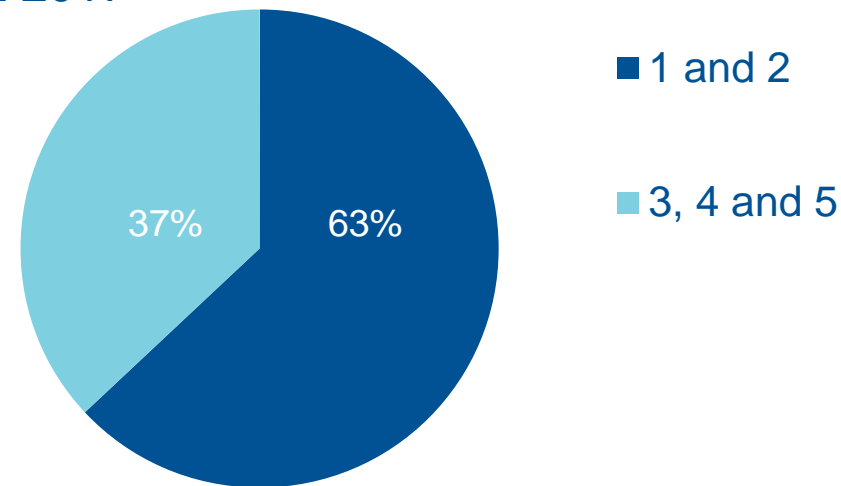


- APAC
- Europe
- Americas
- MEA

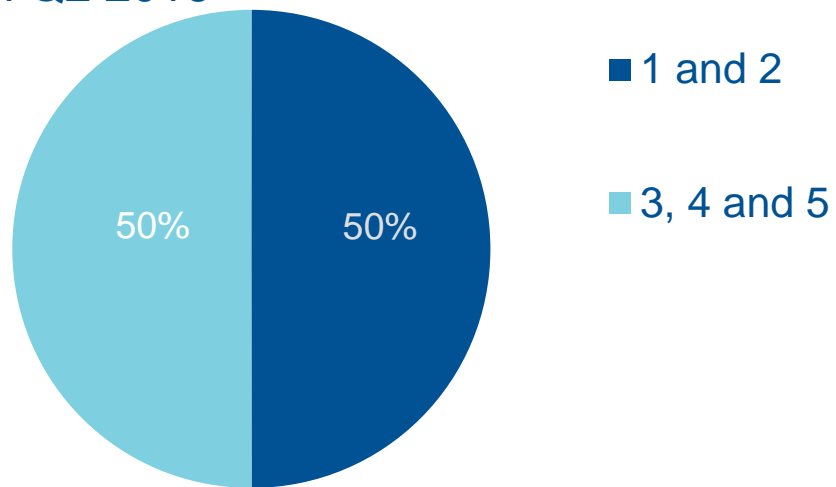
Q2 2016



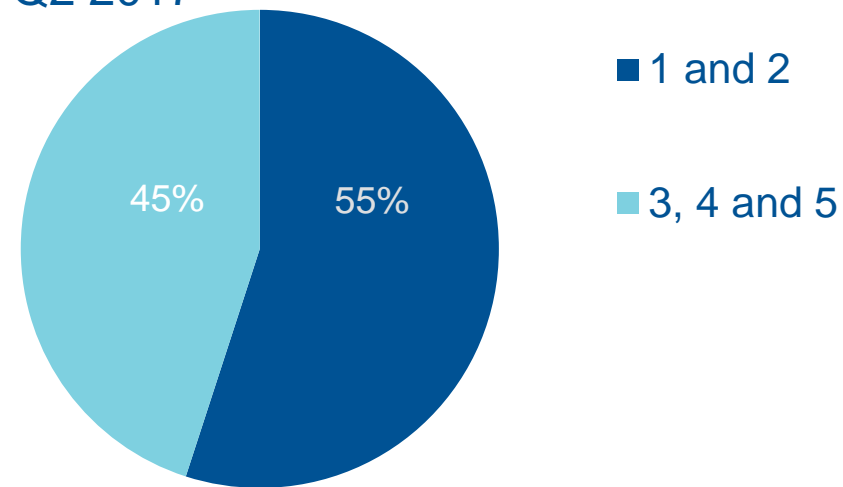
Q2 2017



LTM Q2 2016

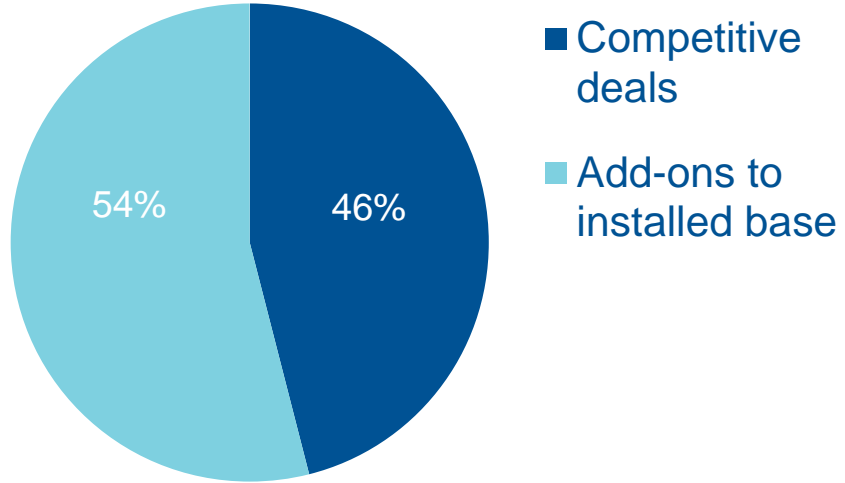


LTM Q2 2017

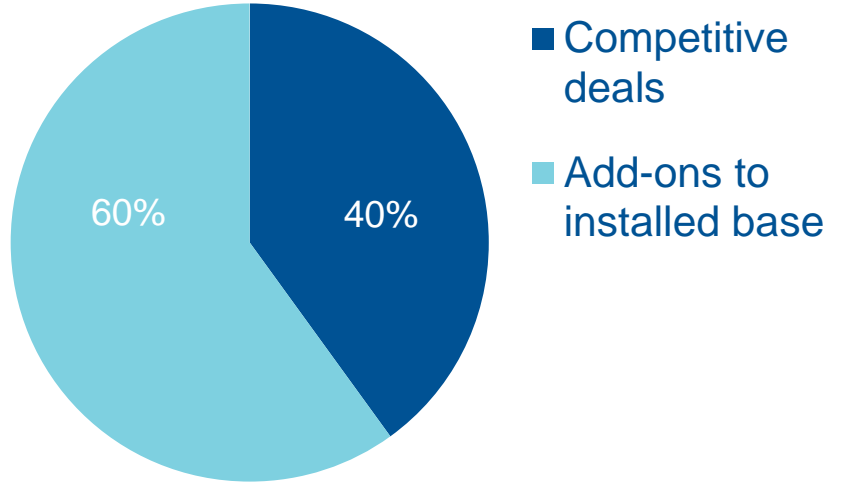


# Software licensing revenue breakdown by competitive deals / add-ons to installed base

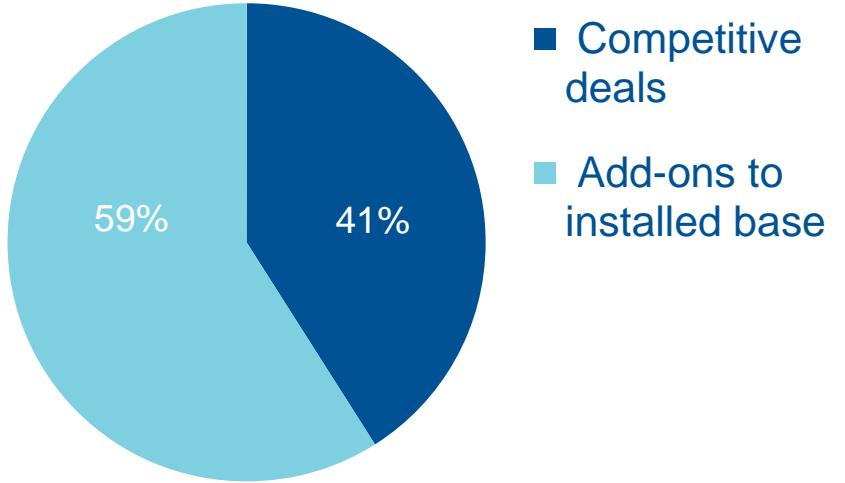
Q2 2016



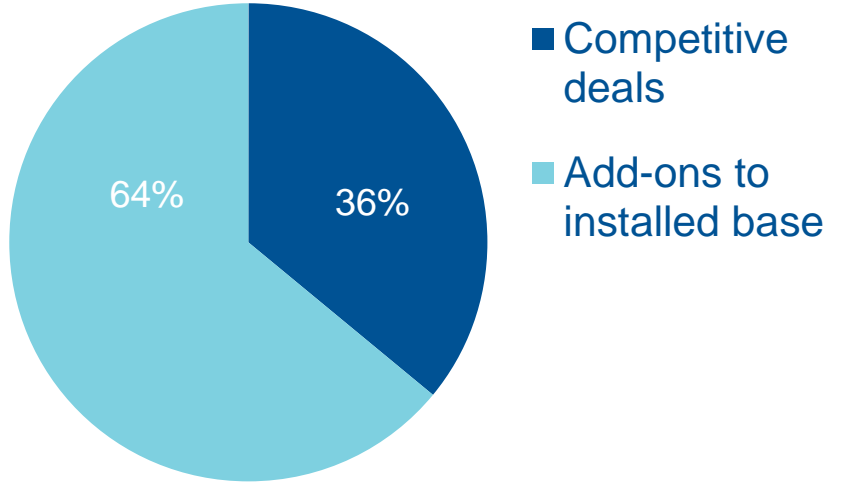
Q2 2017

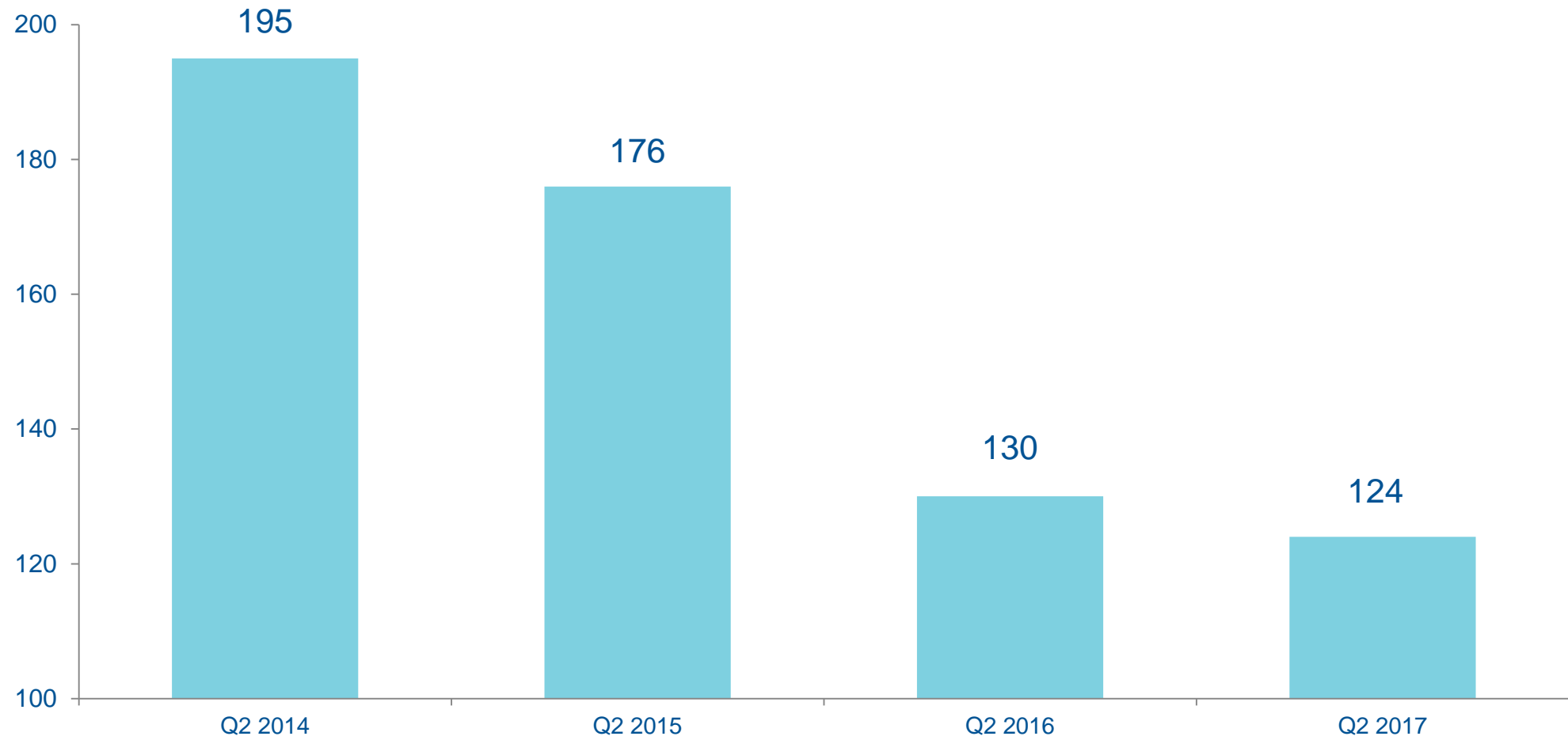


LTM Q2 2016



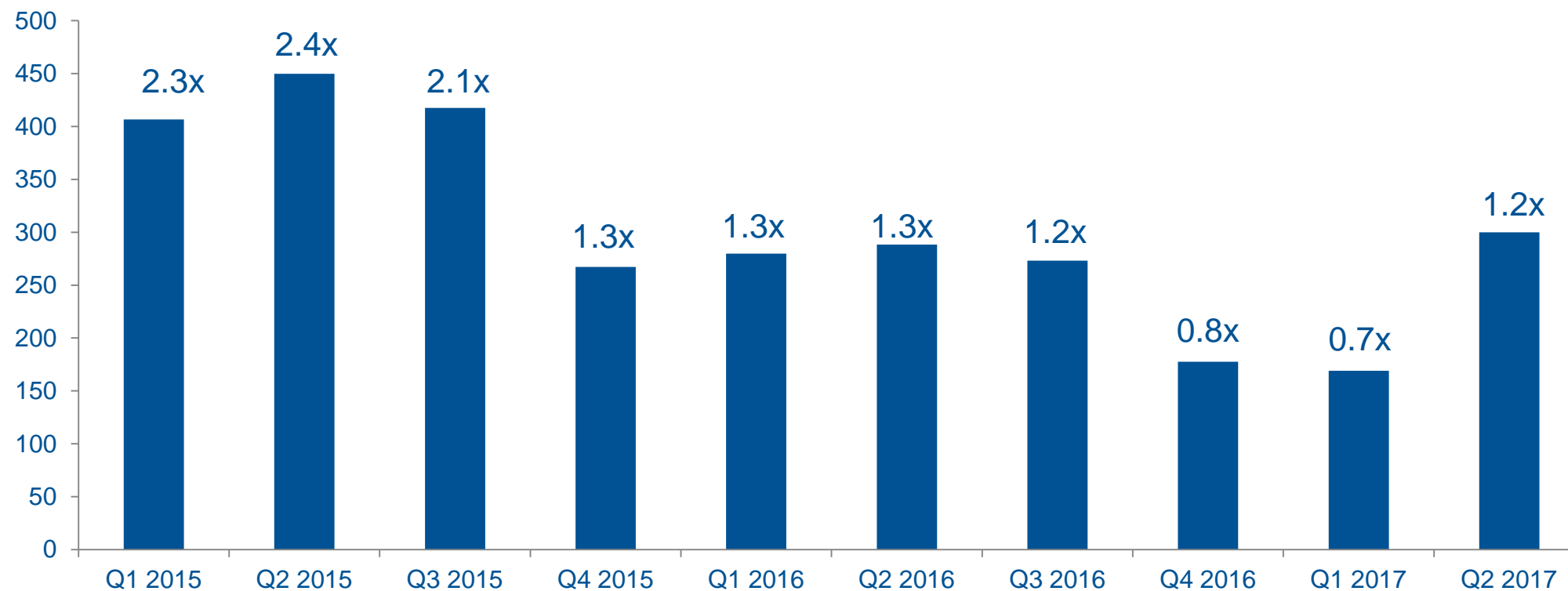
LTM Q2 2017





## Net debt and leverage ratios\*

USDm



\* proforma non-IFRS EBITDA

USDm	Q1 15	Q2 15	Q3 15	Q4 15	FY 15
Cap' dev' costs	-10.3	-11.2	-10.8	-13.0	-45.3
Amortisation	8.8	8.8	8.7	8.7	35.0
<b>Net cap' dev'</b>	<b>-1.5</b>	<b>-2.4</b>	<b>-2.1</b>	<b>-4.3</b>	<b>-10.3</b>

USDm	Q1 16	Q2 16	Q3 16	Q4 16	FY 16
Cap' dev' costs	-10.8	-11.3	-10.8	-12.7	-45.6
Amortisation	8.8	8.8	8.8	8.8	35.2
<b>Net cap' dev'</b>	<b>-2.0</b>	<b>-2.5</b>	<b>-2.0</b>	<b>-3.8</b>	<b>-10.3</b>

USDm	Q1 17	Q2 17	Q3 17	Q4 17	FY 17
Cap' dev' costs	-11.2	-11.6			
Amortisation	8.8	9.6			
<b>Net cap' dev'</b>	<b>-2.4</b>	<b>-2.0</b>			



## IFRS revenue measure

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+ Deferred revenue write-down

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= **Non-IFRS revenue measure**

## IFRS profit measure

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+/- Deferred revenue writedown

+ / - Discontinued activities

+ / - Acquisition related charges

+ / - Amortisation of acquired intangibles

+ / - Restructuring

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+ / - Taxation

= **Non-IFRS profit measure**



Below are the accounting elements not included in the 2017 non-IFRS guidance:

- FY 2017 estimated deferred revenue write down of USD 3m
- FY 2017 estimated amortisation of acquired intangibles of USD 35m
- FY 2017 estimated acquisition related charges of USD 2m
- FY 2017 estimated restructuring costs of USD 7m

Restructuring costs include realising R&D, operational and infrastructure efficiencies and the integration of Rubik. These estimates do not include impact of any further acquisitions or restructuring programmes commenced after 19 July 2017.

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

In USDm, except EPS	3 Months Ending 30 June						Change	
	2017		2017	2016		2016		
	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	72.4	0.4	72.8	60.1	0.3	60.4	20%	21%
Maintenance	66.8		66.8	61.2		61.2	9%	9%
Services	35.1		35.1	32.2		32.2	9%	9%
<b>Total Revenue</b>	<b>174.3</b>	<b>0.4</b>	<b>174.7</b>	<b>153.6</b>	<b>0.3</b>	<b>153.8</b>	<b>14%</b>	<b>14%</b>
<b>Total Operating Costs</b>	<b>(139.6)</b>	<b>12.9</b>	<b>(126.7)</b>	<b>(124.6)</b>	<b>9.5</b>	<b>(115.1)</b>	<b>12%</b>	<b>10%</b>
Restructuring	(4.8)	4.8	0.0	(1.5)	1.5	0.0	227%	
Amort of Acq'd Intang.	(8.1)	8.1	0.0	(8.1)	8.1	0.0	0%	
<b>Operating Profit</b>	<b>34.7</b>	<b>13.3</b>	<b>48.0</b>	<b>28.9</b>	<b>9.8</b>	<b>38.7</b>	<b>20%</b>	<b>24%</b>
<b>Operating Margin</b>	<b>20%</b>		<b>27%</b>	<b>19%</b>		<b>25%</b>	<b>1.1% pts</b>	<b>2.3% pts</b>
Financing Costs	(5.0)		(5.0)	(4.8)		(4.8)	4%	4%
Taxation	(4.4)	(1.3)	(5.6)	(3.5)	(1.0)	(4.2)	39%	36%
Net Earnings	25.3	12.0	37.3	20.9	8.8	29.7	21%	25%
<b>EPS (USD per Share)</b>	<b>0.35</b>	<b>0.17</b>	<b>0.52</b>	<b>0.29</b>	<b>0.13</b>	<b>0.42</b>	<b>21%</b>	<b>24%</b>

In USDm, except EPS	Q2 17	Q2 16
<b>IFRS net earnings</b>	<b>25.3</b>	<b>20.9</b>
Deferred revenue write-down	0.4	0.3
Amortisation of acquired intangibles	8.1	8.1
Restructuring	2.8	1.5
Acquisition related costs	2.0	-
Taxation	-1.3	-1.0
<b>Net earnings for non-IFRS EPS</b>	<b>37.3</b>	<b>29.7</b>
No. of dilutive shares	71.9	71.4
<b>Non-IFRS diluted EPS (USD)</b>	<b>0.52</b>	<b>0.42</b>

USDm	Q2 2017 EBIT	Q2 2017 EBITDA
<b>IFRS</b>	<b>34.7</b>	<b>54.7</b>
Deferred revenue write-down	0.4	0.4
Amortisation of acquired intangibles	8.1	-
Restructuring	2.8	2.8
Acquisition-related charges	2.0	2.0
<b>Non-IFRS</b>	<b>48.0</b>	<b>59.9</b>

## Non-IFRS adjustments

### Deferred revenue write-down

Adjustments made resulting from acquisitions

### Discontinued activities

Discontinued operations at Temenos that do not qualify as such under IFRS

### Acquisition related charges

Relates mainly to advisory fees, integration costs and earn outs

### Amortisation of acquired intangibles

Amortisation charges as a result of acquired intangible assets

### Restructuring

Costs incurred in connection with a restructuring plan implemented and controlled by management

Severance charges, for example, would only qualify under this expense category if incurred as part of a company-wide restructuring plan

### Taxation

Adjustments made to reflect the associated tax charge relating to the above items

## Other

### Constant currencies

Prior year results adjusted for currency movement

### Like-for-like (LFL)

Adjusted prior year for acquisitions and movements in currencies

### SaaS and subscription

Revenues generated from Software-as-a-Service and subscription licenses



# TEMENOS

The software specialist for banking and finance