



TEMENOS

The banking software company

Financial results & business update

Quarter ended 30 June 2018
18 July 2018

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 18 July 2018. 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 18 July 2018.

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All non-IFRS information in the presentation is under IAS 18, comparable to prior periods.

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



A very strong quarter

- ◆ Total software licensing growth of 23%
- ◆ Total revenue up 17%
- ◆ EBIT up 20%
- ◆ Significant momentum underpinning 2018 confidence
- ◆ Recognition of leadership position

Recognised as a Leader

Gartner

Magic Quadrant for Global Retail Core Banking*

FORRESTER®

Top vendor for new-name clients and
new and existing clients

IBSintelligence

#1 best selling Core Banking system and
#1 best selling Digital Banking and Channels system

“

Core banking market demand is surging to support digital banking transformation, with an increased focus on commercial off-the-shelf packages and public cloud.

”

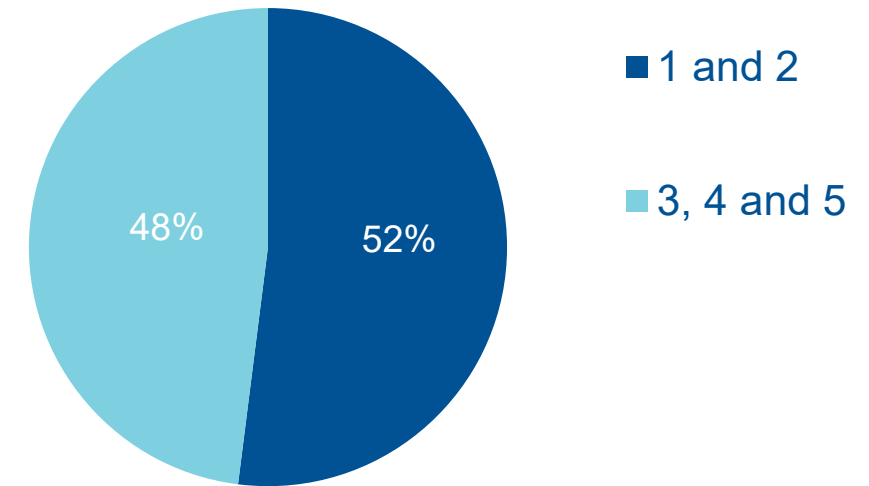
Gartner*

*Gartner 'Magic Quadrant for Global Retail Core Banking', Vittorio D'Orazio, Don Free, June 2018.
Figures are non-IFRS IAS18 growth rates

- Very strong quarter driven by broad based demand across all tiers and geographies
- Competitive deals contributed 41% of software licensing, 13 new customer wins
- Europe lapped strong comparative, driven by large number of deals across all tiers
- APAC growth driven by significant progress in Australia
- Traction in US with signing of Northern Trust for its European operations, and a US digital neo-bank
- Continued investment in product and sales and marketing

Strong contribution across all tiers

Q2 2018 software licensing



Growth across all markets and client tiers

COVENTRY Building Society



- Coventry Building Society, UK's second-largest, chose Temenos T24 Core Banking for future savings and mortgages servicing
- UK is a key growth market for Temenos
- The Society has opted for a front-to-back digital transformation with Temenos to:
 - Introduce new products and services more quickly
 - Support its growth ambitions
 - Maintain its sector-leading cost efficiency
 - Offer market-leading digital services to its members through online and mobile channels



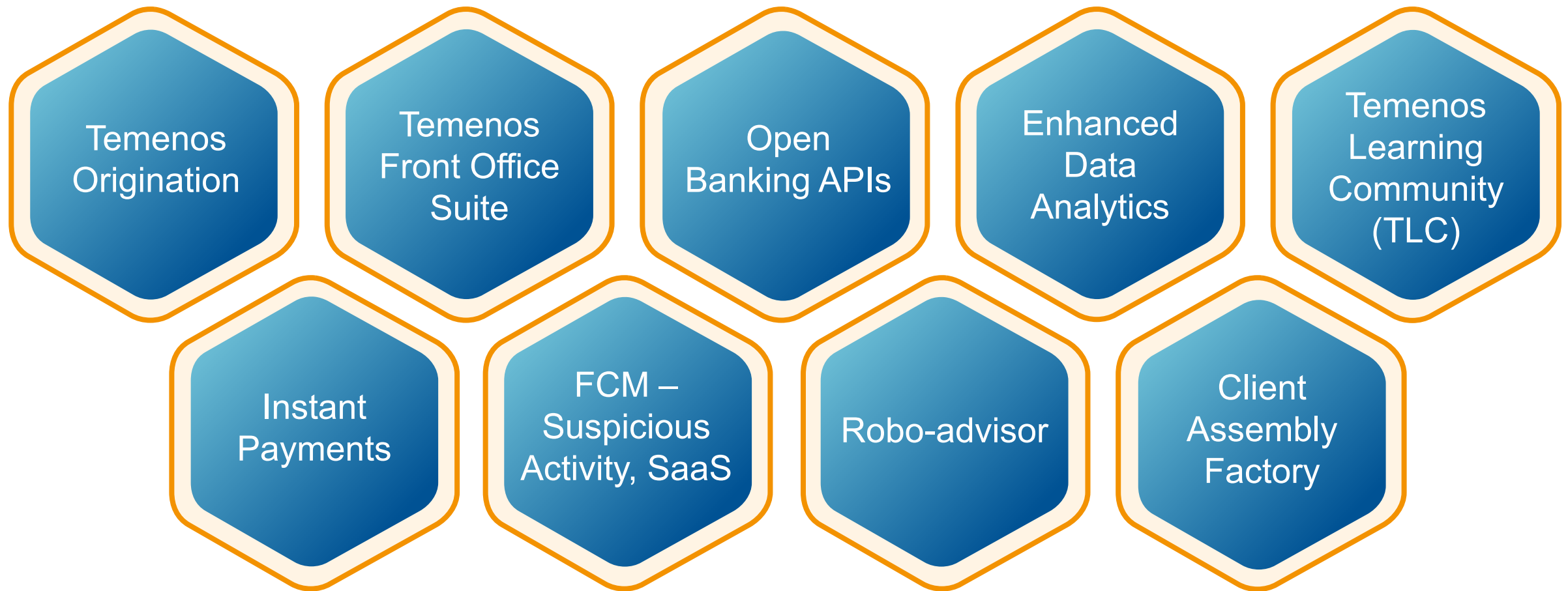
NORTHERN TRUST

- Northern Trust, a US based financial services provider, signed a deal extending its existing investor servicing contract with Temenos for its European operations
- Northern Trust is working with Temenos to support its continued focus on providing market-leading solutions and maximizing operational efficiencies for its clients
- Temenos Multifonds Global Investor platform will support a major migration of funds acquired through Northern Trust's purchase of UBS Asset Management's fund servicing units

- 24 implementation go-lives in Q2 2018
- Total of 49 implementation go lives in H1 2018
- Julius Baer went live with WealthSuite in Asia in May
- 50% growth in partner consultants LTM through Temenos Learning Community
- LTM Services margin of 11%



Significant momentum in client go-lives



High R&D focus

- ◆ Digital, regulatory and competitive pressures on banks continue to intensify, with open banking and payments a key focus
- ◆ Significant increase in cloud and SaaS signings, with strong growth expected in 2019
- ◆ Building momentum in the US with signing of Northern Trust and digital neo-bank
- ◆ Temenos' leadership position reconfirmed – pulling ahead in a winner-takes-all market
- ◆ Committed spend from tier 1 and 2 progressive renovation and strong pipeline provide confidence for medium term

Leadership position in a winner-takes-all market

Financial update

Max Chuard, CFO, COO



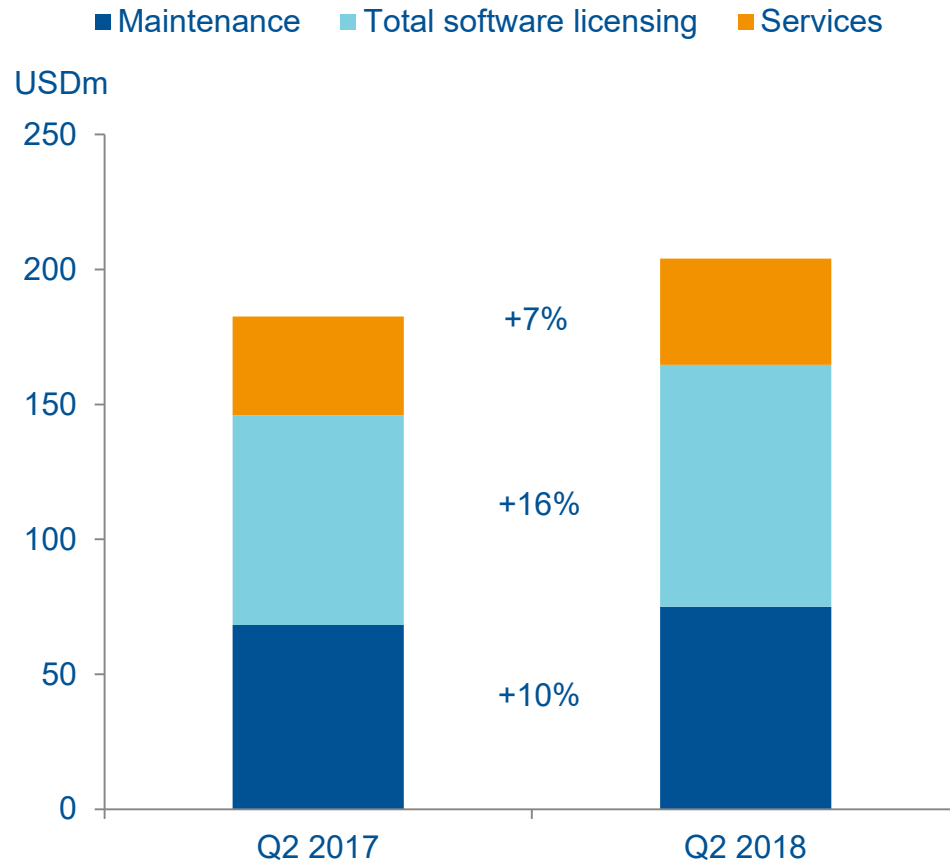
- Total software licensing up 23% Y-o-Y
- Maintenance growth of 12% Y-o-Y
- Total revenue growth of 17% Y-o-Y
- EBIT up 20% Y-o-Y, with LTM EBIT margin of 30.5%
- EPS growth of 23% Y-o-Y, LTM EPS of USD 2.72
- Q2 operating cash flows of USD 67m, up 52%
- DSOs down 10 days Y-o-Y to 114 days
- Services margin of 10.2% for Q2 2018

Very strong performance across all KPIs

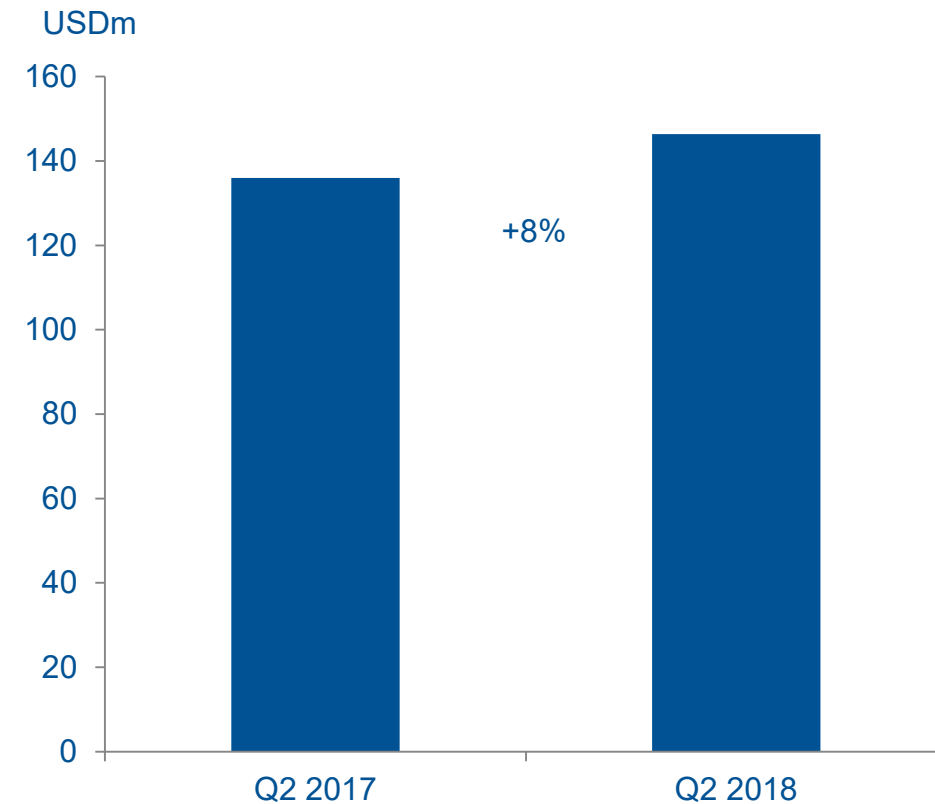
IAS 18, in USDm	Q2 18	Q2 17	Y-o-Y reported	Y-o-Y c.c.	LTM 18	LTM 17	Y-o-Y reported	Y-o-Y c.c.
Software licensing	72.5	57.4	26%	24%	276.9	219.9	26%	23%
SaaS and subscription	17.3	15.4	12%	10%	74.4	54.9	36%	29%
Total software licensing	89.7	72.8	23%	21%	351.3	274.8	28%	24%
Maintenance	75.0	66.8	12%	10%	292.1	260.3	12%	10%
Services	39.3	35.1	12%	8%	151.8	134.2	13%	8%
Total revenue	204.0	174.7	17%	14%	795.2	669.3	19%	15%
Operating costs	146.4	126.7	16%	12%	552.9	468.5	18%	13%
EBIT	57.7	48.0	20%	20%	242.3	200.8	21%	21%
Margin	28.3%	27.5%	0.8% pts		30.5%	30.0%	0.5% pts	
EBITDA	71.4	59.9	19%	19%	296.1	245.8	20%	21%
Margin	35.0%	34.3%	0.7% pts		37.2%	36.7%	0.5% pts	
Services margin	10.2%	6.2%	4.1% pts		10.7%	10.4%	0.4% pts	

Strong double-digit revenue growth

Q2 LFL non-IFRS revenue



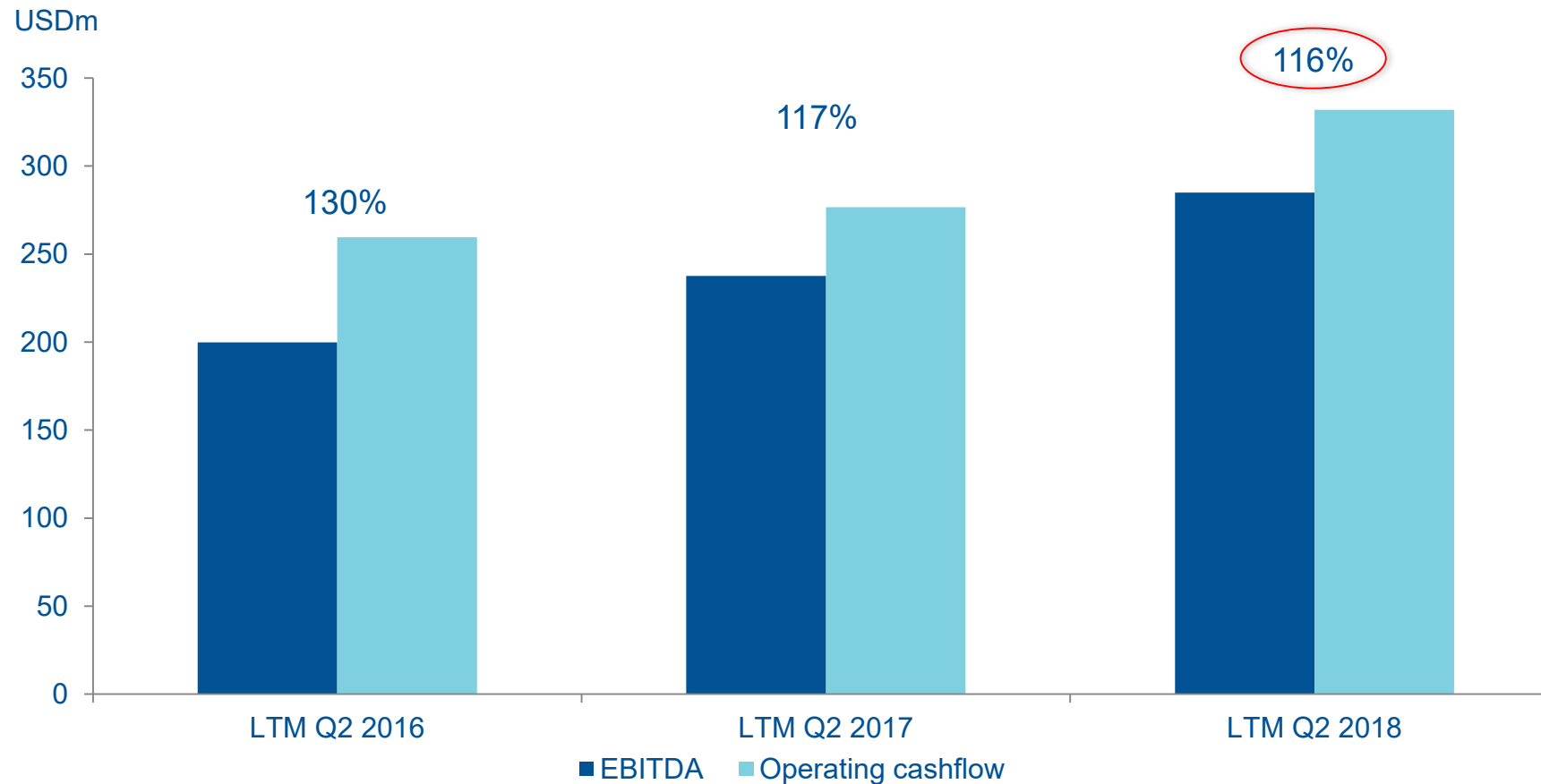
Q2 LFL non-IFRS costs



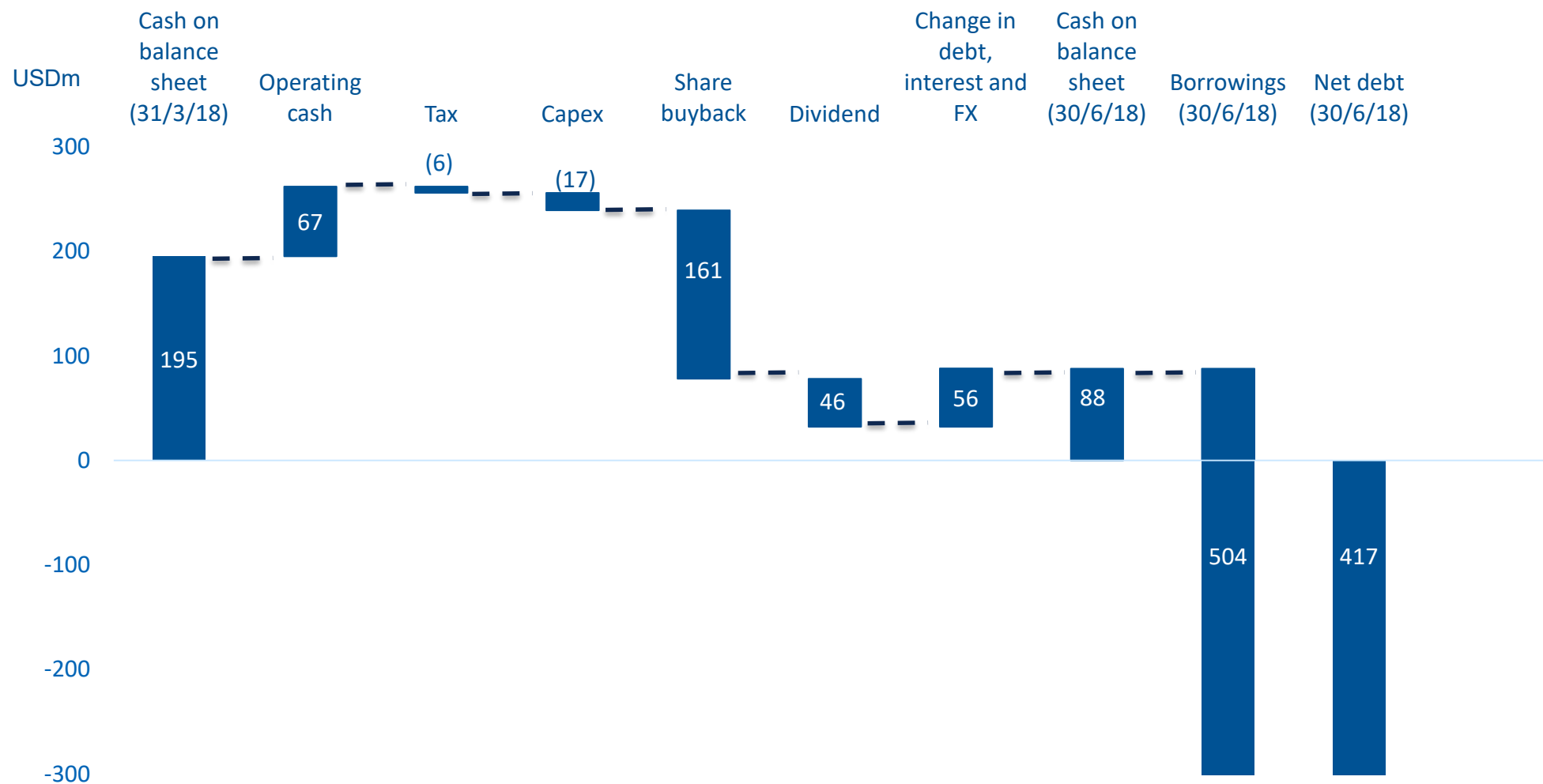
Strong organic growth

In USDm, except EPS	Q2 18	Q2 17	Y-o-Y	LTM 18	LTM 17	Y-o-Y
EBIT	57.7	48.0	20%	242.3	200.8	21%
Net finance charge	-3.8	-4.4	-14%	-13.8	-16.4	-16%
FX gain / (loss)	-0.5	-0.6	NA	-1.0	-0.3	NA
Tax	-6.9	-5.6	23%	-30.7	-22.6	36%
Net profit	46.5	37.3	25%	196.8	161.6	22%
EPS (USD)	0.64	0.52	23%	2.72	2.25	21%

Continued strong growth in profit and EPS



Cash conversion remains significantly above target of 100%



Operating cash flow up 52% in Q2, leverage at 1.4x

FY 2018 guidance	
Total software licensing (%)	13.5% – 18.5%
<i>Implied USDm</i>	363 – 379
Total revenue (%)	10% – 13%
<i>Implied USDm</i>	820 – 840
EBIT (USDm)	255 – 260
<i>Implied margin</i>	c.31%
Cash conversion	100%+ conversion of IFRS EBITDA into operating cash flow
Tax rate	Expected FY 2018 IFRS tax rate of 15% to 16%

Strong start to Q3 and revenue visibility gives confidence in guidance

- Currency assumptions on slide 24
- See slide 40 for definition of non-IFRS

Summary

David Arnott, CEO



- A very strong quarter across all KPIs
- Digital, regulatory and competitive pressures on banks continue to intensify, with open banking and payments a key focus
- IT renovation remains strategic, not discretionary
- Temenos' leadership position reconfirmed – pulling ahead in a winner-takes-all market
- Strong start to Q3, committed spend from tier 1 and 2 banks giving confidence in 2018 guidance
- Structural drivers and strong pipeline provide confidence for medium term

Appendices

In preparing the 2018 guidance, the Company has assumed the following FX rates:

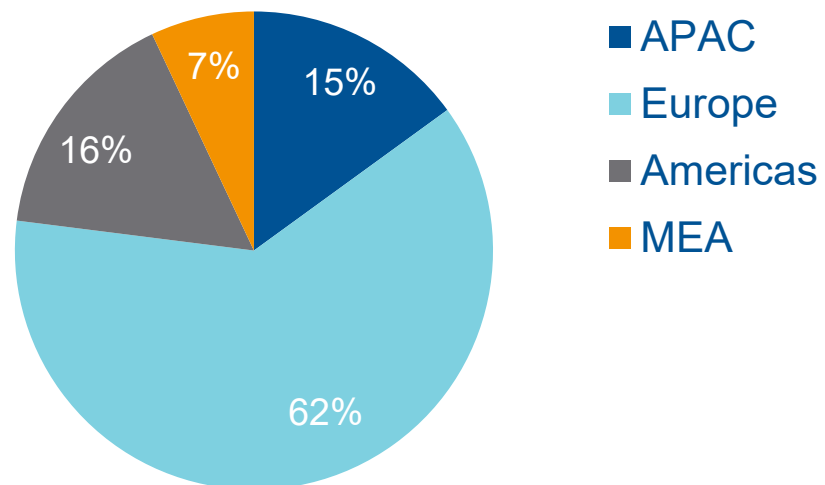
- USD to Euro exchange rate of 0.859
- USD to GBP exchange rate of 0.754; and
- USD to CHF exchange rate of 0.990

% of total	USD	EUR	GBP	CHF	Other
Total software licensing	44%	40%	1%	3%	12%
Maintenance	68%	22%	5%	5%	0%
Services	42%	38%	5%	1%	14%
Revenues	53%	33%	3%	3%	8%
Non-IFRS costs	23%	20%	14%	8%	35%
Non-IFRS EBIT	120%	62%	-21%	-7%	-54%

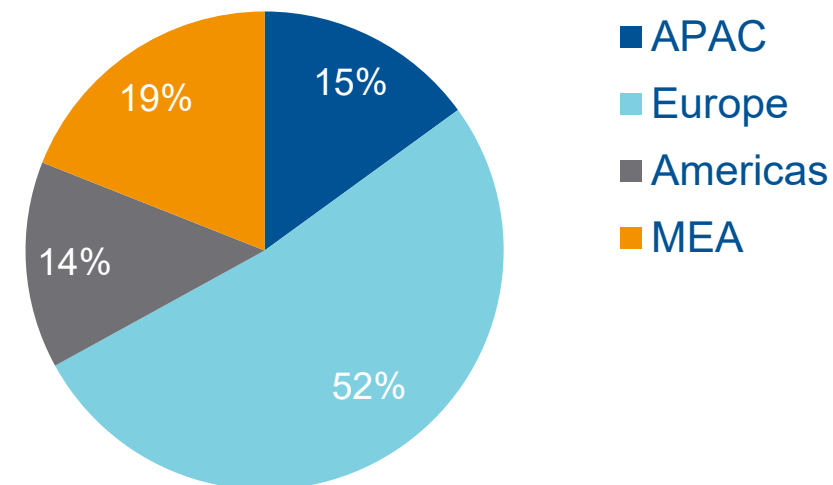
NB. All % are approximations based on 2017 actuals

Mitigated FX exposure – matching of revenues / costs and hedging

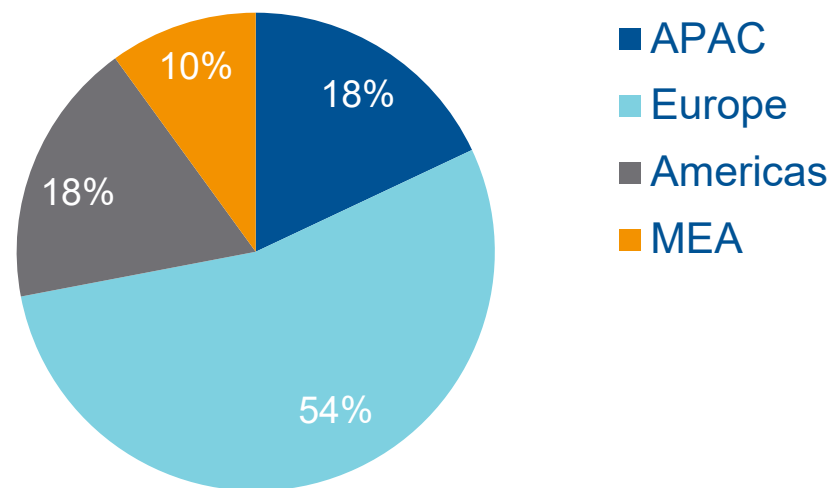
Q2 2017



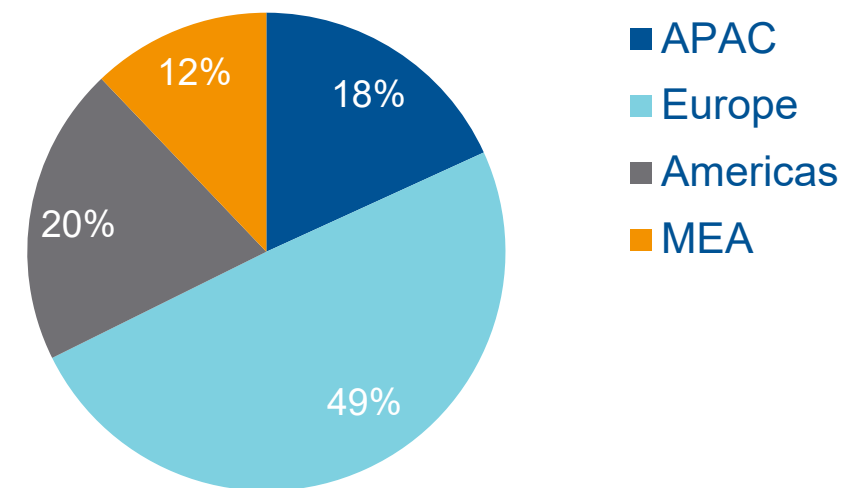
Q2 2018



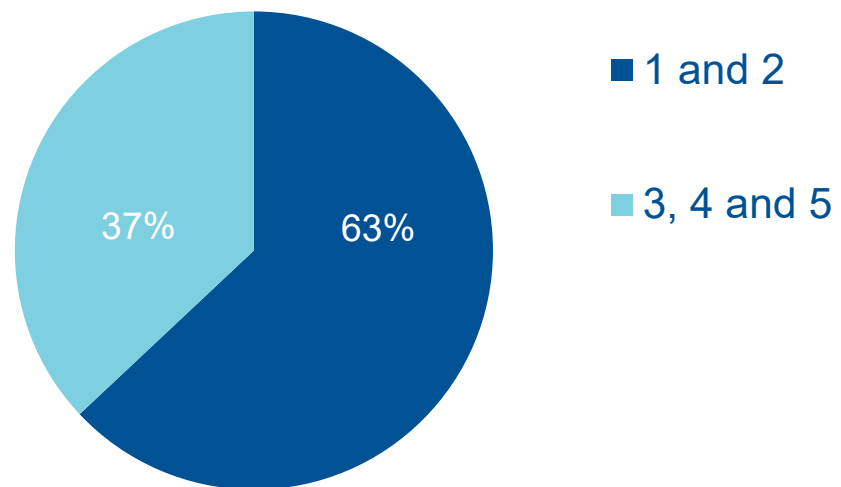
LTM Q2 2017



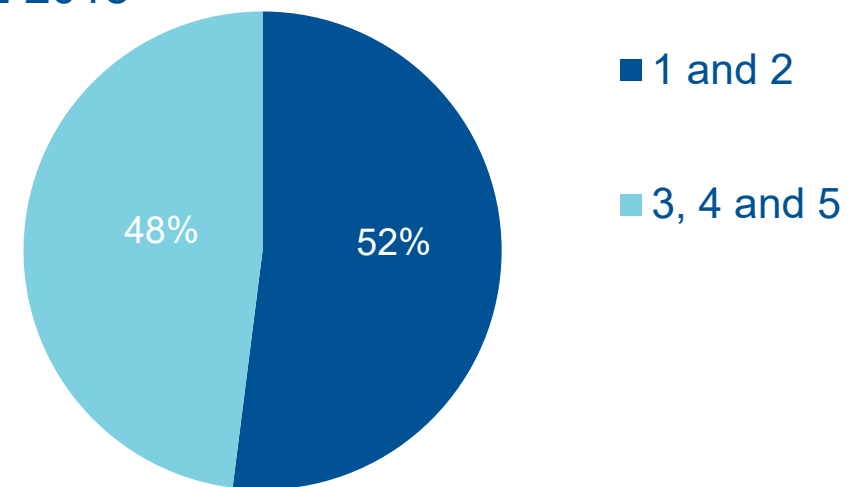
LTM Q2 2018



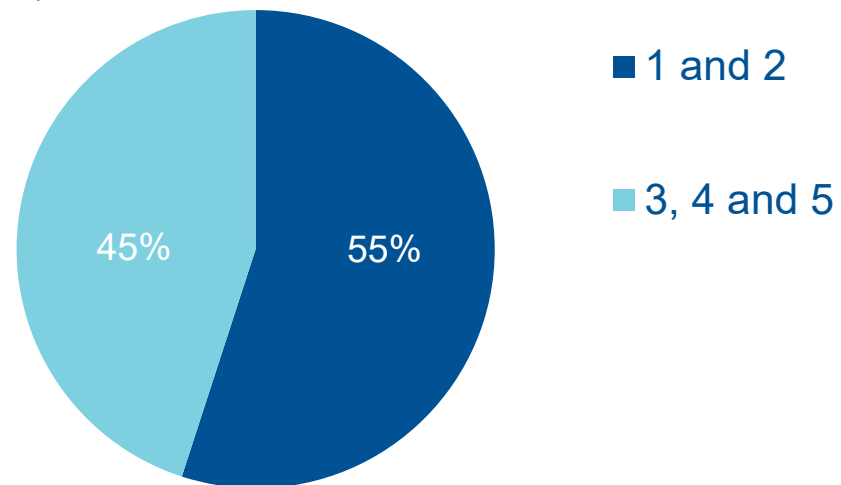
Q2 2017



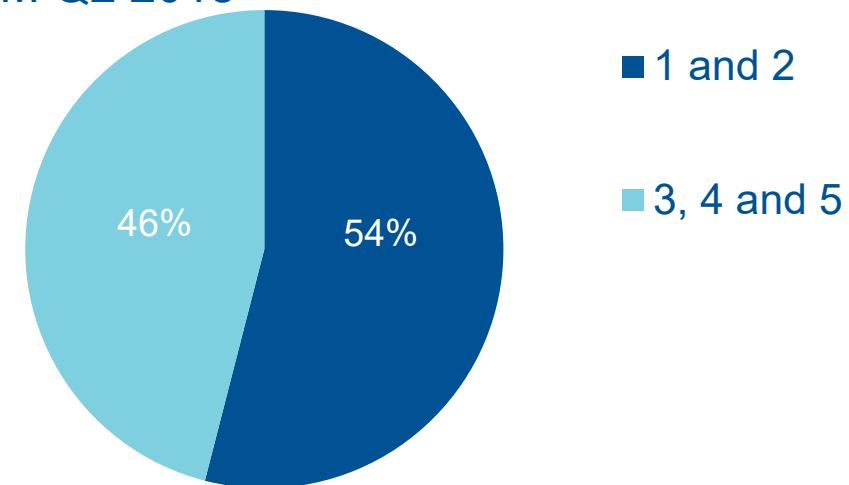
Q2 2018



LTM Q2 2017

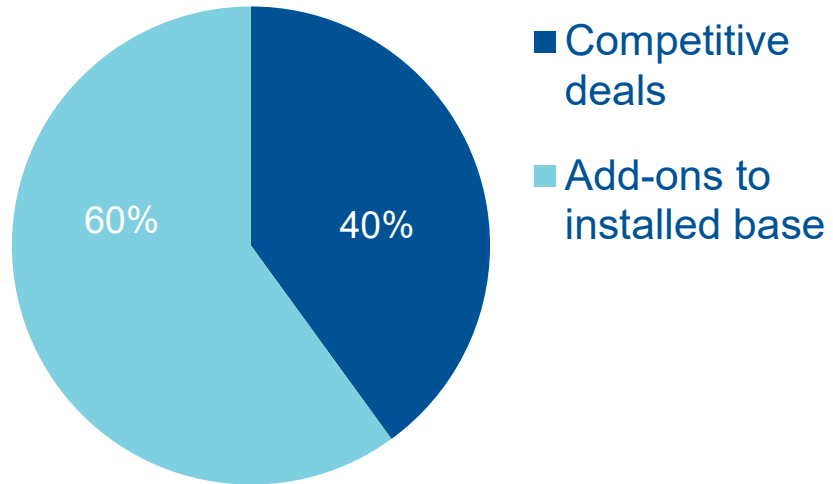


LTM Q2 2018

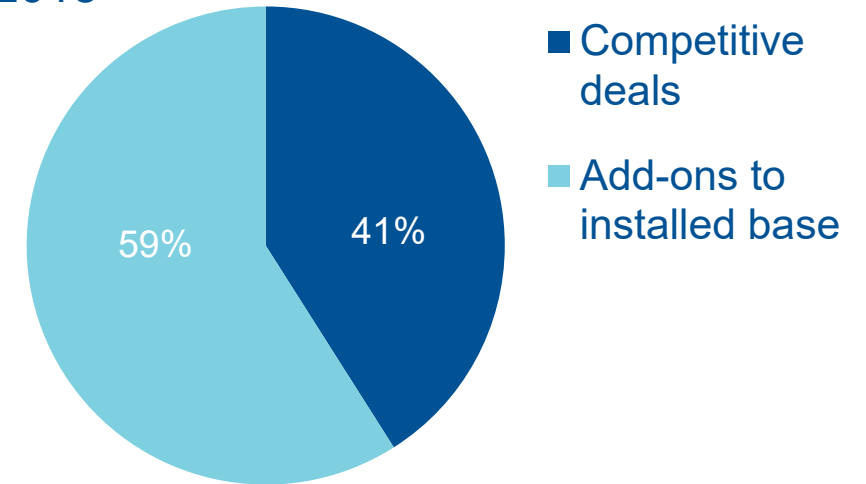


Software licensing revenue breakdown by competitive deals / add-ons to installed base

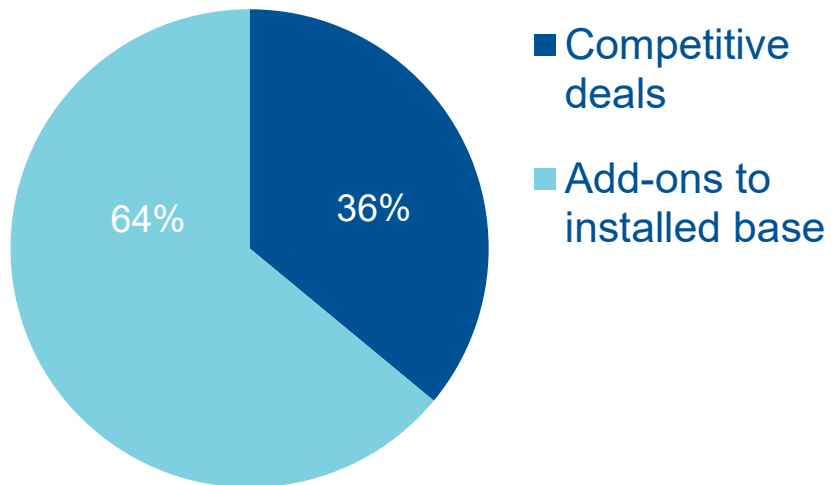
Q2 2017



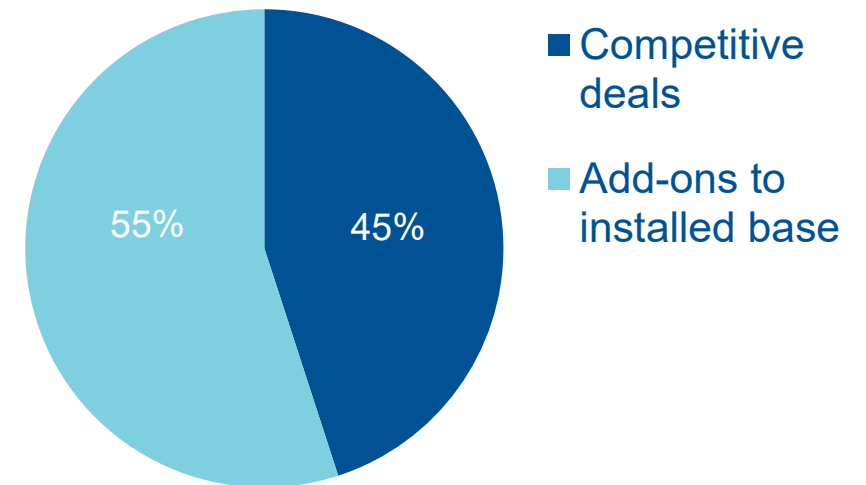
Q2 2018

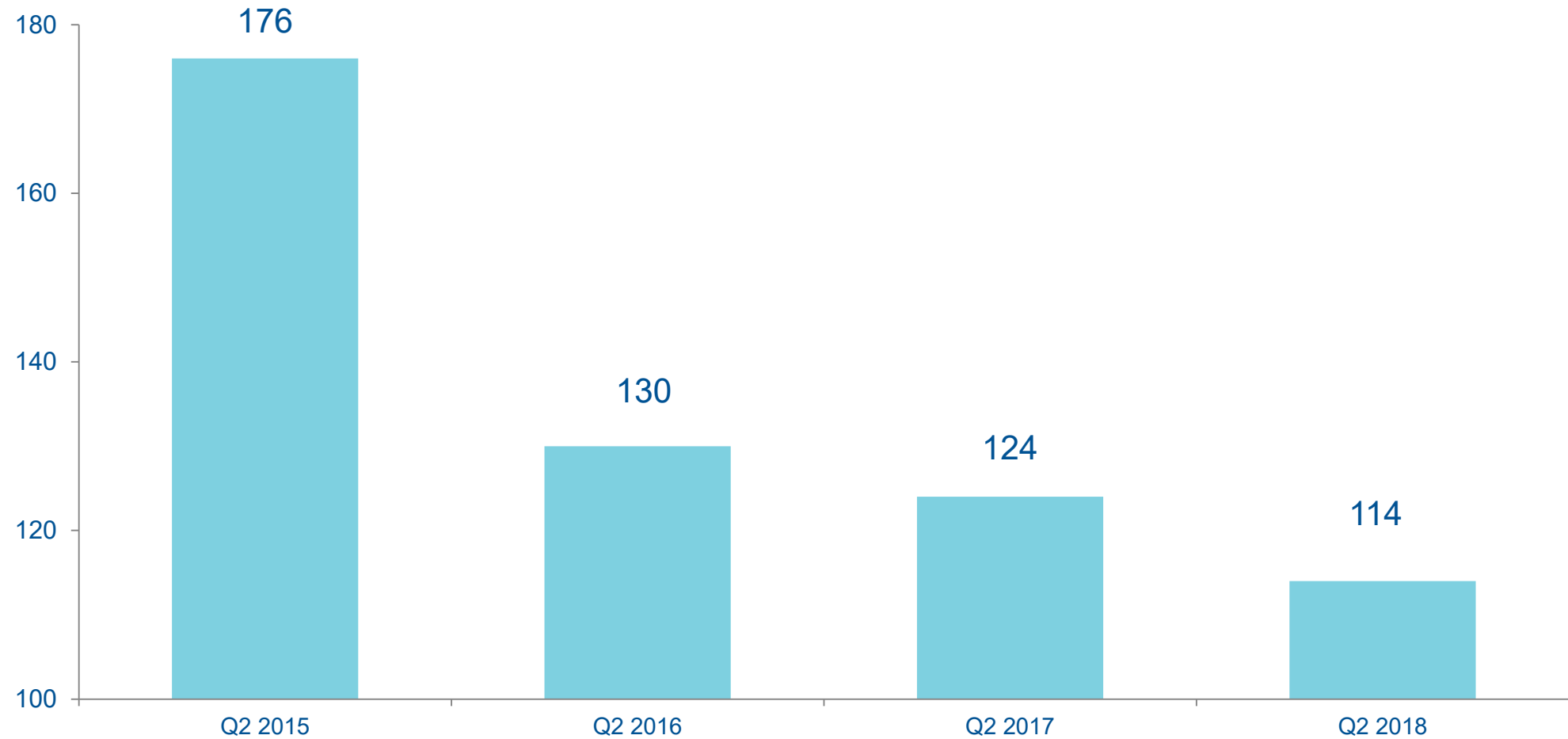


LTM Q2 2017



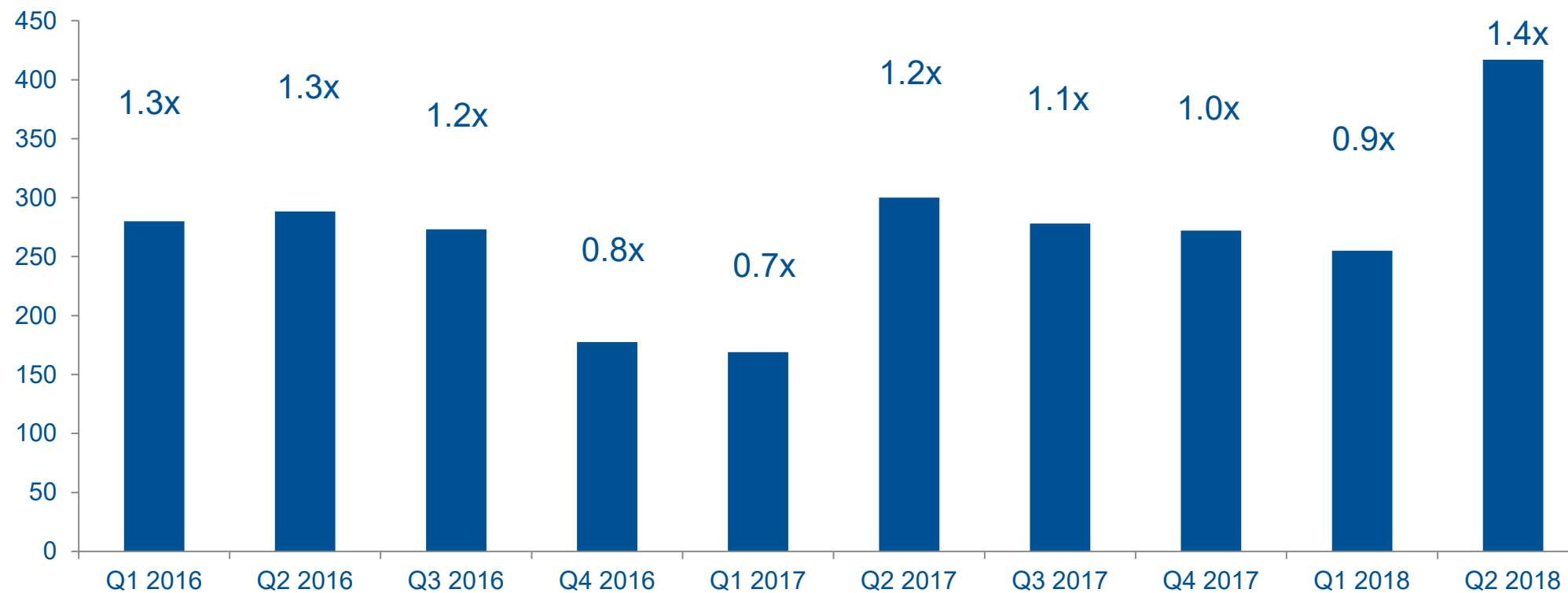
LTM Q2 2018





Net debt and leverage ratios*

USDm



* proforma non-IFRS EBITDA

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
Net cap' dev'	-2.0	-2.5	-2.0	-3.8	-10.3

USDm	Q1 17	Q2 17	Q3 17	Q4 17	FY 17
Cap' dev' costs	-11.2	-11.8	-13.4	-14.1	-50.5
Amortisation	8.8	9.8	10.9	10.5	40.0
Net cap' dev'	-2.4	-2.0	-2.5	-3.6	-10.5

USDm	Q1 18	Q2 18	Q3 18	Q4 18	FY 18
Cap' dev' costs	-12.6	-13.2			
Amortisation	10.8	11.1			
Net cap' dev'	-1.8	-2.0			

IFRS (IFRS 15) revenue measure

+/-	IFRS 15 impact
+	Deferred revenue write-down
<hr/>	
=	Non-IFRS (IAS 18) revenue measure

IFRS (IFRS 15) profit measure

+/-	IFRS 15 impact
+/-	Deferred revenue write down
+ / -	Discontinued activities
+ / -	Amortisation of acquired intangibles
+ / -	Acquisition related charges
+ / -	Restructuring
+ / -	Taxation
<hr/>	
=	Non-IFRS (IAS 18) profit measure

Below are the accounting elements not included in the 2018 non-IFRS (IAS 18) guidance:

- FY 2018 estimated deferred revenue write down of USD 1m
- FY 2018 estimated amortisation of acquired intangibles of USD 38m
- FY 2018 estimated restructuring costs of USD 5m
- FY 2018 estimated acquisition costs of USD 13m

Restructuring costs include realising R&D, operational and infrastructure efficiencies. Acquisition costs include the costs associated with the bid for Fidessa.

These estimates do not include impact of any further acquisitions or restructuring programmes commenced after 18 July 2018. The above figures are estimates only and may deviate from expected amounts.

In USDm, except EPS	3 Months Ending 30 June		
	2018		2018
	IFRS (IFRS 15)	IFRS 15 adj.	IFRS (IAS 18)
Software Licensing	83.2	(10.8)	72.5
SaaS and subscription	7.6	9.7	17.3
Total Software Licensing	90.8	(1.1)	89.7
Maintenance	77.3	(2.3)	75.0
Services	38.0	1.3	39.3
Total Revenue	206.1	(2.1)	204.0
Total Operating Costs	(160.7)	(0.9)	(161.6)
Restructuring/acq. costs	(5.9)		(5.9)
Amort of Acq'd Intang.	(9.3)		(9.3)
Operating Profit	45.4	(3.0)	42.4
Operating Margin	22%		21%
Financing Costs	(6.4)		(6.4)
Taxation	(5.7)	0.4	(5.3)
Net Earnings	33.3	(2.5)	30.8
EPS (USD per Share)	0.46	(0.04)	0.42

In USDm, except EPS	3 Months Ending 30 June						Change	
	2018		2018	2017		2017	IFRS	Non-IFRS
	IFRS (IAS 18)	Non-IFRS adj.	Non-IFRS (IAS 18)	IFRS (IAS 18)	Non-IFRS adj.	Non-IFRS (IAS 18)		
Software Licensing	72.5		72.5	57.4		57.4	26%	26%
SaaS and subscription	17.3		17.3	15.0	0.4	15.4	15%	12%
Total Software Licensing	89.7		89.7	72.4	0.4	72.8	24%	23%
Maintenance	75.0		75.0	66.8		66.8	12%	12%
Services	39.3		39.3	35.1		35.1	12%	12%
Total Revenue	204.0		204.0	174.3	0.4	174.7	17%	17%
Total Operating Costs	(161.6)	15.2	(146.4)	(139.6)	12.9	(126.7)	16%	16%
Restructuring/acq. costs	(5.9)	5.9	-	(4.8)	4.8	-	23%	
Amort of Acq'd Intang.	(9.3)	9.3	-	(8.1)	8.1	-	15%	
Operating Profit	42.4	15.2	57.7	34.7	13.3	48.0	22%	20%
Operating Margin	21%		28%	20%		27%	0.9% pts	0.8% pts
Financing Costs	(6.4)	2.2	(4.2)	(5.0)		(5.0)	28%	(16%)
Taxation	(5.3)	(1.7)	(6.9)	(4.4)	(1.3)	(5.6)	20%	23%
Net Earnings	30.8	15.7	46.5	25.3	12.0	37.3	22%	25%
EPS (USD per Share)	0.42	0.22	0.64	0.35	0.17	0.52	20%	23%

In USDm, except EPS	3 Months Ending 30 June		
	2018		2018
	IFRS (IFRS 15)	Non-IFRS adj.	Non-IFRS (IFRS 15)*
Software Licensing	83.2		83.2
SaaS and subscription	7.6		7.6
Total Software Licensing	90.8		90.8
Maintenance	77.3		77.3
Services	38.0		38.0
Total Revenue	206.1		206.1
Total Operating Costs	(160.7)	15.2	(145.5)
Restructuring/acq. costs	(5.9)	5.9	-
Amort of Acq'd Intang.	(9.3)	9.3	-
Operating Profit	45.4	15.2	60.6
Operating Margin	22%		29%
Financing Costs	(6.4)	2.2	(4.2)
Taxation	(5.7)	(1.7)	(7.4)
Net Earnings	33.3	15.7	49.0
EPS (USD per Share)	0.46	0.22	0.68

* 2018 non-IFRS (IFRS15) will constitute the basis of Non-IFRS comparatives for non-IFRS numbers from 2019 onwards

In USDm, except EPS	30 June 2018		
	IFRS 15 reported	IFRS 15 adj.	IAS 18
Cash and cash equivalents	88.0	-	88.0
Trade receivables	250.0	8.9	258.9
Other receivables	44.3	(4.5)	39.8
Property, plant and equipment	16.8	-	16.8
Intangible assets	765.1	-	765.1
Deferred tax assets	22.0	-	22.0
Totals assets	1,186.3	4.4	1,190.6
Trade and other payables	171.4	-	171.4
Contract Liability / (Deferred revenue)	225.2	5.8	230.9
Income tax liabilities	38.7	(0.9)	37.8
Borrowings	504.5	-	504.5
Deferred tax liabilities	13.3	-	13.3
Retirement benefit obligations	8.4	-	8.4
Total liabilities	961.5	4.9	966.4
Equity	(400.1)	-	(400.1)
Retained earnings	624.9	(0.5)	624.4
Total equity	224.8	(0.5)	224.3
Total liabilities and equity	1,186.3	4.4	1,190.6

In USDm, except EPS	Q2 18	Q2 17
IFRS (IFRS 15) net earnings	33.3	25.3
IFRS 15 adjustment	-3.0	-
Deferred revenue write down	-	0.4
Amortisation of acquired intangibles	9.3	8.1
Restructuring	1.1	2.8
Acquisition related costs	7.0	2.0
Taxation	-1.3	-1.3
Net earnings for non-IFRS (IAS 18) EPS	46.5	37.3
No. of dilutive shares	72.3	71.9
Non-IFRS (IAS 18) diluted EPS (USD)	0.64	0.52

USDm	Q2 2018 EBIT	Q2 2018 EBITDA
IFRS (IFRS 15)	45.4	68.4
IFRS 15 adjustment	-3.0	-3.0
Deferred revenue write-down	-	-
Amortisation of acquired intangibles	9.3	-
Restructuring	1.1	1.1
Acquisition-related charges	4.8	4.8
Non-IFRS (IAS 18)	57.7	71.4

Non-IFRS adjustments

Impact of IFRS 15

Adjustments made resulting from elimination of impact of IFRS 15 accounting

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



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The banking software company