

Temenos reports 16% revenue growth in Q3 and guides to full-year revenue growth of 5-14% - despite challenging environment

Geneva, Switzerland, 13 October, 2011 – Temenos Group AG (SIX: TEMN), the market leading provider of core banking solutions, today reports third quarter 2011 results demonstrating robust performance.

Q3 Financial and Operating highlights

- Total revenue growth +16%
- Licence revenue flat despite tough comparative
- Services revenue +15% y/y, loss continues to narrow; recovery on track
- 11 new banks signed for T24, including 2 Tier 1 banks
- 15 Go-lives, including 9 T24 and the first full Java T24 deployment

Commenting on the results, Temenos CEO Guy Dubois said, “I am encouraged by these results, given our very strong comparative base and the deterioration that we witnessed in the environment. In the face of macroeconomic headwinds, the company performed across all metrics. Licence revenues were broadly diversified across geographies, with a noticeable acceleration from Asia. While the services business remains a challenge, we continue to grow revenues and close the gap to profitability.

The lengthening of the decision making process which we witnessed in Q2 has deteriorated in the third quarter. As a result of this heightened uncertainty, we feel it appropriate to no longer guide on licence revenue and to revise our outlook range for total revenues for the full year 2011.

After my first quarter at the helm, I am convinced that the company has the foundations and the strengths to be the software solution of choice for the transformation of the banking industry.”

Revenue

Revenue for the third quarter was USD 120.9m, up from USD 104.0 m in the same period last year, representing an increase of 16%. Licence revenue for the quarter was USD 37.7m, flat vs Q3 2010. For the LTM 2011, total revenue was USD 496.3m, up 19% on LTM 2010, with LTM licence revenue at USD 165.9m, 16% higher than the same period last year.

Adjusted EBIT

Adjusted EBIT (EBIT before one-off restructuring charges of USD1m and amortisation of acquired intangibles of USD4.6m) was USD 23.8m, 19% lower than in Q3 2010 – a quarter characterized by unseasonably high comparables. Adjusted EBIT for the last twelve months was USD 106.3m compared to USD 102.6m in the prior period, representing a 4% increase. The adjusted EBIT margin was 20%, an decrease of 8 percentage points on the prior year, with LTM 2011 adjusted EBIT margin at 21%, 3 percentage points lower than in the prior 12 months.



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Earnings Per Share (EPS)

Adjusted EPS, which excludes amortization of acquired intangibles and restructuring charges, was USD 0.26 in the quarter, a decline of 35% vs the same quarter of the previous year in which we achieved USD 0.40. The LTM adjusted EPS was 1.26, a decline of 9% on the previous 12 months.

Cash

Operating cash was an inflow of 2.3m in the quarter, reflecting the seasonal low in our cash flow cycle. On a twelve month basis, operating cashflow was USD 79.8m, 1% lower than in the comparative period and representing a 104% operating cashflow into EBITDA conversion.

Revised Outlook

Given the increased level of uncertainty in the macroeconomy, our visibility has decreased and we feel it is no longer appropriate to guide on licence revenues. For total revenues, the company now anticipates a growth range of 5-14% growth vs our previous outlook of 13.5-17.5%, which would now imply approximately USD 470 – 510m in total revenues. We have also revised the expected range of adjusted EBIT margins to 18-26% from 24.5-25.5%. We maintain our guidance for 100% conversion of operating cashflow into EBITDA and believe that our tax rate will be 10-12% for the full year 2011. In addition, in Q4 2011 we expect to incur a one-off charge for our cost efficiency programme that may fall within the range of USD 15-25m.

Conference call

At 18:00 GMT/ 19:00 CET/ 13:00 EST, today, October 13, 2011, Guy Dubois, CEO and David Arnott, CFO, and Max Chuard, Head of M&A and IR, will host a conference call to present results and offer an update on business outlook. Listeners can access the conference call using the following dial in numbers:

+44 (0) 1452 555 566 (UK Standard Int'l Call)
0800 694 0257 (UK Free Call)
+41 (0) 565 800 007 (Swiss Local Call)
0800 828 006 (Swiss Free Call)
1 866 966 9439 (US Free Call)

Conference ID # 18358821

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/New-Presentations/>

ENDS



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About Temenos

Founded in 1993 and listed on the Swiss Stock Exchange (SIX: TEMN), Temenos Group AG is a global provider of banking software systems in the Retail, Corporate & Correspondent, Universal, Private, Islamic and Microfinance & Community banking markets. Headquartered in Geneva with more than 60 offices worldwide, Temenos serves over 1,200 customers in more than 120 countries. Temenos' software products provide advanced technology and rich functionality, incorporating best practice processes that leverage Temenos' experience in over 600 implementations around the globe. Temenos' advanced and automated implementation approach, provided by its strong Client Services organisation, ensures efficient and low-risk core banking platform migrations. Temenos is top of the IBS Sales League Table 2010; winner every year since its launch of the Best Core Banking Product in Banking Technology magazine's Readers' Choice Awards and ranks 26th in the American Banker top 100 FinTech companies. Temenos customers are proven to be more profitable than their peers: data from *The Banker – top 1000 banks* shows that Temenos' customers enjoy a 54% higher return on assets, a 62% higher return on capital and a cost/income ratio that is 7.2 points lower than non-Temenos customers.

For more information please visit www.temenos.com

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All amounts are expressed in thousands of US dollars

	30 September 2011	30 June 2011	31 December 2010	30 September 2010
Assets				
Current assets				
Cash and cash equivalents	83,651	76,335	160,274	168,361
Trade receivables	290,762	291,175	295,888	287,456
Other receivables	40,845	42,079	34,675	30,295
Total current assets	415,258	409,589	490,837	486,112
Non-current assets				
Property, plant and equipment	14,310	15,329	14,797	12,883
Intangible assets	412,879	425,738	406,680	280,095
Trade receivables	23,800	25,500	30,800	14,625
Other receivables	2,964	3,288	2,703	2,198
Deferred tax assets	36,230	38,389	38,429	32,424
Total non-current assets	490,183	508,244	493,409	342,225
Total assets	905,441	917,833	984,246	828,337
Liabilities and equity				
Current liabilities				
Trade and other payables	97,851	111,819	120,434	85,787
Deferred revenues	113,028	131,317	155,408	89,744
Income taxes payable	10,951	11,374	12,155	6,586
Borrowings	10,998	10,888	94,448	62,289
Total current liabilities	232,828	265,398	382,445	244,406
Non-current liabilities				
Borrowings	282,449	257,364	88,172	245,454
Deferred tax liabilities	9,718	11,649	13,334	8,686
Income taxes payable	1,550	1,550	1,550	1,242
Retirement benefit obligations	4,357	4,370	2,711	1,671
Trade and other payables	4,486	3,372	3,307	4,937
Total non-current liabilities	302,560	278,305	109,074	261,990
Total liabilities	535,388	543,703	491,519	506,396
Shareholders' equity				
Share capital	239,456	239,365	236,958	195,151
Treasury shares	(113,473)	(108,111)	(9,208)	(8,689)
Share premium	17,483	13,280	19,508	(87,712)
Fair value and other reserves	(54,474)	(39,111)	(55,896)	(46,389)
Retained earnings	280,693	268,217	300,859	269,106
Total shareholders' equity	369,685	373,640	492,221	321,467
Non-controlling interest	368	490	506	474
Total liabilities and equity	905,441	917,833	984,246	828,337

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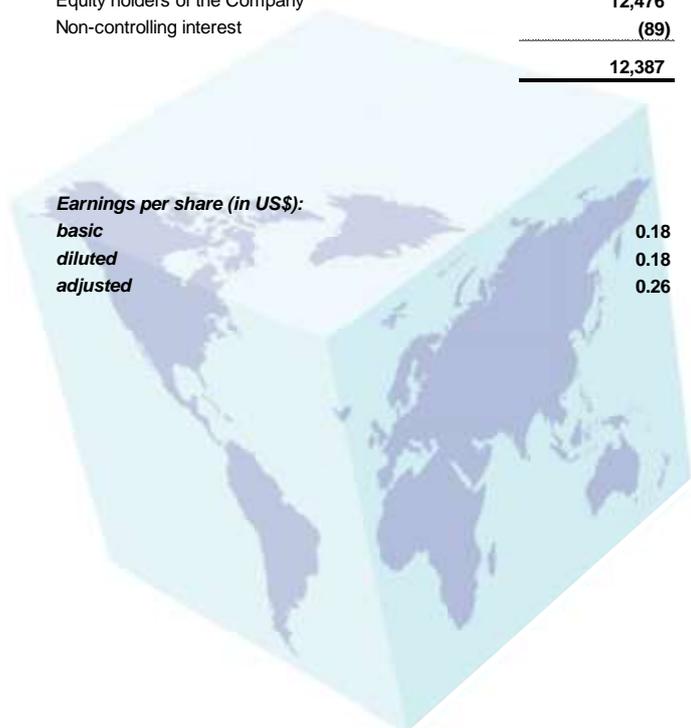
All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 30 September 2011	Three months to 30 September 2010	Twelve months to 30 September 2011	Twelve months to 30 September 2010
Revenues				
Software licensing	37,663	37,672	165,878	143,175
Maintenance	49,603	37,118	195,134	138,681
Services	33,589	29,235	135,254	134,910
Total revenues	120,855	104,025	496,266	416,766
Operating expenses				
Sales and marketing	18,748	16,943	124,206	72,771
Services	35,702	32,487	155,619	126,680
Software development and maintenance	29,139	19,187	114,315	79,458
General and administrative	18,940	11,745	73,113	60,815
Total operating expenses	102,529	80,362	467,253	339,724
Operating profit	18,326	23,663	29,013	77,042
Other expenses				
Net interest expenses	(1,876)	(2,051)	(8,220)	(7,852)
Borrowing facility expenses	(507)	(231)	(3,968)	(1,028)
Foreign exchange loss - net	(1,301)	484	(2,221)	711
Total other expenses	(3,684)	(1,798)	(14,409)	(8,169)
Profit before taxation	14,642	21,865	14,604	68,873
Taxation	(2,255)	(184)	(3,219)	(499)
Profit for the period	12,387	21,681	11,385	68,374
Attributable to:				
Equity holders of the Company	12,476	21,873	11,587	68,506
Non-controlling interest	(89)	(192)	(202)	(132)
	12,387	21,681	11,385	68,374

Earnings per share (in US\$):

basic	0.18	0.35	0.17	1.12
diluted	0.18	0.32	0.16	1.03
adjusted	0.26	0.40	1.26	1.38





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All amounts are expressed in thousands of US dollars

	Three months to 30 September 2011	Three months to 30 September 2010	Twelve months to 30 September 2011	Twelve months to 30 September 2010
Cash flows from operating activities				
Profit before taxation	14,642	21,865	14,604	68,873
<u>Adjustments:</u>				
Depreciation and amortisation	12,155	9,689	47,421	36,894
Other non-cash items	5,037	6,722	29,948	22,394
<u>Changes in working capital:</u>				
Trade and other receivables	(5,737)	(16,529)	11,200	(26,695)
Trade and other payables	(10,657)	3,494	(7,199)	(6,412)
Deferred revenues	(13,138)	(11,171)	(16,190)	(14,362)
<u>Cash generated from operations</u>	<u>2,302</u>	<u>14,070</u>	<u>79,784</u>	<u>80,692</u>
Income taxes paid	(815)	(222)	(3,596)	(2,520)
<u>Net cash generated from operating activities</u>	<u>1,487</u>	<u>13,848</u>	<u>76,188</u>	<u>78,172</u>
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,219)	(756)	(6,294)	(1,713)
Disposal of property, plant and equipment	21	19	413	281
Purchase of intangible assets	(1,809)	(1,308)	(3,539)	(3,594)
Capitalised development costs	(11,235)	(5,006)	(32,773)	(19,980)
Acquisitions, net of cash acquired	(768)	-	(79,286)	(85,954)
Disposal of subsidiary, net of cash disposed	378	-	378	3,534
Cash effect from financial instruments	5,041	3,042	(11,749)	(2,782)
Interest received	37	90	119	375
<u>Net cash used in investing activities</u>	<u>(9,554)</u>	<u>(3,919)</u>	<u>(132,731)</u>	<u>(109,833)</u>
Cash flows from financing activities				
Proceeds from issuance of shares, net of related expenses	-	-	-	4,261
Proceeds / (repayment) of debt	25,015	38,807	98,796	99,313
Cash impact of debt refinancing	-	12,014	-	12,014
Acquisition of treasury shares	(5,361)	-	(113,472)	(10,417)
Interest payments	(1,442)	(657)	(6,303)	(3,648)
Payment of financial instrument related expenses	(361)	(532)	(7,319)	(1,138)
Payment of finance lease liabilities	(132)	(169)	(758)	(645)
<u>Net cash generated from/(used in) financing activities</u>	<u>17,719</u>	<u>49,463</u>	<u>(29,056)</u>	<u>99,740</u>
<u>Effect of exchange rate changes</u>	<u>(2,336)</u>	<u>7,114</u>	<u>889</u>	<u>279</u>
Net increase/(decrease) in cash and cash equivalents in the period	7,316	66,506	(84,710)	68,358
Cash and cash equivalents at the beginning of the period	76,335	101,855	168,361	100,003
Cash and cash equivalents at the end of the period	83,651	168,361	83,651	168,361