

## Temenos delivers solid Q3 results and increases full year non-IFRS EBIT margin guidance

GENEVA, Switzerland, 21 October 2014 – Temenos Group AG (SIX: TEMN), the market leading provider of mission-critical software to financial institutions globally, today reports its third quarter 2014 results.

USDm, except EPS	Non-IFRS				IFRS			
	Q3 2014	Q3 2013	Change	LFL*	Q3 2014	Q3 2013	Change	LFL*
Software licencing	31.1	30.9	1%	2%	31.1	30.9	1%	2%
Software-as-a-Service	2.0	1.6	30%	30%	2.0	1.6	30%	30%
<b>Total software licencing</b>	<b>33.1</b>	<b>32.4</b>	<b>2%</b>	<b>3%</b>	<b>33.1</b>	<b>32.4</b>	<b>2%</b>	<b>3%</b>
Maintenance	56.9	53.2	7%	7%	56.9	53.2	7%	7%
Services	23.7	23.9	-1%	-2%	23.7	23.9	-1%	-2%
<b>Total revenues</b>	<b>113.7</b>	<b>109.6</b>	<b>4%</b>	<b>4%</b>	<b>113.7</b>	<b>109.6</b>	<b>4%</b>	<b>4%</b>
<b>EBIT</b>	<b>25.2</b>	<b>25.8</b>	<b>-2%</b>		<b>23.0</b>	<b>21.7</b>	<b>6%</b>	
EBIT margin	22.1%	23.5%	-1% pts		20.2%	19.8%	0% pts	
<b>EPS (USD)</b>	<b>0.28</b>	<b>0.28</b>	<b>0%</b>		<b>0.25</b>	<b>0.23</b>	<b>9%</b>	

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

### Q3 2014 financial highlights

- LFL software licensing growth in Q3 of 2% taking growth to 11% on a 12 month basis (LTM)
- Continued strong execution on services strategy with a positive non-IFRS services margin in the quarter
- Non-IFRS EBIT down 2% in Q3 2014 vs Q3 2013 due to timing of investment; up 13% on an LTM basis
- Cash conversion\*\* of 123% in the twelve months to September 2014; DSOs down 25 days vs Q3 2013
- USD 87.2m returned in 2014 YTD through share buybacks; repurchasing c.3.5% of the issued share capital
- Full year software licensing guidance reaffirmed with non-IFRS EBIT margin guidance increased to 25.5%

### Q3 2014 operational highlights and outlook

- 7 new customer wins (Q3 2013: 5) and strong execution with 14 implementation go-lives (Q3 2013: 13)
- Positioned as a 'leader' in the latest Forrester Wave on Global Banking Platforms with highest strategy score
- Further US progress with Model Bank delivered to US team and launch of multi-product SaaS solutions
- Continued encouraging levels of customer activity across all geographies
- Larger deals moving towards closure
- Year-to-date performance and pipeline underpins confidence in achieving FY guidance

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

“Q3 saw a solid performance. Our pipeline remains strong, with a broad geographic spread, and we are making progress on larger deals which are moving towards closure. The strength of our pipeline and the progress we are making underpins our confidence for a strong fourth quarter which, together with our year-to-date performance, leaves us on track to meet our full year guidance.

It has been 18 months since we acquired TriNovus in the US and I am delighted to have made significant progress on our strategy. Our US Model Bank has now been delivered to the team and we are moving towards our first go-lives. We have also launched our business intelligence and anti-money laundering compliance solutions, both enabled for software-as-a-service (SaaS) deployment, whilst expanding our datacenter footprint into Texas and Georgia. Temenos has a unique proposition for US banks which leaves us well placed to realise the vast market opportunity that exists in the world’s largest financial services market.”

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

“The quarter delivered growth in software licensing as well as strong execution on our services strategy. “Premium” services now account for almost 30% of total services revenues, driving a positive non-IFRS services margin both in the quarter and over the past twelve months, with our services margin now expected to be positive for the full year. Our cash performance was particularly strong in the quarter with an operating cash inflow of USD29.9m contributing to cash conversion of 123% on a twelve month basis.

I am pleased to be able to once again reaffirm our full year software licensing guidance with a better revenue mix expected to drive an increased full year non-IFRS EBIT margin of c.25.5%.”

### **Revenue**

Both IFRS and non-IFRS revenue for the quarter was USD 113.7m, up from USD 109.6m in Q3 last year, representing an increase of 4% on both a reported like-for-like basis. Licence revenue for the quarter was USD 31.1m, 1% higher than in the same period in 2013 on a reported basis and 2% on a like-for-like basis.

### **EBIT**

Non-IFRS EBIT was USD 25.2m in Q3, 2% lower than in Q3 2013 due to the timing of investments, with a non-IFRS EBIT margin in Q3 of 22.1%, down 1.4% points on Q3 2013. IFRS EBIT increased from USD 21.7 in Q3 2013 to USD 23.0m in Q3 2014 with a margin of 20.2%, up 0.4% points.

### **Earnings per share (EPS)**

Non-IFRS EPS was USD 0.28, unchanged compared to the prior year. LTM 2014 non-IFRS EPS was USD 1.34, up 11% on the previous 12 months. IFRS EPS for the quarter increased from USD 0.23 per share to USD 0.25 per share.

### Pre-tax operating cash

Operating cash was an inflow of USD 29.9m in Q3 2014 compared to USD 16.1m in Q3 2013. For LTM to September 2014, operating cash was USD 198.1m representing a 123% conversion of EBITDA into operating cash.

### 2014 guidance

Full year guidance for software licensing revenue and total revenue guidance is reaffirmed. Due to the acceleration of our strategy to reduce the contribution from our services business which will deliver a better revenue mix, the full year non-IFRS EBIT margin guidance has been increased to c.25.5%.


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

- Total non-IFRS revenue growth of 5% to 10% (implying non-IFRS revenue of USD 489m to USD 512m, versus the previous implied guidance range of USD 491m to USD 515m due to the impact of revised currency assumptions)\*
- Software licensing growth of 10% to 15% (implying software licensing revenue of USD 151m to USD 158m, versus the previous implied guidance range of USD 152m to USD 158m, also due to the impact of revised currency assumptions)\*
- Non-IFRS EBIT margin of 25.5%, increased from 25.1% (implying non-IFRS EBIT of USD 124m to USD 130m, versus the previous implied guidance range of USD 123m to USD 129m)\*
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 17% to 18%

*\* Based on the revised currency assumptions set out below*

### Conference call

At 18.30 CET / 12.30 EST / 17.30 BST, today, 21 October 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 804 282	(Swiss Local Call)
0800 650 024	(Swiss Free Call)
+1 866 254 0808	(USA Free Call)
+44 (0)1452 541 003	(UK and International)
0800 694 5707	(UK Free Call)

Conference ID # 10056580

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 taken the actual Q1, Q2 and Q3 2014 results and for Q4 2014 assumed the following:

- USD to Euro exchange rate of 0.786
- USD to GBP exchange rate of 0.614; and
- USD to CHF exchange rate of 0.948

### **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.

### **Press and Investor contacts**

#### **Investors**

Andrew Smith  
Head of Investor Relations, Temenos  
Email: [asmith@temenos.com](mailto:asmith@temenos.com)  
Phone: +41 22 708 1515

#### **Media**

James Macey White / Tom Buchanan  
Tulchan Communications  
Email: [temenos@tulchangroup.com](mailto:temenos@tulchangroup.com)

### **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 – Q3 2014 IFRS primary statements

### TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 30 September 2014	Three months to 30 September 2013	Twelve months to 30 September 2014	Twelve months to 30 September 2013
<b>Revenues</b>				
Software licensing	31,101	30,861	146,126	130,888
Software-as-a-Service	2,048	1,573	7,422	3,216
<b>Total software licensing</b>	<b>33,149</b>	<b>32,434</b>	<b>153,548</b>	<b>134,104</b>
Maintenance Services	56,939	53,224	222,310	209,440
	23,662	23,903	104,348	113,827
<b>Total revenues</b>	<b>113,750</b>	<b>109,561</b>	<b>480,206</b>	<b>457,371</b>
<b>Operating expenses</b>				
Sales and marketing	24,346	22,127	99,667	102,674
Services	23,538	25,407	103,166	124,359
Software development and maintenance	28,325	26,011	104,713	93,247
General and administrative	14,545	14,278	63,193	58,070
<b>Total operating expenses</b>	<b>90,754</b>	<b>87,823</b>	<b>370,739</b>	<b>378,350</b>
<b>Operating profit</b>	<b>22,996</b>	<b>21,738</b>	<b>109,467</b>	<b>79,021</b>
<b>Other expenses</b>				
Net interest expenses	(2,471)	(2,099)	(9,351)	(6,957)
Borrowing facility expenses	(366)	(339)	(1,414)	(1,565)
Foreign exchange gain/(loss)	108	(529)	(565)	(1,788)
<b>Total other expenses</b>	<b>(2,729)</b>	<b>(2,967)</b>	<b>(11,330)</b>	<b>(10,310)</b>
<b>Profit before taxation</b>	<b>20,267</b>	<b>18,771</b>	<b>98,137</b>	<b>68,711</b>
Taxation	(2,738)	(2,902)	(14,372)	(11,531)
<b>Profit for the period</b>	<b>17,529</b>	<b>15,869</b>	<b>83,765</b>	<b>57,180</b>
<b>Earnings per share (in US\$):</b>				
basic	0.26	0.23	1.23	0.83
diluted	0.25	0.23	1.20	0.81
non-IFRS	0.28	0.28	1.34	1.21



## TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	30 September 2014	30 June 2014	31 December 2013** Re-presented	30 September 2013* Re-presented
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	137,385	195,337	115,649	57,175
Trade receivables	223,595	232,433	227,879	231,475
Other receivables	28,165	27,967	28,918	31,385
<b>Total current assets</b>	<b>389,145</b>	<b>455,737</b>	<b>372,446</b>	<b>320,035</b>
<b>Non-current assets</b>				
Property, plant and equipment	13,239	13,720	12,945	13,251
Intangible assets	447,622	472,409	473,946	464,918
Trade receivables	21,460	22,500	25,300	32,800
Other receivables	2,223	9,762	8,842	7,171
Deferred tax assets	20,046	21,859	24,817	25,430
<b>Total non-current assets</b>	<b>504,590</b>	<b>540,250</b>	<b>545,850</b>	<b>543,570</b>
<b>Total assets</b>	<b>893,735</b>	<b>995,987</b>	<b>918,296</b>	<b>863,605</b>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Trade and other payables	97,812	95,306	100,885	107,273
Deferred revenues	133,891	153,383	171,830	123,671
Income tax liabilities	7,902	8,318	13,903	10,410
Borrowings	11,537	13,670	11,598	10,871
<b>Total current liabilities</b>	<b>251,142</b>	<b>270,677</b>	<b>298,216</b>	<b>252,225</b>
<b>Non-current liabilities</b>				
Borrowings	288,169	302,882	201,487	244,558
Deferred tax liabilities	1,371	1,902	2,781	4,039
Income taxes payable	1,844	1,844	1,848	1,593
Trade and other payables	1,661	1,466	1,733	2,354
Retirement benefit obligations	4,449	4,472	4,063	3,544
<b>Total non-current liabilities</b>	<b>297,494</b>	<b>312,566</b>	<b>211,912</b>	<b>256,088</b>
<b>Total liabilities</b>	<b>548,636</b>	<b>583,243</b>	<b>510,128</b>	<b>508,313</b>
<b>Shareholders' equity</b>				
Share capital	228,357	239,798	239,798	239,798
Treasury shares	(116,699)	(114,239)	(131,775)	(135,157)
Share premium and capital reserves	(57,030)	(436)	16,442	15,500
Fair value and other reserves	(69,398)	(54,755)	(59,225)	(70,275)
Retained earnings	359,869	342,376	342,928	305,426
<b>Total equity</b>	<b>345,099</b>	<b>412,744</b>	<b>408,168</b>	<b>355,292</b>
<b>Total liabilities and equity</b>	<b>893,735</b>	<b>995,987</b>	<b>918,296</b>	<b>863,605</b>

\* 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 September 2014	Three months to 30 September 2013	Twelve months to 30 September 2014	Twelve months to 30 September 2013
<b>Cash flows from operating activities</b>				
Profit before taxation	20,267	18,771	98,137	68,711
<u>Adjustments:</u>				
Depreciation and amortisation	12,595	13,008	51,216	47,263
Other non-cash items	7,193	7,804	29,766	21,930
<u>Changes in working capital:</u>				
Trade and other receivables	(82)	4,593	8,918	15,823
Trade and other payables, and retirement benefit obligations	3,025	(4,599)	(5,180)	(4,129)
Deferred revenues	(13,138)	(23,512)	15,263	7,650
<b>Cash generated from operations</b>	<b>29,860</b>	<b>16,065</b>	<b>198,120</b>	<b>157,248</b>
Income taxes paid	(1,075)	(1,583)	(9,341)	(8,094)
<b>Net cash generated from operating activities</b>	<b>28,785</b>	<b>14,482</b>	<b>188,779</b>	<b>149,154</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(1,417)	(1,356)	(4,632)	(3,520)
Disposal of property, plant and equipment	2	-	24	9
Purchase of intangible assets	(1,580)	(852)	(5,378)	(4,646)
Capitalised development costs	(9,766)	(9,831)	(41,965)	(42,161)
Acquisitions of subsidiary, net of cash acquired	-	(485)	-	(27,121)
Disposal of subsidiary or business, net of cash disposed	12	316	43	316
Settlement of financial instruments	982	(1,483)	(2,905)	(3,563)
Interest received	20	47	168	300
<b>Net cash used in investing activities</b>	<b>(11,747)</b>	<b>(13,644)</b>	<b>(54,645)</b>	<b>(80,386)</b>
<b>Cash flows from financing activities</b>				
Acquisition of treasury shares	(68,237)	(44,532)	(73,454)	(53,647)
Proceeds /(repayments) of borrowings	2,014	34,992	(52,998)	(103,420)
Proceeds from issuance of bonds	(6)	(97)	112,228	104,184
Interest payments	(4,854)	(1,824)	(6,690)	(5,762)
Dividend paid	(36)	(22)	(26,633)	(20,400)
Payment of other financing costs	(410)	(727)	(2,308)	(5,247)
Payment of finance lease liabilities	(45)	(37)	(207)	(279)
<b>Net cash used in financing activities</b>	<b>(71,574)</b>	<b>(12,247)</b>	<b>(50,062)</b>	<b>(84,571)</b>
<b>Effect of exchange rate changes</b>	<b>(3,416)</b>	<b>1,287</b>	<b>(3,862)</b>	<b>337</b>
<b>Net (decrease)/increase in cash and cash equivalents in the period</b>	<b>(57,952)</b>	<b>(10,122)</b>	<b>80,210</b>	<b>(15,466)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>195,337</b>	<b>67,297</b>	<b>57,175</b>	<b>72,641</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>137,385</b>	<b>57,175</b>	<b>137,385</b>	<b>57,175</b>

## Appendix II – reconciliation of IFRS to non-IFRS Q3 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 September						Change	
	2014 IFRS	Adjustment	2014 Non-IFRS	2013 IFRS	Adjustment	2013 Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	33,149		33,149	32,434		32,434	2%	2%
Maintenance	56,939		56,939	53,224		53,224	7%	7%
Services	23,662		23,662	23,903		23,903	(1%)	(1%)
<b>Total Revenue</b>	<b>113,750</b>		<b>113,750</b>	<b>109,561</b>		<b>109,561</b>	<b>4%</b>	<b>4%</b>
<b>Total Operating Expenses</b>	<b>(90,754)</b>	<b>2,196</b>	<b>(88,558)</b>	<b>(87,823)</b>	<b>4,014</b>	<b>(83,809)</b>	<b>3%</b>	<b>6%</b>
Restructuring	(259)	259	-	(831)	831	-	(69%)	
Acquisition related charges			-			-		
Amort of Acquired Intangibles	(1,937)	1,937	-	(3,183)	3,183	-	(39%)	
<b>Operating Profit</b>	<b>22,996</b>	<b>2,196</b>	<b>25,192</b>	<b>21,738</b>	<b>4,014</b>	<b>25,752</b>	<b>6%</b>	<b>(2%)</b>
Operating Margin	20%		22%	20%		24%	2%	(6%)
Financing Costs	(2,729)		(2,729)	(2,967)		(2,967)	(8%)	(8%)
Taxation	(2,738)	(550)	(3,288)	(2,902)	(403)	(3,305)	(6%)	(1%)
Net Earnings	17,529	1,646	19,175	15,869	3,611	19,480	10%	(2%)
EPS (\$ per Share)	0.25	0.03	0.28	0.23	0.05	0.28	9%	0%