

Temenos announces Q4 2013 software licencing growth of 14% with full year growth of 10%
FY 2013 non-IFRS EBIT margin above top end of guidance drives non-IFRS EPS growth of 36%

GENEVA, Switzerland, 18 February 2014 – Temenos Group AG (SIX: TEMN), the market leading provider of mission-critical software to financial institutions globally, today reports its fourth quarter and full year 2013 results.

USDm, except EPS	Non-IFRS				IFRS			
	Q4 2013	Q4 2012	Change	LFL*	Q4 2013	Q4 2012	Change	LFL*
Software licencing	54.8	47.9	14%	15%	54.8	47.9	14%	15%
Software-as-a-Service	1.6	-	-	16%	1.6	-	-	16%
Total software licencing	56.3	47.9	18%	15%	56.3	47.9	18%	15%
Maintenance	55.9	52.8	6%	4%	55.9	52.8	6%	4%
Services	32.4	33.5	-3%	-4%	32.4	33.5	-3%	-4%
Total revenues	144.6	134.2	8%	6%	144.6	134.2	8%	6%
EBIT	53.5	48.2	11%		49.1	34.6	42%	
EBIT margin	37.0%	35.9%	1% pts		34.0%	25.8%	8% pts	
EPS (USD)	0.63	0.61	3%		0.58	0.42	38%	

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

Q4 and FY financial highlights

- Q4 like-for-like software licencing growth of 15% drives FY 2013 growth at the top end of guidance
- Services strategy ahead of expectations with lower contribution to group revenues and 7.8% points improvement in FY 2013 non-IFRS services margin
- Better revenue mix and lower costs delivers FY 2013 non-IFRS EBIT up 30%
- FY non-IFRS EBIT margin up 4.9% points to 24.1%, above the top end of guidance
- FY non-IFRS EPS up 36% to USD 1.22
- FY operating cash inflow of USD 169.3m with cash conversion** of 119% in 2013; DSOs reduced by 28 days
- Strength of operational performance and cashflows supports 25% increase in annual dividend
- 2014 guidance includes software licencing growth of 10% to 15% and non-IFRS EBIT margin of 25.1%

Q4 sales and operational highlights

- Continued strong sales into the installed base
- 14 new customer wins (Q4 2012:10)
- Strong growth in Europe and APAC
- Strong delivery with 10 implementation go-lives in (Q4 2012:9)
- Update on strategy to be presented tomorrow at Analyst & Investor Event

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

“In February last year we set out our guidance for 2013 and our strategy for the medium term. Our results demonstrate that we have delivered on our strategy, with full year software licensing growth of 10% at the top of our guidance and non-IFRS EBIT margin above our expectations.

Tomorrow we will host an event for analyst and investors at which we will provide further details on how we are delivering on our commitments. Our market opportunity is massive and has increased following the launch of the Temenos Payment Suite. The industry is undergoing a structural shift and to meet the challenges banks must have IT which is efficient, agile and omnichannel and which delivers actionable analytics. We have the solutions to meet the industry’s needs and are consolidating our leadership position.

Taking all of these things together, we have great confidence in meeting our medium term targets, driving strong earnings and cash generation, and delivering significant returns to our shareholders.”

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

“2013 has demonstrated that we are focused on turning strong operational delivery into strong financial performance. A better revenue mix combined with good cost control has delivered non-IFRS EBIT margin above the top end of our guidance, and this will provide the new base from which the 2014 non-IFRS EBIT margin will increase. Efficient tax and financing structures have allowed Temenos to deliver EPS growth of 36%, above the 30% growth in EBIT.

We have once again delivered cash conversion comfortably over 100%, with DSOs reducing by 28 days in the year. The strength of Temenos’ cash generation in 2013, as well as the expected strength of future cashflows, provides financial flexibility to pursue our strategic ambitions as well as providing confidence to declare an increase of 25% over last year’s dividend.”

Revenue

Both IFRS and non-IFRS total revenue for the quarter was USD 144.6m, which was up 8% on Q4 2012, driven by 14% growth in software licensing revenue. Total revenue for the full year was USD 467.8m, an increase of 4% over the prior year despite services revenue being down 9%.

EBIT

Non-IFRS EBIT was USD 53.5m in Q4, 11% higher than in Q4 2012, with a non-IFRS EBIT margin in Q4 of 37.0%, up 1.1% points on Q42012. IFRS EBIT was up 42% from USD 34.6m in Q4 2012 to USD 49.1m in Q4 2013. Non-IFRS EBIT for the full year was USD 112.8m, a 30% increase over 2012, with a non-IFRS EBIT margin of 24.1%, above the top end of guidance.

Earnings per share (EPS)

Non-IFRS EPS was USD 0.63 in the quarter, compared to USD 0.61 in the prior year. For FY 2013, non-IFRS EPS was USD 1.22, up over a third from USD 0.90 in 2012. IFRS EPS for the quarter moved from USD 0.42 to USD 0.58.

Pre-tax operating cash

Operating cash was USD 126.3m in Q4 2013 compared USD 114.3m in Q4 2012. For full year, operating cash was USD 169.3m, representing a 119% conversion of EBITDA into operating cash.

Dividend

Temenos is highly cash generative with a strong balance sheet which enables investment in the business, including industry leading R&D spend, and funding for targeted acquisitions whilst also providing for returning value to shareholders.

Taking into account the strength of operational performance and cash generation, as well as the expected strength of future cashflows, subject to shareholder approval at the AGM on 28 May 2014, Temenos intends to pay an annual dividend of CHF 0.35 on 5 June 2014, representing an increase of 25% over last year's CHF dividend. The dividend record date will be set on 4 June 2014 with the shares trading ex-dividend on 2 June 2014. Temenos policy is to distribute a sustainable to growing dividend.

2014 guidance

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 491m to USD 515m)*
- Software licensing growth of 10% to 15% (implying software licensing revenue of USD 152m to USD 158m)*
- Non-IFRS EBIT margin of 25.1% (implying non-IFRS EBIT of USD 123m to USD 129m)*
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 17% to 18%

**Based on the currency assumptions set out below*

Medium term targets

Our medium term targets, which we announced in February 2013, on a non-IFRS basis are:

- Non-IFRS revenue growth of 5%+ on average per annum with
 - Software licensing growth of 10%+ on average per annum
 - Services contributing 20% to 25% of group revenue and be profitable
- Non-IFRS EBIT margin improvement of 100 to 150bps on average per annum
- 100%+ conversion of EBITDA into operating cashflow
- DSOs reducing by 10 to 15 days per annum
- Tax rate of 17% to 18%

Conference call

At 17.30 BST / 18.30 CET / 12.30 EST, today, 18 February 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:

+44 (0)1452 569 335	(UK and International)
0808 238 0673	(UK Free Call)
0445 804 038	(Swiss Local Call)
0800 650 052	(Swiss Free Call)
+1 866 655 1591	(USA Free Call)

Conference ID # 40700555

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/>.

Analyst & Investor Event

Temenos will tomorrow host an event for analysts and investors at Deutsche Bank, 1 Great Winchester Street, London EC2N 2DB from 10am to 2pm (UK time). Should you wish to attend the event, please register your attendance at <http://www.temenos.com/en/about-temenos/investor-relations/investor-day-2014/>.

Currency assumptions for 2014 guidance

In preparing the 2014 guidance, the Company has assumed the following:

- USD to Euro exchange rate of 0.734;
- USD to GBP exchange rate of 0.607; and
- USD to CHF exchange rate of 0.903.

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.

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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 58 offices worldwide, Temenos software is proven in over 1,500 customer deployments in more than 140 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 2008-2010, Temenos customers enjoyed on average a 30% higher return on assets, a 46% higher return on capital and an 8.5 percentage point lower cost/income ratio than banks running legacy applications.



Appendix I – Q4 and FY 2013 IFRS primary statements
Extracted from the audited annual financial statements

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 31 December 2013	Three months to 31 December 2012 *	Twelve months to 31 December 2013	Twelve months to 31 December 2012 *
Revenues				
Software licensing	54,764	47,895	137,758	125,141
Software-as-a-Service	1,606	-	4,822	-
Total software licensing	56,370	47,895	142,580	125,141
Maintenance	55,852	52,796	212,496	201,653
Services	32,400	33,501	112,726	123,415
Total revenues	144,622	134,192	467,802	450,209
Operating expenses				
Sales and marketing	26,273	30,383	98,564	90,712
Services	29,094	34,567	118,886	142,533
Software development and maintenance	24,085	20,608	96,723	98,354
General and administrative	16,043	13,984	60,130	69,539
Total operating expenses	95,495	99,542	374,303	401,138
Operating profit	49,127	34,650	93,499	49,071
Other expenses				
Net interest expenses	(2,192)	(1,633)	(7,516)	(5,922)
Borrowing facility expenses	(330)	(479)	(1,415)	(1,909)
Foreign exchange loss	(292)	72	(2,153)	(3,508)
Total other expenses	(2,814)	(2,040)	(11,084)	(11,339)
Profit before taxation	46,313	32,610	82,415	37,732
Taxation	(6,116)	(3,447)	(14,200)	(12,617)
Profit for the period	40,197	29,163	68,215	25,115
Attributable to:				
Equity holders of the Company	40,197	29,163	68,215	25,115
Non-controlling interest	-	-	-	-
	40,197	29,163	68,215	25,115
Earnings per share (in US\$):				
basic	0.59	0.42	0.99	0.36
diluted	0.58	0.42	0.98	0.36
non-IFRS	0.63	0.61	1.22	0.90

* Comparative information has been restated to reflect the retrospective application of the amendment to IAS19 "Employee benefits".



TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	31 December 2013	30 September 2013	31 December 2012 *
Assets			
Current assets			
Cash and cash equivalents	115,649	57,175	117,734
Trade receivables	228,165	231,761	239,709
Other receivables	28,918	31,695	23,329
Total current assets	372,732	320,631	380,772
Non-current assets			
Property, plant and equipment	12,945	13,251	13,798
Intangible assets	475,269	466,241	436,124
Trade receivables	25,300	32,800	39,400
Other receivables	8,842	7,171	2,229
Deferred tax assets	24,817	25,430	30,326
Total non-current assets	547,173	544,893	521,877
Total assets	919,905	865,524	902,649
Liabilities and equity			
Current liabilities			
Trade and other payables	100,885	107,273	119,300
Deferred revenues	171,830	123,671	156,742
Income tax liabilities	13,903	10,410	11,916
Borrowings	11,598	10,871	10,735
Total current liabilities	298,216	252,225	298,693
Non-current liabilities			
Borrowings	201,487	244,558	203,625
Deferred tax liabilities	2,781	4,039	6,318
Income taxes payable	1,848	1,593	1,544
Trade and other payables	3,342	3,963	1,591
Retirement benefit obligations	4,063	3,544	3,102
Total non-current liabilities	213,521	257,697	216,180
Total liabilities	511,737	509,922	514,873
Shareholders' equity			
Share capital	239,798	239,798	239,798
Treasury shares	(131,775)	(135,157)	(105,264)
Share premium	16,442	15,500	20,398
Fair value and other reserves	(59,225)	(70,275)	(64,941)
Retained earnings	342,928	305,736	297,785
Total shareholders' equity	408,168	355,602	387,776
Non-controlling interest	-	-	-
Total equity	408,168	355,602	387,776
Total liabilities and equity	919,905	865,524	902,649

* Comparative information has been restated to reflect the retrospective application of the amendment to IAS19 "Employee benefits".



TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	Three months to 31 December 2013	Three months to 31 December 2012 *	Twelve months to 31 December 2013	Twelve months to 31 December 2012 *
Cash flows from operating activities				
Profit before taxation	46,313	32,610	82,415	37,732
<u>Adjustments:</u>				
Depreciation and amortisation	13,492	11,758	48,997	47,469
Other non-cash items	8,711	2,426	28,216	21,062
<u>Changes in working capital:</u>				
Trade and other receivables	11,410	9,817	17,415	1,362
Trade and other payables	(834)	16,619	(21,582)	(21,409)
Deferred revenues	47,239	41,050	13,839	11,481
Cash generated from operations	126,331	114,280	169,300	97,697
Income taxes paid	(2,131)	(2,386)	(7,838)	(10,719)
Net cash generated from operating activities	124,200	111,894	161,462	86,978
Cash flows from investing activities				
Purchase of property, plant and equipment	(670)	(856)	(3,334)	(5,541)
Disposal of property, plant and equipment	-	-	9	23
Purchase of intangible assets	(1,742)	(1,265)	(5,124)	(4,178)
Capitalised development costs	(12,717)	(13,006)	(41,872)	(41,782)
Acquisitions of subsidiary, net of cash acquired	-	(14,411)	(12,710)	(16,674)
Disposal of subsidiary or business, net of cash disposed	-	-	316	-
Settlement of financial instruments	(4,194)	(1,361)	(6,395)	(10,136)
Interest received	82	158	224	250
Net cash used in investing activities	(19,241)	(30,741)	(68,886)	(78,038)
Cash flows from financing activities				
Acquisition of treasury shares	-	-	(53,647)	-
Proceeds /(repayments) of borrowings	(45,000)	(34,811)	(113,608)	(39,822)
Proceeds from issuance of bond	(104)	-	104,080	-
Interest payments	(800)	(1,531)	(5,031)	(6,212)
Dividend paid	-	-	(20,400)	-
Payment of other financing costs	(803)	(209)	(5,842)	(819)
Payment of finance lease liabilities	(77)	(64)	(291)	(353)
Net cash used in financing activities	(46,784)	(36,615)	(94,739)	(47,206)
Effect of exchange rate changes	299	555	78	1,050
Net increase/(decrease) in cash and cash equivalents in the period	58,474	45,093	(2,085)	(37,216)
Cash and cash equivalents at the beginning of the period	57,175	72,641	117,734	154,950
Cash and cash equivalents at the end of the period	115,649	117,734	115,649	117,734

* Comparative information has been restated to reflect the retrospective application of the amendment to IAS19 "Employee benefits".

Appendix II – reconciliation of IFRS to non-IFRS Q4 and FY 2013 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 31 Dec						Change	
	2013 IFRS	Adjustment	2013 Non-IFRS	2012 IFRS	Adjustment	2012 Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	56,370		56,370	47,894		47,894	18%	18%
Maintenance	55,852		55,852	52,796		52,796	6%	6%
Services	32,400		32,400	33,501		33,501	(3%)	(3%)
Total Revenue	144,622		144,622	134,192		134,192	8%	8%
Total Operating Expenses	(95,495)	4,400	(91,096)	(99,542)	13,502	(86,040)	(4%)	5.9%
Restructuring	(1,122)	1,122	-	(10,034)	10,034	-	(89%)	
Acquisition related charges			-			-		
Amort of Acquired Intangibles	(3,278)	3,278	-	(3,468)	3,468	-	(5%)	
Operating Profit	49,127	4,400	53,527	34,650	13,502	48,151	42%	11%
Operating Margin	34%		37%	26%		36%	32%	3%
Financing Costs	(2,814)		(2,814)	(2,040)		(2,040)	38%	38%
Taxation	(6,116)	(1,400)	(7,516)	(3,447)		(3,447)	77%	118%
Net Earnings	40,197	3,000	43,197	29,162	13,502	42,664	38%	1%
EPS (\$ per Share)	0.58	0.05	0.63	0.42	0.19	0.61	39%	2%