

Temenos earnings up 23% in 2015 on the back of 52% growth in total software licensing

GENEVA, Switzerland, 11 February 2016 – 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 2015 results.

Q4 and FY 2015 financial summary

- Non-IFRS total software licensing revenues up 63% (cc) and 31% (LFL) in Q4 2015, and up 52% (cc) and 20% (LFL) in FY 2015
- Non-IFRS maintenance growth of 13% in Q4 2015 and 11% in FY 2015 (cc)
- Non-IFRS services margin improvement of 340bps in FY 2015
- Non-IFRS EBIT up 11% in Q4 2015 (cc), FY 2015 non-IFRS EBIT margin of 28.1%
- FY 2015 non-IFRS EPS increase of 20%
- FY 2015 cash conversion of 133%
- DSOs down 27 days Y-o-Y (30 days proforma)
- Profit and cashflow strength support proposed dividend of CHF 0.45, a 12.5% annual increase
- 2016 guidance of non-IFRS total software licensing growth of 10% to 15% (cc), and non-IFRS revenue growth of 7.5% to 11.0% (cc)

Q4 and FY 2015 operational highlights and outlook

- Outstanding year driven by high levels of client activity, particularly in developed markets
- Significant growth across all products in Q4, in particular Private Banking and Channels
- Strong progress on larger deals and the U.S., major growth drivers for the future
- Progressive renovation opening up significant opportunities
- Strong pipeline generation in Q4 gives confidence for 2016
- Highest total revenue visibility ever, driven by high recurring revenues and progressive renovation

USDm, except EPS	Non-IFRS				IFRS			
	Q4 2015	Q4 2014	Change	CC*	Q4 2015	Q4 2014	Change	CC*
Software licencing	66.3	48.3	37%	46%	66.0	48.3	37%	45%
SaaS and subscription	11.4	2.1	433%	435%	7.3	2.1	241%	242%
Total software licencing	77.8	50.5	54%	63%	73.3	50.5	45%	54%
Maintenance	62.2	56.9	9%	13%	61.8	56.9	8%	12%
Services	33.4	25.7	30%	36%	33.3	25.7	30%	36%
Total revenues	173.4	133.1	30%	36%	168.4	133.1	26%	32%
EBIT	65.2	60.3	8%	11%	50.1	57.9	-13%	-15%
EBIT margin	37.6%	45.3%	-8% pts	-9% pts	29.8%	43.5%	-14% pts	-14% pts
EPS (USD)	0.73	0.74	-1%	5%	0.54	0.71	-24%	-22%

The definition of non-IFRS adjustments is below and a full reconciliation of IFRS to non-IFRS results can be found in Appendix II

* Constant currency (CC) adjusts prior year for movements in currencies

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

“2015 has been a landmark year for Temenos. We have had exceptional performance across all lines of business. We have won all key new large deals, as well as seeing significant momentum in the installed base. Our value proposition is driving our growth, with progressive renovation and our multi-product offering opening up substantial opportunities with Tier 1 banks. Our industry-leading levels of product investment and culture of innovation are creating clear water between us and the competition, which we are capitalising on. Geographically our growth this year was driven largely by developed markets, with emerging markets only contributing 22% of total software licensing revenues.

We have made excellent progress on our strategic initiatives in 2015, extending our leadership in retail and wealth, gaining key references in the US and taking our partnership model to the next level. With the digitization of the financial services industry, banks have no choice but to invest in modern technology to stay relevant and capitalise on the opportunities this creates. With these structural drivers in place, we are well positioned for 2016 and are confident we will continue gaining market share.”

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

“Our top line growth in both Q4 and the full year has been exceptional. Our results in 2015 reflect the strength of our business model, delivering substantial growth in revenues whilst improving our margins and profitability year-on-year. Our value proposition is enabling us to compete for and win large Tier 1 progressive renovations which, combined with our strong pipeline generation in the fourth quarter, have greatly improved our revenue visibility in 2016 and the medium term. With a 20% increase EPS, and cash flow generation well above our target of 100% of EBITDA, I am pleased to recommend a dividend of CHF 0.45 for 2015, an increase of 12.5% on last year.

We expect our strong financial performance to continue in 2016 with non-IFRS total software licensing growth of 10% to 15% and total revenue growth of between 7.5% and 11.0%. We are guiding for 2016 non-IFRS EBIT of USD 180m to 185m, which implies a margin of 30%.”

Revenue

IFRS revenue for the quarter was USD 168.4m, up from USD 133.1m in Q4 2014. Non-IFRS revenue was USD 173.4m for Q4 2015 up from USD 133.1m in Q4 2014, representing an absolute increase of 30% and a 36% increase in constant currency. IFRS total software licensing revenue for the quarter was USD 73.3m, and non-IFRS total software licensing revenue for the quarter was USD 77.8m, up 54% from Q4 2014 on a reported basis and 63% in constant currencies.

EBIT

IFRS EBIT was USD 50.1m this quarter. Non-IFRS EBIT was USD 65.2m in Q4 2015, 11% higher than in Q4 2014 (cc), with a FY 2015 non-IFRS EBIT margin of 28.1%, an increase of 80bps on FY 2014.

Earnings per share (EPS)

IFRS EPS was USD 0.54 and non-IFRS EPS was 0.73 in Q4 2015. Non-IFRS EPS for FY 2015 was USD 1.73, up 20% vs FY 2014.

Pre-tax operating cash

IFRS operating cash was an inflow of USD 161.3m in Q4 2015 compared to USD 118.5m in Q4 2014. For FY 2015, operating cash was USD 227m representing a conversion of 133% of IFRS EBITDA into operating cash.

Dividend

Taking into account the strength of profit growth and cash generation, as well as the expected strength of future cashflows, subject to shareholder approval at the AGM on 10 May 2016, Temenos intends to pay an annual dividend of CHF 0.45 per share. The shares will trade ex-dividend on 13 May 2016, and the dividend record date will be set on 17 May 2016. The dividend will be paid on 18 May 2016. As with previous years, the 2015 dividend will be paid as a distribution of capital contribution reserves and therefore be exempted of withholding tax.

Temenos' policy is to distribute a sustainable to growing dividend.

2016 guidance

Our guidance for 2016 is as follows:

- Non-IFRS total software licensing growth at constant currency of 10% to 15% (implying total software licensing revenue of USD 234m to USD 245m)
- Non-IFRS revenue growth at constant currency of 7.5% to 11.0% (implying revenue of USD 594m to USD 614m)
- Non-IFRS EBIT at constant currency of USD 180m to 185m (implying non-IFRS EBIT margin of c.30%)
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 17% to 18%

Medium term targets

Our medium term targets are as follows:

- Non-IFRS total software licensing growth of 15% CAGR
- Non-IFRS revenue growth of 10% CAGR
- Non-IFRS EBIT margin improvement of 100 to 150bps on average p.a.
- Non-IFRS EPS growth of 15% CAGR
- Cash conversion over 100% p.a.
- DSOs reducing by 10 to 15 days p.a.
- Tax rate of 17% to 18%

Currency assumptions for 2016 guidance

In preparing the 2016 guidance, the Company has assumed the following:

- USD to Euro exchange rate of 0.901;
- USD to GBP exchange rate of 0.691; and
- USD to CHF exchange rate of 0.992.

Conference call

At 18.30 CET / 17.30 GMT / 12.30 EST, today, 11 February 2016, David Arnott, CEO, and Max Chuard, CFO and COO, 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:

0800 920 016	(Swiss Free Call)
1 866 966 1396	(USA Free Call)
0800 376 7922	(UK Free Call)
+44 (0) 207 192 8000	(UK and International)

Conference ID # 40979283

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/>.

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.

Below are the accounting elements not included in the 2016 non-IFRS guidance:

- FY 2016 estimated amortisation of acquired intangibles of USD 35m
- FY 2016 estimated restructuring costs of USD 4m

Restructuring costs include completion of Multifonds integration and realising R&D efficiencies in acquired products. These estimates do not include impact of any further acquisitions or restructuring programmes commenced after 11 February 2016.

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



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About Temenos

Temenos Group AG (SIX: TEMN), headquartered in Geneva, is a market leading software provider, partnering with banks and other financial institutions to transform their businesses and stay ahead of a changing marketplace. Over 2,000 firms across the globe, including 38 of the top 50 banks, rely on Temenos to process the daily transactions of more than 500 million banking customers. Temenos customers are proven to be more profitable than their peers: in the period 2008-2012, they 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.

For more information please visit www.temenos.com

Appendix I – Q4 and FY 2015 IFRS primary statements
TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars
except earnings per share

	Three months to 31 December 2015	Three months to 31 December 2014	Twelve months to 31 December 2015	Twelve months to 31 December 2014
Revenues				
Software licensing	65,977	48,306	172,951	139,667
SaaS & subscription	7,308	2,146	26,452	7,962
Total software licensing	<u>73,285</u>	<u>50,452</u>	<u>199,403</u>	<u>147,629</u>
Maintenance	61,774	56,940	233,956	223,398
Services	33,329	25,727	109,144	97,675
Total revenues	<u>168,388</u>	<u>133,119</u>	<u>542,503</u>	<u>468,702</u>
Operating expenses				
Sales and marketing	29,810	18,843	105,880	92,237
Services	27,582	19,070	101,521	93,142
Software development and maintenance	42,047	25,461	161,177	106,090
General and administrative	18,806	11,888	77,168	59,038
Total operating expenses	<u>118,245</u>	<u>75,262</u>	<u>445,746</u>	<u>350,507</u>
Operating profit	<u>50,143</u>	<u>57,857</u>	<u>96,757</u>	<u>118,195</u>
Other expenses				
Net interest expenses	(4,350)	(2,570)	(15,375)	(9,729)
Borrowing facility expenses	(342)	(353)	(2,143)	(1,438)
Foreign exchange loss	(691)	(423)	(1,156)	(695)
Total other expenses	<u>(5,383)</u>	<u>(3,346)</u>	<u>(18,674)</u>	<u>(11,862)</u>
Profit before taxation	<u>44,760</u>	<u>54,511</u>	<u>78,083</u>	<u>106,333</u>
Taxation	(6,439)	(6,447)	(11,739)	(14,702)
Profit for the period	<u>38,321</u>	<u>48,064</u>	<u>66,344</u>	<u>91,631</u>
Earnings per share (in USD):				
basic	0.58	0.73	1.01	1.36
diluted	0.54	0.71	0.95	1.32
non-IFRS	0.73	0.74	1.73	1.44

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	31 December 2015	30 September 2015	31 December 2014
Assets			
Current assets			
Cash and cash equivalents	193,252	83,589	192,610
Trade receivables	221,828	226,302	210,128
Other receivables	25,734	26,216	24,662
<i>Total current assets</i>	<u>440,814</u>	<u>336,107</u>	<u>427,400</u>
Non-current assets			
Property, plant and equipment	15,610	16,893	14,089
Intangible assets	737,998	743,691	437,808
Trade receivables	13,865	14,015	20,537
Other receivables	3,380	3,607	2,149
Deferred tax assets	17,307	18,365	23,865
<i>Total non-current assets</i>	<u>788,160</u>	<u>796,571</u>	<u>498,448</u>
Total assets	<u>1,228,974</u>	<u>1,132,678</u>	<u>925,848</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	104,019	92,027	83,324
Deferred revenues	213,197	143,084	179,894
Income tax liabilities	24,683	7,852	14,177
Borrowings	15,011	12,972	12,860
<i>Total current liabilities</i>	<u>356,910</u>	<u>255,935</u>	<u>290,255</u>
Non-current liabilities			
Borrowings	445,441	488,206	279,232
Deferred tax liabilities	23,181	27,629	1,087
Income taxes payable	1,765	1,782	1,782
Trade and other payables	18,472	18,232	5,098
Retirement benefit obligations	7,908	6,474	6,356
<i>Total non-current liabilities</i>	<u>496,767</u>	<u>542,323</u>	<u>293,555</u>
Total liabilities	<u>853,677</u>	<u>798,258</u>	<u>583,810</u>
Shareholders' equity			
Share capital	210,774	210,774	228,357
Treasury shares	(19,686)	(22,793)	(152,942)
Share premium and capital reserves	(148,516)	(158,422)	(59,187)
Fair value and other reserves	(110,084)	(101,007)	(80,639)
Retained earnings	442,809	405,868	406,449
Total equity	<u>375,297</u>	<u>334,420</u>	<u>342,038</u>
Total liabilities and equity	<u>1,228,974</u>	<u>1,132,678</u>	<u>925,848</u>

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	Three months to 31 December 2015	Three months to 31 December 2014	Twelve months to 31 December 2015	Twelve months to 31 December 2014
Cash flows from operating activities				
Profit before taxation	44,760	54,511	78,083	106,333
<u>Adjustments:</u>				
Depreciation and amortisation	19,906	11,862	74,460	49,584
Other non-cash and non-operating items	17,543	2,481	47,574	23,536
<u>Changes in working capital:</u>				
Trade and other receivables	(1,772)	8,539	(12,547)	6,046
Trade and other payables, and retirement benefit obligations	10,103	(9,963)	11,857	(14,306)
Deferred revenues	70,743	51,115	27,765	19,139
Cash generated from operations	161,283	118,545	227,192	190,332
Income taxes paid	(2,792)	(1,235)	(10,890)	(8,445)
Net cash generated from operating activities	158,491	117,310	216,302	181,887
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,310)	(1,903)	(6,187)	(5,865)
Disposal of property, plant and equipment	-	-	-	24
Purchase of intangible assets	(314)	(714)	(3,947)	(4,350)
Disposal of intangible assets	-	2,000	-	2,000
Capitalised development costs	(13,005)	(13,933)	(45,293)	(43,181)
Acquisitions of subsidiary, net of cash acquired	-	-	(297,726)	-
Disposal of subsidiary or business, net of cash disposed	26	-	34	43
Settlement of financial instruments	1,811	2,063	1,841	3,352
Interest received	17	17	68	103
Net cash used in investing activities	(12,775)	(12,470)	(351,210)	(47,874)
Cash flows from financing activities				
Dividend paid	-	-	(28,605)	(26,633)
Acquisition of treasury shares	-	(46,499)	-	(119,948)
Proceeds from/(repayments of) borrowings	(33,834)	(19)	(11,233)	(8,023)
Proceeds from issuance of bonds	-	-	190,568	112,332
Interest paid	(638)	(456)	(9,850)	(6,345)
Payment of other financing costs	(67)	(460)	(2,176)	(1,964)
Payment of finance lease liabilities	-	(6)	(31)	(137)
Net cash (used in)/generated from financing activities	(34,539)	(47,440)	138,673	(50,718)
Effect of exchange rate changes	(1,514)	(2,175)	(3,123)	(6,334)
Net increase in cash and cash equivalents in the period	109,663	55,225	642	76,961
Cash and cash equivalents at the beginning of the period	83,589	137,385	192,610	115,649
Cash and cash equivalents at the end of the period	193,252	192,610	193,252	192,610



Appendix II – reconciliation of IFRS to non-IFRS Q4 2015 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 not be read 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 December						Change	
	2015 IFRS	Adjustment	2015 Non-IFRS	2014 IFRS	Adjustment	2014 Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	73,285	4,489	77,774	50,452		50,452	45%	54%
Maintenance	61,774	434	62,208	56,940		56,940	8%	9%
Services	33,329	119	33,448	25,727		25,727	30%	30%
Total Revenue	168,388	5,042	173,430	133,119		133,119	26%	30%
Total Operating Expenses	(118,245)	10,048	(108,197)	(75,262)	2,440	(72,822)	57%	49%
Restructuring	(1,127)	1,127	-	(589)	589	-	91%	
Amort of Acquired Intangibles	(8,921)	8,921	-	(1,851)	1,851	-	382%	
Operating Profit	50,143	15,090	65,233	57,857	2,440	60,297	(13%)	8%
Operating Margin	30%		38%	43%		45%		
Financing Costs	(5,383)		(5,383)	(3,346)		(3,346)	61%	61%
Taxation	(6,439)	(1,500)	(7,939)	(6,447)	(304)	(6,751)	(0%)	18%
Net Earnings	38,321	13,590	51,911	48,064	2,136	50,200	(20%)	3%
EPS (\$ per Share)	0.54	0.19	0.73	0.71	0.03	0.74	(24%)	(1%)