



Temenos Q3 2015 results reflect outstanding quarter

GENEVA, Switzerland, 20 October 2015 – Temenos Group AG (SIX: TEMN), the market leading provider of mission-critical software to financial institutions globally, today reports its third quarter 2015 results.

USDm, except EPS	Non-IFRS				IFRS			
	Q3 2015	Q3 2014	Change	CC*	Q3 2015	Q3 2014	Change	CC*
Software licencing	50.3	31.1	62%	69%	50.2	31.1	62%	69%
Software-as-a-Service	11.7	2.0	470%	477%	8.3	2.0	305%	310%
Total software licencing	61.9	33.1	87%	95%	58.5	33.1	77%	85%
Maintenance	59.3	56.9	4%	10%	59.0	56.9	4%	9%
Services	27.6	23.7	17%	25%	27.5	23.7	16%	25%
Total revenues	148.9	113.7	31%	38%	145.0	113.7	27%	35%
EBIT	43.6	25.2	73%	72%	30.0	23.0	31%	19%
EBIT margin	29.3%	22.1%	7% pts	6% pts	20.7%	20.2%	1% pts	-1% pts
EPS (USD)	0.49	0.28	75%	76%	0.30	0.25	20%	10%

The definition of non-IFRS adjustments is below with 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

Q3 2015 financial summary

- Non-IFRS total software licensing growth in Q3 2015 with total software licensing revenues up 95% Y-o-Y (constant currency), 44% LFL
- Non-IFRS maintenance growth of 10% Y-o-Y and 8% LTM (constant currency)
- Non-IFRS services margin improvement of 470bps Y-o-Y
- Non-IFRS EBIT up 72% Y-o-Y (constant currency), LTM non-IFRS EBIT margin to 29.3% up 410bps Y-o-Y
- Continued strong cash conversion above target of 100%
- DSOs down 17 days Y-o-Y (25 days proforma)

Q3 2015 operational highlights and outlook

- Strong momentum across all geographies
- Landmark Nordea deal demonstrates product superiority and unique business model
- Traction with global partners
- Strong growth in signings and pipeline across all geographies, all customer segments; new and installed base
- Investing in the business to capitalise on improving market conditions and drive future growth
- Strong start to Q4, confident in meeting full year guidance
- Improved revenue visibility for 2016 and the medium term

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

“This was an outstanding quarter for Temenos. We saw great momentum across the whole business, in all geographies and market segments with both new and existing customers. On top of this, the Nordea deal is a landmark for the company. It demonstrates the superiority of our business model, including our packaged software solutions and local presence, as well as the traction we are building with our global partners and a growing appetite for large banks to replace their core systems.

Our key initiatives in the US, partnering for Tier 1 accounts and disruptive and very compelling product roadmap, coupled with a clear recovery in our end markets leaves us very well positioned for the coming quarters and years.”

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

“We had very strong top line growth in Q3, with total non-IFRS software license revenues up 95%, of which software licensing was up 69%. The strength of our business model with leading, upgradeable packaged software solutions is enabling us to capitalise on improving market conditions. With the license growth and pipeline generation in Q3, our revenue visibility in 2016 and the medium term has substantially increased. Our cash flow generation remains consistently above our target of 100% of EBITDA.”

Revenue

IFRS revenue for the quarter was USD 145.0m, up from USD 113.7m in Q3 2014. Non-IFRS revenue was USD 148.9m, up from USD 113.7m in Q3 2014, representing an absolute increase of 31% and a 38% increase in constant currency. IFRS total software license revenue for the quarter was USD 58.5m, and non-IFRS total software license revenue for the quarter was USD 61.9m, 87% higher than in the same period in 2014 on a reported basis and 95% higher adjusted for constant currencies.

EBIT

IFRS EBIT was USD 30.0m this quarter, up from USD 23.0m in Q3 2014. Non-IFRS EBIT was USD 43.6m in Q3 2015, 72% higher than in Q3 2014 (constant currency), with a non-IFRS EBIT margin of 29.3%, up 6% points on Q3 2014 (constant currency).

Earnings per share (EPS)

IFRS EPS was USD 0.30 vs. USD 0.25 in Q3 2014. Non-IFRS EPS was USD 0.49 vs. USD 0.28 in Q3 2014. LTM non-IFRS EPS was USD 1.78, up 33% on the previous 12 months.

Pre-tax operating cash

IFRS operating cash was an inflow of USD 36.6m in Q3 2015 compared to USD 29.9m in Q3 2014. For LTM to September 2015, operating cash was USD 184m representing a 108% conversion of IFRS EBITDA into operating cash.

**2015 guidance**

The company reaffirms its outlook for the year as follows*:

- Total non-IFRS software licensing growth of 42% to 46% (implying total non-IFRS software licensing revenue of USD 202m to USD 206m) which includes software licensing growth of 21%+ (implying software licensing revenue of at least USD 162m)
- Total non-IFRS revenue growth of 20.5% to 24.5% (implying non-IFRS revenue of USD 536m to USD 553m)
- Non-IFRS EBIT of USD 153m to USD 158m (implying non-IFRS EBIT margin of 28.5%)
- 100%+ conversion of EBITDA into operating cashflow
- Tax rate of 17% to 18%

*Assumes FX rates as disclosed in Q2 2015 results presentation - <https://www.temenos.com/en/about-temenos/investor-relations>)

Conference call

At 18.30 CET / 17.30 BST / 12.30 EST, today, 20 October 2015, 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:

0315 800 059	(Swiss Local Call)
0800 920 016	(Swiss Free Call)
1 866 966 1396	(USA Free Call)
+44 (0) 2071 928000	(UK and International)
0800 376 7922	(UK Free Call)

Conference ID # 60469788

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



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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 2015 non-IFRS guidance:

- FY 2015 estimated deferred revenue write-down of approximately USD 20m
- FY 2015 estimated amortisation of acquired intangibles of USD 30m
- FY 2015 estimated acquisition related charges of USD 5m
- FY 2015 estimated restructuring costs of USD 8m

These estimates do not include impact of any further acquisitions or restructuring programmes commenced after 20 October 2015.

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

Press and Investor contacts

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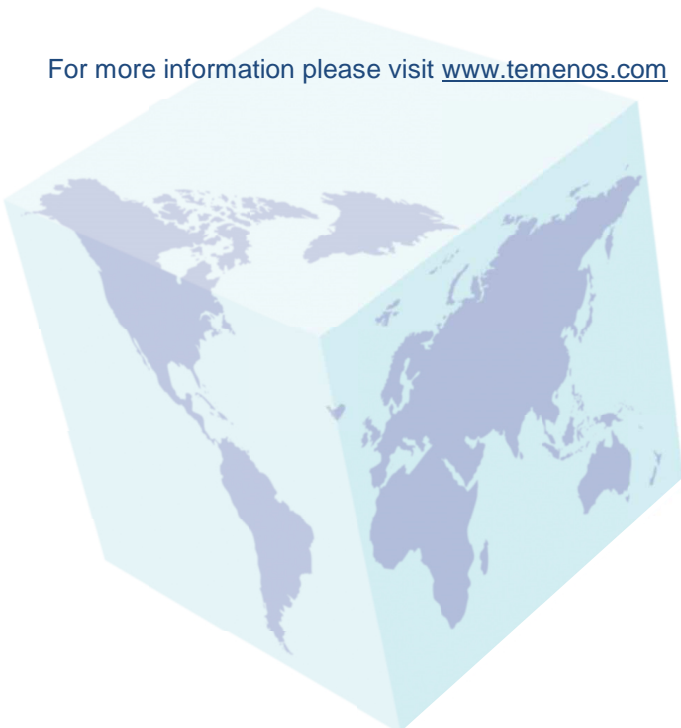
Media

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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





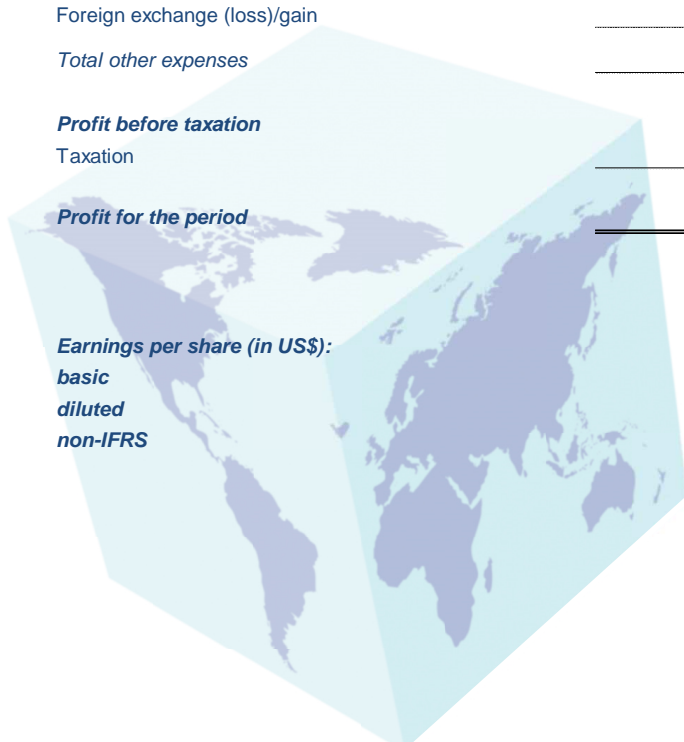
Appendix I – Q3 2015 IFRS primary statements

TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 30 September 2015	Three months to 30 September 2014	Twelve months to 30 September 2015	Twelve months to 30 September 2014
Revenues				
Software licensing	50,244	31,101	155,278	146,126
SaaS & subscription	8,286	2,048	21,290	7,422
Total software licensing	<u>58,530</u>	33,149	<u>176,568</u>	153,548
Maintenance	58,985	56,939	229,123	222,310
Services	<u>27,457</u>	<u>23,662</u>	<u>101,541</u>	<u>104,348</u>
Total revenues	<u>144,972</u>	113,750	<u>507,232</u>	480,206
Operating expenses				
Sales and marketing	29,760	24,346	94,914	99,667
Services	26,238	23,538	93,009	103,166
Software development and maintenance	40,820	28,325	144,590	104,713
General and administrative	<u>18,110</u>	<u>14,545</u>	<u>70,250</u>	<u>63,193</u>
Total operating expenses	<u>114,928</u>	90,754	<u>402,763</u>	370,739
Operating profit	<u>30,044</u>	22,996	<u>104,469</u>	109,467
Other expenses				
Net interest expenses	(4,536)	(2,471)	(13,595)	(9,351)
Borrowing facility expenses	(342)	(366)	(2,154)	(1,414)
Foreign exchange (loss)/gain	<u>(723)</u>	<u>108</u>	<u>(888)</u>	<u>(565)</u>
Total other expenses	<u>(5,601)</u>	<u>(2,729)</u>	<u>(16,637)</u>	<u>(11,330)</u>
Profit before taxation	24,443	20,267	87,832	98,137
Taxation	<u>(3,891)</u>	<u>(2,738)</u>	<u>(11,747)</u>	<u>(14,372)</u>
Profit for the period	<u>20,552</u>	<u>17,529</u>	<u>76,085</u>	<u>83,765</u>
Earnings per share (in US\$):				
basic	0.31	0.26	1.16	1.23
diluted	0.30	0.25	1.12	1.20
non-IFRS	0.49	0.28	1.78	1.34





TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	30 September 2015	30 June 2015	31 December 2014	30 September 2014
Assets				
Current assets				
Cash and cash equivalents	83,589	59,669	192,610	137,385
Trade receivables	226,302	218,039	210,128	223,595
Other receivables	26,216	28,206	24,662	28,165
Total current assets	336,107	305,914	427,400	389,145
Non-current assets				
Property, plant and equipment	16,893	17,887	14,089	13,239
Intangible assets	743,691	751,912	437,808	447,622
Trade receivables	14,015	14,893	20,537	21,460
Other receivables	3,607	7,963	2,149	2,223
Deferred tax assets	18,365	20,320	23,865	20,046
Total non-current assets	796,571	812,975	498,448	504,590
Total assets	1,132,678	1,118,889	925,848	893,735
Liabilities and equity				
Current liabilities				
Trade and other payables	92,027	86,578	83,324	97,812
Deferred revenues	143,084	160,264	179,894	133,891
Income tax liabilities	7,852	8,173	14,177	7,902
Borrowings	12,972	13,858	12,860	11,537
Total current liabilities	255,935	268,873	290,255	251,142
Non-current liabilities				
Borrowings	488,206	495,622	279,232	288,169
Deferred tax liabilities	27,629	28,943	1,087	1,371
Income taxes payable	1,782	1,782	1,782	1,844
Trade and other payables	18,232	8,460	5,098	1,661
Retirement benefit obligations	6,474	6,865	6,356	4,449
Total non-current liabilities	542,323	541,672	293,555	297,494
Total liabilities	798,258	810,545	583,810	548,636
Shareholders' equity				
Share capital	210,774	228,357	228,357	228,357
Treasury shares	(22,793)	(147,175)	(152,942)	(116,699)
Share premium and capital reserves	(158,422)	(56,609)	(59,187)	(57,030)
Fair value and other reserves	(101,007)	(101,545)	(80,639)	(69,398)
Retained earnings	405,868	385,316	406,449	359,869
Total equity	334,420	308,344	342,038	345,099
Total liabilities and equity	1,132,678	1,118,889	925,848	893,735



TEMENOS GROUP AG

All amounts are expressed in thousands of US dollars

	Three months to 30 September 2015	Three months to 30 September 2014	Twelve months to 30 September 2015	Twelve months to 30 September 2014
Cash flows from operating activities				
Profit before taxation	24,443	20,267	87,832	98,137
<u>Adjustments:</u>				
Depreciation and amortisation	19,774	12,595	66,416	51,216
Other non-cash and non-operating items	13,960	7,193	32,512	29,766
<u>Changes in working capital:</u>				
Trade and other receivables	(15,563)	(82)	(2,237)	8,918
Trade and other payables, and retirement benefit obligations	8,003	3,025	(8,208)	(5,180)
Deferred revenues	(14,016)	(13,138)	8,137	15,263
Cash generated from operations	36,601	29,860	184,452	198,120
Income taxes paid	(1,912)	(1,075)	(9,333)	(9,341)
Net cash generated from operating activities	34,689	28,785	175,119	188,779
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,624)	(1,417)	(6,780)	(4,632)
Disposal of property, plant and equipment	-	2	-	24
Purchase of intangible assets	(1,120)	(1,580)	(4,347)	(5,378)
Disposal of intangible assets	-	-	2,000	-
Capitalised development costs	(10,780)	(9,766)	(46,221)	(41,965)
Acquisitions of subsidiary, net of cash acquired	-	-	(297,727)	-
Disposal of subsidiary or business, net of cash disposed	-	12	8	43
Settlement of financial instruments	(1,323)	982	2,093	(2,905)
Interest received	23	20	68	168
Net cash used in investing activities	(14,824)	(11,747)	(350,906)	(54,645)
Cash flows from financing activities				
Dividend paid	-	(36)	(28,605)	(26,633)
Acquisition of treasury shares	-	(68,237)	(46,499)	(73,454)
Proceeds from/(repayments of) borrowings	9,978	2,014	22,582	(52,998)
Proceeds from issuance of bonds	-	(6)	190,569	112,228
Interest paid	(5,214)	(4,854)	(9,668)	(6,690)
Payment of other financing costs	(508)	(410)	(2,569)	(2,308)
Payment of finance lease liabilities	(3)	(45)	(37)	(207)
Net cash generated from/(used in) financing activities	4,253	(71,574)	125,773	(50,062)
Effect of exchange rate changes	(198)	(3,416)	(3,782)	(3,862)
Net increase/(decrease) in cash and cash equivalents in the period	23,920	(57,952)	(53,796)	80,210
Cash and cash equivalents at the beginning of the period	59,669	195,337	137,385	57,175
Cash and cash equivalents at the end of the period	83,589	137,385	83,589	137,385

Appendix II – reconciliation of IFRS to non-IFRS Q3 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 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	
	2015 IFRS	Adjustment	2015 Non-IFRS	2014 IFRS	Adjustment	2014 Non-IFRS	IFRS	Non-IFRS
Licensing	50,244	19	50,263	31,101		31,101	62%	62%
SaaS & subscription	8,286	3,382	11,668	2,048		2,048	305%	470%
Total Software Licensing	58,530	3,401	61,931	33,149		33,149	77%	87%
Maintenance	58,985	348	59,333	56,939		56,939	4%	4%
Services	27,457	136	27,593	23,662		23,662	16%	17%
Total Revenue	144,972	3,885	148,857	113,750		113,750	27%	31%
Total Operating Expenses	(114,928)	9,716	(105,212)	(90,754)	2,196	(88,558)	27%	19%
Restructuring	(1,339)	1,339	-	(259)	259	-	417%	
Amort of Acquired Intangibles	(8,377)	8,377	-	(1,937)	1,937	-	332%	
Operating Profit	30,044	13,601	43,645	22,996	2,196	25,192	31%	73%
Operating Margin	21%		29%	20%		22%	1% pt	7% pts
Financing Costs	(5,601)		(5,601)	(2,729)		(2,729)	105%	105%
Taxation	(3,891)	(1,300)	(5,191)	(2,738)	(550)	(3,288)	42%	58%
Net Earnings	20,552	12,301	32,853	17,529	1,646	19,175	17%	71%
EPS (\$ per Share)	0.30	0.19	0.49	0.25	0.03	0.28	20%	75%