



Financial results & business update

Quarter ended 31 March 2015

21 April 2015

Disclaimer

Any remarks that we may make about future expectations, plans and prospects for the company constitute forward-looking statements. Actual results may differ materially from those indicated by these forward-looking statements as a result of various factors.

In particular, the forward-looking financial information provided by the company in this conference call represent the company's estimates as of 21 April 2015. We anticipate that subsequent events and developments will cause the company's estimates to change.

However, while the company may elect to update this forward-looking financial information at some point in the future, the company specifically disclaims any obligation to do so. This forward-looking information should not be relied upon as representing the company's estimates of its future financial performance as of any date subsequent to 21 April 2015.

Non-IFRS 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 tables accompanying this press release the Company sets forth its supplemental non-IFRS figures for revenue, operating costs, EBIT, EBITDA, net earnings and earnings per share, which exclude the effect of adjusting the carrying value of acquired companies' deferred revenue, the amortization of acquired intangible intangibles, discontinued activities, acquisition related charges, restructuring costs, and the income tax effect of the non-IFRS adjustments. The tables also set forth the most comparable IFRS financial measure and reconciliations of this information with non-IFRS information.

When the Company believes it would be helpful for understanding trends in its business, the Company provides percentage increases or decreases in its revenue (in both IFRS as well as non-IFRS) to eliminate the effect of changes in currency values. When trend information is expressed herein "in constant currencies", the results of the "prior" period have first been recalculated using the average exchange rates of the comparable period in the current year, and then compared with the results of the comparable period in the current year.



Agenda

Business update

David Arnott, CEO

Financial update

Max Chuard, CFO

Summary

David Arnott, CEO

Q&A

Summary

- Weak software licensing performance in Q1 2015
- Strong start to Q2 and full year total software licensing guidance reconfirmed
- Market conditions improving
- Two strategic acquisitions completed and integration on track
- Continued focus on high margin services delivered profitability in Q1
- Strong cash conversion, DSOs down 15 days vs. Q1-2014 (25 days on a proforma basis)
- Continued strong cost control protects margins

Business fundamentals sound; management focus on sales execution

Q1 sales update

Weak sales performance:

- Restructuring actions taken after Q4, sales force not fully productive in Q1
- Lack of client imperative to sign deals in Q1 and focus on holding value
- Unable to lap tough comparative quarter

Positives for the quarter:

- Strong tier 1/2 contribution
- Resilience from installed base
- Signing of Julius Baer demonstrates strength of wealth management offering
- 5 new customer wins in Q1 2015
- Continued recovery in the European business

Focus on execution for remaining quarters:

- Strong start to Q2
- Market conditions improving
- Improved balance of focus between new business and installed client base

Management reconfirms full year guidance



Q1 2015 operational overview

Services business profitable in Q1

- 740bps improvement in non-IFRS services margin Y-o-Y

Continued strong customer success

- 123 go-lives LTM (28 go-lives in total in Q1 with 4 implementation go lives)

Deepening and maturing relationship with partner ecosystem

- Partners now involved in the majority of all implementations
- Increased sales commitment from strategic partners

Increased sales of “premium” services – 28% of total services revenues in Q1

Strong cost management protects margins and underpins strong cash conversion

Maintenance growth accelerating, 7% like-for-like growth

Executing against strategic priorities



Market Update



First growth in core banking since 2007
Europe showing clear signs of recovery
US opening up to international vendors



Expects global banking software spending to grow at 7.2% CAGR (through 2018)



WHAT THE BEST COMPANIES DO

Top banking initiative for 2015 is to “Align core modernization to the pace of digital strategy”

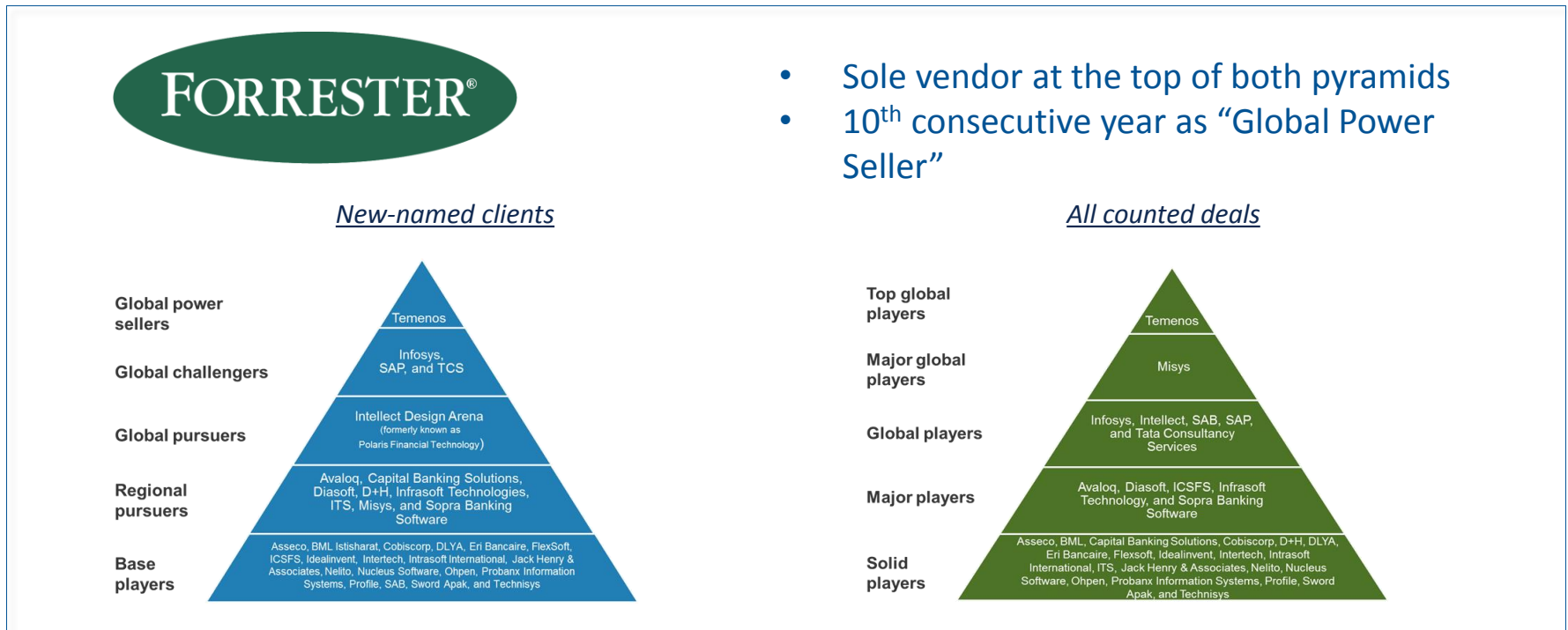


Global banking IT spend will be driven by investment in digital channels, analytics and core platform renewal

Market conditions improving



Continued 3rd party validation of market leadership



- Sole vendor at the top of both pyramids
- 10th consecutive year as “Global Power Seller”



Leading position in a consolidating marketplace

Source: Forrester “Global Banking Platform deals 2014”

Source: International Banking Systems “Sales League Table 2014 (results Jan-Dec 2014)”, published March 2015

Acquisition update

Multifonds

- Market leader in fund administration software, serving 9 of top 15 players. Entry into fast-growing market
- Training of Temenos sales on Multifonds products progressing well with incentive structures for cross-selling in place
- Multifonds customers to attend TCF
- Majority of cost savings locked in

Akcelerant

- Market leader in collections software to US credit unions, 600 clients. Boosts US value proposition and presence
- US sales force consolidated into single team
- Joint go-to-market activities initiated
- Strong positive feedback from annual customer event held last week with multiple opportunities created

Strategic acquisitions open up new markets

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Q1 2015 non-IFRS financial highlights

- Total software licensing down 14.7% Y-o-Y and down 2.6% LTM (constant currency)
- SaaS contributed 22% of total software licensing in Q1 2015 vs. 6% in Q1 2014
- Maintenance growth of 9% Y-o-Y and 5.5% LTM (constant currency)
- 740bps improvement in services margin Y-o-Y to 1.2%
- EBIT margin of 15.8% for Q1 2015 and 26.8% for LTM
- Q1 operating cashflows of USD 10.1m; LTM of USD 180m*
- Q1 cash conversion on LTM basis of 115%*

Weak software licensing; higher contribution from recurring revenues

* LTM operating cash and EBITDA are on IFRS basis

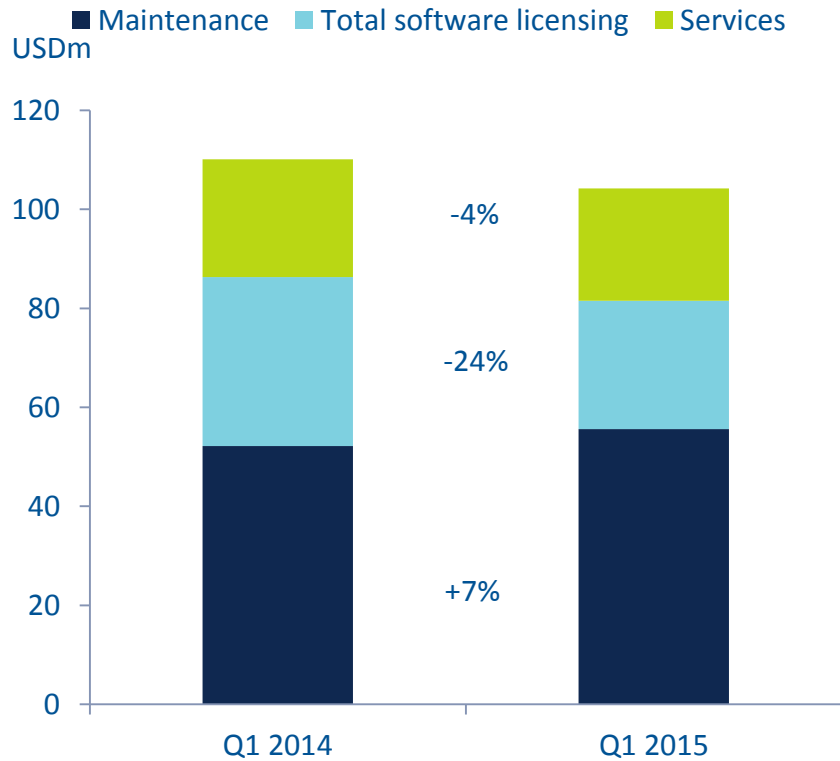
Non-IFRS income statement – operating

In USDm	Q1 15	Q1 14	Y-o-Y reported	Y-o-Y constant currency	LTM 15	LTM 14	Y-o-Y reported	Y-o-Y constant currency
Software licensing	20.0	29.8	-32.7%	-29.9%	129.9	143.1	-9.2%	-6.8%
SaaS	5.8	1.7	234.3%	235.3%	12.1	6.6	83.5%	83.2%
Total software licensing	25.9	31.5	-17.9%	-14.7%	142.0	149.6	-5.1%	-2.6%
Maintenance	55.6	53.8	3.4%	9.0%	225.2	215.3	4.6%	5.5%
Services	22.7	24.2	-6.0%	1.7%	96.2	108.8	-11.6%	-11.1%
Total revenue	104.3	109.6	-4.8%	0.5%	463.4	473.8	-2.2%	-0.8%
Operating costs	87.8	89.7	-2.1%	5.2%	339.0	354.6	-4.4%	-3.2%
EBIT	16.4	19.8	-17.1%	-18.9%	124.4	119.1	4.4%	6.1%
Margin	15.8%	18.1%	-2.3% pts		26.8%	25.2%	1.7% pts	
EBITDA	27.8	30.4	-8.7%	-10.0%	167.0	158.3	5.5%	6.8%
Margin	26.7%	27.8%	-1.1% pts		36.0%	33.4%	2.6% pts	
Services margin	1.2%	-6.2%	7.4% pts		7.0%	-1.7%	8.7%	

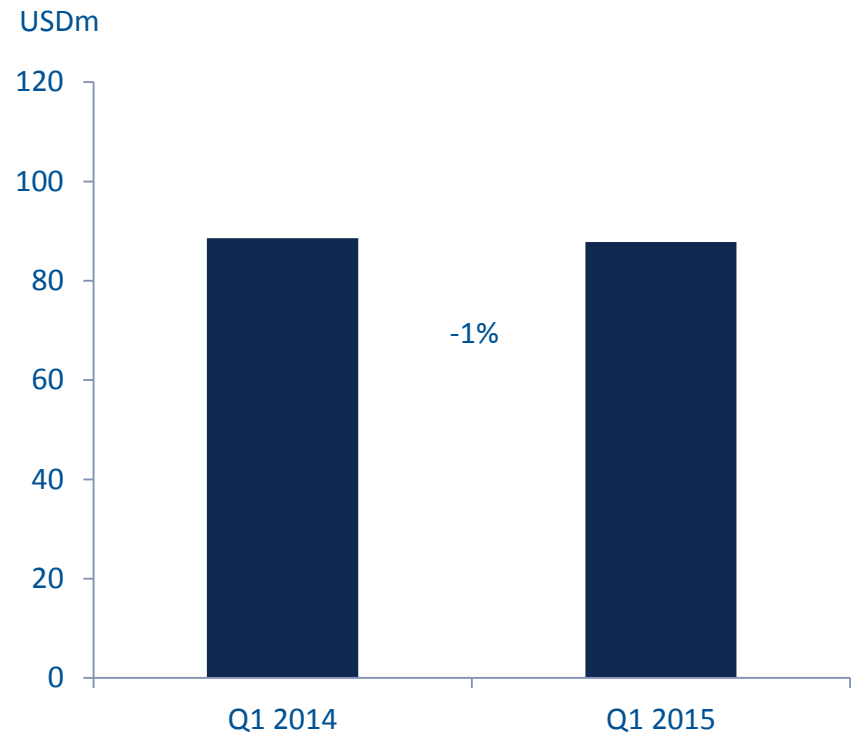
Strong SaaS and Maintenance growth

Like-for-like revenue and costs

Q1 LFL revenue down 5%



Q1 LFL non-IFRS costs down 1%



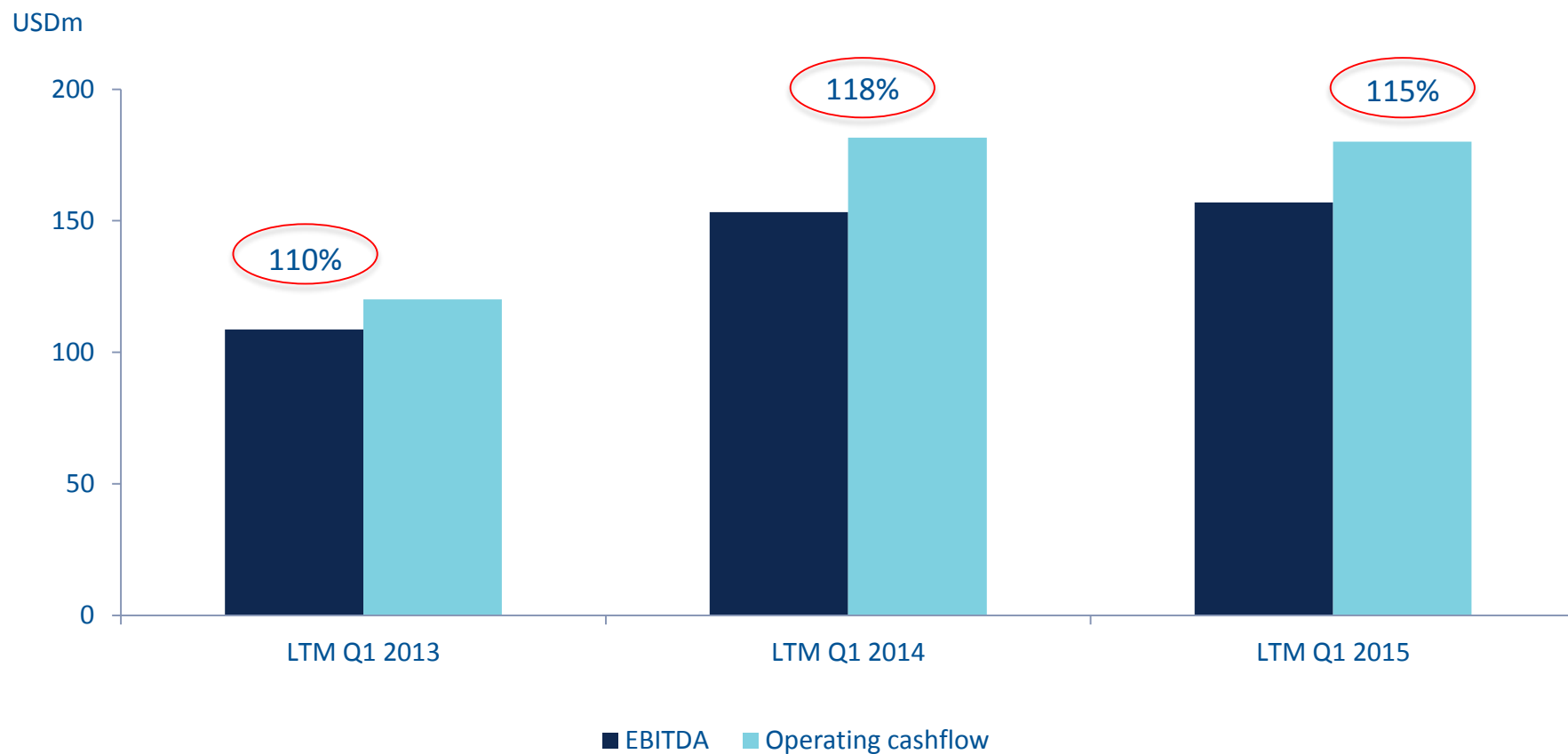
Costs under control

Non-IFRS income statement – non-operating

In USDm, except EPS	Q1-15	Q1-14	Y-o-Y	LTM 15	LTM 14	Y-o-Y
EBIT	16.4	19.8	-17%	124.4	119.1	4%
Net finance charge	-4.0	-2.5	-61%	-12.7	-9.9	-28%
FX gain / (loss)	0.8	-0.5	N.A.	0.6	-2.0	N.A.
Tax	-1.1	-2.8	61%	-14.5	-16.9	14%
Net profit	12.1	14.0	-14%	97.9	90.4	8%
EPS (USD)	0.18	0.20	-10%	1.43	1.30	10%

Efficient management of below the line items

IFRS cash conversion



Continued strong cash conversion

Balance sheet – debt and financing

In USDm	31 Mar 15	Comment
Debt	513.0	Facilities of up to USD 487.5m* and CHF 200m bonds
Cash	106.4	Held in short term deposits
Net debt	406.6	2.3x proforma LTM EBITDA**
Treasury shares***	(29.5)	Reflects market value as of 31 Mar 2015
Net debt incl. treasury shares	377.1	2.2x proforma LTM EBITDA**

* Includes EUR 125m bridge facility and USD 350m existing facilities

** EBITDA includes contribution from acquired companies in the period

*** Cash equivalent i.e. excludes shares repurchased for cancellation in 2013 and 2014

Leverage expected to decrease to range of 1.0x to 1.5x within 12-18 months

2015 guidance

Total software licensing growth of 36% to 41% (implying total software licensing revenue of USD 192m to USD 199m)

- includes **software licensing growth of 13%+** (implying software licensing revenue of at least USD 152m)

Non-IFRS revenue growth of 18% to 23% (implying revenue of USD 526m to USD 548m)

Non-IFRS EBIT margin of 28.5% (implying non-IFRS EBIT of USD 150m to USD 156m)

100%+ conversion of EBITDA into operating cashflow

Tax rate of 17% to 18%

- Growth at constant currency - currency assumptions on slide 23
- See appendix for definition of non-IFRS

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- Continued strong cost control protects margins
- Strong conviction for the full year

Business fundamentals sound; management focus on sales execution



TCF 2015 – Istanbul: 19 to 21 May 2015

- Theme for 2015 is ‘Introducing Experience-Driven Banking’
- Dedicated analyst and investor stream
- See our software in action and learn about our product roadmap
- Insights from Temenos executives and industry thought leaders
- Interaction and learning from Temenos customers and partners
- Breakout sessions with senior management



Introducing Experience-Driven Banking



Appendices

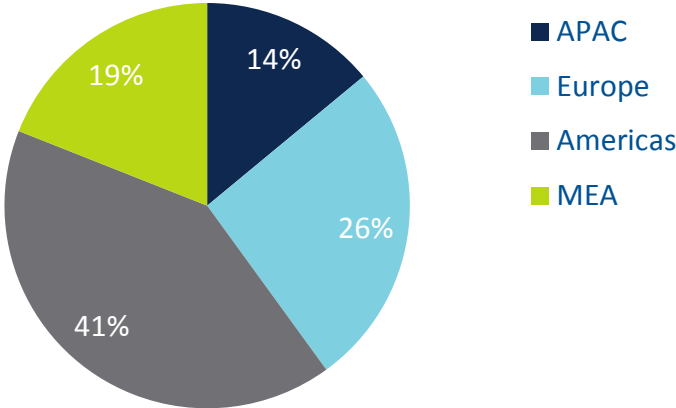
FX assumptions underlying 2015 guidance

In preparing the 2015 guidance, the Company has assumed the following:

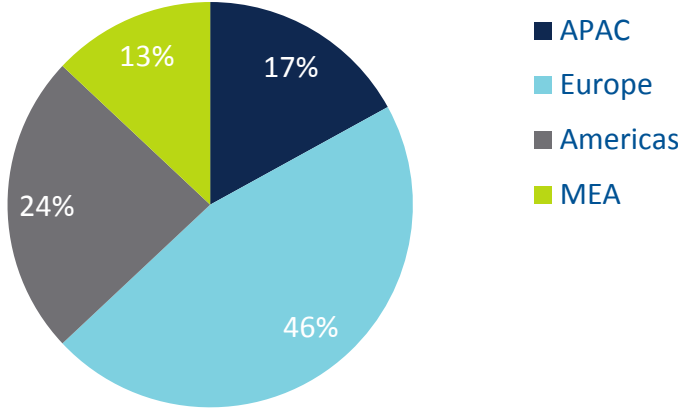
- USD to Euro exchange rate of 0.928
- USD to GBP exchange rate of 0.676; and
- USD to CHF exchange rate of 0.971

Total software licensing revenue breakdown by geography

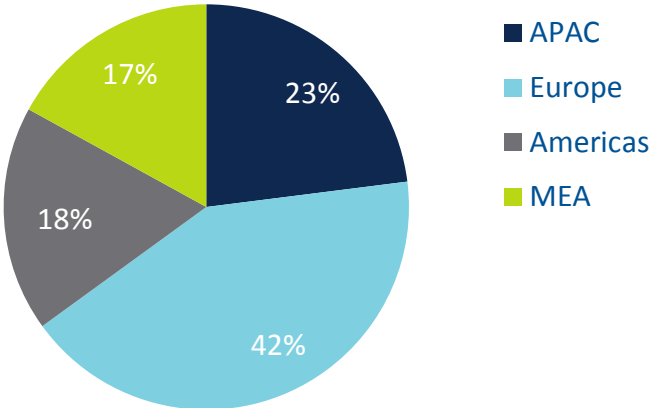
Q1 2014



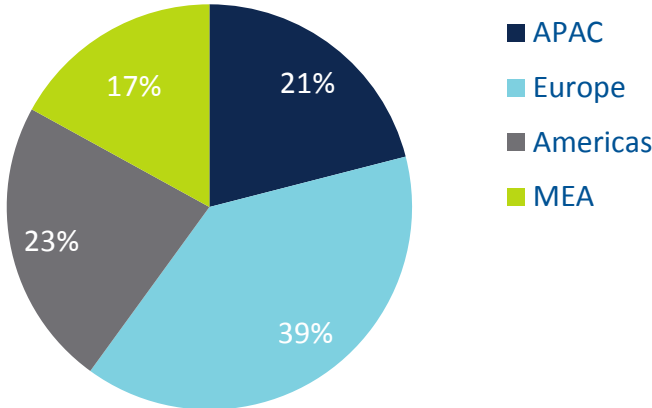
Q1 2015



LTM Q1 2014

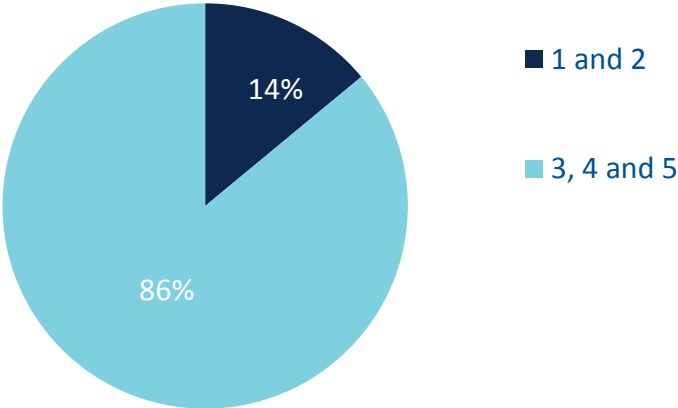


LTM Q1 2015

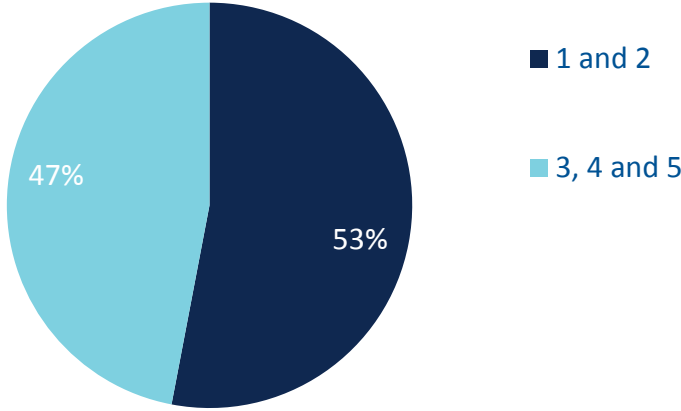


Total software licensing revenue breakdown by customer tier

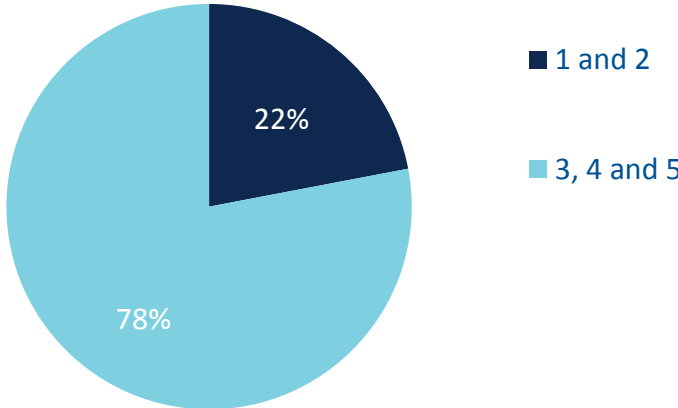
Q1 2014



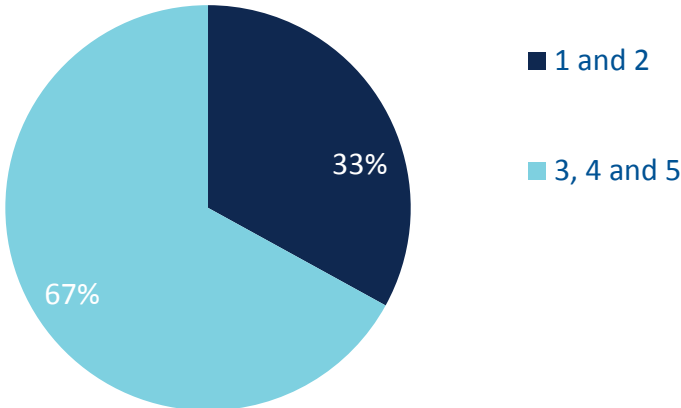
Q1 2015



LTM Q1 2014

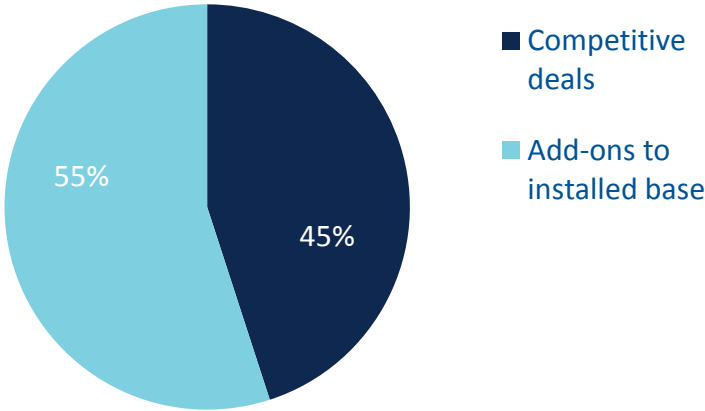


LTM Q1 2015

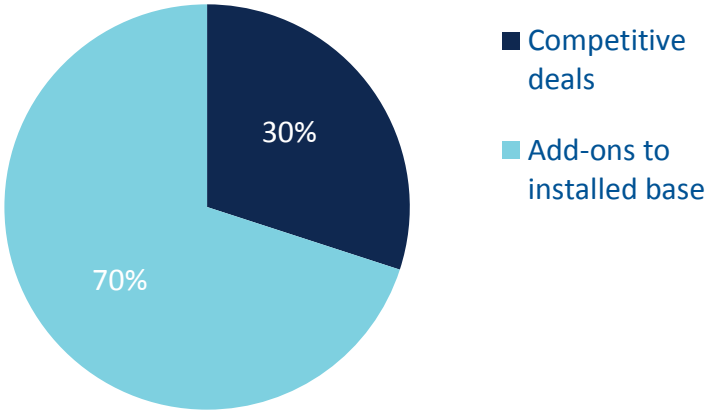


Total software licensing revenue breakdown by competitive deals / add-ons to installed base

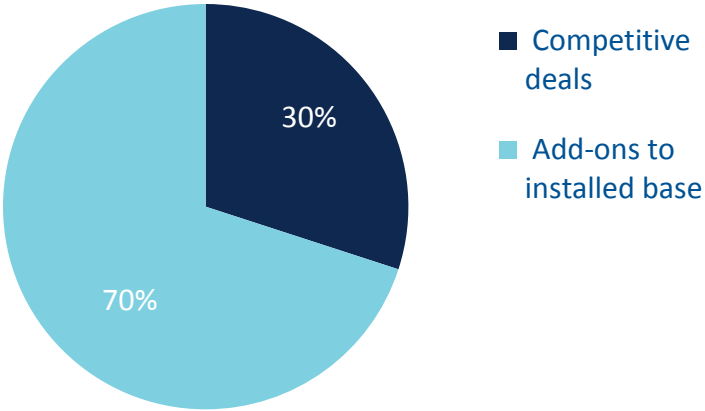
Q1 2014



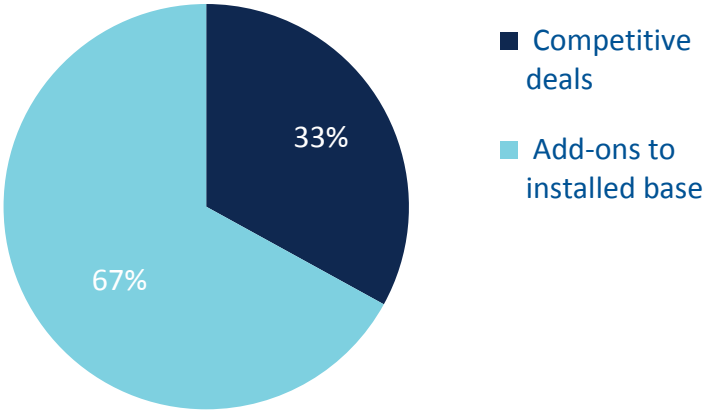
Q1 2015



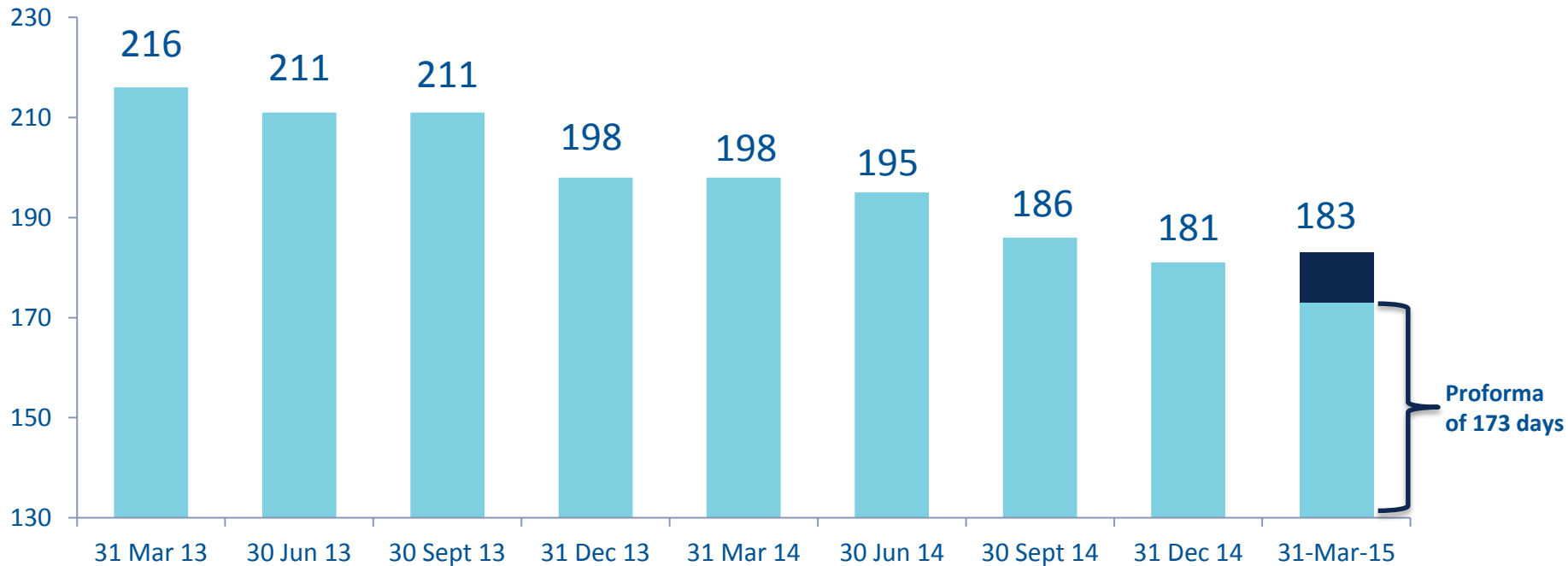
LTM Q1 2014



LTM Q1 2015



DSOs continue to decline



- DSO in Q1-15 ended at 183 days, of which ten are due to acquisitions

Capitalisation of development costs

USDm	Q1 13	Q2 13	Q3 13	Q4 13	FY 13
Cap' dev' costs	-9.7	-9.6	-9.8	-12.7	-41.9
Amortisation	6.0	6.1	7.6	8.0	27.7
Net cap' dev'	-3.6	-3.6	-2.3	-4.7	-14.2
USDm	Q1 14	Q2 14	Q3 14	Q4 14	FY 14
Cap' dev' costs	-9.7	-9.8	-9.7	-13.9	-43.1
Amortisation	8.3	8.3	8.3	8.5	33.4
Net cap' dev'	-1.3	-1.5	-1.4	-5.5	-9.8
USDm	Q1 15				
Cap' dev' costs	-10.3				
Amortisation	8.8				
Net cap' dev'	-1.5				

Reconciliation from IFRS to non-IFRS

IFRS revenue measure

+ Deferred revenue write-down

= **Non-IFRS revenue measure**

IFRS profit measure

+/- Deferred revenue writedown

+ / - Discontinued activities

+ / - Acquisition related charges

+ / - Amortisation of acquired intangibles

+ / - Restructuring

+ / - Taxation

= **Non-IFRS profit measure**



Accounting elements not included in non-IFRS guidance

Below are the accounting elements not included in the 2015 non-IFRS guidance:

- FY 2015 estimated deferred revenue write-down of approximately USD 23m
- 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 21 April 2015.

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

Reconciliation from IFRS to non-IFRS

USDm	3 Months Ending 31 March						Change	
	2015		2015	2014		2014		
	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	23.9	2.0	25.9	31.5		31.5	(24%)	(18%)
Maintenance	55.5	0.2	55.6	53.8		53.8	3%	3%
Services	22.7	0.1	22.7	24.2		24.2	(6%)	(6%)
Total Revenue	102.0	2.3	104.3	109.6		109.6	(7%)	(5%)
Total Operating Costs	(98.0)	10.1	(87.8)	(92.3)	2.5	(89.7)	6%	(2%)
Restructuring	(6.5)	6.5	0.0	(0.6)	0.6	0.0	977%	
Amort of Acq'd Intang.	(3.7)	3.7	0.0	(1.9)	1.9	0.0	88%	
Operating Profit	4.0	12.4	16.4	17.3	2.5	19.8	(77%)	(17%)
Operating Margin	4%	0%	16%	16%	0%	18%	(75%)	(13%)
Financing Costs	(3.2)	0.0	(3.2)	(3.0)	0.0	(3.0)	8%	8%
Taxation	(0.1)	(1.0)	(1.1)	(2.5)	(0.3)	(2.8)	(95%)	(61%)
Net Earnings	0.7	11.4	12.1	11.8	3.0	14.0	(94%)	(13%)
EPS (\$ per Share)	0.01	0.17	0.18	0.17	0.03	0.20	(94%)	(10%)



Net earnings reconciliation

In USDm, except EPS	Q1-15	Q1-14
IFRS net earnings	0.7	11.8
Deferred revenue write-down	2.3	0.0
Amortisation of acquired intangibles	3.7	1.9
Restructuring	3.0	0.6
Acquisition related charges	3.5	-
Taxation	-1.0	-0.3
Net earnings for non-IFRS EPS	12.1	14.0
No. of dilutive shares	67.4	69.6
Non-IFRS diluted EPS (USD)	0.18	0.20

Reconciliation from IFRS to non-IFRS for EBIT and EBITDA

USDm	Q1 2015	Q1 2015
	IFRS EBIT	IFRS EBITDA
	4.0	19.1
Deferred revenue write-down	2.3	2.3
Acquisition-related charges	3.5	3.5
Amortisation of acquired intangibles	3.7	-
Restructuring	3.0	3.0
	Non-IFRS EBIT	Non-IFRS EBITDA
	16.4	27.8

Definitions

Non-IFRS adjustments

Deferred revenue write-down

Adjustments made resulting from acquisitions

Discontinued activities

Discontinued operations at Temenos that do not qualify as such under IFRS

Acquisition related charges

Relates mainly to advisory fees, integration costs and earn outs

Amortisation of acquired intangibles

Amortisation charges as a result of acquired intangible assets

Restructuring

Costs incurred in connection with a restructuring plan implemented and controlled by management

Severance charges, for example, would only qualify under this expense category if incurred as part of a company-wide restructuring plan

Taxation

Adjustments made to reflect the associated tax charge relating to the above items

Other

Constant currencies

Prior year results adjusted for currency movement

Like-for-like (LFL)

Adjusted prior year for acquisitions and movements in currencies





Thank you
www.temenos.com