



# TEMENOS

THE BANKING SOFTWARE COMPANY



# THE **WORLD'S NUMBER 1** BANKING SOFTWARE

Over **3000 banks** in **150 countries** run Temenos



# Fixed income roadshow presentation

12-13 November 2019



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# | 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 the conference call represent the company's estimates as of September 2019. 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 September 2019.

# | Non-IFRS Information

Readers are cautioned that the supplemental non-IFRS information presented in this presentation 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 presentation 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 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

1. Overview of Temenos
2. The market opportunity
3. Business and financial update
4. Credit highlights
5. Appendix

# Overview of Temenos



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# Overview of Temenos

**\$10b**

market  
capitalization

**22%+**

average  
annual  
software  
license growth

**15 years**

Management  
Board average  
tenure

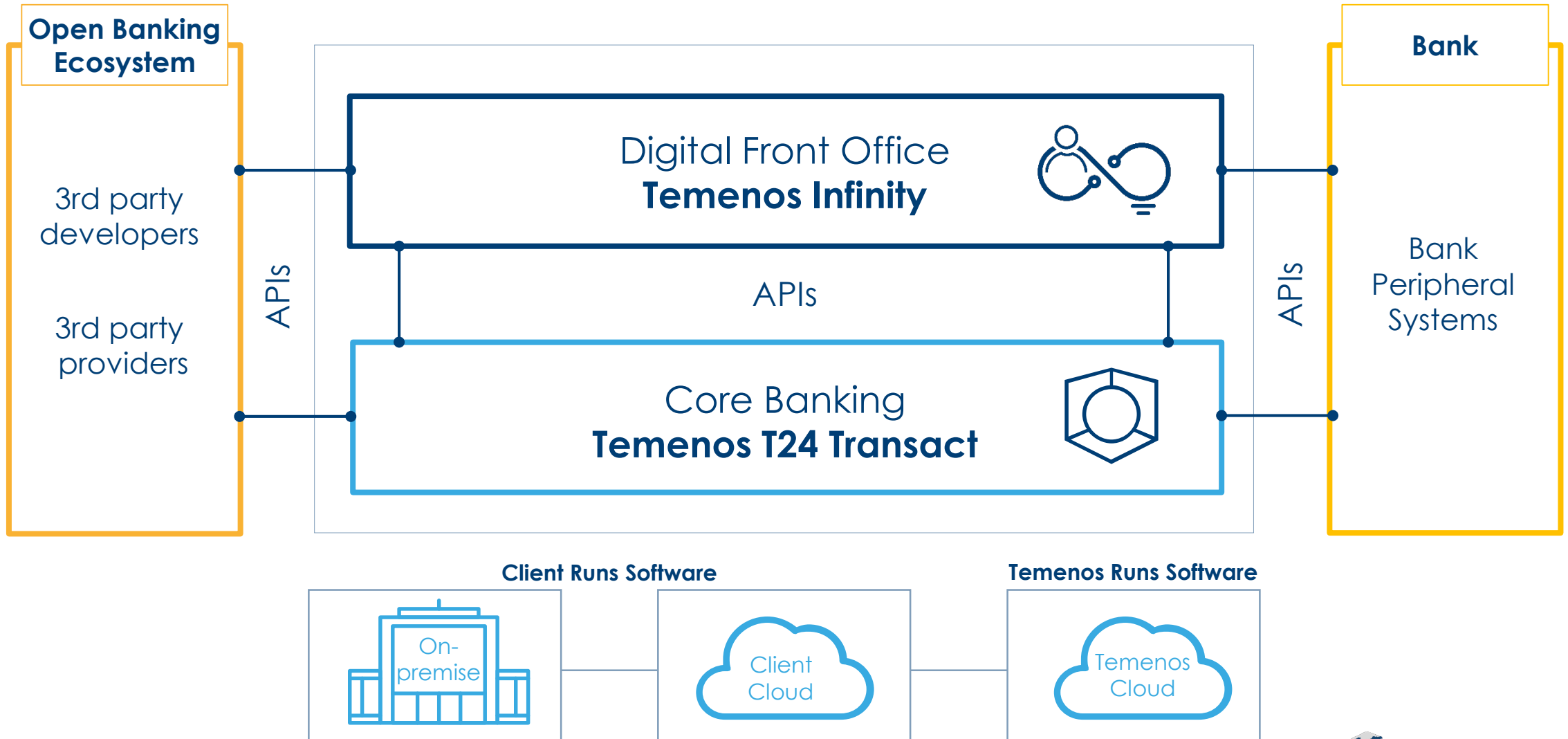
**41**

countries with  
Temenos  
offices

**\$190m**

R&D investment  
(20% of 2018  
revenues)

# | Temenos Cloud Native, Cloud Agnostic Products



# Our clients

**3,000**

financial institutions use Temenos software

**150+**

countries with Temenos clients

**1st**

Banking software in the cloud in 2011

**41**

of the **top 50** banks in the world

**2,000**

accounts in smallest client

**24,000,000**

accounts in largest client

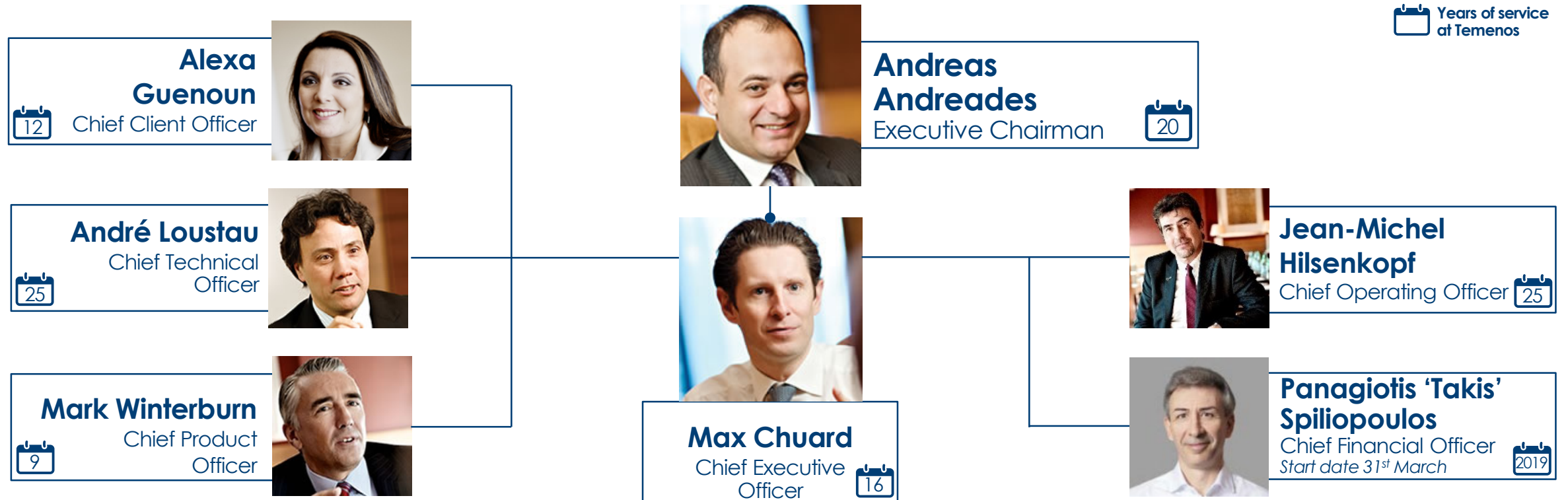
**500,000,000**

end-customers rely on Temenos software

**\$19t AUM**

by wealth/asset managers on Temenos software

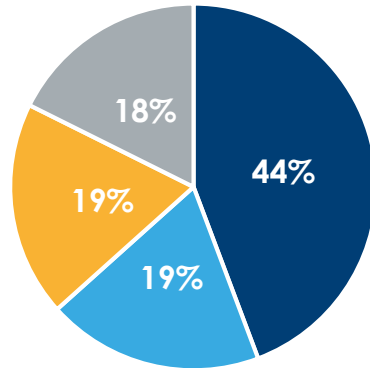
# Temenos leadership team



# Long term, diversified client relationships

## Geographically diversified client portfolio

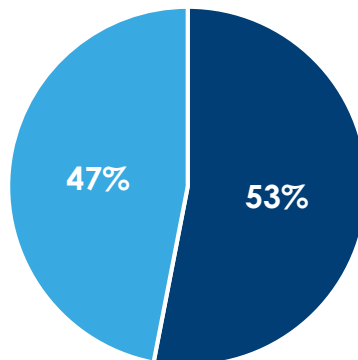
FY-18 Revenues



■ Europe ■ Asia ■ Americas ■ Middle-East & Africa

## Reputable customers

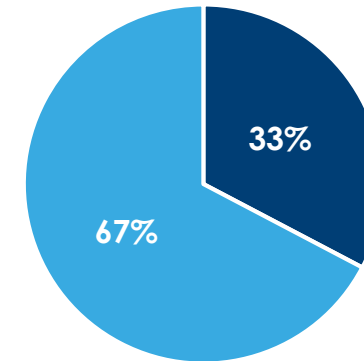
FY-18 Revenues



■ Tier 1&2 ■ Others

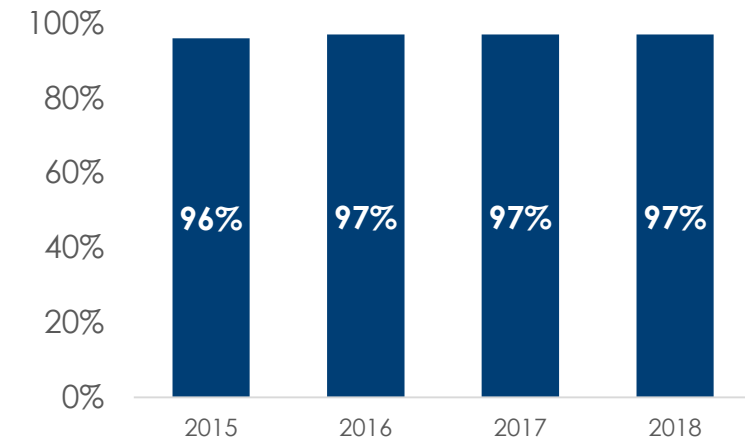
## Limited customer concentration exposure

FY-18 Revenues



■ Top 20 Clients ■ Others

## Very high client retention



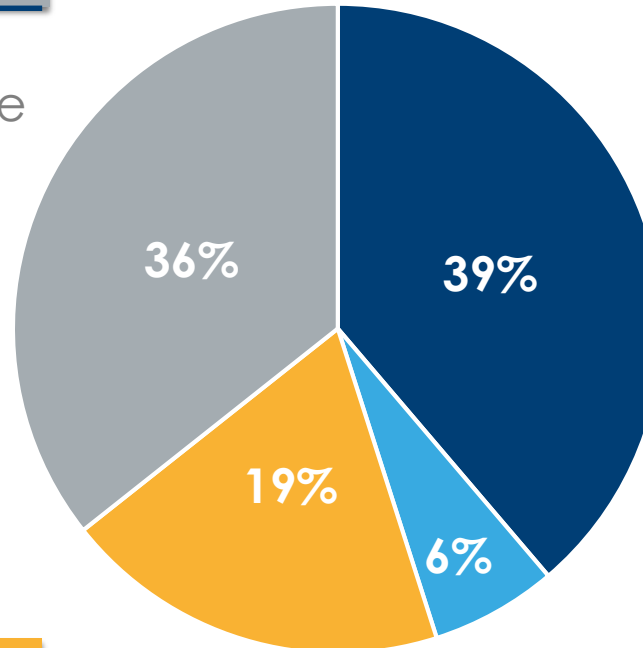
# | Our revenue model: a product led company

## Software licenses

Packaged and modular offering  
Drives 21% recurring maintenance  
Vertically integrated suites  
New and existing clients

## Maintenance

Cumulative recurring revenue stream  
Regular upgrades & innovation  
Typical 5 years initial commitment  
Paid annually in advance  
CPI indexed



Source: Q3 YTD 2019 reported Non-IFRS revenue

## Services

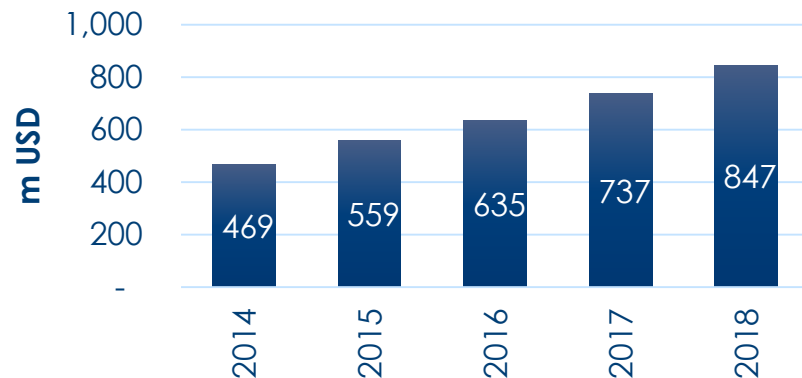
Strong Partner engagement Model  
Process led implementations  
Deep skills consultancy  
Key to client satisfaction

## SaaS & Subs.

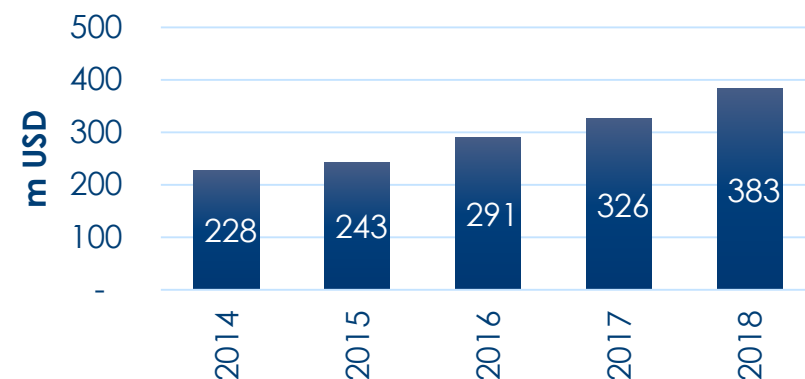
Cumulative Recurring revenue stream  
Choice of Private or Public cloud  
3-5 years initial commitment  
Strong growth in 2018 SaaS bookings

# Double digit growth across key metrics

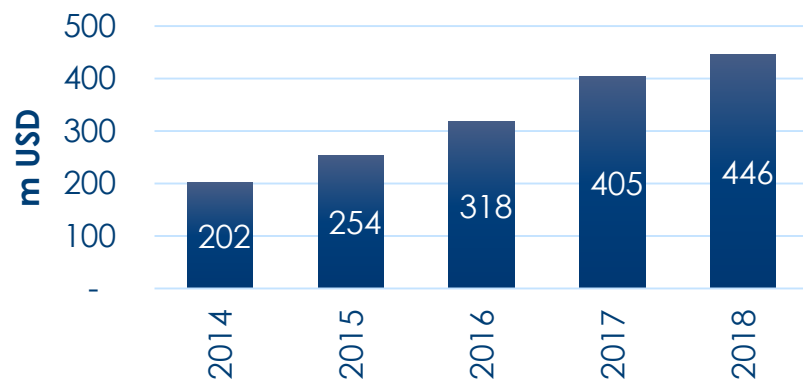
**Total Revenues growth – 16% CAGR**



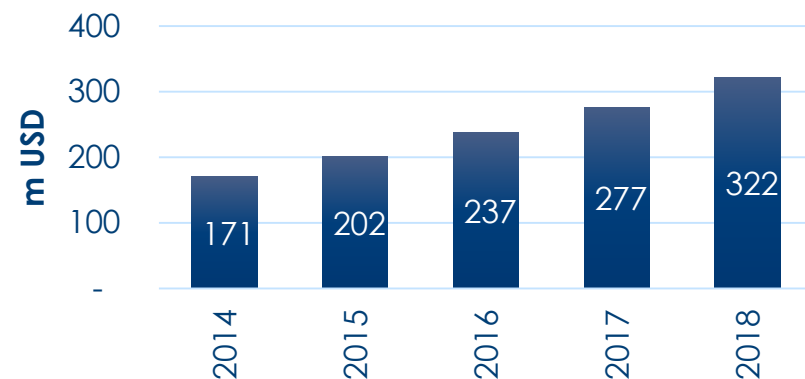
**Recurring revenue growth – 14% CAGR**



**Revenues from Tier 1&2 growth – 22% CAGR**



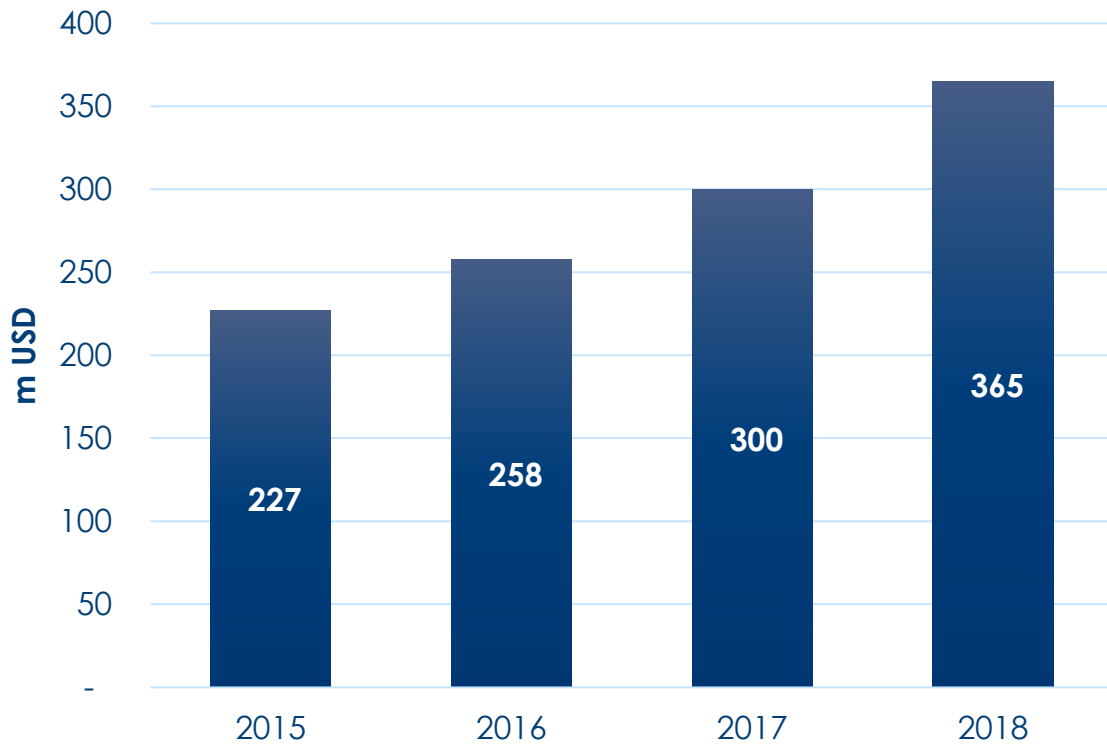
**Non-IFRS EBITDA growth – 17% CAGR**



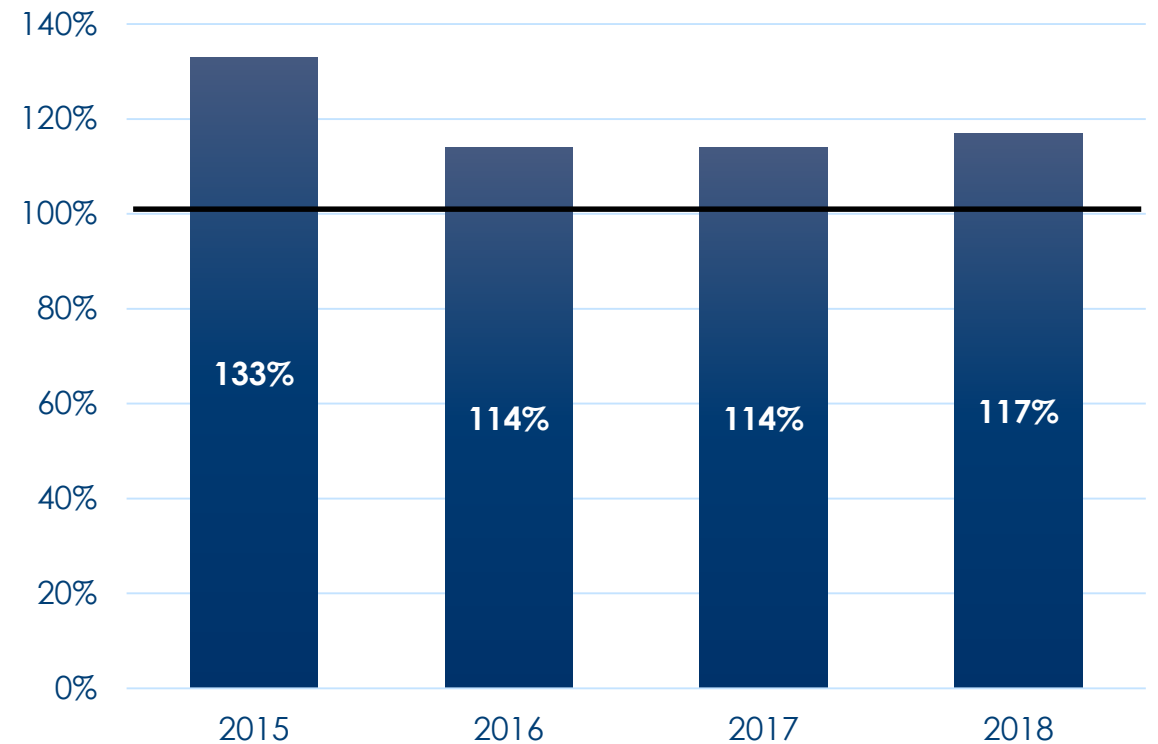
*Note (1): All above financials are based on Non-IFRS metrics (IAS18)*

# Cash-flow metrics

Operating Cash growing 18% CAGR



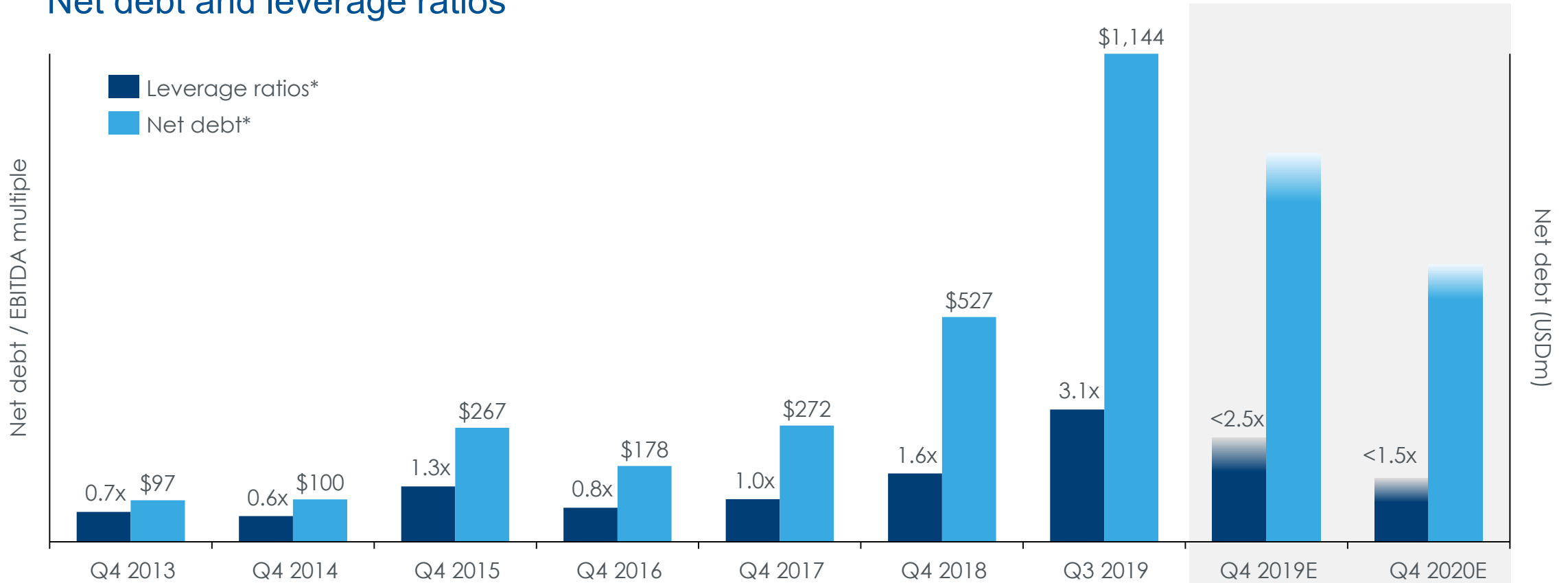
Operating Cash : EBITDA conversion over 100%



Consistent EBITDA conversion into cash of 100%+

# Disciplined approach to debt gearing

## Net debt and leverage ratios\*



\* proforma non-IFRS EBITDA adjusted for lease expense reported under depreciation and amortization under IFRS 16 since 1 Jan 19, net debt includes cross-currency swap and excludes leases reported as borrowings under IFRS16

Expecting to be below 2.5x by end of Q4 2019 and below 1.5x by Q4 2020.

# | Kony, Inc acquisition -Transaction summary

## Transaction highlights

- Temenos acquired Kony in September 2019 for an enterprise value of USD 559m and an earn-out of USD 21m
- Kony is the No.1 digital banking SaaS provider in the US
- Strengthens/positions TemenosInfinity as the richest and most technologically advanced digital banking product
- Accelerates Temenos' growth in the US, bringing substantial scale, digital expertise and increased market presence
- Integration of product and organisation progressing well

## Funding

- The acquisition is being funded through cash and debt
- Temenos is using a combination of its existing revolving credit facility and a bridge loan
- Leverage at 3.1x net debt to EBITDA in Q3 2019, expected to be below **2.5x** net debt to EBITDA by year end 2019 and below **1.5x** by year end 2020

## Financial impact

- Kony is expected to generate total revenues of c.USD 115m in 2020
- This corresponds to total revenue growth in excess of Temenos' sustainable annual growth targets
- Over 60% of total 2020 revenue is expected to be recurring, mostly SaaS
- The acquisition is expected to be non-IFRS EPS neutral in 2020, accretive in 2021 and to reach group margins within 3 years
- One-time total integration and restructuring costs of USD 10-12m and acquisition related costs of USD 3m

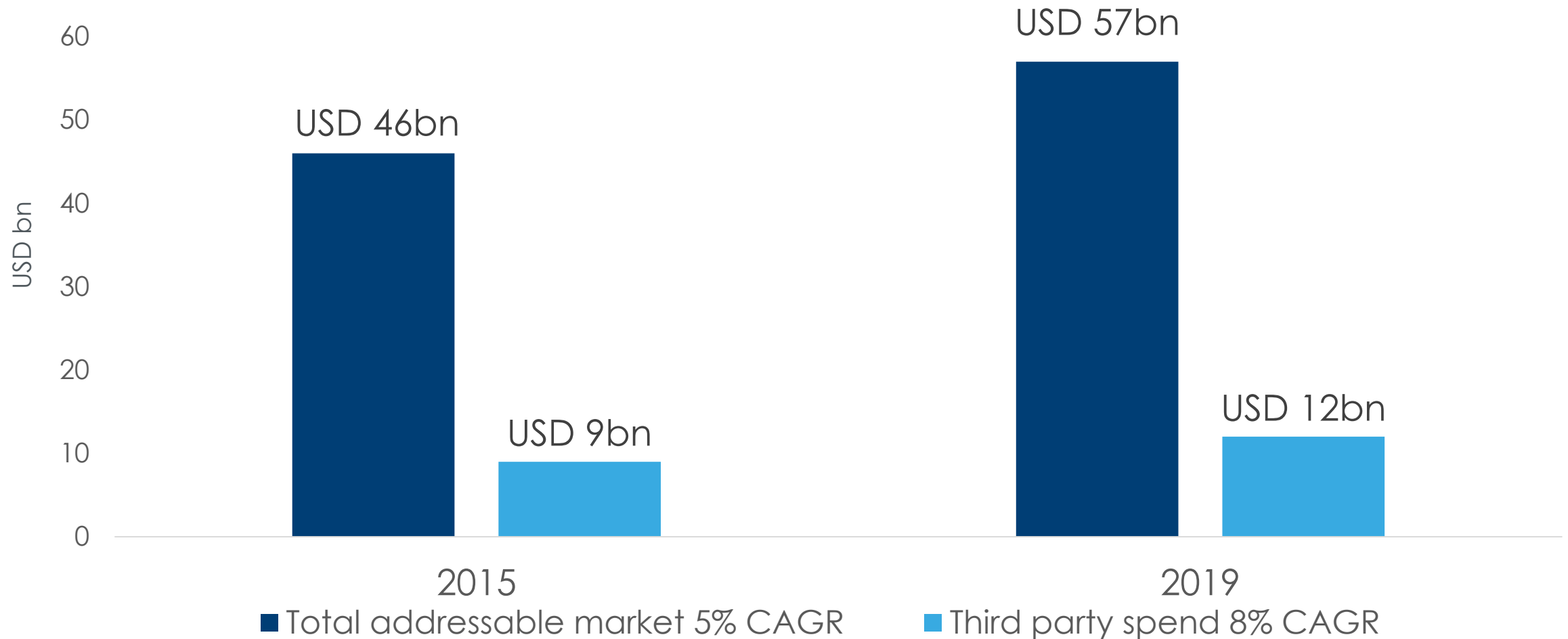
# The market opportunity



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# | A large and growing market

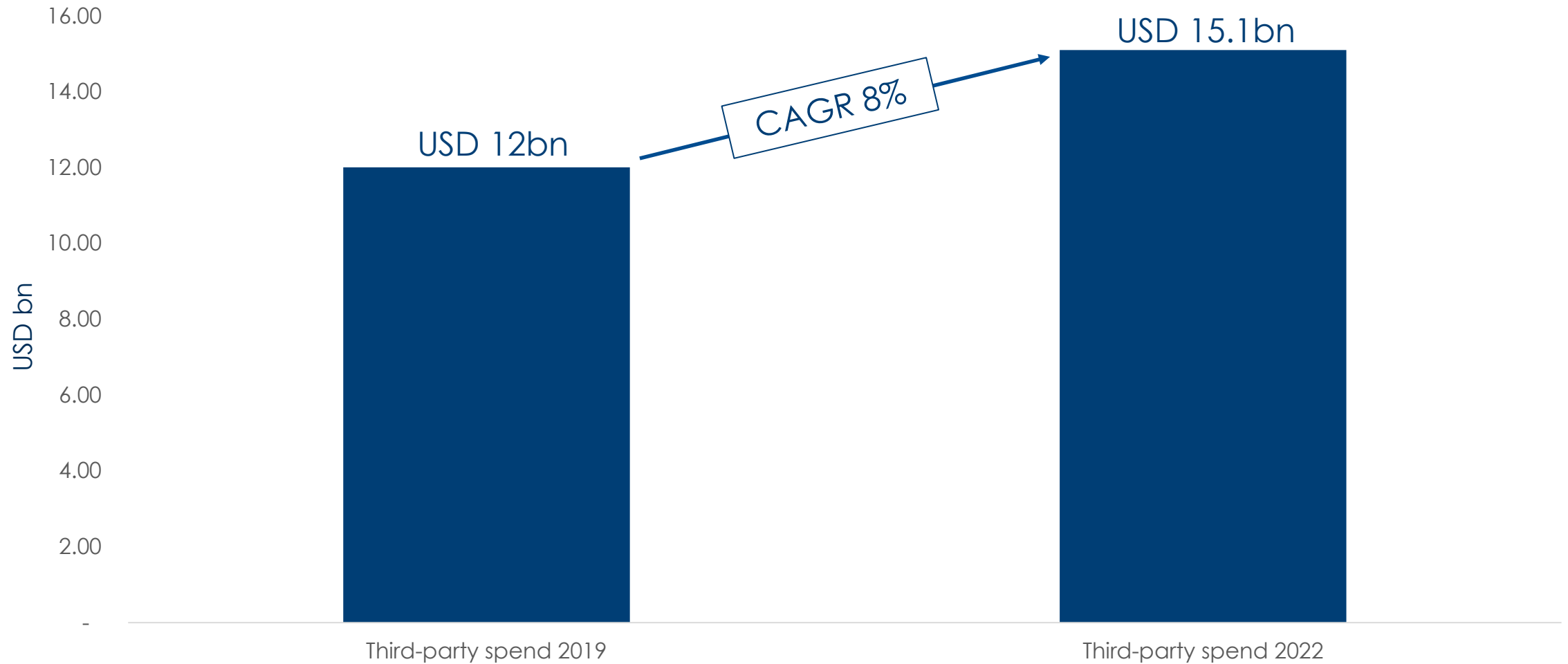
## Addressable Bank IT spend



Source: Gartner, IDC, Celent, Ovum, Oliver Wyman, Temenos estimates

Note 2015 addressable market increased due to opening of new markets including fund administration, compliance and origination

# The market will continue to grow

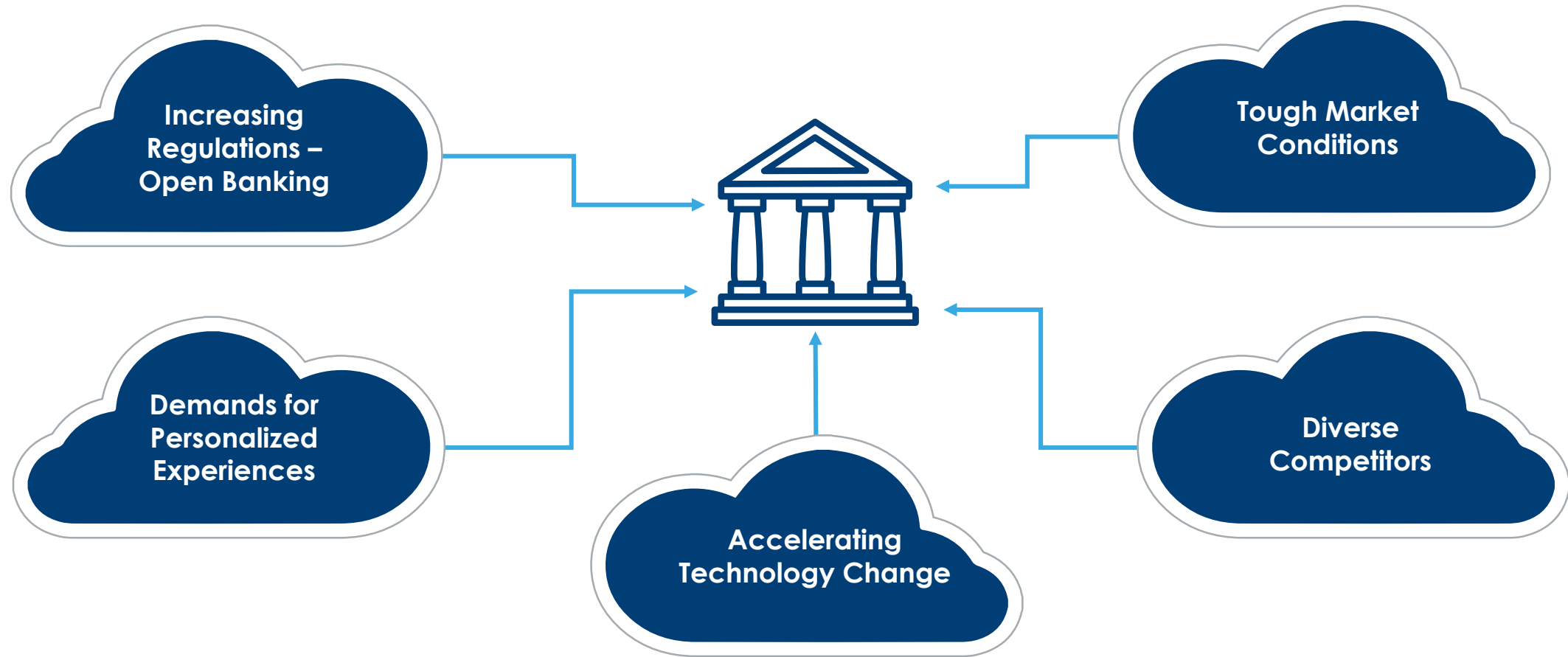


Source: Gartner, IDC, Celent, Ovum, Oliver Wyman, Temenos estimates

N.B. Digital Front Office comprises previous segments stated as Digital Channels, Front Office, Origination

All spend and forecasts are for licenses and maintenance only

# | The urgency to change has never been greater



“ Banks without a modern digital platform will find it hard to remain competitive in the next five to seven years.

Jost Hoppermann, Forrester

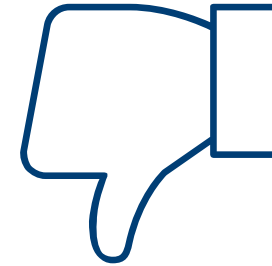
# | Banks are hindered by their legacy systems



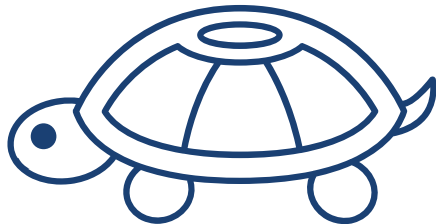
Higher  
operating  
costs



Higher  
operational  
risk



Poor  
customer  
experience

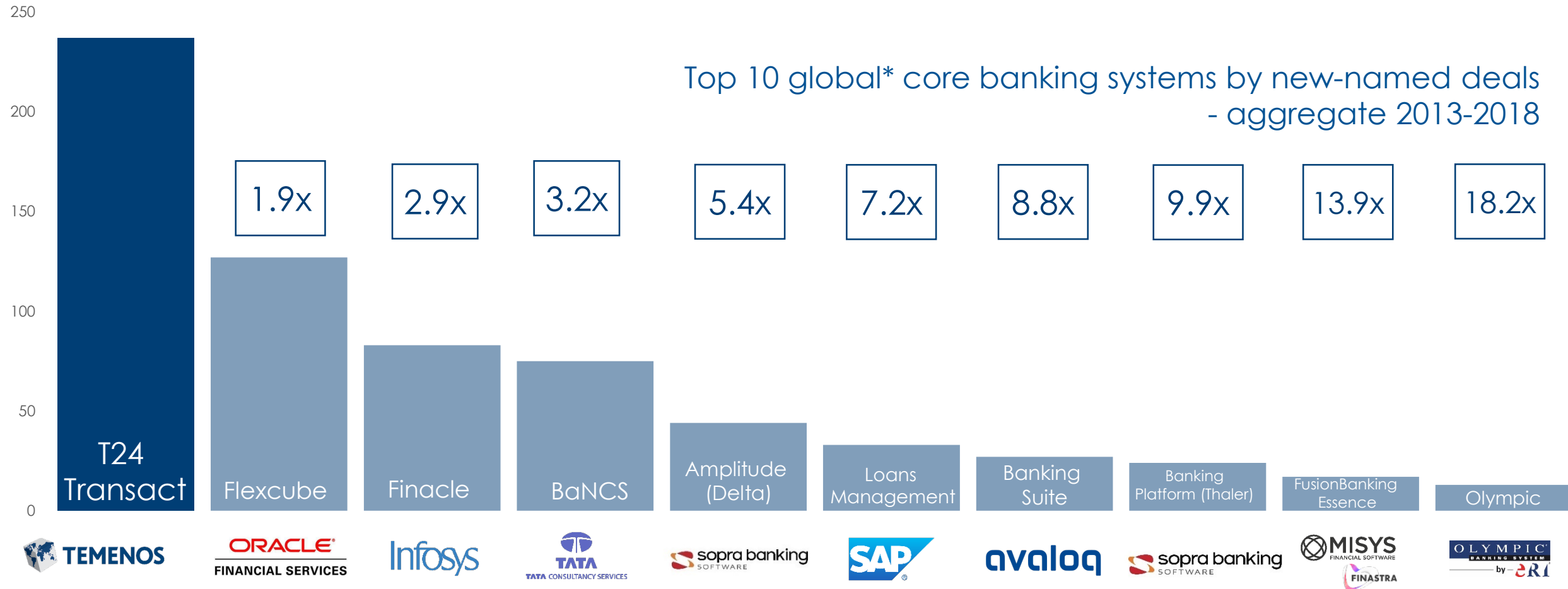


Reduced  
speed to  
market



Poor  
analytics

# The vendor of choice for core banking transformation globally



Outselling the top global\* core banking systems by a factor of 5x on average

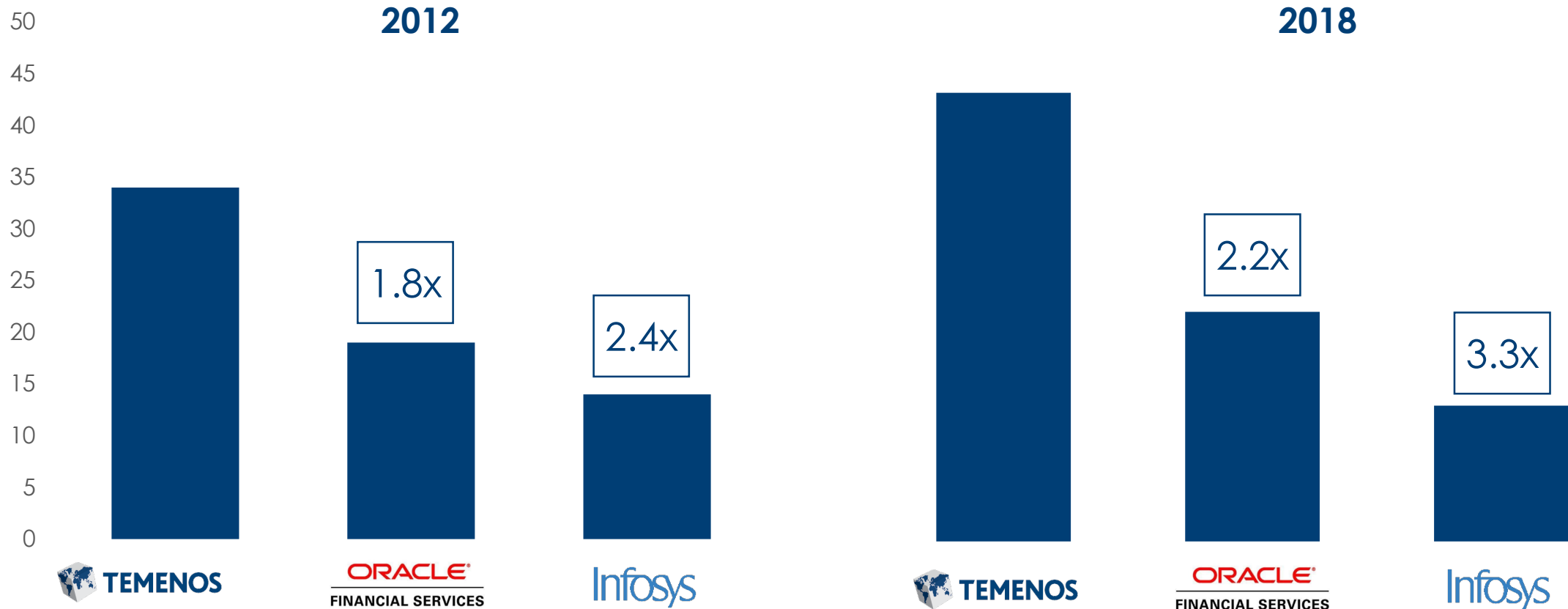
\*excluded domestic/single country only core banking systems

Source: IBS Sales League Tables 2013 - 2018

Note: Oracle deals is average of deals from 2012-2015 as they did not participate in IBS since 2015

# | Accelerating our leadership position

## Core banking systems sales by new-named deals



Note: Oracle 2018 deals is estimate based on average of deals from 2012-2015.  
Oracle did not participate in IBS since 2015

# | The world's best selling banking software vendor



FORRESTER®

## New-name clients:


Top global power seller for the 12th consecutive year with more than 60 new named deals

## New and existing clients:

Top global player for the 6th consecutive year

**The leading vendor across the banking software market**

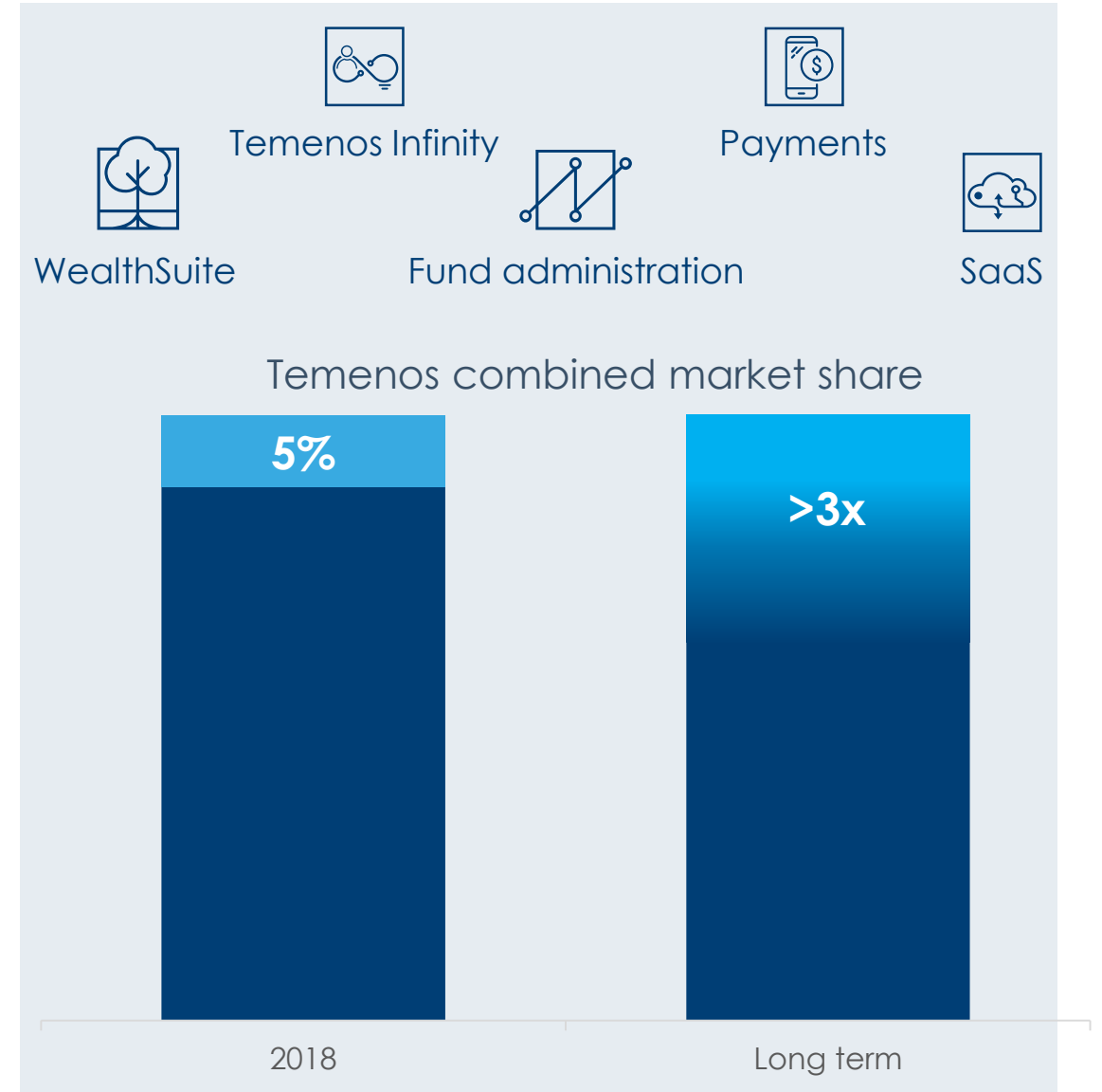
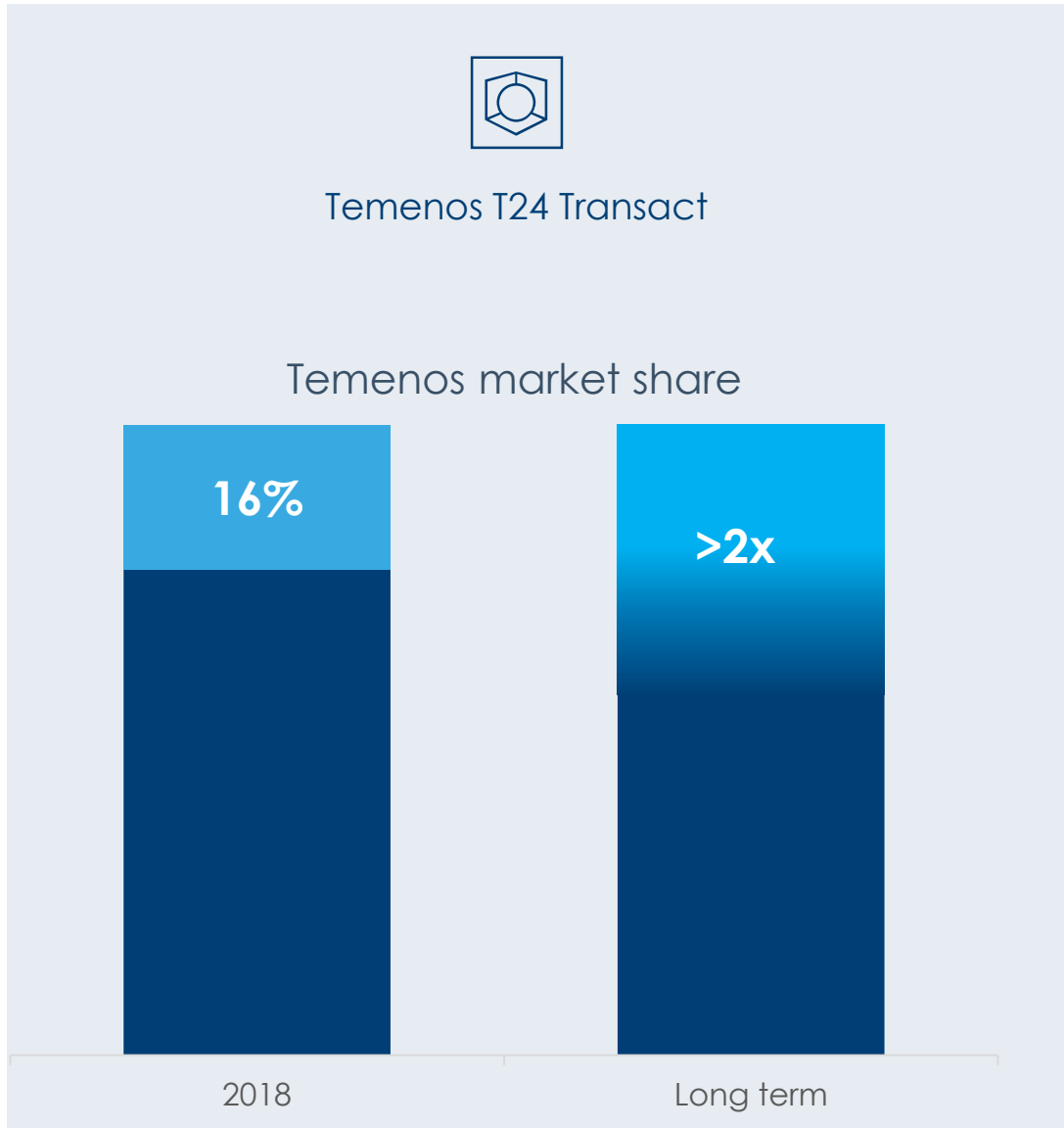
# | We benefit from six drivers of growth

		Medium-term third party spend (bn)	CAGR
	 <b>TEMENOS</b> T24 Transact	\$5.0	7%
	 <b>TEMENOS</b> Infinity	\$5.3	8%
	 <b>TEMENOS</b> WealthSuite	\$0.6	8%
	 <b>TEMENOS</b> Payments	\$2.7	10%
	 <b>TEMENOS</b> Fund Administration	\$1.6	8%



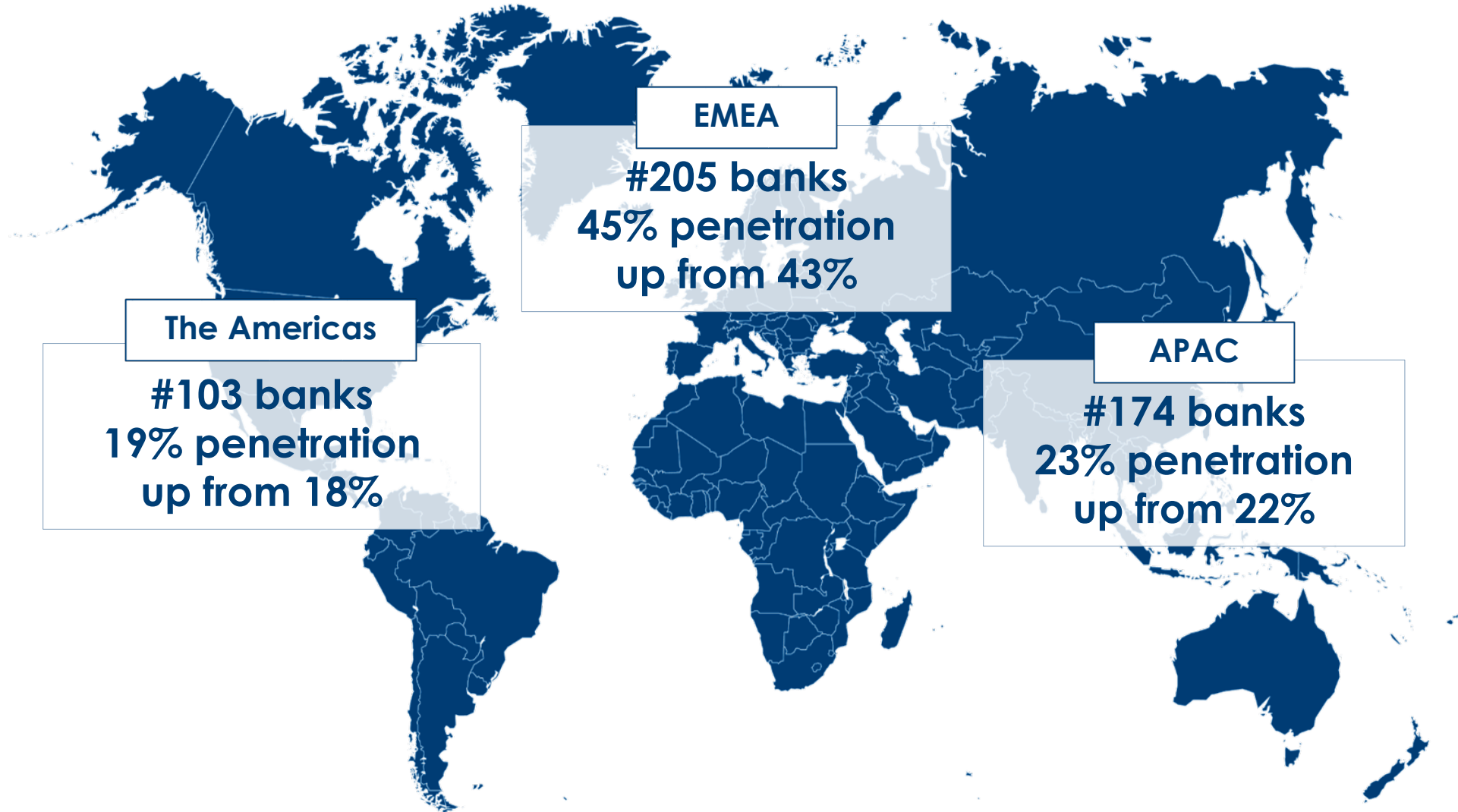
ALL DEPLOYMENT OPTIONS

# Set to take market share across all drivers of growth



Note: independent scales, market share based on licenses only

# | Expanding our tier 1 and 2 client base

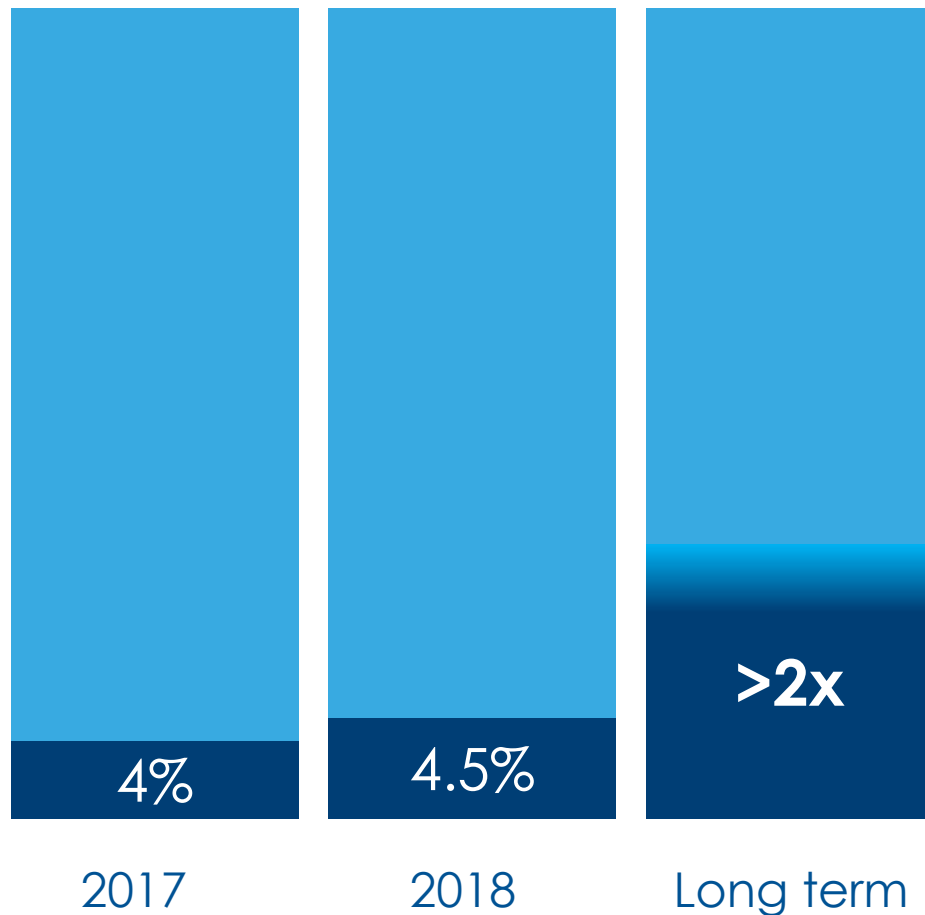


# - number of Tier 1 and 2 banks  
% - Temenos account penetration of T1 and T2 banks

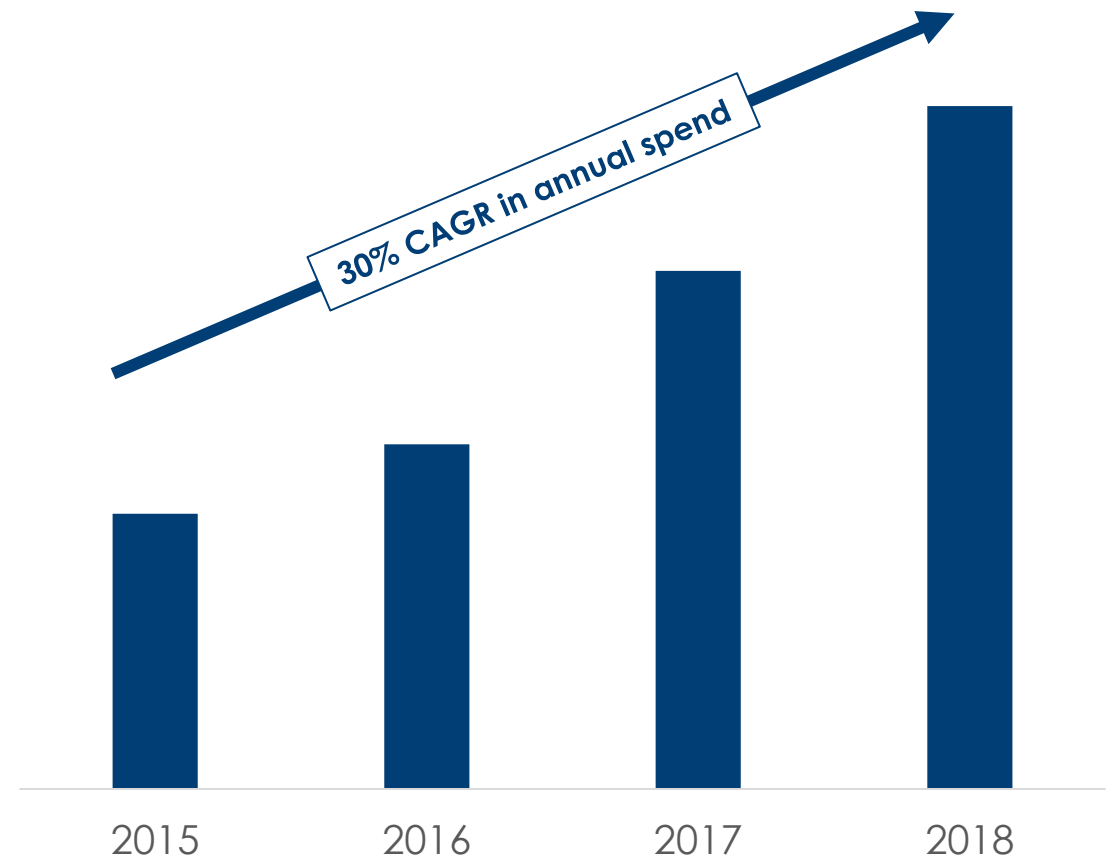
Source: FT Banker Database; Temenos

# Increasing wallet share in Tier 1 and 2 banks

Temenos' average share of wallet in tier 1 and 2 banks



Average annual spend from tier 1 and 2 banks undergoing transformation



\* Based on Temenos estimates of average addressable transformational software spend by tier 1/2 banks

# Business and financial update Q3-2019



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# | Review of Q3 2019

## Q3 2019

- Total software licensing growth of **15%** in Q3, **20%** YTD
- Strong momentum in SaaS, with revenues up **93%** and ACV up **164%** in Q3
- Total revenue growth of **12%** in Q3, **17%** YTD
- EBIT up **16%** in Q3, **20%** YTD
- EPS up **18%** in Q3, **19%** YTD
- Guidance updated following Kony acquisition

**Acquisition of Kony strengthens  
Temenos Infinity, US strategy and  
SaaS and cloud expertise**



**SaaS ACV up 164%; total software licensing up 15% in Q3 and 20% in 2019 YTD**

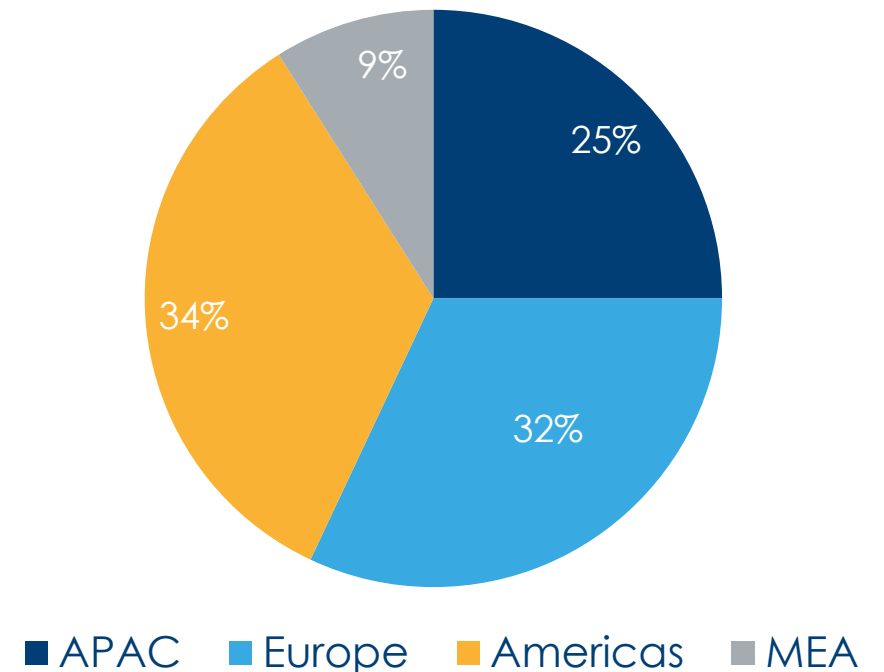
\*Revenue and EBIT figures are non-IFRS c.c. growth rates, EPS is non-IFRS reported growth rate

# | Q3 2019 sales review

- Digital, regulatory and cost pressures and move to open banking continue to drive market growth
- Good sales momentum in Europe, Asia and Americas, in particular in the US, continuing the trend from H1
- Key wins in Q3 include
  - Tier 1 US bank for fund administration
  - Tier 1 Australian bank for Infinity
  - Multiple sales to existing Tier 1 European clients
- Weak sales execution in MEA region impacted signings in Q3, mitigation plan in place to regain momentum in the region by early 2020
- Continued momentum in sales into the installed base, increasing share of wallet
- 18 new customer wins in Q3 2019 vs. 17 in Q3 2018

## Geographic split of total software licensing

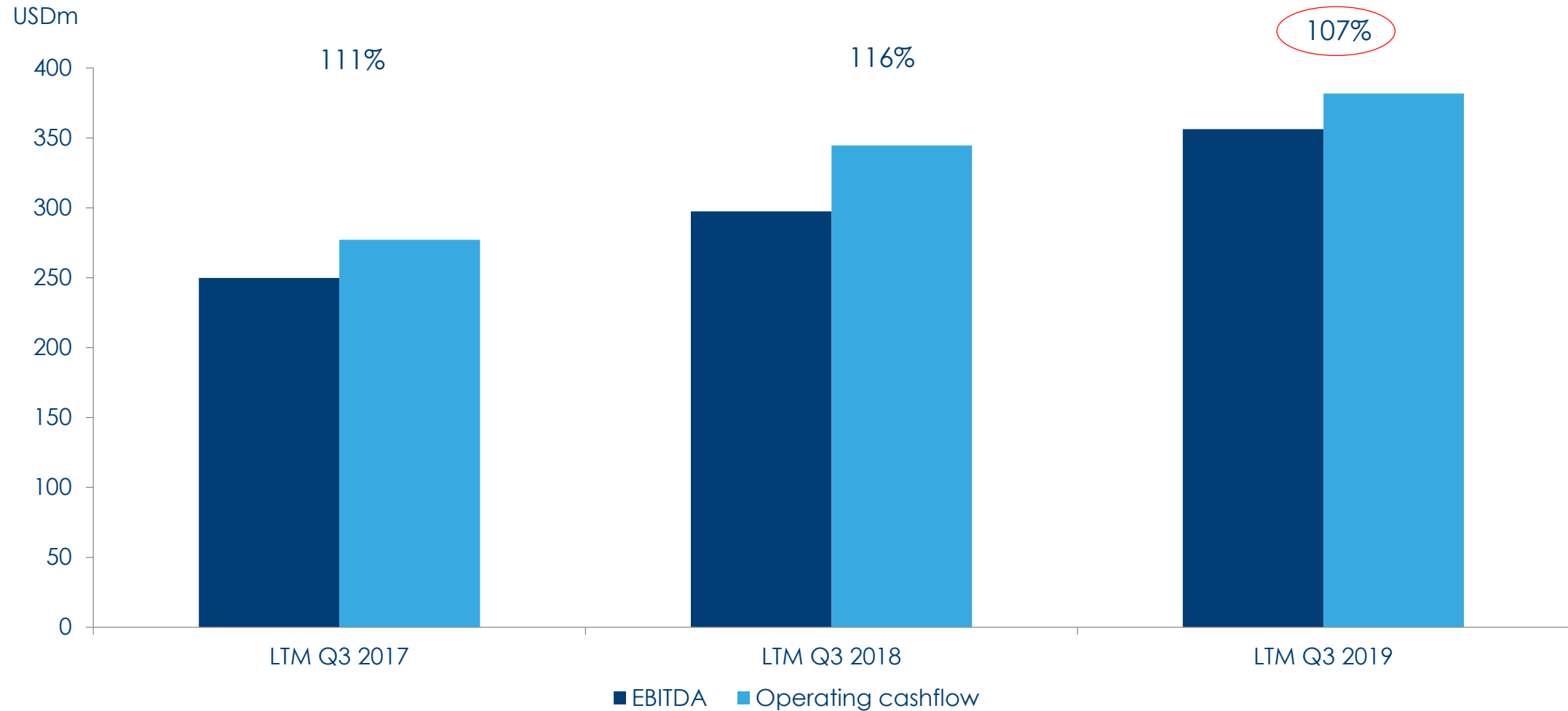
Q3 2019 total software licensing



# Non-IFRS income statement – operating

In USDm	Q3 19	Q3 18	Y-o-Y reported	Y-o-Y c.c.	YTD 19	YTD 18	Y-o-Y reported	Y-o-Y c.c.
Software licensing	83.5	80.5	4%	7.0%	239.3	218.2	10%	13%
SaaS and subscription	14.6	7.8	87%	93%	42.3	23.5	80%	88%
<b>Total software licensing</b>	<b>98.1</b>	<b>88.4</b>	<b>11%</b>	<b>15%</b>	<b>281.5</b>	<b>241.7</b>	<b>16%</b>	<b>20%</b>
Maintenance	88.6	78.9	12%	12%	260.2	232.4	12%	12%
Services	42.3	40.6	4%	6%	129.3	112.7	15%	18%
<b>Total revenue</b>	<b>229.1</b>	<b>207.9</b>	<b>10%</b>	<b>12%</b>	<b>671.0</b>	<b>586.8</b>	<b>14%</b>	<b>17%</b>
Operating costs	150.0	139.7	7%	10%	469.3	419.5	12%	16%
<b>EBIT</b>	<b>79.1</b>	<b>68.2</b>	<b>16%</b>	<b>16%</b>	<b>201.7</b>	<b>167.3</b>	<b>21%</b>	<b>20%</b>
Margin	34.5%	32.8%	1.7% pts	1.3% pts	30.1%	28.5%	1.6% pts	0.7% pts
<b>EBITDA</b>	<b>98.0</b>	<b>82.0</b>	<b>19%</b>	<b>20%</b>	<b>256.4</b>	<b>208.3</b>	<b>23%</b>	<b>23%</b>
Margin	42.8%	39.5%	3.3% pts		38.2%	35.5%	2.7% pts	
Services margin	12.2%	10.9%	1.2% pts		10.8%	8.0%	2.8% pts	

# IFRS cash conversion



Cash conversion significantly above target of 100%

# | 2019 non-IFRS guidance range (c.c.)

	FY 19 guidance
<b>Total software licensing (%)</b>	<b>19.5% - 22.5%</b>
<i>Implied USDm</i>	<i>USD 431 - 442</i>
<b>Total revenue (%)</b>	<b>18.0% - 20.0%</b>
<i>Implied USDm</i>	<i>USD 970 - 986</i>
<b>EBIT (USDm)</b>	<b>USD 310 – 315m</b>
<i>Implied margin</i>	<i>c.31.9%</i>
<i>Implied organic margin increase</i>	<i>c. 150 bps</i>
<b>Cash conversion</b>	<b>100%+ conversion</b> of EBITDA into operating cash flow
<b>Tax rate</b>	Expected FY 2019 tax rate of <b>14% to 15%</b>

- See slide 49 for definition of non-IFRS

## Sustainable annual growth targets

Metric (Non-IFRS)	Sustainable long term annual targets
Total software licensing	At least 15% CAGR
Total revenue	10-15% CAGR
EPS	At least 15% CAGR
DSOs	Less than 90 days
EBIT Margin	36%+
Tax rate	c. 20%
Cash conversion	100%+ of EBITDA p.a.

	3-5 year targets
EBIT Margin	100-150 bps p.a.
Tax rate	18-20%

# | Credit highlights



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# | Credit highlights

## Positioning

- Leading market position in core banking software solutions
- Global reach (3,000+ customers, 150+ countries)
- Building blocks in place to benefit from the growth prospects given the changing industry landscape
- Growing market share (especially within T1/2 banks)
- Targeted growth via selective acquisitions offering access to new customer bases with high recurring revenues or product-offering complementation

- High and growing proportion of reliable and recurring revenues
- Balanced revenue mix by products and by geographies
- Broad and diverse customer base with limited concentration risk
- Strong governance
- Conservative financing approach and strong deleveraging track-record  
**(target to be below 1.5x by end of 2020 following Kony Acquisition)**

An attractive value proposition to credit investors

# Thank You

[temenos.com](https://temenos.com)

# | Appendix



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# | Reconciliation from IFRS to non-IFRS

## **IFRS revenue measure**

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+ Deferred revenue write-down

**= Non-IFRS revenue measure**

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## **IFRS profit measure**

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+/- Deferred revenue write down

+ / - Discontinued activities

+ / - Amortisation of acquired intangibles

+ / - Acquisition related charges

+ / - Restructuring

+ / - Taxation

**= Non-IFRS profit measure**

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# Accounting elements not included in non-IFRS guidance

Below are the accounting elements not included in the 2019 non-IFRS guidance:

- FY 2019 estimated deferred revenue write down of USD 9-10m
- FY 2019 estimated amortisation of acquired intangibles of USD 58-60m
- FY 2019 estimated restructuring costs of USD 13-15m

Restructuring costs include realising R&D, operational and infrastructure efficiencies.

These estimates do not include impact of any further acquisitions or restructuring programmes commenced after 16 October 2019. The above figures are estimates only and may deviate from expected amounts.

# Reconciliation – IFRS to non-IFRS

In USDm, except EPSd	3 Months Ending 30 September			3 Months Ending 30 September		
	2019		2019	2018		2018
	IFRS	Non-IFRS adj.	Non-IFRS	IFRS	Non-IFRS adj.	Non-IFRS
Software Licensing	83.5		83.5	80.5		80.5
SaaS and subscription	13.5	1.1	14.6	7.8		7.8
<b>Total Software Licensing</b>	<b>97.0</b>	<b>1.1</b>	<b>98.1</b>	<b>88.4</b>		<b>88.4</b>
Maintenance	88.6		88.6	78.9		78.9
Services	42.3		42.3	40.6		40.6
<b>Total Revenue</b>	<b>228.0</b>	<b>1.1</b>	<b>229.1</b>	<b>207.9</b>		<b>207.9</b>
<b>Total Operating Costs</b>	<b>(166.5)</b>	<b>16.5</b>	<b>(150.0)</b>	<b>(148.9)</b>	<b>9.2</b>	<b>(139.7)</b>
Restructuring/acq. costs	(4.2)	4.2	-	-0.1	0.1	-
Amort of Acq'd Intang.	(12.3)	12.3	-	-9.1	9.1	-
<b>Operating Profit</b>	<b>61.5</b>	<b>17.6</b>	<b>79.1</b>	<b>59.0</b>	<b>9.2</b>	<b>68.2</b>
<b>Operating Margin</b>	<b>27%</b>		<b>35%</b>	<b>28%</b>		<b>33%</b>
Financing Costs	(5.3)	0.7	(4.6)	(4.8)	0.0	(4.8)
Taxation	(7.0)	(2.0)	(8.9)	(7.4)	(1.2)	(8.5)
Net Earnings	49.3	16.3	65.6	46.8	8.1	54.9
<b>EPS (USD per Share)</b>	<b>0.68</b>	<b>0.22</b>	<b>0.90</b>	<b>0.65</b>	<b>0.11</b>	<b>0.76</b>

# Net earnings reconciliation

In USDm, except EPS	Q3 19	Q3 18
<b>IFRS net earnings</b>	<b>49.3</b>	<b>46.8</b>
Deferred revenue write down	1.1	0.0
Amortisation of acquired intangibles	12.3	9.1
Restructuring	0.9	0.1
Acquisition related costs	3.3	
Acquisition related financing costs	0.7	
Taxation	-2.0	-1.2
<b>Net earnings for non-IFRS EPS</b>	<b>65.6</b>	<b>54.9</b>
No. of dilutive shares	<b>72.9</b>	<b>71.7</b>
<b>Non-IFRS diluted EPS (USD)</b>	<b>0.90</b>	<b>0.76</b>

# Reconciliation from IFRS to non-IFRS for EBIT and EBITDA

USDm	Q3 19 EBIT	Q3 19 EBITDA
<b>IFRS</b>	<b>61.5</b>	<b>92.7</b>
Deferred revenue write-down	1.1	1.1
Amortisation of acquired intangibles	12.3	-
Restructuring	0.9	0.9
Acquisition-related costs	3.3	3.3
<b>Non-IFRS</b>	<b>79.1</b>	<b>98.0</b>

# | Transition to IFRS 16 “Leases”

- IFRS 16 “Leases” primarily changes lease accounting for lessee and moves to single accounting model eliminating the distinction between finance leases and operating lease. Leases qualified under IFRS16 are captured on the balance sheet from 1<sup>st</sup> January 2019.
- Temenos has adopted IFRS 16 using the modified retrospective method effective 1 January 2019
- Temenos intends to apply IFRS16 exemption on short term leases (1 year or less) – these will be accounted as per old approach i.e. rental expense.
- Most significant impact for Temenos relates to office leases
- Prior comparative periods will not be restated under IFRS 16
- Further information can be found on our investor relations website:

<https://www.temenos.com/en/about-temenos/investor-relations/>

# Reconciliation – IFRS 16 Income Statement

In USDm
Total Revenue
Operating Expense
<b>EBIT</b>
D&A
<b>EBITDA</b>
Financing Costs
Taxation
<b>Net Earnings</b>

3 Months Ending 30 September		
2019		2019
IFRS	Impact of IFRS 16	IFRS 16 adjusted
228.0	-	228.0
(166.5)	(0.1)	(166.6)
61.5	(0.1)	61.4
(31.2)	3.9	(27.3)
92.7	(4.0)	88.7
(5.3)	0.4	(4.8)
(7.0)	-	(7.0)
49.3	0.3	49.6

# Reconciliation – IFRS 16 Balance Sheet

In USDm
Property, plant and equipment
Other assets (current / non-current)
<b>Totals assets</b>
Borrowings ( current / non-current)
Other liabilities (current / non-current)
<b>Total liabilities</b>
Equity
Retained Earnings
<b>Total Equity</b>
<b>Total liabilities and equity</b>

3 Months as at 30 September		
2019		2019
IFRS	Impact of IFRS 16	IFRS 16 adjusted
70.4	(48.2)	22.2
2,118.1	(2.1)	2,116.0
<b>2,188.5</b>	<b>(50.3)</b>	<b>2,138.2</b>
1,217.6	(54.2)	1,163.4
616.0	1.9	617.9
<b>1,833.6</b>	<b>(52.3)</b>	<b>1,781.3</b>
(450.5)	-	(450.5)
805.4	2.0	807.4
<b>354.9</b>	<b>2.0</b>	<b>356.9</b>
<b>2,188.5</b>	<b>(50.3)</b>	<b>2,138.2</b>

# Reconciliation – IFRS 16 net debt calculation

In USDm
Non-IFRS EBITDA
IFRS16 adjustment
<b>IFRS 16 adjusted EBITDA</b>
LTM EBITDA
Net Debt reported
SWAP add-back
IFRS16 adjustment
<b>IFRS 16 adjusted Net Debt</b>
<b>Leverage</b>

3 Months Ending 30 September
2019
IFRS
98.0
(4.3)
<b>93.7</b>
357.3
1,140.9
12.2
(54.2)
<b>1,098.9</b>
<b>3.08x</b>

# | 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**

### **Revenue visibility**

Visibility on revenue includes a combination of revenue that is contractually committed and revenue that is in our pipeline and that is likely to be booked, but is not contractually committed and therefore may not occur.

### **Constant currencies**

Prior year results adjusted for currency movement

### **Like-for-like (LFL)**

Adjusted prior year for acquisitions and movements in currencies

### **SaaS and subscription**

Revenues generated from Software-as-a-Service and subscription licenses



# TEMENOS

THE BANKING SOFTWARE COMPANY