

FOR IMMEDIATE RELEASE
February 12, 2020

Temenos announces excellent Q4 and FY 2019 results; exceptional momentum in SaaS and cloud

GENEVA, Switzerland, February 12, 2020 – Temenos AG (SIX: TEMN), the banking software company, today reports its fourth quarter and full year 2019 results.

USDm, except EPS	Non-IFRS						IFRS					
	Q4-19	Change	CC*	FY-19	Change	CC*	Q4-19	Change	CC*	FY-19	Change	CC*
Software licensing	139.1	13%	15%	378.4	11%	14%	139.1	13%	15%	378.4	11%	14%
SaaS & subscription	24.3	209%	215%	66.6	112%	121%	19.0	141%	146%	57.9	85%	93%
Total software licensing	163.4	25%	27%	445.0	19%	23%	158.1	20%	23%	436.3	17%	20%
Maintenance	97.5	19%	17%	357.7	14%	14%	97.5	19%	17%	357.7	14%	14%
Services	48.7	19%	20%	178.0	16%	19%	48.7	19%	20%	178.0	16%	19%
Total revenues	309.6	22%	23%	980.6	17%	19%	304.3	20%	21%	972.0	16%	18%
EBIT	116.2	19%	18%	317.9	20%	19%	81.5	-6%	-7%	235.4	8%	7%
EBIT margin	37.5%	-1% pts	-2% pts	32.4%	1% pts	0% pts	26.8%	-7% pts	-8% pts	24.2%	-2% pts	-2% pts
EPS (USD)	1.28	14%		3.47	18%		0.85	-14%		2.46	6%	

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 (c.c.) adjusts prior year for movements in currencies.

Q4 and FY 2019 highlights

- Digital, regulatory and cost pressures and move to open banking continue to drive market growth
- Strong sales momentum in Europe, Asia and the Americas
- MEA performed well in Q4 with multiple new client wins
- Double digit growth in Temenos Transact, Temenos Infinity grew multiple times faster
- Exceptional growth in SaaS across geographies and client tiers, with Annual Contract Value (ACV) up 159% in Q4 and 68% in FY 19 c.c.
- 33 new client wins in Q4, total of 93 new customer wins in FY 19
- 330 go-lives across all clients in FY 19
- Completed the integration of the Kony organisation, driving pipeline growth in the US

Q4 and FY 2019 financial summary (non-IFRS)

- Non-IFRS total software licensing revenues up 27% in Q4 19 and up 23% in FY 19 c.c.
- Non-IFRS maintenance growth of 17% in Q4 19 and 14% in FY 19 c.c.
- Non-IFRS total revenue growth of 23% in Q4 and 19% in FY 19 c.c.
- Non-IFRS EBIT up 18% in Q4 19, FY 19 non-IFRS EBIT margin of 32.4%
- FY 19 non-IFRS EPS increase of 18% to USD 3.47
- FY 19 cash conversion of 100%
- DSOs at 120 days reported including Kony, 114 days organic
- Profit and cash flow strength support proposed dividend of CHF0.85, a 13% annual increase
- 2020 guidance of non-IFRS total software licensing growth of 18.5% to 23.5% (c.c.), non-IFRS total revenue growth of 16% to 20% (c.c.) and non-IFRS EBIT of USD 380m to 385m.

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

“We delivered an excellent set of results in the fourth quarter and for the full year 2019. We saw strong sales momentum across geographies, with double-digit growth in Temenos Transact and very strong demand for Temenos Infinity. We have seen significant growth in demand for SaaS with signings in the fourth quarter across Asia and Europe for both Temenos Transact and Temenos Infinity.

It took Temenos 19 years to achieve approximately USD 100m of license bookings while we are forecasting to achieve the same milestone in less than four years with ACV bookings. This is a tectonic shift in growth acceleration never witnessed before in the history of Temenos. At the end of 2019, ACV bookings growth is already outpacing license bookings growth by a factor of more than 4x. While we are expecting sustained strong growth in license bookings in 2020, ACV bookings growth is set to further expand its relative growth multiple to 5x.

2019 has been a transformational year for us in terms of product and technology, with the separation of manufacturing and distribution by making Temenos Transact and Temenos Infinity stand-alone products that can be integrated through APIs. We have invested heavily in our technology, launching a microservices architecture to enable tier 1 and 2 clients to continuously renovate and to let them take advantage of cloud-based banking distribution services in the front office, and a more granular, progressive renovation in the back office. We have also demonstrated our leadership in cloud, with our strategic partnership with Google and our benchmarking of 50,000 transactions per second on AWS on distributed database NuoDB in which we are a strategic investor. We have embedded Explainable AI across our products to enable our clients to make faster, accurate and explainable decisions using AI across their front and back office.

We have completed the integration of the Kony organisation and are driving pipeline growth globally including in the US and especially across Temenos Transact and Temenos Infinity. Our investment in product, people and strategic acquisitions in 2019 has laid the foundation for a strong 2020.”

Commenting on the results, **Temenos CFO Takis Spiliopoulos said:**

“We delivered strong growth in Q4 with total software licensing growth of 27%, total revenue growth of 23% and EBIT growth of 18%, ahead of our sustainable annual growth targets. We also delivered a full year 2019 EBIT margin of 32.4%, ahead of our revised guidance. We continued our strong momentum in SaaS, with our ACV up 159% in the quarter and 68% in full year 2019.

We remain very focused on our cash and balance sheet, and had operating cash inflow of USD 364m in the 2019, with an additional substantial cash inflow in the first few days of January. We ended the quarter with DSOs at 120 days reported of which 6 were due to the acquisition of Kony. We expect DSOs to continue declining in Q1 and to be below 110 days by the end of 2020 and our cash conversion to be well above 100%. Our leverage decreased to 2.6x net debt to EBITDA at the end of the quarter, and we expect this to approach 1.5x by the end of 2020.

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We are recommending a 2019 dividend of CHF 0.85, an increase of 13% on 2018. We have a strong outlook for 2020 with our pipeline at record high levels. We are guiding for non-IFRS total software licensing growth of 18.5% to 23.5% and non-IFRS total revenue growth of between 16% and 20%. We are guiding for 2020 non-IFRS EBIT of USD 380m to 385m, which implies a margin of c.33%.”

Revenue

IFRS revenue were USD 304.3m for the quarter, an increase of 20% vs. Q4 2018.

Non-IFRS revenue was USD 309.6m for the quarter, an increase of 22% vs. Q4 2018.

IFRS total software licensing revenue for the quarter was USD 158.1m, an increase of 20% vs. Q4 2018.

Non-IFRS total software licensing revenue was USD 163.4m for the quarter, an increase of 25% vs. Q4 2018.

EBIT

IFRS EBIT was USD 81.5m for the quarter, a decrease of 6% vs. Q4 2018.

Non-IFRS EBIT was USD 116.2m for the quarter, an increase of 19% vs. Q4 2018.

Non-IFRS EBIT margin was 37.5%, down 1% points vs. Q4 2018.

Earnings per share (EPS)

IFRS EPS was USD 0.85 for the quarter, a decrease of 14% vs. Q4 2018.

Non-IFRS EPS was USD 1.28 for the quarter, an increase of 14% vs. Q4 2018.

Operating cash flow

IFRS operating cash was an inflow of USD 364m in FY 2019 compared to USD 365m in FY 2018, representing an LTM conversion of 100% of IFRS EBITDA into operating cash.

2020 guidance

The guidance for 2020 is in constant currencies.

- Non-IFRS total software licensing growth at constant currencies of 18.5% to 23.5% (implying non-IFRS total software licensing revenue of USD 527m to USD 550m)
- Non-IFRS revenue growth at constant currencies of 16% to 20% (implying non-IFRS revenue of USD 1,137m to USD 1,177m)
- Non-IFRS EBIT at constant currencies of USD 380m to 385m, (implying non-IFRS EBIT margin of c. 33%)
- SaaS ACV to grow by more than 100%, implying at least USD42m for FY 2020
- 100%+ conversion of EBITDA into operating cash flow
- Expected FY 2020 tax rate of 15% to 16%

Currency assumptions for 2020 guidance

In preparing the 2020 guidance, the Company has assumed the following:

- EUR to USD exchange rate of 1.12;
- GBP to USD exchange rate of 1.28; and

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- USD to CHF exchange rate of 0.99

Conference call and webcast

At 18.30 CET / 17.30 GMT / 12.30 EST, today, 12 February 2020, Max Chuard, CEO, and Takis Spiliopoulos, CFO, will host a conference call to present the results and offer an update on the business outlook, which can be followed either through the dial-in numbers or webcast. Listeners who have not pre-registered can access the conference call using the following dial in numbers:

+41 (0) 58 310 50 00 (Europe & RoW)
+44 (0) 207 107 0613 (UK)
+1 (1) 631 570 56 13 (USA)

The webcast can be accessed by clicking on this [webcast link](#).

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 2020 non-IFRS guidance:

- FY 2020 estimated deferred revenue write down of USD 15m
- FY 2020 estimated amortisation of acquired intangibles of USD 65-70m
- FY 2020 estimated restructuring costs of USD 10m

Restructuring costs include realizing R&D, operational and infrastructure efficiencies. These estimates do not include impact of any further acquisitions or restructuring programs commenced after 12 February 2020. The above figures are estimates only and may deviate from expected amounts.

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Other definitions

Constant currency (c.c.) adjusts prior year for movements in currencies. SaaS ACV is Annual Contract Value which is the annual value of incremental business taken in-year. This includes new customers, up-sell and cross-sell. It only includes the recurring element of the contract and excludes variable elements.

Investor and media contacts

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About Temenos

Temenos AG (SIX: TEMN), headquartered in Geneva, is the world's leader in banking software, partnering with banks and other financial institutions to transform their businesses and stay ahead of a changing marketplace. Over 3,000 banks across the globe, including 41 of the top 50 banks, rely on Temenos to process both the daily transactions and client interactions of more than 500 million banking customers. Temenos offers cloud-native, cloud-agnostic front office and core banking, payments, fund management and wealth management software products enabling banks to deliver consistent, frictionless customer journeys and gain operational excellence.

Temenos software is proven to enable its top-performing clients to achieve industry-leading cost-income ratios of 25.2% and returns on equity of 25.0%, 2X better than the industry average. These clients also invest over 53% of their IT budget on growth and innovation versus maintenance, which is 2.5X better than the industry average, proving the banks' IT investment is adding tangible value to their business.

For more information please visit www.temenos.com.

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Appendix I – Q4 and FY 2019 IFRS primary statements

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All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 31 December 2019	Three months to 31 December 2018	Twelve months to 31 December 2019	Twelve months to 31 December 2018
Revenues				
Software licensing	139,132	123,393	378,408	341,555
SaaS & subscription	18,980	7,868	57,933	31,265
Total software licensing	158,112	131,261	436,341	372,820
Maintenance	97,463	81,938	357,679	314,353
Services	48,676	40,960	177,950	153,688
Total revenues	304,251	254,159	971,970	840,861
Operating expenses				
Sales and marketing	(70,123)	(44,208)	(208,134)	(167,782)
Services	(43,527)	(34,350)	(158,963)	(138,057)
Software development and maintenance	(79,971)	(69,239)	(269,701)	(228,522)
General and administrative	(29,092)	(19,240)	(99,752)	(87,730)
Total operating expenses	(222,713)	(167,037)	(736,550)	(622,091)
Operating profit	81,538	87,122	235,420	218,770
Other expenses				
Net interest expenses	(8,587)	(3,834)	(22,236)	(16,170)
Borrowing facility expenses	(963)	(370)	(2,978)	(6,282)
Foreign exchange gain / (loss)	1,622	(445)	2,347	(917)
Total other expenses	(7,928)	(4,649)	(22,867)	(23,369)
Profit before taxation	73,610	82,473	212,553	195,401
Taxation	(11,365)	(11,188)	(31,432)	(27,173)
Profit for the period	62,245	71,285	181,121	168,228
Earnings per share (in US\$):				
basic	0.88	1.03	2.57	2.43
diluted	0.85	0.99	2.46	2.31
non-IFRS	1.28	1.12	3.47	2.95

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TEMENOS AG

All amounts are expressed in thousands of US dollars

	31 December 2019	30 September 2019	31 December 2018 Re-presented*
Assets			
Current assets			
Cash and cash equivalents	152,785	76,711	287,439
Trade receivables	316,484	306,020	254,735
Other receivables	72,173	55,769	35,039
Total current assets	541,442	438,500	577,213
Non-current assets			
Property, plant and equipment	67,283	70,392	18,021
Intangible assets	1,659,822	1,631,913	1,009,945
Trade receivables	6,838	5,823	7,534
Other long term assets	27,861	20,781	18,876
Deferred tax assets	19,155	21,086	17,663
Total non-current assets	1,780,959	1,749,995	1,072,039
Total assets	2,322,401	2,188,495	1,649,252
Liabilities and equity			
Current liabilities			
Trade and other payables	223,356	195,277	168,417
Deferred revenues (Contract liabilities)	287,325	245,150	262,461
Income tax liabilities	62,925	47,384	38,568
Borrowings	100,595	21,036	107,797
Total current liabilities	674,201	508,847	577,243
Non-current liabilities			
Borrowings	1,073,972	1,196,542	706,278
Deferred tax liabilities	103,665	102,234	36,994
Trade and other payables	14,947	12,963	19,646
Retirement benefit obligations	10,536	12,978	10,320
Total non-current liabilities	1,203,120	1,324,717	773,238
Total liabilities	1,877,321	1,833,564	1,350,481
Shareholders' equity			
Share capital	241,858	241,537	233,217
Treasury shares	(264,608)	(264,608)	(264,608)
Share premium and capital reserves	(258,384)	(284,913)	(289,095)
Fair value and other reserves	(143,742)	(142,523)	(121,491)
Retained earnings	869,956	805,438	740,748
Total shareholders' equity	445,080	354,931	298,771
Total equity	445,080	354,931	298,771
Total liabilities and equity	2,322,401	2,188,495	1,649,252

* Comparative information has been re-presented to reflect the finalisation of the initial accounting of Avoka Technologies Pty Limited

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All amounts are expressed in thousands of US dollars

	Three months to 31 December 2019	Three months to 31 December 2018	Twelve months to 31 December 2019	Twelve months to 31 December 2018
Cash flows from operating activities				
Profit before taxation	73,610	82,473	212,553	195,401
<u>Adjustments:</u>				
Depreciation and amortisation	38,894	23,535	130,608	92,746
Other non-cash and non-operating items	36,071	9,323	62,342	57,387
<u>Changes in working capital:</u>				
Trade and other receivables	(9,985)	(418)	(56,237)	(32,314)
Trade and other payables, and retirement benefit obligations	(2,319)	35,335	9,269	27,194
Deferred revenues (Contract liabilities)	45,710	49,182	5,716	24,639
Cash generated from operations	181,981	199,430	364,251	365,054
Income taxes paid	(3,757)	(5,744)	(17,197)	(20,880)
Net cash generated from operating activities	178,224	193,686	347,054	344,174
Cash flows from investing activities				
Purchase of property, plant and equipment	(3,115)	(2,175)	(9,989)	(8,305)
Disposal of property, plant and equipment	-	-	358	-
Purchase of intangible assets	(754)	(851)	(3,992)	(3,692)
Capitalised development costs	(21,017)	(13,869)	(64,649)	(52,625)
Acquisitions of subsidiary, net of cash acquired (includes escrow earn out deposit)	-	(242,462)	(594,089)	(242,462)
Acquisition of long term loan instruments	(6,000)	-	(6,000)	-
Investment in equity	-	(15,000)	-	(15,000)
Settlement of financial instruments	1,588	(2,748)	(4,173)	(3,885)
Interest received	358	476	1,234	1,760
Net cash used in investing activities	(28,940)	(276,629)	(681,300)	(324,209)
Cash flows from financing activities				
Dividend paid	-	-	(52,361)	(46,134)
Acquisition of treasury shares	-	-	-	(205,578)
Proceeds from borrowings	39,955	105,000	607,641	200,000
Repayments of borrowings	(321,030)	(21)	(431,030)	(92)
Proceeds from issuance of bonds	219,043	174,418	219,043	174,418
Repayment of bond	-	-	(100,652)	-
Payment of lease liabilities	(4,995)	-	(16,289)	-
Interest paid	(8,286)	(952)	(21,714)	(12,663)
Payment of other financing costs	(582)	(524)	(5,835)	(8,953)
Net cash (used in) / generated from financing activities	(75,895)	277,921	198,803	100,998
Effect of exchange rate changes	2,685	531	789	(1,379)
Net increase / (decrease) in cash and cash equivalents in the period	76,074	195,509	(134,654)	119,584
Cash and cash equivalents at the beginning of the period	76,711	91,930	287,439	167,855
Cash and cash equivalents at the end of the period	152,785	287,439	152,785	287,439

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Appendix II – reconciliation of IFRS to non-IFRS Q4 2019 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.

Reconciliation of IFRS to non-IFRS

IFRS - Non- IFRS Reconciliation Thousands of US Dollars	3 Months Ending 31 December						Change	
	2019 IFRS	Non-IFRS adjustments	2019 Non-IFRS	2018 IFRS	Non-IFRS adjustment	2018 Non-IFRS	IFRS	Non-IFRS
Software licensing	139,132		139,132	123,393		123,393	13%	13%
SaaS & subscription	18,980	5,325	24,305	7,868	-	7,868	141%	209%
Total Software Licensing	158,112	5,325	163,437	131,261	-	131,261	20%	25%
Maintenance	97,463		97,463	81,938		81,938	19%	19%
Services	48,676		48,676	40,960		40,960	19%	19%
Total Revenue	304,251	5,325	309,576	254,159	-	254,159	20%	22%
Total Operating Expenses	(222,713)	29,294	(193,419)	(167,037)	10,864	(156,173)	33%	24%
Restructuring	(11,149)	11,149	-	(1,906)	1,906	-	485%	
Amort of Acquired Intangibles	(18,145)	18,145	-	(8,958)	8,958	-	103%	
Operating Profit	81,538	34,619	116,157	87,122	10,864	97,986	(6%)	19%
Operating Margin	27%		38%	34%		39%	-7.5 pts	-1.0 pts
Financing Costs	(7,928)	259	(7,669)	(4,649)		(4,649)	71%	65%
Taxation	(11,365)	(3,554)	(14,919)	(11,188)	(1,268)	(12,456)	2%	20%
Net Earnings	62,245	31,324	93,569	71,285	9,596	80,881	(13%)	16%
EPS (USD per Share)	0.85	0.43	1.28	0.99	0.13	1.12	(14%)	14%