

FOR IMMEDIATE RELEASE  
April 14, 2020

## Temenos Q1 2020 new license performance significantly impacted by COVID-19; double-digit recurring revenue growth and resilient business model give visibility on full year profit and cash flow

***New guidance for at least 13% recurring revenue growth, at least 7% EBIT growth and conversion of 100% of IFRS EBITDA into operating cash***

GENEVA, Switzerland, April 14, 2020 – Temenos AG (SIX: TEMN), the banking software company, today reports its first quarter 2020 results.

USDm, except EPS	Non-IFRS				IFRS			
	Q1-20	Q1-19	Change	CC*	Q1-20	Q1-19	Change	CC*
Software licensing	33.6	63.2	-47%	-47%	33.6	63.2	-47%	-47%
SaaS & subscription	22.7	13.0	74%	79%	18.4	11.9	55%	60%
<b>Total software licensing</b>	<b>56.2</b>	<b>76.2</b>	<b>-26%</b>	<b>-26%</b>	<b>52.0</b>	<b>75.1</b>	<b>-31%</b>	<b>-31%</b>
Maintenance	94.1	84.7	11%	11%	94.1	84.7	11%	11%
Services	43.3	43.9	-1%	0%	43.3	43.9	-1%	0%
<b>Total revenues</b>	<b>193.7</b>	<b>204.9</b>	<b>-5%</b>	<b>-5%</b>	<b>189.4</b>	<b>203.8</b>	<b>-7%</b>	<b>-7%</b>
<b>EBIT</b>	<b>39.4</b>	<b>49.5</b>	<b>-20%</b>	<b>-22%</b>	<b>10.8</b>	<b>34.7</b>	<b>-69%</b>	<b>-70%</b>
<b>EBIT margin</b>	<b>20.4%</b>	<b>24.1%</b>	<b>-4% pts</b>	<b>-4% pts</b>	<b>5.7%</b>	<b>17.0%</b>	<b>-11% pts</b>	<b>-12% pts</b>
<b>EPS (USD)</b>	<b>0.39</b>	<b>0.52</b>	<b>-25%</b>		<b>0.04</b>	<b>0.34</b>	<b>-88%</b>	

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.

### Q1 2020 highlights

- Sales in the first two months of the quarter were in line with expectations. There was a significant negative impact on licenses in the last month of the quarter due COVID-19
- Deals that did not sign in Q1 are being delayed, not cancelled
- Decline in signings particularly acute in Asia and Europe, with relatively less impact in the US and MEA
- Signings with new logos and competitive deals impacted significantly more than sales into the installed base
- SaaS growth was strong, SaaS ACV growth of 104% c.c., key deal signed with tier 1 bank
- 9 new client wins in Q1 across products
- Recurring revenue growth driving cash and profit visibility for 2020
- Flexible cost base enables profit protection, new guidance for EBIT growth of at least 7% for 2020
- CEO and Executive Chairman taking voluntary 50% salary cut, Executive Committee taking voluntary 25% salary cut for remainder of 2020
- Continued investment, in particular in R&D, to extend product advantage
- Structural drivers of digital, regulation, cost pressures and move to open banking are intact and likely to accelerate post-crisis

## PRESS RELEASE



FOR IMMEDIATE RELEASE  
April 14, 2020

- Reconfirmed 2019 dividend payment of CHF 0.85 per share, subject to shareholder approval at the AGM taking place on May 20, 2020

### Q1 2020 financial summary (non-IFRS)

- Non-IFRS total software licensing revenues down 26% c.c.
- Non-IFRS maintenance growth of 11% c.c.
- Non-IFRS total revenue down 5% c.c.
- Non-IFRS EBIT down 22% c.c., Q1 EBIT margin of 20.4%
- Non-IFRS EPS down 25% in Q1
- Operating cash flow of USD 60m, up 9%, LTM cash conversion of 106% of IFRS EBITDA
- DSOs at 109 days reported, 4 days due to Kony acquisition, down 11 days vs. Q4 2019

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

“I am very proud of how quickly Temenos has responded to the global challenge of COVID-19. Our clients, employees and the communities we operate in come first. We have continued to seamlessly support our clients across sales, implementations and SaaS. We have made the Temenos Learning Platform, our on-line learning resource, available to banks for free. We are ensuring our employees are safe and are able to work remotely and we are doing our utmost to protect jobs. And we are working with banks and governments to support the rapid roll-out of new products to support customers at this time, including SME crisis loans in the US and Apprentices and Trainees’ Wage Subsidies in Australia.

The crisis had a significant impact on new license signings in the first quarter, however our business model is resilient with nearly 50% recurring revenue and a flexible cost base. This gives us strong visibility on our cash flow and profitability, even in the face of such a crisis. We provide mission-critical software to banks and this crisis has highlighted the need for sophisticated digital banking platforms and modern core banking software which can be run remotely.

The structural drivers of digital, regulation, cost pressures and move to open banking are intact and likely to accelerate post-crisis, which gives me confidence in our sustainable long term annual growth targets.”

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

“We saw a significant impact on license signings in Q1 due to the evolving crisis, however, we had double digit growth in recurring revenues, which were up 20% year-on-year. SaaS revenue grew 79% and SaaS ACV grew 104%, with the majority of ACV growth coming from Temenos Transact. Maintenance was also up 11%. We had strong operating cash flow of USD 60m, up 9% in the quarter, equal to a cash conversion of 106%. We ended the quarter with DSOs at 109 days reported and 105 days organic, down 11 days versus Q4 2019. Our leverage remained at 2.6x net debt to EBITDA at the end of the quarter and we now expect this to come down to around 2x by year end.

## PRESS RELEASE



FOR IMMEDIATE RELEASE  
April 14, 2020

Our resilient business model with nearly 50% recurring revenue and a flexible cost base gives us strong visibility on our cash flow and profitability. Even in an extreme environment, we are confident in delivering double-digit recurring revenue growth and to grow our operating profit.

We have revised our FY 2020 guidance for impact of COVID-19. We are guiding for recurring revenue growth of at least 13%, and EBIT growth of at least 7%. We retain our operating cash conversion target of at least 100% and expect DSOs to be around 110 days at year end and leverage to be around 2x.”

### Revenue

IFRS revenues were USD 189.4m for the quarter, a decrease of 7% vs. Q1 2019.

Non-IFRS revenue was USD 193.7m for the quarter, a decrease of 5% vs. Q1 2019.

IFRS total software licensing revenue for the quarter was USD 52.0m, a decrease of 31% vs. Q1 2019.

Non-IFRS total software licensing revenue was USD 56.2m for the quarter, a decrease of 26% vs. Q1 2019.

### EBIT

IFRS EBIT was USD 10.8m for the quarter, a decrease of 69% vs. Q1 2019.

Non-IFRS EBIT was USD 39.4m for the quarter, a decrease of 20% vs. Q1 2019.

Non-IFRS EBIT margin was 20.4%, down 4% points vs. Q1 2019.

### Earnings per share (EPS)

IFRS EPS was USD 0.04 for the quarter, a decrease of 88% vs. Q1 2019.

Non-IFRS EPS was USD 0.39 for the quarter, a decrease of 25% vs. Q1 2019.

### Operating cash flow

IFRS operating cash flow was USD 60m in Q1 2020 compared to USD 55m in Q1 2019, representing an LTM conversion of 106% of IFRS EBITDA into operating cash.

### Revised 2020 guidance

The 2020 guidance has been revised for the impact of COVID-19. Our revised outlook is based on the assumption that the recessionary crisis due to COVID-19 will have the largest impact in Q2 2020 with gradual improvement in our end market environment in H2 2020 as banks adapt to the crisis and lockdowns are gradually relaxed.

Our guidance for 2020 is in constant currencies. The changes are as follows:

- Total software licensing guidance is withdrawn
- Total revenue guidance is withdrawn
- SaaS ACV guidance is withdrawn
- New guidance on recurring revenue (SaaS + Maintenance) growth is included
- Guidance for EBIT, tax and leverage are updated
- Cash conversion and DSOs guidance are maintained

## PRESS RELEASE



FOR IMMEDIATE RELEASE  
April 14, 2020

The revised FY 2020 guidance is as follows:

- Non-IFRS recurring revenue growth (SaaS and Maintenance combined) of at least 13%
- Non-IFRS EBIT growth of at least 7%
- 100%+ conversion of IFRS EBITDA into operating cash flow
- DSOs to be around 110 days at year end
- Expected FY 2020 tax rate of 14% to 15%, revised from 15% to 16%
- Net leverage of c.2x by year end

### Currency assumptions for 2020 guidance

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

- EUR to USD exchange rate of 1.08;
- GBP to USD exchange rate of 1.20; and
- USD to CHF exchange rate of 0.98.

### Webcast

At 08.00 CET / 07.00 GMT / 02.00 EST, today, April 14, 2020, Max Chuard, CEO, and Takis Spiliopoulos, CFO, will host a webcast to present the results and offer an update on the business outlook. The webcast can be accessed through the following link:

### [Q1 2020 webcast link](#)

Please use the webcast in the first instance if at all possible to avoid delays in joining the call. For those who cannot access the webcast, the following dial-in details can be used as an alternative. Please dial-in 15 minutes before the call commences.

Switzerland / Europe: + 41 (0) 58 310 50 00

United Kingdom: + 44 (0) 207 107 06 13

United States: + 1 (1) 631 570 56 13

A recording of the call will be made available on the Company website shortly after the call. 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

## PRESS RELEASE



FOR IMMEDIATE RELEASE  
April 14, 2020

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 13m
- 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 April 14, 2020. The above figures are estimates only and may deviate from expected amounts.

### 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](http://www.temenos.com).

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FOR IMMEDIATE RELEASE  
April 14, 2020

## Appendix I – Q1 2020 IFRS primary statements

### TEMENOS AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 31 March 2020	Three months to 31 March 2019	Twelve months to 31 March 2020	Twelve months to 31 March 2019
<b>Revenues</b>				
Software licensing	33,566	63,216	348,758	350,392
SaaS & subscription	18,427	11,924	64,436	35,218
Total software licensing	51,993	75,140	413,194	385,610
Maintenance	94,139	84,746	367,072	322,800
Services	43,302	43,875	177,377	163,487
Total revenues	189,434	203,761	957,643	871,897
<b>Operating expenses</b>				
Sales and marketing	(42,643)	(45,013)	(205,764)	(174,950)
Services	(42,194)	(39,804)	(161,353)	(145,611)
Software development and maintenance	(73,754)	(62,468)	(280,987)	(237,607)
General and administrative	(20,068)	(21,785)	(98,035)	(87,521)
Total operating expenses	(178,659)	(169,070)	(746,139)	(645,689)
Operating profit	10,775	34,691	211,504	226,208
<b>Other expenses</b>				
Net interest expenses	(6,803)	(3,913)	(25,126)	(17,028)
Borrowing facility expenses	(435)	(420)	(2,993)	(1,680)
Foreign exchange gain / (loss)	1,070	(683)	4,100	(2,154)
Total other expenses	(6,168)	(5,016)	(24,019)	(20,862)
Profit before taxation	4,607	29,675	187,485	205,346
Taxation	(1,581)	(5,054)	(27,959)	(29,310)
Profit for the period	3,026	24,621	159,526	176,036
<b>Earnings per share (in US\$):</b>				
basic	0.04	0.35	2.25	2.54
diluted	0.04	0.34	2.18	2.44
non-IFRS	0.39	0.52	3.37	3.08

# PRESS RELEASE



**TEMENOS**  
THE BANKING SOFTWARE COMPANY

FOR IMMEDIATE RELEASE  
April 14, 2020

## TEMENOS AG

All amounts are expressed in thousands of US dollars

	31 March 2020	31 December 2019	31 March 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	103,134	152,785	96,811
Trade receivables	281,055	316,484	258,896
Other receivables	72,596	72,173	38,761
<b>Total current assets</b>	<b>456,785</b>	<b>541,442</b>	<b>394,468</b>
<b>Non-current assets</b>			
Property, plant and equipment	65,349	67,283	59,494
Intangible assets	1,612,229	1,659,822	998,129
Trade receivables	7,501	6,838	6,990
Other long term assets	27,699	27,861	19,519
Deferred tax assets	21,455	19,155	20,560
<b>Total non-current assets</b>	<b>1,734,233</b>	<b>1,780,959</b>	<b>1,104,692</b>
<b>Total assets</b>	<b>2,191,018</b>	<b>2,322,401</b>	<b>1,499,160</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	205,808	223,356	153,480
Deferred revenues (Contract liabilities)	280,536	287,325	265,054
Income tax liabilities	65,498	62,925	37,828
Borrowings	23,292	100,595	21,421
<b>Total current liabilities</b>	<b>575,134</b>	<b>674,201</b>	<b>477,783</b>
<b>Non-current liabilities</b>			
Borrowings	1,084,621	1,073,972	624,793
Deferred tax liabilities	97,627	103,665	35,886
Trade and other payables	9,835	14,947	17,725
Retirement benefit obligations	10,841	10,536	10,322
<b>Total non-current liabilities</b>	<b>1,202,924</b>	<b>1,203,120</b>	<b>688,726</b>
<b>Total liabilities</b>	<b>1,778,058</b>	<b>1,877,321</b>	<b>1,166,509</b>
<b>Shareholders' equity</b>			
Share capital	246,432	241,858	235,294
Treasury shares	(264,608)	(264,608)	(264,608)
Share premium and capital reserves	(260,359)	(258,384)	(283,087)
Fair value and other reserves	(181,487)	(143,742)	(118,491)
Retained earnings	872,982	869,956	763,543
<b>Total shareholders' equity</b>	<b>412,960</b>	<b>445,080</b>	<b>332,651</b>
<b>Total equity</b>	<b>412,960</b>	<b>445,080</b>	<b>332,651</b>
<b>Total liabilities and equity</b>	<b>2,191,018</b>	<b>2,322,401</b>	<b>1,499,160</b>

# PRESS RELEASE



FOR IMMEDIATE RELEASE  
April 14, 2020

## TEMENOS AG

All amounts are expressed in thousands of US dollars

	Three months to 31 March 2020	Three months to 31 March 2019	Twelve months to 31 March 2020	Twelve months to 31 March 2019
<b>Cash flows from operating activities</b>				
Profit before taxation	4,607	29,675	187,485	205,346
<u>Adjustments:</u>				
Depreciation and amortisation	37,779	30,173	138,214	99,645
Other non-cash and non-operating items	10,125	13,265	59,202	50,642
<u>Changes in working capital:</u>				
Trade and other receivables	22,093	(9,668)	(24,476)	(23,184)
Trade and other payables, and retirement benefit obligations	(16,142)	(11,485)	4,612	20,535
Deferred revenues (Contract liabilities)	1,232	2,985	3,963	20,931
<b>Cash generated from operations</b>	<b>59,694</b>	<b>54,945</b>	<b>369,000</b>	<b>373,915</b>
Income taxes paid	(3,560)	(6,652)	(14,105)	(23,221)
<b>Net cash generated from operating activities</b>	<b>56,134</b>	<b>48,293</b>	<b>354,895</b>	<b>350,694</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(1,994)	(1,485)	(10,498)	(8,382)
Disposal of property, plant and equipment	-	358	-	358
Purchase of intangible assets	(749)	(1,678)	(3,063)	(4,773)
Capitalised development costs	(17,682)	(14,149)	(68,182)	(54,175)
Acquisitions of subsidiary, net of cash acquired	(502)	(2,114)	(592,477)	(244,576)
Acquisition of long term loan instruments	-	-	(6,000)	(15,000)
Settlement of financial instruments	(1,633)	(982)	(4,824)	(9,295)
Interest received	309	575	968	1,934
<b>Net cash used in investing activities</b>	<b>(22,251)</b>	<b>(19,475)</b>	<b>(684,076)</b>	<b>(333,909)</b>
<b>Cash flows from financing activities</b>				
Dividend paid	-	-	(52,361)	(46,134)
Acquisition of treasury shares	-	-	-	(205,578)
Proceeds from borrowings	80,000	-	687,641	200,000
Repayments of borrowings	(151,966)	(110,000)	(472,996)	(110,090)
Proceeds from issuance of bonds	-	-	219,043	174,418
Repayment of bond	-	(100,652)	-	(100,652)
Payment of lease liabilities	(5,034)	(3,575)	(17,748)	(3,575)
Interest paid	(2,646)	(3,399)	(20,961)	(13,900)
Payment of other financing costs	(1,062)	(604)	(6,293)	(4,878)
<b>Net cash (used in) / generated from financing activities</b>	<b>(80,708)</b>	<b>(218,230)</b>	<b>336,325</b>	<b>(110,389)</b>
<b>Effect of exchange rate changes</b>	<b>(2,826)</b>	<b>(1,216)</b>	<b>(821)</b>	<b>(4,891)</b>
<b>Net (decrease) / increase in cash and cash equivalents in the period</b>	<b>(49,651)</b>	<b>(190,628)</b>	<b>6,323</b>	<b>(98,495)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>152,785</b>	<b>287,439</b>	<b>96,811</b>	<b>195,306</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>103,134</b>	<b>96,811</b>	<b>103,134</b>	<b>96,811</b>

## PRESS RELEASE

FOR IMMEDIATE RELEASE  
April 14, 2020



### Appendix II – reconciliation of IFRS to non-IFRS Q1 2020 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 March						Change	
	2020 IFRS	Non-IFRS adjustments	2020 Non-IFRS	2019 IFRS	Non-IFRS adjustment	2019 Non-IFRS	IFRS	Non-IFRS
Software licensing	33,566		33,566	63,216		63,216	(47%)	(47%)
SaaS & subscription	18,427	4,225	22,652	11,924	1,100	13,024	55%	74%
<b>Total Software Licensing</b>	<b>51,993</b>	<b>4,225</b>	<b>56,218</b>	<b>75,140</b>	<b>1,100</b>	<b>76,240</b>	(31%)	(26%)
Maintenance	94,139		94,139	84,746		84,746	11%	11%
Services	43,302		43,302	43,875		43,875	(1%)	(1%)
<b>Total Revenue</b>	<b>189,434</b>	<b>4,225</b>	<b>193,659</b>	<b>203,761</b>	<b>1,100</b>	<b>204,861</b>	<b>(7%)</b>	<b>(5%)</b>
<b>Total Operating Expenses</b>	<b>(178,659)</b>	<b>24,444</b>	<b>(154,215)</b>	<b>(169,070)</b>	<b>13,674</b>	<b>(155,396)</b>	<b>6%</b>	<b>(1%)</b>
Restructuring	(6,857)	6,857	-	(1,297)	1,297	-	429%	
Amort of Acquired Intangibles	(17,587)	17,587	-	(12,377)	12,377	-	42%	
<b>Operating Profit</b>	<b>10,775</b>	<b>28,669</b>	<b>39,444</b>	<b>34,691</b>	<b>14,774</b>	<b>49,465</b>	<b>(69%)</b>	<b>(20%)</b>
Operating Margin	6%		20%	17%		24%	-11.3 pts	-3.8 pts
Financing Costs	(6,168)		(6,168)	(5,016)		(5,016)	23%	23%
Taxation	(1,581)	(3,054)	(4,635)	(5,054)	(1,968)	(7,022)	(69%)	(34%)
Net Earnings	3,026	25,615	28,641	24,621	12,806	37,427	(88%)	(23%)
EPS (USD per Share)	0.04	0.35	0.39	0.34	0.18	0.52	(88%)	(25%)