

FOR IMMEDIATE RELEASE  
October 15, 2020

## Temenos announces strong growth in recurring revenue up 16% and SaaS ACV growth of 108%

*Underlying sequential improvement in Q3 expected to continue in Q4; a number of Transact license deals converted to SaaS in the quarter*

*Guidance for recurring revenue growth and conversion of 100% of IFRS EBITDA into operating cash reconfirmed; FY EBIT guidance revised to broadly flat year-on-year to reflect deals converted from license to SaaS ACV and accelerated investment in SaaS and cloud*

GENEVA, Switzerland, October 15, 2020 – Temenos AG (SIX: TEMN), the banking software company, today reports its third quarter 2020 results.

USDm, except EPS	Non-IFRS				IFRS			
	Q3-20	Q3-19	Change	CC*	Q3-20	Q3-19	Change	CC*
Software licensing	52.6	83.5	-37%	-38%	52.6	83.5	-37%	-38%
SaaS & subscription	23.9	14.6	64%	61%	19.8	13.5	46%	44%
<b>Total software licensing</b>	<b>76.5</b>	<b>98.1</b>	<b>-22%</b>	<b>-23%</b>	<b>72.4</b>	<b>97.0</b>	<b>-25%</b>	<b>-26%</b>
Maintenance	96.6	88.6	9%	8%	96.6	88.6	9%	8%
Services	40.4	42.3	-5%	-6%	40.4	42.3	-5%	-6%
<b>Total revenues</b>	<b>213.5</b>	<b>229.1</b>	<b>-7%</b>	<b>-8%</b>	<b>209.4</b>	<b>228.0</b>	<b>-8%</b>	<b>-10%</b>
<b>EBIT</b>	<b>83.5</b>	<b>79.1</b>	<b>5%</b>	<b>4%</b>	<b>55.9</b>	<b>61.5</b>	<b>-9%</b>	<b>-11%</b>
<b>EBIT margin</b>	<b>39.1%</b>	<b>34.5%</b>	<b>5% pts</b>	<b>4% pts</b>	<b>26.7%</b>	<b>27.0%</b>	<b>0% pts</b>	<b>-1% pts</b>
<b>EPS (USD)</b>	<b>0.90</b>	<b>0.90</b>	<b>0%</b>		<b>0.56</b>	<b>0.68</b>	<b>-18%</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.

### Q3 2020 highlights

- Strong growth in recurring revenue and operating cash flow
- Underlying sequential improvement in Q3, Q2 was the trough
- A number of Transact license deals for c. US\$16-18m converted from license to SaaS in the quarter, generating incremental SaaS ACV of c. US\$7m
- Covid-19 is accelerating demand for SaaS with SaaS ACV up 108% in Q3
- Signed the largest ever ACV deal to date, for Transact in the US
- SaaS expected to start cannibalising some licenses going forward
- Strong new pipeline activity for on-premise licenses also continued in Q3 with good growth year-on-year
- Deals that did not sign year-to-date continue to be delayed, not cancelled, with delayed deals from both Q1 and Q2 closing in Q3
- 17 new client wins in Q3 across products
- EBIT returned to growth in Q3 with further improvement expected in Q4
- Steady improvement in operating environment expected in Q4 and return to growth in 2021
- Accelerating investment in SaaS and cloud and R&D to extend product advantage

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- Guidance for recurring revenue growth of at least 13% reconfirmed, revised guidance for EBIT now to be broadly flat year-on-year, to reflect deals converted from license to SaaS ACV and accelerated investment in SaaS and cloud

### Q3 2020 financial summary (non-IFRS)

- SaaS ACV growth of 108% c.c.
- SaaS revenue growth of 61% c.c.
- Non-IFRS total software licensing revenue down 23% c.c.
- Non-IFRS maintenance growth of 8% c.c.
- Non-IFRS recurring revenue growth of 16% c.c.
- Non-IFRS total revenue down 8% c.c.
- Non-IFRS EBIT up 4% c.c., Q3 EBIT margin of 39.1%
- Non-IFRS EPS flat y-o-y in Q3
- Operating cash flow of USD 63m, up 27%, LTM cash conversion of 119% of IFRS EBITDA
- DSOs at 111 days reported, down 12 days vs. Q3 2019

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

“We have continued to focus on serving our clients’ needs remotely and I am very proud of all our employees and the way in which they have rapidly adapted and put our clients first. We had good underlying sequential improvement in Q3 and the second quarter was clearly the trough. Our EBIT also returned to growth this quarter. We expect steady improvement in the operating environment in Q4 as banks adapt to the new normal and refocus on their IT renovations.

We have seen a step-change in demand for SaaS in Q3, with a number of Transact deals converting from around USD 16-18m of licensing into USD7m of SaaS ACV. Our SaaS ACV pipeline has now grown 120% CAGR in the last 2 years and nearly 160% in the last 12 months.

We have maintained our very high levels of R&D productivity, which is critical for us to emerge stronger from the crisis. We are very well positioned for the transition to SaaS, having invested heavily in our SaaS and cloud capabilities over the last few years, and we will continue to do so to ensure we are the leader in our market for SaaS and cloud.

Covid-19 is accelerating the structural drivers in our market and I am confident we will return to growth in 2021 supported by the strong growth in our new deal pipeline.”

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

“Signings in Q3 continued to be impacted by Covid-19, with an underlying sequential improvement from Q2. For the first time we saw clients proactively choosing to move from license to SaaS deals. Whilst this had an impact on

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our software license revenue in the quarter, we saw very strong growth in SaaS ACV which was up 108% and we expect this trend to continue going forward.

Recurring revenue growth was strong in the quarter, up 16%, ahead of our full year guidance of at least 13%. SaaS revenue grew 61% and Maintenance was up 8%. I am very pleased that the flexibility of our cost base and our tight grip on costs have returned Temenos back to profit growth with EBIT up 4%. We remain very focused on our cash flow generation and had a strong cash quarter, with operating cash flow of USD 63m, an increase of 27% and equal to a cash conversion of 119%. We ended the quarter with DSOs at 111 days reported, down 12 days versus Q3 2019. Our leverage remained at 2.6x net debt to EBITDA at the end of the quarter.

We are reconfirming our guidance for recurring revenue growth of at least 13% for the year. We now expect broadly flat EBIT driven by some deals converted from license to SaaS ACV and accelerated investment in SaaS and cloud in anticipation of sustained strong growth. 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 209.4m for the quarter, a decrease of 8% vs. Q3 2019.

Non-IFRS revenue was USD 213.5m for the quarter, a decrease of 7% vs. Q3 2019.

IFRS total software licensing revenue for the quarter was USD 72.4, a decrease of 25% vs. Q3 2019.

Non-IFRS total software licensing revenue was USD 76.5m for the quarter, a decrease of 22% vs. Q3 2019.

### EBIT

IFRS EBIT was USD 55.9m for the quarter, a decrease of 9% vs. Q3 2019.

Non-IFRS EBIT was USD 83.5m for the quarter, a increase of 5% vs. Q3 2019.

Non-IFRS EBIT margin was 39.1%, up 5% points vs. Q3 2019.

### Earnings per share (EPS)

IFRS EPS was USD 0.56 for the quarter, a decrease of 18% vs. Q3 2019.

Non-IFRS EPS was USD 0.90 for the quarter, flat vs. Q3 2019.

### Operating cash flow

IFRS operating cash flow was USD 63m in Q3 2020 compared to USD 50m in Q3 2019, representing an LTM conversion of 119% of IFRS EBITDA into operating cash.

### Revised 2020 guidance

The 2020 guidance is based on the assumption that the recessionary crisis due to COVID-19 had the largest impact in H1 2020, with steady improvement in our end market environment in Q4 2020 as banks adapt to the crisis. Our guidance for 2020 is in constant currencies.

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The FY 2020 guidance is now as follows:

- Non-IFRS recurring revenue growth (SaaS and Maintenance combined) of at least 13%
- Non-IFRS EBIT broadly flat year-on-year
- 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%
- 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 1.17;
- GBP to USD exchange rate of 1.29; and
- USD to CHF exchange rate of 0.92.

### Webcast

At 18.30 CET / 17.30 GMT / 12.30 EST, today, October 15, 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:

[Q3 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

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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 25-30m
- FY 2020 estimated acquisition related credit of USD 20m related to Kony earn-out (reflected in Q2 actuals)

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 October 15, 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) is the world's leader in banking software. 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 and AI-driven front office, core banking, payments and fund administration software enabling banks to deliver frictionless, omnichannel customer experiences and gain operational excellence.

Temenos software is proven to enable its top-performing clients to achieve cost-income ratios of 26.8%, half the industry average, and returns on equity of 29%, three times the industry average. These clients also invest 51% of their IT budget on growth and innovation versus maintenance, which is double 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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## Appendix I – Q3 2020 IFRS primary statements

### TEMENOS AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 30 September 2020	Three months to 30 September 2019	Twelve months to 30 September 2020	Twelve months to 30 September 2019
<b>Revenues</b>				
Software licensing	52,559	83,500	283,336	362,669
SaaS & subscription	19,814	13,536	76,111	46,821
Total software licensing	72,373	97,036	359,447	409,490
Maintenance	96,591	88,620	383,303	342,154
Services	40,397	42,336	171,784	170,234
Total revenues	209,361	227,992	914,534	921,878
<b>Operating expenses</b>				
Sales and marketing	(38,387)	(43,739)	(176,966)	(182,219)
Services	(36,870)	(37,458)	(158,809)	(149,786)
Software development and maintenance	(64,535)	(62,084)	(291,921)	(258,969)
General and administrative	(13,659)	(23,189)	(82,128)	(89,900)
Total operating expenses	(153,451)	(166,470)	(709,824)	(680,874)
Operating profit	55,910	61,522	204,710	241,004
<b>Other expenses</b>				
Net interest expenses	(7,432)	(5,234)	(30,398)	(17,483)
Borrowing facility expenses	(677)	(1,175)	(2,488)	(2,385)
Foreign exchange gain	441	1,155	2,716	280
Total other expenses	(7,668)	(5,254)	(30,170)	(19,588)
Profit before taxation	48,242	56,268	174,540	221,416
Taxation	(7,261)	(6,974)	(25,337)	(31,255)
Profit for the period	40,981	49,294	149,203	190,161
<b>Earnings per share (in US\$):</b>				
basic	0.57	0.70	2.08	2.72
diluted	0.56	0.68	2.04	2.62
non-IFRS	0.90	0.90	3.26	3.34

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## TEMENOS AG

All amounts are expressed in thousands of US dollars

	30th September 2020	30th June 2020	31 December 2019 Re-presented*	30 September 2019
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	113,388	121,244	152,785	76,711
Trade receivables	277,961	270,283	315,059	306,020
Other receivables	47,209	49,107	80,857	55,769
<b>Total current assets</b>	<b>438,558</b>	<b>440,634</b>	<b>548,701</b>	<b>438,500</b>
<b>Non-current assets</b>				
Property, plant and equipment	66,198	69,044	67,283	70,392
Intangible assets	1,646,373	1,620,954	1,662,593	1,631,913
Trade receivables	6,641	6,365	6,838	5,823
Other long term assets	27,162	27,008	27,861	20,781
Deferred tax assets	24,298	22,438	19,155	21,086
<b>Total non-current assets</b>	<b>1,770,672</b>	<b>1,745,809</b>	<b>1,783,730</b>	<b>1,749,995</b>
<b>Total assets</b>	<b>2,209,230</b>	<b>2,186,443</b>	<b>2,332,431</b>	<b>2,188,495</b>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Trade and other payables	178,492	180,707	233,286	195,277
Deferred revenues (Contract liabilities)	280,423	295,061	287,425	245,150
Income tax liabilities	75,095	68,002	62,925	47,384
Borrowings	24,560	21,110	100,595	21,036
<b>Total current liabilities</b>	<b>558,570</b>	<b>564,880</b>	<b>684,231</b>	<b>508,847</b>
<b>Non-current liabilities</b>				
Borrowings	1,089,472	1,097,267	1,073,972	1,196,542
Deferred tax liabilities	90,825	94,224	103,665	102,234
Trade and other payables	12,295	10,052	14,947	12,963
Retirement benefit obligations	12,228	11,456	10,536	12,978
<b>Total non-current liabilities</b>	<b>1,204,820</b>	<b>1,212,999</b>	<b>1,203,120</b>	<b>1,324,717</b>
<b>Total liabilities</b>	<b>1,763,390</b>	<b>1,777,879</b>	<b>1,887,351</b>	<b>1,833,564</b>
<b>Shareholders' equity</b>				
Share capital	249,527	247,316	241,858	241,537
Treasury shares	(264,608)	(264,608)	(264,608)	(264,608)
Share premium and capital reserves	(260,016)	(255,983)	(258,384)	(284,913)
Fair value and other reserves	(172,058)	(170,175)	(143,742)	(142,523)
Retained earnings	892,995	852,014	869,956	805,438
<b>Total shareholders' equity</b>	<b>445,840</b>	<b>408,564</b>	<b>445,080</b>	<b>354,931</b>
<b>Total equity</b>	<b>445,840</b>	<b>408,564</b>	<b>445,080</b>	<b>354,931</b>
<b>Total liabilities and equity</b>	<b>2,209,230</b>	<b>2,186,443</b>	<b>2,332,431</b>	<b>2,188,495</b>

\* Comparative information has been re-presented to reflect the adjustments to the initial accounting for the acquisition of Kony Inc

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### TEMENOS AG

All amounts are expressed in thousands of US dollars

	Three months to 30 September 2020	Three months to 30 September 2019	Twelve months to 30 September 2020	Twelve months to 30 September 2019
<b>Cash flows from operating activities</b>				
Profit before taxation	48,242	56,268	174,540	221,416
<u>Adjustments:</u>				
Depreciation and amortisation	36,872	31,163	150,638	115,249
Other non-cash and non-operating items	8,844	7,477	47,614	35,594
<u>Changes in working capital:</u>				
Trade and other receivables	(2,216)	(28,599)	26,930	(46,670)
Trade and other payables, and retirement benefit obligations	(8,090)	596	(38,028)	46,923
Deferred revenues (Contract liabilities)	(20,269)	(17,046)	37,009	9,188
<b>Cash generated from operations</b>	<b>63,383</b>	<b>49,859</b>	<b>398,703</b>	<b>381,700</b>
Income taxes paid	(5,675)	(532)	(17,362)	(19,184)
<b>Net cash generated from operating activities</b>	<b>57,708</b>	<b>49,327</b>	<b>381,341</b>	<b>362,516</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(2,189)	(3,776)	(8,281)	(9,049)
Disposal of property, plant and equipment	-	-	-	358
Purchase of intangible assets	(866)	(781)	(2,952)	(4,089)
Capitalised development costs	(20,782)	(15,187)	(77,472)	(57,501)
Acquisitions of subsidiary, net of cash acquired (includes escrow earn out (deposit) /repayment )	(3,062)	(592,029)	24,098	(836,551)
Acquisition of long term loan instruments	-	-	(6,000)	(15,000)
Settlement of financial instruments	(2,764)	(3,031)	(3,047)	(8,509)
Interest received	56	98	812	1,352
<b>Net cash used in from investing activities</b>	<b>(29,607)</b>	<b>(614,706)</b>	<b>(72,842)</b>	<b>(928,989)</b>
<b>Cash flows from financing activities</b>				
Dividend paid	-	-	(63,355)	(52,361)
Proceeds from borrowings	20,000	565,001	188,322	672,686
Repayments of borrowings	(50,013)	-	(573,026)	(110,021)
Proceeds from issuance of bonds	-	-	219,043	174,418
Repayment of bond	-	-	-	(100,652)
Payment of lease liabilities	(5,148)	(3,998)	(20,116)	(11,294)
Interest paid	(1,850)	(729)	(23,026)	(14,380)
Payment of other financing costs	(1,324)	(4,070)	(4,069)	(5,777)
<b>Net cash (used in) / generated from financing activities</b>	<b>(38,335)</b>	<b>556,204</b>	<b>(276,227)</b>	<b>552,619</b>
<b>Effect of exchange rate changes</b>	<b>2,378</b>	<b>(1,395)</b>	<b>4,405</b>	<b>(1,365)</b>
<b>Net (decrease) / increase in cash and cash equivalents in the period</b>	<b>(7,856)</b>	<b>(10,570)</b>	<b>36,677</b>	<b>(15,219)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>121,244</b>	<b>87,281</b>	<b>76,711</b>	<b>91,930</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>113,388</b>	<b>76,711</b>	<b>113,388</b>	<b>76,711</b>



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### Appendix II – reconciliation of IFRS to non-IFRS Q3 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 30 September						Change	
	2020 IFRS	2020 Non-IFRS adjustments	2020 Non-IFRS	2019 IFRS	2019 Non-IFRS adjustment	2019 Non-IFRS	IFRS	Non-IFRS
Software licensing	52,559		52,559	83,500		83,500	(37%)	(37%)
SaaS & subscription	19,814	4,125	23,939	13,536	1,100	14,636	46%	64%
<b>Total Software Licensing</b>	<b>72,373</b>	<b>4,125</b>	<b>76,498</b>	<b>97,036</b>	<b>1,100</b>	<b>98,136</b>	(25%)	(22%)
Maintenance	96,591		96,591	88,620		88,620	9%	9%
Services	40,397		40,397	42,336		42,336	(5%)	(5%)
<b>Total Revenue</b>	<b>209,361</b>	<b>4,125</b>	<b>213,486</b>	<b>227,992</b>	<b>1,100</b>	<b>229,092</b>	<b>(8%)</b>	<b>(7%)</b>
<b>Total Operating Expenses</b>	<b>(153,451)</b>	<b>23,432</b>	<b>(130,019)</b>	<b>(166,470)</b>	<b>16,515</b>	<b>(149,955)</b>	<b>(8%)</b>	<b>(13%)</b>
Restructuring	(7,659)	7,659	-	(4,193)	4,193	-	734%	
Acquisition related costs	-	-	-	-	-	-		
Amort of Acquired Intangibles	(15,773)	15,773	-	(12,322)	12,322	-	28%	
<b>Operating Profit</b>	<b>55,910</b>	<b>27,557</b>	<b>83,467</b>	<b>61,522</b>	<b>17,615</b>	<b>79,137</b>	<b>(9%)</b>	<b>5%</b>
Operating Margin	27%		39%	27%		35%	-0.3% pts	4.6% pts
Financing Costs	(7,668)	-	(7,668)	(5,254)	685	(4,569)	46%	68%
Taxation	(7,261)	(2,785)	(10,046)	(6,974)	(1,960)	(8,934)	4%	12%
Net Earnings	40,981	24,772	65,753	49,294	16,340	65,634	(17%)	0%
EPS (USD per Share)	0.56	0.34	0.90	0.68	0.22	0.90	(18%)	0%