

FOR IMMEDIATE RELEASE
April 20, 2021

Temenos announces a strong start to the year with Q1-21 Total Bookings up 105% giving confidence in delivering FY-21

- Total Bookings growth of 105%
- SaaS ACV growth of 130%
- Total Software Licensing growth of 26%
- EBIT growth of 31%
- FCF growth of 28%

GENEVA, Switzerland, April 20, 2021 –Temenos AG (SIX: TEMN), the banking software company, today reports its first quarter 2021 results.

USDm, except EPS	Non-IFRS				IFRS			
	Q1-21	Q1-20	Change	CC*	Q1-21	Q1-20	Change	CC*
Software licensing	43.6	33.6	30%	28%	43.6	33.6	30%	28%
SaaS & subscription	28.2	22.7	25%	22%	28.2	18.4	53%	49%
Total software licensing	71.8	56.2	28%	26%	71.8	52.0	38%	36%
Maintenance	97.2	94.1	3%	3%	97.2	94.1	3%	3%
Services	40.4	43.3	-7%	-9%	40.4	43.3	-7%	-9%
Total revenues	209.4	193.7	8%	7%	209.4	189.4	11%	9%
EBIT	56.9	44.4	28%	31%	32.1	10.8	197%	228%
EBIT margin	27.2%	22.9%	4% pts	5% pts	15.3%	5.7%	10% pts	10% pts
EPS (USD)	0.58	0.45	29%		0.29	0.04	625%	

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 2021 highlights

- Strong start to the year across all KPIs
- Very strong growth in SaaS and licenses driving total software licensing growth
- Outstanding growth in Total Bookings, up 105%, driven by demand from new and existing customers and an increase in average tenure
- Strong sales momentum driving significant growth in backlog and increasing long term visibility
- US the largest contributor to total software licensing, in particular driven by growth in SaaS
- Strong performance also in Europe as the region continued to recover and see increased demand
- Continued investment in R&D and Sales
- Strong operating and free cash flow generation
- 10 new client wins in Q1-21
- 28 implementation go-lives in the quarter
- Pipeline continued to build through Q1-21, giving confidence in outlook for 2021

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Q1 2021 financial summary (non-IFRS)

- Total Bookings growth of 105% c.c. in Q1-21
- SaaS Annual Contract Value (ACV) up 130% c.c. in Q1-21
- Annual Recurring Revenue growth of 7% c.c. in Q1-21
- Non-IFRS SaaS & subscription revenue growth of 22% c.c. in Q1-21
- Non-IFRS total software licensing revenues up 26% c.c. in Q1-21
- Non-IFRS total revenue up 7% c.c. in Q1-21
- Non-IFRS EBIT growth of 31% c.c. in Q1-21
- Q1-21 non-IFRS EBIT margin of 27.2%, up 5% points c.c.
- Operating Cash Flow growth of 25% and Free Cash Flow growth of 28% in Q1-21
- Leverage at 2.1x, expected to be at similar levels by year end
- DSOs down 2 days year-on-year and 4 days sequentially to 107 days

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

“We had a strong start to the year, with outstanding growth in Total Bookings of 105% and SaaS ACV of 130%, and very strong growth in total software licensing of 26%, reflecting the continued momentum in the business, increasing our revenue visibility and underpinning our future growth. We are seeing an acceleration in demand with the structural drivers remaining firmly in place. An increasing number of banks are embarking on strategic transformations in the face of significant digital disruption to their end market, new competition, and continued cost pressures, and we are strengthening our market leading position through continuous investment in innovation, our SaaS and cloud capabilities and Sales to ensure we capture the growing demand.

We had a particularly strong quarter in the US, with growth in both license and SaaS, and with new logo signings. Europe also had a strong quarter and the pipeline especially for larger deals has been improving.

We saw demand across all tiers of banks, with tier 1 and 2 banks contributing 37% of total software licensing, and we continue to see demand from challenger banks and fintechs for our SaaS offerings, which is largely incremental, and where we are the market leader with over 60 digital banks running on our platform.

We had strong pipeline generation in the quarter, which supports our outlook and guidance for 2021. I expect to be at 2019 levels of combined license and equivalent ACV bookings for the full year, having already exceeded Q1-19 levels in Q1-21.”

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

“I am very pleased with our performance in Q1-21 with a strong acceleration in recurring revenue. SaaS ACV was up 130%, ARR up 7% and our maintenance returned to growth of 3% this quarter. License and SaaS revenue returned to strong growth driven by structural demand in our end market. Total bookings also grew 105%, generating significant backlog, which underpins the outlook for FY 21 and beyond. Overall, total revenue grew 7%

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in constant currency driven by 11% growth in product revenues. Our non-IFRS EBIT grew 31% in the quarter, and we delivered a non-IFRS EBIT margin of 27.2%, up 5% points.

I am particularly pleased with our cash generation in Q1-21, with operating cash inflow of USD 75m in the quarter, up 25%, and representing an LTM conversion of operating cash to EBITDA of 110%. We generated USD 46m of Free Cash Flow in the quarter, up 28%, and ended the quarter with DSOs at 107 days, down 4 days sequentially, and debt leverage at 2.1x.

We are confident to deliver our reconfirmed FY-21 guidance, given the strength of demand in Q1-21 and the strong backlog generation. We are guiding for ARR growth of 10-15% and ACV growth of 40-50%. Despite a c.5% headwind on FY-21 total software licensing growth from last year's HCL transaction, we expect non-IFRS total software licensing growth of 14% to 18%, and non-IFRS total revenue growth of between 8% and 10%. We are guiding for a 2021 non-IFRS EBIT growth of 12-14%, implying an EBIT margin of 37.2%."

Revenue

IFRS revenue was USD 209.4m for the quarter, an increase of 11% vs. Q1 2020.

Non-IFRS revenue was USD 209.4m for the quarter, an increase of 8% vs. Q1 2020.

IFRS total software licensing revenue for the quarter was USD 71.8m, an increase of 38% vs. Q1 2020.

Non-IFRS total software licensing revenue was USD 71.8m for the quarter, an increase of 28% vs. Q1 2020.

EBIT

IFRS EBIT was USD 32.1m for the quarter, an increase of 197% vs. Q1 2020.

Non-IFRS EBIT was USD 56.9m for the quarter, an increase of 28% vs. Q1 2020.

Non-IFRS EBIT margin was 27.2%, up 4% points vs. Q1 2020.

Earnings per share (EPS)

IFRS EPS was USD 0.29 for the quarter, an increase of 625% vs. Q1 2020.

Non-IFRS EPS was USD 0.58 for the quarter, an increase of 29% vs. Q1 2020.

Cash flow

IFRS operating cash was an inflow of USD 75m in Q1 2021 compared to USD 60m in Q1 2020, an increase of 25% and representing an LTM conversion of 110% of IFRS EBITDA into operating cash.

USD 46m of Free Cash Flow was generated in the quarter, an increase of 28% vs. Q1 2020.

2021 non-IFRS guidance

ARR was included as a new guidance metric for 2021. ARR is Annual Recurring Revenue committed at the end of the period for both SaaS and Maintenance. It includes New Customers, up-sell/cross-sell, and attrition. It only includes the recurring element of the contract and exclude variable elements.

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The guidance for 2021 is non-IFRS and in constant currencies.

- SaaS ACV growth of 40-50%
- ARR growth of 10-15%
- Total software licensing growth of 14-18%*
- Total revenue growth of 8-10%*
- EBIT growth of +12-14% (USD 362-369m)*, implying 37.2% margin
- 100%+ conversion of EBITDA into operating cash flow
- Expected FY 2021 tax rate of 16% to 18%
- DSOs to be below 105 days by year end

Non-IFRS EBIT is adjusted for share-based payments and related social charges costs going forward. For comparison purposes, the FY-20 EBIT adjustments exclude USD 11m of costs. Estimated FY-21 share-based payments and related social charges costs are c.USD 20m. The share-based payment cost in Q1-21 was USD6.9m.

m USD	2020 EBIT	2021 EBIT (mid-point of guidance)	2020 EBIT margin %	2021 EBIT margin %	Delta
New definition (excl. share-based payments)	325	366	35.9%	37.2%	+130bps
Prior definition (incl. share-based payments)	314	346	34.8%	35.2%	+40bps

*Q1-21 HCL impact of 9% headwind on SaaS growth, 8% headwind on total software licensing growth, 2% headwind on total revenue growth and 16% headwind on EBIT growth. Expected FY-21 HCL impact of c.5% headwind on SaaS growth, c.5% headwind on total software licensing growth, 3% headwind on total revenue growth, and 5% headwind on EBIT growth, linked to the migration of the acquired non-banking business of Kony to HCL.

Currency assumptions for 2021 guidance

In preparing the 2021 guidance, the Company has assumed the following:

- EUR to USD exchange rate of 1.19;
- GBP to USD exchange rate of 1.38; and
- USD to CHF exchange rate of 0.92

Conference call and webcast

At 18.30 CET / 17.30 GMT / 12.30 EST, today, April 20, 2021, 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 2021 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.

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

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

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

TCF Online

Temenos is holding its annual user event, Temenos Community Forum Online, on Wednesday 26th and Thursday 27th of May. To register for the Investor Track, please using the following link and select 'Investor' in the relevant drop-down menu:

[TCF Online registration link](#)

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. The Company's non-IFRS figures exclude share-based payments and related social charges costs, any deferred revenue write-down resulting from acquisitions, discontinued activities that do not qualify as such under IFRS, acquisition related charges such as financing costs, 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.

Note: share-based payments and related social charges costs are considered as non-IFRS adjustments from FY21.

Below are the accounting elements not included in the 2021 non-IFRS guidance.

- FY 2021 estimated share-based payments and related social charges charges of USD 20m
- FY 2021 estimated amortisation of acquired intangibles of USD 50m
- FY 2021 estimated restructuring costs of USD 10-12m

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 20 April 2021. The above figures are estimates only and may deviate from expected amounts.

Other definitions

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.

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Total Bookings includes fair value of license contract value, committed maintenance contract value on license, and SaaS committed contract value. All must be committed and evidenced by duly signed agreements.

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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.

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Appendix I – Q1 2021 IFRS primary statements

TEMENOS AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 31 March 2021	Three months to 31 March 2020	Twelve months to 31 March 2021	Twelve months to 31 March 2020
Revenues				
Software licensing	43,597	33,566	269,512	348,758
SaaS & subscription	28,233	18,427	93,392	64,436
Total software licensing	71,830	51,993	362,904	413,194
Maintenance	97,180	94,139	384,278	367,072
Services	40,424	43,302	160,176	177,377
Total revenues	209,434	189,434	907,358	957,643
Operating expenses				
Sales and marketing	(53,404)	(42,643)	(169,803)	(205,764)
Services	(36,461)	(42,194)	(144,010)	(161,353)
Software development and maintenance	(67,779)	(73,754)	(268,963)	(280,987)
General and administrative	(19,733)	(20,068)	(69,700)	(98,035)
Total operating expenses	(177,377)	(178,659)	(652,476)	(746,139)
Operating profit	32,057	10,775	254,882	211,504
Other expenses				
Net interest expenses	(5,804)	(6,803)	(26,740)	(25,126)
Borrowing facility expenses	(433)	(435)	(2,380)	(2,993)
Foreign exchange (loss) / gain	(593)	1,070	(912)	4,100
Total other expenses	(6,830)	(6,168)	(30,032)	(24,019)
Profit before taxation	25,227	4,607	224,850	187,485
Taxation	(4,359)	(1,581)	(31,988)	(27,959)
Profit for the period	20,868	3,026	192,862	159,526
Earnings per share (in US\$):				
basic	0.29	0.04	2.67	2.25
diluted	0.29	0.04	2.64	2.18

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TEMENOS AG

All amounts are expressed in thousands of US dollars

	31 March 2021	31 December 2020	31 March 2020
Assets			
Current assets			
Cash and cash equivalents	65,896	110,195	103,134
Trade receivables	263,448	268,968	281,055
Other receivables	63,969	67,135	72,596
<i>Total current assets</i>	<u>393,313</u>	<u>446,298</u>	<u>456,785</u>
Non-current assets			
Property, plant and equipment	60,486	62,930	65,349
Intangible assets	1,638,634	1,667,704	1,612,229
Trade receivables	5,194	4,802	7,501
Other long term assets	6,112	5,484	27,699
Deferred tax assets	27,990	28,473	21,455
<i>Total non-current assets</i>	<u>1,738,416</u>	<u>1,769,393</u>	<u>1,734,233</u>
Total assets	<u>2,131,729</u>	<u>2,215,691</u>	<u>2,191,018</u>
Liabilities and equity			
Current liabilities			
Trade and other payables	142,080	149,926	205,808
Deferred revenues (Contract liabilities)	359,815	356,787	280,536
Income tax liabilities	70,273	75,780	65,498
Borrowings	23,917	21,518	23,292
<i>Total current liabilities</i>	<u>596,085</u>	<u>604,011</u>	<u>575,134</u>
Non-current liabilities			
Borrowings	905,971	956,338	1,084,621
Deferred tax liabilities	100,787	107,231	97,627
Trade and other payables	15,352	12,613	9,835
Retirement benefit obligations	12,667	12,093	10,841
<i>Total non-current liabilities</i>	<u>1,034,777</u>	<u>1,088,275</u>	<u>1,202,924</u>
Total liabilities	<u>1,630,862</u>	<u>1,692,286</u>	<u>1,778,058</u>
Shareholders' equity			
Share capital	249,982	249,535	246,432
Treasury shares	(353,722)	(264,608)	(264,608)
Share premium and capital reserves	(254,409)	(259,823)	(260,359)
Fair value and other reserves	(140,004)	(179,851)	(181,487)
Retained earnings	999,020	978,152	872,982
<i>Total shareholders' equity</i>	<u>500,867</u>	<u>523,405</u>	<u>412,960</u>
Total equity	<u>500,867</u>	<u>523,405</u>	<u>412,960</u>
Total liabilities and equity	<u>2,131,729</u>	<u>2,215,691</u>	<u>2,191,018</u>

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TEMENOS
THE BANKING SOFTWARE COMPANY

TEMENOS AG

All amounts are expressed in thousands of US dollars

	Three months to 31 March 2021	Three months to 31 March 2020	Twelve months to 31 March 2021	Twelve months to 31 March 2020
Cash flows from operating activities				
Profit before taxation	25,227	4,607	224,850	187,485
<u>Adjustments:</u>				
Depreciation and amortisation	36,429	37,779	147,607	138,214
Other non-cash and non-operating items	12,479	10,125	18,997	59,202
<u>Changes in working capital:</u>				
Trade and other receivables	(6,312)	22,093	22,065	(24,476)
Trade and other payables, and retirement benefit obligations	(901)	(16,142)	(56,860)	4,612
Deferred revenues (Contract liabilities)	7,647	1,232	64,411	3,963
<i>Cash generated from operations</i>	74,569	59,694	421,070	369,000
Income taxes paid	(6,520)	(3,560)	(26,196)	(14,105)
Net cash generated from operating activities	68,049	56,134	394,874	354,895
Cash flows from investing activities				
Purchase of property, plant and equipment	(2,267)	(1,994)	(7,207)	(10,498)
Disposal of property, plant and equipment	-	-	67	-
Purchase of intangible assets	(1,070)	(749)	(3,150)	(3,063)
Capitalised development costs	(19,163)	(17,682)	(77,796)	(68,182)
Acquisitions of subsidiary, net of cash acquired (includes escrow earn out (deposit) /repayment)	(1,670)	(502)	22,680	(592,477)
Disposal / (acquisition) of long term loan instruments	-	-	6,000	(6,000)
Disposal of investment in equity	-	-	14,052	-
Settlement of financial instruments	1,676	(1,633)	(3,318)	(4,824)
Interest received	33	309	720	968
Net cash used in from investing activities	(22,461)	(22,251)	(47,952)	(684,076)
Cash flows from financing activities				
Dividend paid	-	-	(63,355)	(52,361)
Acquisition of treasury shares	(89,114)	-	(89,114)	-
Proceeds from borrowings	124,381	80,000	197,788	687,641
Repayments of borrowings	(117,064)	(151,966)	(389,341)	(472,996)
Proceeds from issuance of bonds	-	-	-	219,043
Payment of lease liabilities	(4,913)	(5,034)	(19,325)	(17,748)
Interest paid	(483)	(2,646)	(21,324)	(20,961)
Payment of other financing costs	(814)	(1,062)	(3,914)	(6,293)
Net cash (used in) / generated from financing activities	(88,007)	(80,708)	(388,585)	336,325
Effect of exchange rate changes	(1,880)	(2,826)	4,425	(821)
Net (decrease) / increase in cash and cash equivalents in the period	(44,299)	(49,651)	(37,238)	6,323
Cash and cash equivalents at the beginning of the period	110,195	152,785	103,134	96,811
Cash and cash equivalents at the end of the period	65,896	103,134	65,896	103,134

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Appendix II – reconciliation of IFRS to non-IFRS Q1 2021 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.

IFRS - Non- IFRS Reconciliation Thousands of US Dollars	3 Months Ending 31 March						Change		3 months Ending 31 March (As reported)		
	2021		2021	2020		2020	IFRS	Non-IFRS	2020		2020
	IFRS	Non-IFRS adjustments	Non-IFRS	IFRS	Non-IFRS adjustment (Revised definitions) *	Non-IFRS			IFRS	Non-IFRS adjustment (Prior definition)	Non-IFRS
Software licensing	43,597		43,597	33,566		33,566	30%	30%	33,566		33,566
SaaS & subscription	28,233	-	28,233	18,427	4,225	22,652	53%	25%	18,427	4,225	22,652
Total Software Licensing	71,830	-	71,830	51,993	4,225	56,218	38%	28%	51,993	4,225	56,218
Maintenance	97,180		97,180	94,139		94,139	3%	3%	94,139		94,139
Services	40,424		40,424	43,302		43,302	(7%)	(7%)	43,302		43,302
Total Revenue	209,434	-	209,434	189,434	4,225	193,659	11%	8%	189,434	4,225	193,659
Total Operating Expenses	(177,377)	24,838	(152,539)	(178,659)	29,397	(149,262)	(1%)	2%	(178,659)	24,444	(154,215)
Restructuring	(2,825)	2,825	-	(6,857)	6,857	-	(59%)		(6,857)	6,857	-
Amort of Acquired Intangibles	(15,107)	15,107	-	(17,587)	17,587	-	(14%)		(17,587)	17,587	-
Share based payment	(6,906)	6,906	-	(4,953)	4,953	-	39%		-	-	-
Operating Profit	32,057	24,838	56,895	10,775	33,622	44,397	198%	28%	10,775	28,669	39,444
Operating Margin	15%		27%	6%		23%	9.6% pts	4.2% pts	6%		20%
Financing Costs	(6,830)	-	(6,830)	(6,168)	-	(6,168)	11%	11%	(6,168)	-	(6,168)
Taxation	(4,359)	(3,522)	(7,881)	(1,581)	(3,744)	(5,325)	176%	48%	(1,581)	(3,054)	(4,635)
Net Earnings	20,868	21,316	42,184	3,026	29,878	32,904	590%	28%	3,026	25,615	28,641
EPS (USD per Share)	0.29	0.29	0.58	0.04	0.41	0.45	625%	29%	0.04	0.35	0.39

* share-based payments including related social charges costs and associated tax impact have been adjusted in line with the new non-IFRS definition adopted as of 1st January 2021 for comparability purpose with current year