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FOR IMMEDIATE RELEASE
July 21, 2021

Ad hoc announcement pursuant to Article 53 of the SIX Listing Rules

Temenos announces sustained strong Q2-21 momentum with Bookings growth of 104%, raises guidance for FY-21 SaaS ACV growth to 50-60%

- SaaS ACV growth of 409%
- Total Bookings growth of 104%
- Total Software Licensing growth of 16%
- ARR growth of 8%
- EBIT growth of 16%
- FCF growth of 24%
- FY-21 guidance for SaaS ACV growth increased to 50-60%
- Rest of FY-21 guidance reconfirmed

GENEVA, Switzerland, July 21, 2021 – Temenos AG (SIX: TEMN), the banking software company, today reports its second quarter 2021 results.

USDm, except EPS	Non-IFRS				IFRS			
	Q2-21	Q2-20	Change	CC*	Q2-21	Q2-20	Change	CC*
Software licensing	66.6	58.1	15%	13%	66.6	58.1	15%	13%
SaaS & subscription	29.3	23.1	27%	24%	29.3	18.9	55%	50%
Total software licensing	95.9	81.2	18%	16%	95.9	77.0	25%	22%
Maintenance	98.5	95.1	4%	3%	98.5	95.1	4%	3%
Services	41.5	39.4	5%	3%	41.5	39.4	5%	3%
Total revenues	236.0	215.7	9%	8%	236.0	211.5	12%	10%
EBIT	85.4	75.9	13%	16%	64.7	56.5	14%	20%
EBIT margin	36.2%	35.2%	1% pts	3% pts	27.4%	26.7%	1% pts	2% pts
EPS (USD)	0.89	0.80	11%		0.65	0.59	10%	

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

Q2 2021 highlights

- Strong momentum in the second quarter
- Significant growth in SaaS ACV in particular, up 409%
- Excellent growth in Total Bookings, up 104%, up on Q2-19 levels
- All regions delivered double digit growth in the quarter
- US continued to be the largest contributor to total software licensing
- US SaaS and cloud was particularly strong across new clients and growth in existing clients
- Europe recovery is following the US with a short time lag, deal pipeline is building with strong sales growth expected in H2
- 16 new client wins in the quarter across license and SaaS
- 15 implementation go-lives in the quarter

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- EBIT growth and margin expansion continued to drive operating and free cash flow generation
- Raised FY-21 guidance for increased SaaS momentum – SaaS ACV now expected to grow 50-60%, up from 40-50% previously, rest of FY-21 guidance reconfirmed

Q2 2021 financial summary (non-IFRS)

- Total Bookings growth of 104% c.c. in Q2-21
- SaaS Annual Contract Value (ACV) up 409% c.c. in Q2-21
- Annual Recurring Revenue growth of 8% c.c. in Q2-21
- Non-IFRS SaaS & subscription revenue growth of 24% c.c. in Q2-21
- Non-IFRS total software licensing revenues up 16% c.c. in Q2-21
- Non-IFRS total revenue up 8% c.c. in Q2-21
- Non-IFRS EBIT growth of 16% c.c. in Q2-21
- Q2-21 non-IFRS EBIT margin of 36.2%, up 3% points c.c.
- Operating Cash Flow growth of 19% and Free Cash Flow growth of 24% in Q2-21
- Leverage at 2.3x, expected to be at 2.1x by year end
- DSOs down 1 days year-on-year and 1 day sequentially to 106 days

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

“I am very pleased with our second quarter performance, with sustained strong momentum across the business. The sales environment continued to improve with all regions delivering double digit growth in the quarter, with very strong performance in the US in particular. We are seeing increased activity with Tier 1 and 2 accounts and are proactively responding to this by strengthening our global sales leadership. Our SaaS business had another quarter of significant growth as we continue to take market share in new SaaS deals as well as benefiting from excellent momentum in some of our existing SaaS customers. We also had strong growth in software licensing, with more banks embarking on digital transformation journeys in response to the pandemic and the ongoing structural pressures on traditional banking models.

The sales environment continued to steadily improve this quarter, which was reflected in our excellent Total Bookings growth of 104%, driven by broad based demand across products and regions. Our Total Bookings growth is driving our backlog and our long-term visibility, giving confidence in our FY-21 guidance and 2025 targets.

The US continued its very strong performance, and was again the largest contributor to total software licensing and SaaS ACV. Activity in Europe is also increasing and we expect strong sales growth in this region over the coming quarters.

We once again topped the industry league tables and were ranked No. 1 for core banking, digital front office, retail payments, risk management and sales to Neo and Challenger banks. This in particular reflects the years of investment we have made in our SaaS and cloud capabilities and the strength of our offering for new entrants.

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With a further improvement in the sales environment and increasing market share, I expect to be at 2019 levels of combined license and equivalent ACV bookings for the full year.”

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

“This quarter we continued to build on the significant momentum from Q1-21, with strong growth across the business, in particular for our recurring revenue. SaaS ACV grew 409%, and our ARR growth accelerated to 8% in the quarter. Maintenance grew by 3% in the quarter, and we expect maintenance to grow at similar levels in Q3-21 and then to accelerate considerably in Q4-21 reflecting the stronger license growth in the first half of the year. Similarly, we expect a strong sequential improvement in SaaS revenue of USD2-3m in Q3-21 and even more in Q4-21, driven by the ACV growth of the prior quarters.

Total Bookings also grew an excellent 104%, continuing to drive growth in backlog and underpinning our one year and medium term growth targets. Total revenue grew 8% in the quarter and non-IFRS EBIT grew 16%, delivering a non-IFRS EBIT margin of 36.3%, up 1% point reported.

We continue to generate significant amounts of cash, with an operating cash inflow of USD 112m in Q2-21, up 19%, and USD87m of Free Cash Flow, up 24%. DSOs ended the quarter at 106 days, down 1 day sequentially and year-on-year, and debt leverage was at 2.3x. We expect our leverage to be at around 2.1x by year end, at the same level as in FY20.

Given the strength of our SaaS business, we have raised our FY-21 guidance for SaaS ACV growth to 50-60%, up from 40-50%. In license equivalent terms this would represent an increase of c.2-3% of total software licensing revenue growth. We have reconfirmed the rest of our FY-21 guidance for ARR growth of 10-15%, 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 236.0m for the quarter, an increase of 12% vs. Q2 2020.

Non-IFRS revenue was USD 236.0m for the quarter, an increase of 9% vs. Q2 2020.

IFRS total software licensing revenue for the quarter was USD 95.9m, an increase of 25% vs. Q2 2020.

Non-IFRS total software licensing revenue was USD 95.9m for the quarter, an increase of 18% vs. Q2 2020.

EBIT

IFRS EBIT was USD 64.7m for the quarter, an increase of 14% vs. Q2 2020.

Non-IFRS EBIT was USD 85.4m for the quarter, an increase of 13% vs. Q2 2020.

Non-IFRS EBIT margin was 36.2%, up 1% point vs. Q2 2020.

Earnings per share (EPS)

IFRS EPS was USD 0.65 for the quarter, an increase of 10% vs. Q2 2020.

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Non-IFRS EPS was USD 0.89 for the quarter, an increase of 11% vs. Q2 2020.

Cash flow

IFRS operating cash was an inflow of USD 112m in Q2 2021 compared to USD 94m in Q2 2020, an increase of 19% and representing an LTM conversion of 107% of IFRS EBITDA into operating cash.

USD 87m of Free Cash Flow was generated in the quarter, an increase of 24% vs. Q2 2020.

Revised 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.

The guidance for 2021 is non-IFRS and in constant currencies. SaaS ACV growth has been increased and the other guidance items have been reconfirmed.

- SaaS ACV growth of 50-60%, increased from 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 Q2-21 was USD6.0m.

m USD	2020 EBIT	2021 EBIT (mid-point of guidance)	2020 EBIT margin %	2021 EBIT margin %	Delta
New definition (excl. share-based payments)	324	366	35.9%	37.2%	+130bps
Prior definition (incl. share-based payments)	314	346	34.8%	35.2%	+40bps

*Q2-21 HCL impact of 4% headwind on SaaS growth, 9% headwind on total software licensing growth, 4% headwind on total revenue growth and 10% 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:

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- 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, July 21, 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:

[Q2 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.

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

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

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

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 July 21, 2021. The above figures are estimates only and may deviate from expected amounts.

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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.

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.

Investor and media contacts

Investors

Adam Snyder
Head of Investor Relations, Temenos
Email: asnyder@temenos.com
Tel: +41 22 708 1515

Media

Haya Herbert-Burns
Teneo for Temenos
Email: haya.herbertburns@teneo.com
Tel: +44 203 757 9257

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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TEMENOS
THE BANKING SOFTWARE COMPANY

Appendix I – Q2 2021 IFRS primary statements

TEMENOS AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 30 June 2021	Three months to 30 June 2020	Twelve months to 30 June 2021	Twelve months to 30 June 2020
Revenues				
Software licensing	66,596	58,079	278,029	314,277
SaaS & subscription	29,294	18,890	103,796	69,833
Total software licensing	95,890	76,969	381,825	384,110
Maintenance	98,546	95,110	387,714	375,332
Services	41,533	39,409	162,300	173,723
Total revenues	235,969	211,488	931,839	933,165
Operating expenses				
Sales and marketing	(49,062)	(25,813)	(193,052)	(182,318)
Services	(34,942)	(36,218)	(142,734)	(159,397)
Software development and maintenance	(67,009)	(73,661)	(262,311)	(289,470)
General and administrative	(20,299)	(19,309)	(70,690)	(91,658)
Total operating expenses	(171,312)	(155,001)	(668,787)	(722,843)
Operating profit	64,657	56,487	263,052	210,322
Other expenses				
Net interest expenses	(6,028)	(7,576)	(25,192)	(28,200)
Borrowing facility expenses	(471)	(413)	(2,438)	(2,986)
Foreign exchange (loss) / gain	(738)	(417)	(1,233)	3,430
Total other expenses	(7,237)	(8,406)	(28,863)	(27,756)
Profit before taxation	57,420	48,081	234,189	182,566
Taxation	(10,182)	(5,130)	(37,040)	(25,050)
Profit for the period	47,238	42,951	197,149	157,516
Earnings per share (in US\$):				
basic	0.66	0.60	2.73	2.21
diluted	0.65	0.59	2.70	2.15

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TEMENOS AG

All amounts are expressed in thousands of US dollars

	30 June 2021	31 March 2021	31 December 2020	30th June 2020 Re-presented
Assets				
Current assets				
Cash and cash equivalents	87,582	65,896	110,195	121,244
Trade receivables	267,834	263,448	268,968	270,283
Other receivables	65,653	63,969	67,135	49,107
Total current assets	421,069	393,313	446,298	440,634
Non-current assets				
Property, plant and equipment	63,202	60,486	62,930	69,044
Intangible assets	1,634,019	1,638,634	1,667,704	1,620,954
Trade receivables	4,216	5,194	4,802	6,365
Other long term assets	25,578	6,112	5,484	27,008
Deferred tax assets	28,745	27,990	28,473	22,438
Total non-current assets	1,755,760	1,738,416	1,769,393	1,745,809
Total assets	2,176,829	2,131,729	2,215,691	2,186,443
Liabilities and equity				
Current liabilities				
Trade and other payables	182,021	142,080	149,926	180,707
Deferred revenues (Contract liabilities)	344,422	359,815	356,787	295,061
Income tax liabilities	79,889	70,273	75,780	68,002
Borrowings	210,414	23,917	21,518	21,110
Total current liabilities	816,746	596,085	604,011	564,880
Non-current liabilities				
Borrowings	886,132	905,971	956,338	1,097,267
Deferred tax liabilities	99,679	100,787	107,231	94,224
Trade and other payables	846	15,352	12,613	10,052
Retirement benefit obligations	13,284	12,667	12,093	11,456
Total non-current liabilities	999,941	1,034,777	1,088,275	1,212,999
Total liabilities	1,816,687	1,630,862	1,692,286	1,777,879
Shareholders' equity				
Share capital	251,371	249,982	249,535	247,316
Treasury shares	(459,077)	(353,722)	(264,608)	(264,608)
Share premium and capital reserves	(252,505)	(254,409)	(259,823)	(255,983)
Fair value and other reserves	(154,478)	(140,004)	(179,851)	(170,175)
Retained earnings	974,831	999,020	978,152	852,014
Total shareholders' equity	360,142	500,867	523,405	408,564
Total equity	360,142	500,867	523,405	408,564
Total liabilities and equity	2,176,829	2,131,729	2,215,691	2,186,443

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All amounts are expressed in thousands of US dollars

	Three months to 30 June 2021	Three months to 30 June 2020	Twelve months to 30 June 2021	Twelve months to 30 June 2020
Cash flows from operating activities				
Profit before taxation	57,420	48,081	234,189	182,566
<u>Adjustments:</u>				
Depreciation and amortisation	36,042	37,093	146,556	144,929
Other non-cash and non-operating items	10,313	(7,426)	36,736	46,247
<u>Changes in working capital:</u>				
Trade and other receivables	463	17,038	5,490	547
Trade and other payables, and retirement benefit obligations	24,688	(11,477)	(20,695)	(29,342)
Deferred revenues (Contract liabilities)	(17,317)	10,336	36,758	40,232
Cash generated from operations	111,609	93,645	439,034	385,179
Income taxes paid	(1,275)	(4,370)	(23,101)	(12,219)
Net cash generated from operating activities	110,334	89,275	415,933	372,960
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,788)	(983)	(8,012)	(9,868)
Disposal of property, plant and equipment	-	-	67	-
Purchase of intangible assets	(1,095)	(583)	(3,662)	(2,867)
Capitalised development costs	(20,910)	(17,991)	(80,715)	(71,877)
Acquisitions of subsidiary, net of cash acquired (includes escrow earn out (deposit) /repayment)	-	27,662	(4,982)	(564,869)
(Acquisition) / Disposal of long term loan instruments	(19,900)	-	(13,900)	(6,000)
Disposal of investment in equity	-	-	14,052	-
Investment in and settlement of financial instruments	(4,540)	(238)	(7,620)	(3,314)
Interest received	37	89	668	854
Net cash (used in) / generated from investing activities	(48,196)	7,956	(104,104)	(657,941)
Cash flows from financing activities				
Dividend paid	(71,427)	(63,355)	(71,427)	(63,355)
Acquisition of treasury shares	(105,356)	-	(194,470)	-
Proceeds from borrowings	193,520	48,367	342,941	733,323
Repayments of borrowings	(41,772)	(50,017)	(381,096)	(523,013)
Proceeds from issuance of bonds	-	-	-	219,043
Payment of lease liabilities	(4,427)	(4,939)	(18,813)	(18,966)
Interest paid	(9,584)	(10,244)	(20,664)	(21,905)
Payment of other financing costs	(901)	(1,101)	(3,714)	(6,815)
Net cash (used in) / generated from financing activities	(39,947)	(81,289)	(347,243)	318,312
Effect of exchange rate changes	(505)	2,168	1,752	632
Net increase / (decrease) in cash and cash equivalents in the period	21,686	18,110	(33,662)	33,963
Cash and cash equivalents at the beginning of the period	65,896	103,134	121,244	87,281
Cash and cash equivalents at the end of the period	87,582	121,244	87,582	121,244

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Appendix II – reconciliation of IFRS to non-IFRS Q2 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 30 June						Change		3 months Ending 30 June (As reported)		
	2021		2021	2020		2020		IFRS	Non-IFRS	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	66,596		66,596	58,079		58,079	15%	15%	58,079		58,079
SaaS & subscription	29,294	-	29,294	18,890	4,225	23,115	55%	27%	18,890	4,225	23,115
Total Software Licensing	95,890	-	95,890	76,969	4,225	81,194	25%	18%	76,969	4,225	81,194
Maintenance	98,546		98,546	95,110		95,110	4%	4%	95,110		95,110
Services	41,533		41,533	39,409		39,409	5%	5%	39,409		39,409
Total Revenue	235,969	-	235,969	211,488	4,225	215,713	12%	9%	211,488	4,225	215,713
Total Operating Expenses	(171,312)	20,761	(150,551)	(155,001)	15,193	(139,808)	11%	8%	(155,001)	6,605	(148,396)
Restructuring	(1,925)	1,925	-	(10,654)	10,654	-	(82%)		(10,654)	10,654	-
Acquisition related cost	-	-	-	20,407	(20,407)	-	(100%)		20,407	(20,407)	-
Amort of Acquired Intangibles	(12,849)	12,849	-	(16,358)	16,358	-	(21%)		(16,358)	16,358	-
Share based payment	(5,987)	5,987	-	(8,588)	8,588	-	(30%)		-	-	-
Operating Profit	64,657	20,761	85,418	56,487	19,418	75,905	14%	13%	56,487	10,830	67,317
Operating Margin	27%		36%	27%		35%	0.7% pts	1.0% pts	27%		31%
Financing Costs	(7,237)	-	(7,237)	(8,406)	-	(8,406)	(14%)	(14%)	(8,406)	-	(8,406)
Taxation	(10,182)	(3,570)	(13,752)	(5,130)	(4,083)	(9,213)	98%	49%	(5,130)	(2,881)	(8,011)
Net Earnings	47,238	17,191	64,429	42,951	15,335	58,286	10%	11%	42,951	7,949	50,900
EPS (USD per Share)	0.65	0.24	0.89	0.59	0.21	0.80	10%	11%	0.59	0.11	0.70

* 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