

FOR IMMEDIATE RELEASE
February 14, 2022

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

Temenos announces Q4 and FY 2021 results

- ARR growth of 12% in FY-21
- SaaS ACV up 65% in FY-21
- Total Bookings growth of 37% in FY-21
- Total Software Licensing growth of 17% in FY-21
- FCF growth of 21% in FY-21
- Move to subscription model to accelerate growth and drive recurring revenue
- Proposed dividend of CHF 1.00 for FY-21 to be voted on at AGM
- FY-22 guidance (non-IFRS) announced with ARR growth of 18-20%, Total Software Licensing growth of 16-18%, Total Revenue growth of at least 10%, and EBIT growth of 9-11%

GENEVA, Switzerland, February 14, 2022 –Temenos AG (SIX: TEMN), the banking software company, today reports its fourth quarter and full year 2021 results.

USDm, except EPS	Non-IFRS						IFRS					
	Q4-21	Change	CC*	FY21	Change	CC*	Q4-21	Change	CC*	FY21	Change	CC*
Software licencing	118.5	3%	5%	292.2	13%	13%	118.5	3%	5%	292.2	13%	13%
SaaS	34.9	32%	33%	123.7	29%	27%	34.9	32%	33%	123.7	48%	46%
Total software licencing	153.4	8%	11%	415.9	17%	17%	153.4	8%	11%	415.9	21%	21%
Maintenance	100.7	6%	7%	395.1	4%	4%	100.7	6%	7%	395.1	4%	4%
Services	35.9	-10%	-8%	156.0	-4%	-5%	35.9	-10%	-8%	156.0	-4%	-5%
Total revenues	290.0	5%	7%	967.0	7%	7%	290.0	5%	7%	967.0	9%	9%
EBIT	128.4	1%	2%	356.8	8%	10%	100.5	-9%	-7%	238.1	2%	6%
EBIT margin	44.3%	-2% pts	-2% pts	36.9%	0% pts	1% pts	34.7%	-5% pts	-5% pts	24.6%	-2% pts	-1% pts
EPS (USD)	1.42	1%		3.80	7%		1.07	-11%		2.40	0%	

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

Q4-21 highlights

- Strong momentum in the fourth quarter
- SaaS performed particularly well with ACV up 52% and revenue up 33% in Q4-21
- Total Bookings up 10% in Q4-21, and 37% in FY-21, also up on FY-19, driving backlog and visibility
- EBIT growth continued to drive operating and free cash flow generation
- Significant investments to ensure we are well positioned for future growth
- Move to subscription model for on-premise licenses will accelerate revenue growth and further increase visibility
- US performed particularly well, as did APAC and MEA
- Europe saw strong sequential improvement with deal signings across both license and SaaS, and further recovery is expected in H1-22
- Tier 1 and 2 banks contributed 41% of total software licencing in Q4-21 as strategic transformation projects continue to gain momentum

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- 19 new client wins in Q4-21, total of 63 new customer wins in FY-21
- 98 implementation go-lives in the quarter, total of 345 go-lives across all clients
- Well positioned for strong growth in 2022

Q4 and FY 2021 financial summary (non-IFRS)

- Total Bookings growth of 10% in Q4-21 and 37% in FY-21 c.c.
- SaaS Annual Contract Value (ACV) of USD17m, 52% growth in Q4-21 and 65% growth in FY-21
- Annual Recurring Revenue growth of 12% in Q4-21 and 12% in FY-21 c.c.
- Non-IFRS SaaS revenue growth of 33% in Q4-21 and 27% in FY-21 c.c.
- Non-IFRS total software licensing revenues up 11% in Q4-21 and 17% in FY-21 c.c.
- Non-IFRS total revenue up 7% c.c. in Q4-21 and 7% in FY-21 c.c.
- Non-IFRS EBIT growth of 2% in Q4-21 and 10% in FY-21 c.c.
- FY-21 non-IFRS EBIT margin of 36.9%, up 1% points c.c.
- Operating Cash Flow growth of 16% and Free Cash Flow growth of 21% in FY-21
- Leverage at 1.8x at year end
- DSOs at 117 days
- Profit and cash flow strength support proposed dividend of CHF1.00, an 11% annual increase

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

“We had a great end to 2021, with strong growth as the sales environment continued to improve and we are now at pre-Covid levels in closure rates and predictability. Our US business performed particularly well and I was pleased with the good level of deal signings in Europe in the fourth quarter. Activity with Tier 1 and 2 banks continued to increase, making up 41% of our total software licensing in Q4-21. We clearly see acceleration in the market post the pandemic, and banks no longer have a choice but to invest in their core banking and customer experience platforms. The unbundling of manufacturing and distribution is fundamentally changing our market and creating opportunities for so many new business models. I am proud that we have been able to capitalize on this, winning significant market share in the non-incumbent space through the strength of our open platform and the Temenos Banking Cloud while our sales to the traditional banking market have regained their poise post the pandemic.

I am also very excited to announce our move to a subscription model for our traditional on-premise business from 2022, which enables us to capture greater value and accelerate our growth from 2022. We see an increasing number of clients across all tiers asking for subscription-based pricing. We will sell five-year subscription contracts for on-premise license and maintenance as standard, including for renewals. This move will also expand long-term value creation potential, increase total contract values and significantly accelerate our growth, in particular ARR as well as TSL and EBIT. We now expect ARR to grow 20-25% CAGR 2021-25 to reach USD 1.3bn by 2025, equal to 85% or more of our total revenue.

Looking forward to 2022, we are starting the year from a position of great strength. Our open platform is the leader in our market, and we have demonstrated our ability to win deals across both incumbents and non-incumbents, with our market share even higher in the non-incumbent segment. We have a robust R&D and innovation roadmap

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and the strongest deal pipeline across regions since before the pandemic. Activity with tier 1 and 2 banks is increasing as is deal activity in Europe. I am confident this will be a great year for Temenos.”

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

“Q4 was another strong quarter of growth across the P&L. We had particularly strong SaaS bookings in Q4, with USD17m of SaaS ACV across new and existing clients. This represents 52% growth in the quarter and 65% for the full year. SaaS revenue also accelerated to 33% growth in Q4 and 27% for the full year, and going forward we expect SaaS revenue to grow much more closely in line with ACV. With maintenance growing 7% in the quarter as expected, we had strong ARR growth of 12% in Q4 and also for the full year. Licenses also grew a healthy 5% in the quarter, and 13% for the full year. We generated USD 293m of Total Bookings in Q4, an increase of 10% for the quarter and 37% for the full year, as we continue to add to our backlog. The move to a subscription model in 2022 will further accelerate ARR and Total Software Licensing growth and ultimately EBIT.

Our track record of strong cash generation continued, with an operating cash inflow of USD 473m in FY-21, up 16%, and we generated USD 358m of Free Cash Flow in FY-21, up 21%. Debt leverage was at 1.8x, approaching our target run-rate of 1.5-2.0x and fully deleveraging from our Kony acquisition within 2 years. With our strength of balance sheet, we have proposed a dividend of CHF 1.00 for FY-21.

We initiate our guidance for 2022, with ARR growth of 18-20%, Total Software Licensing growth of 16-18% and Total Revenue growth of at least 10%. Lastly, we expect EBIT to grow 9-11% for the year. We expect to continue converting 100%+ of EBITDA into operating cash, and we expect our FY-22 tax rate to be between 18-20%.’

Revenue

IFRS revenue was USD 290.0m for the quarter, an increase of 5% vs. Q4-20.

Non-IFRS revenue was USD 290.0m for the quarter, an increase of 5% vs. Q4-20.

IFRS total software licensing revenue for the quarter was USD 153.4m, an increase of 8% vs. Q4-20.

Non-IFRS total software licensing revenue was USD 153.4m for the quarter, an increase of 8% vs. Q4-20.

EBIT

IFRS EBIT was USD 100.5m for the quarter, a decrease of 9% vs. Q4-20.

Non-IFRS EBIT was USD 128.4m for the quarter, an increase of 1% vs. Q4-20.

Non-IFRS EBIT margin was 44.3%, down 2% point vs. Q4-20.

Earnings per share (EPS)

IFRS EPS was USD 1.07 for the quarter, a decrease of 11% vs. Q4-20.

Non-IFRS EPS was USD 1.42 for the quarter, an increase of 1% vs. Q4-20.

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Cash flow

IFRS operating cash was an inflow of USD 473m in FY-21, an increase of 16% and representing an LTM conversion of 124% of IFRS EBITDA into operating cash. USD 358m of Free Cash Flow was generated in FY-21, an increase of 21% vs. FY-20.

Dividend

Taking into account the strength of profit growth and cash generation, as well as the expected strength of future cash flows, subject to shareholder approval at the AGM on 25 May 2022, Temenos intends to pay a dividend of CHF 1.00 per share in 2022. The timing for the dividend payment will be as follows:

- 25 May AGM approval
- 30 May Shares trade ex-dividend
- 31 May Record date
- 1 June Payment date

The dividend will be taken from the retained earnings (cash dividend) and therefore taxable (WHT 35%).

Move to subscription revenue and impact on future reporting

Temenos will sell five-year subscription contracts for on-premise license and maintenance as standard from 2022, including for renewals. This will accelerate growth by capturing greater contract value and accelerate the shift to more financial performance driven by a much higher proportion of recurring revenues. To reflect this change, an additional revenue line will be added to the P&L for recognition of Subscription licenses.

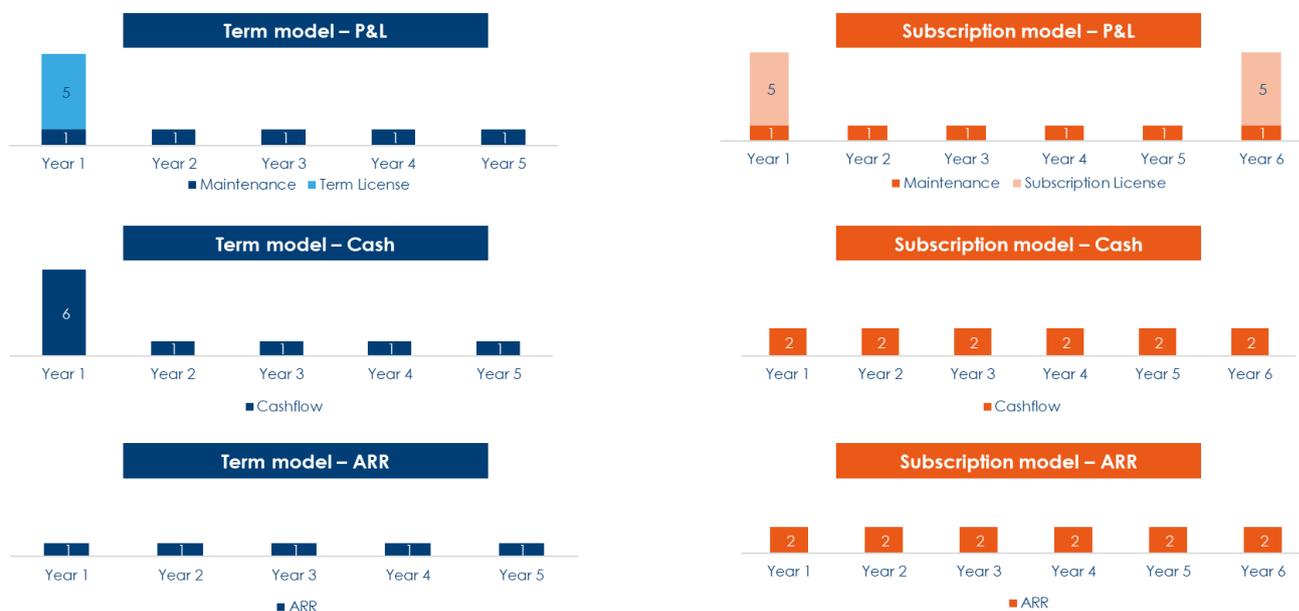
Total Software Licensing (old)	Total Software Licensing (new)
+ License revenue	+ License revenue
+ SaaS	+ Subscription
	+ SaaS
=Total Software Licensing revenue	=Total Software Licensing revenue

The impact of the move to a subscription model on P&L, cash and ARR is shown for illustrative purposes below:

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Note: Based on our standard 5 year term contract and based on IFRS15 standards

2022 non-IFRS guidance

The guidance for 2022 is non-IFRS and in constant currencies.

- ARR growth of 18-20%
- Total Software Licensing growth of 16-18%
- Total revenue growth of at least 10%
- EBIT growth of +9-11%
- 100%+ conversion of EBITDA into operating cash flow
- Expected FY 2022 tax rate of 18-20%

Medium term targets by/for 2025

The medium-term targets by/for are non-IFRS and in constant currencies.

- ARR growth of 20-25% CAGR 2021-25 to reach c.USD1.3bn of ARR by 2025
- Total Software Licensing growth of 15-20% CAGR 2021-25
- Total revenue growth of 10-15% CAGR 2021-25
- EBIT margin to reach c.41% by 2025
- Free Cash Flow growth of 10-15% CAGR 2021-26 to reach >USD600m by 2026

Currency assumptions for 2022 guidance

In preparing the 2022 guidance, the Company has assumed the following:

- EUR to USD exchange rate of 1.14;
- GBP to USD exchange rate of 1.35; and
- USD to CHF exchange rate of 0.91

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Conference call and webcast

At 19.00 CET / 18.00 GMT / 13.00 EST, today, February 14, 2022, 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:

[Q4 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 program or other organizational transformation activities planned 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 2022 non-IFRS guidance.

- FY 2022 estimated share-based payments and related social charges charges of c.5% of revenue
- FY 2022 estimated amortisation of acquired intangibles of USD 50m
- FY 2022 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 February 14, 2022. 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.

Appendix I – Q4 2021 IFRS primary statements

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TEMENOS AG

All amounts are expressed in thousands of US dollars
except earnings per share

	Three months to 31 December 2021	Three months to 31 December 2020	Twelve months to 31 December 2021	Twelve months to 31 December 2020
Revenues				
Software licensing	118,511	115,277	292,195	259,481
SaaS	34,882	26,455	123,718	83,586
Total software licensing	153,393	141,732	415,913	343,067
Maintenance	100,724	95,397	395,072	381,237
Services	35,901	39,946	156,017	163,054
Total revenues	290,018	277,075	967,002	887,358
Operating expenses				
Sales and marketing	(62,750)	(52,199)	(219,817)	(159,042)
Services	(34,269)	(34,461)	(141,793)	(149,743)
Software development and maintenance	(73,717)	(62,988)	(277,550)	(274,938)
General and administrative	(18,742)	(16,999)	(89,758)	(70,035)
Total operating expenses	(189,478)	(166,647)	(728,918)	(653,758)
Operating profit	100,540	110,428	238,084	233,600
Other expenses				
Net interest expenses	(5,680)	(5,928)	(23,386)	(27,739)
Borrowing facility expenses	(464)	(857)	(2,017)	(2,382)
Foreign exchange (loss) / gain	(466)	(343)	(1,165)	751
Total other expenses	(6,610)	(7,128)	(26,568)	(29,370)
Profit before taxation	93,930	103,300	211,516	204,230
Taxation	(16,927)	(15,238)	(38,146)	(29,210)
Profit for the period	77,003	88,062	173,370	175,020
Earnings per share (in US\$):				
basic	1.08	1.22	2.42	2.43
diluted	1.07	1.20	2.40	2.39

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TEMENOS
THE BANKING SOFTWARE COMPANY

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TEMENOS AG

All amounts are expressed in thousands of US dollars

	31 December 2021	30 September 2021	31 December 2020
Assets			
Current assets			
Cash and cash equivalents	139,322	85,463	110,195
Trade receivables	272,040	275,154	268,968
Other receivables	67,194	69,545	67,135
Total current assets	478,556	430,162	446,298
Non-current assets			
Property, plant and equipment	59,415	59,220	62,930
Intangible assets	1,597,110	1,608,442	1,667,704
Trade receivables	38,479	15,831	4,802
Other long term assets	37,396	25,221	5,484
Deferred tax assets	23,128	29,945	28,473
Total non-current assets	1,755,528	1,738,659	1,769,393
Total assets	2,234,084	2,168,821	2,215,691
Liabilities and equity			
Current liabilities			
Trade and other payables	191,930	187,844	149,926
Deferred revenues *	371,613	295,806	324,084
Income tax liabilities	98,274	89,561	75,780
Borrowings	211,009	211,299	21,518
Total current liabilities	872,826	784,510	571,308
Non-current liabilities			
Borrowings	748,849	846,846	956,338
Deferred tax liabilities	96,405	96,869	107,231
Trade and other payables	1,277	924	12,613
Deferred revenues *	26,117	21,929	32,703
Retirement benefit obligations	13,822	13,056	12,093
Total non-current liabilities	886,470	979,624	1,120,978
Total liabilities	1,759,296	1,764,134	1,692,286
Shareholders' equity			
Share capital	252,467	252,100	249,535
Treasury shares	(464,778)	(464,778)	(264,608)
Share premium and capital reserves	(218,330)	(228,856)	(259,823)
Fair value and other reserves	(175,387)	(156,871)	(179,851)
Retained earnings	1,080,816	1,003,092	978,152
Total shareholders' equity	474,788	404,687	523,405
Total equity	474,788	404,687	523,405
Total liabilities and equity	2,234,084	2,168,821	2,215,691

* Deferred revenue balance which represents prepayment for performance obligation to be wholly satisfied over 12 months after the balance sheet date has been classified as non-current and comparative periods have been restated

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THE BANKING SOFTWARE COMPANY

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All amounts are expressed in thousands of US dollars

	Three months to 31 December 2021	Three months to 31 December 2020	Twelve months to 31 December 2021	Twelve months to 31 December 2020
Cash flows from operating activities				
Profit before taxation	93,930	103,300	211,516	204,230
<u>Adjustments:</u>				
Depreciation and amortisation	36,732	37,213	144,033	148,957
Other non-cash and non-operating items	21,074	5,100	75,572	16,643
<u>Changes in working capital:</u>				
Trade and other receivables	(24,370)	13,555	(56,069)	50,470
Trade and other payables, and retirement benefit obligations	9,686	(36,392)	48,611	(72,101)
Deferred revenues	81,693	66,697	49,300	57,996
Cash generated from operations	218,745	189,473	472,963	406,195
Income taxes paid	(1,688)	(9,631)	(12,834)	(23,236)
Net cash generated from operating activities	217,057	179,842	460,129	382,959
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,220)	(1,768)	(8,157)	(6,934)
Disposal of property, plant and equipment	44	67	44	67
Purchase of intangible assets	(702)	(631)	(3,434)	(2,829)
Capitalised development costs	(29,535)	(19,860)	(90,527)	(76,315)
Acquisitions of subsidiary, net of cash acquired (includes escrow earn out (deposit) /repayment)	-	(250)	(1,670)	23,848
(Acquisition) / disposal of long term loan instruments	-	6,000	(19,900)	6,000
Disposal of investment in equity	-	14,052	-	14,052
Purchase and settlement of financial instruments	(3,245)	(1,992)	(8,129)	(6,627)
Interest received	9	542	247	996
Net cash used from investing activities	(34,649)	(3,840)	(131,526)	(47,742)
Cash flows from financing activities				
Dividend paid	-	-	(71,427)	(63,355)
Acquisition of treasury shares	-	-	(200,170)	-
Proceeds from borrowings	-	5,040	342,902	153,407
Repayments of borrowings	(115,014)	(172,247)	(327,000)	(424,243)
Payment of lease liabilities	(3,699)	(4,325)	(16,743)	(19,446)
Interest paid	(8,463)	(8,747)	(19,680)	(23,487)
Payment of other financing costs	(933)	(675)	(3,847)	(4,162)
Net cash used from financing activities	(128,109)	(180,954)	(295,965)	(381,286)
Effect of exchange rate changes	(440)	1,759	(3,511)	3,479
Net increase / (decrease) in cash and cash equivalents in the period	53,859	(3,193)	29,127	(42,590)
Cash and cash equivalents at the beginning of the period	85,463	113,388	110,195	152,785
Cash and cash equivalents at the end of the period	139,322	110,195	139,322	110,195

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Appendix II – reconciliation of IFRS to non-IFRS Q4 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 December						Change		3 months Ending 31 December (As reported)		
	2021		2021		2020		IFRS	Non-IFRS	2020		Non-IFRS
	IFRS	Non-IFRS adjustments	Non-IFRS	IFRS	Non-IFRS adjustment (Revised definitions) *	Non-IFRS			IFRS	Non-IFRS adjustment (Prior definition)	
Software licensing	118,511		118,511	115,277		115,277	3%	3%	115,277		115,277
SaaS	34,882	-	34,882	26,455	-	26,455	32%	32%	26,455	-	26,455
Total Software Licensing	153,393	-	153,393	141,732	-	141,732	8%	8%	141,732	-	141,732
Maintenance	100,724		100,724	95,397		95,397	6%	6%	95,397		95,397
Services	35,901		35,901	39,946		39,946	(10%)	(10%)	39,946		39,946
Total Revenue	290,018	-	290,018	277,075	-	277,075	5%	5%	277,075	-	277,075
Total Operating Expenses	(189,478)	27,885	(161,593)	(166,647)	17,235	(149,412)	14%	8%	(166,647)	19,758	(146,889)
Restructuring	(6,042)	6,042	-	(3,857)	3,857	-	57%		(3,857)	3,857	-
Amort of Acquired Intangibles	(12,367)	12,367	-	(15,901)	15,901	-	(22%)		(15,901)	15,901	-
Share based payment	(9,476)	9,476	-	2,523	(2,523)	-	(476%)		-	-	-
Operating Profit	100,540	27,885	128,425	110,428	17,235	127,663	(9%)	1%	110,428	19,758	130,186
Operating Margin	35%		44%	40%		46%	-5.2% pts	-1.8% pts	40%		47%
Financing Costs	(6,610)	-	(6,610)	(7,128)	-	(7,128)	(7%)	(7%)	(7,128)	-	(7,128)
Taxation	(16,927)	(2,920)	(19,847)	(15,238)	(2,043)	(17,281)	11%	15%	(15,238)	(2,396)	(17,634)
Net Earnings	77,003	24,965	101,968	88,062	15,192	103,254	(13%)	(1%)	88,062	17,362	105,424
EPS (USD per Share)	1.07	0.35	1.42	1.20	0.21	1.41	(11%)	1%	1.20	0.24	1.44

Note: 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 1 January 2021 for comparability purpose with current year.