Financial growth plan

Takis Spiliopoulos
CFO
Accelerating growth trajectory

To grow ARR at a **CAGR of 20-25%** from 2021-25,
To reach **c.USD1.3bn** by 2025 (85%+ of total revenues)

To grow Total Software Licensing revenue at a **CAGR of 15-20%** from 2021-25

Expanding EBIT margin to **c.41%** by 2025

Note: Revenue, cost and profit numbers are non-IFRS
Accelerating ARR and Total Software Licensing...

Total ARR

- 2017: 345
- 2018: 391
- 2019: 462
- 2020: 494
- 2021: 553
- 2022E: 316
- 2025E: 383

C.16% 17-19 CAGR
12%
19%
C.25% 22-25 CAGR

Total Software Licensing

- 2017: 316
- 2018: 383
- 2019: 445
- 2020: 356
- 2021: 414
- 2022E: 316
- 2025E: 383

C.19% 17-19 CAGR
17%
17%*
>19% 22-25 CAGR

Note: Numbers are non-IFRS.
* Mid-point 2022 guidance

Note: Numbers are non-IFRS. 2020 and 2021 at constant currency
...driving acceleration in EBIT and Free Cash Flow

Non IFRS EBIT

<table>
<thead>
<tr>
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<td></td>
<td>224</td>
<td>265</td>
<td>318</td>
<td>323</td>
<td>357</td>
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- **c.19% 17-19 CAGR**
- **10%**
- **>15% 22-25 CAGR**

FCF

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<tbody>
<tr>
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<td>227</td>
<td>280</td>
<td>269</td>
<td>297</td>
<td>358</td>
<td></td>
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</tr>
</tbody>
</table>

- **c.9% 17-19 CAGR**
- **>25% 23-26 CAGR**

Note: Numbers are non-IFRS. 2020 and 2021 at constant currency
* Mid-point 2022 guidance
Move to subscription captures greater value and accelerates our growth

Client across all tiers and business models are increasingly asking for subscription contracts rather than traditional upfront license.

Temenos will sell five year subscription contracts for on-premise license and maintenance as standard from January 2022, including for renewals.

Growth in subscription and SaaS will drive recurring revenue; Subscription model accelerates shift to more predictable financial performance.
Tangible benefits to clients and Temenos

**Benefits to client**

- Enhanced value proposition for customers significantly expanding flexibility
- **Lower upfront cost**, reflecting a shift to OPEX from CAPEX and the time value of money
- Easier to scale with demand
- Flexible maintenance options
- Easier path to SaaS

**Benefits to Temenos**

- Significantly expanding long-term value creation potential through incremental growth, higher margins and cash flows
- Accelerate the shift to more predictable financial performance driven by a much higher proportion of recurring revenues
- Increase total contract values inline with peers
- Greater upsell opportunity
- Better customer retention
Subscription will become a material contributor to ARR

Subscription and SaaS to become main contributors through 2025 and beyond
Subscription model illustration

Term / Perpetual model – P&L

Year 1 Year 2 Year 3 Year 4 Year 5
- Maintenance - Term License

Year 1 Year 2 Year 3 Year 4 Year 5
- Maintenance - Subscription License

Term / Perpetual model – Cash

Year 1 Year 2 Year 3 Year 4 Year 5
- Cashflow

Year 1 Year 2 Year 3 Year 4 Year 5
- Cashflow

Term / Perpetual model – ARR

Year 1 Year 2 Year 3 Year 4 Year 5
- ARR

Year 1 Year 2 Year 3 Year 4 Year 5
- ARR

Subscription model – P&L

Year 1 Year 2 Year 3 Year 4 Year 5 Year 6
- Maintenance - Term License

Year 1 Year 2 Year 3 Year 4 Year 5 Year 6
- Maintenance - Subscription License

Subscription model – Cash

Year 1 Year 2 Year 3 Year 4 Year 5 Year 6
- Cashflow

Year 1 Year 2 Year 3 Year 4 Year 5 Year 6
- Cashflow

Subscription model – ARR

Year 1 Year 2 Year 3 Year 4 Year 5 Year 6
- ARR

Year 1 Year 2 Year 3 Year 4 Year 5 Year 6
- ARR

Note: Based on our standard 5 year term contract and based on IFRS15 standards
Drivers of growth
Application software is significantly underpenetrated

Third Party Software penetration by industry in 2021

<table>
<thead>
<tr>
<th>Industry</th>
<th>2021</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>65%</td>
<td>61%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>53%</td>
<td>41%</td>
</tr>
<tr>
<td>Retail</td>
<td>41%</td>
<td>35%</td>
</tr>
<tr>
<td>Healthcare</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banking</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments</td>
<td>40%</td>
<td>39%</td>
</tr>
<tr>
<td>Corporate Banking</td>
<td>38%</td>
<td>38%</td>
</tr>
<tr>
<td>Wealth Management</td>
<td>32%</td>
<td>28%</td>
</tr>
<tr>
<td>Retail Banking</td>
<td></td>
<td>28%</td>
</tr>
<tr>
<td>Temenos*</td>
<td>28%</td>
<td>31%</td>
</tr>
</tbody>
</table>

Includes only the spend addressable by Temenos with the current product portfolio.

Total spend, including horizontal solutions (e.g. ERP, CRM)

Source: IDC, Ovum, Gartner, Celent, McKinsey, Temenos estimates
Sizeable and fast-growing addressable market

USD 64bn

CAGR 10%

CAGR 10%

CAGR 10%

Total Addressable Market

2021

Third party software spend

USD 18bn

USD 26bn

USD 18bn

USD 26bn

USD 18bn

USD 26bn

Core banking

Digital Front Office

Payments

Fund admin

On premise market

SaaS market

Incumbents

Non incumbents

CAGR 2021-25

5%

28%

CAGR 2021-25

7%

29%

Source: IDC, Ovum, Celent, McKinsey, Temenos estimates

Incumbents refers to traditional banks, non-incumbents refers to new business models offering banking services and products
Building momentum with tier 1 and 2 clients

Non-IFRS total software licensing revenues by client tier

2014

- Tier 1/2: 26%
- Others: 74%

2021

- Tier 1/2: 36%
- Others: 64%

2025E

- Tier 1/2: 40-50%
- Others: 50-60%
Building momentum in North America

Non-IFRS total software licensing, North America vs. Rest of World

- **2014**: 10% North America, 90% ROW
- **2021**: 33% North America, 67% ROW
- **2025E**: 40-45% North America, 55-60% ROW
## Future Reporting - Subscription

<table>
<thead>
<tr>
<th>Total Software Licensing (old)</th>
<th>Total Software Licensing (new)</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ License revenue</td>
<td>+ Term &amp; Perpetual License revenue</td>
</tr>
<tr>
<td>+ SaaS</td>
<td>+ Subscription</td>
</tr>
<tr>
<td></td>
<td>+ SaaS</td>
</tr>
<tr>
<td>= Total Software Licensing revenue</td>
<td>= Total Software Licensing revenue</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ARR (old)</th>
<th>ARR (new)</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ Term &amp; Perpetual Maintenance</td>
<td>+ Term &amp; Perpetual Maintenance</td>
</tr>
<tr>
<td>+ SaaS</td>
<td>+ Subscription</td>
</tr>
<tr>
<td></td>
<td>+ SaaS</td>
</tr>
<tr>
<td>= Annual Recurring Revenue</td>
<td>= Annual Recurring Revenue</td>
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</table>
# Focused Guidance Metrics

<table>
<thead>
<tr>
<th>KPI</th>
<th>Reporting</th>
<th>Annual Guidance</th>
<th>2025 Targets (absolute / CAGR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>SaaS ACV</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Bookings</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARR</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Total Software Licensing</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>EBIT</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Operating Cash Conversion</td>
<td>✓</td>
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<tr>
<td>Free Cash Flow</td>
<td>✓</td>
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<td>✓</td>
</tr>
<tr>
<td>Recurring Revenue</td>
<td>✓</td>
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<td>DSO</td>
<td>✓</td>
<td></td>
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<td>Tax Rate</td>
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</table>
## Medium Term Targets

<table>
<thead>
<tr>
<th>Mid-term Guidance</th>
<th>2020 (CCY)</th>
<th>2021 (CCY)</th>
<th>Medium Term Targets</th>
<th>Previous guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARR</td>
<td>494</td>
<td>553</td>
<td>20-25% CAGR 2021-25 c. USD1.3bn of ARR by 2025</td>
<td>&gt;=15% CAGR 2020-25</td>
</tr>
<tr>
<td>Total Software Licensing</td>
<td>356</td>
<td>414</td>
<td>15-20% CAGR 2021-25</td>
<td>15-20% CAGR 2020-25</td>
</tr>
<tr>
<td>Total revenue</td>
<td>900</td>
<td>962</td>
<td>10-15% CAGR 2021-25</td>
<td>10-15% CAGR 2020-25</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>35.9%</td>
<td>37.1%</td>
<td>c.41% by 2025</td>
<td>c.41% by 2025</td>
</tr>
<tr>
<td>FCF</td>
<td>297</td>
<td>358</td>
<td>10-15% CAGR 2021-26 to reach &gt;USD600m by 2026</td>
<td>&gt;=15% CAGR 2020-25 to reach &gt;USD600m</td>
</tr>
</tbody>
</table>

Targets are non-IFRS. Tax rates estimate: FY22 guidance at 17.5-19.5%, 19.5-21.5% for FY23-25.
**EBIT Margin % expansion**

- After years of margin expansion (FY14-21 averaging >100bps p.a.), FY22 represents a year of investment (e.g. wage inflation, variable cost increases such as travel)
- FY23-25 resumption of margin expansion trajectory

*Note: Non-IFRS. FY21 EBIT margin based on EBIT restated for forex*
Hyper-scalers: unit costs to reduce as volumes increase
Automation to drive significant efficiencies in operation centres
Operations optimised into centralised offshore function with local hubs to provide “follow the sun” service and drive economies of scale

Gross margin includes all SaaS dedicated operations costs including cloud platform costs, datacentre infrastructure, people & associated costs, security tooling and compliance costs.
FY21 exit run rate adjusted to include all contracted revenues and cost optimisations currently in implementation.
Drivers of non-IFRS EBIT margin evolution

- On-Premise and services gross margin to remain constant
- SaaS Gross Margin to expand to at least 80%
- Continued leverage of R&D and G&A infrastructure
- Sustained investments in Sales & Marketing
Disciplined capital allocation (2015-2021)

Targeted acquisitions for USD1.2bn+ and returned c.USD1bn to shareholders

Balance sheet (31-Dec-21)

- Weighted average interest rate: 2.1%
- Weighted average debt maturity: 2.2 years
- Leverage ratio: 1.8x

Pie chart:
- Acquisition - Outflow: 55%
- Dividend - Outflow: 15%
- Share buyback - Outflow: 30%
### Using M&A to accelerate organic growth

<table>
<thead>
<tr>
<th>Date</th>
<th>Price (m)</th>
<th>Capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep 19</td>
<td>$560</td>
<td>US scale, digital banking and low code development, cloud operations excellence</td>
</tr>
<tr>
<td>Jul 19</td>
<td>£12</td>
<td>Explainable AI expertise across all products</td>
</tr>
<tr>
<td>Feb 19</td>
<td>N.D.</td>
<td>Data lake capabilities</td>
</tr>
<tr>
<td>Dec 18</td>
<td>$245</td>
<td>Digital front office, cloud operations excellence</td>
</tr>
<tr>
<td>Feb 17</td>
<td>$50</td>
<td>Core banking, wealth management, scale in Australia</td>
</tr>
<tr>
<td>Mar 15</td>
<td>$260</td>
<td>Fund and securities</td>
</tr>
<tr>
<td>Feb 15</td>
<td>$55</td>
<td>Core banking, analytics, US credit union expertise</td>
</tr>
</tbody>
</table>

15-20% EBIT contribution over 6 years from USD1.2bn of M&A
A three-pronged approach to M&A to accelerate organic growth

- Accelerated R&D roadmap in key markets and segments
- Increased scale
- Adjacent markets and complementary products
Driving shareholder value through accelerating growth

A sizeable and fast growing market that is changing rapidly

Single code base drives higher margin, competitive edge and profitable growth

Temenos is a leader across all client types, incumbent and non-incumbent

Move to subscription will further accelerate our growth
Appendix

Capital Markets Day
Key cost lines as a percentage of revenue

<table>
<thead>
<tr>
<th>FY21</th>
<th>FY25</th>
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<tbody>
<tr>
<td>S&amp;M</td>
<td>R&amp;D</td>
</tr>
<tr>
<td>14%</td>
<td>7%</td>
</tr>
<tr>
<td>~12%</td>
<td>~5%</td>
</tr>
</tbody>
</table>

37% Margin

c.41% Margin

Note: Non-IFRS
Non-IFRS EBIT reconciliation

- Last 10 year average IFRS2 cost as a % of revenues was c.4-5%
- Total IFRS2 charges for companies in peer group is 4.5%
Thank You