

## PRESS RELEASE

FOR IMMEDIATE RELEASE  
July 20, 2023

Ad hoc announcement pursuant to Art. 53 LR

## Temenos announces Q2-23 results; ARR and FCF guidance raised

- ARR growth of 14% c.c. in Q2-23
- Subscription revenue of USD35.6m, up 16% c.c. in Q2-23
- SaaS ACV of USD20m; SaaS revenue growth of 30% c.c. in Q2-23
- Total software licensing growth of 2% and total revenue growth of 0% c.c. in Q2-23
- EBIT growth of 5% c.c. in Q2-23; EBIT margin of 35.4%, up 2% points c.c.
- Free Cash Flow (FCF) growth of 26% in Q2-23
- FY-23 guidance (non-IFRS, c.c.); ARR guidance raised to 12-14% (up from at least 12%), FCF guidance raised to 12-14%, in-line with ARR (up from at least 12%)
- Other FY-23 guidance reconfirmed: total software licensing growth of at least 6%, EBIT growth of at least 7%, EPS growth of at least 6%

GENEVA, Switzerland, July 20, 2023 –Temenos AG (SIX: TEMN), the banking software company, today reports its second quarter 2023 results.

### Annual Recurring Revenue

USDm	Q2-23	Q2-22	Change	CC*
Annual Recurring Revenue	666.8	581.9	15%	14%

### Income statement and Free Cash Flow

USDm, except EPS	Non-IFRS				IFRS			
	Q2-23	Q2-22	Change	CC*	Q2-23	Q2-22	Change	CC*
Subscription	35.6	30.6	16%	16%	35.6	30.6	16%	16%
Term License	17.0	31.8	-46%	-47%	17.0	31.8	-46%	-47%
SaaS	50.2	38.7	30%	30%	50.2	38.7	30%	30%
<b>Total software licensing</b>	<b>102.8</b>	<b>101.1</b>	<b>2%</b>	<b>2%</b>	<b>102.8</b>	<b>101.1</b>	<b>2%</b>	<b>2%</b>
Maintenance	104.4	99.9	5%	4%	104.4	99.9	5%	4%
Services	31.7	37.1	-14%	-15%	31.7	37.1	-14%	-15%
<b>Total revenues</b>	<b>239.0</b>	<b>238.1</b>	<b>0%</b>	<b>0%</b>	<b>239.0</b>	<b>238.1</b>	<b>0%</b>	<b>0%</b>
 <b>EBIT</b>	 <b>84.7</b>	 <b>78.3</b>	 <b>8%</b>	 <b>5%</b>	 <b>55.0</b>	 <b>50.9</b>	 <b>8%</b>	 <b>3%</b>
EBIT margin	35.4%	32.9%	3% pts	2% pts	23.0%	21.4%	2% pts	1% pt
 <b>EPS (USD)</b>	 <b>0.87</b>	 <b>0.83</b>	 <b>5%</b>		 <b>0.53</b>	 <b>0.51</b>	 <b>4%</b>	
 <b>Free Cash Flow</b>	 <b>62.7</b>	 <b>49.9</b>	 <b>26%</b>					

The definition of non-IFRS adjustments is set out 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

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**Q2-23 operational highlights**

- Sales environment remained stable in the quarter
- Pipeline developed positively in the quarter; large deals progressing well
- Subscription transition continuing to progress and delivering value uplift for both new clients and renewals; expected to be substantially complete by end of FY-23
- SaaS ACV driven by both incremental consumption and new logos
- Strong US performance; signed Convera, the largest non-bank global B2B payments provider, to modernize its payments in the cloud, beating domestic US competition
- Signed top 20 US regional bank for core banking in its UK commercial banking operations
- Solid quarter in Europe with good pipeline development; European recovery expected to continue in H2-23
- 9 new client wins in the quarter, across SaaS and subscription
- Services continued trend of profitability; good cost control across the business

**Q2-23 financial summary (non-IFRS)**

- Annual Recurring Revenue (ARR) growth of 14% c.c.
- SaaS Annual Contract Value (ACV) of USD 20.2m, highest ever quarterly SaaS ACV
- Non-IFRS SaaS revenue growth of 30% c.c.
- Non-IFRS total software licensing revenues growth of 2% c.c.
- Non-IFRS total revenue growth of 0% c.c.
- Non-IFRS EBIT growth of 5% c.c.
- Q2-23 non-IFRS EBIT margin of 35.4%, up 2% points c.c.
- Q2-23 operating cash flow of USD 90.2m, up 4% y-o-y
- Q2-23 Free Cash Flow of USD 62.7m, up 26% y-o-y
- Leverage at 2.0x at end of Q2-23
- DSOs at 124 days

Commenting on the results, **Temenos CEO, Andreas Andreades, said:**

"I'm pleased with our performance this quarter, which continued the trend from Q1 and has set us up well for the second half of the year. The sales environment was stable through the quarter with ARR growth of 14% c.c. a particular highlight. Our transition to a recurring revenue model is progressing well, with strong subscription license signings and our highest ever quarterly SaaS ACV. I expect our subscription transition to be substantially complete by year-end.

From a regional perspective, our US business continued to deliver, in particular with the signing of Convera, the largest non-bank global B2B payments provider, which we won against all the top US incumbent vendors. Convera has selected us to modernize its cloud-based payments software, a testimony to the strength of our SaaS and cloud capabilities. We also signed a top 20 regional US bank for core banking in its UK commercial banking operations. We saw a sequential improvement in Europe with good pipeline development and with further recovery expected in H2, and our APAC business performed in line with our expectations against a strong comparative.

We have raised our guidance for ARR and FCF, reflecting the strength of our first half performance. I expect the sales environment to remain stable going forward and I am confident we will continue our strong performance in H2."

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

"We had a good performance across most key metrics in the second quarter, and I was particularly pleased with our recurring revenue growth. We have now grown our ARR by 14% both in the quarter and in H1-23 which, combined with the positive pipeline development we have seen, supports the increase in full year guidance for ARR and Free Cash Flow. We now expect ARR to grow 12%-14%, and also expect Free Cash Flow to grow 12%-14%, in line with ARR. We have reconfirmed our other FY-23 guidance.

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Our Services business continued to be profitable this quarter on a non-IFRS basis, although Services revenue declined as we continue our strategy of working more with partners. Overall we had good cost control in Q2, as we continue to benefit from both the investments we made last year and the decline in our Services cost base as projects go live, enabling us to deliver EBIT growth of 5% c.c..

We had a strong cash quarter, with our Free Cash Flow growing 26% year-on-year, with our SaaS revenue and deferred revenue more than offsetting the impact from subscription. I still expect Free Cash Flow to grow in-line with ARR for the full year. Looking at the balance sheet, we ended the quarter with leverage of 2.0x net debt to EBITDA and expect this to trend down from this level by year end."

## Q2-23 financial summary (IFRS and non-IFRS)

### Revenue

IFRS and non-IFRS revenue was USD 239.0m for the quarter, an increase of 0% vs. Q2-22.

IFRS and non-IFRS total software licensing revenue for the quarter was USD 102.8m, an increase of 2% vs. Q2-22.

### EBIT

IFRS EBIT was USD 55.0m for the quarter, an increase of 8% vs. Q2-22.

Non-IFRS EBIT was USD 84.7m for the quarter, an increase of 8% vs. Q2-22.

Non-IFRS EBIT margin was 35.4%, up 3% points vs. Q2-22.

### Earnings per share (EPS)

IFRS EPS was USD 0.53 for the quarter, an increase of 4% vs. Q2-22.

Non-IFRS EPS was USD 0.87 for the quarter, an increase of 5% vs. Q2-22.

### Cash flow

IFRS operating cash was an inflow of USD 90.2m in Q2-23, an increase of 4% vs. Q2-22, representing an LTM conversion of 108% of IFRS EBITDA into operating cash. USD 62.7m of Free Cash Flow was generated in Q2-23, an increase of 26% vs. Q2-22. Free Cash Flow is still expected to grow in line with ARR for the full year.

## Transition to subscription revenue and impact on future reporting

Temenos moved to selling 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 consistent financial performance driven by a much higher proportion of recurring revenues. To reflect this change, on the P&L the license revenue is split into either subscription license or term license, depending on the nature of contract.

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

The impact of the move to a subscription model on the income statement, 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

### FY-23 non-IFRS guidance

The guidance for FY-23 is non-IFRS and in constant currencies. Guidance for FY-23 ARR and FCF has been raised, other guidance items have been reconfirmed:

- ARR growth of 12%-14% (up from at least 12%)
- Total software licensing revenue growth of at least 6%
- EBIT growth of at least 7%
- EPS growth of at least 6%
- FCF growth of 12%-14%, in-line with ARR (up from at least 12%)

### Currency and other assumptions for FY-23 guidance

In preparing the FY-23 guidance, the Company has assumed the following:

- EUR to USD exchange rate of 1.09;
- GBP to USD exchange rate of 1.24; and
- USD to CHF exchange rate of 0.90

The Company has also assumed the following:

- Expected FY-23 tax rate of 19-21%
- Cash conversion expected to remain at 100%+ of EBITDA into operating cash flow

### Mid-term targets

The mid-term targets and are non-IFRS and in constant currencies, except Free Cash Flow which is reported:

- ARR of at least USD 1.3bn
- EBIT of at least USD 570m
- FCF of at least USD 700m

*The guidance provided above and other statements about Temenos' expectations, plans and prospects in this press release constitute forward-looking financial information and represent the Company's current view and estimates as of 20 July 2023. We anticipate that subsequent events and developments may cause the Company's guidance and estimates to change. Future events are inherently difficult to predict. Accordingly, actual results may differ materially from those indicated by these forward-looking statements as a result of a variety of factors. More information about factors that potentially could affect the Company's financial results is included in its annual report available on the Company's website.*

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**Conference call and webcast**

At 18.15 CET / 17.15 GMT / 12.15 EST, today, July 20, 2023, Andreas Andreades, 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 2023 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/investment related charges such as financing costs, advisory fees and integration costs and fair value changes on investments, 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 FY-23 non-IFRS guidance.

- FY-23 estimated share-based payments and related social charges charges of c.5% of revenue
- FY-23 estimated amortisation of acquired intangibles of USD 50m
- FY-23 estimated restructuring costs of USD 14m

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 July, 2023. 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.

– Ends –

**About Temenos**

Temenos (SIX: TEMN) is the world's leading open platform for composable banking, creating opportunities for over 1.2 billion people around the world every day. We serve 3000 banks from the largest to challengers and community banks in 150+ countries by helping them build new banking services and state-of-the-art customer experiences. The Temenos open platform helps our top-performing clients achieve return on equity three times the industry average and cost-to-income ratios half the industry average.

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For more information, please visit [www.temenos.com](http://www.temenos.com).

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## Appendix I – Q2-23 IFRS primary statements

### TEMENOS AG

All amounts are expressed in thousands of US dollars

except earnings per share

	Three months to 30 June 2023	Three months to 30 June 2022	Twelve months to 30 June 2023	Twelve months to 30 June 2022
<b>Revenues</b>				
Subscription	35,568	30,627	133,911	46,406
Term license	17,023	31,811	94,822	244,529
SaaS	50,201	38,688	185,686	141,774
Total software licensing	102,792	101,126	414,419	432,709
Maintenance	104,440	99,864	409,290	398,835
Services	31,742	37,116	132,657	148,839
Total revenues	238,974	238,106	956,366	980,383
<b>Operating expenses</b>				
Sales and marketing	(66,240)	(62,500)	(268,448)	(239,187)
Services	(32,560)	(39,071)	(143,777)	(149,170)
Software development and maintenance	(63,792)	(67,977)	(275,827)	(275,458)
General and administrative	(21,349)	(17,644)	(95,890)	(86,008)
Total operating expenses	(183,941)	(187,192)	(783,942)	(749,823)
Operating profit	55,033	50,914	172,424	230,560
<b>Other expenses</b>				
Net interest expenses	(6,146)	(5,235)	(23,629)	(21,109)
Borrowing facility expenses	(106)	(479)	(726)	(1,901)
Foreign exchange gain and movement in fair value from financial instruments	532	150	6,086	668
Total other expenses	(5,720)	(5,564)	(18,269)	(22,342)
Profit before taxation	49,313	45,350	154,155	208,218
Taxation	(11,001)	(8,671)	(35,156)	(38,643)
Profit for the period	38,312	36,679	118,999	169,575
<b>Earnings per share (in US\$):</b>				
basic	0.53	0.51	1.66	2.37
diluted	0.53	0.51	1.65	2.36

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## TEMENOS AG

All amounts are expressed in thousands of US dollars

	30 June 2023	31 March 2023	31 December 2022	30 June 2022
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	100,888	112,069	89,923	105,737
Trade receivables	224,846	236,367	252,998	257,483
Other receivables and financial assets	125,526	100,598	95,587	98,873
<b>Total current assets</b>	<b>451,260</b>	<b>449,034</b>	<b>438,508</b>	<b>462,093</b>
<b>Non-current assets</b>				
Property, plant and equipment	58,123	62,879	63,102	63,657
Intangible assets	1,529,826	1,536,962	1,538,750	1,540,490
Trade receivables	99,107	91,060	81,877	47,777
Other long term assets	51,376	64,784	65,383	27,338
Deferred tax assets	46,941	45,454	44,195	27,306
<b>Total non-current assets</b>	<b>1,785,373</b>	<b>1,801,139</b>	<b>1,793,307</b>	<b>1,706,568</b>
<b>Total assets</b>	<b>2,236,633</b>	<b>2,250,173</b>	<b>2,231,815</b>	<b>2,168,661</b>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Trade and other payables	182,364	195,084	183,264	192,743
Deferred revenues	391,873	383,904	411,060	355,907
Income tax liabilities	125,244	120,616	121,031	105,625
Borrowings	378,902	209,686	204,137	18,179
<b>Total current liabilities</b>	<b>1,078,383</b>	<b>909,290</b>	<b>919,492</b>	<b>672,454</b>
<b>Non-current liabilities</b>				
Borrowings	494,011	631,805	636,666	880,859
Deferred tax liabilities	92,797	92,844	94,993	91,736
Trade and other payables	3,577	3,574	2,746	3,710
Deferred revenues	10,051	12,123	12,657	17,618
Retirement benefit obligations	13,035	12,703	12,217	9,292
<b>Total non-current liabilities</b>	<b>613,471</b>	<b>753,049</b>	<b>759,279</b>	<b>1,003,215</b>
<b>Total liabilities</b>	<b>1,691,854</b>	<b>1,662,339</b>	<b>1,678,771</b>	<b>1,675,669</b>
<b>Shareholders' equity</b>				
Share capital	254,037	253,991	253,466	252,844
Treasury shares	(464,778)	(464,778)	(464,778)	(464,778)
Share premium and capital reserves	(146,446)	(160,074)	(166,637)	(193,399)
Fair value and other reserves	(201,909)	(195,142)	(192,265)	(176,488)
Retained earnings	1,103,875	1,153,837	1,123,258	1,074,813
<b>Total shareholders' equity</b>	<b>544,779</b>	<b>587,834</b>	<b>553,044</b>	<b>492,992</b>
<b>Total equity</b>	<b>544,779</b>	<b>587,834</b>	<b>553,044</b>	<b>492,992</b>
<b>Total liabilities and equity</b>	<b>2,236,633</b>	<b>2,250,173</b>	<b>2,231,815</b>	<b>2,168,661</b>



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## TEMENOS AG

All amounts are expressed in thousands of US dollars

	Three months to 30 June 2023	Three months to 30 June 2022	Twelve months to 30 June 2023	Twelve months to 30 June 2022
<b>Cash flows from operating activities</b>				
Profit before taxation	49,313	45,350	154,155	208,218
Adjustments:				
Depreciation and amortization	32,695	35,251	132,730	142,662
Other non-cash and non-operating items	20,068	17,293	68,053	90,132
Changes in working capital:				
Trade and other receivables	(6,546)	(14,380)	(38,707)	(70,210)
Trade and other payables, and retirement benefit obligations	(11,143)	(7,836)	(11,948)	18,968
Deferred revenues	5,775	11,155	25,842	44,179
Cash generated from operations	90,162	86,833	330,125	433,949
Income taxes paid	(6,470)	(5,387)	(28,340)	(11,296)
<b>Net cash generated from operating activities</b>	<b>83,692</b>	<b>81,446</b>	<b>301,785</b>	<b>422,653</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(2,007)	(8,072)	(7,676)	(17,096)
Disposal of property, plant and equipment	-	-	77	44
Purchase of intangible assets	(811)	(1,090)	(2,165)	(2,676)
Capitalised development costs	(18,221)	(22,341)	(79,973)	(94,729)
Earn out settlement related to acquisitions	-	-	(1,000)	-
Investments for long-term loans / debt instruments	-	(10,000)	(15,778)	(10,000)
Settlement of financial instruments	(1,293)	1,655	(10,674)	(1,893)
Interest received	575	17	1,125	265
<b>Net cash used in investing activities</b>	<b>(21,757)</b>	<b>(39,831)</b>	<b>(116,064)</b>	<b>(126,085)</b>
<b>Cash flows from financing activities</b>				
Dividend paid	(88,273)	(74,414)	(88,264)	(74,414)
Acquisition of treasury shares	-	-	-	(5,701)
Proceeds from borrowings	52,833	258,851	174,276	308,852
Repayments of borrowings	(30,014)	(23,211)	(242,405)	(287,682)
Repayment of bond	-	(180,723)	-	(180,723)
Payment of lease liabilities	(4,296)	(4,560)	(15,902)	(15,783)
Interest paid	(6,819)	(8,487)	(22,389)	(18,377)
Settlement of financial instruments	3,179	2,298	6,985	2,298
Payment of other financing costs	(803)	(1,094)	(2,968)	(4,379)
<b>Net cash used in financing activities</b>	<b>(74,193)</b>	<b>(31,340)</b>	<b>(190,667)</b>	<b>(275,909)</b>
<b>Effect of exchange rate changes</b>	<b>1,077</b>	<b>(786)</b>	<b>97</b>	<b>(2,504)</b>
<b>Net (decrease) / increase in cash and cash equivalents in the period</b>	<b>(11,181)</b>	<b>9,489</b>	<b>(4,849)</b>	<b>18,155</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>112,069</b>	<b>96,248</b>	<b>105,737</b>	<b>87,582</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>100,888</b>	<b>105,737</b>	<b>100,888</b>	<b>105,737</b>

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## Appendix II – reconciliation of IFRS to non-IFRS Q2-23 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	
	2023 IFRS	Non-IFRS adjustments	2023 Non-IFRS	2022 IFRS	Non-IFRS adjustments	2022 Non-IFRS	IFRS	Non-IFRS
Subscription	35,568		35,568	30,627		30,627	16%	16%
Term license	17,023		17,023	31,811		31,811	(46%)	(46%)
SaaS	50,201		50,201	38,688		38,688	30%	30%
<b>Total Software Licensing</b>	<b>102,792</b>	<b>-</b>	<b>102,792</b>	<b>101,126</b>	<b>-</b>	<b>101,126</b>	<b>2%</b>	<b>2%</b>
Maintenance	104,440		104,440	99,864		99,864	5%	5%
Services	31,742		31,742	37,116		37,116	(14%)	(14%)
<b>Total Revenue</b>	<b>238,974</b>	<b>-</b>	<b>238,974</b>	<b>238,106</b>	<b>-</b>	<b>238,106</b>	<b>0%</b>	<b>0%</b>
<b>Total Operating Expenses</b>	<b>(183,941)</b>	<b>29,649</b>	<b>(154,292)</b>	<b>(187,192)</b>	<b>27,411</b>	<b>(159,781)</b>	<b>(2%)</b>	<b>(3%)</b>
Restructuring	(4,310)	4,310	-	(2,261)	2,261	-	91%	
Amort of Acquired Intangibles	(11,074)	11,074	-	(11,330)	11,330	-	(2%)	
Share based payment	(14,265)	14,265	-	(13,820)	13,820	-	3%	
<b>Operating Profit</b>	<b>55,033</b>	<b>29,649</b>	<b>84,682</b>	<b>50,914</b>	<b>27,411</b>	<b>78,325</b>	<b>8%</b>	<b>8%</b>
Operating Margin	23%		35%	21%		33%	1.6% pts	2.5% pts
Financing Costs	(5,720)	-	(5,720)	(5,564)	-	(5,564)	3%	3%
Taxation	(11,001)	(5,212)	(16,213)	(8,671)	(4,832)	(13,503)	27%	20%
Net Earnings	38,312	24,437	62,749	36,679	22,579	59,258	4%	6%
EPS (USD per Share)	0.53	0.34	0.87	0.51	0.32	0.83	4%	5%