

temenos

# Fixed Income Investor Update 2023

Takis Spiliopoulos, CFO  
September 26, 2023



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Our presentation and this document may contain forward-looking statements relating to the future of the business and financial performance of Temenos AG.

Any statements we make about our expectations, plans and prospects for the Company, including any guidance on the Company's financial performance, constitute forward-looking statements. 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.

The forward-looking financial information provided by the Company on the conference call and in this document 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.

While the Company may elect to update forward-looking information at some point in the future, the Company specifically disclaims any obligation to do so.

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.

# Agenda

1. Introduction to Temenos
2. ESG at Temenos
3. Financial overview
4. Temenos' credit story
5. Appendix

# 1. Introduction to Temenos

# Everyone's

# Banking

# Platform

**3k clients**

In **150+**  
countries

Smallest  
Client

**500**  
accounts

Largest  
Client

**150m**  
accounts

**200+**  
partners

Temenos is a global leader in banking software

# Market leading functionality and technology



**Packaged,  
upgradeable software**



**Country model  
banks  
(localization)**



**Cloud and  
SaaS**



**Composable  
banking**



**Single code  
base**



**Breadth & depth  
of  
functionality**



**Cloud native  
cloud agnostic**



**Extensibility  
framework**

**Leading functionality + modern technology = the winning combination**

# Delivering tangible business value through our platform



## Win on Customer Experience

Hyper-personalization powered by open banking and explainable AI



## Agility to Grow

Faster innovation with cloud native, API-first banking capabilities and a plug-and-play fintech ecosystem



## Scale Without Limits

Improve cost-to-income ratio with unlimited scale and services delivered at a fraction of cost of legacy systems

**57%**

faster onboarding<sup>1)</sup>

**30%**

higher NPS score<sup>3)</sup>

**6x**

launch newer products<sup>2)</sup>

**20%**

higher cross-sell rate<sup>4)</sup>

**31%**

higher operations STP rate<sup>3)</sup>

**24%**

more IT spend on growth & innovation<sup>3)</sup>

1) Temenos CEO Navigator 2022. Sample from 102+ Banks. Refers to Digital Banking capabilities

2) Retail banks with Temenos Product Builder

3) Banks with Temenos core banking

4) Banks running Temenos front-to-back



## Retail



## Corporate



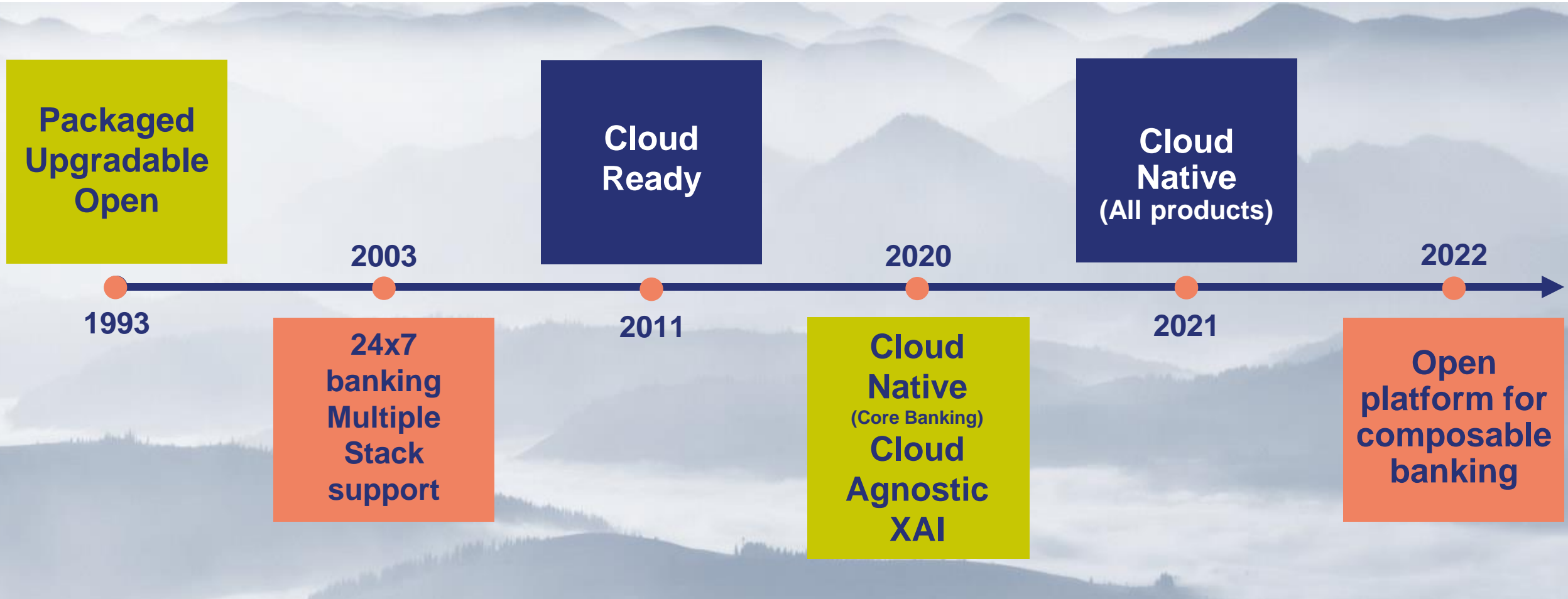
## Wealth



Temenos has a global reference client base across main banking business models and tiers



# We've always been pioneers



**\$2.8bn**  
1995-2022



**Significant R&D investment**



**\$1.3bn**  
2023-2026


(Based on historic R&D ratios on predicted

# Single code and configuration base







Supporting clients across tiers, geographies, and business models

# Temenos' competitive advantage




## Temenos vs ALL vendors

-  Packaged, upgradable
-  Functionality breadth & depth
-  Pre-built localization
-  Extensible






## Temenos vs Traditional vendors

-  100% **Banking** focused
-  **Market leadership**, including non-incumbents
-  Proven **SaaS** delivery and **cloud native**

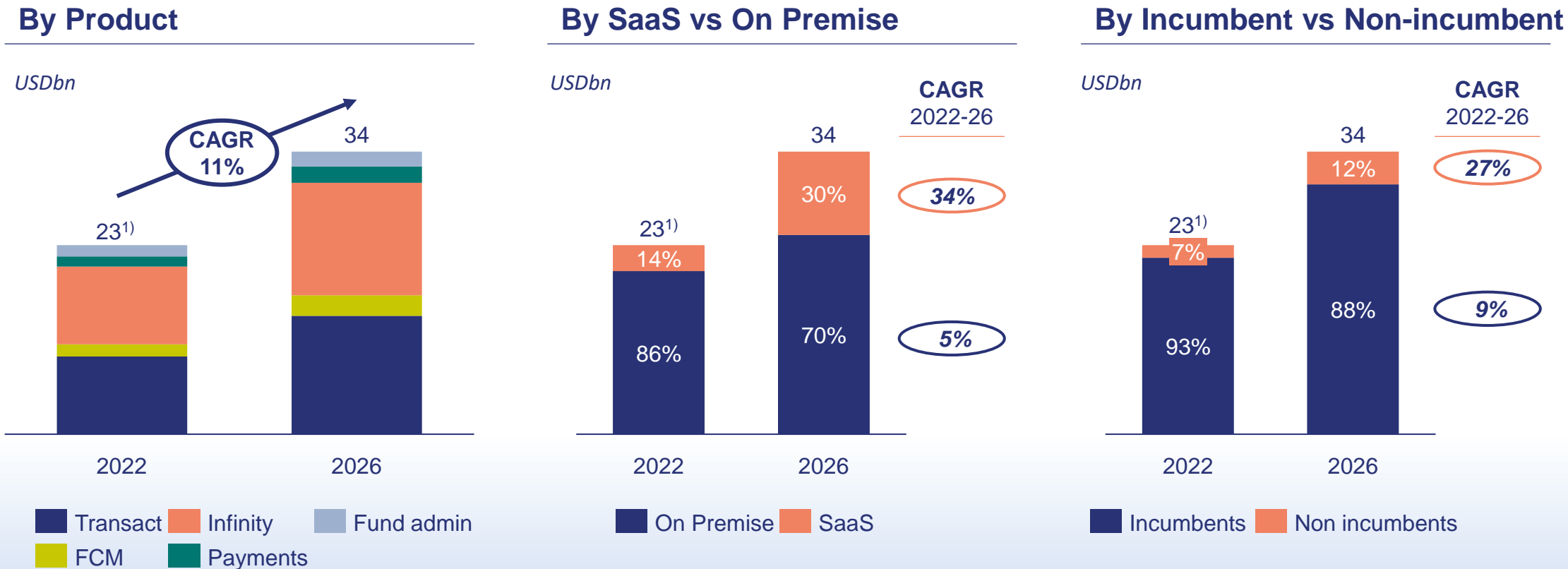


## Temenos vs Neo-vendors

-  Proven **scalability**
-  Proven **migration** credentials in every segment and tier
-  30 years of **regulation, security** and **compliance**

**Temenos consistently outsells both Traditional vendors and Neo-vendors;  
Recognized as a top ranked banking software vendor by leading industry analysts IBS and Forrester**

# Temenos' Serviceable Addressable Market

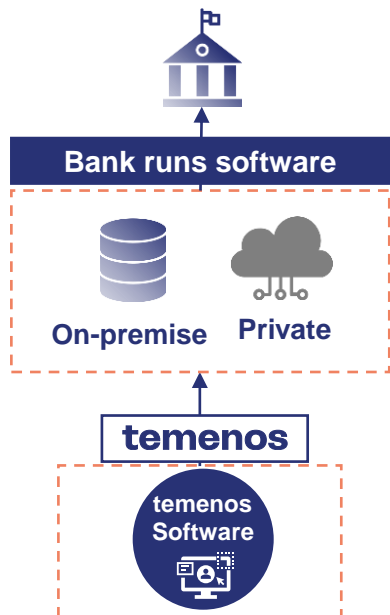


Large and growing Serviceable Addressable Market

Sources: CB Insights, IDC, McKinsey, Ovum, S&P CapIQ, Temenos estimates | Abbreviation: FCM (Financial Crime Mitigation)  
 Note: Serviceable Addressable Market is the banking 3rd party software spend addressable by Temenos products  
 1) Represents an estimated 30-40% of addressable market, including in-house spend

# Revenue and operating models

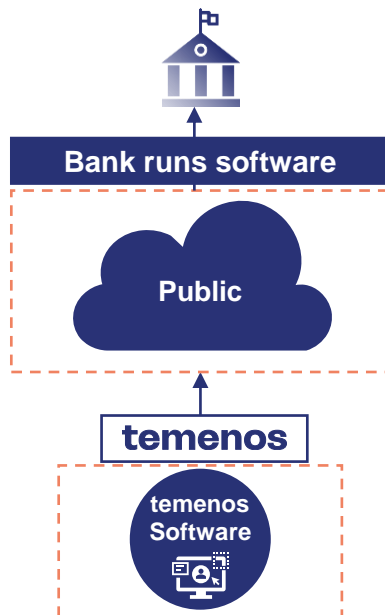
## Subscription revenue



- Banks to continue in jurisdictions with regulatory restrictions
- Larger banks likely to run software inhouse for main business lines

- Traditional Temenos business

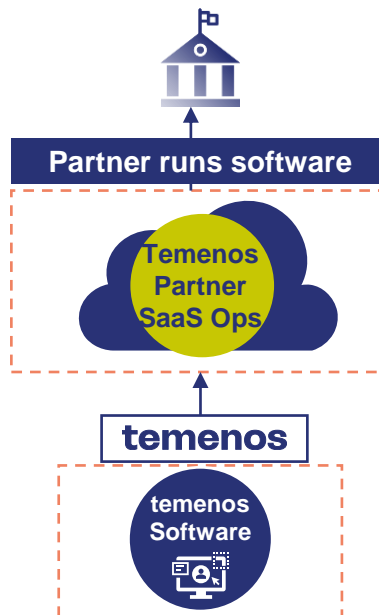
## Subscription revenue



- Larger banks likely to run software themselves for main business lines
- Growth in public cloud accelerates revenues for Temenos

- Traditional Temenos business

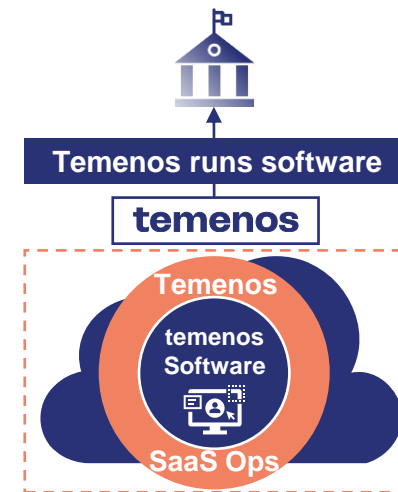
## Partner runs software



- Larger banks more open to large SIs providing managed services
- Banks in jurisdictions with data sovereignty & data centre location issues for hyper-scalers

- Opportunity for Temenos to improve margin and scale in new segments/markets
- Migration strategy for banks running legacy
- Accelerated integration to banks' IT landscape

## SaaS revenue



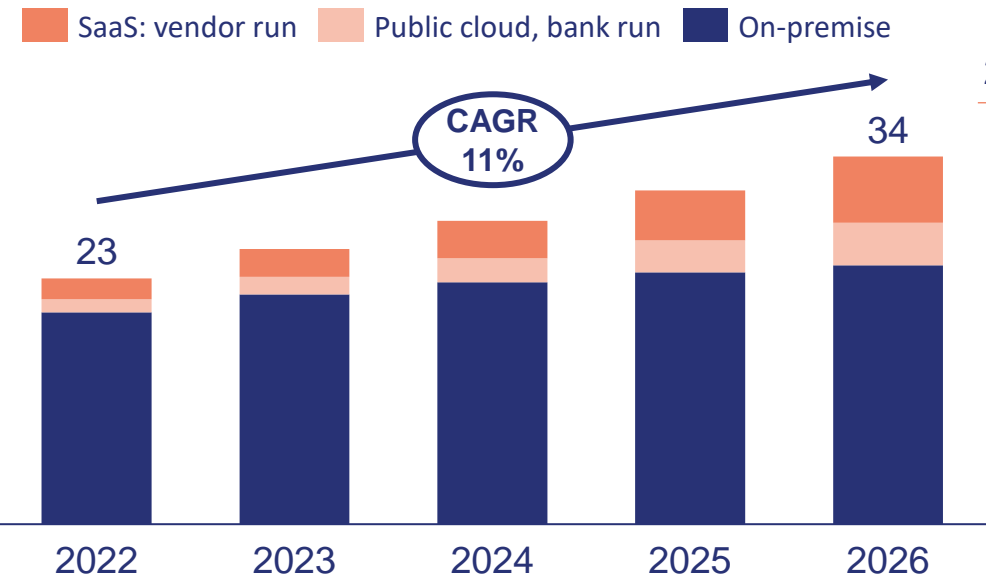
- Typically for smaller banks and non-incumbents Increasingly adopted by larger banks for overseas, speciality business lines
- Some mainstream large banks are also moving onto Temenos Banking cloud

- Temenos margin improves with scale, automation, and cross-sell

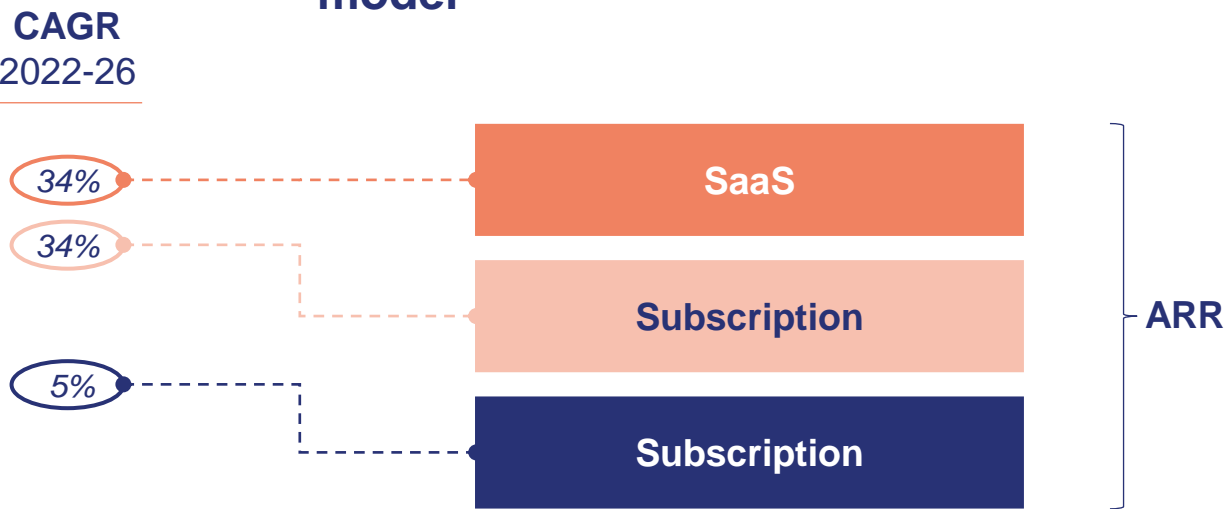
Driving recurring revenue and giving clients choice of operating model

# Public cloud adoption accelerating SaaS as well as Subscription revenues

## Serviceable Addressable Market (USDbn)



## Implications for Temenos revenue model



**94%** of bankers expect >50% of business to move to cloud within 3 years

**2x** increase in preference for public cloud amongst banks in 2022 vs 2021

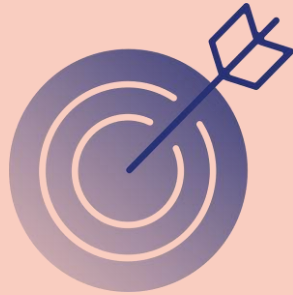
We monetize Public Cloud and SaaS market growth through both SaaS and Subscription to drive ARR

Sources: Accenture report “The ultimate guide to banking in the Cloud 2022”, Expert interviews, IDC, McKinsey Global annual banking review 2021, Ovum, Temenos analysis  
Abbreviation: ARR (Annual Recurring Revenue)

# Key strategic initiatives



**Continued SaaS  
acceleration**



**North America  
focus**



**Partner centric  
approach**



**Increasing  
penetration  
in larger banks**

## 2. ESG at Temenos



# Temenos continues to top ESG global indices and ratings

**95%** fewer emissions



**Top 25  
Swiss  
stocks**  
SXI Switzerland  
Sustainability 25®  
Index

**TOP SOF  
category  
globally**  
Dow Jones  
Sustainability Index  
World & Europe

**Top  
10%**  
FTSE4GOOD  
Index

**Highest  
rating**  
CDP  
Leadership (A/A-)

**Highest  
rating**  
MSCI AAA  
Rating

**Highest  
rating**  
ISS E&S Rating

**PRIME  
status**  
ISS ESG PRIME  
Status

**Low  
risk**  
Sustainalytics

**Top  
performer**  
Bloomberg Gender  
Equality Index

**2x Sustainability  
Award  
Winner**  
2022 S&P Global  
Silver Class +  
Industry Mover

**Top  
1%**  
Ecovadis  
Platinum medal

**Top  
20%**  
Vigeo Eiris

# Temenos ESG targets

59 offices in 39 countries, 87 nationalities

## ENVIRONMENT

### Climate Change

Business Ambition for 1.5°C

#### Science-based targets

50% reduction of GHG emissions by 2030

#### Temenos carbon calculator

Carbon insights to customers on Temenos Banking Cloud

#### Net zero

Emission by 2050

## SOCIAL

### Diversity, Equity & Inclusion Employees

**36%**

Gender diversity in global workforce by 2025

**40%**

Gender diversity in global workforce by 2030

**40%**

Racial diversity in the US by 2025

## GOVERNANCE

### Corporate governance Operating responsibly

**30%**

Gender diversity in Board of Directors by 2025

**>97%**

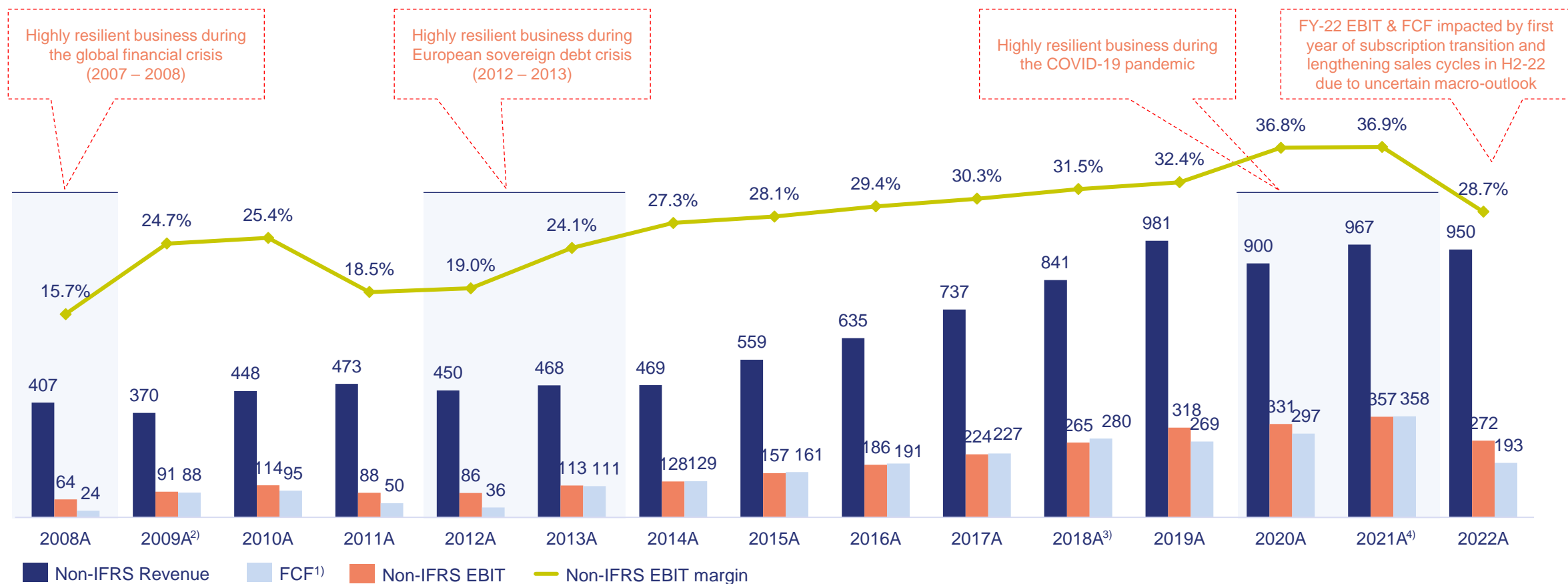
Business Code of Conduct training completion

ESG target in executive compensation (planned)

# 3. Financial overview

# Temenos has demonstrated long-term sustainable growth

USDm



**Focus on recurring revenue drives long-term growth in revenue, EBIT, and Free Cash Flow;  
Proven resilience throughout crises**

1) Operating cash flow – capex incl. capitalized R&D  
 2) 2009A EBIT adjusted for post-acquisition adjustment  
 3) 2018A restated financials

4) New non-IFRS definition adopted as of 1 January 2021 adjusting for share-based payments including related social charges costs and associated tax impact

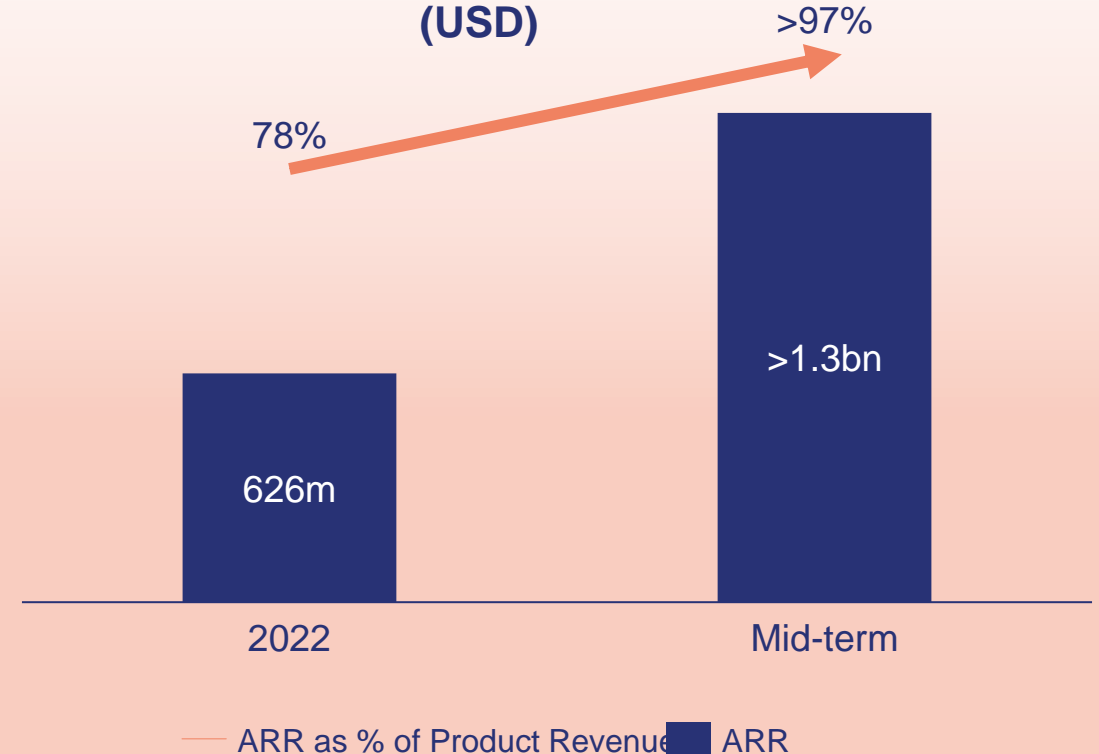
# Move to Subscription improves predictability of financial performance

**Client across all tiers and business models** are now sold **Subscription contracts**



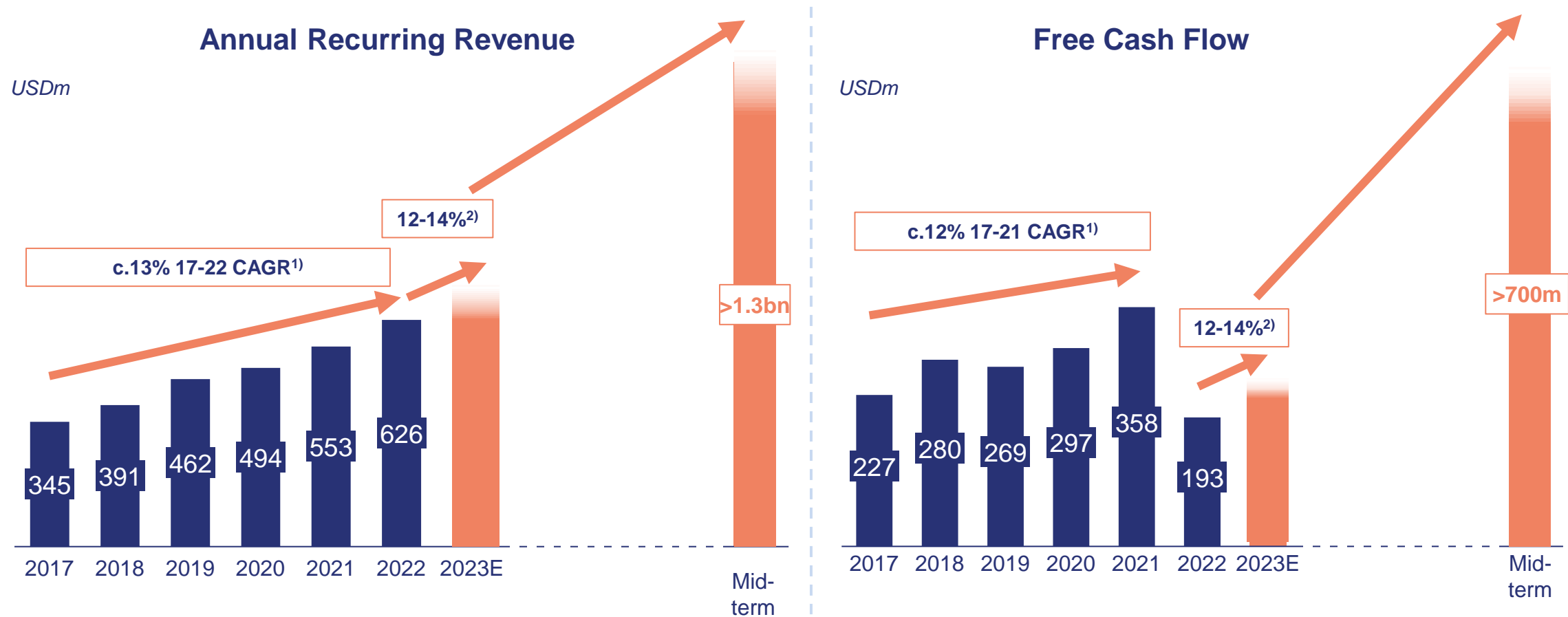
Temenos' **five-year Subscription contracts** for on-premise license and maintenance offering have been **well received by the market**

**Significant acceleration in Annual Recurring Revenue (USD)**



**Growth in Subscription and SaaS will drive recurring revenue;  
Subscription model accelerates shift to more predictable financial performance**

# Accelerating ARR and Free Cash Flow growth

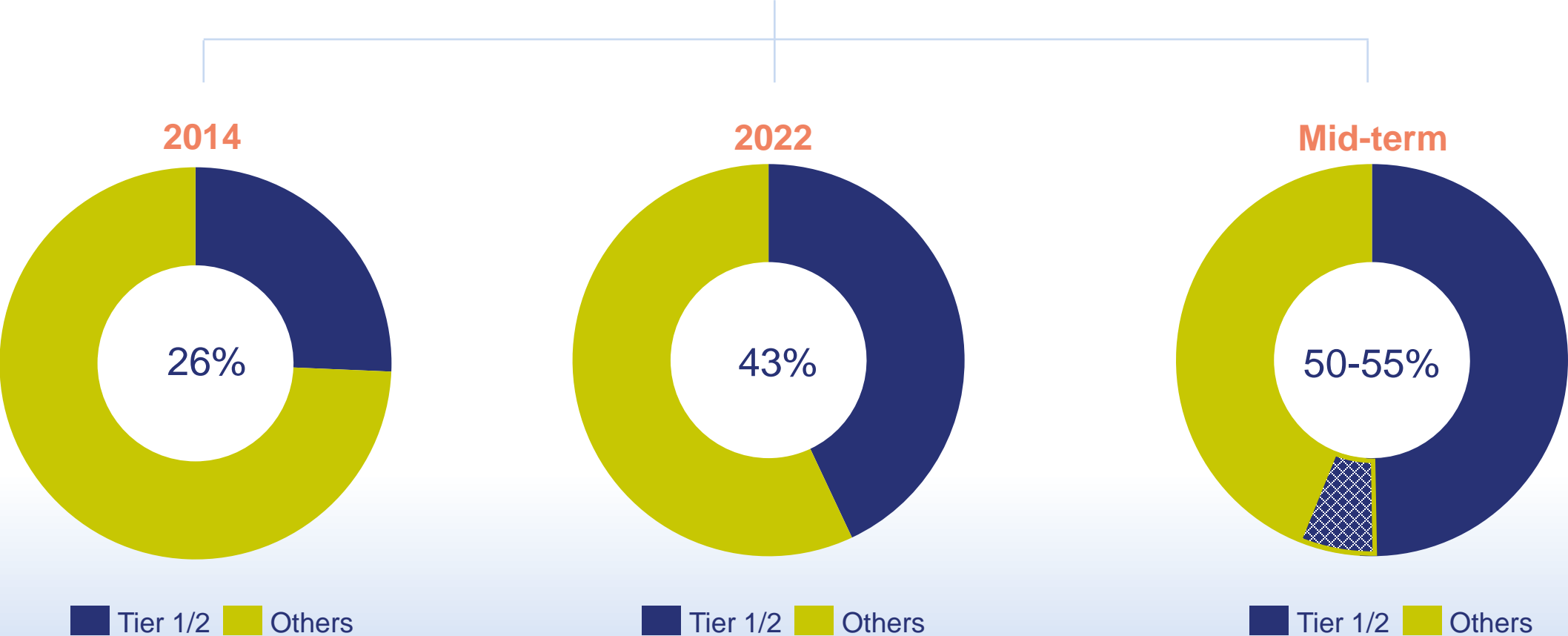


Free Cash Flow growth in excess of ARR and accelerating from 2023 based on SaaS deferred revenues

1) Growth rates is in constant currency  
2) 2023 guidance

# Building momentum with Tier 1 and 2 clients

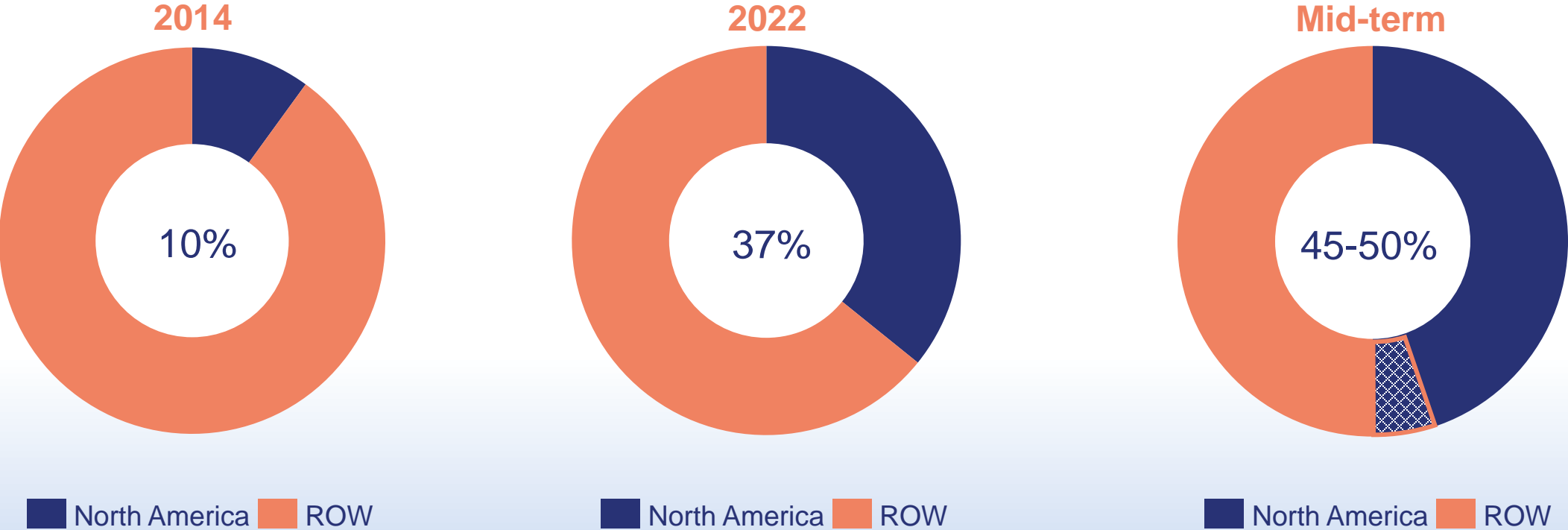
Non-IFRS total software licensing revenues by client tier



Note: Total Software Licensing revenue are non-IFRS

# Building momentum in North America

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



Note: Total Software Licensing revenue are non-IFRS



## Mid-term targets (non-IFRS, c.c.)

	Mid-term targets (USD)	FY-22 base (USD, c.c.)
ARR	>1.3bn	629m
EBIT	>570m	276m
Free Cash Flow	>700m	193m <sup>1)</sup>

Abbreviations: ARR (Annual Recurring Revenue), c.c. (Constant Currency)

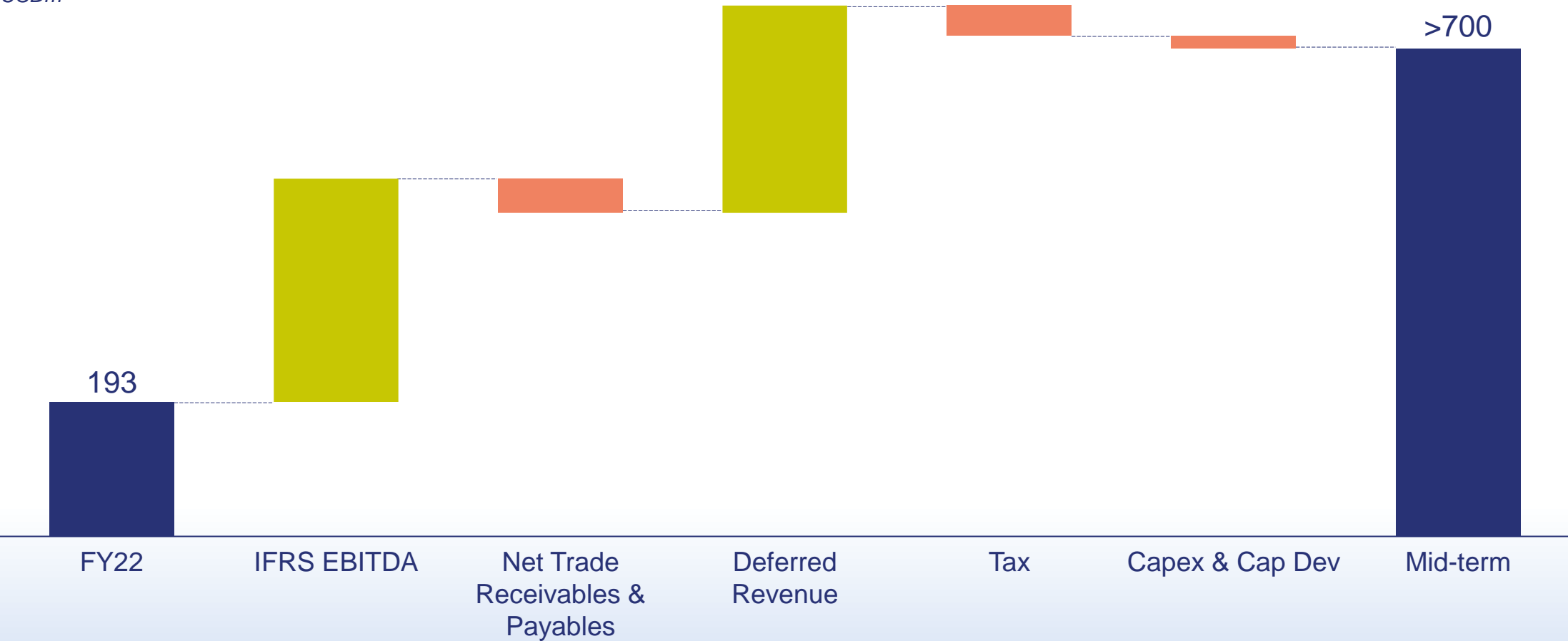
Note: See Disclaimer at the beginning of this presentation on forward-looking statements.

1) FY-22 Free Cash Flow is reported figure and not restated

# Free Cash Flow evolution 2022 to mid-term

Estimated movements for illustrative purposes only

USDm



Accelerating Free Cash Flow growth driven by profit and deferred revenue growth

Note: Figures are on a reported basis

## FY-23 guidance (non-IFRS, c.c.)

	FY-23 guidance	FY-22 base (USD, c.c.)
ARR	12% - 14% growth (raised from at least 12%) <sup>1)</sup>	629m
Total Software Licensing	At least 6% growth	405m
EBIT	At least 7% growth	276m
EPS	At least 6% growth	2.82 <sup>2)</sup>
Free Cash Flow	12% - 14% growth; in-line with ARR (raised from at least 12%) <sup>1)</sup>	193m <sup>2)</sup>

## Q2-23 highlights

### Q2-23 financial highlights (non-IFRS, c.c.)

- Strong second quarter with 14% ARR growth
- Subscription revenue of USD 35.6m
- SaaS ACV of USD 20m, highest ever quarterly ACV
- SaaS revenue up 30%
- EBIT growth of 5%
- Free Cash Flow growth of 26%
- Strong H1-23 performance
  - ARR growth of 14%
  - Total software licensing growth of 6%
  - EBIT growth of 7%
  - Free Cash Flow growth of 23%

### Q2-23 operational highlights

- Sales environment remained stable
- Subscription transition progressing well and delivering value uplift
- SaaS ACV driven by incremental consumption and new logos – Convera in the US for payments in the cloud
- Tier 1 and 2 contributed 39% of Total Software Licensing in Q2-23 and 46% LTM
- Services continued trend of profitability; good cost control across the business

### FY-23 guidance – ARR and FCF guidance raised

- ARR growth of 12%-14%
- 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

## 4. Temenos' credit story

# Funding and maturity profile as at June 30, 2023

## Straight Bonds

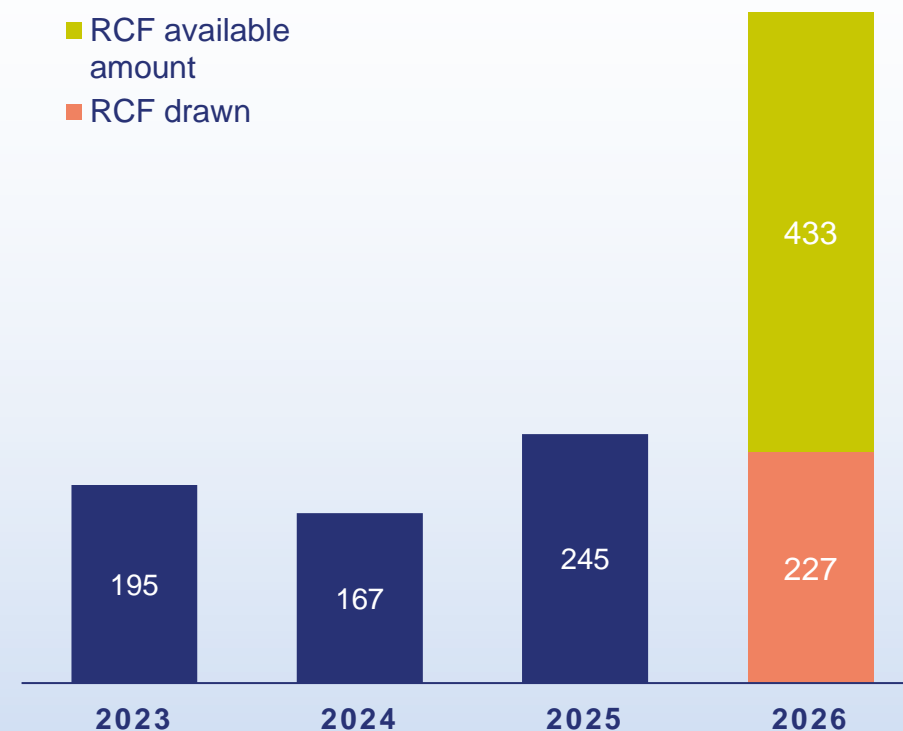
- Temenos has regularly tapped into the Swiss bond market since 2013
- Current bonds outstanding:
  - CHF 175m 1.875%, due Nov/2023
  - CHF 150m 1.750%, due Apr/2024
  - CHF 220m 1.500%, due Nov/2025
- All current bonds outstanding are assigned a BBB rating from Fitch

## RCF

- Temenos further has a USD 660m RCF due for renewal in July 2026

USDm<sup>1)</sup>

- RCF available amount
- RCF drawn

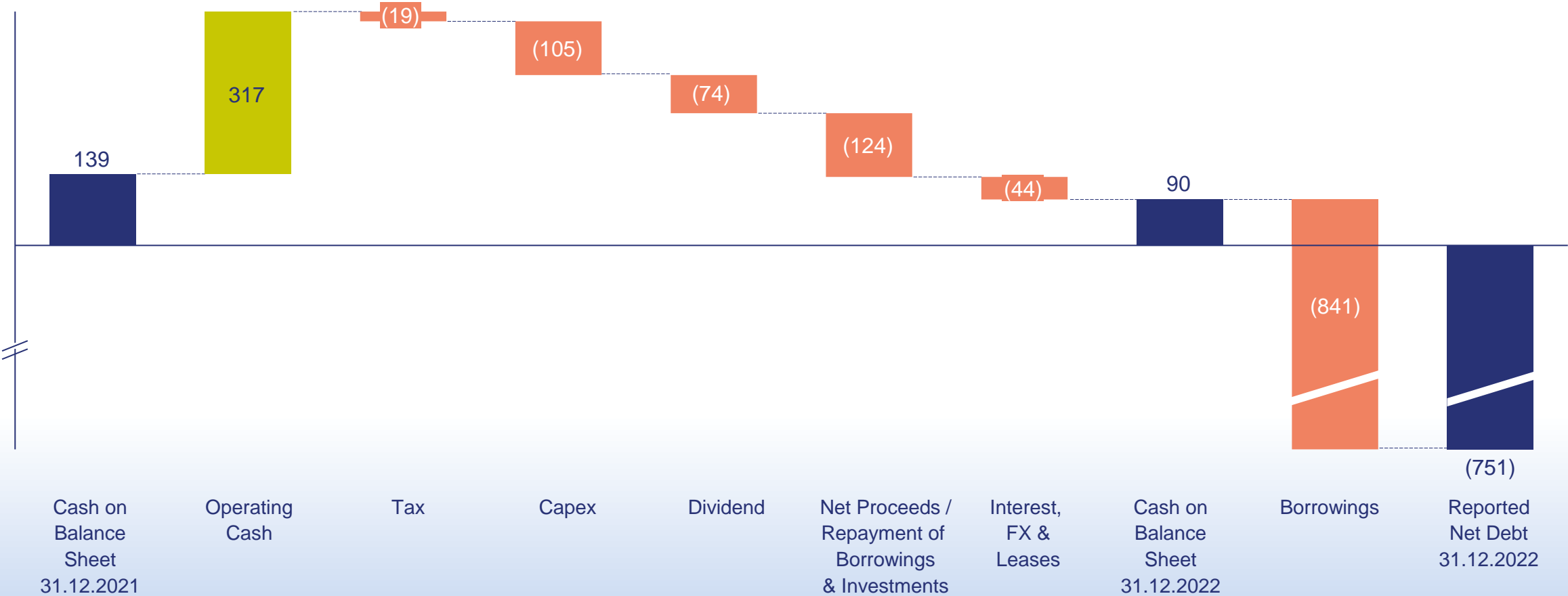


A diversified funding base. All maturing transactions have either been refinanced or repaid on time

1) FX USD/CHF = 0.8977

# Group liquidity in FY-22

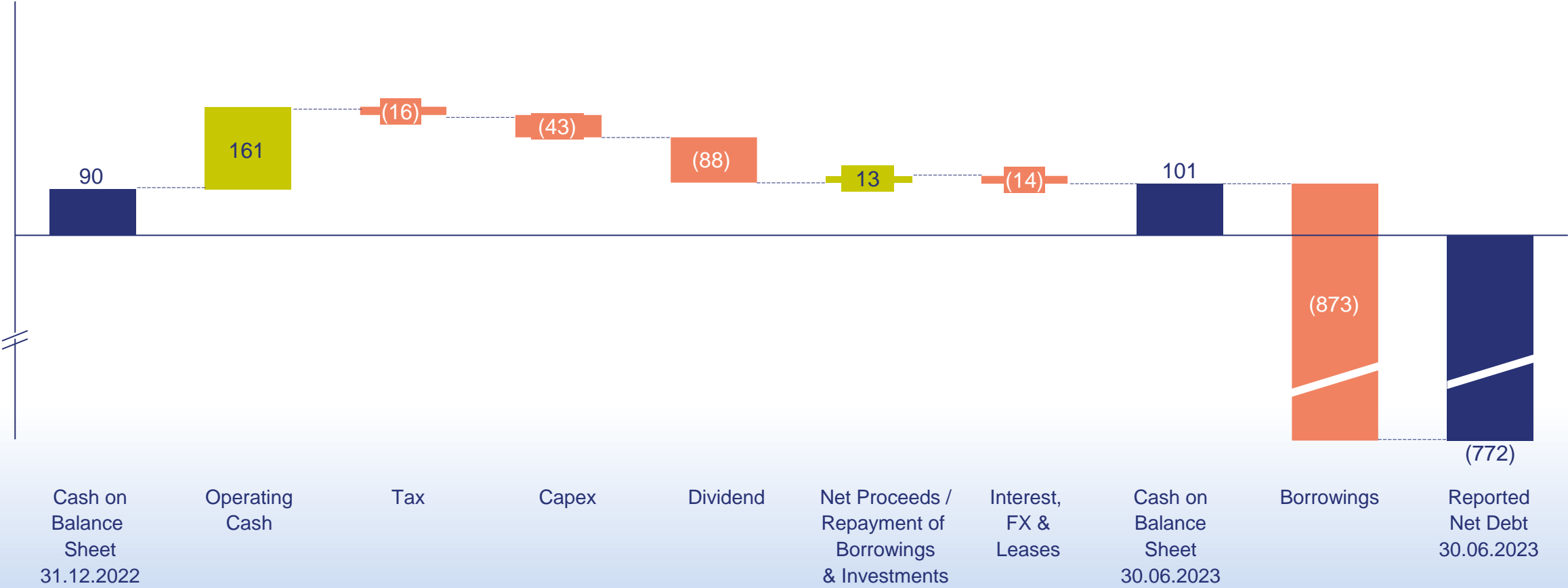
USDm



Leverage at 2.0x at year-end FY-22

# Group liquidity in H1-23

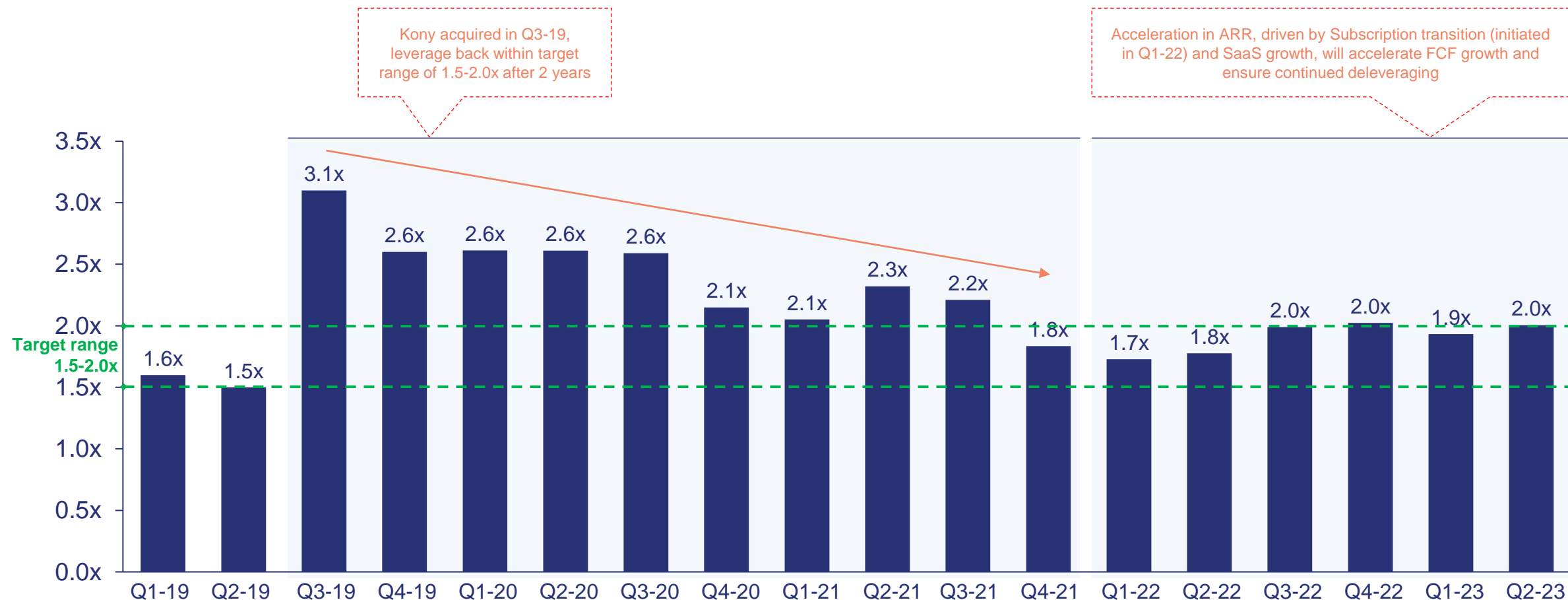
USDm



Leverage at 2.0x at end of Q2-23

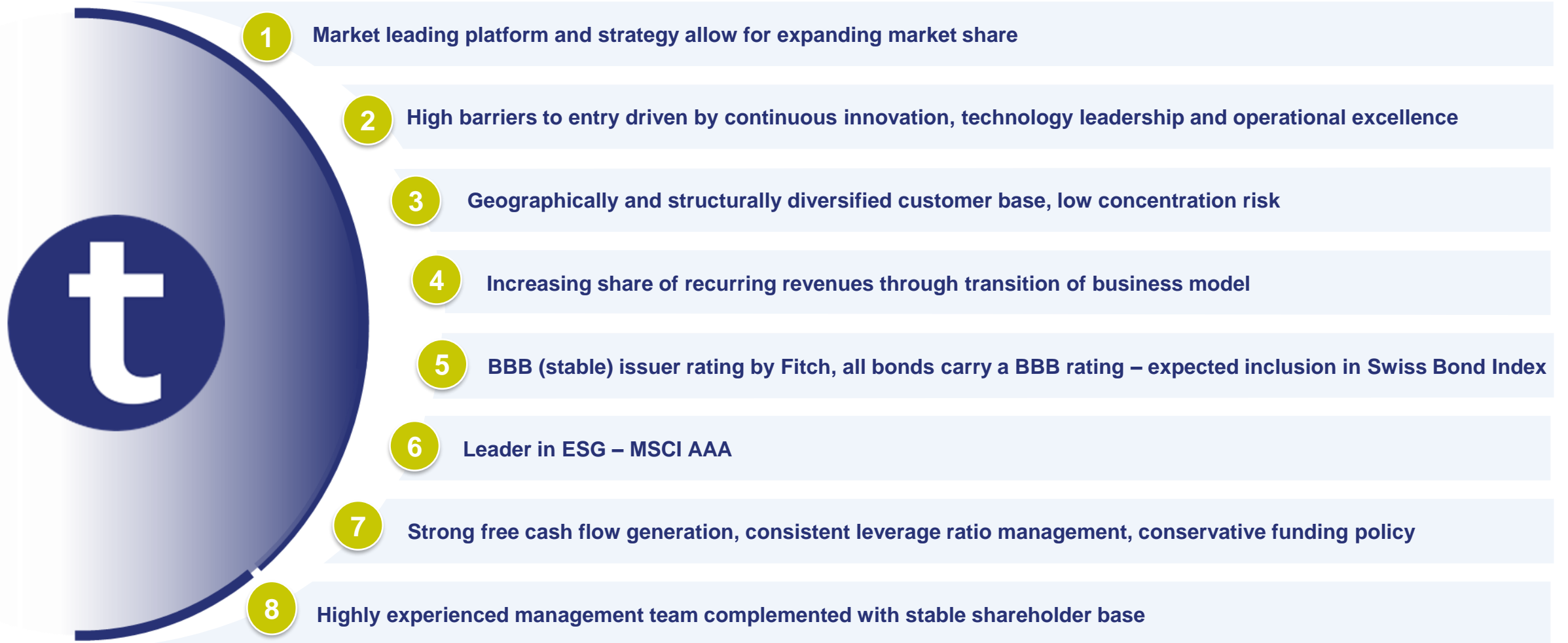


# Leverage ratio



Resilient business model with strong cash flow generation enables strong deleveraging profile

# Credit highlights



# 5. Appendix

# Temenos leadership team

Years of tenure



24

**Andreas Andreades**  
CEO



4

**Takis Spiliopoulos**  
CFO



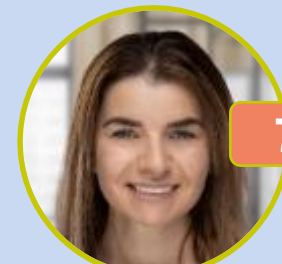
23

**Prema Varadhan**  
President Product  
& COO



7

**Colin Jarrett**  
Chief Security &  
Risk Officer



7

**Jayde Tipper**  
Chief People Officer



12

**Jean-Paul Mergeai**  
President  
International Sales



18

**Philip Barnett**  
President Americas



21

**Deirdre Dempsey  
Leclercq**  
Chief Legal Officer



7

**Kalliopi Chioti**  
Chief Marketing  
& ESG Officer



7

**Kanika Hope**  
Chief Strategy  
Officer

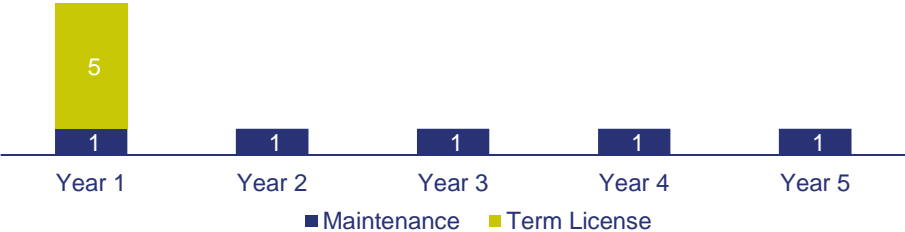
# Global Sales Awards – Temenos is #1 in eight categories



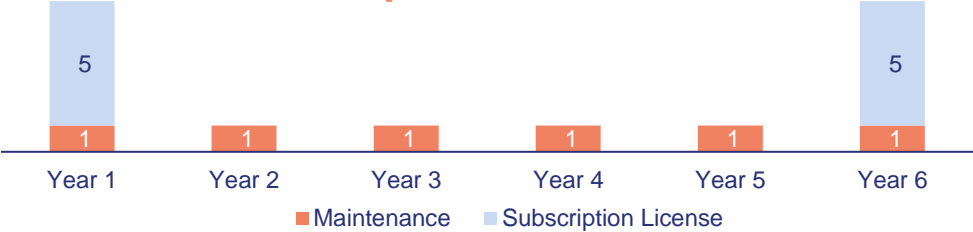
**IBS reconfirms Temenos as the #1 best-selling banking software vendor**

# Impact of subscription transition on P&L, cashflow and ARR

Term model – P&L



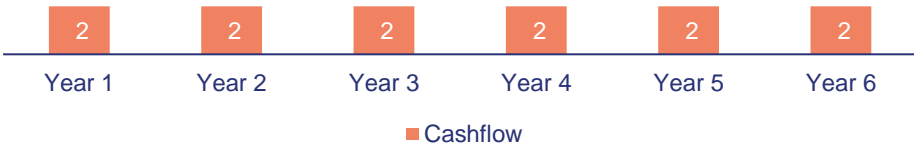
Subscription model – P&L



Term model – Cash



Subscription model – Cash



Term model – ARR



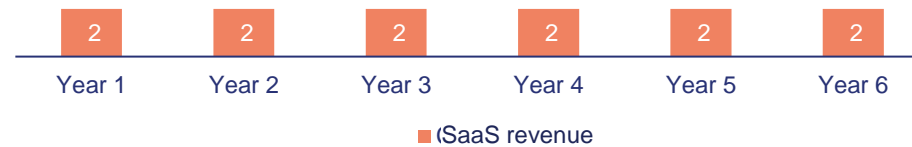
Subscription model – ARR



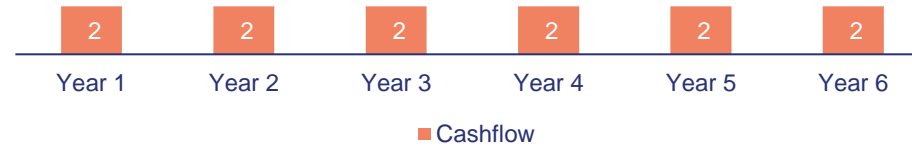
Note: Based on our standard 5-year term contract and based on IFRS15 standards. For illustrative purposes, the example assumes no uplift in value from move to subscription

# Impact of SaaS contracts on P&L, cashflow and ARR

## SaaS model – P&L



## SaaS model – Cash



## SaaS model – ARR



# Thank you

**temenos**