

temenos

# Capital Markets Day





|               |                        |   |
|---------------|------------------------|---|
| 09:00 – 09:30 | Registration           |   |
| 09:30 – 09:40 | Industry Trends        | Kanika Hope, Chief Strategy Officer                           |
| 09:40 – 10:10 | Strategy and Vision    | Andreas Andreades, Chief Executive Officer                    |
| 10:10 – 10:30 | Product and Technology | Prema Varadhan, President Product and Chief Operating Officer |
| 10:30 – 10:45 | Our Approach to AI     | Hani Hagraš, Chief Science Officer                            |
| 10:45 – 11:15 | Financial Growth Plan  | Takis Spiliopoulos, Chief Financial Officer                   |
| 11:15 – 11:30 | Q&A                    |   |
| 11:30 – 12:30 | Refreshments           |   |

# Disclaimer

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.

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 19 February 2024. We anticipate that subsequent events and developments may cause the Company's guidance and estimates to change. Such events may include adverse publicity from information put into market place by a short seller, which the company believes to be inaccurate and misleading, as well as the time and efforts relating to the company's response thereto. 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.

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.

© Temenos AG 2024

# Non-IFRS information

In its presentation and in this document, the Company may present and discuss non-IFRS measures.

Readers are cautioned that non-IFRS measures are subject to inherent limitations. Non-IFRS measures are 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 measures may not be comparable to similarly titled non-IFRS measures used by other reporting companies.

In the Appendix accompanying this presentation, the Company sets forth supplemental non-IFRS figures for revenue, operating costs, EBIT, EBITDA, net earnings and earnings per share that exclude the effect of share-based payments, the carrying value of acquired companies' deferred revenue, the amortization of acquired intangibles, discontinued activities, acquisition/investment related charges, restructuring costs, and the income tax effect of the non-IFRS adjustments. These tables also present the most comparable IFRS financial measures and reconciliations.

In addition, the Company provides percentage increases or decreases in its revenue (on both an IFRS and non-IFRS basis) eliminating the effect of changes in currency values when it believes that this presentation is helpful to an understanding of trends in its business. Accordingly, when trend information is expressed "in constant currencies" or "c.c.", the results of the "prior" period have first been recalculated using the average exchange rates of the comparable period in the current year, and then compared with the results of the comparable period in the current year.



temenos

# Introductory Remarks

**Thibault de Tersant**

Non-Executive Chairman of the Board



# Introduction

- **Client satisfaction and implementations**

- c.3,000 clients globally
- 391 implementations on our software in 2023
- Churn c.3% on a dollar basis
- Net Promotor Score of +54
- Only one open client litigation at present

- **Mbanq**

- Investment in a partner in the strategic Banking as a Service market
- Total investment of USD59.9m
- Total revenue booked since investment representing 22% of the total value of the convertibles
- Mbanq is not a reseller
- Not round-tripping



# Introduction (cont'd)

- **Pulling forward of contracts and discounting**
  - Normal for renewal discussion to take place well before contract expiration date
  - Retention (NRR) from existing customers of 112%
  - Generating significant value from existing customers
- **Back-dating of deals**
  - Strong control and governance process over contract signing
  - DocuSign used for contract signing as standard
  - Recognizing of license revenue requires delivery of software in the respective quarter and other performance obligations to be met
- **Infinity**
  - Strategically important part of product portfolio; hundreds of live clients
  - Signed multiple Infinity deals in Q4-23

## Introduction (cont'd)

- **R&D capitalisation**
  - R&D capitalised as required under IFRS
  - Net capitalisation reduced in FY-23 vs. FY-22; USD5m less expense relief in FY-23
- **Partners**
  - Significant majority of sales are direct
  - Licenses sold to partners represented c.4% of total software licensing in 2023



temenos

# Industry Trends

**Kanika Hope,**  
Chief Strategy Officer



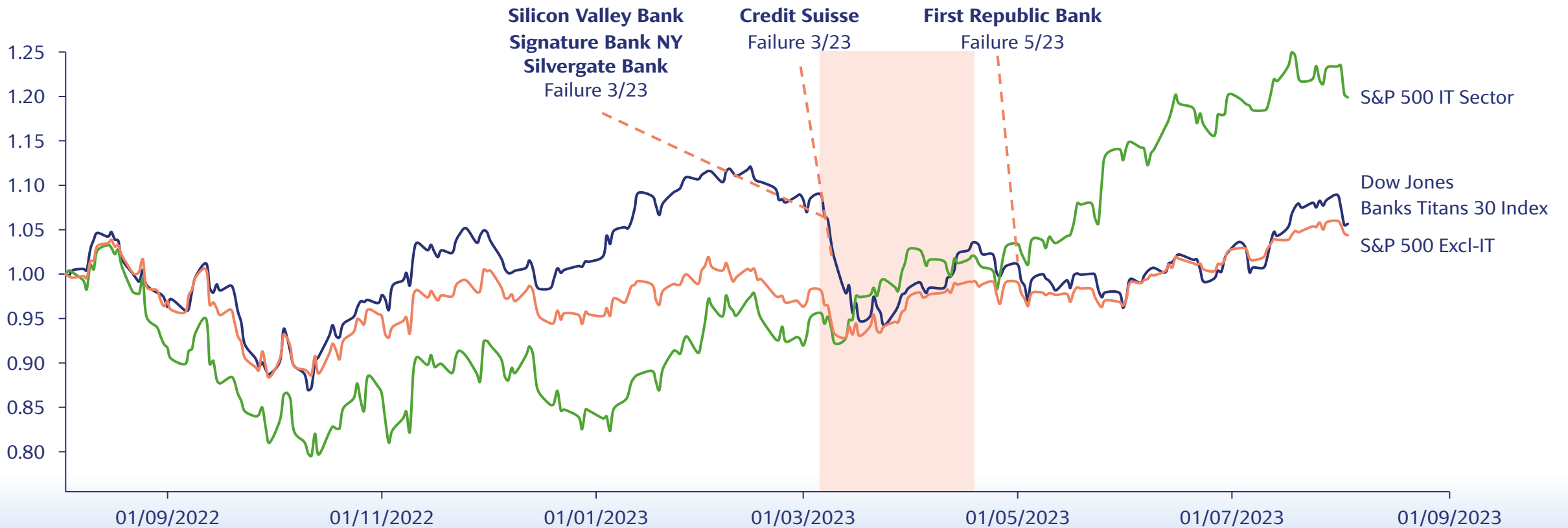
# The Banking Market Opportunity





# The banking sector outperformed the market until bank collapses and thereafter remained resilient

## Relative price movements



# IT spend to continue to rise despite market pressures

58%

Banks globally had **Return on Equity below Cost of Equity** in 2022

70%

Of banks report it is more challenging to **win and retain customers** than it was a year ago

80%

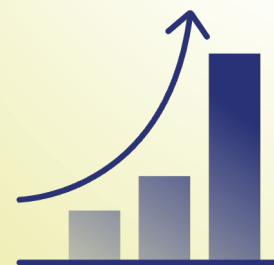
Drop in **global fintech funding** from Q2 2022 to Q2 2023

\$7t

Market value created by **embedded finance** activities by 2030

75%

Banks have a clear **open ecosystem** strategy



**Technology spend predicted to rise across all regions and tiers in 2024**

Top strategic drivers of IT investment are

- **Speed and agility**
- **Compliance** and regulatory requirements
- **Product enhancement** and innovation



# Top areas of technology spend



## Retail Banking



Embedded Finance  
& Baas  
propositions



BNPL or PoS  
finance



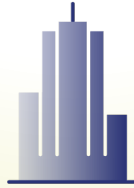
Digital  
lending



Digital account  
opening



Customer product  
bundles



## Corporate Banking



Corporate digital  
channels



Trade services &  
Supply chain Finance



Client lifecycle  
management



Small business  
digital channels



Embedded finance  
& ecosystem



## Private Wealth



Data analytics  
& insights



Alternative  
investments



ESG solutions



Digital account  
opening & onboarding



Omni-channel  
advice

## Technology



Artificial  
Intelligence



Public Cloud



Open finance  
capabilities



RPA/workflow  
automation



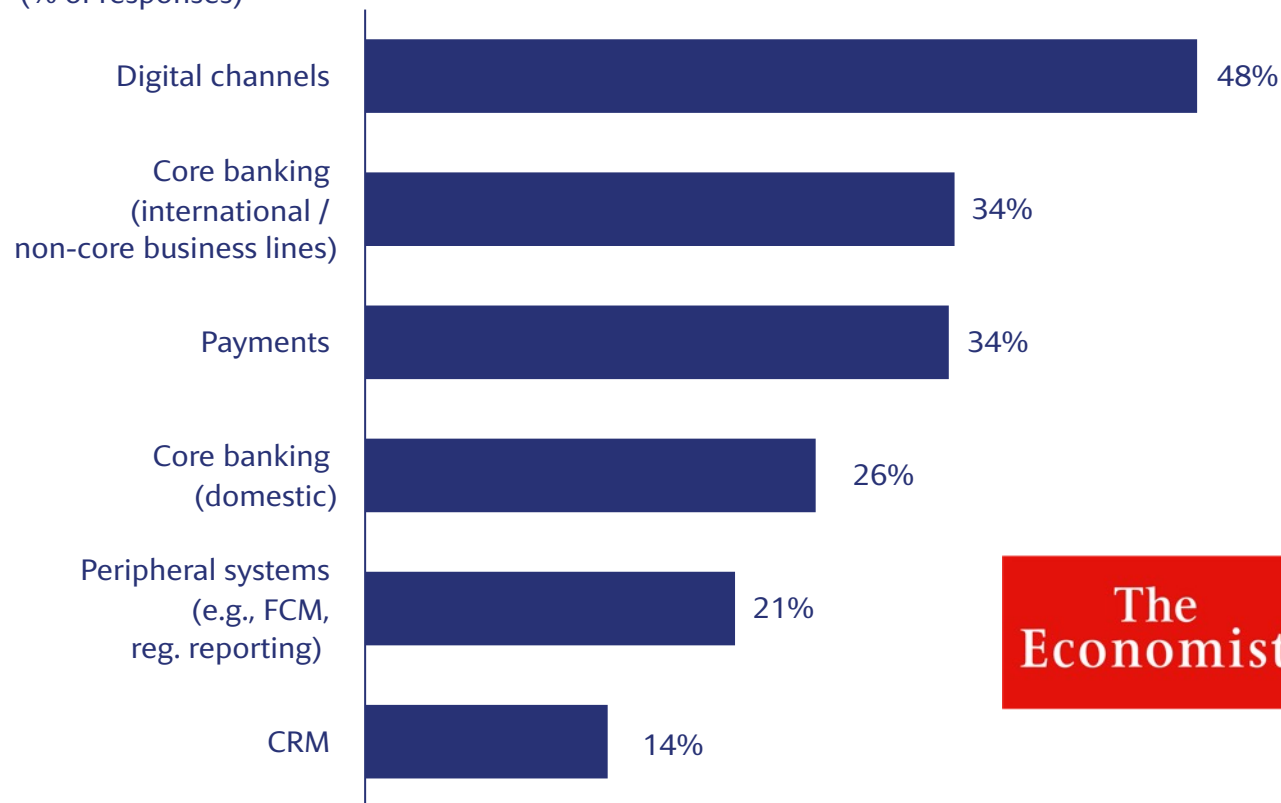
Blockchain / DLT

# Banks moving more mission critical workloads to Public Cloud, paving the way for SaaS

51% of bankers believe banks will not own any data centres in 5 years because they will have moved to public cloud

## Applications banks will move to the cloud in next 12-24 months

(% of responses)



**“Confidence** in Public Cloud is now stronger due to the level of **investment by hyperscalers**. We see **cost reduction** and **innovation** as key drivers for adopting Public Cloud”

*- Tier 1 Client in Europe*

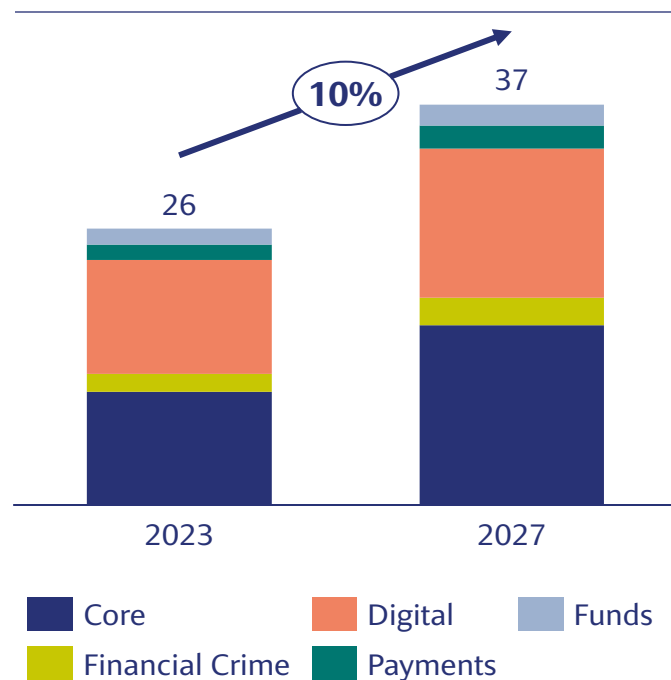
“We are now **open to consuming every solution as SaaS** as long as there is a **strong business case** that counters the loss of control”

*- Tier 3 Prospect in APAC*

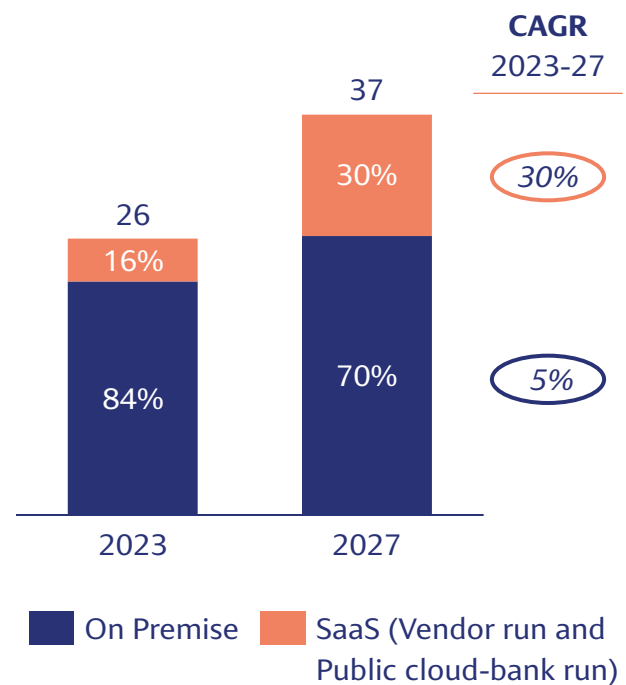
# Double-digit medium term growth in serviceable addressable market; SaaS growth remains robust

## Serviceable addressable market<sup>1</sup> (SAM) \$ B

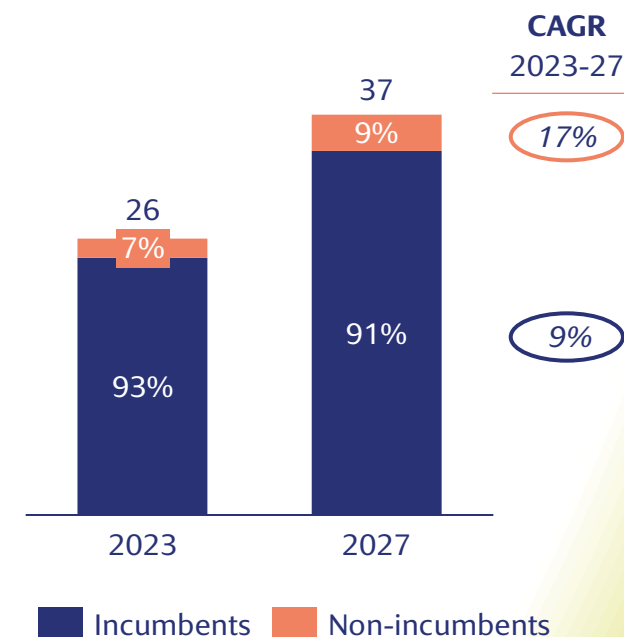
### By Product



### By SaaS vs On Premise



### By Incumbent vs Non-incumbent



**Incumbents poised to spend 3.5x non-incumbents on SaaS in medium term**

# How we leverage the Temenos Value Benchmark?





The Value Benchmark is an industry leading program

# 150 banks



**>70,000** data  
points collected



**5** regions,  
**76** countries covered



**4** banking verticals – Retail,  
SME, Corporate, Wealth



**>1,400** C-level / senior  
executives met



**>2,100** hours  
of consulting workshops

# The TVB provides industry insights into banks' performance (1/2)

Drivers of Retail Banking performance: Top performing banks are best-in-class in 15 key operational metrics

Performance  
indicators



Cost-income ratio



Return on Equity

Performance  
drivers



Operational  
metrics

**A** % IT spend on  
Growth & Innovation

**B** % Products digitally  
originated & transacted

**C** % of Time-to-Market on  
Coding & Testing

**A** % Digitally active  
customers

**B** % Digital Sales

**C** % Digital Interactions  
per Customer

**A** % Front Office STP rate

**B** % Operations STP rate

**C** % Front Office staff  
time on administrative tasks

**A** % Risk & Compliance staff  
time on administrative tasks

**B** % False positives per  
payment transaction

**C** Fines

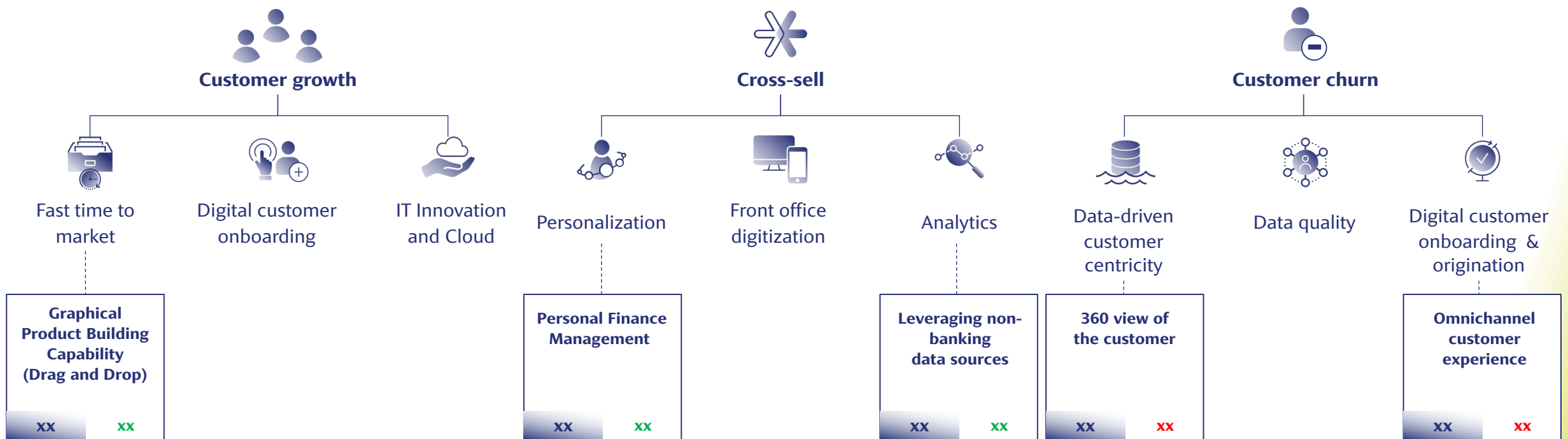
**A** % Self service reports

**B** Analytics reports / FTE

**C** % of Users using  
Analytics Reports

# The TVB provides industry insights into banks' performance (2/2)

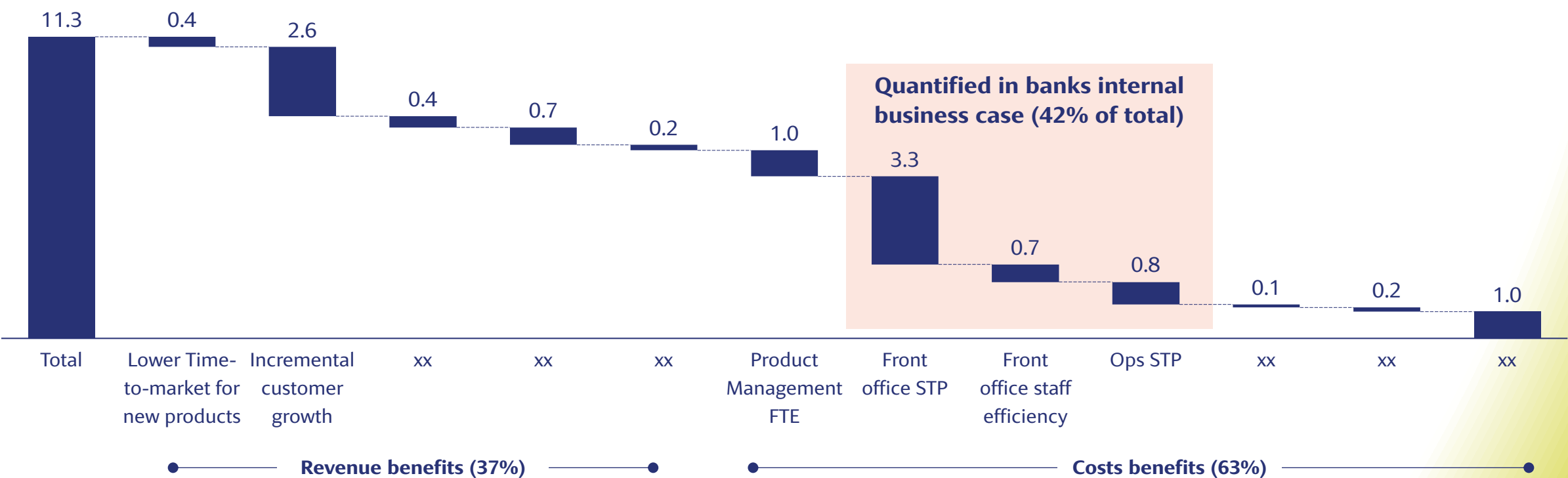
High performing banks focus on growing and retaining their customer base and increasing share of wallet, underpinned by critical front office and product building capabilities



# The TVB enables us to build data-driven investment cases collaboratively with our clients during the sales cycle

## Project benefits (EUR M)

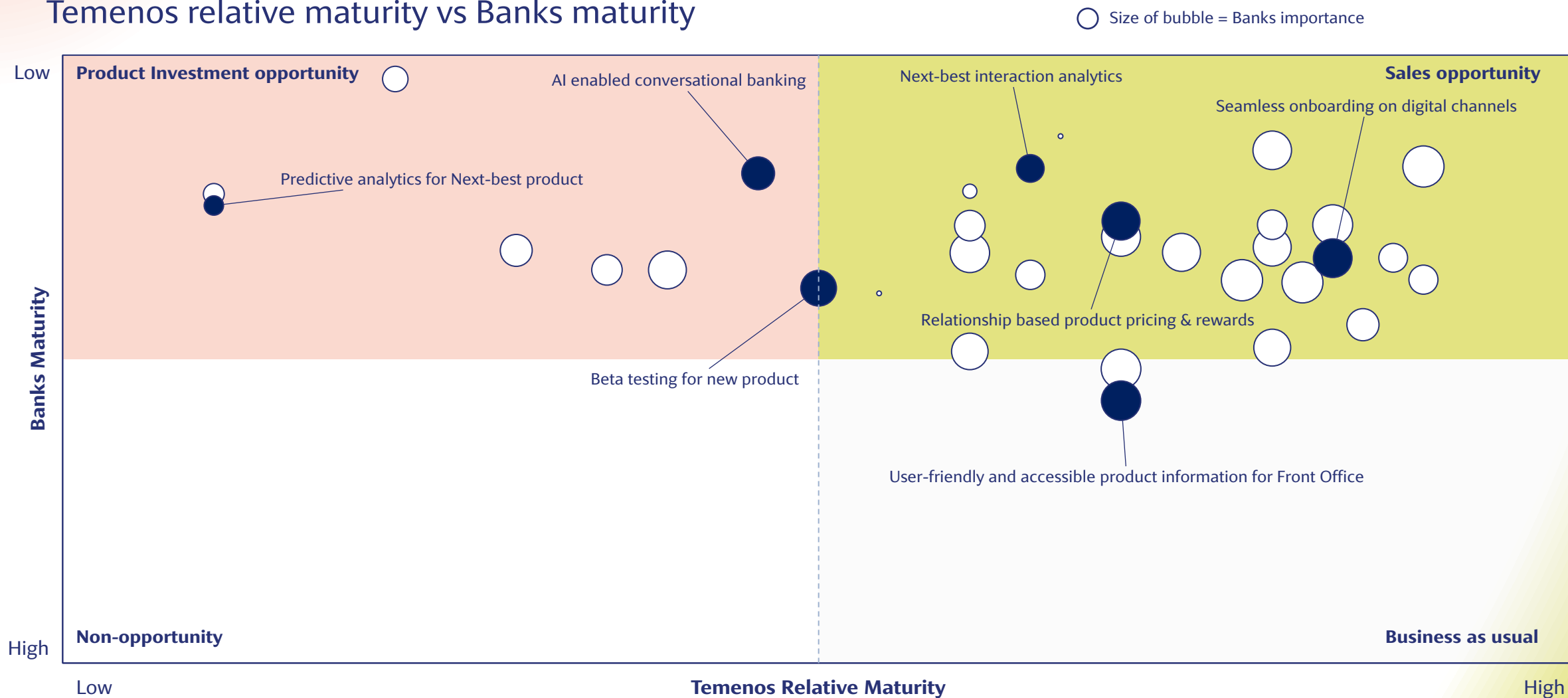
(Year 1 post go-live; recurring and to grow in line with assumptions)





# The TVB enables us to both prioritize product investments and focus sales opportunities

Temenos relative maturity vs Banks maturity



# Thank you

**temenos**

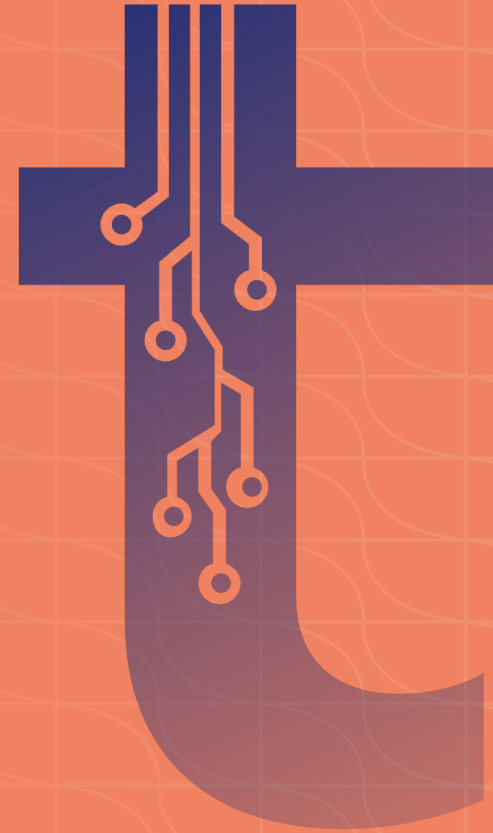
temenos

# Strategy and vision

**Andreas Andreades**  
CEO



# Introduction to Temenos



**Everyone's**

**Banking**

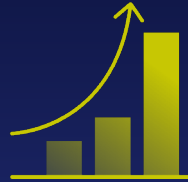
**Platform**





### 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



### Scalability

Improved operational efficiency with hyper elastic cloud native capabilities

52%

Faster onboarding<sup>1</sup>

19%

Higher NPS Score<sup>2</sup>

24%

Faster Time-to-Market<sup>3</sup>

68%

Higher cross-sell rate<sup>1</sup>

24%

Higher Customers / FTE<sup>1</sup>

33%

More IT spend on growth & innovation<sup>3</sup>

Temenos Value Benchmark has c. 150 banks today

# Continuing to make Banking better...globally

## Market leading Embedded Lending platform

Sought to **rapidly securitize loans** across 5 **markets** in line with new Strategy

**17m**

Loans securitized within first 3 days,  
and 5m loans weekly thereafter



## Top bank in Africa

Modernizing **Corporate Payments**  
across ~20 countries

**48hrs TO 6mins**

Reduction in payment authorization time



## Top thrift bank in Philippines

Adopting **SaaS to scale & lower time to market**

**35%**

YoY growth in loan portfolio



## Digital subsidiary of top Bank in LATAM

Launching **digital only bank** to rapidly  
penetrate new geography

**250k**

Digital accounts opened in 14 months



## Established Benelux Universal Bank

Looking to modernize & **innovate**  
across business lines

**25m**

Payments processed per year



## Top bank in UAE

Launching one of the **first digital only Islamic banks** in Middle East

**570k**

Accounts opened in two years, twice the  
expected volume



# Expanding existing relationships and continuing to grow client base

 Expansion of relationship  New win


## Global Tier 1 Bank

 **Modernizing Wealth** platform on the **Cloud** through end-to-end Wealth Suite and centralized data management solutions to accelerate **digital transformation** & improve **operational efficiency**


## Global Tier 1 Bank

 **Upgrading** international **Corporate Banking** platform on the **Cloud** for **innovation, performance** and **scalability**. Sought to **move to a microservices** based, **cloud native, cloud agnostic** solution that can also be deployed **on-premise**

## Leading Swiss Private Bank

 **Harmonizing** platform by **expanding coverage** of end-to-end Wealth Suite and Payments Hub to **domestic** Swiss business and **all international booking centers** for improved **operational efficiency**

## Top regional bank in US

 **Modernizing customers records** and **deposits** on **Temenos Banking Cloud (SaaS)** to deliver more **seamless customer experiences** and **personalized** banking products

## Banking arm of top conglomerate in LATAM

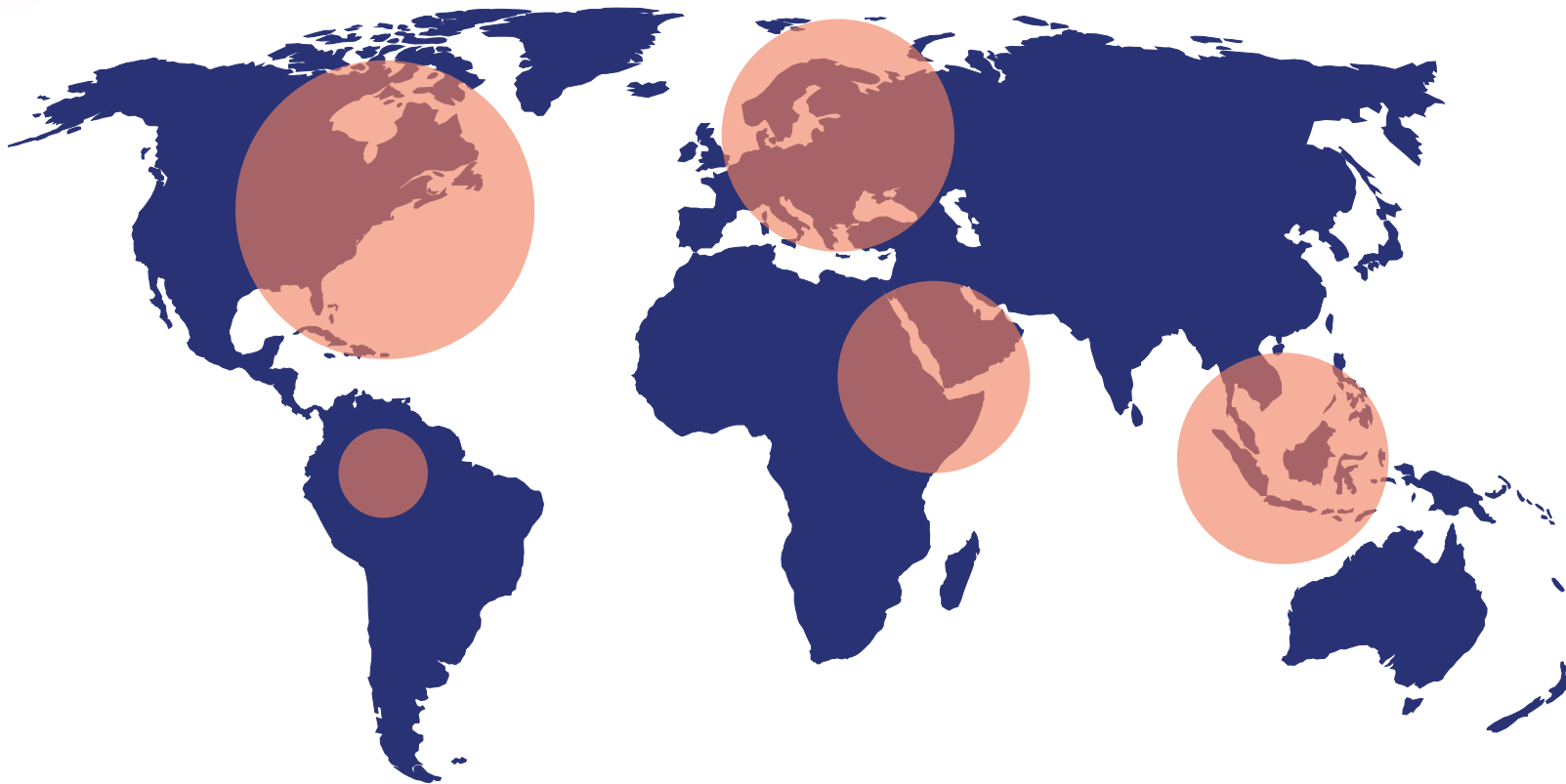
 **Modernizing technology stack** for **business agility** and to offer **more accessible banking services quickly and sustainably**. Involves orchestrating an **open ecosystem of 3<sup>rd</sup> party providers** leveraging **Temenos APIs**

## Global B2B cross border payments provider

 **Standardizing** international commercial **payments** on a single platform through Temenos Payments Hub on **SaaS** to **scale volumes efficiently**

**2023 Customer engagement: NPS score of +54 based on a survey of 900 customers**

# Global client base across Retail, Corporate and Wealth



**3K**

**Clients**

**150+**

**Countries**

**700+**

**SaaS Clients**

**100+**

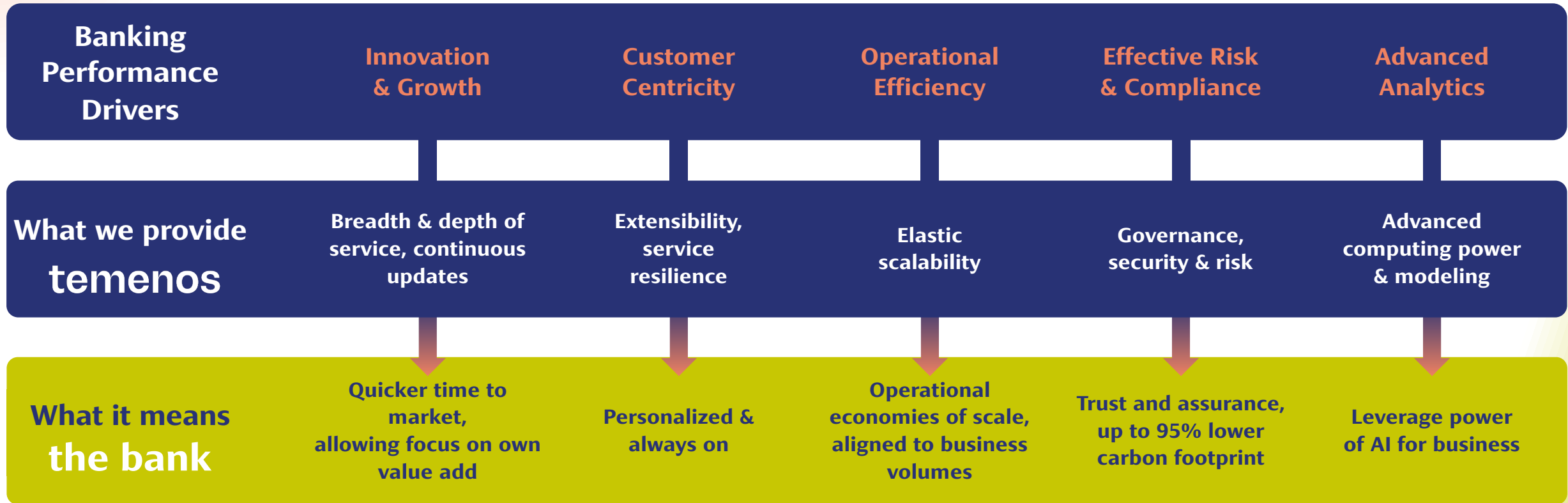
**Challenger  
Clients**

**x 300k**  
accounts

**Largest to  
smallest client**



# Temenos SaaS Value Proposition



Enterprise Services: faster time to value for first delivery and lower operational costs

# Continued market leadership

## New named deals 2020-22



**IBS top spot for  
over 20 years in 8  
different categories**



**IBS intelligence**  
Global FinTech Perspectives

**Annual Sales League Table 2023**

★ LEADERSHIP CLUB ★

**FORRESTER®**  
(Digital, Wealth)

**Gartner®**  
(Retail Core)

**WEALTHTECH**  
100  
(Wealth)

**IDC**  
(Core, Digital)

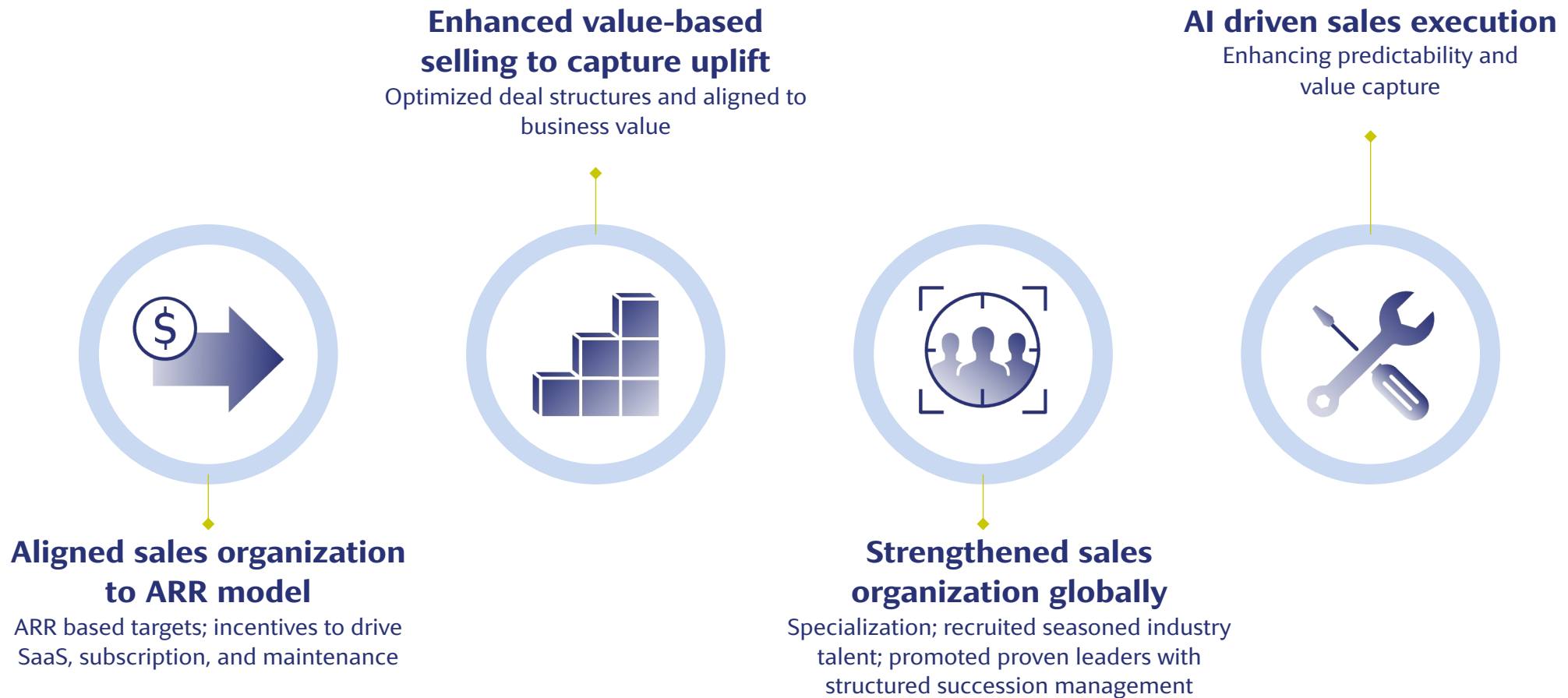
**datos**  
INSIGHTS  
(Digital, Funds, Wealth)

**OMDIA**  
(Core)

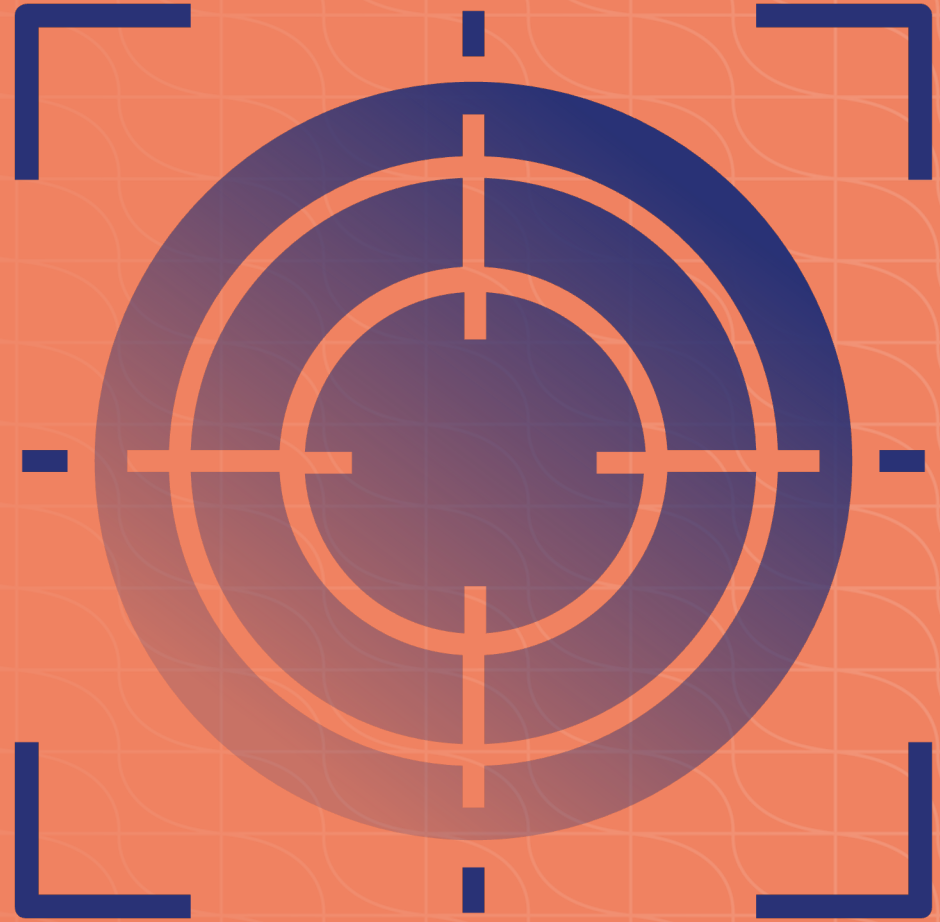
**αdox**  
research  
(Funds)

Everest Group  
**PEAK**  
MATRIX®  
(Wealth)

# Recurring revenue model delivering value and continuing to drive growth



# Key strategic initiatives

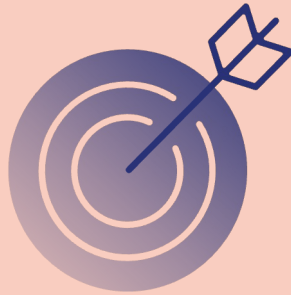




# Key strategic initiatives



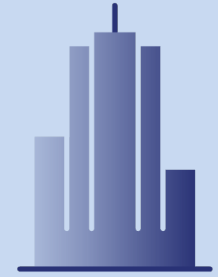
**Continued SaaS  
focus**



**North America  
focus**



**Partner centric  
approach**



**Increasing  
penetration  
in larger banks**



# Continuing momentum in North America

## NAM strategy maturing



### Strengthened organization and product offering

- Recruited seasoned industry resources across Sales, Cloud and Delivery
- Enhanced US model bank, US specific data privacy and security



### Targeting top tier banks for digital transformation

- 10 deals signed in 2023
- Momentum in market and appetite for transformation driven by Cloud



### Maintaining leadership in non-incumbent segment

- Signed large non-bank global B2B payments provider
- Upgrades and expansion with market leading embedded lending player
- Greater focus on larger and niche players



### Targeting banks and Credit Unions with targeted Digital (Infinity) offering

(originations, customer journeys, collections)

- 49 deals signed in 2023
- 85 project go lives in 2023



### Continuing momentum in International subsidiaries & offshore Wealth (US)

- Including two top 100 global banks, and three top National Banks from APAC and LATAM

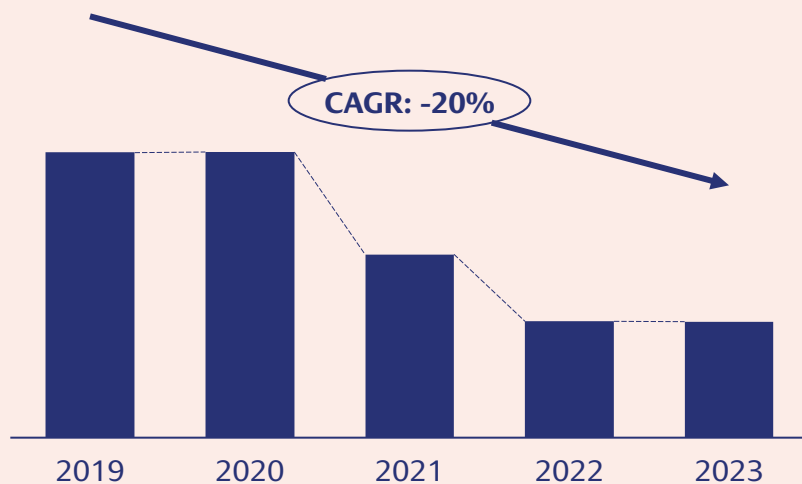


# Continued focus on Partners to scale capabilities

+ 27 ppts

Win rate in competitive deals brought or influenced by partner (2020-23)

Customization revenue (USD M)



## Partner plays



### Sales partners for localization

- 9 Country Model Partnerships setup
- 15+ in pipeline



### Resellers and distributors

- Tiering of resellers
- Establishing partnerships with large distributors to improve predictability



### Delivery partners

- Enhanced screening, certification methodology & governance
- Continuous Partner capability & coverage reviews
- Majority of 391 go-lives with partner involvement



### Temenos Exchange

- 50+ deals sourced through Exchange partners closed in 2023
- 200+ leads generated
- 51 providers onboarded in 2023; 2x YoY
- 50 new providers planned for onboarding



# We continue to top ESG global indices and ratings

**Top 25  
Swiss  
stocks**

SXI Switzerland  
Sustainability 25® Index

**Ranked #1 in the  
SOF category  
globally**

Dow Jones  
Sustainability Index  
World & Europe

**Top  
10%**

FTSE4GOOD  
Index

**Participant  
since 2021**

CDP

**Highest  
rating**

MSCI AAA Rating

**Highest  
rating**

ISS QualityScore in all  
ESG categories

**PRIME  
status**

ISS ESG Corporate  
Rating

**Low  
risk**

Sustainalytics

**Top  
performer**

Bloomberg Gender  
Equality Index

**3x Sustainability  
Award  
Winner**

2023 S&P Global Gold  
Class &  
Top 1% Global ESG  
Score

**Top  
1%**

Ecovadis  
Platinum medal

**Top  
20%**

Vigeo Eiris

**We  
Collaborate**

**We  
Care**

**TEMENOSITY**



**We  
Commit**

**We  
Challenge**

**People and Culture - A Strategic Asset built over 30 years**

# Summary

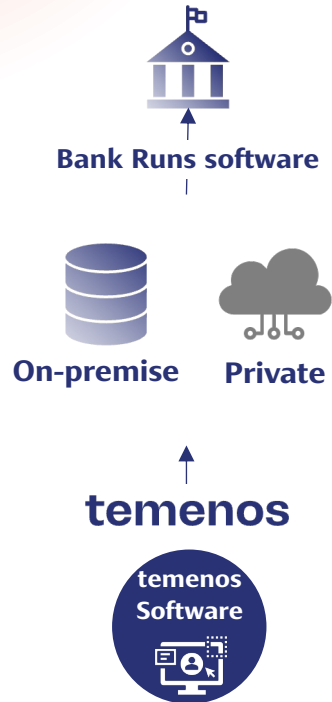
- ✓ Our continued investment in our market leading platform (single code and configuration base) puts us in a strong competitive position vs both traditional and neo vendors
- ✓ Our global client base across Retail, Corporate and Wealth built over 30 years, and recent expansion in SaaS client base gives us the critical mass to continue leading the market
- ✓ With the transition from Term to Subscription substantially complete, we are in a position to leverage our strong customer base to generate increasing recurring revenues and cash flows in the coming years
- ✓ We have had a great 2023 with cash flow growth of 26%. We are confident about 2024 and the medium term
- ✓ Therefore, we reiterate our commitment to the four strategic initiatives to achieve our mid term targets
  - Continued SaaS focus
  - North America focus
  - Partner centric approach
  - Increasing penetration in larger banks



# Appendix

# Revenue and operating models

## Subscription revenue

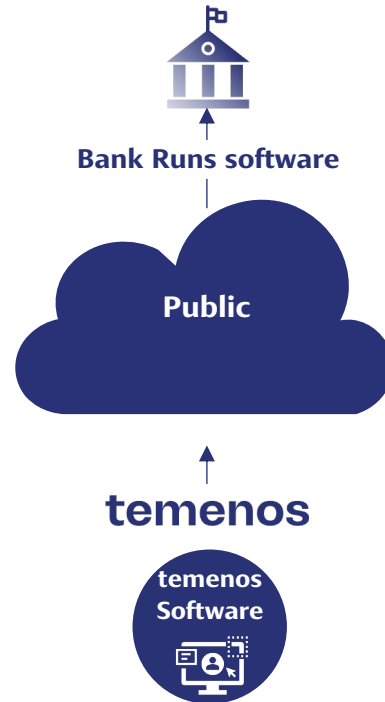


- Banks to continue in jurisdictions with restrictions
- Larger banks likely to run software themselves for main business lines

- Traditional Temenos business

temenos

## Subscription revenue



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

- Traditional Temenos business

temenos

## Subscription revenue

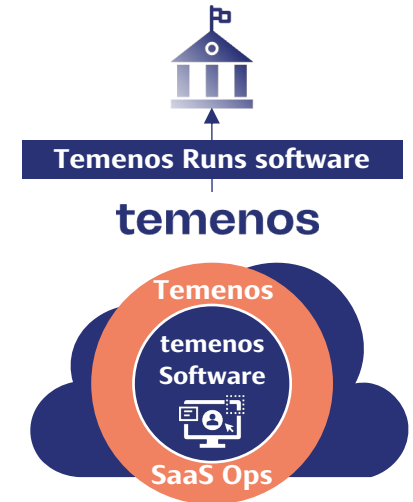


- Larger banks more open to large SIs providing managed services
- Banks in jurisdictions with data sovereignty & data centre location issues for hyper-scalers

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

temenos

## 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

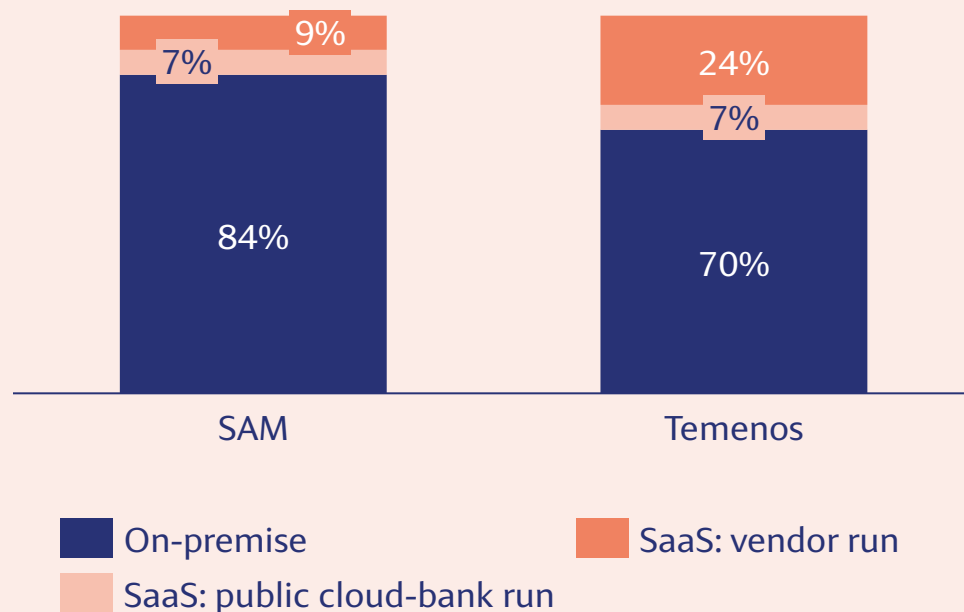
temenos

# Significant progress in SaaS



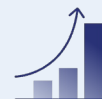
## SaaS penetration in revenue driven by cloud-native platform

Serviceable Addressable Market (SAM) vs Temenos product revenues: 2023



## SaaS growth levers

### Enterprise services:



- 120+ pre-configured products, 700 APIs and 1800 business service flows
- Reduced modernization cost, complexity and risk
- 24 hour deployment; 90-day time to value for first delivery



**Continuous updates:** faster deployment of new features

### SaaS operations automation:



- Upgrade automation
- Streamlined onboarding
- Enhanced incident & problem management process
- Continued focus on risk, compliance, and security

### Go-to-market:



- Try before you buy: Provision of non-production SaaS environment for all
- LEAP: AI based modernization program for existing clients to move to latest release and platform, replacing older solutions

# Significant product enhancements and targeted go-to-market campaigns for large banks



## Increasing penetration within larger banks

### Standalone capabilities supporting build & migrate modernization strategies:



- Retail: Party, Holdings, Product Manager; Retail Enterprise Service for digital spin offs
- Corporate: Secondary loan trade settlement and portfolio allocation; AI dashboard for Corporate Treasurers
- Wealth: Wealth Front Office with full AWS support

### Technology:



- Wide deployment choice: On prem, Public cloud agnostic, hybrid, SaaS
- ESG footprint reduction through Temenos Banking Cloud
- Elastic scale and performance; reduced total cost of ownership



**Go-to-market:** Increasing investments in specialized bid teams



**Strategic partner program:** Increased and structured engagement with key C level influencers at large banks



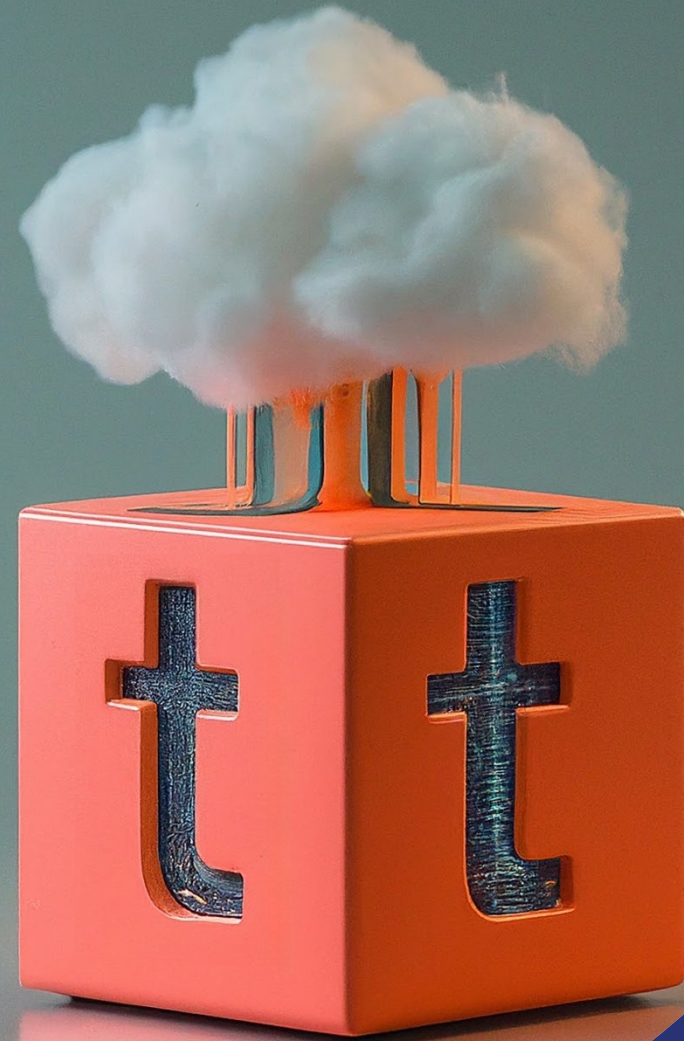
**Strategy Days:** Customer events targeted at C level with knowledge sharing, thought leadership, and executive alignment

**temenos**

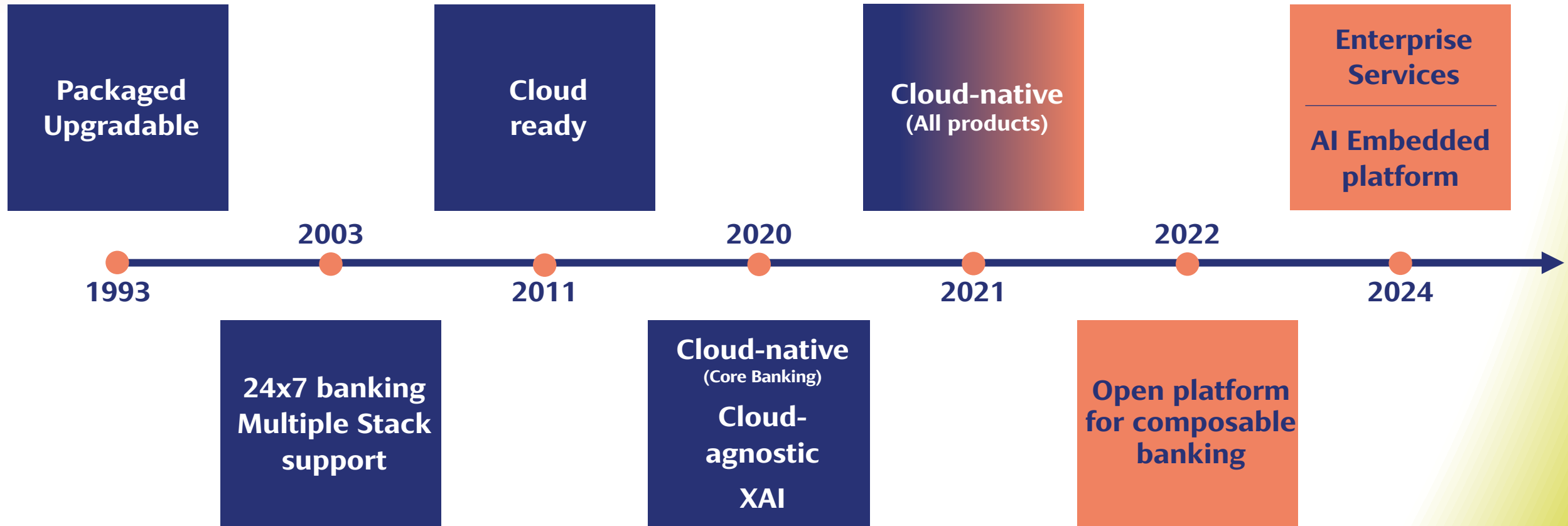
# Product & Technology

**Prema Varadhan**

President Product &  
Chief Operating Officer



# Having always been pioneers, accelerating innovation





# temenos banking platform

## temenos services

### temenos banking services

Composable Services



Retail Lending



Supply Chain Finance



Portfolio Management



Cross Border Payments



FCM



Compose as needed

### temenos enterprise services

End-to-end services



Retail



Business & Corporate



Wealth



Payments

## temenos banking capabilities

Channels



Customer Engagement



Product & Pricing



Servicing



Operations



Business Support



Risk & Compliance



XAI Models



Payments



Data & analytics



Regionalisation



### temenos exchange

Exchange Providers



Banking Foundation



Multi Entity



Multi Segment



Multi Language



Multi Currency



Multi Time Zone



Open Products

Technology Foundation



Embedded DevOps



Extensibility



Responsible AI



Security Everywhere



APIs & Events



Cloud Native Cloud Agnostic



Smart Migration

## Deployment models

**Temenos Runs**



Temenos SaaS



**Bank Runs**



Public and private cloud



Hybrid cloud



On-premise



# The Temenos Capability Landscape

GROUPED BY BANKING SERVICE DOMAINS



# R&D priorities aligned to banks' performance drivers

Performance  
indicators



Cost-income ratio

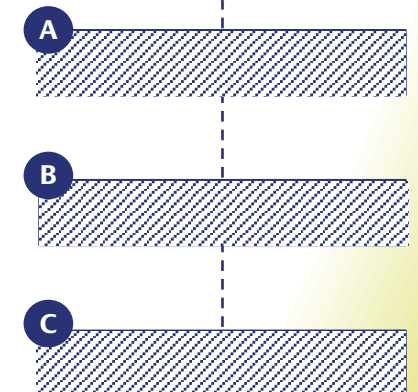
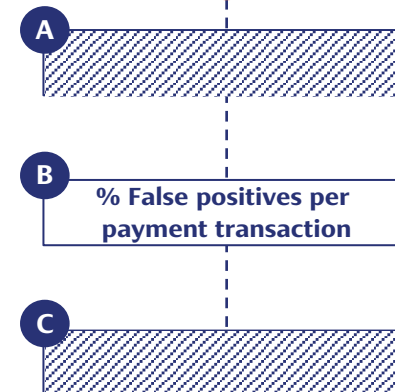
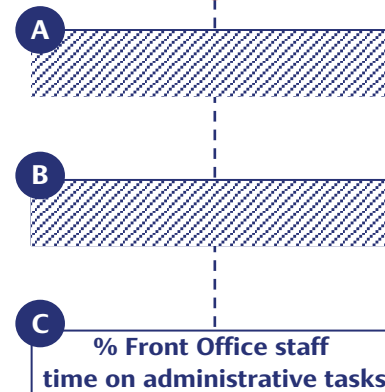
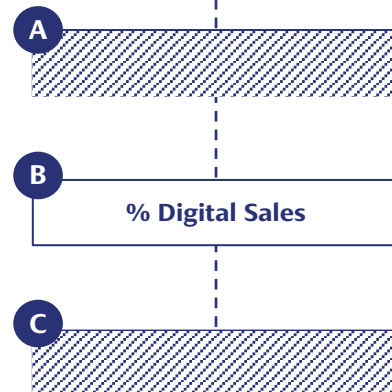
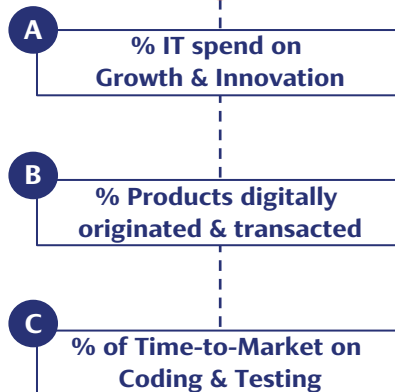


Return on Equity

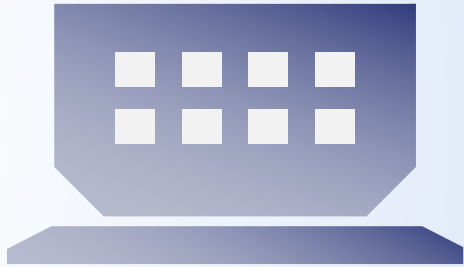
Performance  
drivers



Operational  
metrics

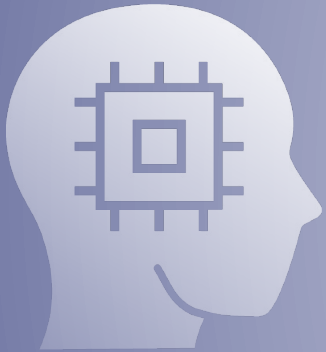


# Strategic Priorities



Temenos  
Enterprise  
Services

Temenos  
Leap



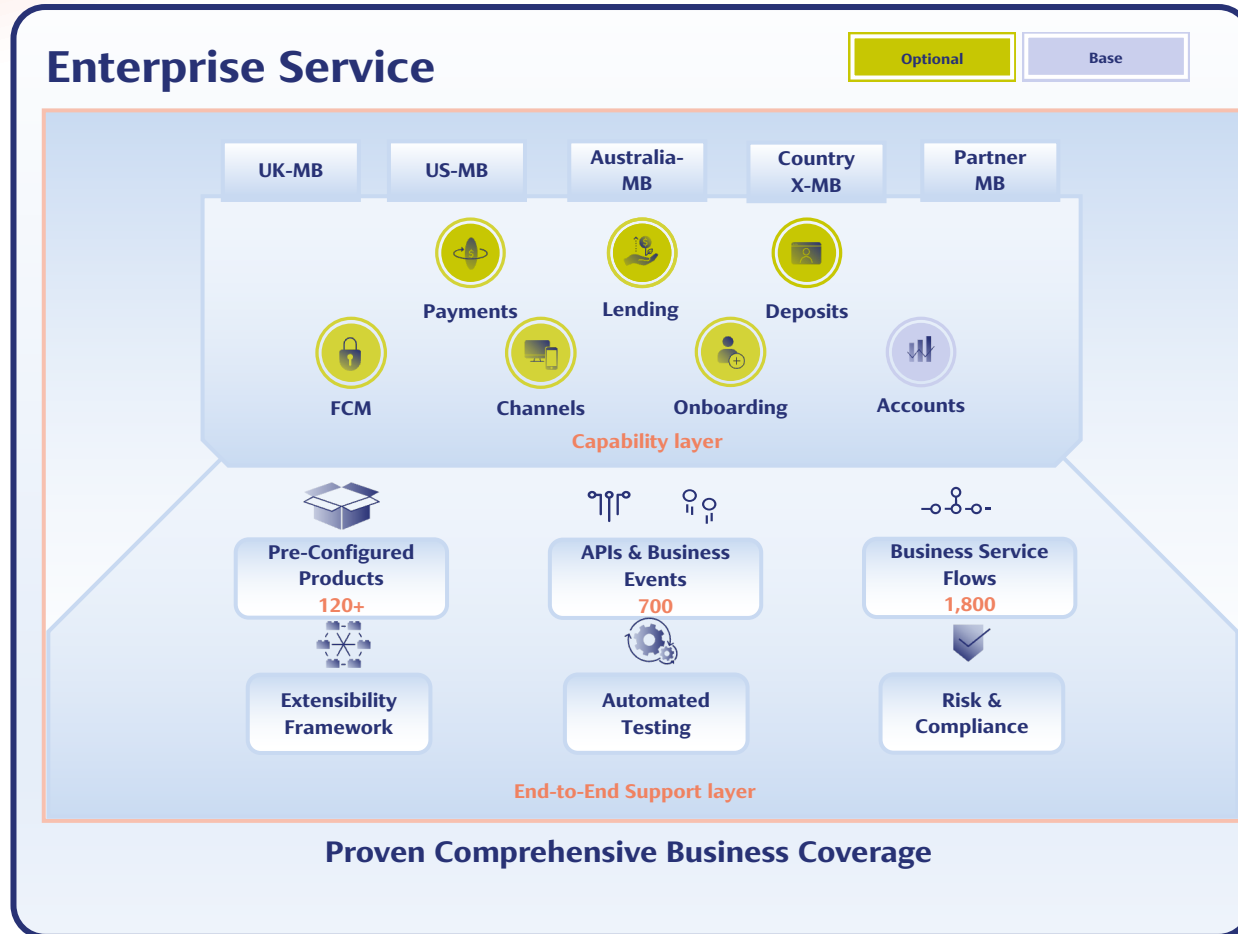
Generative &  
Responsible AI

Lean  
Core



# Enterprise Services

Standardized end-to-end SaaS services preconfigured products and journeys for specific segments  
(Retail, Business & Corporate, Wealth)



Low Touch  
Path to Li

Automate  
Continuou  
Updates

Monthly U  
Software

Security b

24 x 7 Aut  
Monitoring

Elastic Sc

AI Embed  
User Jour



**“Try before you buy”**



**24 Hours deployment**



**90 Day time to value  
for first delivery**



**Lower operational  
costs**



**Choice and Flexibility**

# Temenos Leap

Holistic **modernization program** enabling Temenos clients to move to the **latest Temenos release and platform** from older versions and architecture

Using **AI** to accelerate traditionally manual and complex areas of migration and testing

Paving the way for **cloud-readiness and future SaaS**

## Leverages

Product Builder

Payments

Extensibility Framework

Temenos Exchange

Platform capabilities (Security by Design, Embedded Testing)

## Comprises

Temenos Banking Platform

Enhanced transformation tooling and processes

Ready to use service packages

Extensive training (TLC)



Faster **time to value** (modernize in months)



Launch **personalized products** iteratively and quickly



Improve **customer engagement**



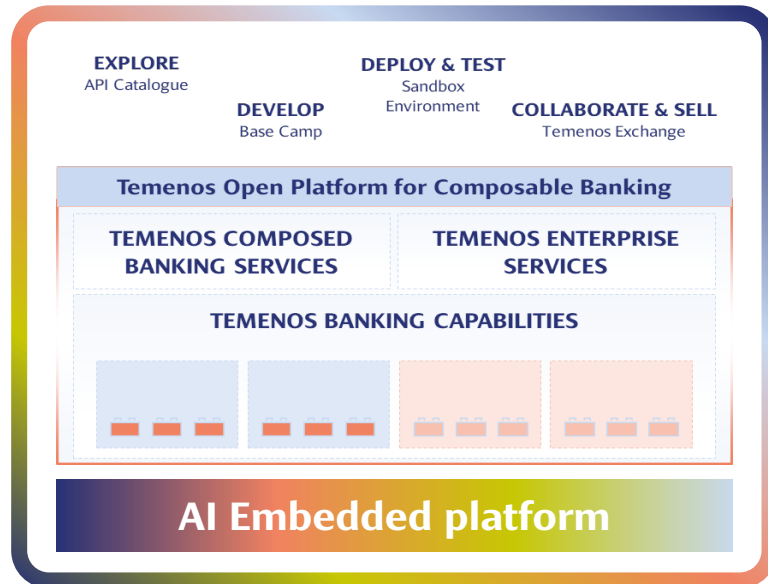
Expand quickly into **new markets**



Reduce **operational costs**



# The Temenos AI Journey



## Generative and Responsible AI

Explainable AI (2019)

Predictive analytics (2018)

Prescriptive analytics (2016)



## Generative and Responsible AI

### Infusing AI into Temenos Banking Platform

- Front Office use cases
- Back Office use cases

### Enabling banks to deploy and **implement** Temenos solutions **faster and better**

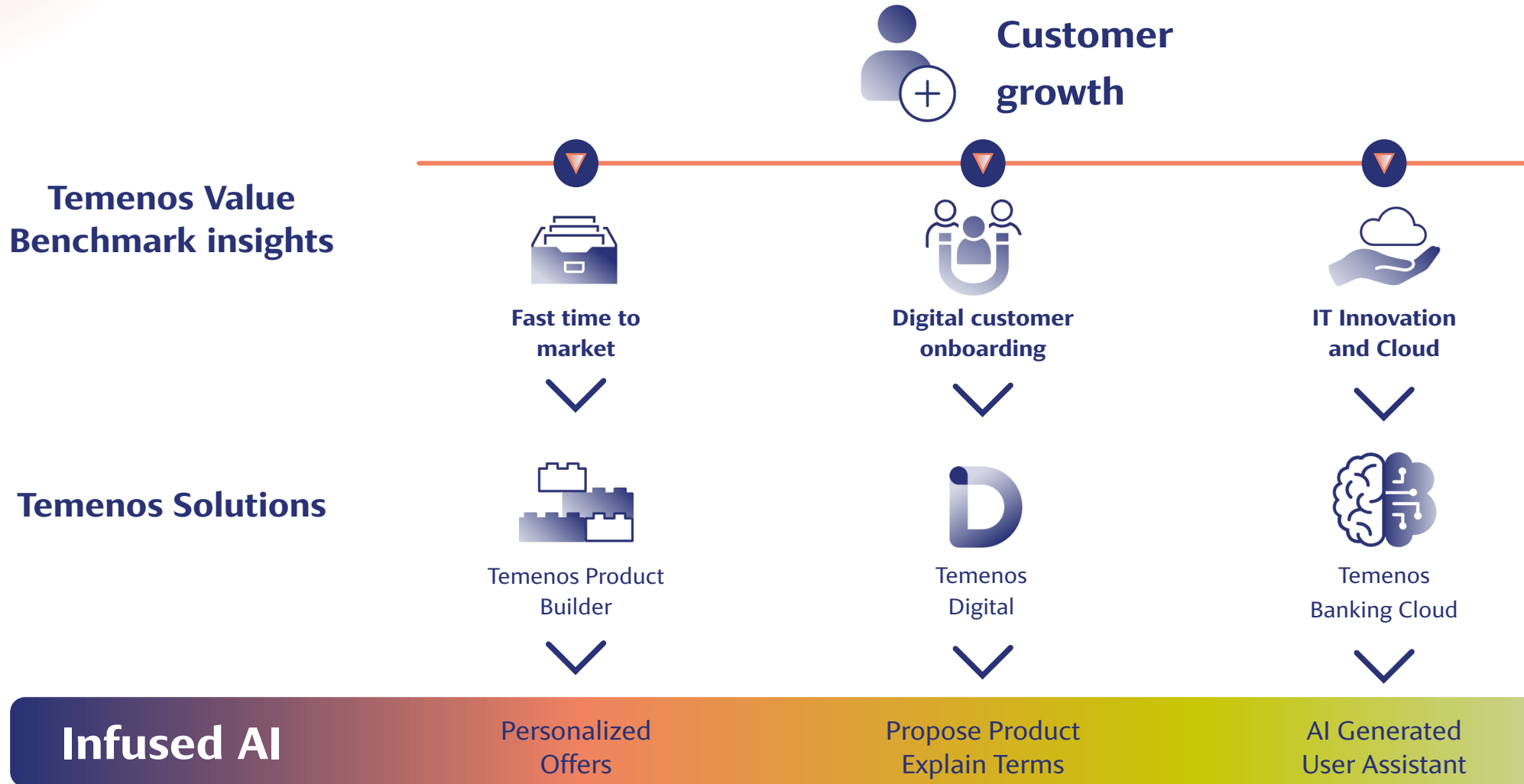
- Testing
- Migration
- Documentation

### Enabling Temenos **internal operations**

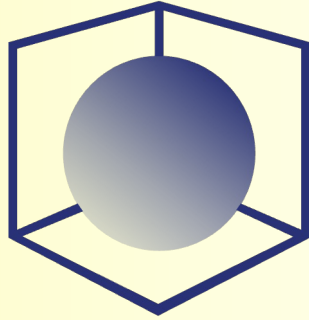
- Customer Support Operations
- Pre-Sales Operations
- Temenos Learning Community Enablement

# How AI delivers business value

Customer growth transformed by AI through improvement in time to market, onboarding experience and IT innovation



# Lean Core



**Progressive Modernization Tooling**

**Componentized Architecture**

**Components prioritized based on Temenos' 30 year experience in banking**



## Retail

**Party**

**Retail Enterprise Service**

(for digital spinoffs)

**Holdings**

**Product Manager**

**Onboarding**

**Payments Hub**



## Corporate

**Secondary Loan Trading**

Settlement and portfolio allocation

**AI Dashboard for corporate treasurers**

**Digital Payments**

**Enables progressive modernization for larger banks**

# Temenos' Exchange Ecosystem





**Leading functionality + Latest technology =  
The winning combination**



# Thank you

**temenos**



temenos

# Our Approach to AI

**Hani Hagra**  
Chief Science Officer



# Need for Explainability in the Banking Industry

## Challenges for Traditional AI Approaches

The **implications of decision making** within banks are under more **scrutiny** than ever

The “wait-and-see” **approach** adopted **by regulators** to consider governance guidelines **has changed**

The most **prominent risks** for banks using AI is **bias** in the data – and ultimately the decision

“Black box” **risk arises** when the steps **algorithms** take cannot be traced and the decisions they reach **cannot be explained**

**Excluding humans** from processes involving AI **weakens** their monitoring and could threaten the **integrity of models**

## Regulatory pressures



There is a need to provide “trust” in AI Decision via:

- Explainability and interpretability
- Fairness and avoidance of bias
- Traceability and auditability

*European Banking Authority*

---

The development of intelligible AI systems is a fundamental necessity if AI is to become an integral and trusted tool in our society

*UK Parliament AI committee*

# Responsible AI



## Models

True explainable AI where models are:

**Understood**  
**Analysed**  
**Augmented**

by business  
stake holders  
and regulators



## Model Outputs

**Easily understood**  
**Demonstrably not biased**

## EU AI Act 2025



Ensuring that AI systems in the EU are "safe, transparent, traceable, non-discriminatory and environmentally friendly"



Fines up to 35 million euros or 7% of a company's total worldwide annual turnover (whichever is higher) for violations of the banned AI applications



# Temenos AI & Banking

In 2019, Temenos introduced the explainable AI platform for banking clients who can now:

Procure Temenos explainable models for banking automation, efficiency and meaningful customer engagement

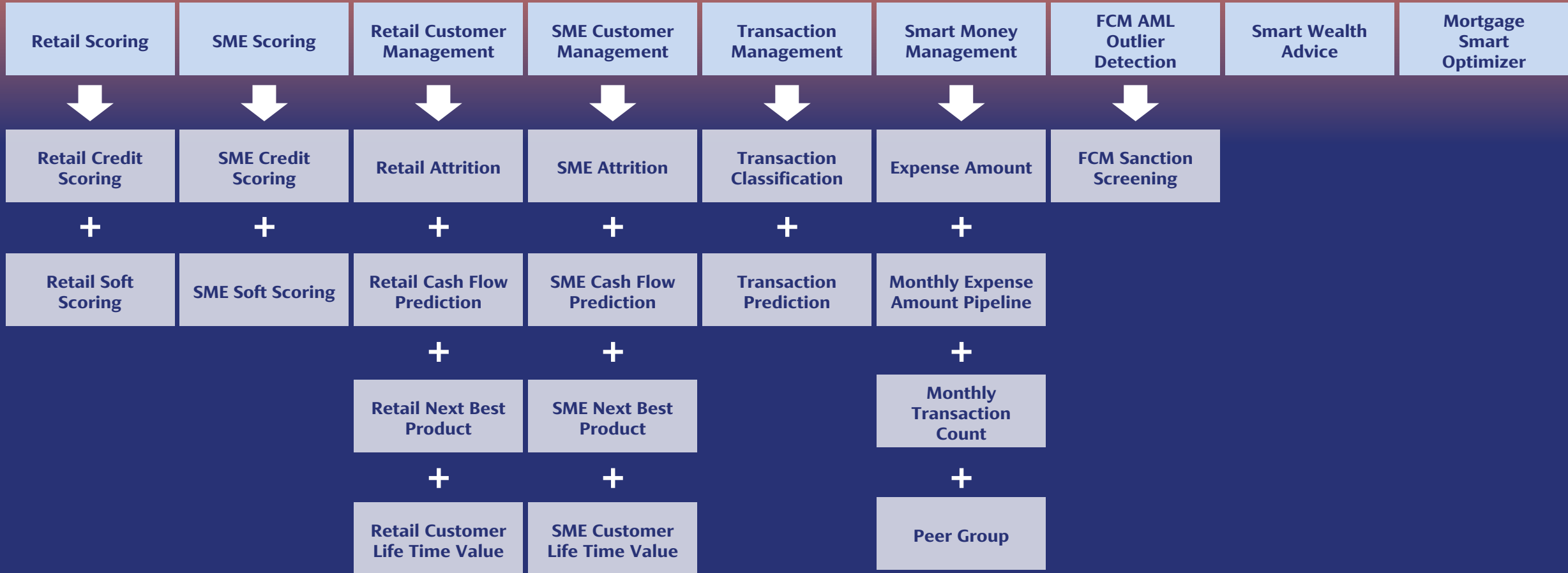
Create, and run self-developed AI models with explainability features on the Temenos XAI Platform

Add and develop models on-demand for new and evolving use cases



# Temenos XAI Platform and Available Models

## XAI Platform



Moving from standalone XAI models to embedding XAI into Temenos Banking Platform

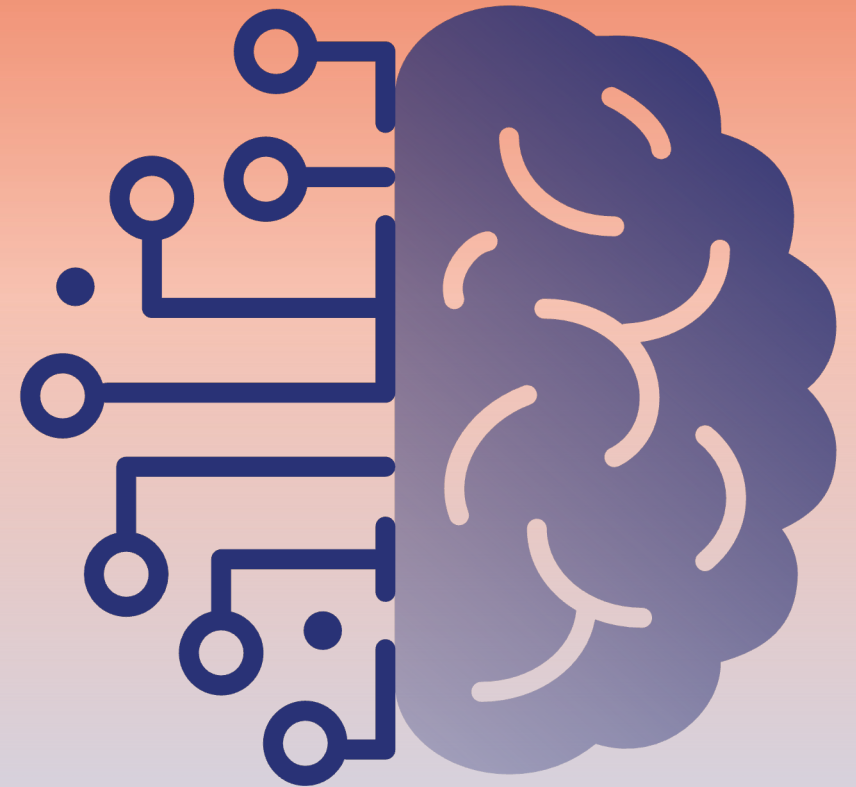
# Temenos GenAI for Banking

Automating and hyper-personalising the manual processes

Improving the response to specific customer / user needs

Summarizing complex information into a coherent narrative

Simplifying the process of creating content in a particular style





# Temenos Approach to Generative AI

## Infusing AI into Temenos Banking Platform

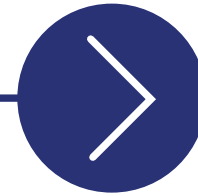
- Front Office use cases
- Back Office use cases

Enabling banks to deploy and **implement** Temenos solutions **faster and better**

- Testing
- Migration
- Documentation

Enabling Temenos **internal operations**

- Customer Support Operations
- Pre-Sales Operations
- Temenos Learning Community Enablement



## Transaction Classification

Fast and accurate automatic classification of transactions serving



Next best product



Cashflow prediction



Customer budget advice



Peer grouping



Sentiment analysis

# Thank you

**temenos**

temenos

# Financial Growth Plan

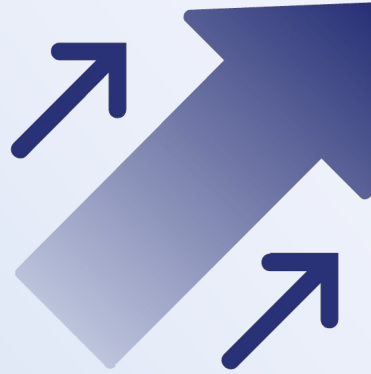
**Takis Spiliopoulos**  
CFO



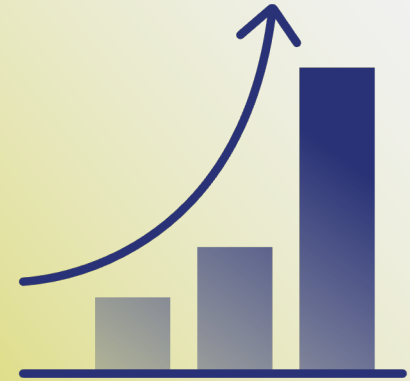
## Accelerating growth trajectory



ARR to reach  
**>USD1.3bn**  
in the mid-term



Non-IFRS EBIT to reach  
**>USD570m**  
in the mid-term



FCF to reach  
**>USD700m**  
in the mid-term

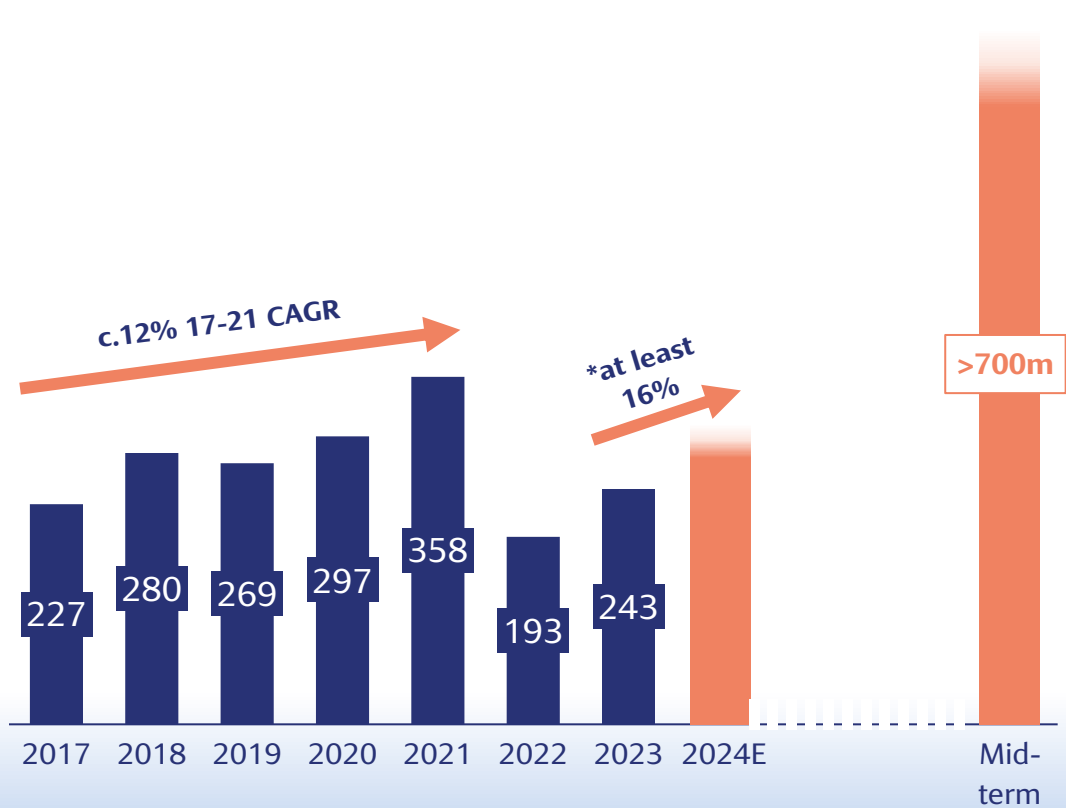
# Sustained ARR growth and accelerating Free Cash Flow

## Annual Recurring Revenue



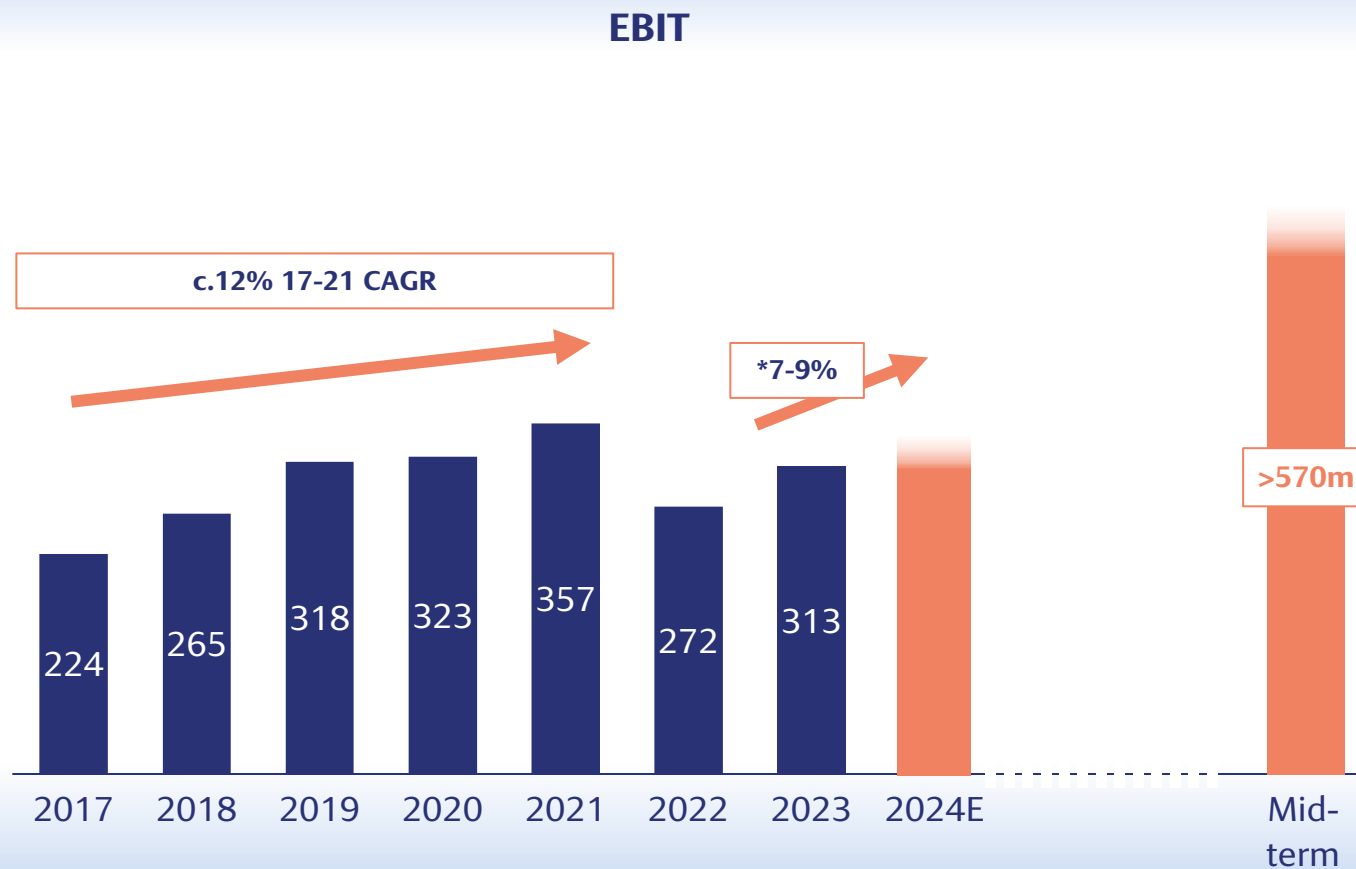
Note: Growth rates is in constant currency  
\* 2024 guidance

## Free Cash Flow



\* 2024 guidance

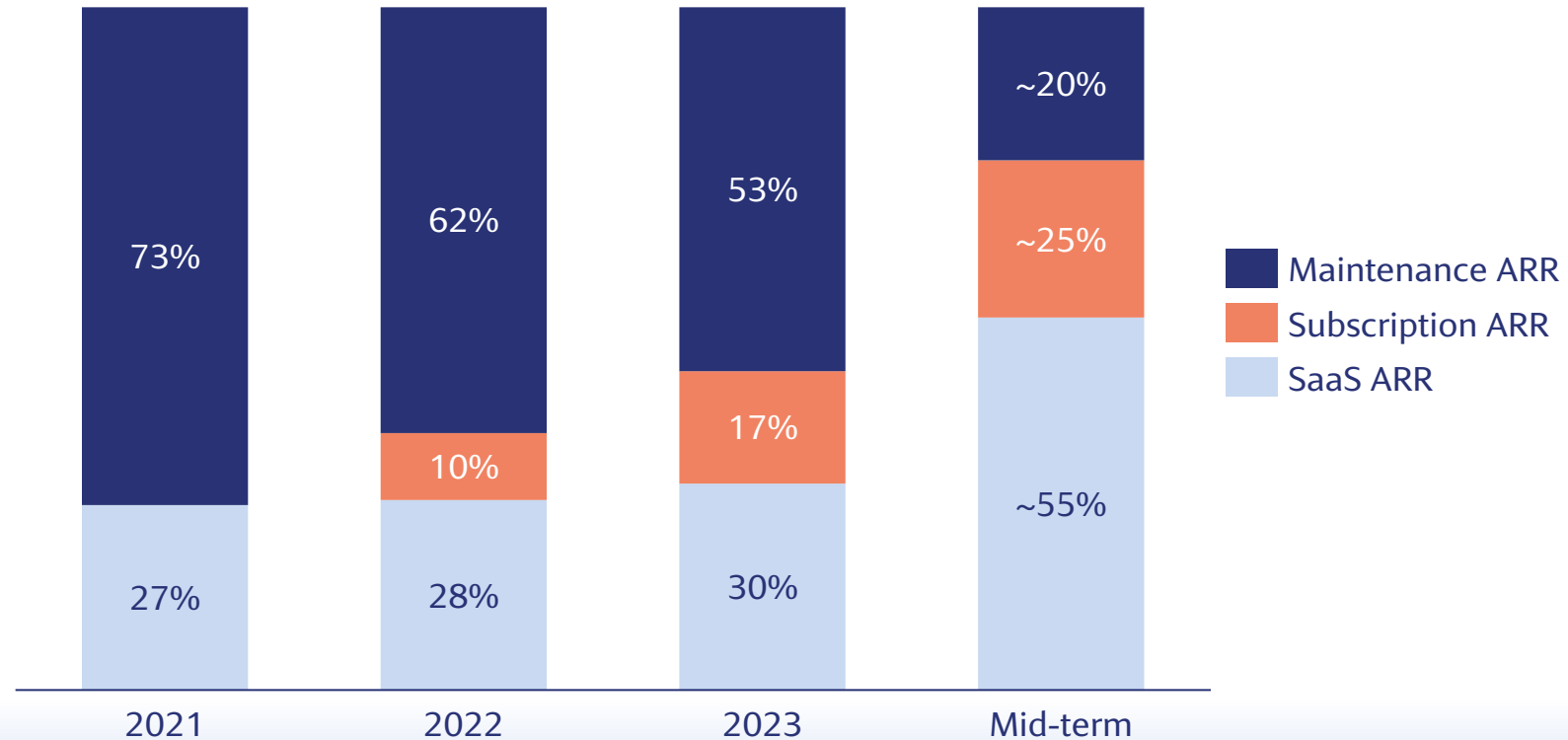
# Improved predictability on EBIT growth trajectory



Note: Numbers are non-IFRS. Growth rate is in constant currency  
\* 2024 guidance



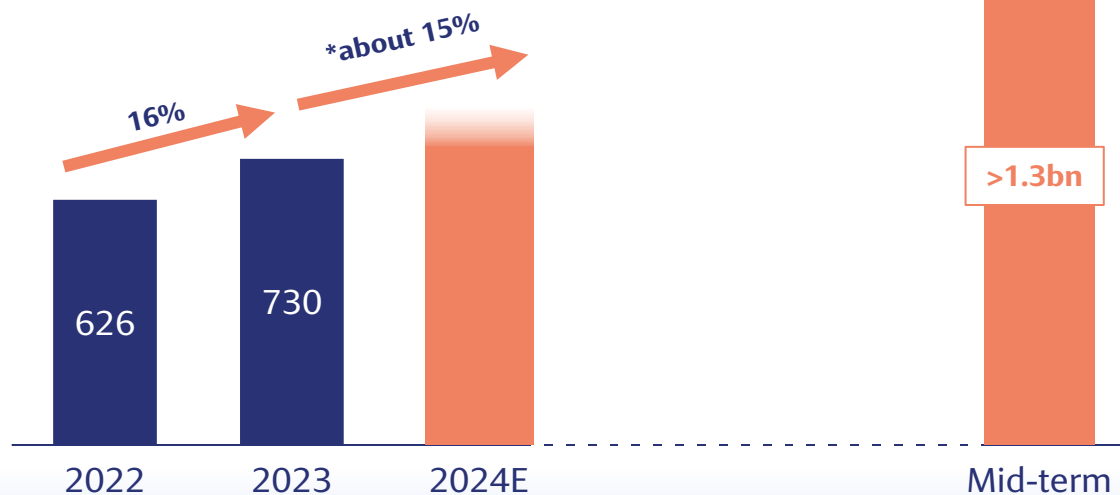
## ARR mix shift from maintenance to SaaS and subscription



**Subscription and SaaS to become main contributors in the mid-term and beyond**

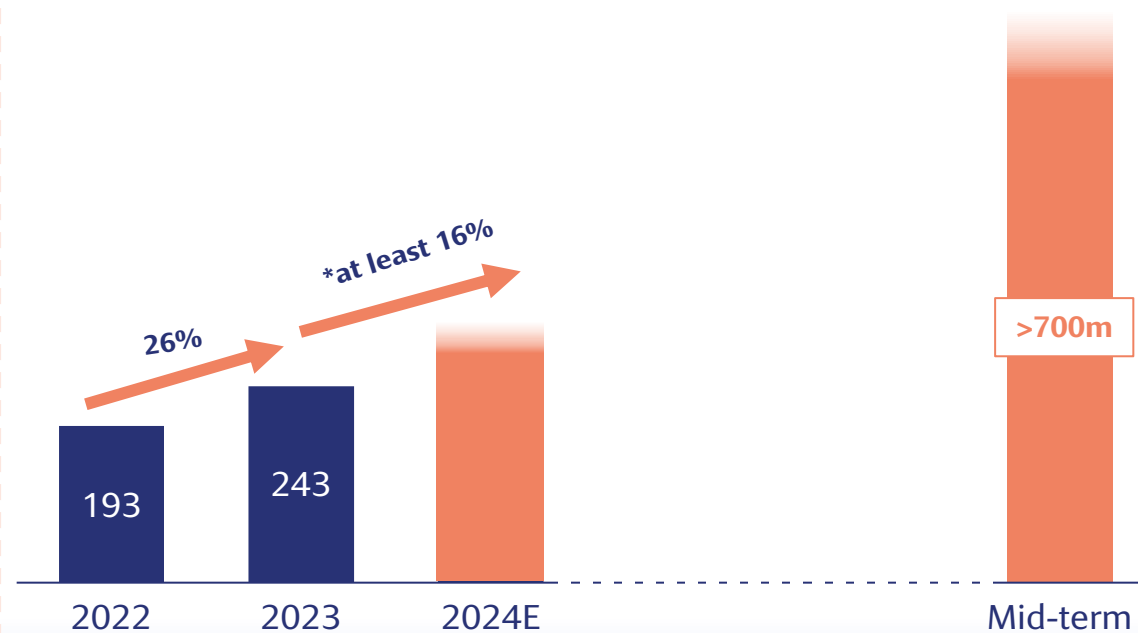
# Free Cash Flow to grow faster than ARR

ARR



\* 2024 guidance. Growth rate is in constant currency

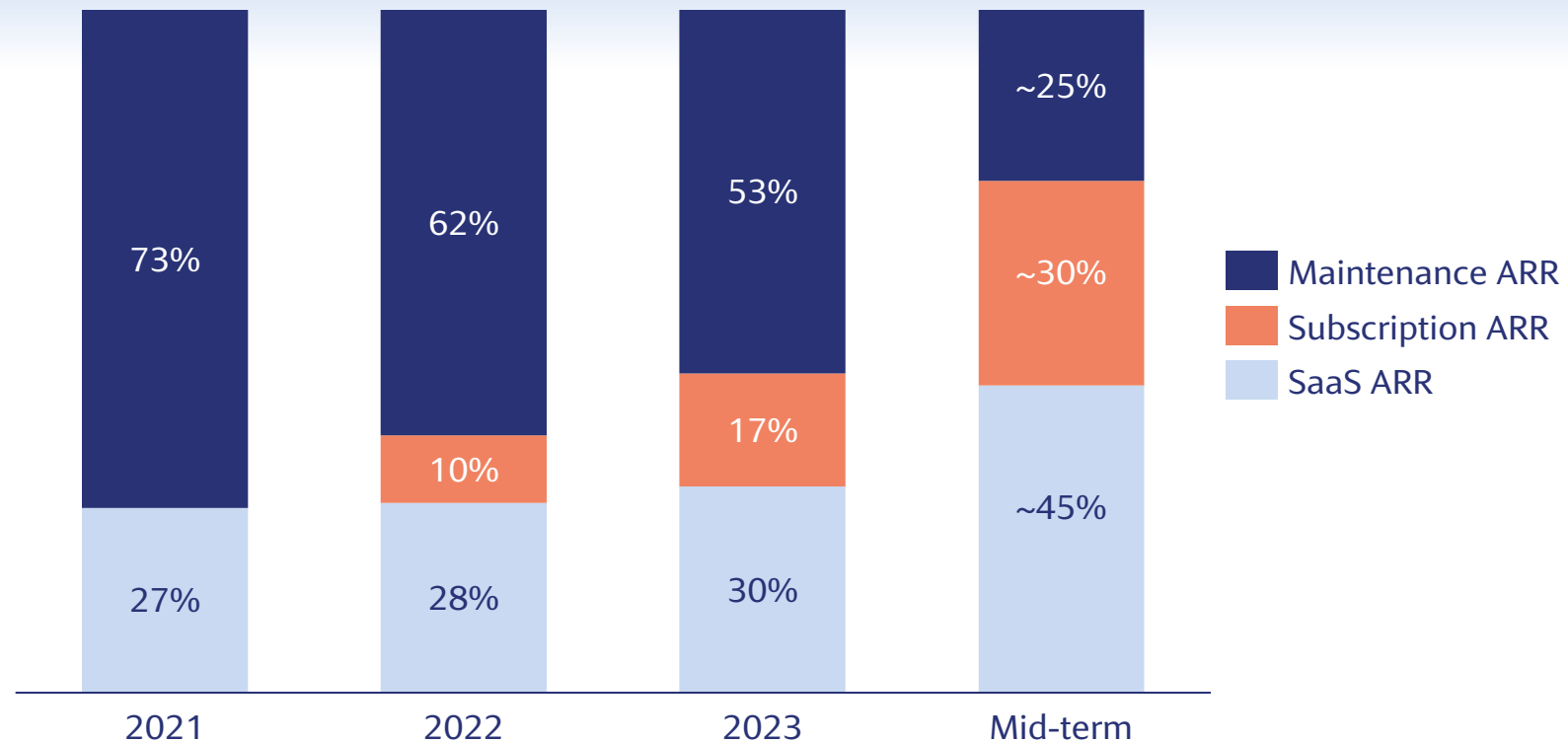
Free Cash Flow



\* 2024 guidance.

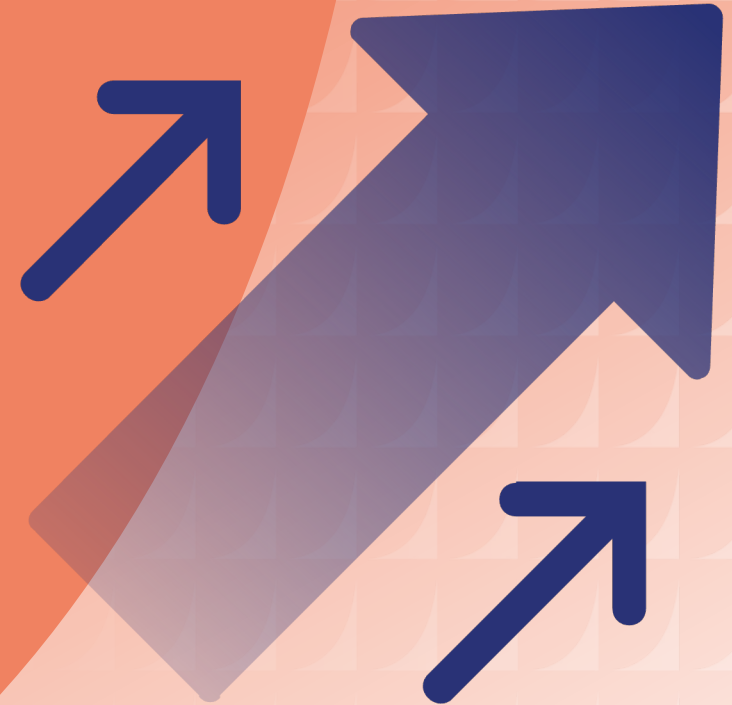
Free Cash Flow growth in excess of ARR and accelerating from 2024 based on SaaS deferred revenues

## Alternative scenario with lower SaaS ACV CAGR would still deliver mid-term targets



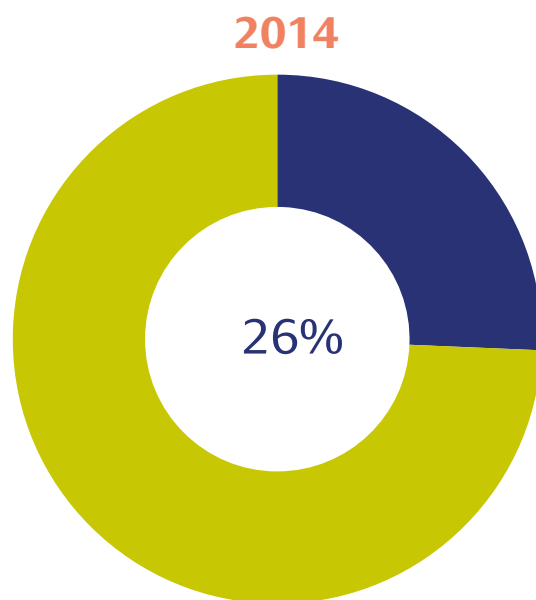
- Alternative scenario provides for lower SaaS ACV CAGR of 20% offset by higher Subscription volume
- Would still deliver EBIT target in the same year as base plan
- Would deliver ARR target with 3-6 months delay and FCF with 9-12 months delay, but still in-line with mid-term projection

# Drivers of Growth

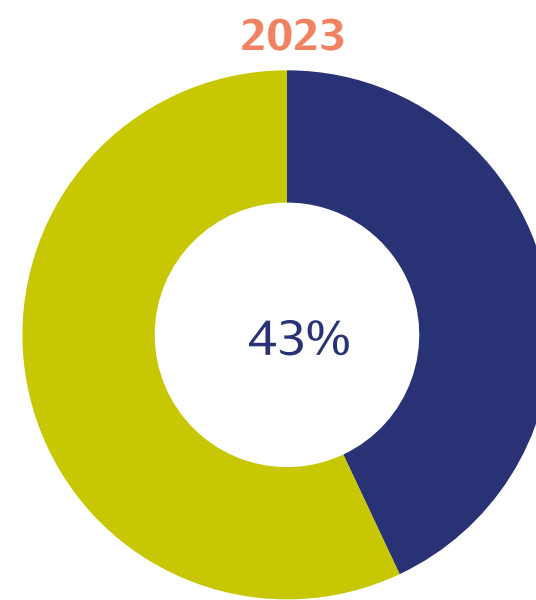


# Sustained strong momentum with Tier 1 and 2 clients...

Non-IFRS total software licensing revenues by client tier



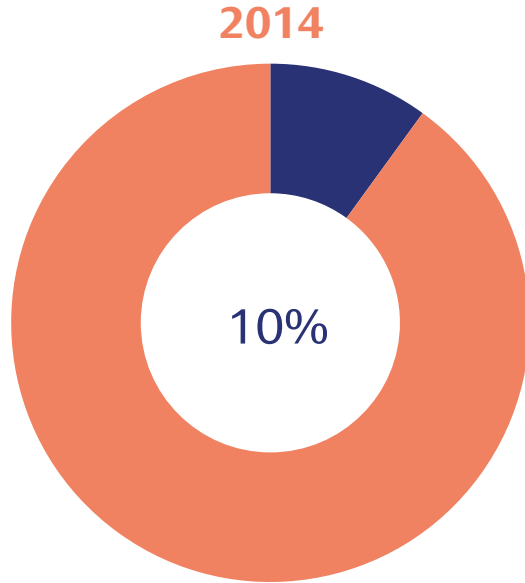
Tier 1/2 Others



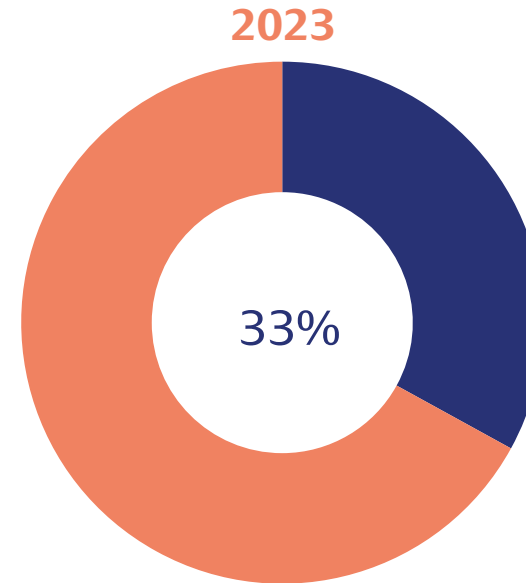
Tier 1/2 Others

## ... and in North America

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



■ North America ■ ROW



■ North America ■ ROW

## 2024 guidance

| Guidance                  | 2023 (CCY) | 2024 Targets        |
|---------------------------|------------|---------------------|
| ARR                       | 729        | About 15% growth    |
| Total Software Licensing  | 445        | 7-10% growth        |
| EBIT                      | 310        | 7-9% growth         |
| EPS (Reported)            | 3.19*      | 6-8% growth         |
| Free Cash Flow (Reported) | 243*       | At least 16% growth |

Targets are non-IFRS. Tax rates estimate: FY24 guidance at 20-22%

\* 2023 baseline on a reported basis



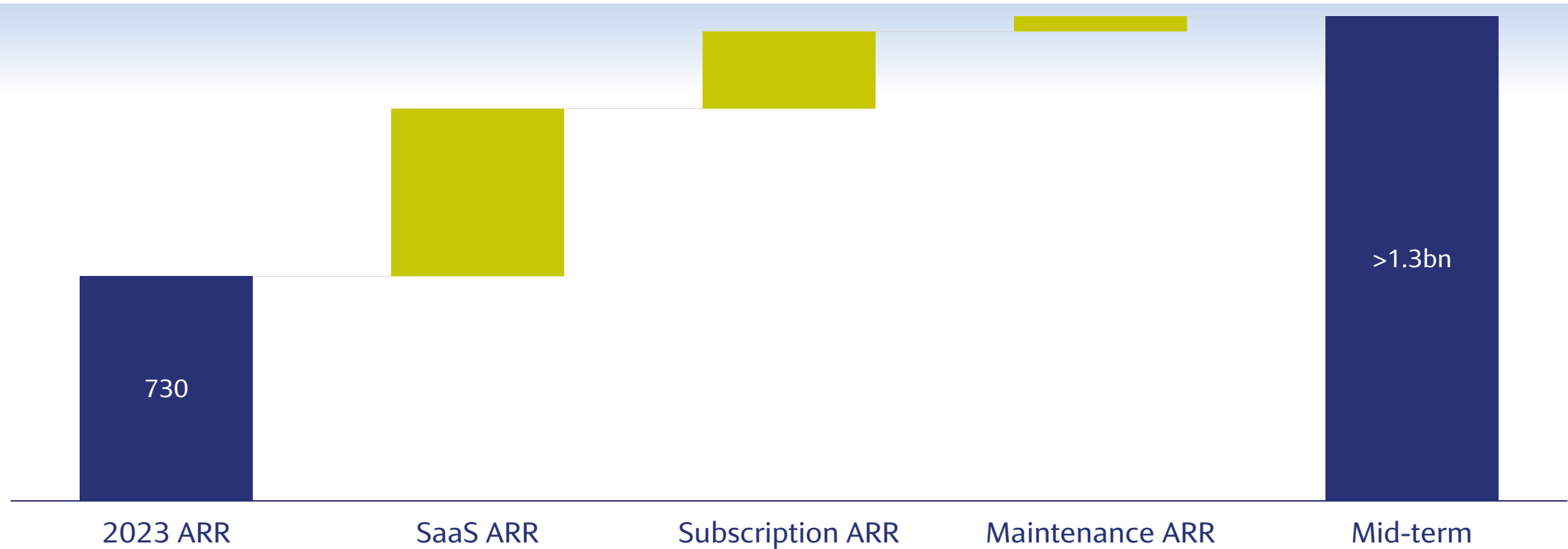
## Mid-term guidance

| Guidance                  | 2023 (CCY) | Mid-term Targets |
|---------------------------|------------|------------------|
| ARR                       | 729        | >1.3Bn           |
| EBIT                      | 310        | >570m            |
| Free Cash Flow (Reported) | 243*       | >700m            |

Targets are non-IFRS.

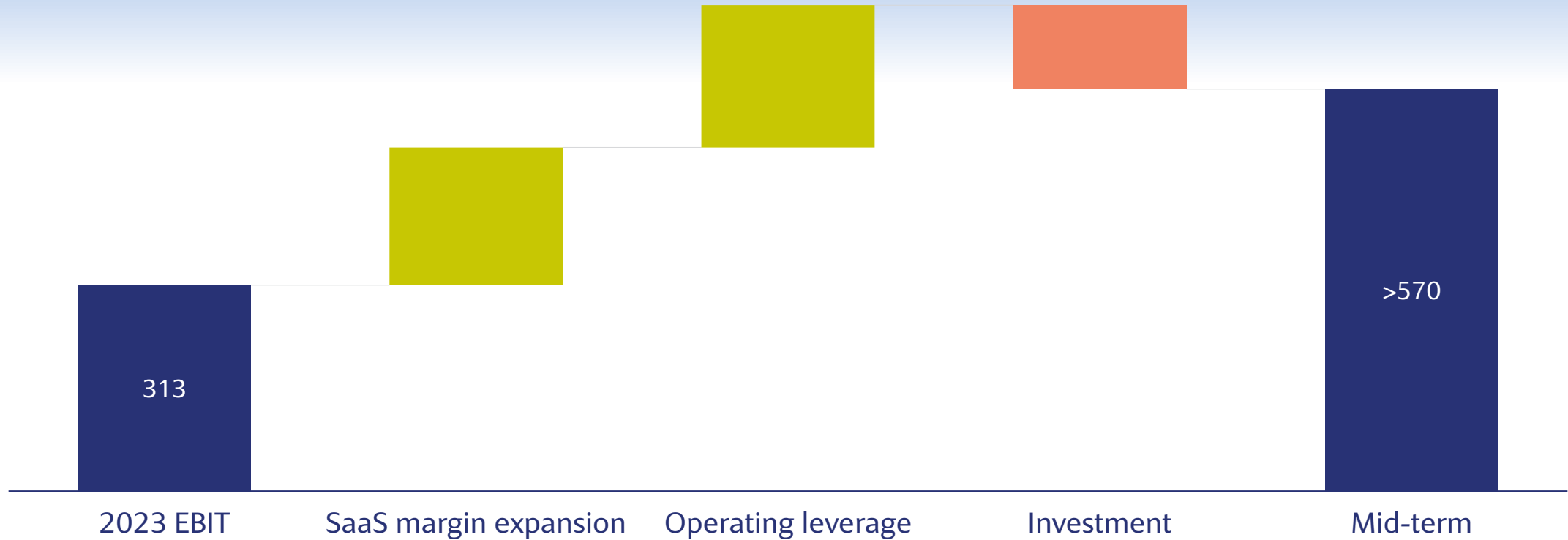
\* 2023 baseline on a reported basis

## Significant ARR growth in the mid-term



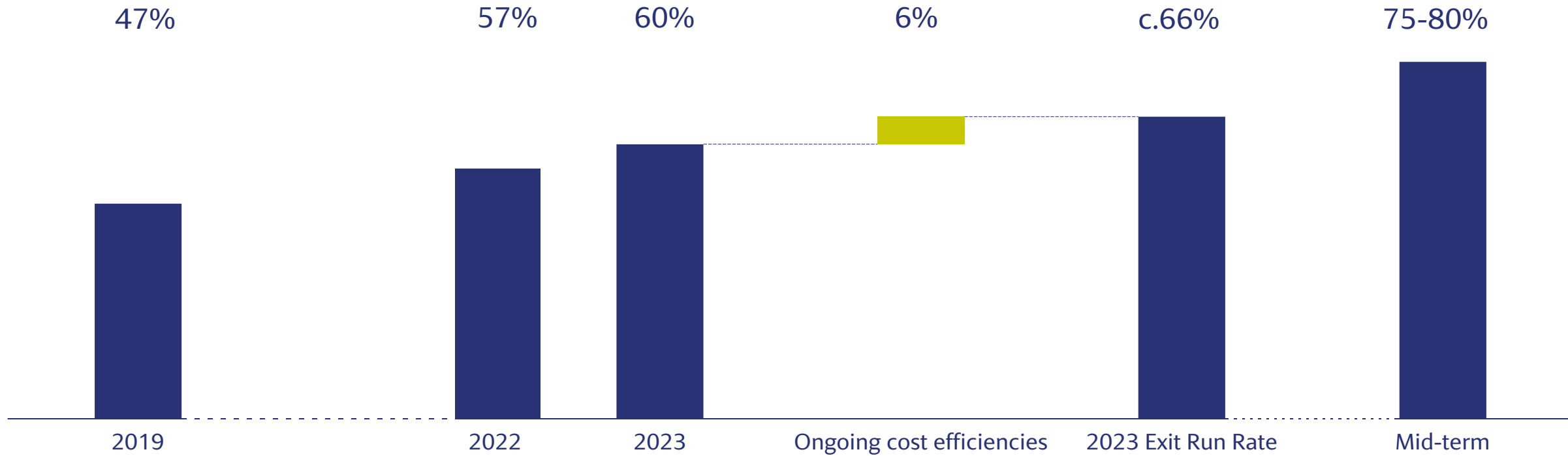
- SaaS ARR to represent c.55% of Total ARR
- Subscriptions will drive both subscription license ARR growth and maintenance ARR

# EBIT expansion drivers



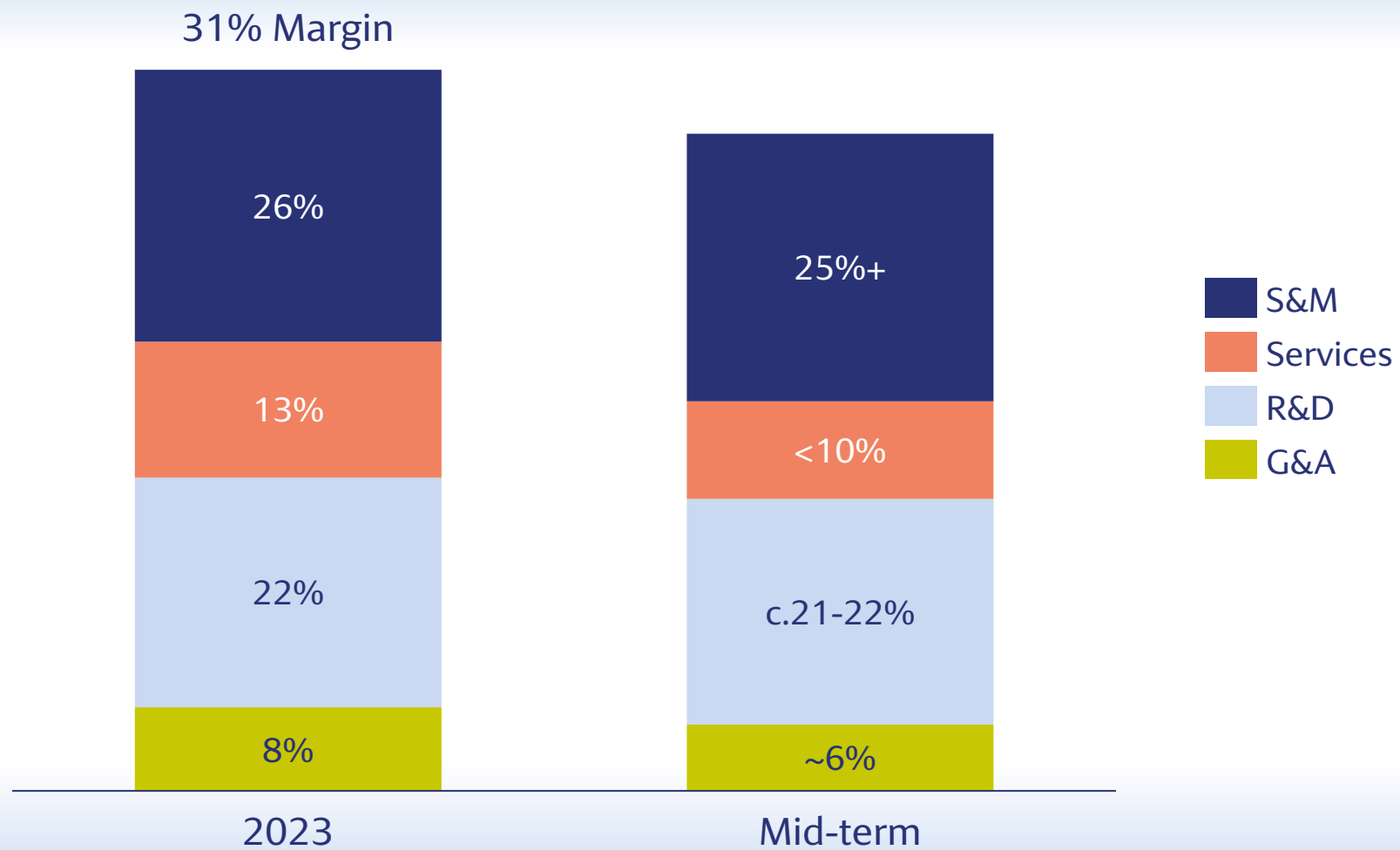
- SaaS Gross Margin to expand to at least 80%
- Continued leverage of G&A infrastructure, improvement in Services profitability
- Sustained investment (e.g. S&M capacity, product, wage inflation, variable cost increases such as travel)

# SaaS Gross Margin % Evolution



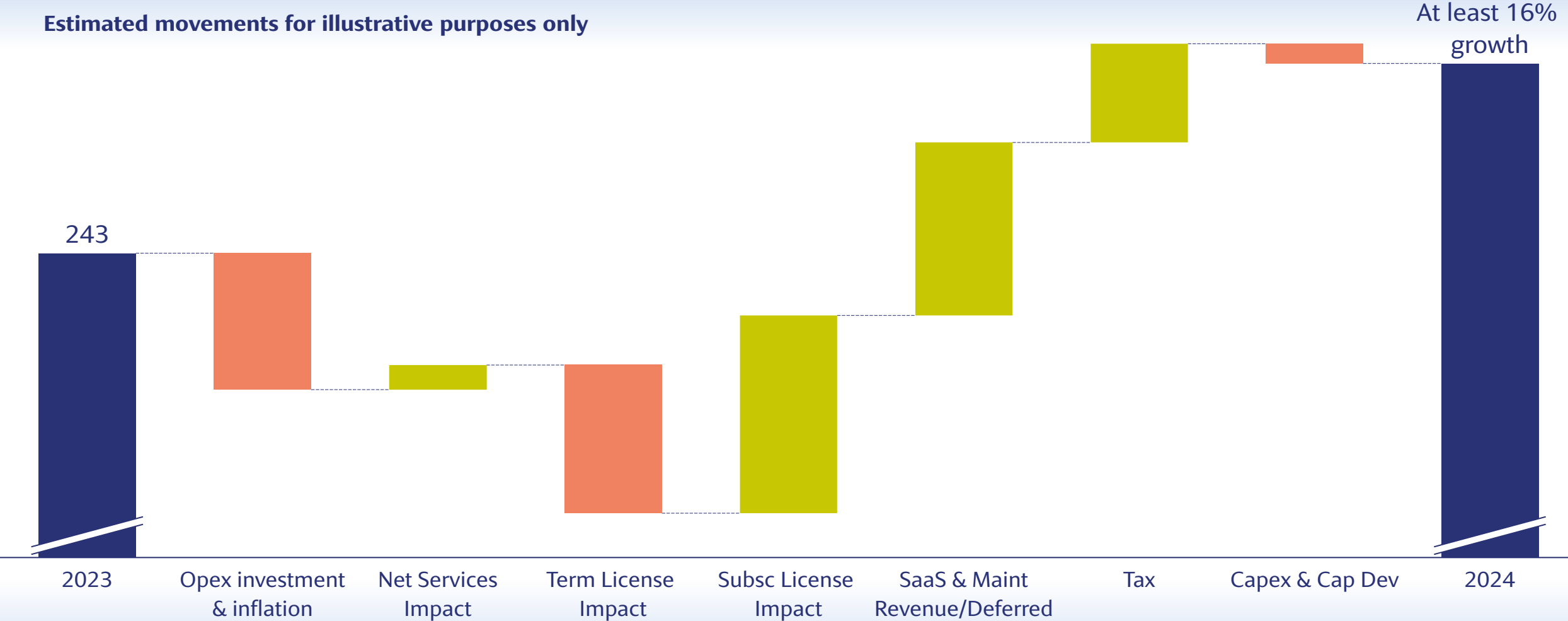
- Hyper-scalers: unit costs to reduce as volumes increase
- Automation to drive significant efficiencies in operation centres
- Operations optimised into centralised offshore function with local hubs to provide “follow the sun” service and drive economies of scale

# Key cost lines as a percentage of revenue



# FCF evolution 2023 to 2024

Estimated movements for illustrative purposes only





# FCF evolution 2023 to Mid-term

Estimated movements for illustrative purposes only



## SaaS ACV growth drivers

- SaaS ACV is priced on a fixed number of accounts per annum over the life of the contract
  - \$1 per account x 1m accounts = \$1m of SaaS ACV
- There are multiple drivers of SaaS ACV growth

| ACV driver   | Description   |
|--|---|
| New deal signings  | New SaaS contracts signed with new clients  |
| Upsell / Cross-Sell  | Existing SaaS clients purchasing new SaaS product or crossing upper account volume threshold and purchasing incremental volume (e.g. raising volume threshold from 1m to 1.5m accounts) |
| Conversion of existing on-premise clients to SaaS at renewal | Mostly tier 3-5 clients on term licenses moving to SaaS at the point of renewal   |

**Conversion of some tier 3-5 clients to SaaS expected to drive incremental SaaS ACV growth**

# Conversion of tier 3-5 clients to SaaS in the mid-term



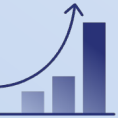
Temenos historically signed 10-year license deals as standard



Relicensing represented 10-15% of Total Software Licensing on average over the last decade



We expect a portion of tier 3-5 clients to move to SaaS at the point of renewal starting in 2024 and accelerating in the mid-term



SaaS contracts typically achieve a 2-3x value uplift compared to traditional on-premise license deals

## Percentage of tier-3/5 client renewals converting to SaaS to achieve mid-term SaaS ACV CAGR

|                            |      | Mid-term incremental SaaS ACV growth CAGR |     |     |     |     |
|----------------------------|------|---|-----|-----|-----|-----|
|                            |      | 5%  | 10% | 15% | 20% | 25% |
| SaaS contract value uplift | 2.0x | 81%                                       | 69% | 56% | 42% | 26% |
|                            | 2.5x | 64%                                       | 55% | 45% | 33% | 21% |
|                            | 3.0x | 54%                                       | 46% | 37% | 28% | 17% |

If incremental SaaS ACV grows at a CAGR of 15%, less than half of tier 3-5 clients are required to convert to SaaS on renewal; higher ACV from new deals/volume growth requires lower conversion at renewal

# SaaS ACV modelling illustrative example

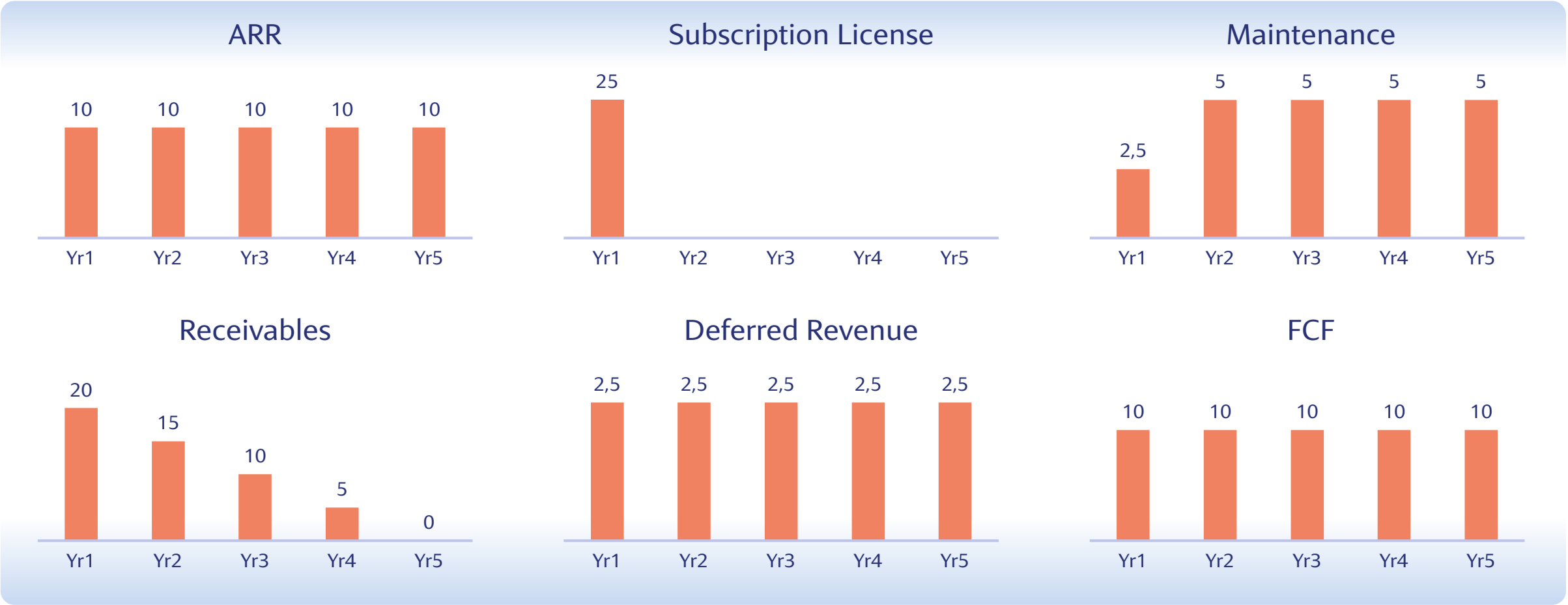
5 year impact of USD10m of SaaS ACV



*\* Example assumes USD10m of ACV signed end of Q1 with zero churn, with revenue recognition commencing three months later at start of Q3. Deferred revenue arises when contracts are signed during the year and only in-year portion of revenues recognised from 1 year SaaS revenues billed & paid upfront*

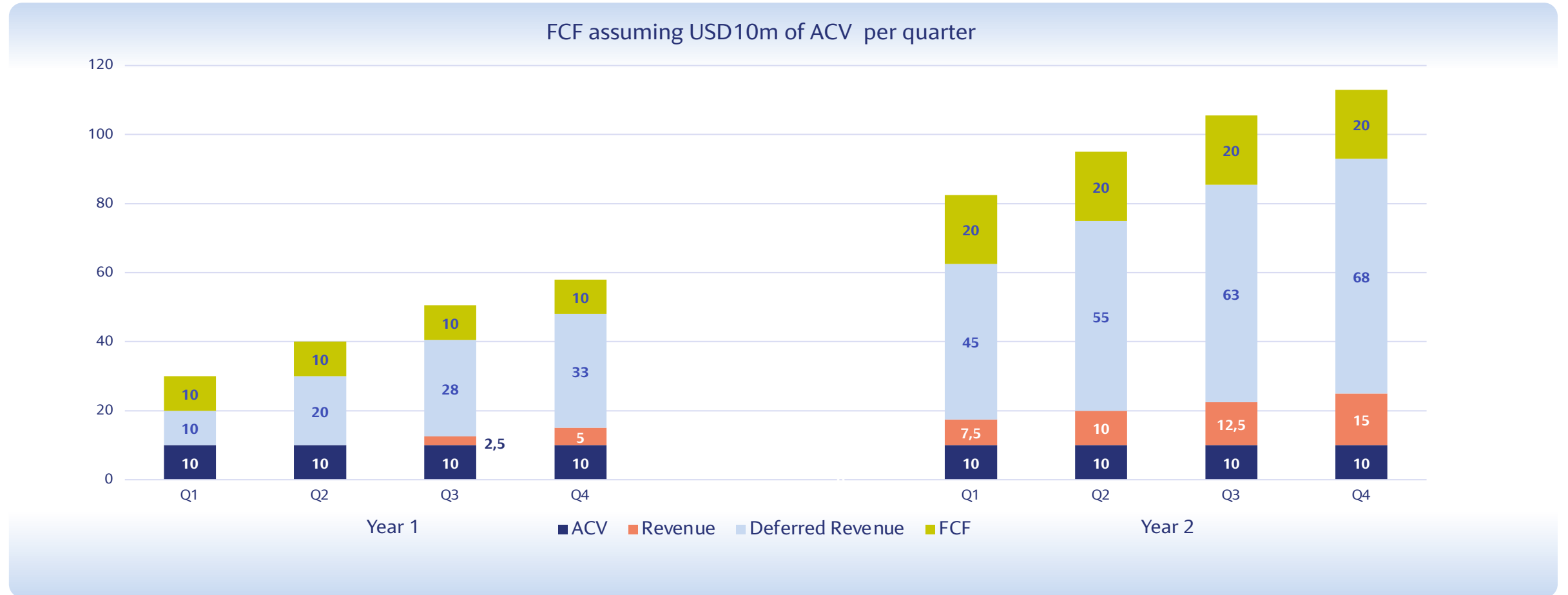
# Subscription modelling illustrative example

## 5 year impact of USD10m of Subscription ARR



Maintenance shown at 20% for simplified illustration, Typical Temenos maintenance @ 21%; assumes zero churn;  
Deferred revenue arises when contracts are signed during the year and only in-year portion of revenues recognised from 1 year maintenance paid upfront

# Free Cash Flow growth driven by SaaS ACV

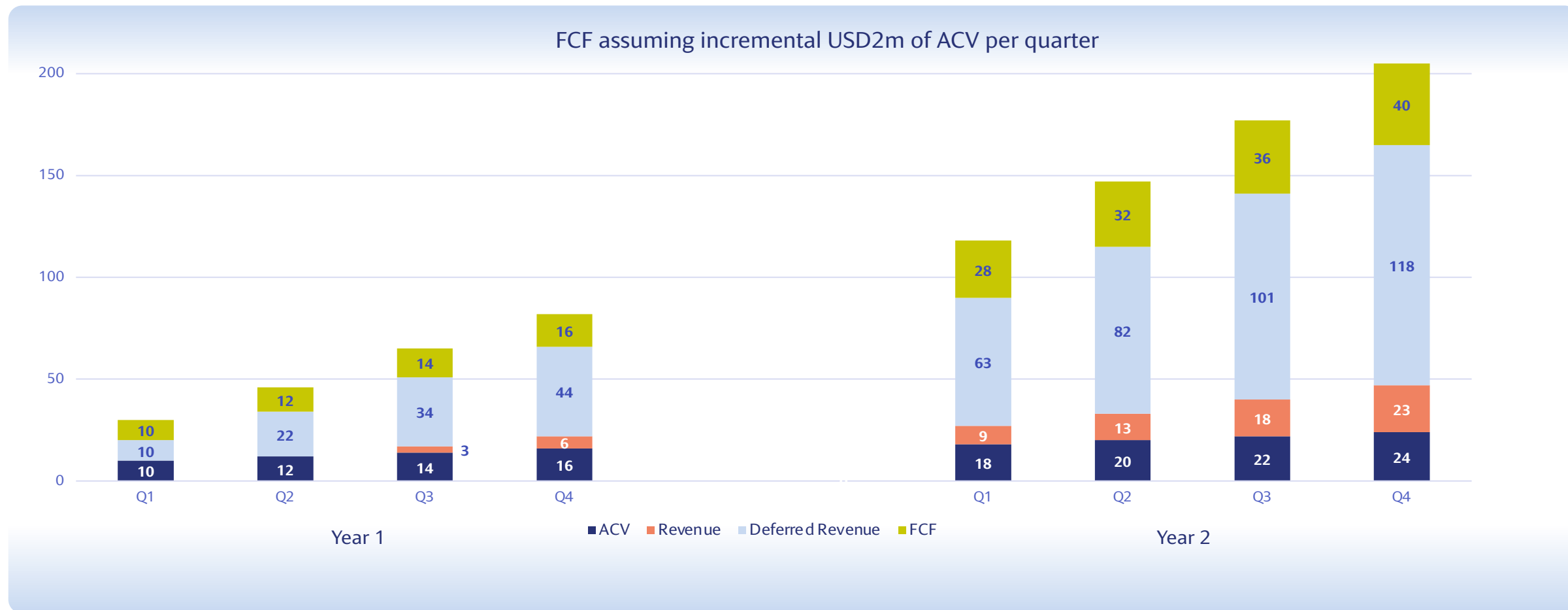


**FCF and deferred revenue grow even with zero growth in ACV**

*\* Example assumes USD10m of ACV signed end of Q1 with zero churn, with revenue recognition commencing three months later at start of Q3. Deferred revenue arises when contracts are signed during the year and only in-year portion of revenues recognised from 1 year SaaS revenues billed & paid upfront*



# Growing SaaS ACV drives incremental Free Cash Flow

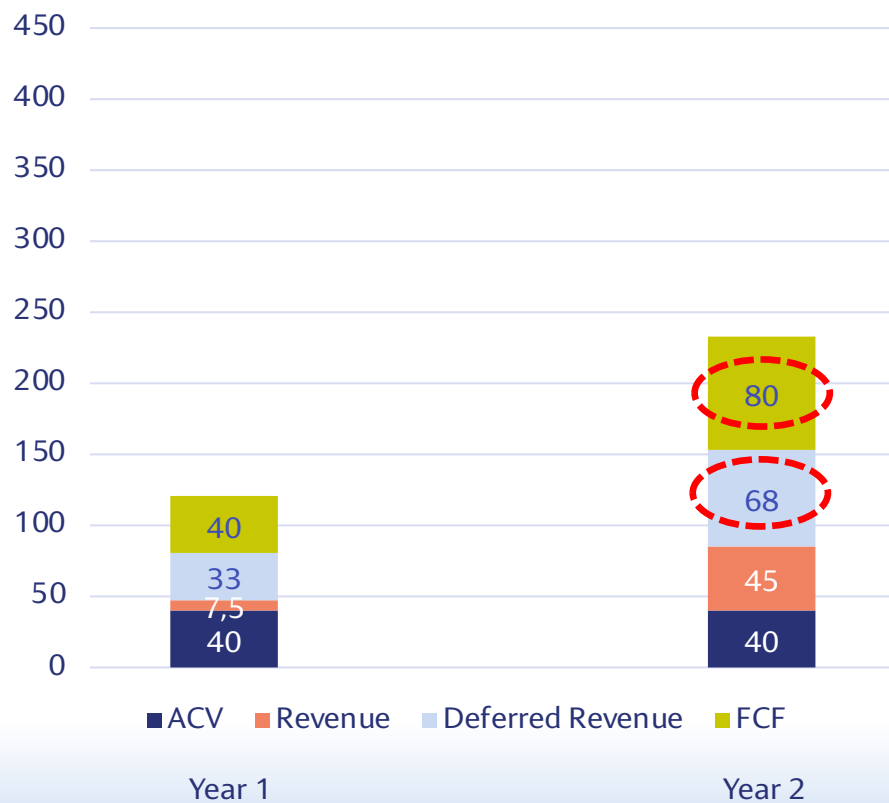


**FCF accelerates ahead of revenue and profit with ACV growth**

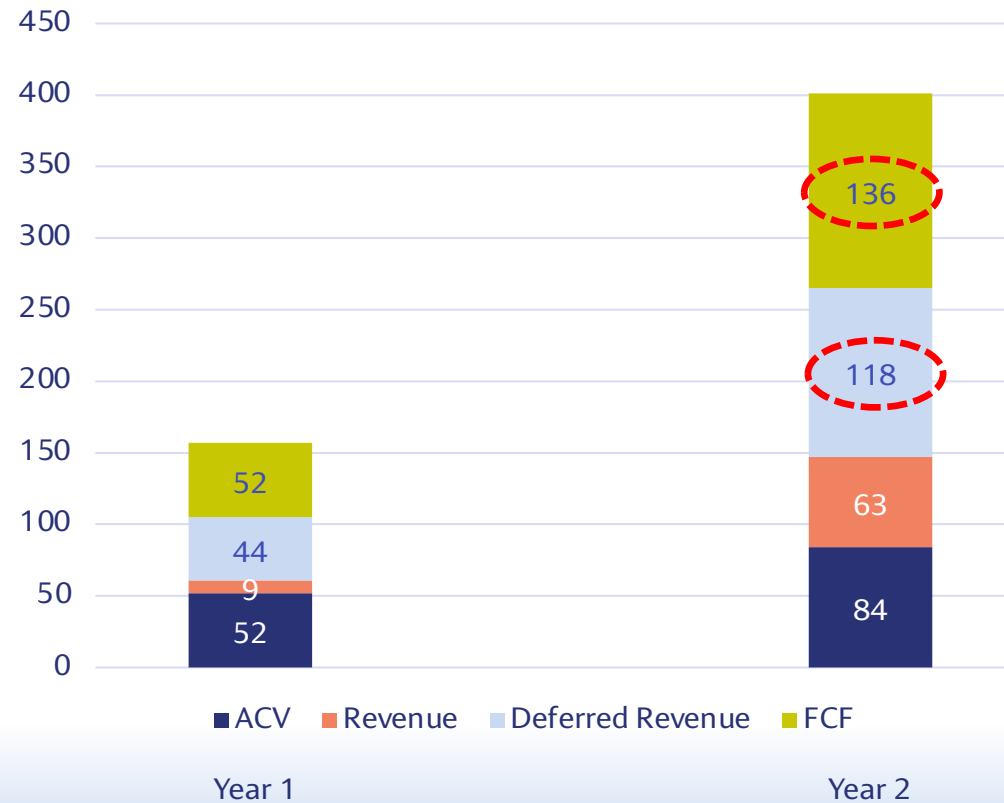
*\* Example assumes USD10m of ACV signed in Q1 and incremental USD2m of ACV each quarter. Assumes ACV signed end of each quarter with zero churn, with revenue recognition commencing three months later e.g. Q1 ACV recognised in SaaS revenue from Q3. Deferred revenue arises when contracts are signed during the year and only in-year portion of revenues recognised from 1 year SaaS revenues billed & paid upfront*

# Strong acceleration in FCF year-on-year with growing SaaS ACV

FCF assuming USD10m of ACV per quarters



FCF assuming USD10m of ACV in Q1 and incremental USD2m of ACV per quarter



**Growing ACV drives strong acceleration in deferred revenue and FCF**

*\* Illustrative example assumes ACV signed end of each quarter with zero churn, and with revenue recognition commencing three months later e.g. Q1 ACV recognised in SaaS revenue from Q3. Deferred revenue arises when contracts are signed during the year and only in-year portion of revenues recognised from 1 year SaaS revenues billed & paid upfront*

# Capital Allocation

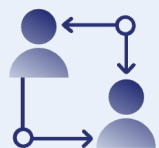


# Disciplined Capital Allocation

## Priorities for capital allocation



**Targeted acquisitions**



**Share buybacks**



**Dividends**

**Balance sheet  
(31-Dec-23)**

**Weighted average interest  
rate**

**2.3%**

**Weighted average debt  
maturity**

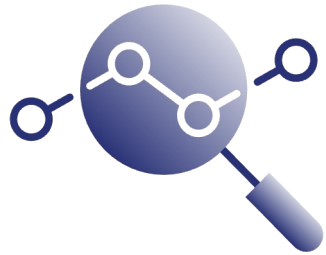
**2.55 years**

**Leverage ratio**

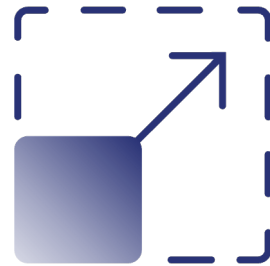
**1.6x**

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

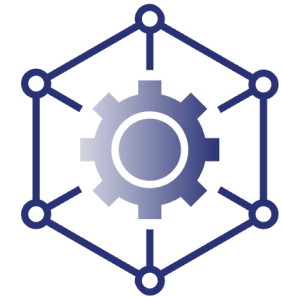
# A three-pronged approach to M&A to accelerate organic growth



**Accelerated R&D  
roadmap in key  
markets and segments**



**Increased  
scale**



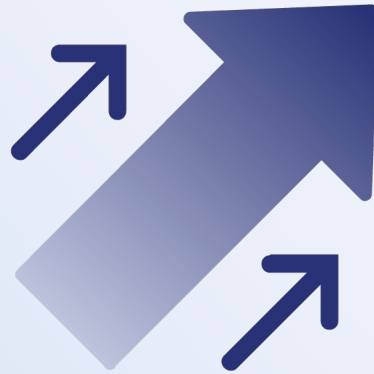
**Adjacent markets and  
complementary  
products**

# Conclusion

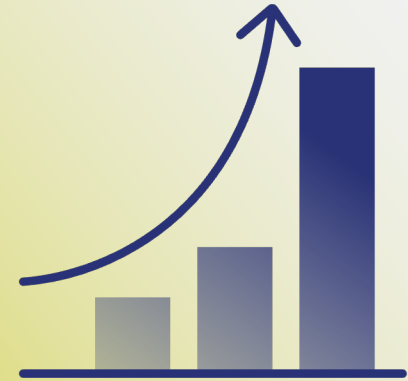
# Accelerating Growth Trajectory



ARR to reach  
**>USD1.3bn**  
in the mid-term



Non-IFRS EBIT to reach  
**>USD570m**  
in the mid-term



FCF to reach  
**>USD700m**  
in the mid-term



# Thank you

**temenos**

temenos