

FOR IMMEDIATE RELEASE
April 23, 2024

Ad hoc announcement pursuant to Art. 53 LR

Temenos announces Q1-24 results; strong profitability and free cash flow growth

GENEVA, Switzerland, April 23, 2024 – Temenos AG (SIX: TEMN), the banking software company, today announces its first quarter 2024 results.

Annual Recurring Revenue

<i>USDm</i>	Q1-24	Q1-23	Change	CC*
Annual Recurring Revenue	723.1	645.2	12%	12%

Income Statement and Free Cash Flow

<i>USDm, except EPS</i>	Non-IFRS				IFRS			
	Q1-24	Q1-23	Change	CC*	Q1-24	Q1-23	Change	CC*
Subscription	20.1	33.8	-41%	-41%	20.1	33.8	-41%	-41%
Term License	7.6	10.2	-25%	-25%	7.6	10.2	-25%	-25%
SaaS	56.3	47.3	19%	19%	56.3	47.3	19%	19%
Total software licensing	84.0	91.3	-8%	-8%	84.0	91.3	-8%	-8%
Maintenance	112.7	102.4	10%	10%	112.7	102.4	10%	10%
Services	33.1	32.8	1%	0%	33.1	32.8	1%	0%
Total revenues	229.9	226.5	1%	2%	229.9	226.5	1%	2%
EBIT	72.9	67.2	9%	7%	46.4	43.2	7%	5%
EBIT margin	31.7%	29.7%	2% pts	2% pts	20.2%	19.1%	1% pt	1% pt
EPS (USD)	0.73	0.69	6%		0.44	0.42	5%	
Free cash flow	48.8	38.7	26%					

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

Q1-24 business update

- Temporary lengthening of sales cycles due to short seller allegations impacted signings in Q1-24
- Pipeline continued to grow despite challenging sales environment
- Sales environment otherwise remained stable with no impact from macro
- APAC and Europe still grew year-on-year, with Americas flat and MEA seeing a decline due to a tough comparative
- Subscriptions continued to grow as a percentage of the license mix, at 73% in Q1-24, continuing to achieve value uplift on new clients and renewals
- Sales focus on ARR drove strong growth in recurring revenue streams
- Shift to recurring revenue model with ARR as key metric is reducing quarterly volatility, with total revenue still growing despite lower license sales
- No change to full year guidance with publication of independent report on allegations expected to restore normal deal closure rates

Q1-24 financial summary (non-IFRS)

- Annual Recurring Revenue (ARR) of USD 723.1m, up 12% c.c.
- Non-IFRS subscription licenses of USD 20.1m signed in Q1-24
- SaaS Annual Contract Value (ACV) of USD 4.7m in Q1-24
- Non-IFRS SaaS revenue of USD 56.3m, up 19% c.c.

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- Non-IFRS total software licensing revenues down 8% in Q1-24 c.c.
- Non-IFRS maintenance revenue growth of 10% in Q1-24 c.c.
- Non-IFRS total revenue of 2% in Q1-24 c.c.
- Non-IFRS EBIT up 7% in Q1-24 c.c.
- Q1-24 non-IFRS EBIT margin of 31.7%, up 2% pts c.c.
- Non-IFRS EPS up 6% in Q1-24 reported
- Q1-24 free cash flow of USD 48.8m, up 26% y-o-y
- Leverage at 1.4x at end of Q1-24, down from 1.6x at end of FY-23
- DSOs at 136 days vs. 141 days at end of FY-23

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

“I am very proud of every one of my colleagues in Temenos, who worked collaboratively and with determination to continue serving our clients, partners and broader ecosystem during Q1. We faced a challenging sales environment, with some clients delaying decisions whilst the independent investigation was ongoing. With the results of the investigation now published, we are receiving positive feedback from our clients, both existing and prospective. Importantly, our pipeline continued to grow in the quarter.

We have built a resilient business with our move to a recurring revenue model and so, despite the challenges, we had strong growth in ARR, our most important revenue KPI, and our total revenue also grew as did our profitability and cash flow. We had good levels of contribution from tier 1 and 2 clients and continued to win new logos in the quarter as well. Our Q1 results clearly demonstrate the benefits of the move to a recurring revenue model.

As you are aware, this is my last quarterly results with Temenos. I am incredibly grateful for the opportunity I have had to work in and run this company over the last 25 years. It has been core to everything I have done. I would like to extend my thanks to all my colleagues, clients, partners, shareholders and all other stakeholders who have supported and worked with me on this journey in building an undisputed global leader in banking software, and I wish our new CEO every success as he joins Temenos.”

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

“Given the temporary delays we saw in client deal signings, I was pleased with the 12% growth in ARR delivered in Q1-24. We are clearly seeing the benefit of aligning our sales force targets to ARR, with particularly strong growth in maintenance this quarter which was up 10%, and I expect our ARR momentum to continue throughout this year.

Free cash flow growth was also strong in Q1-24, maintaining our good cash performance. We continued our deleveraging trend, ending the quarter with leverage at 1.4x net debt to EBITDA, down from 1.6x at the end of FY-23. Our leverage is now slightly below our target range of 1.5 to 2.0x which gives us tactical and strategic flexibility.

DSOs also trended down to 136 days as expected, having peaked at 141 days at the end of FY-23 and with the transition to subscription which is now substantially complete.

We have confirmed our FY-24 guidance which is non-IFRS and in constant currencies. We are expecting ARR growth of about 15%, total software licensing growth of 7-10%, EBIT growth of 7-9%, EPS growth of 6-8% and free cash flow growth of at least 16%.”

Revenue

IFRS and non-IFRS revenue was USD 229.9m for the quarter, an increase of 1% vs. Q1-23.

IFRS and non-IFRS total software licensing revenue for the quarter was USD 84.0m, a decrease of 8% vs. Q1-23.

EBIT

IFRS EBIT was USD 46.4m for the quarter, an increase of 7% vs. Q1-23.

Non-IFRS EBIT was USD 72.9m for the quarter, an increase of 9% vs. Q1-23.

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Non-IFRS EBIT margin was 31.7%, up 2% points vs. Q1-23.

Earnings per share (EPS)

IFRS EPS was USD 0.44 for the quarter, an increase of 5% vs. Q1-23.

Non-IFRS EPS was USD 0.73 for the quarter, an increase of 6% vs. Q1-23.

Cash flow

IFRS operating cash was an inflow of USD 71.6m in Q1-24, an increase of 1% vs. Q1-23, and representing an LTM conversion of 118% of IFRS EBITDA into operating cash. USD 48.8m of free cash flow was generated in Q1-24, an increase of 26% vs. Q1-23.

FY-24 non-IFRS guidance

The guidance for FY-24 is confirmed. It is non-IFRS and in constant currencies.

- ARR growth of about 15%
- Total software licensing growth of 7-10%
- EBIT growth of 7-9%
- EPS growth of 6-8%
- FCF growth of at least 16%

The Company has also assumed the following for FY-24 guidance:

- Cash conversion of 100%+ of IFRS EBITDA into Operating Cash
- FY-24 tax rate expected to be between 20-22%

Currency assumptions for FY-24 guidance

In preparing the FY-24 guidance, the Company has assumed the following:

- EUR to USD exchange rate of 1.08;
- GBP to USD exchange rate of 1.26; and
- USD to CHF exchange rate of 0.87

Mid-term targets

Temenos reconfirms its mid-term targets. The targets are non-IFRS and in constant currencies.

- ARR to reach at least USD1.3bn
- EBIT to reach at least USD570m
- FCF to reach at least USD700m

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 April 23, 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 the marketplace 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.

Conference call and webcast

At 18.30 CET / 17.30 GMT / 12.30 EST today, April 23, 2024, 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:

[Q1 2024 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.



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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-24 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/M&A related costs of USD 22m

– Ends –

About Temenos

Temenos (SIX: TEMN) is the world's leading platform for composable banking, serving clients in 150 countries by helping them build new banking services and state-of-the-art customer experiences. Top performing banks using Temenos software achieve cost-income ratios almost half the industry average and returns on equity 2X the industry average. Their IT spend on growth and innovation is also 2X the industry average.

For more information, please visit www.temenos.com.

Investor and media contacts

Investors

Adam Snyder

Head of Investor Relations, Temenos

Email: asnyder@temenos.com

Tel: +44 207 423 3945

International media

Conor McClafferty

FGS Global on behalf of Temenos

Email: Conor.McClafferty@fgsglobal.com

Tel: +44 7920 087 914

Swiss media

Martin Meier-Pfister

IRF on behalf of Temenos

Email: meier-pfister@irf-reputation.ch

Tel: +41 43 244 81 40

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Appendix I – Q1-24 IFRS primary statements

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

	Three months to 31 March 2024	Three months to 31 March 2023	Twelve months to 31 March 2024	Twelve months to 31 March 2023
Revenues				
Subscription	20,139	33,849	146,668	128,970
Term license	7,596	10,151	75,590	109,610
SaaS	56,308	47,323	214,093	174,173
Total software licensing	84,043	91,323	436,351	412,753
Maintenance	112,716	102,393	434,020	404,714
Services	33,121	32,832	133,185	138,031
<i>Total revenues</i>	229,880	226,548	1,003,556	955,498
Operating expenses				
Sales and marketing	(65,623)	(60,913)	(296,638)	(264,708)
Services	(31,235)	(33,517)	(134,365)	(150,288)
Software development and maintenance	(63,880)	(64,913)	(276,892)	(280,012)
General and administrative	(22,771)	(24,009)	(93,109)	(92,185)
<i>Total operating expenses</i>	(183,509)	(183,352)	(801,004)	(787,193)
Operating profit	46,371	43,196	202,552	168,305
Other expenses				
Net interest expenses	(3,233)	(5,212)	(19,823)	(22,718)
Borrowing facility expenses	(142)	(118)	(590)	(1,099)
Foreign exchange (loss) / gain and movement in fair value from financial instruments	(1,930)	362	(6,418)	5,704
<i>Total other expenses</i>	(5,305)	(4,968)	(26,831)	(18,113)
Profit before taxation	41,066	38,228	175,721	150,192
Taxation	(8,801)	(7,650)	(39,357)	(32,826)
Profit for the period	32,265	30,578	136,364	117,366
Earnings per share (in US\$):				
<i>basic</i>	0.44	0.43	1.89	1.64
<i>diluted</i>	0.44	0.42	1.88	1.63

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All amounts are expressed in thousands of US dollars

	31 March 2024	31 December 2023	31 March 2023*
Assets			
Current assets			
Cash and cash equivalents	302,456	106,885	112,069
Trade receivables	203,700	227,766	236,367
Other receivables and financial assets	121,033	128,269	100,598
Total current assets	627,189	462,920	449,034
Non-current assets			
Property, plant and equipment	56,936	58,017	62,879
Intangible assets	1,502,815	1,523,602	1,536,962
Trade receivables	169,438	159,680	91,060
Other long term assets	40,630	50,676	64,784
Deferred tax assets	62,730	71,946	45,454
Total non-current assets	1,832,549	1,863,921	1,801,139
Total assets	2,459,738	2,326,841	2,250,173
Liabilities and equity			
Current liabilities			
Trade and other payables	190,248	204,027	195,084
Deferred revenues	433,023	460,829	383,904
Income tax liabilities	85,279	83,533	120,616
Borrowings	185,605	194,990	209,686
Total current liabilities	894,155	943,379	909,290
Non-current liabilities			
Borrowings	685,297	569,686	631,805
Deferred tax liabilities	101,836	90,685	67,505
Trade and other payables	2,450	2,183	3,574
Deferred revenues	23,701	21,003	12,123
Retirement benefit obligations	18,048	17,925	12,703
Total non-current liabilities	831,332	701,482	727,710
Total liabilities	1,725,487	1,644,861	1,637,000
Shareholders' equity			
Share capital	254,764	254,764	253,991
Treasury shares	(376,761)	(402,006)	(464,778)
Share premium and capital reserves	(159,131)	(144,560)	(160,074)
Fair value and other reserves	(196,691)	(206,023)	(184,037)
Retained earnings	1,212,070	1,179,805	1,168,071
Total shareholders' equity	734,251	681,980	613,173
Total equity	734,251	681,980	613,173
Total liabilities and equity	2,459,738	2,326,841	2,250,173

* Comparatives have been adjusted for tax impact for certain foreign exchange gains and losses, deferred tax liabilities decreased by USD 25.3 million against retained earnings and other reserves, no impact on reported profit or loss

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All amounts are expressed in thousands of US dollars

	Three months to 31 March 2024	Three months to 31 March 2023	Twelve months to 31 March 2024	Twelve months to 31 March 2023
Cash flows from operating activities				
Profit before taxation	41,066	38,228	175,721	150,192
<u>Adjustments:</u>				
Depreciation and amortization	32,400	32,538	131,029	135,286
Other non-cash and non-operating items	13,917	15,478	85,152	65,278
<u>Changes in working capital:</u>				
Trade and other receivables	11,157	3,410	(52,429)	(46,541)
Trade and other payables, and retirement benefit obligations	(6,351)	9,401	(8,684)	(8,641)
Deferred revenues	(20,634)	(28,553)	61,798	31,222
<i>Cash generated from operations</i>	71,555	70,502	392,587	326,796
Income taxes paid	(1,878)	(9,409)	(52,972)	(27,257)
Net cash generated from operating activities	69,677	61,093	339,615	299,539
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,089)	(2,303)	(8,525)	(13,741)
Disposal of property, plant and equipment	-	-	165	77
Purchase of intangible assets	(470)	(430)	(2,267)	(2,444)
Capitalized development costs	(19,346)	(19,686)	(76,277)	(84,093)
Earn out settlement related to acquisitions	-	-	-	(1,000)
Repayment / (investment) for long-term loans / debt instruments	-	-	3,000	(25,778)
Settlement of financial instruments	3,564	(234)	3,124	(7,726)
Interest received	799	254	2,445	567
Net cash used in investing activities	(16,542)	(22,399)	(78,335)	(134,138)
Cash flows from financing activities				
Dividend paid	-	-	(88,273)	(74,405)
Disposal of treasury shares	-	-	34,713	-
Proceeds from borrowings	169,767	-	316,854	380,294
Repayments of borrowings	(15,002)	(10,007)	(316,888)	(235,602)
Proceeds from issuance of bonds	-	-	220,840	-
Repayment of bond	-	-	(200,192)	(180,723)
Payment of lease liabilities	(3,721)	(3,994)	(15,099)	(16,166)
Interest paid	(336)	(1,754)	(21,208)	(24,057)
Settlement of financial instruments	(1,541)	-	1,777	6,104
Payment of other financing costs	(1,101)	(645)	(3,682)	(3,259)
Net cash generated from / (used) in financing activities	148,066	(16,400)	(71,158)	(147,814)
Effect of exchange rate changes	(5,630)	(148)	265	(1,766)
Net increase in cash and cash equivalents in the period	195,571	22,146	190,387	15,821
Cash and cash equivalents at the beginning of the period	106,885	89,923	112,069	96,248
Cash and cash equivalents at the end of the period	302,456	112,069	302,456	112,069

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Appendix II – reconciliation of IFRS to non-IFRS Q1-24 Income Statement

Readers are cautioned that the supplemental non-IFRS information presented in this press release is subject to inherent limitations. It is not based on any comprehensive set of accounting rules or principles and should not be considered as a substitute for IFRS measurements. Also, the Company's supplemental non-IFRS financial information may not be comparable to similarly titled non-IFRS measures used by other companies.

To compensate for these limitations, the supplemental non-IFRS financial information should not be read in isolation, but only in conjunction with the Company's consolidated financial statements prepared in accordance with IFRS.

IFRS - Non- IFRS Reconciliation Thousands of US Dollars	3 Months Ending 31 March						Change	
	2024		2024		2023		IFRS	Non-IFRS
	IFRS	Non-IFRS adjustments	Non-IFRS	IFRS	Non-IFRS adjustments	Non-IFRS		
Subscription	20,139		20,139	33,849		33,849	(41%)	(41%)
Term license	7,596		7,596	10,151		10,151	(25%)	(25%)
SaaS	56,308		56,308	47,323		47,323	19%	19%
Total Software Licensing	84,043	-	84,043	91,323	-	91,323	(8%)	(8%)
Maintenance	112,716		112,716	102,393		102,393	10%	10%
Services	33,121		33,121	32,832		32,832	1%	1%
Total Revenue	229,880	-	229,880	226,548	-	226,548	1%	1%
Total Operating Expenses	(183,509)	26,567	(156,942)	(183,352)	23,995	(159,357)	0%	(2%)
Restructuring	(5,300)	5,300	-	(3,825)	3,825	-	39%	
Amort of Acquired Intangibles	(10,846)	10,846	-	(11,114)	11,114	-	(2%)	
Share based payment	(10,421)	10,421	-	(9,056)	9,056	-	15%	
Operating Profit	46,371	26,567	72,938	43,196	23,995	67,191	7%	9%
Operating Margin	20%		32%	19%		30%	1.1% pts	2.1% pts
Finance Costs	(5,305)	-	(5,305)	(4,968)	-	(4,968)	7%	7%
Taxation	(8,801)	(5,080)	(13,881)	(7,650)	(4,483)	(12,133)	15%	14%
Net Earnings	32,265	21,487	53,752	30,578	19,512	50,090	6%	7%
EPS (USD per Share)	0.44	0.29	0.73	0.42	0.27	0.69	5%	6%