



**Delivering growth**  
Analyst & Investor Event  
19 February 2014



# Disclaimer

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Any remarks that we may make about future expectations, plans and prospects for the company constitute forward-looking statements. Actual results may differ materially from those indicated by these forward-looking statements as a result of various factors.

In particular, the forward-looking financial information provided by the company in this meeting represent the company's estimates as of 19 February 2014. We anticipate that subsequent events and developments will cause the company's estimates to change.

However, while the company may elect to update this forward-looking financial information at some point in the future, the company specifically disclaims any obligation to do so. This forward-looking information should not be relied upon as representing the company's estimates of its future financial performance as of any date subsequent to 19 February 2014.





## Running order for today

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|                |                           |   |
|----------------|---------------------------|---|
| 10.00 to 10.45 | Strategy and vision       | David Arnott, CEO   |
| 10.45 to 11.15 | Delivering innovation     | Mark Winterburn, Group Product Director                                       |
| 11.15 to 11.30 | Coffee                    |   |
| 11.30 to 12.00 | Making payments pay       | Amanda Gilmour, Payments Product Director<br>Jost Hoppermann, Forrester       |
| 12.00 to 12.30 | Delivering client success | Mike Davis, Client Director   |
| 12.30 to 12.50 | Financials                | Max Chuard, CFO   |
| 12.50 to 13.15 | Q&A                       | With the above speakers, and Mark Gunning<br>(Director of Business Solutions) |
| 13.15 to 14.00 | Lunch                     |   |

Delivering growth







# Strategy and vision

David Arnott, CEO



# Key takeaways

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- We have delivered on our commitments
- Our market opportunity is massive... and has increased with the launch of TPS
- The industry is undergoing a structural shift - the fundamental growth drivers remain
- We have the solutions to meet the industry's needs and a compelling roadmap
- The competitive environment is changing - we are consolidating and extending our lead
- Our delivery is constantly improving with rich methodologies and the right partners
- Revenue growth and operational leverage driving strong earnings and cash generation

Delivering growth





# We have delivered on our commitments

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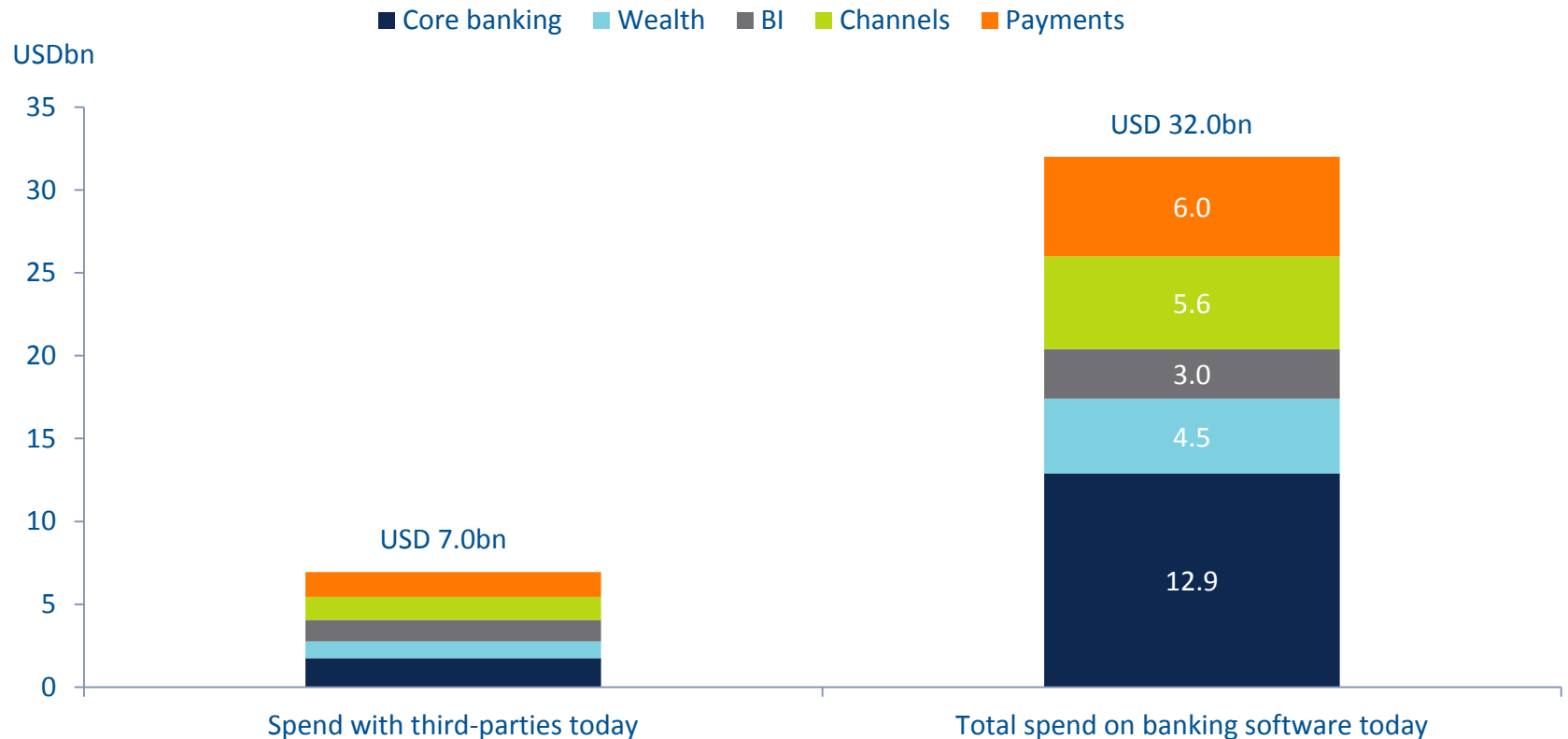
- ✓ Sustainably grow licence and maintenance revenues
- ✓ Multi-product offering with a focus on reusable product investment
- ✓ Realising the installed base opportunity
- ✓ Higher margin services supporting product business
- ✓ Partner strategy moving into the next phase
- ✓ Strategic M&A complementing organic growth
- ✓ Translating operational outperformance into financial outperformance

2013 performance gives greater confidence in delivery of medium term plan





# The market opportunity is huge



\*Licences and maintenance

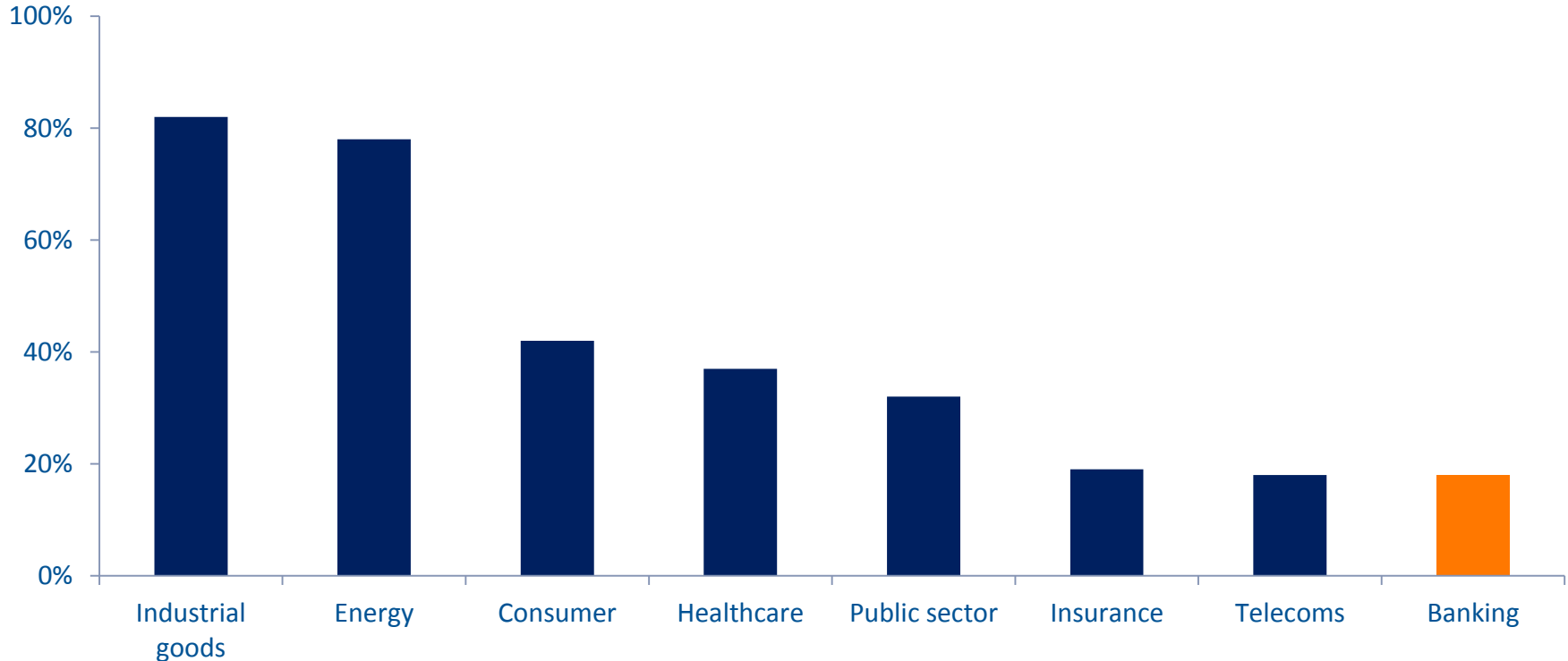
Source: Gartner, IDC, Celent, Temenos estimates

Multi-product offering has added USD 19bn to the opportunity





# Application software is significantly underpenetrated in banks



Sources: BCG, Gartner, Forrester

Banks have the lowest penetration of 3<sup>rd</sup> party software





# The industry is undergoing a structural shift

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## Cloud

Breaking the value chain

## Multi-channels

1bn predicted smartphone shipments in 2014  
49% annual growth rate of tablet sales to 2018

### Regulation

**3%** pts

The amount BASLE III lowers ROE

### Price transparency

**50%**

% of customers citing sensitivity to fees and charges as the reason for attrition

### Diminishing customer loyalty

**29%**

of banks see this as their biggest challenge

**Banks must address these issues to succeed**





# We have the solutions to meet the industry's needs

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## Efficient

IT solutions delivering 60% higher  
IT efficiency ratios

## Omnichannel

Great, consistent user experience across  
all channels

## Analytics

Fastest time to value, best success  
rate on analytics in our industry

## Agile

The best product-building capabilities

A unique product offering





# Multi-product offering remains the winning model

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- Multi-product offering accelerating demand for core replacements
- Focus in 2013 was on winning the larger core banking deals
- However, in the medium term, multi-product still expected to drive growth
  - Multi-product offering expected to increase contribution to c.30% in 2014 from 25% in 2013
  - TPS has added 5<sup>th</sup> vertical

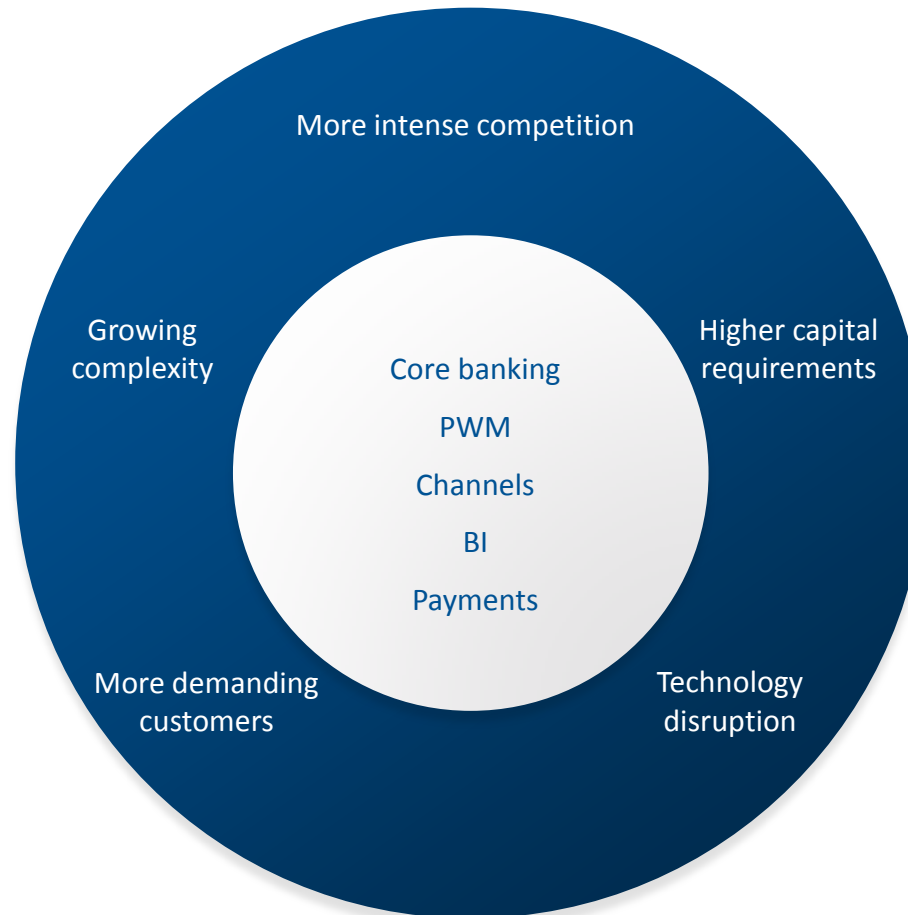
Non-core banking products expected to increase contribution in 2014





# Key drivers for our five verticals

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The key drivers are consistent across all of our verticals





# Beating the competition

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## Taking market share

<1%

Market growth in 2013

>4%

Temenos growth in 2013

## Extending our lead

### Product

- Best products
- Best roadmap

### Sales

- Unrivalled referenceability
- A strong partner channel

### Delivery

- Rich methodologies
- The right partners

We are extending our leadership

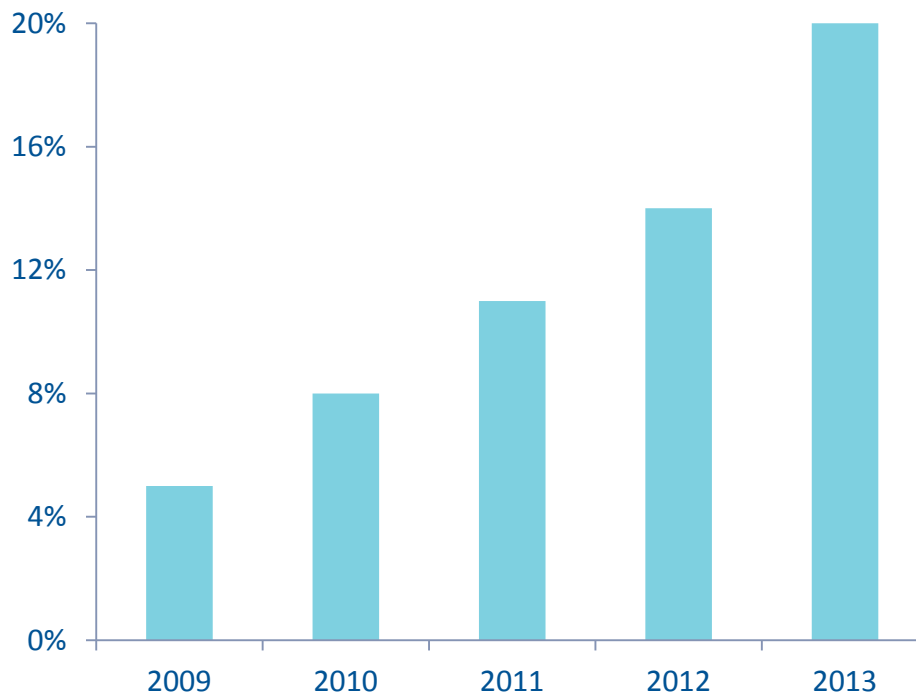




# Partner selling

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% of software licensing brought by partners



- Earlier involvement in the sales cycle
- Greater reach
- Better connected
- Entrenched within the customer

Partner programme delivering results





# A platform to capture the US market

“...the consolidation of the vendor market in US has created a general appetite for alternative options. The combination of a strong product with credible delivery and higher mindshare means that **Temenos is now well placed to take advantage of this opportunity.**”

“Temenos strengthens its US presence with TriNovus acquisition”, Daniel Mayo, Ovum - April 2013

|                                | Incumbents | Temenos |
|--------------------------------|------------|---------|
| Hosted solutions               | ✓          | ✓       |
| Complete solutions             | ✓          | ✓       |
| Real-time solutions            |            | ✓       |
| Best-in-class digital channels |            | ✓       |

US market represents 40% of bank IT spend





# Primed to capture the US opportunity

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## 2013 in numbers

5

T24 on a SaaS basis sold in Q4

263

Total new customers for Temenos  
US in 2013

c.1,000

Total customers in the US

## The fullest US SaaS offering

- T24 core banking
- Insight Business Intelligence
- Channels
- BSA/AML Compliance Suite
- TriComply
- SocialComply
- BankerVMS
- BankerMLS
- BankRISK
- TriVault
- TriShield

Delivering on plan in 2013 - sales activity gathering momentum





# SaaS

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## 2020

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We believe by 2020 all new core replacements will be in the cloud

## 1st

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Temenos was first vendor to put core banking in the cloud

## USD 1.8bn

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Estimate of cost saving if all T24 users moved to shared infrastructure

### What we are doing...

- Setting up new division with a new culture
- Dedicated team
- 3 main products: Microfinance, smaller universal and non-core (Insight and AML)
- Benefits from closer client intimacy: service, cross selling, partner relationships, cash collection
- Leveraging cloud and TriNovus expertise

**We are investing to stay ahead of an inevitable trend**





## Delivery – rich methodologies and the right partners

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43

New clients live in 2013

132

Go lives around the world in 2013

FORRESTER®

“Temenos scored highest on service and support and delivered a balanced performance for many criteria”

The Forrester Wave™: Global Banking Platforms, Q4 2012 – Jost Hoppermann, December 2012

Delivering the highest levels of customer success





## Segment focus for 2014

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Key drivers for 2014





# Delivering on our vision

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## **Build 1993 to 2002**

Domain focus  
Truly global  
Single packaged product  
Commitment to openness  
High R&D  
Maintenance model  
Tier 3-5

## **Scale 2003 to 2011**

Built out regional structure  
Expansion of addressable market  
M&A programme  
Partner programme initiated  
Margin expansion  
10pp of market share gains  
Tier 1-2

## **Lead 2012 onwards**

True multi-product focus  
Multi-deployment options  
Realising installed base opportunity  
Growth in key geos and segments, partners facilitating  
Further M&A  
Maturity and consistency  
Tier 1-6

Meeting our expectations and creating shareholder value







Thank you  
[www.temenos.com](http://www.temenos.com)





# Delivering innovation

Mark Winterburn, Group Product Director



# Agenda

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1 We have the solutions to meet the industry's needs

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2 We will continue to out-innovate our peers

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# Banking as it used to be

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1 Low customer switching

2 Regulation

3 High start-up costs

4 Branch networks

High barriers to entry protecting margins



# Banking now

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- 1 Price transparency
- 2 Multi-channel banking / internet
- 3 Regulation
- 4 Cloud
- 5 Diminishing customer loyalty

The moat has disappeared





# We have the solutions to meet the industry's needs

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IT solutions delivering 60% higher  
IT efficiency ratios

## Omnichannel

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Fastest time to value, best success  
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## Agile

The best product-building capabilities

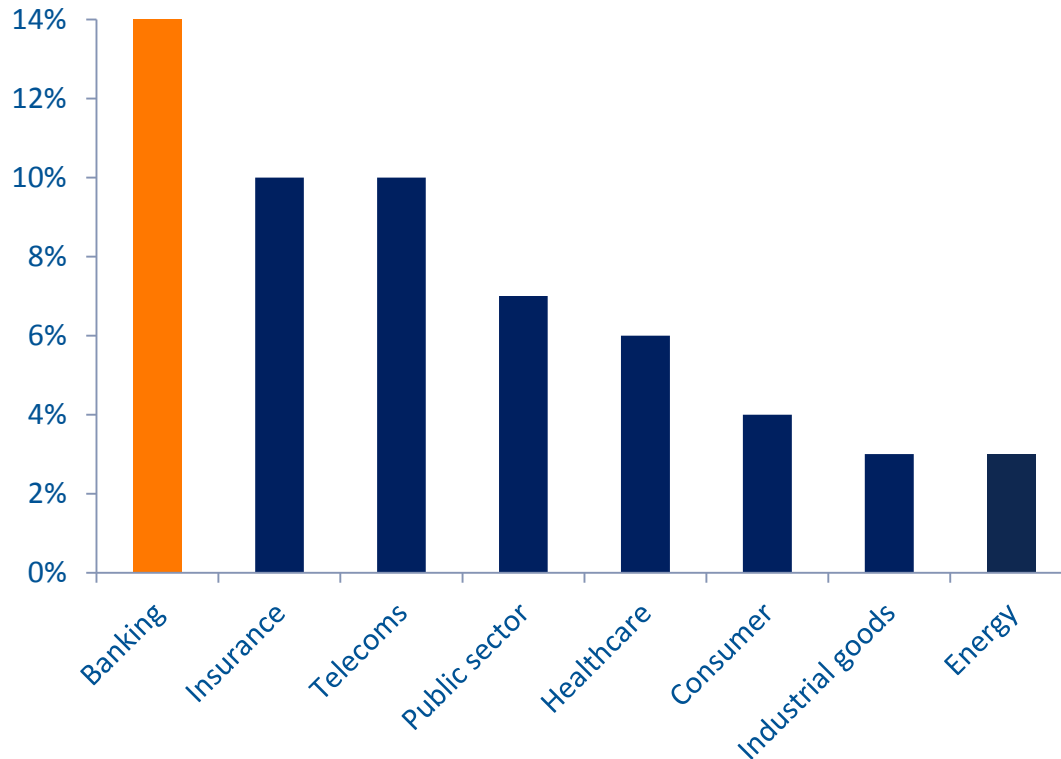
A unique product offering





# The legacy challenge

IT as a % of total costs



Source: BCG

“

*The systems architecture of the typical lender is like a gothic house of horror.*

**Martin Taylor**  
Former CEO of Barclays

The question is when, not if, and urgency growing





# Core renewal

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Solution broad and integrated

All deployment options

Progressive renovation

Rich processes & workflow engine

All hardware stacks

Frameworks

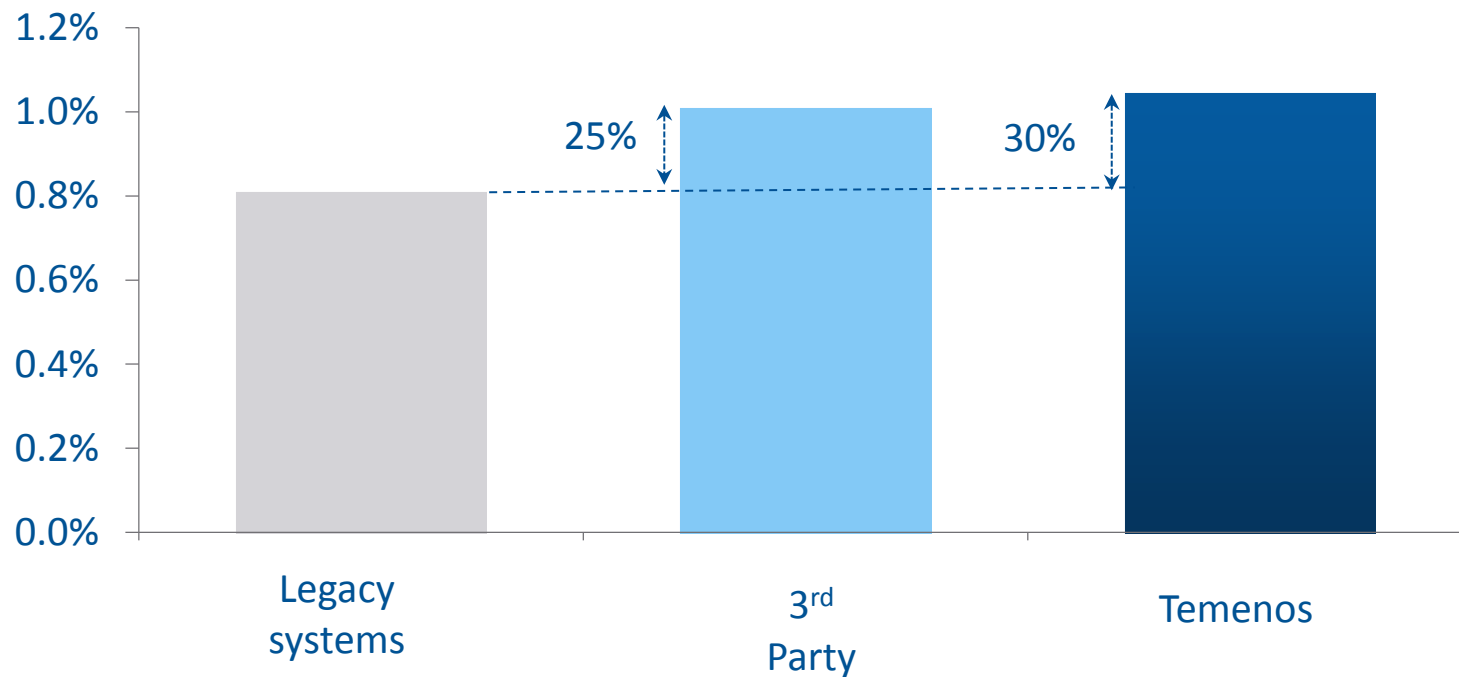
We offer the fastest and lowest risk option - creating most value





# Core renewal

Return on assets of banks using legacy systems vs. Temenos and other 3<sup>rd</sup> party software



Source: IBS, The Banker, Temenos, Deloitte

**Temenos customers spend 60% less on IT than the industry**





# Digital channels – challenges and opportunities

## Explosion in smart devices

1 billion

Predicted smartphone shipments in 2014

49%

Annual growth rate of tablet sales to 2018

2x

Growth in banking interactions since 2006

Source: IDC, Cisco, BCG

“Banks can take out 20 – 25% of their cost base by leveraging this digital shift to transform how they process and serve.

McKinsey

“Banks are leaking as much as 80% of leads generated from their digital channels, as a result of not having an integrated end-to-end approach that ensures delivery of an integrated value proposition to every customer.

McKinsey

We live in an omnichannel world





## Temenos Connect

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50%

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Savings on maintenance costs  
with Temenos Connect

85%

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Productivity savings during  
development and testing cycle

“ Organisations with a need to create better user experiences for new channels of interaction within short timeframes; and those seeking innovative ways to leverage numerous, heavy and inflexible legacy systems ...should look at Temenos.

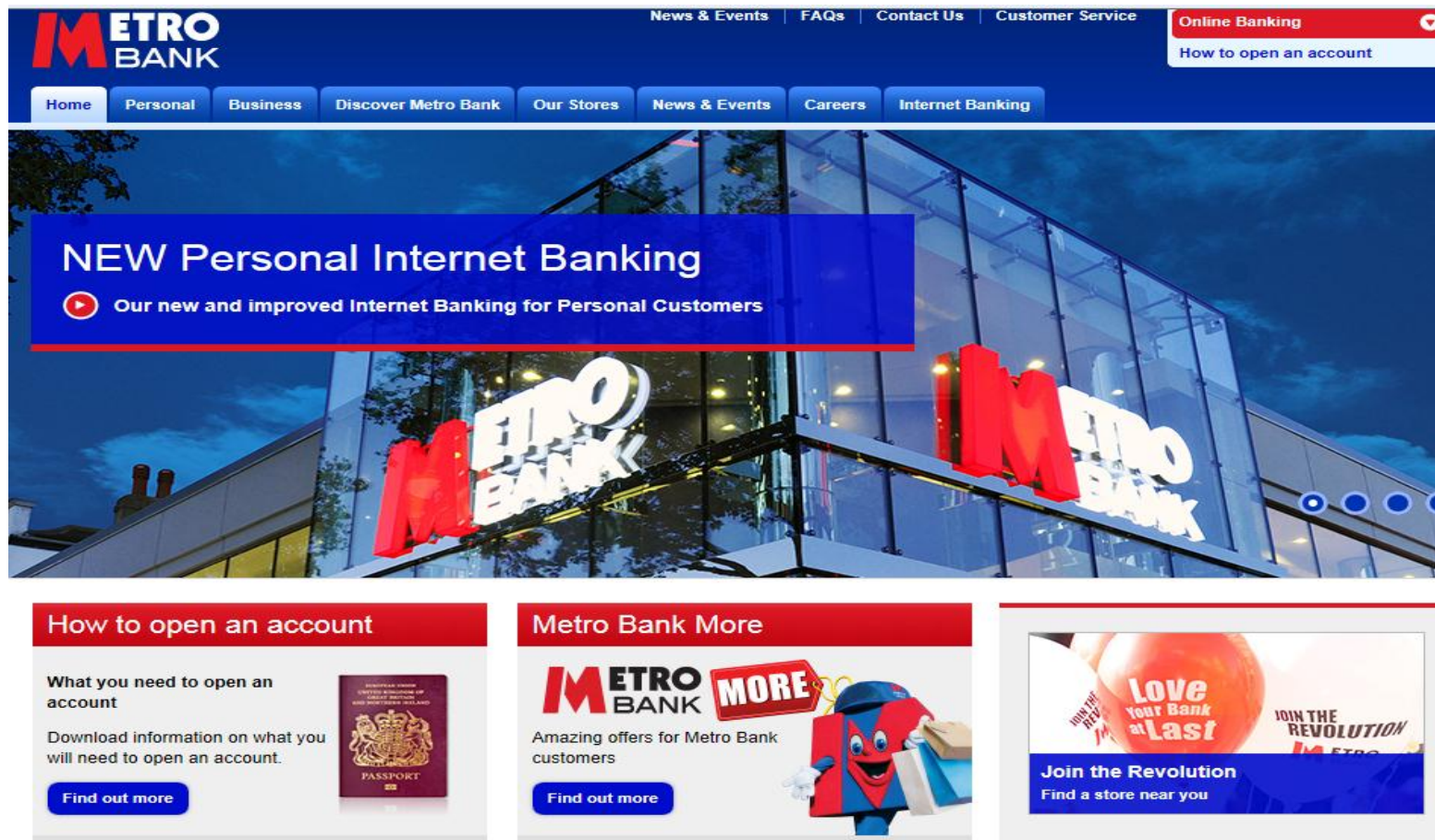
Gartner

Temenos customers more productive – by a factor of 4 or 5 times!





# Digital channels - Metro Bank



User experience as a differentiator





# Digital channels - Metro Bank

The screenshot displays the Metro Bank Personal Internet Banking dashboard. At the top, the Metro Bank logo is on the left, followed by the text 'Personal Internet Banking'. On the right, the user's name 'MR PRAVEEN SANKAR MOHAN' is shown next to a 'Logout' button. Below the name are links for 'Details & Preferences' and 'Messages' (with a notification badge showing '4'). A navigation bar contains icons and links for 'View your Accounts & transactions', 'Make a Payment send & move money', 'Your Payee List view & manage payees', 'View your Statements & other documents', and 'Help & Contact Us'. The main content area starts with a welcome message: 'Hi MR MOHAN! Welcome to Personal Internet Banking, let's get going...'. It is divided into two sections. The 'My Accounts' section on the left lists four accounts: 'Current' (balance £5.55), 'Metro Cash' (balance £0.00), 'Instant Savings' (balance £10.00), and 'Instant Access Cash ISA' (balance £5,145.99). Each account entry includes an icon, the account name, a date, a reference number, and a link to 'View a mini-statement'. The 'What would you like to do?' section on the right features a 'Quick Payment' button and a link to 'Useful things to do'. Below these is a form for moving money, with a text prompt 'Move money between your accounts or send money to a saved Payee.', an 'Amount' field with a currency selector set to '£', and a 'To...' field with radio button options for 'One of your Accounts' and 'A Saved Payee'. A blue 'Continue' button is positioned below the form. At the bottom of this section, there is a link for 'Need more payment options?'.

Customer journeys designed for the customer





# Digital channels - Metro Bank

## Open a new Account

Compare, choose  
visit one of our Sto

Current & Cas

Savings Acco

ISA Accounts

## Card and PIN management

Manage all your Metro Bank cards here. Should you need to cancel your cards in an emergency please call  
0345 08 08 500

[Help for this page](#)

[Back to Current Account](#)

**Cancel a card**  
Lost your card or has your  
card been stolen

**PIN Reminder**  
Forgotten your PIN?

**Order new card**  
Damaged card?

**New Card & PIN**  
Cancel existing card and  
send new PIN

Relating to account...

Current Account - 11860297 (£1,456.98 )

Which card on this  
account?

| Select                           | Card Number | Name on Card | Expiry    |
|----------------------------------|-------------|--------------|-----------|
| <input checked="" type="radio"/> |             | VISVESWAR    | 04 / 2015 |

[What is this?](#)

Why are you ordering a new card?

**Lost**  
You can't find your card

**Stolen**  
You suspect your card might have been  
stolen or that someone knows your PIN

**Damaged**  
Your card isn't working or it has become  
unusable

Personalised service & marketing driving loyalty





# Analytics – the challenge

“Banks must move from being data custodians to data experts. They must use analytics to improve decision-making and add value to their customers.

Gartner

Customers are more demanding

10%

Customers who are likely to switch banks in the next 6 months

70%

Customers willing to provide banks with more personal information in return for improvements in customer service

90%

Profit is generated from 20% of customers

Source: EY, Capgemini, Temenos

Banks need to accept that the customer is in control





# Insight

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1 Customer & operational Intelligence

“ We witnessed a 59% increase in average profit per customer within the first six months of using the Insight tool.

2 Domain specific

3 Fastest time-to-value

4 Integrated



“ A huge strategic decision that is in the process of being implemented was made in 30 minutes, as a result of having the information available at my fingertips.



Real, actionable intelligence – fast!

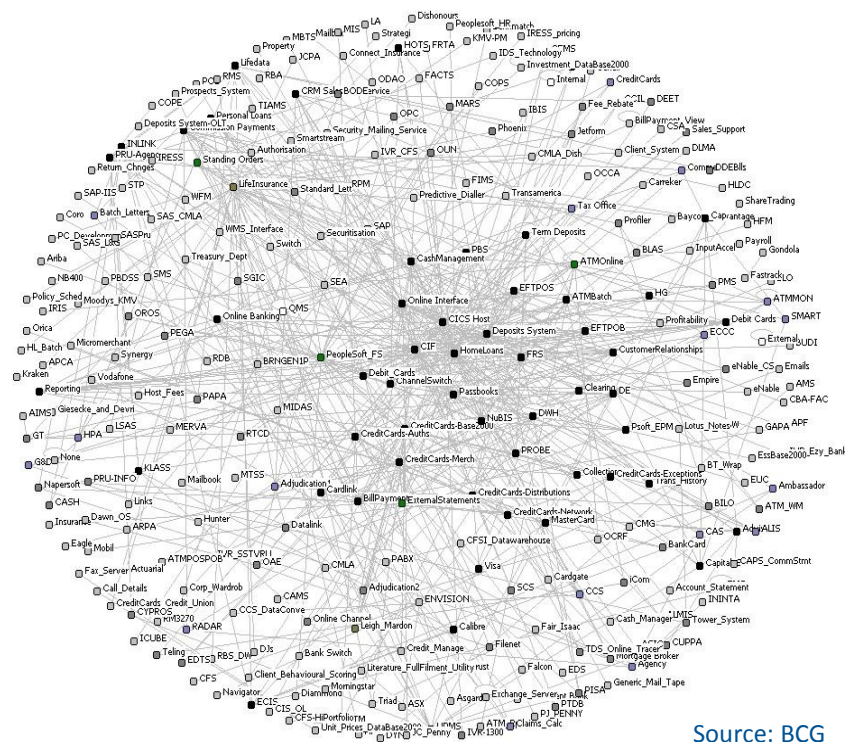




# The agility constraints

# Complex

## Systems and interfaces at a typical universal bank



Source: BCG

“ Many banks have legacy core banking systems...where adding new products and services can take months of development and testing at considerable cost.

Hani Massoud, IBM management consultant

## Making changes is costly, expensive and risky



# Arrangement Architecture

- 1 Leverages common components
- 2 Easy to configure new products
- 3 New products tailored to individual customers
- 4 Rapid product launches

850,000



Customers on-boarded in the first 3 weeks  
after launching M-Shwari

2.5x



BSF has been growing its asset base by 15% per  
year on average since 2009, two and a half  
times the rate of its peer group

Unique capabilities to enable our customers to stay ahead of their markets





# Banking transformation challenges

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4.5 years

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Average pay back period for a  
core banking transformation  
Capgemini

70%

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Failure of transformational projects  
McKinsey

Banking IT projects historically associated with high risk and slow payback





# Architecture solution

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1

Code-free interfaces in minutes

2

Componentised Product Platform

3

Leverage existing customer investments

4

Multi-channel cross-product user agents

5

1,000x faster enquiries, 10x faster TPS

6

80% reduction in database size

Delivering more value, faster and with minimal risk





## Payments challenge

“ Volume has grown by roughly 24 percent over this period, yet operational cost has grown at nearly the same rate, clearly indicating that scale effects have been negligible.

BCG

### Explosion in payments and transaction banking

18.1%

Predicted growth rate of M-payment transactions in 2014

58.5%

Predicted growth rate of M-payment transactions in 2014

8%

CAGR in transaction banking revenues through to 2022

Source: BCG, Capgemini

Great opportunity – but banks failing to translate into higher profits





# Temenos Payment Suite

Channel agnostic

Any instrument, scheme, and transaction can be handled over any channel

Brand new

Incorporates best practices of hub design and latest technology

Built for banks by banks

ABN AMRO co-development ensures scalability and high quality

Linear condition driven architecture

Highest level of STPs, lowest levels of maintenance and TCO

Highly flexible

Enables customer data to be changed quickly and setting of individual conditions

Ability to extract scale economies AND offer high touch, differentiated service





# Agenda

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1 We have the solutions to meet the industry's needs

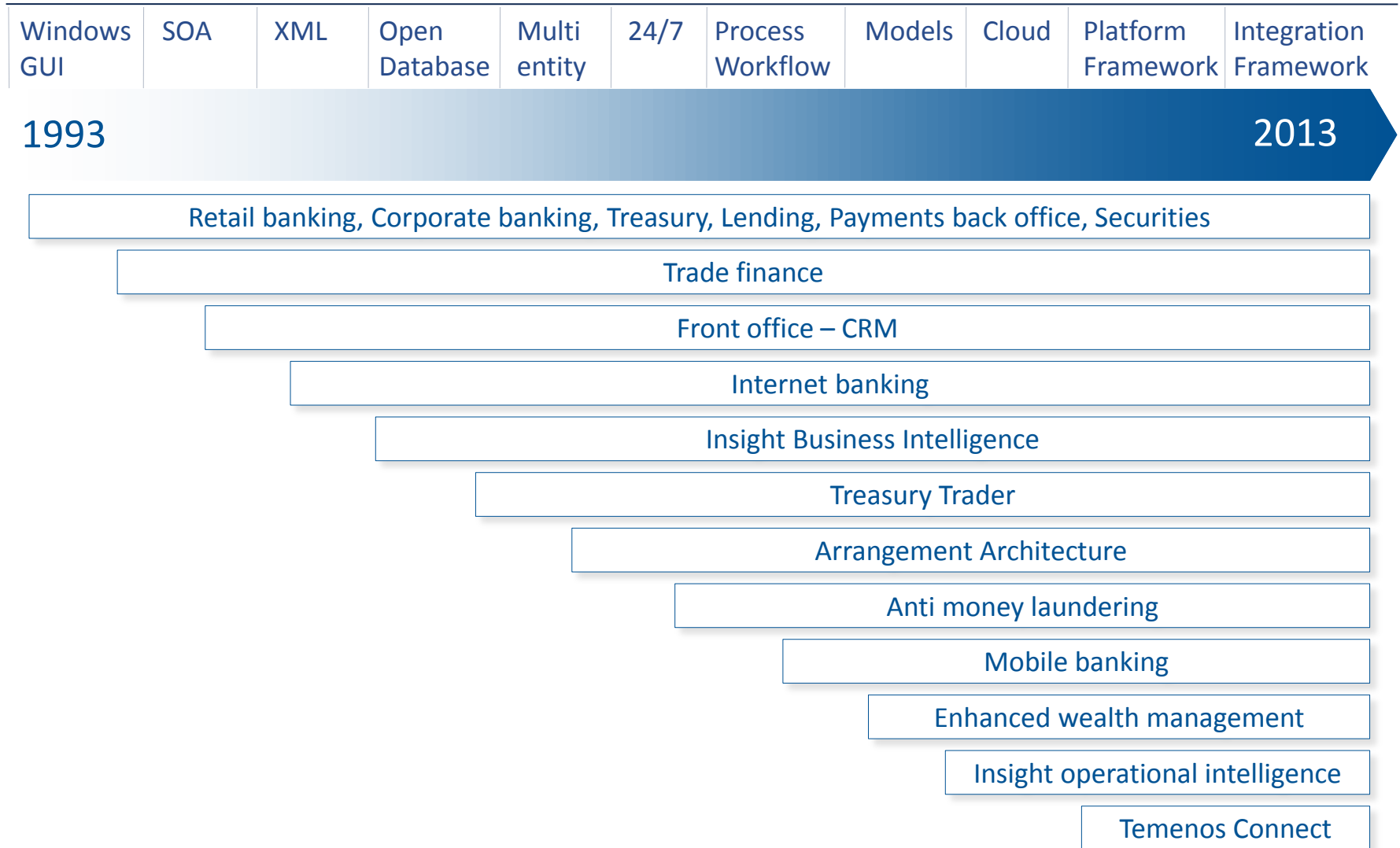
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2 We will continue to out-innovate our peers

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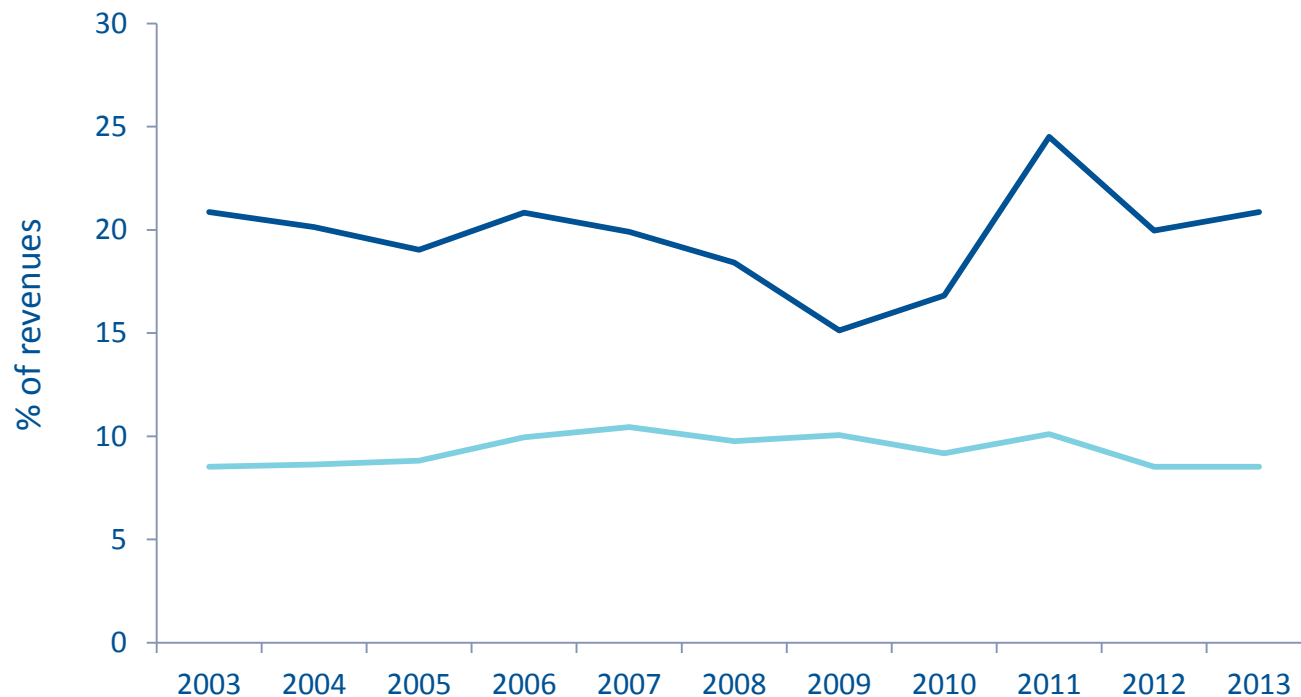
# Track record of innovation



We have a pioneering history of delivering industry “firsts”



## The highest R&D in the industry



Temenos spends  
on average 20%  
of sales on R&D

*Source: Company Annual  
Reports, Temenos estimates*

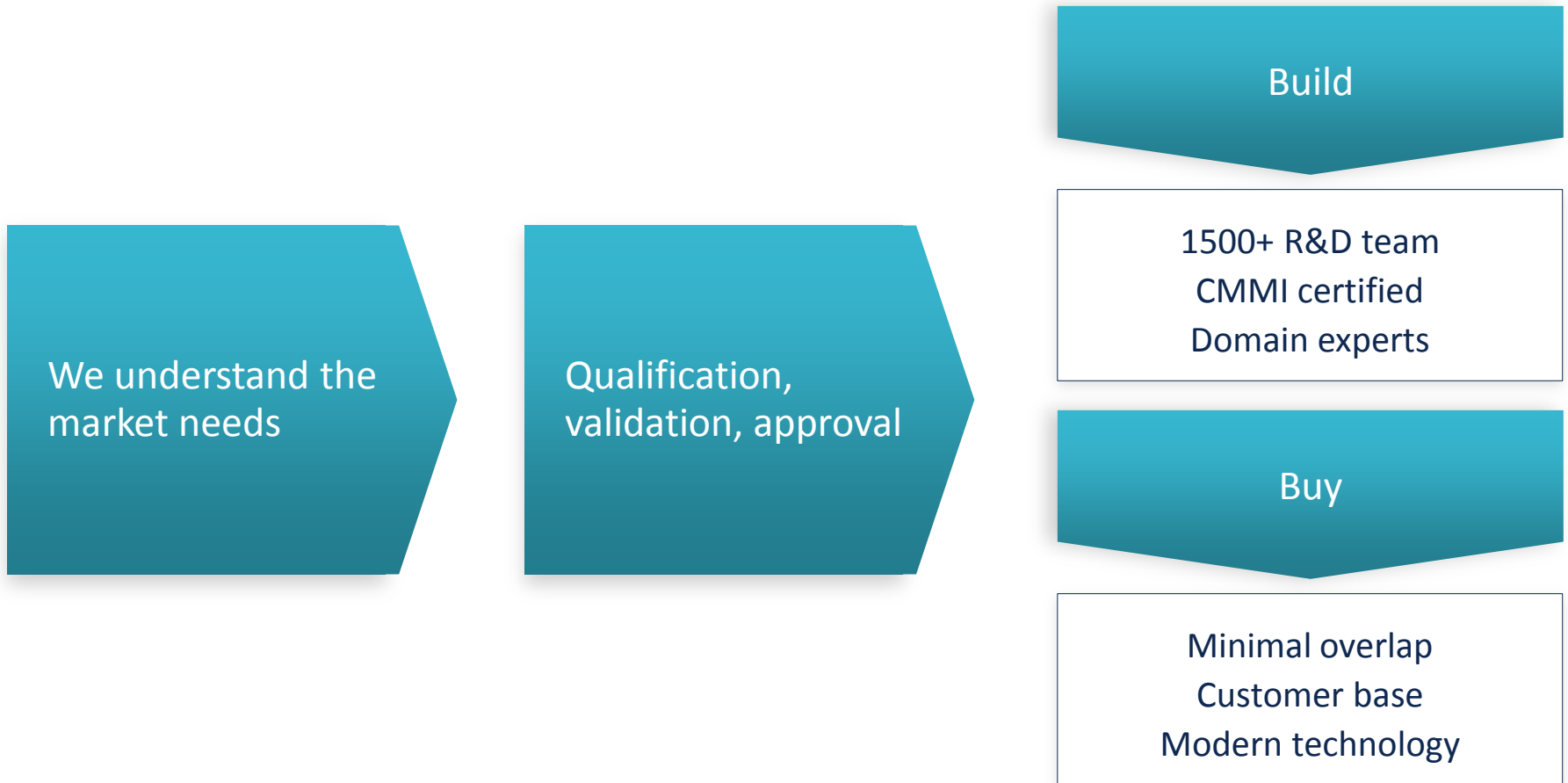
- \*Normalised cash R&D – adjusted for difference between capitalisation and amortisation and any one-off restructuring charges
- Peer group consists of SAP, Misys (ex-Sesame where applicable), TCS (BaNCS) and Oracle Financial Services, which we have assumed to have remained constant as a % of sales since 2007, the last date of disclosure

We still outspend the industry by a factor of 2





# Product strategy and development





# Summary

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## Market demands

Efficiency

Omnichannel capabilities

Analytics

Agility

## Maintaining our product leadership

Culture of innovation

Great people

High R&D spend

Maximum re-use

Strong process and governance

Best products and most exciting product roadmap in the industry







Thank you  
[www.temenos.com](http://www.temenos.com)





## Making payments pay

Amanda Gilmour, Payments Product Director

Jost Hoppermann, Forrester



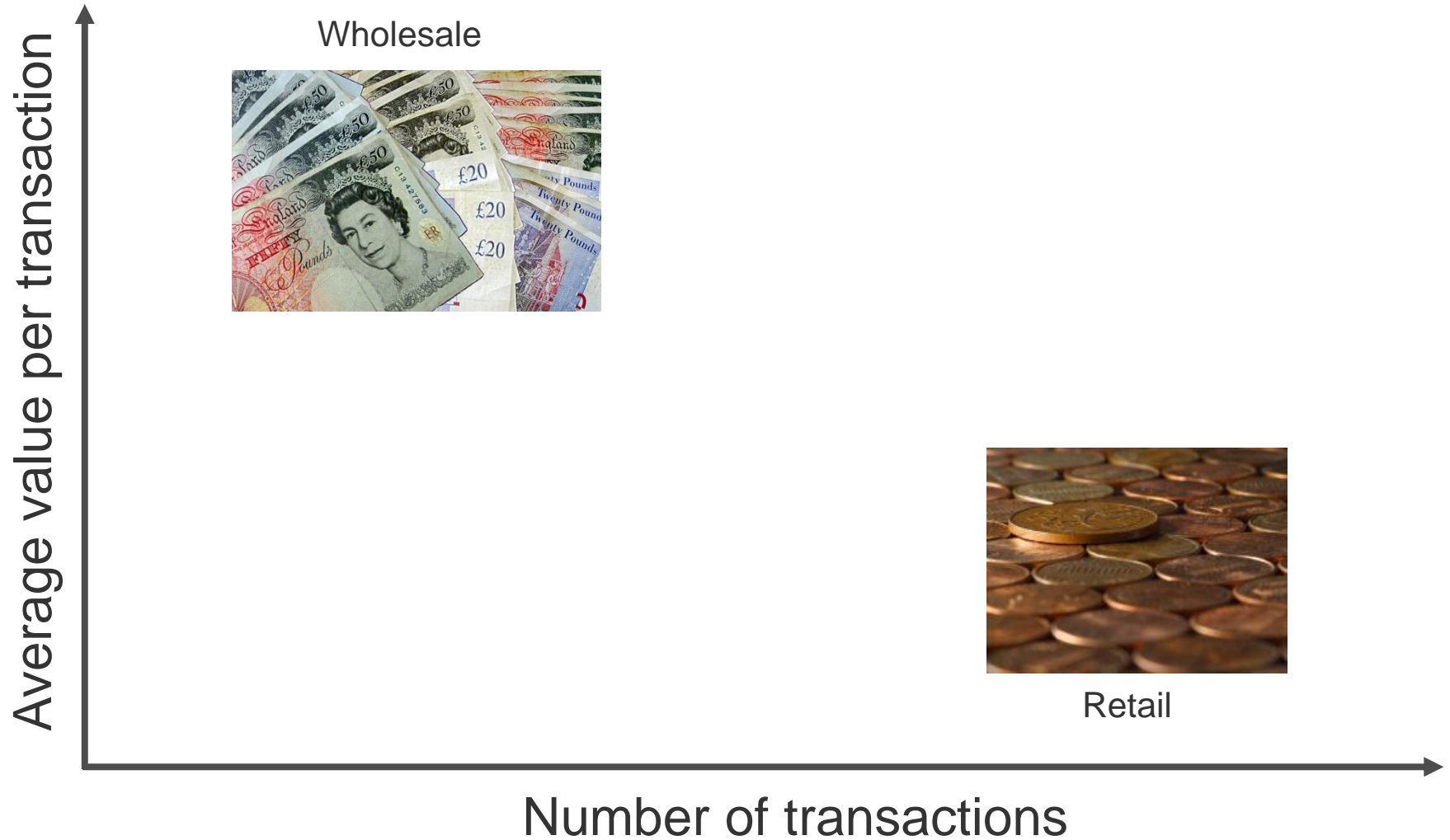
# A Quick Look At Payments

**Jost Hoppermann, VP**

February 19, 2014



# Retail And Wholesale Payments



Illustrative



# Where Do Banks Typically Start Change?

## Top Ten Initial Focal Points For Transformation

|    |  |
|----|--|
| 1  | • Core banking                             |
| 2  | • Analytics/BI                             |
| 3  | • Transformational architecture            |
| 4  | • Mobile banking                           |
| 5  | • Multichannel enablement                  |
|    | • Regulatory compliance                    |
| 7  | • CRM                                      |
| 8  | • Central customer / party data management |
| 9  | • Risk management                          |
| 10 | • Internet banking                         |
|    | • Payments                                 |



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# Where Do Banks Typically Start Change?

## Top Ten Initial Focal Points For Transformation

**1**

- Core banking

- Transformational architecture

**3**

- Transformational architecture

- Payments



# Global banking platform deals survey 2013



**55%** of counted deals included core banking functionality

**17%** of counted deals included retail-payment banking functionality

**27%** of counted deals included non-retail payment functionality

Base: 1,633 submitted global banking platform deals



**15%** of decision makers in financial services say:

**“We prefer mainly in-house-developed applications with a low share of off-the-shelf applications.”**

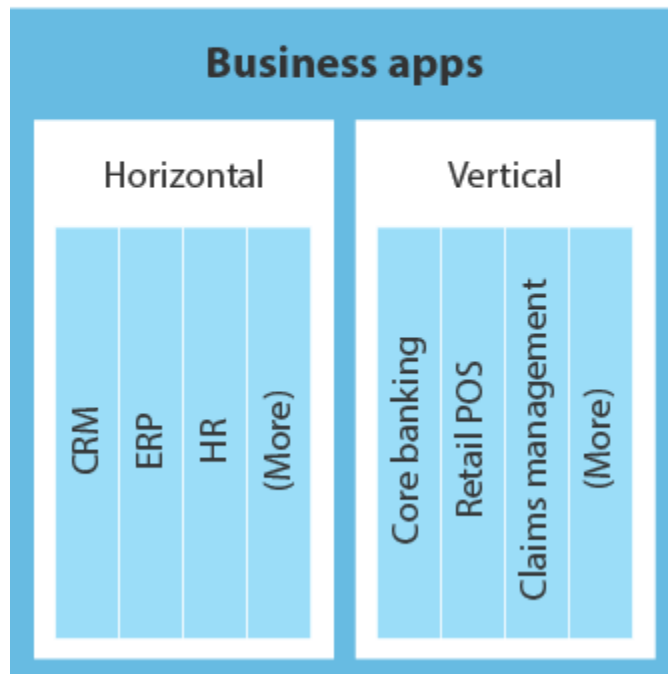
**85% don't!**



# The Evolution Of Business Applications

## Today

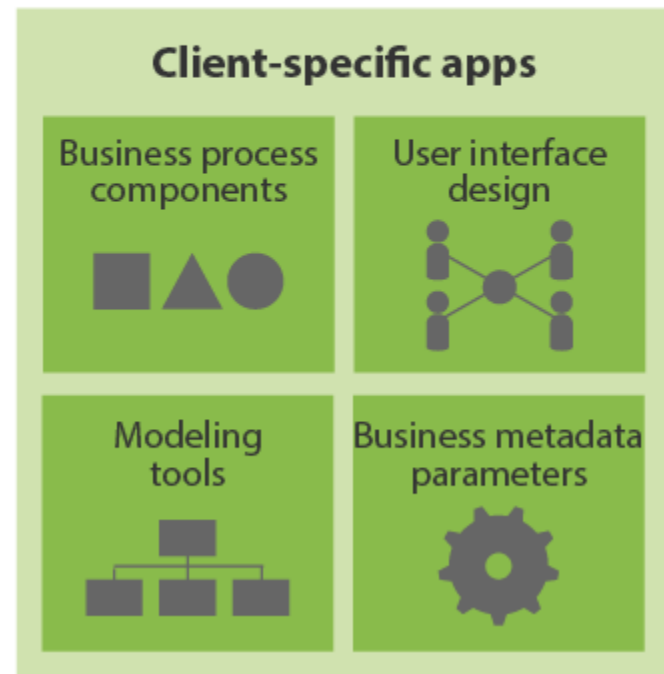
Extension, customization,  
and integration across functional silos



Buy vs. build

## Future

Composed of multiple custom and  
off-the-shelf business applications, their  
components, and business  
metadata/parameters



Buy plus build





74%

**of business application decision-makers in banking say: “We are working on a major transformation initiative or plan to do so by 2016 the latest.”**

**The  
transformation  
imperative**



# Thank you

**Jost Hoppermann**

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**JHoppermann@forrester.com**

*forrester.com*





# Making payments pay

Amanda Gilmour, Payments Product Director



# Why payments?

## Market opportunity

USD 6bn market opportunity

Growing fast with an estimated 5-year CAGR of 9.6%

Increased financial inclusion driving growth in overall payments – 8.8% annually

Online shift – m-payments and e-payments growing at 58.5% and 18.1% p.a. in 2014

## Our fit

We are experts in banking

Unique position to be able to compete by building a new solution (no baggage) with bank

Ability to leverage common assets – frameworks, STeP, FT, etc

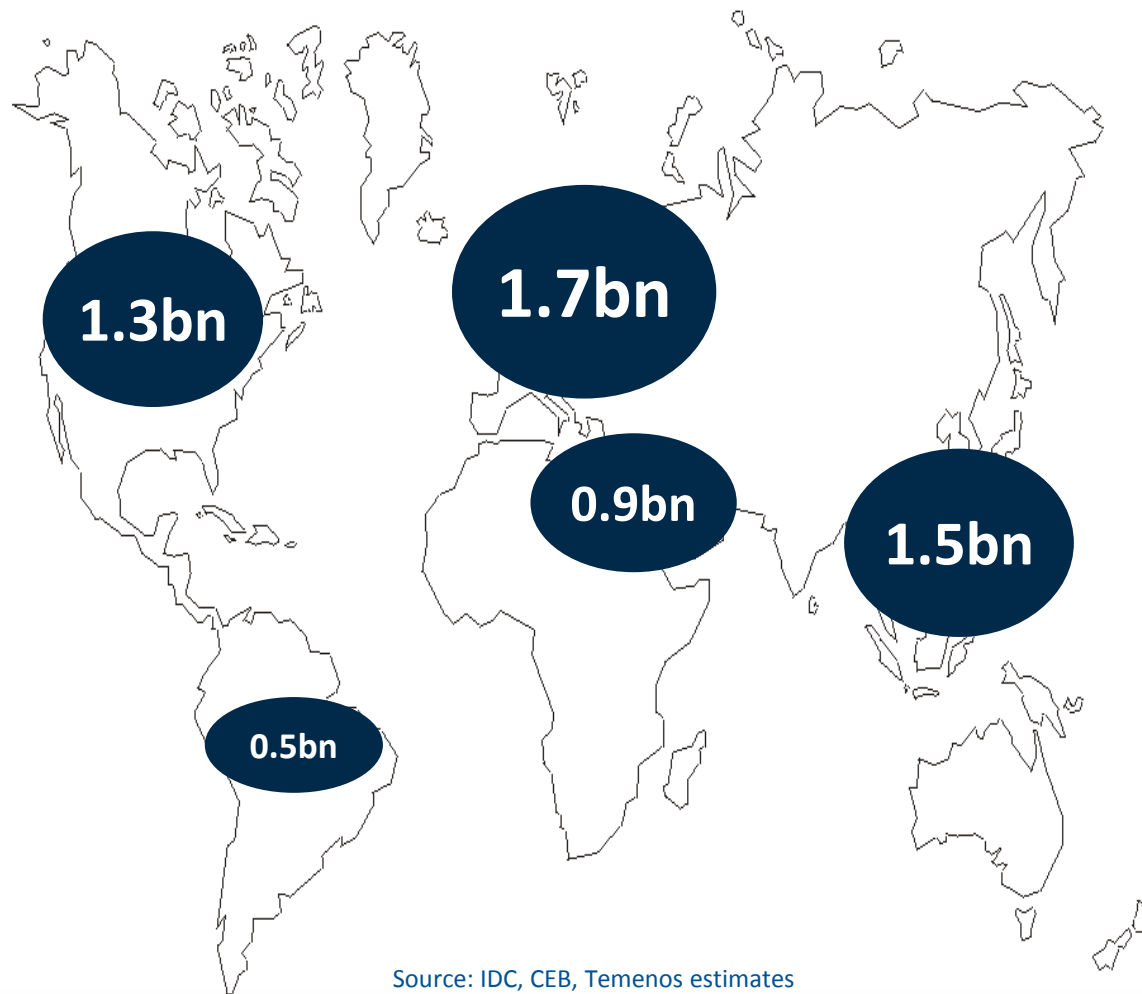
Cross-sell potential – our customers were asking us to build TPS; same decision makers

**Our solution is in a position to take advantage of the huge opportunity**





# The market opportunity



Source: IDC, CEB, Temenos estimates

## Target market

Banks

Clearing houses

Service bureaus

## Pricing model

ILF

ASP

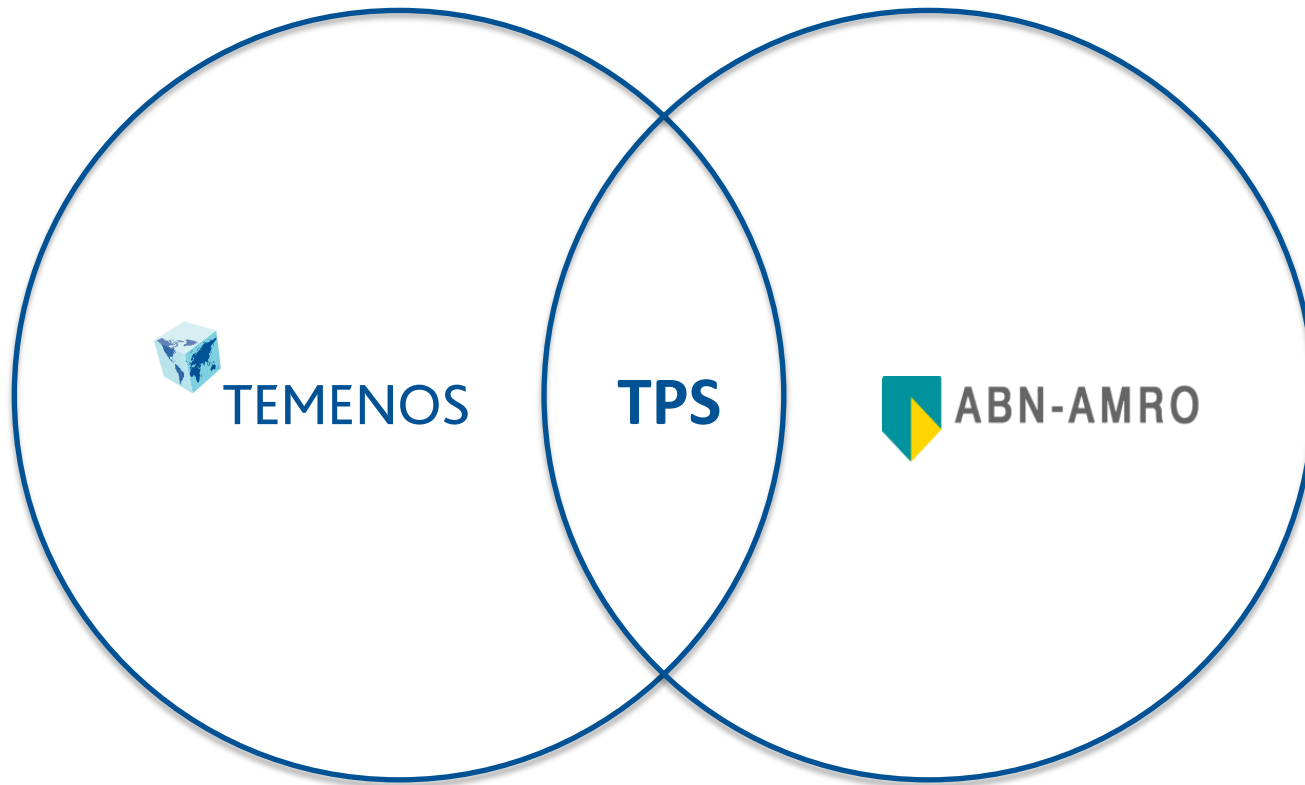
Target market for payments is as large as core banking





## Why now?

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Opportunity for co-development with ABN AMRO



# What is TPS and how is it built?

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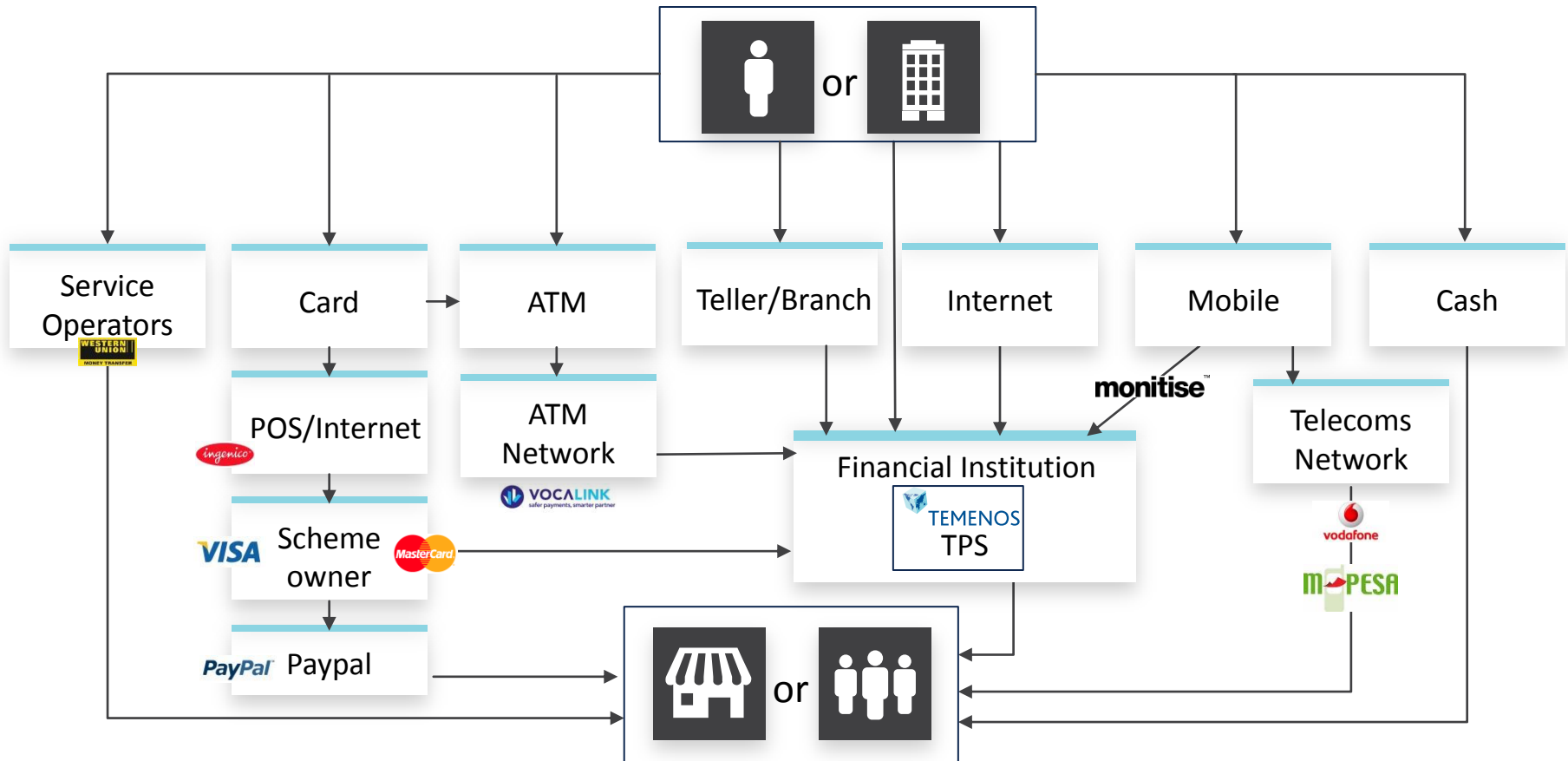
- Temenos Payment Suite is a payments hub
- Allows financial institutions' customers to make any type of payment, in any form or currency, to any payee
- Sold to institutions with complex payments needs
- Built using agile methods – built in just 18 months
- Built together with ABN AMRO – built by banks for banks
- Underpinned by the Temenos architectural frameworks
- Blends best industry expertise with latest technology

A state-of-the art payments hub, built by banks for banks





# Where does TPS sit?



The whole payments industry is worth c. **USD 1 trillion**





# Why do banks need TPS?

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Banking revenues from payments are growing fast...

# 10%

CAGR to 2022 for banking revenues generated from payments.

BCG

...but costs grew as fast as revenue between 2007 and 2012

“ Volume has grown by roughly 24 percent over this period, yet operational cost has grown at nearly the same rate, clearly indicating that scale effects have been negligible.

BCG

Competition becoming fierce with the entrance of tech companies, e.g. Google

“ Financial institutions that ignore payments today risk losing their positioning in the long term. Chief among the risks they face is the threat of disintermediation and they can quickly become just a “dumb pipe” for payments.

Ovum

Compelling business case for banks to invest in a modern payments system





# Competitors

|                               |  <b>TEMENOS</b><br><small>The Banking Software Company</small> | Dovetail | ACI | Fundtech | Clear2Pay |
|-------------------------------|---|----------|-----|----------|-----------|
| Global presence               | ✓   | ✗        | ✓   | ✓        | ✓         |
| Multi-product                 | ✓   | ✗        | ✓   | ✗        | ✗         |
| Universal payments process    | ✓   | ✗        | ✗   | ✗        | ✗         |
| Payment hub                   | ✓   | ✓        | ✗   | ✓        | ✓         |
| Extensive partner ecosystem** | ✓   | ✗        | ✗   | ✗        | ✗         |

**“TPS is a market disrupting product”**



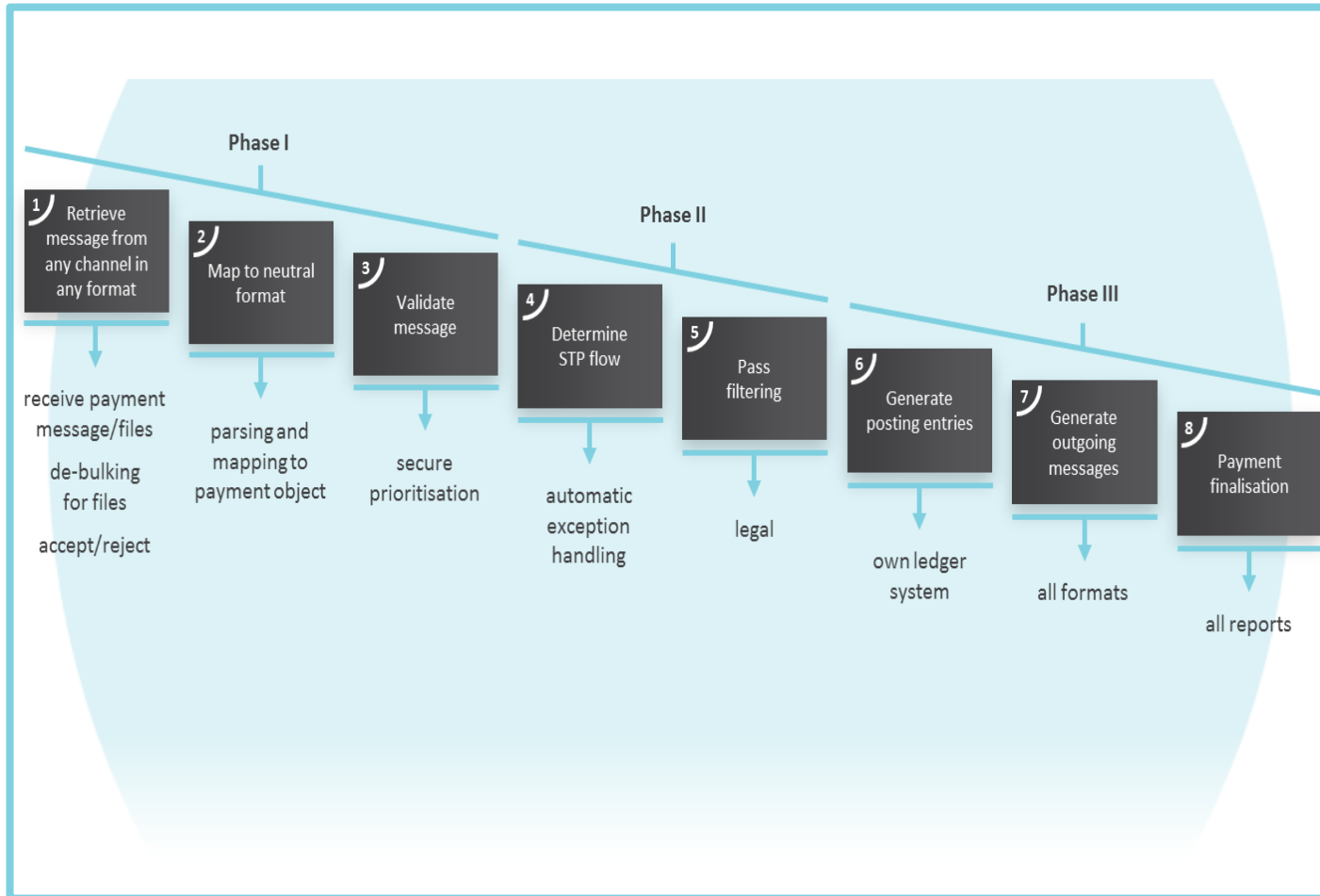
\*As defined by CEB\*\*Extensive partner ecosystem defined as having more than 10 services partners, as per IBS

**We compare favourably to our closest competitors**





# Universal payments process



Illustrating the Universal Payments Process which evidences the supply chain nature of the product. In addition clearly showing the principles of components





# Go-to-market

|                                |                                     |   |                   |                                     |                         |                               |
|--------------------------------|-------------------------------------|---|-------------------|-------------------------------------|-------------------------|-------------------------------|
| Development agreement with ABN | Launched to industry analyst, press | Recruitment of specialist sales initiated | Launched to sales | Market-building activities commence | Go-Live date (ABN AMRO) | Target for first new customer |
| May 12                         | Sept 13                             | Dec 13                                    | Jan 14            | Mar 14                              | Jun 14                  | Dec 14                        |

- Sales cycle is 12 to 18 months
- Average deal size is similar to core banking
- In 2013, we estimate there were 75 payment deals

First sale expected in late 2014





# Summary

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Ground-breaking payments hub, exactly aligned to market needs



TEMENOS





Thank you  
[www.temenos.com](http://www.temenos.com)





# Delivering client success

Mike Davis, Client Director



## 2013 review

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- ✓ We delivered more projects
- ✓ Time to go-live for our projects was reduced
- ✓ We grew “premium” services
- ✓ Our partner model delivered and was scaled
- ✓ We improved the governance of projects

A year of successes





# A record year for go-lives

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In 2012, Temenos and its partners took

**89** financial institutions live on mission-critical systems,

**132 Go-Lives in  
2013**

processing

**3,927,236,920**

transactions every year

## 132 Total Go Lives in 2013

- 38 full implementations
- 48 phased implementations
- 45 upgrades
- 1 insurance go live





# Our strategy has delivered client success

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## Highest levels of execution

- Reducing implementation times
- Delivery excellence
- Referenceability
- Rich methodologies and model banks

## Regional delivery

- Accountability within the regions
- Global support remains

## Supportive partner model

- Implementation focussed
- Lead generation
- Temenos governance on all partner projects

## “Premium” services

- Training
- Expert services
- Productised services

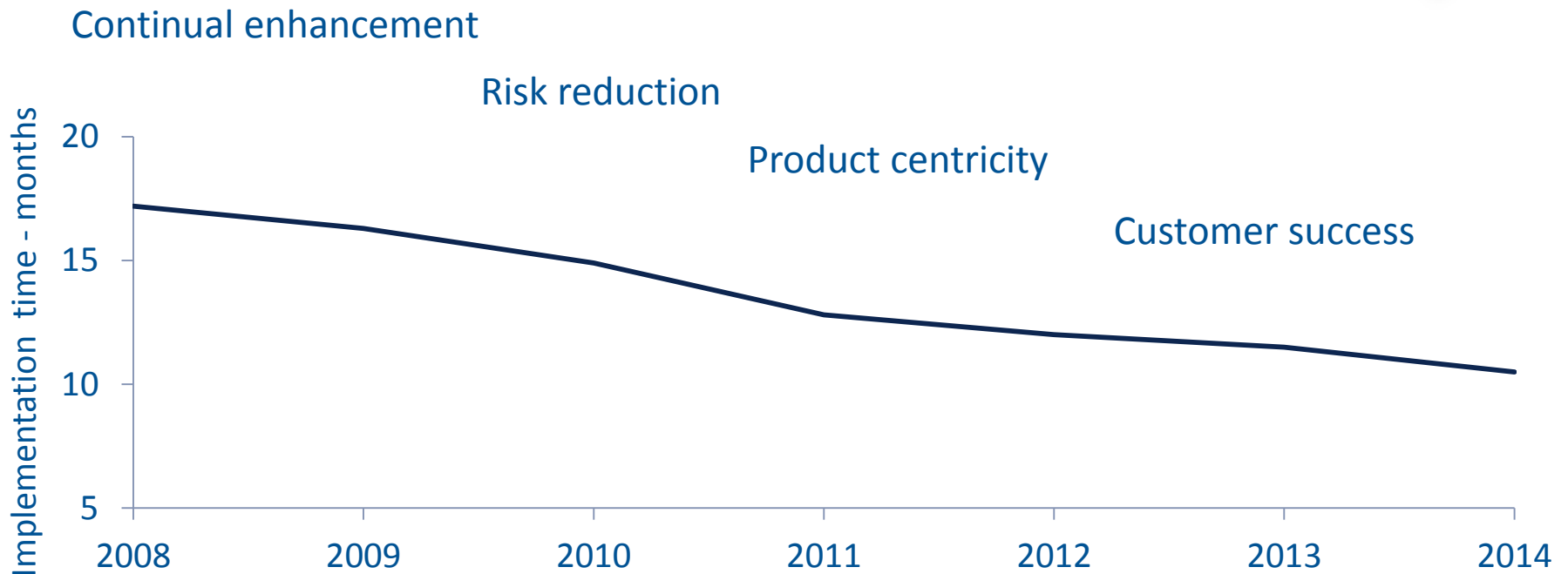
Delivering customer success





## Highest levels of execution: reducing time to go-live

Model Bank....TIM....Country platforms....Partners....Integration framework



Average implementation times are continuing to fall





# Highest levels of execution: centres of excellence

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1

Accelerate growth of implementation skills and knowledge

2

Field-driven product improvement

3

Business and solution development

4

Knowledge sharing in the Temenos Delivery Ecosystem

Connecting partners, services and product





# Case study: Metro Bank UK – Retail IB case study

“We’re absolutely delighted to launch our new internet banking platform to our personal customers. We’ve listened extensively to feedback from our customers on what they want from their bank online, and have designed this platform with them and their needs in mind. As a bank, we want to give all our customers unparalleled levels of service and convenience, whether that’s in store, online or by telephone – and we are confident that the new platform will make our customers’ online banking experience better than ever.

Craig Donaldson  
CEO – Metro Bank



TEMENOS

## Upgrade to Personal Banking platform – replacing ARC IB

- Provides Metro with a solid user experience platform with significantly greater flexibility over ARC IB - well positioned to adjust swiftly to industry trends
- New functions delivered include card management, expanded views on transaction states and dynamic help as well as optimisation for competitive performance
- Show-case for Temenos Connect capabilities

## Some Words on Metro Bank UK

- Headquartered in London
- Offers Personal and Business Banking to individuals, Small Businesses and Corporations respectively
- 24 UK stores based around London with growth of 200 stores across Greater London and beyond by 2020



## Supportive partner model: a win-win relationship

# USD 1bn

The value of services opportunity around Temenos applications



Partners implementing and selling – now over 1,700 certified consultants





## Supportive partner model: reducing Temenos headcount

| From 2010 | “Implementation”<br>headcount<br>vs 2010 | “Expert”<br>consultants<br>vs 2010 | Total<br>headcount<br>vs 2010 | Total<br>go-lives |
|-----------|--|------------------------------------|-------------------------------|-------------------|
| 2012      | Down 10%                                 | Up 19%                             | Down 8%                       | 89                |
| 2013 / 14 | Down 31%                                 | Up 52%                             | Down 21%                      | 132               |

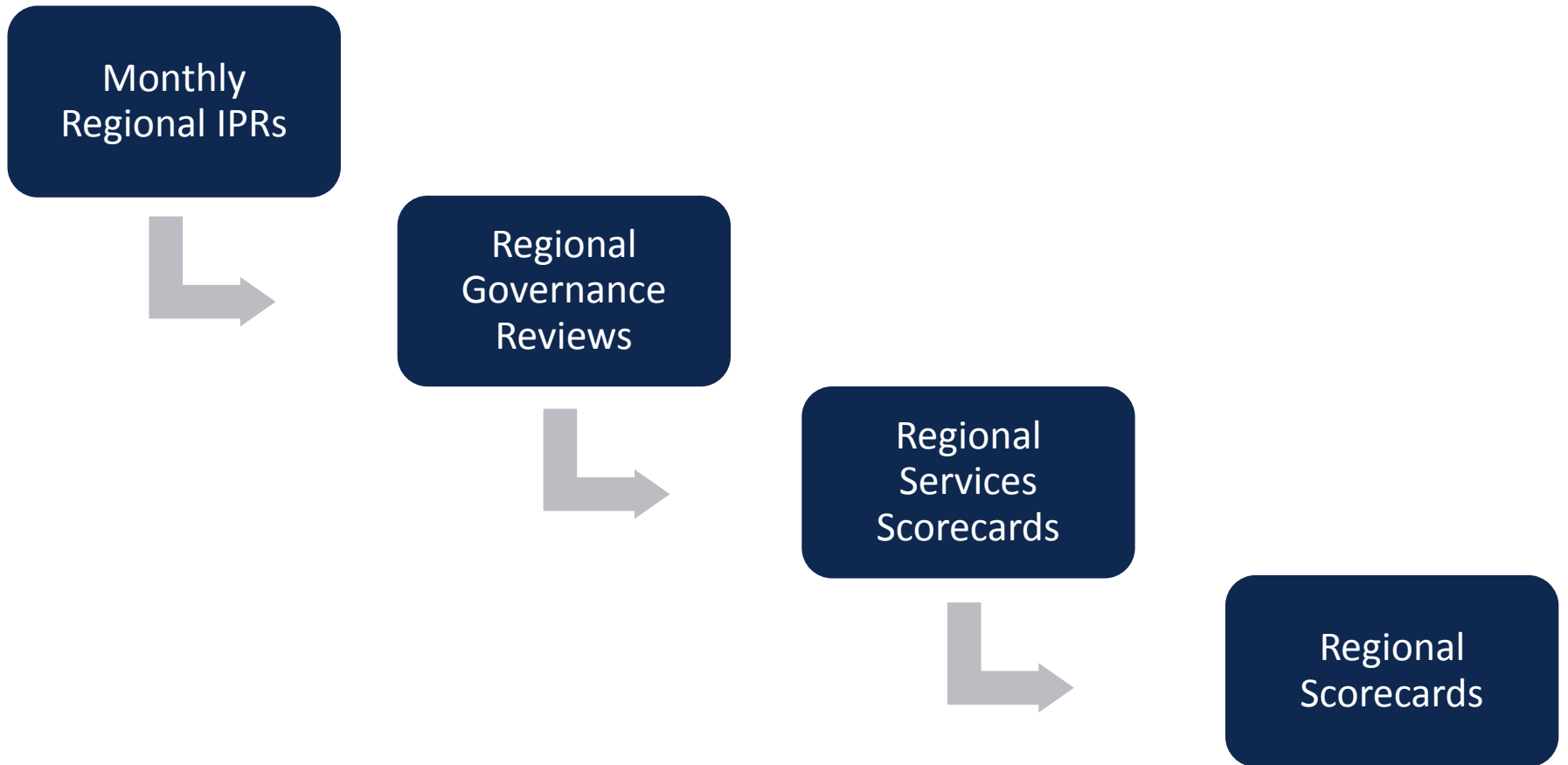
Headcount down.... but more go-lives than ever





## Supportive partner model: improving governance

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Ensuring consistent delivery





## “Premium” services: productised services covering all products





# “Premium” services: what our clients say about Expert Services

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“*We wish we’d known about this a long time ago*

**John Mitchell**  
National Bank of Malawi

“*We are looking forward to using this expert service again in the future – only next time, we will definitely request it sooner. We would definitely recommend the service to other banks.*

**Chege Thumbi**  
NIC Bank

“*Having used the system for around a decade, we thought we understood the system very well. Whilst the Temenos specialist confirmed our views, we also realised that we had a lot more to learn. The specialist knew the system inside out, and much better than we ever did.*

**Abdul Razac**  
Standard Bank

“*The Temenos specialist was very proactive and helped us with many topics outside the scope of the engagement, for example, our future roadmap and planning. We rate him extremely highly.*

**Raffoul Raffoul**  
Byblos Bank Lebanon

“Useful, good value for money, a must for any site” – John Mitchell





# Case Study: Unibank, Accra, Ghana

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- Progressive Expert and Productised Services to optimise use of our products
- Driven by Client Architect engagement with client, local partners and database



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“ Thanks to the progress made, we now have the right foundation, and right approach, for a sustainable Banking Platform

T24 Performance Healthcheck 2012

Client Architect engagement 2013

Database conversion jBASE to Oracle 2013

T24 upgrade R08 to R13 2014

Business optimisation, extension of Temenos product footprint 2014-2015





# Case Study: Temenos Client Architect

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- Our most experienced and respected consultants
  - Trusted advisor to our clients
  - Focused on optimal use of our products, now and in future
- 

“ *The service we received from the Client Architect was beyond our wildest dreams.*

“ *I am really looking forward to him coming back over the coming months so we know where our technology and architecture needs to be in the coming years.*



**Chege Thumbi**  
Director of Technology  
and Operations, NIC Bank

“ *Quick time to value. Within two days, you are able to discuss your requirements and get their input on the best way to proceed.*



**Dennis Volemi**  
Head of Technology, CBA





# Case study: T24 performance optimisation

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- Over 70 assignments delivered
- High impact, high value, two week engagement at premium rates
- 70% reduction in daily COB time from 14 hours to 4.5 hours at NIC Bank, Kenya
- 82% improvement in transaction time at National Bank of Malawi, from 5.5 seconds to 1 second
- 71% improvement in End of Week reporting time at Byblos Bank, Lebanon

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“*We are very happy with the service. Saving 1.5 hours every day on COB is a real benefit for us. The consultant was consistent, cost-efficient and focused on the work. He was also very happy to help us with other tasks. We won't think twice about a second engagement if required.*

**Standard Bank**  
Mozambique

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“*We would have paid more for the relief.....brought to the Bank.*

Client in Ghana after averting supervisory intervention due to poor performance & instability

A unique service, with the onsite Performance Specialist supported by our Core Development team and access to Technology Partners





# Summary

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## Services A strong 2013

- More projects delivered
- Growth in “premium” services
- Implementation times reduced

## Partners The model is delivering

- Growth in partner resource
- Increase in ILF brought by partners
- Improved governance of partner-led projects

No change to the strategy which is delivering results







Thank You





## Financials

Max Chuard, CFO



# Medium term targets announced in February 2013

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Non-IFRS revenue growth of 5%+ pa with

- Licence growth of 10%+ pa
- Services contributing 20% to 25% of group revenue and be profitable

Non-IFRS EBIT margin improvement of 100 to 150bps on average pa

Cash conversion over 100% pa

DSOs reducing by 10 to 15 days pa

Tax rate of 17% to 18%

**Ambitious plan to generate shareholder value**





## Q4 and FY 2013 financial KPIs

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### LFL licence revenue

Q4 up 15%  
FY up 10%

### Services

FY services revenue down 9%  
FY services margin up 7%

### Non-IFRS EBIT (and margin)

Q4 up 11% (margin up 1.1% pts)  
FY up 30% (margin up 4.9% pts)

### Non-IFRS EPS

Q4 up 3%  
FY up 36%

### Cash

USD 169m of operating cash flow in Q4  
119% FY conversion; DSOs down 28 days

### Leverage

USD 109m of free cash flow in Q4  
0.7x leveraged as at Dec 2013

Year one delivered on plan





# 2014 guidance

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**Software licensing growth of 10% to 15%** (implying software licensing revenue of USD 152m to USD 158m)\*

**Non-IFRS revenue growth of 5% to 10%** (implying revenue of USD 491m to USD 515m)\*

**Non-IFRS EBIT margin of 25.1%** (implying non-IFRS EBIT of USD 123m to USD 129m)\*

**100%+ conversion** of EBITDA into operating cashflow

**Tax rate of 17% to 18%**

\* Currency assumptions and definitions of IFRS in Appendix to Q4 and FY 2013 results presentation

**2014 guidance comfortably in line with medium term plan**





# Delivering on our medium term targets

| Software licensing  | Services  | Margin   | Cash & DSOs  |
|---|---|--|--|
| <p>Faster recovery in Europe</p> <p>Return of larger core banking deals, especially in Europe</p> <p>More licences from relicensing customers than expected in 2013</p> | <p>Higher growth of “premium” services</p> <p>Faster shift of implementations to partners</p> | <p>Faster improvement in revenue mix</p> <p>Faster improvement in services margin</p> <p>Lower cost base delivered</p> | <p>Faster recovery of old balances</p> <p>More sales to existing customers</p> <p>Reduced implementation times</p> |

Over-delivering on many KPIs





# Growth in 2014 and beyond

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## By geography

- Europe continuing to grow
- MEA and APAC biggest contributors to growth
- Strong growth from Americas but from a low base

## By product

- Core banking continuing to grow
- Contribution from multi-product offer to increase from 25% in 2013 to 30% in 2014
  - Strong growth from PWM, BI and Channels
  - Only small contribution from TPS in 2014, accelerating in medium term

## By new / existing

- Realising installed base opportunity
  - cross-selling of multi-product offering
  - relicensing opportunity
- Focus on strategic accounts

## Relicensing

- Provides opportunity to engage
- Hard to distinguish between relicensing and new sales so will not separately disclose
- Lower contribution in 2014 than in 2013, to accelerate in medium term

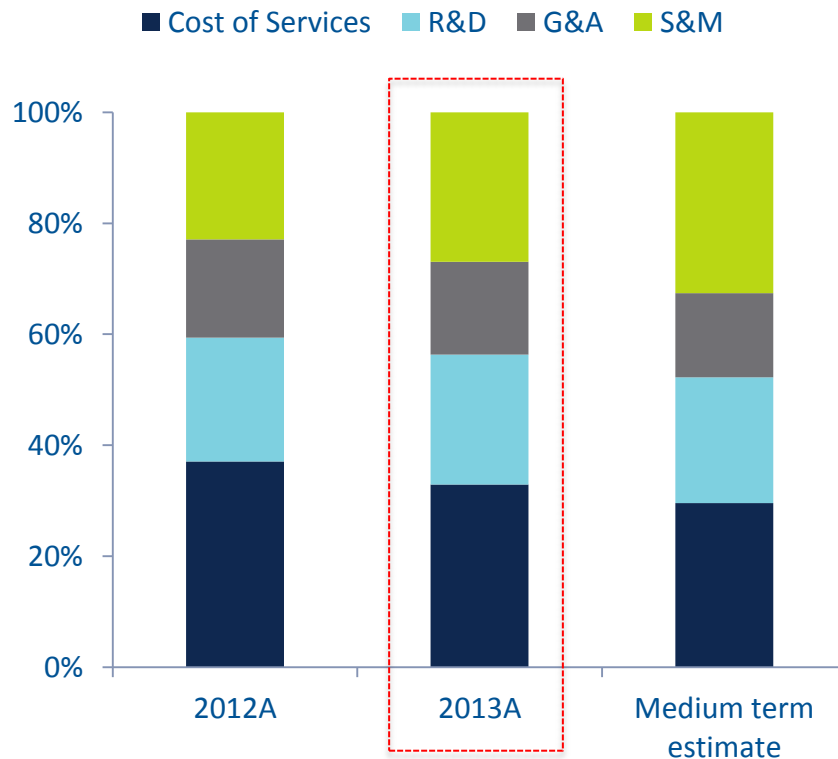
Multiple levers for growth





# A view on costs

## Cost breakdown



- Cost of services falling as % of revenue: focus on “premium” services and leveraging fixed costs
- R&D falling as % of revenue (although increasing in actual amounts): exploiting scale synergies and productivity improvements and absorbing increasing amortisation of capitalised development
- G&A falling as % of revenue: leveraging fixed costs of running an already global business
- S&M rising as % of revenue: significant investment drives licencing growth

Cost base moving towards target model





# Year-on-year margin expansion

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100-150bps of margin expansion on average per annum in the medium term

Margin improvement to be driven by

- better revenue mix
- improving services margin
- economies of scale

Due to the headwind in 2014 and 2015 of increased amortisation of capitalised development costs, EBITDA will grow faster than EBIT

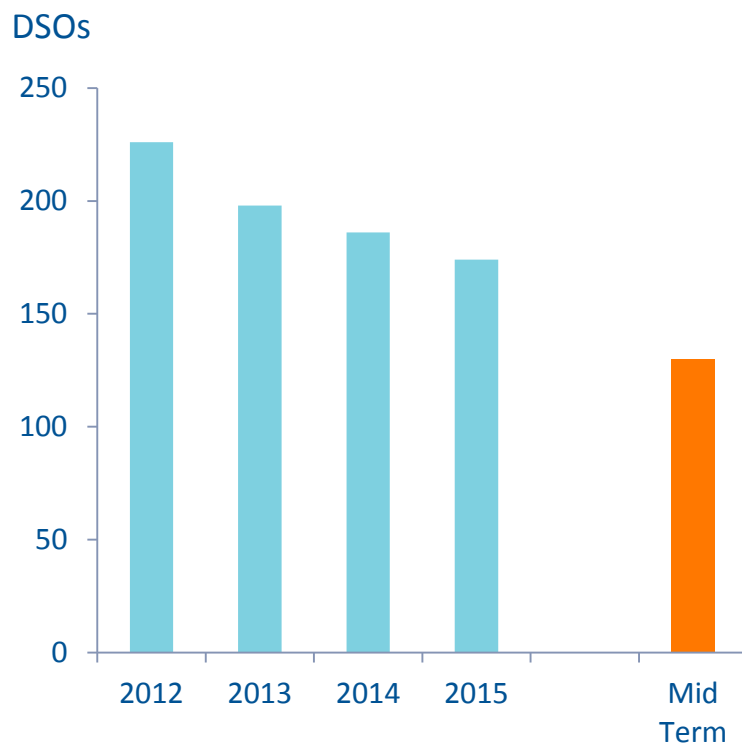
Licence growth funds investment; incremental maintenance delivers margin expansion

Significant margin expansion





# High quality earnings



\* 2014 and 2015 DSOs based on reduction of 12.5 days each year, at the midpoint of guidance

100%+ conversion of EBITDA into operating cashflow driven by quality of earnings

- EBITDA growing faster than EBIT
- cash growing faster than profit

10 to 15 days reduction in DSOs per annum driven by

- reducing implementation time
- higher proportion of sales to existing customers (i.e. cross selling opportunity to drive better terms)
- continued expansion of partner programme
- recovery of old balances

Significant growth in operating cash, coupled with an efficient tax and financing structure, to drive free cashflow

DSOs expected to reach 130 in medium term





# Financial flexibility

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## Use of funds

Temenos is highly cash generative with a strong balance sheet which enables investment in the business as well significant cash return to shareholders

Preference for M&A over returning additional capital to shareholders, providing suitable acquisition opportunities exist

## Leverage

Temenos has significant flexibility

- currently under 1.0x leveraged
- 1.0x to 1.5x optimal but would increase for acquisitions if clear path to deleveraging
- leverage is constantly reviewed to ensure efficiency

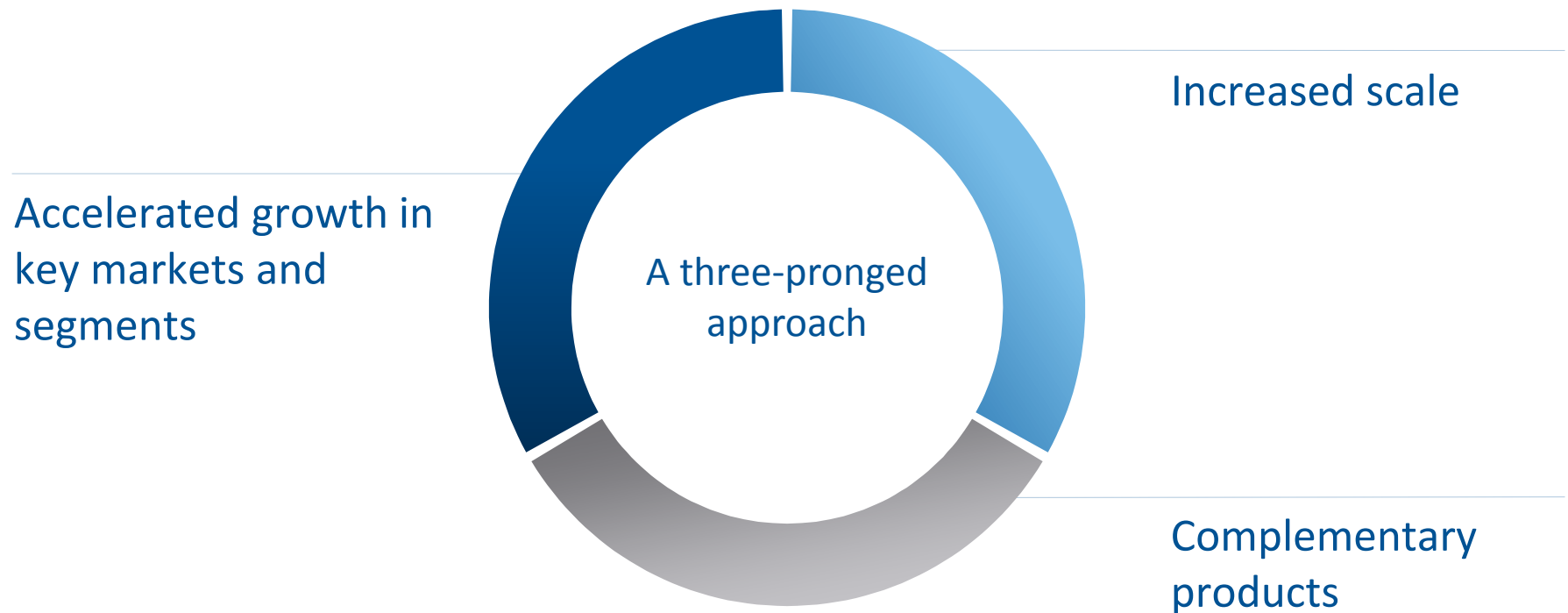
Temenos may look to diversify further sources of funding on an opportunistic basis

**Significant financial flexibility to achieve corporate objectives**





# A three-pronged approach to M&A





# M&A criteria and pipeline

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## Strong financial metrics

- EPS accretive within 12 months
- IRR of at least 13%

## Most attractive and synergistic areas are

- Core banking
- Payments
- Wealth management
- SaaS / Cloud

## Good pipeline of opportunities

- Broad geographic and market spread
- Range of values, with “sweet spot” of c.USD 100m of revenues but would do larger deals of strategic importance

A disciplined and selective approach to M&A





# Key takeaways

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- We have delivered on our commitments
- Our market opportunity is massive... and has increased with the launch of TPS
- The industry is undergoing a structural shift - the fundamental growth drivers remain
- We have the solutions to meet the industry's needs and a compelling roadmap
- The competitive environment is changing - we are consolidating and extending our lead
- Our delivery is constantly improving with rich methodologies and the right partners
- Revenue growth and operational leverage driving strong earnings and cash generation

Delivering growth







Thank you  
[www.temenos.com](http://www.temenos.com)