**TEMENOS**

**Moderator: David Arnott**
**March 4, 2015**
**8:30 GMT**

OPERATOR: Good morning and welcome to today's Temenos Call following the announcement of Multifonds.

On the call we have David Arnott, Max Chuard and Oded Weiss, the CEO of Multifonds. Following a short presentation, we will be taking question and answers, at which time if you do wish to ask a question, you will need to press star and one on your telephone.

I would like to remind you the conference is being recorded today, Wednesday, March the 4th, 2015.

With that I'll hand over to David Arnott.

David Arnott: Thank you, Operator. Hi, everybody and thanks for joining this morning's call at such short notice. Delighted today to be able to announce the acquisition of Multifonds and we're joined today by Oded Weiss, the CEO of Multifonds who will continue to lead the company and who will shortly be talking to you all about the business.

As usual, I'm also joined by Max, who's going to go to the financials. And, we'll also be open to taking questions at the end of the short presentation.

As you'd expect, we won't be talking about current trading on today's call. So, please keep any questions related only to the acquisition.

If you turn now to slide four of the presentation that hopefully you've all been able to find on our website, I'd just like to summarize the transaction. Multifonds is a leader in fund administration software. It's a complementary and adjacent market for Temenos. The acquisition gives access to highly complementary of products, client relationships with more than 30 of the world's largest financial institutions, an entry point into the fast-growing fund administration market, and additional scale to fund future growth.

The acquisition is also highly attractive financially, adding $34 million of annual recurring revenues (just) to today's run rate, increasing visibility and predictability and generating double digit EPS accretion in the first full year of ownership.

Turning to slide five, the acquisition of Multifonds is a great acquisition for Temenos for a number of reasons.

Firstly, Multifonds is recognized as a global leader in fund administration software, processing $5 trillion in assets. It's got a fantastic client base with high levels of retention including nine of the world's top 15 fund administrators such as JPMorgan, HSBC, BNP Paribas and Citi.

It's enjoyed strong growth and has high levels of recurring revenue, about 60 percent of the revenues are in fact recurring and the transaction generates double digit EPS accretion in '16 and that number doesn't take into account any revenue synergies.

Finally, the experienced and highly knowledgeable team will remain within Temenos led by Oded, who will now talk to you in more detail about Multifonds. So, with that, I'll hand you over to Oded.

Oded Weiss: Thank you, David. Turning now to slide seven, let me talk about it, the third party administration market. This market is undergoing significant change which is driving a structural need for third party software like Multifonds.

Assets under management are growing at about 7 percent, but asset managers' margins under pressure which is driving outsourcing to third party administrators or TPA. To improve efficiency with revenue growing at 10 percent and large tier one TPA growing even faster in consolidating markets.

Multifonds is well-placed to capitalize on these trends, as a market leading provider to third administrators. We serve 9 out of the top 15 custodian in the world. And then, truly help our client to significantly improve operational efficiency at around 40 percent on average.

The fund (in the business) today is relying more and more on the third party software providers and we at Multifonds are extremely well-positioned to support their needs.

Now, turning into slide eight, I would like to give you an overview of Multifonds solution. Our platform plays a critical role in the fund service value chain. First, we provide the client with a growth asset class multi-jurisdictional accounting agent. And it's the only one that can do both the middle office and the back office together on a single platform. We also help our clients to manage it – manage the investment side of the business in our (cluster)-agency solution, global investor, light accounting is also multi-jurisdictional and it's the only (TA) system that can support long only and alternative fund.

Female: Excuse me, could you move closer to the microphone, please?

Oded Weiss: Sure. As you can see on the next page, page nine, our competitors cover only part of the asset class-backed spectrum. And some of the recent win in the – this space, like JPMorgan for example, were accomplished due to the unique coverage in value proposition, enabling them to consolidate multiple systems and improve efficiency.

Now, back to accounting on slide 10. You can see a similar picture where our competitors have multiple solutions while we provide all on one platform.

The operational benefit of running one solution across the asset classes and across multiple jurisdictions are truly dramatic.

Talking about jurisdiction, if you look at slide 11, Multifonds has a great tier one client base across all key regions globally, providing a major cross-sell opportunity for Temenos, with Temenos client base offering the opportunity to cross-sell Multifonds product.

I'm going to hand it over to Max here who is going to tell you more about how we are going to leverage the global account structure of Temenos, partner network to accelerate our growth.

Max Chuard: Thank you, Oded. Turning now to slide 13. We have a clear plan placed to integrate with Multifonds, to ensure that we maximize the opportunity as quickly as possible and ensure that we leverage Temenos' global footprint including joint go to market and branding activities have commenced right away.

The global accounts structure will be leveraged immediately to seek cross-sell opportunities. Temenos spot net will be leveraged to upscale sales and delivery. Product will be brought together over time to create a full suite of integrated solutions for the fund management industry. Back office integration will begin immediately. And finally there'd be greater resources to fund organic and inorganic growth.

Turning now to slide 14, the acquisition is highly attractive from a financial perspective and meet our acquisition criterias. The consideration for the acquisition is to EUR235 million and is expected to contribute revenue of circa $46 million in 2015, $56 million on a pro forma basis of which more than 60 percent will be recurring revenues, the vast majority of this coming from subscription revenues.

In 2015, we expect Multifonds to contribute $30 million to full year non-IFRS EBIT. A full breakdown of the expected 2015 on an non-IFRS basis is set out in the appendix.

Multifonds has been growing revenues at around 10 percent per annum over the recent years and we will expect similar level of gross going forward.

Temenos expects to incur restructuring charges of around $11 million in relation to the acquisition. The acquisition of (Accent) and all the cost rationalization activity across the globe. The acquisition is expected to be 4 percent accretive to non-IFRS EPS in 2015, 6 percent on the pro forma basis for the year and 10 percent accretive in 2016.

The accretion includes a cross-synergy of around 10 percent to 15 percent of Multifonds cost base but does not include any revenue synergies which, obviously, we will expect to achieve. The acquisition is to be funded through cash and debt. And now expect our fully financing charge to be circa $21 million for the year.

As a consequence of the acquisition, Temenos' leverage will increase to around 2.4 times EBITDA. And given our very strong, anticipated cash flows we will expect to bring this back to the range of 1 to 1.5 times EBITDA within 12 to 18 months.

Turning now to slide 15, we have updated our non-IFRS 2015 guidance to reflect the acquisition of Multifonds and expect strong growth in the year with revenues up between 18 percent and 23 percent to between $528 million to $550 million. It is worth noting that our marching guidance remain unchanged as (those) our target cash conversion of (41) percent and our target tax rate.

We've included the expected 2015 contribution for Multifonds in the appendix. With that, I will hand over to David for the key takeaways.

David Arnott: Thank you Max. Now, if you go to slide 16, the last slide to today's short presentation, I'm not going to read all of this out, you've heard the key messages. But in summary, we believe this transaction has got a fantastic strategic rationale. And it's also highly attractive financially.

So, with no further ado, Operator, I'd like to open up the call for questions and answer please.

Operator: Yes, sir. At this time, ladies and gentlemen, if you wish to ask a question, please press star and one on your telephone and wait for your name to be announced. If you decide to remove your question, press the hash or the pound key. Again, that's star and one for a question.

Your first request today comes from the line of Gerardus Vos of Barclays. Please go ahead.

Gerardus Vos: All right, good morning all. I have three questions. This first, regarding deal, you know, given that you have a great opportunity in the core kind of banking market, is there a risk that this kind of – it's a kind of destruction for the sales force and could result in some further kind of hiccups on the licenses in '15?

And then, secondly I just wanted to get a bit more granularity on the restructuring, how much of the $11 if for the integration of the two deals. And how much is restructuring? And I was always under the impression that the group was already managed quite lean. So, I was wondering where you expect to find some further savings.

And then the last one Max, if you could provide me a little bit of insight on the kind of mixture between cash and debt for the deal. Thank you.

David Arnott: Thanks, Gerardus. Good question. So, let me take the first one and Max will take the second two. So, obviously, I'm not going to comment on current trading. But, we laid out our business plan for the organic business. We're executing against that. We're performing extremely well, and the way we're going to protect the business from any impact is to run this as a standalone division.

So, Oded and his team are going to run this as a totally standalone division throughout 2015. We're going to work at the product level on a – on some product vision and we're going to train the sales force at some point in the year on the elevator pitch, if you like so that they can over time generate leads from our install base. But we're not going to distract them from their own targets. These targets are clear. Their go to market is very, very clear and is performing very well.

Max Chuard: Hi, Gerard. Just let me take the next two. On the restructuring charge of $11 million, you know, you could assume that as I said, 10 percent to 15 percent of cost synergies and 12, you know, a one to one ratio of restructuring and cost saving. And then, I will say, the rest, the majority adviser fee that we've had for that transaction as well as, the (adviser fee) we had for (Accent), the fact that we are now communicating on. And as I said, finally there is some restructuring that we've done internally but this is a small part.

And one the funding, majority is debt funded, so more than two-third is debt-funded, Gerardus.

Gerardus Vos: OK, very clear, thank you.

Operator: Thank you. Your next request comes from the line of Tal Grant of UBS. Please go ahead.

Tal Grant: Hi, good morning. Just a couple of questions from me. First, I'm just wondering if you could give some background to the deal. Is there something, David, that clients have been telling you about Multifonds or is it the case that Summit were looking for a buyer and you kind of looked at it opportunistically?

Secondly, just wondering, it's just to be clear on the cost synergies. So, the $11 million restructuring, all of that is taken into account into the 10 percent accretion for 2016. And, yes, I think that's about it for me, thank you.

David Arnott: Let me take the first one of those. So, we'll be looking to get into this segment (inaudible) – it's got a – it's very synergistic, it's very close to what we do in terms of our securities areas of T24. And it's – it keeps us very, very close to what we do today but allows us to open up – open up new market opportunities over time. So, we've been looking at the segment for a long time and we believe this is the right asset at the right time. The management team is extremely strong there, the cultures were aligned, the client base is extremely strong, the product roadmap is compelling and together, I think, we can present a joint vision.

I don't think it's really that relevant how we came across each other. But the transaction is completed and we're all very excited about the future.

Oded Weiss: On the restructuring charge, as you know, you know, the accretion I gave was on a non-IFRS basis which means that these are not taken into account in the …

Tal Grant: No, no – I meant the – I meant the savings from it there.

Oded Weiss: Oh, yes, yes. The cost savings are part of it, now the – 10 percent, 15 percent is the run rate which I expect to be achieved in 18 months so we will have part of that in n'15 and maybe let's say 60 percent and then the full run rate in '16.

Tal Grant: OK, understood. Thank you.

Operator: Thank you. Your next question comes from the line of Takis Spiliopoulos of Bank Vontobel. Please go ahead.

Takis Spiliopoulos: Yes, thanks. A couple of questions from my side. What is the overlap or the share the customer base – so, how many – what's the percentage of customers both Temenos and Multifonds have to this point in time. Then is there any metric on average contract length those customers have or is it just per month basis?

And then, maybe Max, if you could give u s a split of R&D, sales and marketing and (G&D) costs for Multifonds of the $40 million you put in the appendix, thanks.

David Arnott: Hi, Takis. OK, let me take the first one. The majority of the overlap is in tier one. We have a significant overlap between Temenos' accounts and the Multifonds' accounts. And, obviously, we'll be targeting those joint accounts over the next few quarters.

Oded, you want to take the question on the contract structure, and the length of (locked in) (inaudible)?

Oded Weiss: Sure. Yes. Our clients typically sign a long term contract typically five years. And we have loyal – extremely loyal client base sometimes going back 15 years and they continuously extending. They like the company and the service and where we are very happy with the tier one strong client base that we have.

Max Chuard: Takis, on the (street) of cost. I would say that this is quite similar to what we do at Temenos in the sense that they're doing (versus) a lot in product. So, a large part of the cost is, is product. And then, the rest would be between (G&A) and sales and marketing.

Takis Spiliopoulos: OK, and maybe just one other. Any impact on your DSO target, I think that should be positive. So, you know, are you changing that? Or feel now even more comfortable on achieving those? I mean, it's going to be mostly subscription revenues.

Max Chuard: Yes, it's a fair point, Takis, that the balance sheet of (inaudible) as loyal DSO than ours. So, it will be giving us even more confident to achieve our target of reducing DSO of 10 to 15 days.

Takis Spiliopoulos: OK. Many thanks.

Operator: Thank you. Ladies and gentlemen, as a reminder, it's star and one on your telephone if you wish to ask a question.

Your next request comes from the line of Felix Remmers of Credit Suisse. Please go ahead.

Felix Remmers: Yes, hi, everyone. Actually more of my questions has been answered but one (more or less) on the performance of Multifonds in the recent year, you state that it has been growing 10 percent per annum in recent years. Can you share a bit more granularity on this? How was the performance in 2014 with respect to top line growth and margins and what do you expect for 2015?

Max Chuard: No, Felix, we cannot give that clear of detail, I think we've been quite clear on what to expect for '15 and the medium term. It is a company that has been growing very successfully. As I said at gross rate of 10 percent, but we cannot share more data on that.

Felix Remmers: OK, I understand. Thanks.

Operator: Thank you. We have one final question from the line of Chandra Sriraman of Mainfirst Bank. Please go…

Chandra Sriraman: Hi, there. Hi, guys. Can you see – can you hear me?

Male: Yes.

Male: Yes.

Chandra Sriraman: Hi. Just a quick question, I mean, I was surprised by the increase in the EBIDTA margin of the business in 2016. Any specific reasons for that? I would expect that there will be some investments in the integration effort and cross-selling opportunities. And so, why is the EBIDTA increasing so much in 2016? Thanks.

Max Chuard: Well, the improvement in the margin is driven from the cost saving, the cross-synergies which we'll get the full benefit in 2016. That's why we don't get the full impact in '15. But you got the full one right in '16.

Chandra Sriraman: OK. Thanks.

Operator: Thank you. You now have a question from the line of Knut Woller of Baader Bank. Please go ahead.

Knut Woller: Yes, hello. Thank you. Just a quick one regarding the capitalization given that you said you wanted to join the products over time. What will be the impact of the transaction on the guided capitalized developments costs? I think it should be around mid-single digit territory in this year. And will it increase compared to your previous guidance and what should be the expectation for '16? Thank you.

Max Chuard: Yes, I think it's too early to comment on this one but definitely the trend as you know has been to be reducing it and to have the net (capitalization), amortization to reduce to below $10 million for this year and this is still the goal. So, I think to be more specific, you know, we'll comment on Q1.

Knut Woller: OK. Thanks.

Operator: Thank you. You have no further questions waiting at this time, gentlemen. Please continue.

Max Chuard: Thank you very much. And we'll be talking to you soon, bye-bye.

Operator: Ladies and gentlemen, that does conclude your conference for today. Thank you for participating. You may all disconnect.

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