

# Financial Results & Business Update

Quarter ended 30 June 2009

29 July 2009



**TEMENOS**  
The Banking Software Company

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 conference call represents the company's estimates as of 29 July 2009. 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 29 July 2009.

# Agenda



Introduction	Ben Robinson	Associate Director IR & Business Strategy
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Strategy and Business update	Andreas Andreades	CEO
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Financial update	David Arnott	CFO
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Outlook and Summary	Andreas Andreades	CEO
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Q&A	Andreas Andreades	CEO
	David Arnott	CFO
	Max Chuard	Director

# Agenda



Introduction

Ben Robinson

Associate Director  
IR & Business Strategy

**Strategy and  
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**Andreas Andreades**

**CEO**

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David Arnott

CFO

Max Chuard

Director

## Executing on strategy for growth with better profitability and cash generation

- ✓ Strong margins
  - EBIT +230bps y-o-y and EBITDA +620bps y-o-y
- ✓ Excellent cash generation
  - Cash generation of 117% of EBITDA
  - Reached target for full year operating cash six months early
- ✓ Continued good cost control
  - Costs fall sequentially for 3rd quarter
  - Proves lower cost base can be sustained
- ✓ Resilient licence performance
  - In first half, licences excluding Metavante flat on reported basis, 5% up at constant currency
  - Licence sales to new customers +15% in H109, still gaining market share

## Executing on strategy for growth with better profitability and cash generation

- ✓ Strong traction with new customers and new products
  - 11 new Insight deals and 7 new ARC deals in the quarter
  - 9 T24 deals vs. 9 in the prior year
- ✓ Significant enhancements to product set
  - New release of T24 in May with over 100 functional enhancements, significant advancement of SOA strategy
  - Latest industry research underlines strength of product offering and leadership in SOA\*
- ✓ Strong pipeline build-up
  - Level of new activity continues to be strong, already growing new licences by 15%
  - Extremely well-placed when conversion rates normalise
- ✓ Resolution of dispute with Metavante in July
  - Impact in Q3, not Q2; covers all outstanding receivables
  - Allows us to refocus on strategic options for the US and strengthens T24 strategy

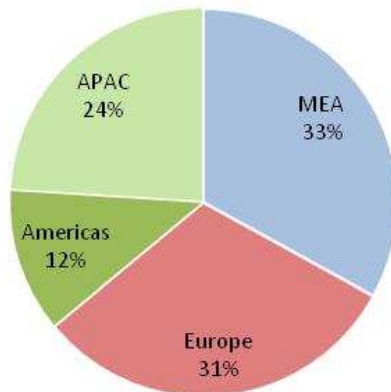
\*Gartner: "Magic Quadrant for International Retail Core Banking" & Forrester: "The Forrester Wave: Global Banking Platforms, Q1 2009"

# Overview of new T24 customer sales

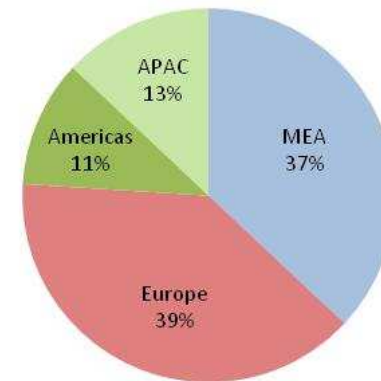
- ▶ New deals well-diversified across 4 regions
- ▶ Emerging markets decouple

## New clients (number)

LTM 2009

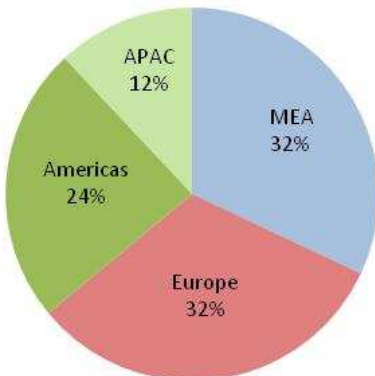


LTM 2008

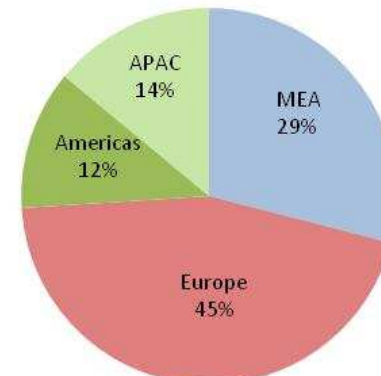


## New clients (licence value)

LTM 2009



LTM 2008



## **ARC – our suite of front office solutions**

- ✓ In Q209, we sold ARC to 7 customers
- ✓ This is down from 11 in Q2 08, but pricing is improving considerably
- ✓ Total ARC licences up 27% in LTM

## **Insight – our new business intelligence tool**

- ✓ Continued strong take-up from new and existing customers
- ✓ Since launch in Q1, now sold to 13 customers (11 in Q2)
- ✓ Average licence price around USD200k

▶ **In the LTM, ARC and Insight contributed 10% of licence revenues**

▶ **Pipeline building strongly for both products**





At our annual **Temenos Client Forum**, we announced over 100 enhancements to T24, including:

- **Significant advancement of SOA capabilities**, with the inclusion of a T24 Services catalogue, where the business services in T24 are defined
- **New Structured Products module**
- **Launch of ARC Internet Banking (IB) for corporate customers**
- **Launch of T24 Loan Originator**, which greatly improves the system's exiting loan origination capabilities
- **Launch of Insight**, our new Business Intelligence tool

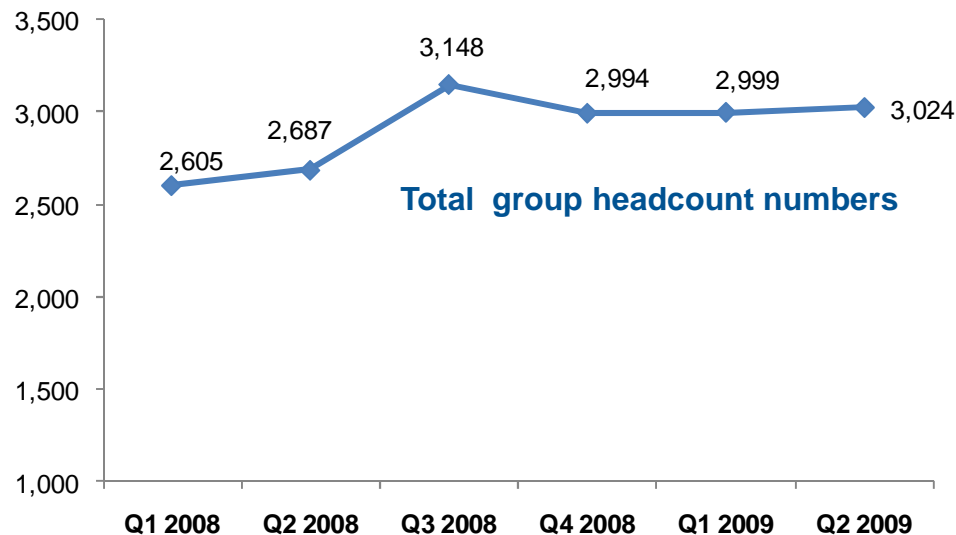


## Another 10 clients went live in Q209

- 10 clients went live in Q209 (vs. 8 in Q208)...
- ...taking number of go-lives to 35 in H109 vs. 18 in H108

## ... as services initiatives help us to scale more efficiently

- TAM, TIM, Management Consulting, Model Bank have all helped the services business to scale to meet demand



The absolute headcount has not been falling, only the onshore/offshore mix – revenues can be ramped up with existing resources (and with existing cost base)

## ... also helping margins

- Margins are up by 410bps y-o-y in Q209; 145bps H109 vs. H108

## Partners

- Relationship with Cognizant progressing well
  - Training has started
  - Jointly going to market on a number of deals
- Expect to sign second Worldwide partnership in H2

## M&A

- Generating significant free cash to fund acquisitions
- Level of M&A activity remains high
- Criteria unchanged

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# Income statement highlights – Q2 2009



	Q2 2009 (USDm)	Q2 2008 (USDm)	y-o-y $\Delta$
Licence revenues	27.3	33.7	(19%)
Total revenues	81.9	95.9	(15%)
EBIT	10.5	10.1	4%
Adjusted EPS*	0.16	0.15	7%

\* in USD; see appendix for reconciliation

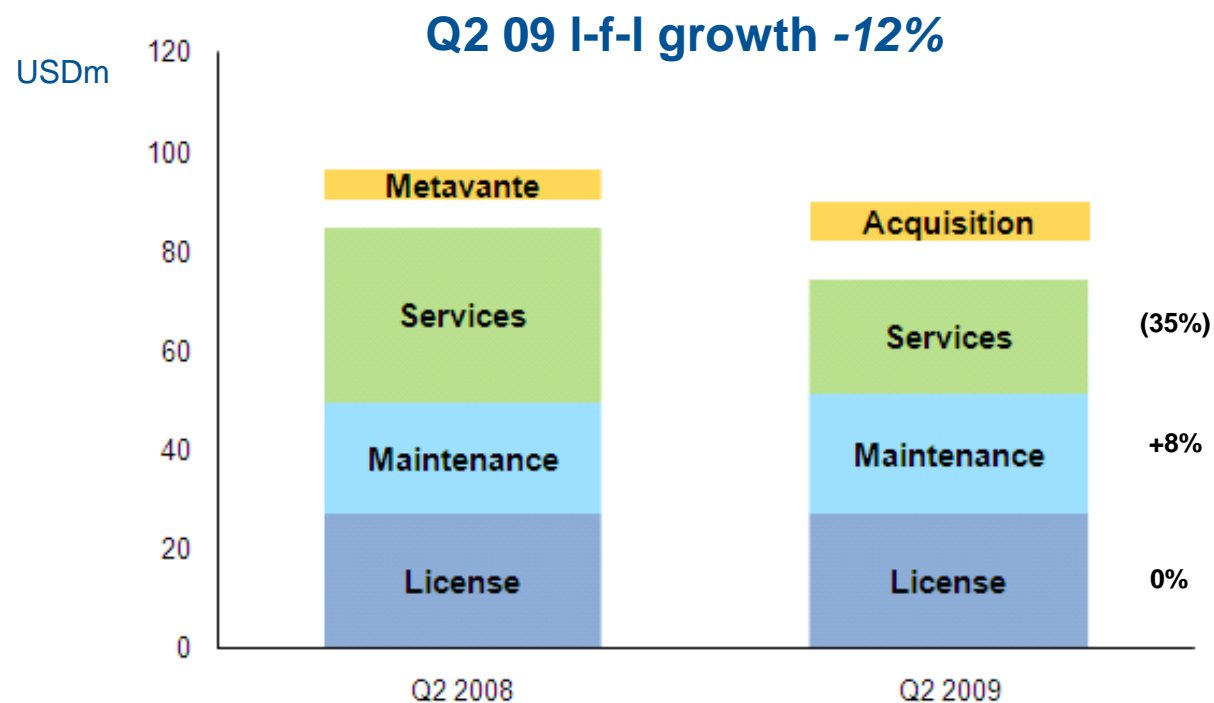
# Financial statement highlights



in USDm	Q2 09	Q2 08	△	LTM 09	LTM 08	△
Licences	27.3	33.7	(19%)	140.3	161.2	(13%)
Maintenance	28.5	23.7	+20%	110.1	88.5	+24%
Services	26.1	38.5	(32%)	135.4	130.7	+4%
<b>Total revenue</b>	<b>81.9</b>	<b>95.9</b>	<b>(15%)</b>	<b>385.8</b>	<b>380.4</b>	<b>+1%</b>
<b>Total operating costs</b>	<b>(71.5)</b>	<b>(85.8)</b>	<b>(17%)</b>	<b>(319.3)</b>	<b>(313.8)</b>	<b>+2%</b>
<b>EBIT</b>	<b>10.5</b>	<b>10.1</b>	<b>+4%</b>	<b>66.5</b>	<b>66.6</b>	<b>+0%</b>
Margin	12.8%	10.5%	+230bps	17.2%	17.5%	(30bps)
<b>EBITDA</b>	<b>18.2</b>	<b>15.5</b>	<b>+17%</b>	<b>94.6</b>	<b>85.7</b>	<b>+10%</b>
Margin	22.2%	16.2%	+620bps	24.5%	22.5%	+200 bps
<b>Operating cashflow</b>	<b>21.3</b>	<b>(8.1)</b>	<b>n/a</b>	<b>83.3</b>	<b>46.1</b>	<b>+81%</b>
% of EBITDA	117%	n/a	n/a	88%	54%	+3400bps

# Like-for-like revenues

## ► Adjusting for FX, acquisitions AND Metavante



# Income statement



	Q2 2009 (USDm)	Q2 2008 (USDm)	y-o-y $\Delta$	LTM 09 (USDm)	LTM 08 (USDm)	y-o-y $\Delta$
<b>EBIT</b>	<b>10.5</b>	<b>10.1</b>	<b>3%</b>	<b>66.5</b>	<b>66.6</b>	<b>0%</b>
Net finance charge	(2.2)	(0.8)	185%	(7.8)	(3.3)	(136%)
FX (loss)/gain	(0.8)	(0.8)	0%	1.5	6.1	(75%)
Tax	(0.1)	0.0	n/a	1.6	0.5	255%
<b>Net earnings</b>	<b>7.3</b>	<b>8.6</b>	<b>(14%)</b>	<b>61.8</b>	<b>69.7</b>	<b>(11%)</b>
<b>Adjusted EPS*</b>	<b>0.16</b>	<b>0.15</b>	<b>7%</b>	<b>1.14</b>	<b>1.12</b>	<b>2%</b>

- Higher interest charge reflects extra debt related to Informer and Financial Objects acquisitions
- Hedging volatility diminishes substantially on LTM basis given more effective hedging

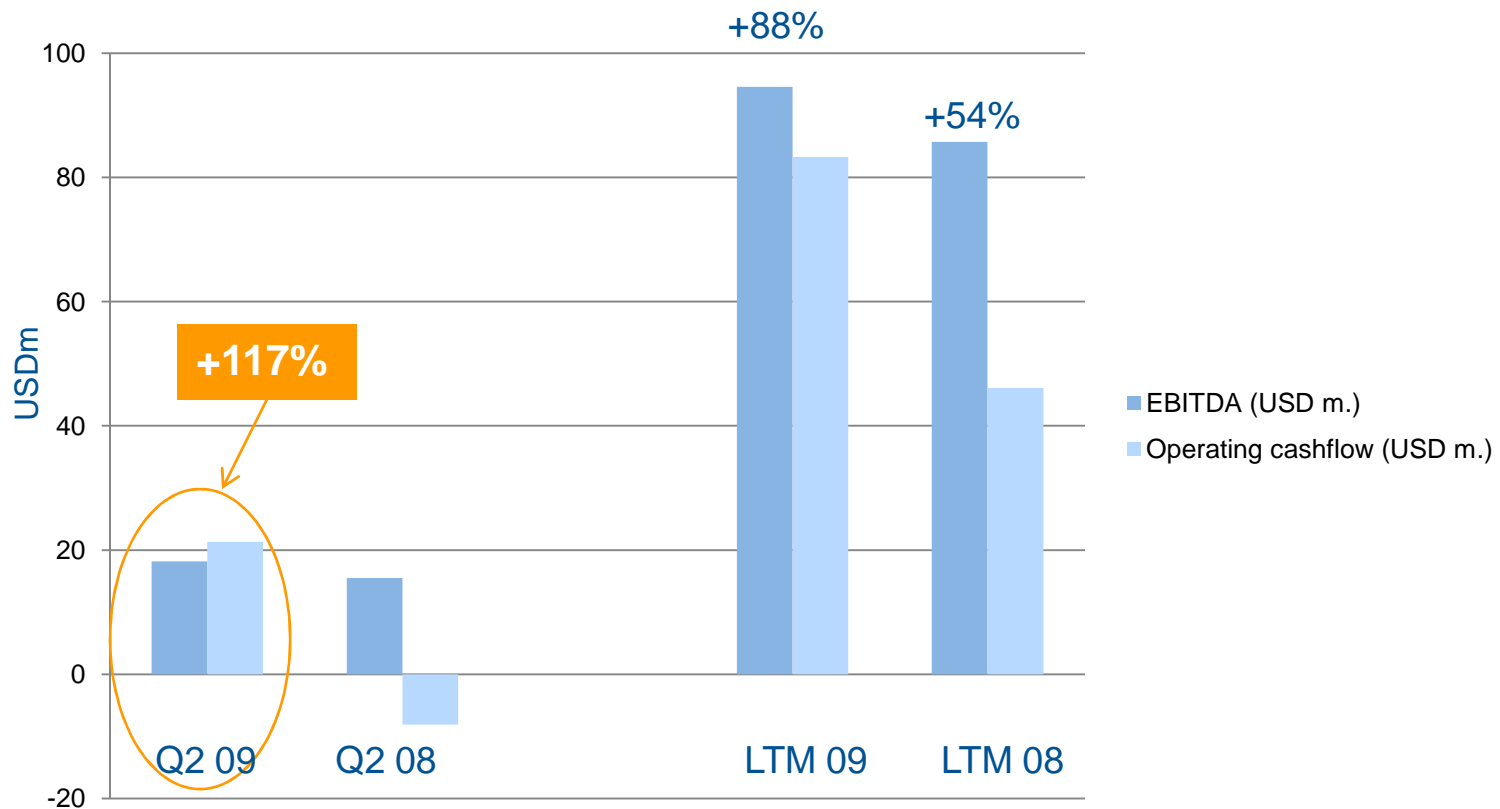
\* not in USDm; see appendix for reconciliation



# Update on cash - Cash generation very strong in the quarter

- EBITDA into operating cash conversion of 117% in Q2
- USD21m of operating cashflow arises without Metavante contribution
- Target for 12 month operating cashflow of USD80m achieved six months early

## EBITDA into operating cash conversion



# Balance sheet – Debt and financing



	Q2 2009 (USDm)	Comments
<b><u>EXISTING DEBT</u></b>		
Convertible bond	125.8	1.5% coupon, matures 2013 (converts at CHF18.6)
Credit facilities	60.9	Consortium of 7 banks, repayment up to end of 2012
Other	1.1	Obligations under finance leases
<b>TOTAL DEBT</b>	<b>187.8</b>	
<b>Available funding</b>		
Cash	76.1	Held in short-term deposits
Unused facilities	151.0	Drawable until end of 2010; USD45m for working capital, rest for acquisitions
<b>TOTAL AVAILABLE FUNDING</b>	<b>227.1</b>	

# Metavante – Settlement reached



In July, Temenos settled its dispute with Metavante regarding the termination of the joint agreement to develop and market TCB in the US.

## Summary of main points:

- Settlement is both **quick** and **amicable**
- Non-exclusive marketing agreement for T24 continues
- **Leaves us free to refocus on our strategy for the US market**
- Cash settlement received in July (after quarter end, minimal P&L impact)
- 2.5m warrants over Temenos stock cancelled
- **Temenos retains rights to jointly developed IP**

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## Executing on strategy for growth with better profitability and cash generation

- **Strong margin progression**

- EBIT +230bps y-o-y; EBITDA +620bps y-o-y

- **Excellent cash generation**

- EBITDA into operating cash +117%

- **Continued good cost control**

- The costs have been removed on a sustainable basis

## Executing on strategy for growth with better profitability and cash generation

- Licence sales resilient
  - Sales of new products and to new customers strong
  - Helping to offset Metavante impact
- And seeing strong pipeline build up
  - Pipeline continues to build strongly
  - Setting the stage for growth when conversion rates improve
- Environment stabilised, but uncertainty persists
  - Decisions are being taken on core banking projects
  - But sales cycle still longer than historic levels

- ▶ **We reaffirm our outlook for costs, maintenance revenue and margins**
- ▶ **We add a range for services given higher visibility (>90% locked-in)**

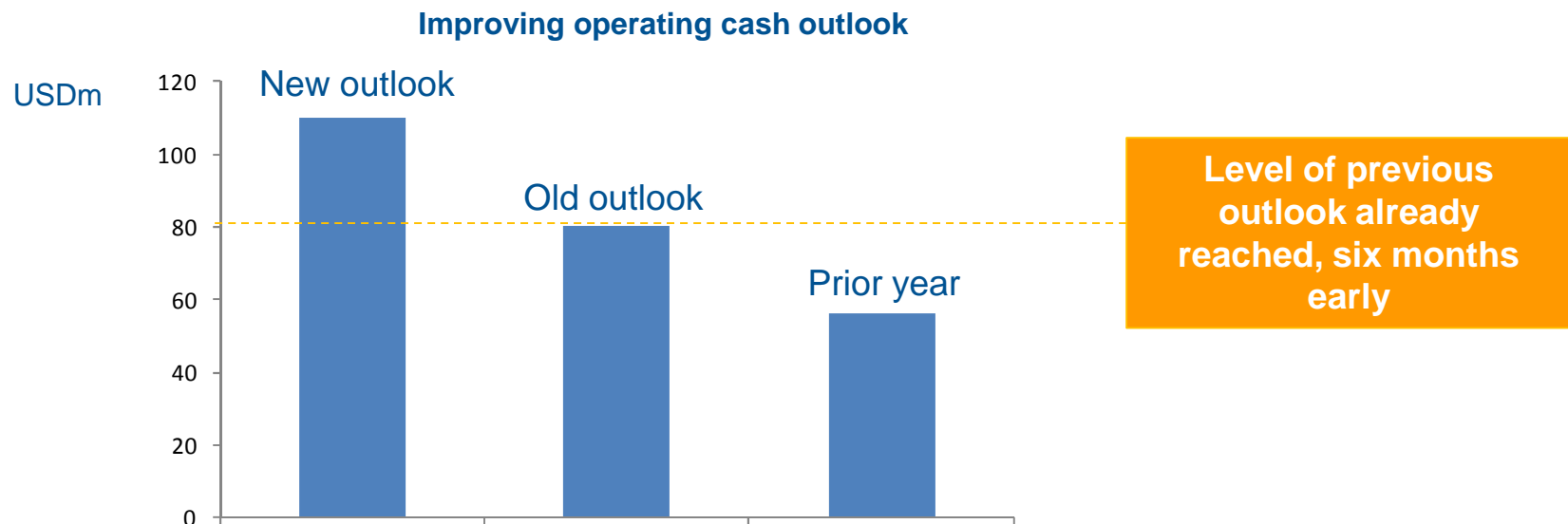
- 2009 full year cost base of USD310m
- EBIT Margin of 19-20%
- EBITDA margin of 27% to 28%
- Full year maintenance revenue of USD118m+
- Range for full year services revenues of USD130-140m

## ► But increase our outlook for operating cash

Partly owing to settlement from Metavante and partly to better underlying performance, we increase cash targets for the full year as follows:

**Operating cash flow: USD110m (from USD80m)**

**Free cash flow: USD80m (from USD50m)**





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# Appendices



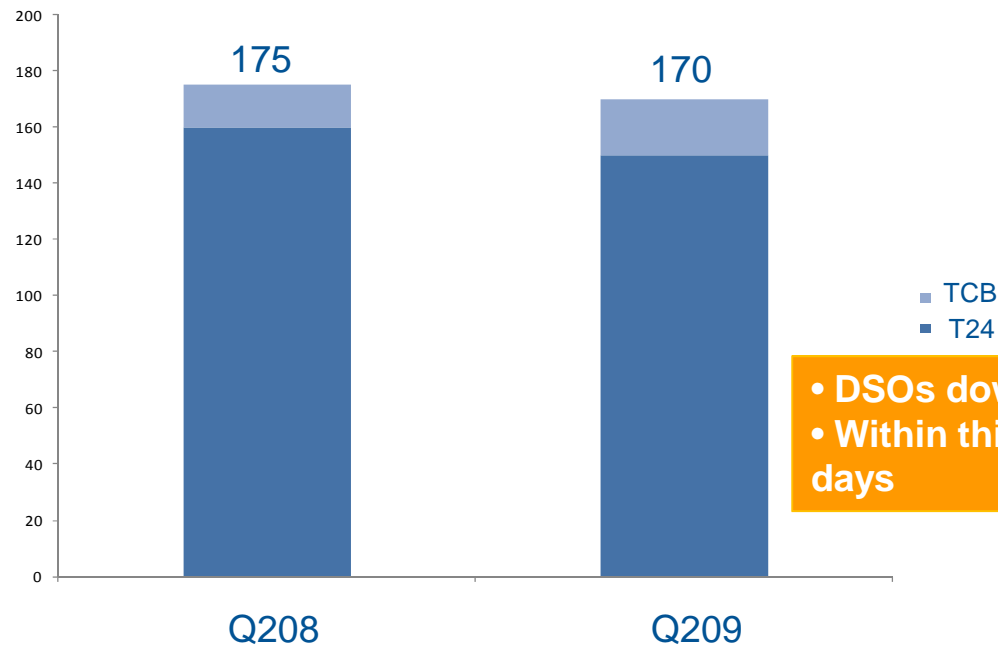
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# Adjusted EPS reconciliation

	Q2 2009 (USDm)
<b>Earnings</b>	<b>7.5</b>
Amortisation of acquired intangible assets	1.9
Bond interest	1.4
<b>Total adjusted earnings</b>	<b>10.8</b>
Number of diluted shares	68.3
<b>Adjusted EPS</b>	<b>0.16</b>

DSOs – Q209 vs Q208 (T24 and TCB)



- DSOs down by 5 days vs. PY
- Within this, T24 DSOs down by 10 days

## Sustained improvement driven by

✓ Shorter implementation times down from average of 18 months in 06 to 9-12 months

✓ Improving payment terms: In Q2 09, aggregate payment terms were:

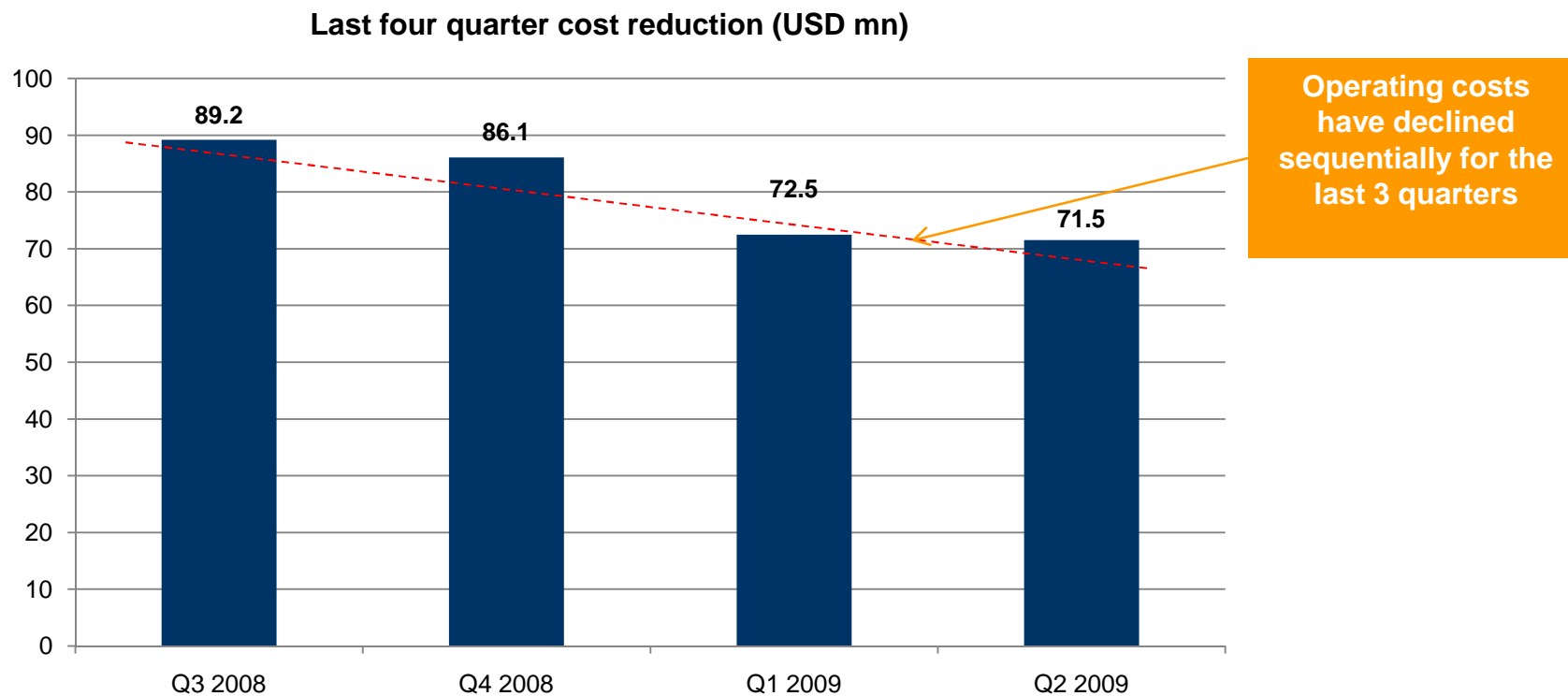
- Up Front: 63%
- Dates: 25%
- Milestones: 12%

# Constant Currency Income Statement



in USDm	Q2 09	Q2 08	Δ
Total revenues	81.9	95.9	(15%)
FX adjs.	n/a	(5.7)	
<b>Adjusted total revenues</b>	<b>81.9</b>	<b>90.3</b>	<b>(9%)</b>
Total costs	71.5	85.8	(17%)
FX adjs.	n/a	(5.4)	
<b>Adjusted total costs</b>	<b>71.5</b>	<b>80.4</b>	<b>(12%)</b>
Reported EBIT	10.5	10.1	4%
<b>EBIT at constant FX</b>	<b>10.5</b>	<b>9.9</b>	<b>6%</b>
Reported EBITDA	18.2	15.5	17%
<b>EBITDA at constant FX</b>	<b>18.2</b>	<b>15.2</b>	<b>20%</b>

# Cost reduction – yielding results



Q2 2009 cost base **consistent** with full year outlook of USD310m

## Temenos' products are multi award winning - awards include:



T24 was named No.1 best-selling core banking system in 2008 in the IBS Journal's Annual Sales League Table. Martin Whybrow, editor, commented: *"Temenos has maintained a strong position during a challenging year for our industry. It has continued to sell well in most geographies and gained its fair share of the year's high-end and multi-site deals. The breadth of its product is a strength, so too the investment that the supplier continues to make in it, and Temenos' performance is also a reflection of its strong sales expertise."*



T24 won the 'Best Core Banking Product' category in the 2008 Banking Technology Reader's Choice Awards at the European banking technology awards – for the second year running. Temenos fended off competition from finalists Tata Consultancy Services and Infosys.

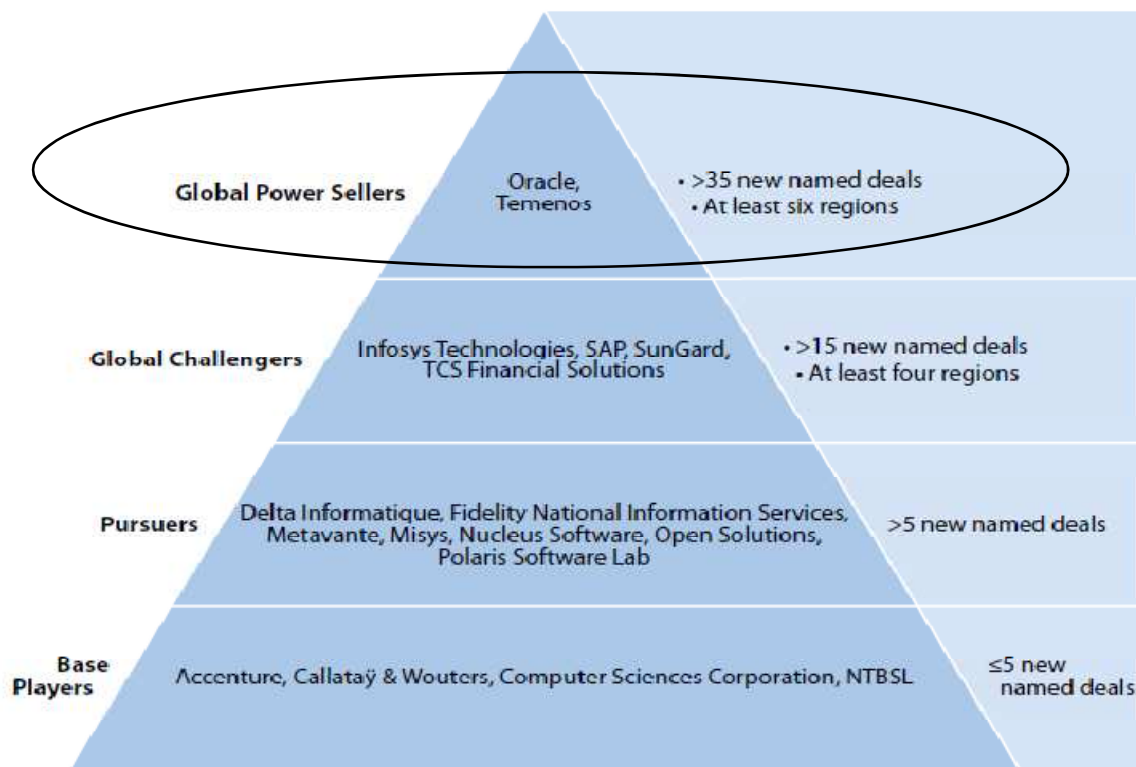
David Bannister, editor of Banking Technology added *"The companies that won in these categories can be justifiably proud that their products and services are known and recognised in the wider market"*

Temenos won The 2007 Banker Magazine Technology Award for Marketing Technology in Retail Banking Innovation. Stephen Timewell, editor-in-chief of The Banker noted *"The judging panel were impressed by not only the technology, but how truly cost effective it was in terms of implementation as well as the level of service offered by Temenos."*



According to Forrester Research, we are **one of only two global power sellers**

**Figure 3** The 2008 Global Banking Platform Playing Field



Gives us ability to:

- **Deliver** software across all geographies
- **Endure** the current banking crisis (which will see “some vendors leaving the market”)
- **Dominate** – strong vendors “will start to dominate even more”

Source: “Global Banking Platform Deals 2008: Setting the Stage in a Maturing Market”, Forrester Research

*“In 2009, it will be more important than ever to scrutinize the viability of banking platform vendors: would you undergo heart surgery if it would only provide a temporary improvement?”*



<b>DSO</b>	Days Sales Outstanding
<b>EBIT(DA)</b>	Earnings Before Interest and Tax (Depreciation and Amortisation)
<b>EPS</b>	Earnings Per Share
<b>IP</b>	Intellectual Property
<b>LTM</b>	Last Twelve Months
<b>SOA</b>	Service Oriented Architecture
<b>TAM</b>	Temenos Application Management
<b>TIM</b>	Temenos Implementation Methodology
<b>y-o-y</b>	Year-on-year (variation)

# Thank You



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