



Financial results & business update

Quarter ended 30 June 2014

28 July 2014

Disclaimer

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 represent the company's estimates as of 28 July 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 28 July 2014.



Agenda

Business update

David Arnott, CEO

Financial update
and 2014 guidance

Max Chuard, CFO

Summary

David Arnott, CEO

Q&A



Summary

Strong Q2 results across all key performance indicators

Double-digit Q2 software licencing growth; H1 growth above guidance

Continued strong execution on services strategy – non-IFRS margin positive on LTM basis

Better revenue mix and operational leverage drives non-IFRS EBIT and margin expansion

Strong cash inflows and conversion with DSOs down

Share buyback initiated

Strong pipeline continues to support full year guidance

A strong quarter – on track to deliver the full year



Q2 2014 sales and pipeline overview

Strong Q2 licensing growth of 10% taking growth in H1 to 16%

Strong sales to new customers

- 10 new customer wins (Q2 2013:7)
- strong growth from North America and good growth in MEA

Encouraging levels of customer activity across all geographies seen at the start of the year have continued

Positive trend of larger deals has also continued

- multi-product offering remains key
- progress made on discussions
- reflected in mix of pipeline with expected stronger growth in Q4 than in Q3

Strong sales and pipeline supporting full year guidance



Q2 2014 operational overview

Product leadership

Many new products showcased at TCF including new versions of key products

Temenos Connect Mobile Banking
(a smart-hybrid solution)

New Windows 8 apps and
Temenos Data Framework

SaaS strategy gaining momentum

Customer success

9 implementation go-lives (Q2 2013: 8)
taking H1 total to 28 (H1 2013: 15)

30 go-lives in total (Q2 2013: 28)
taking H1 total to 70 (H1 2013: 60)

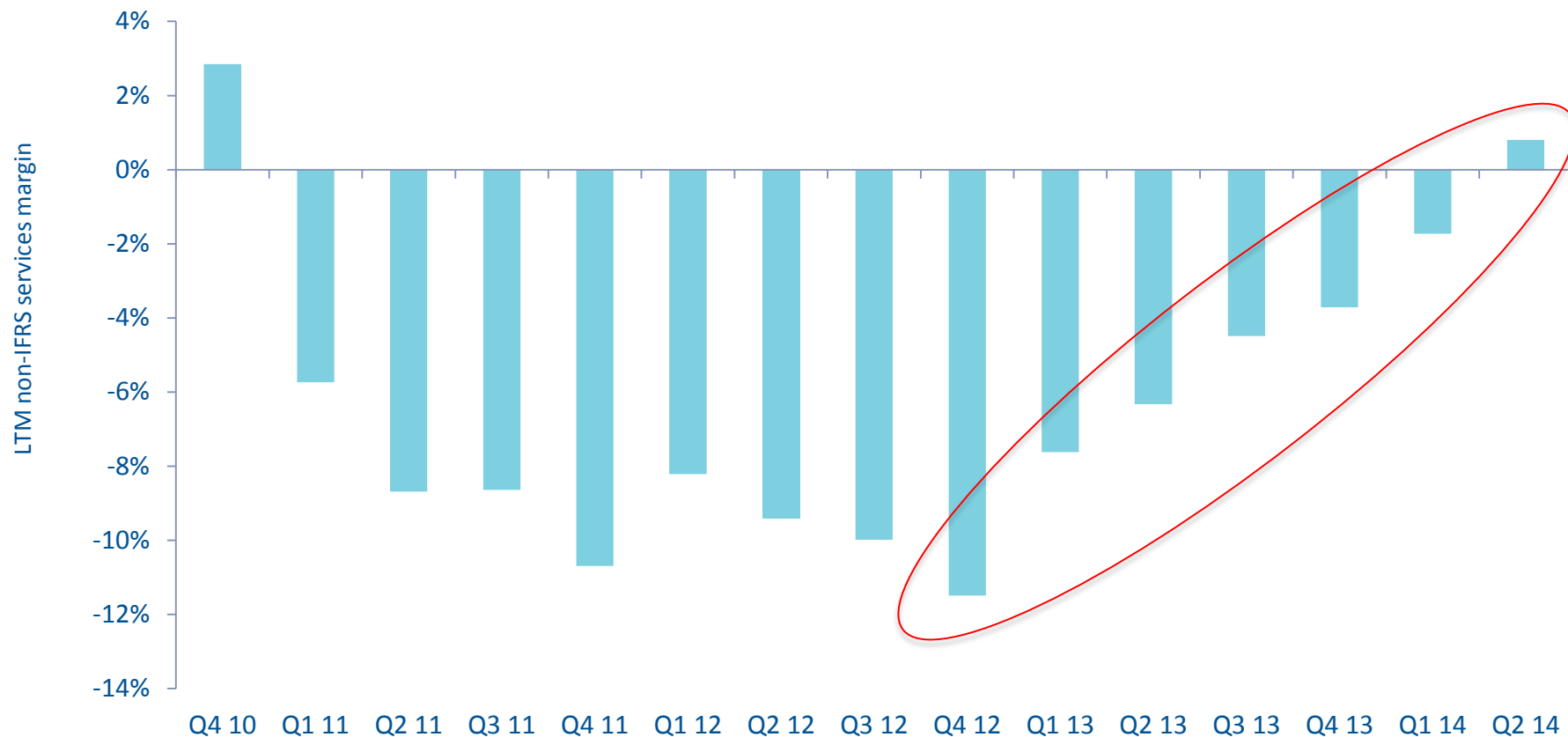
Partners continue to lead on increasing
number of implementations

Increased sales of “premium” services
driving margin improvement

Operational excellence



Evolution of services margin



Consistent improvement in services margin – now positive on LTM basis



Update on the US

Significant progress made on US strategy

Strong growth in pipeline

- significantly higher than in 2013 and in Q1 2014
- advanced discussions with many US FIs about core banking replacement

Remain on track for go-lives in 2014 of T24 on a SaaS basis

Non T24 business performing strongly

- 45 new customers signed in Q2 for other Temenos products
- Raymond James signed for SocialComply – the largest FI using the product
- go-lives in Q2 for BSA/AML compliance suite SaaS solution and Insight BI SaaS solution

A strong Q2 for Temenos US – now over 1,100 customers



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Q2 2014 financial highlights

- ✓ LFL software licencing growth of 10% with growth in H1 of 16%
- ✓ 9.3% pts improvement in non-IFRS services margin; positive on LTM basis
- ✓ Non-IFRS EBIT margin up 1.8% points; LTM non-IFRS EBIT margin of 25.5%
- ✓ Non-IFRS EBIT up 12%
- ✓ Non-IFRS EPS up 21%
- ✓ Q2 operating cash inflow of USD 21.6m with LTM inflow of USD 184.3m
- ✓ LTM cash conversion of 115% with DSOs down 16 days vs Q2 2013

Strong financial performance



Non-IFRS income statement - operating

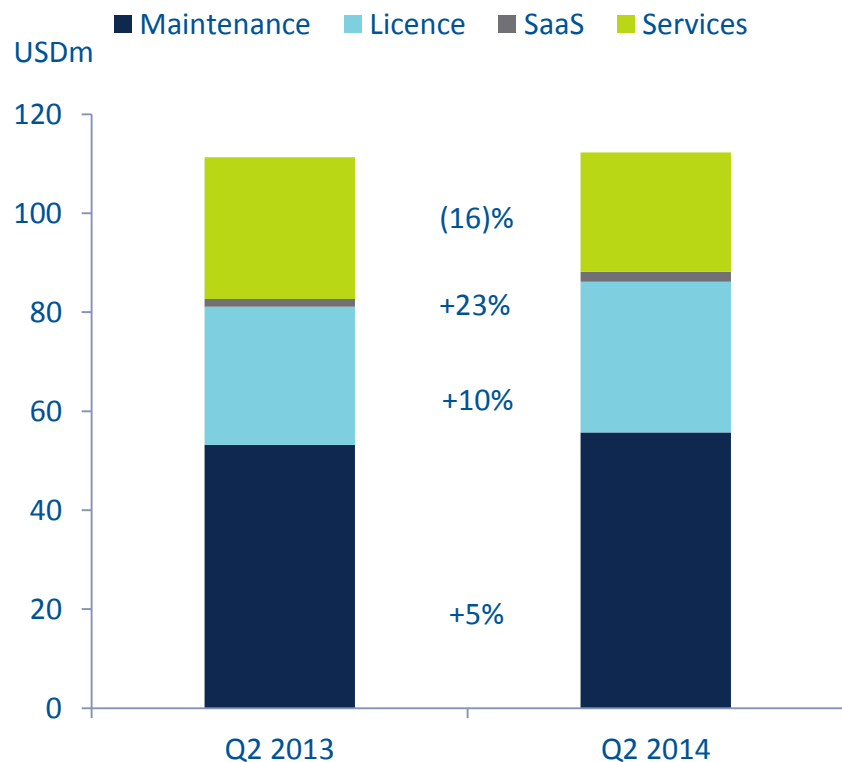
In USDm	Q2 14	Q2 13	Y-o-Y	LTM 14	LTM 13	Y-o-Y
Software licensing	30.5	27.7	10.2%	145.9	129.6	12.5%
SaaS	2.0	1.6	23.1%	6.9	1.6	322.8%
Total software licensing	32.5	29.3	10.9%	152.8	131.3	16.4%
Maintenance	55.7	52.4	6.2%	218.6	206.5	5.9%
Services	24.1	28.3	-14.9%	104.6	120.1	-12.9%
Total revenue	112.3	110.0	2.1%	476.0	457.8	4.0%
Non-IFRS operating costs	89.8	90.0	-0.2%	354.4	355.3	-0.3%
Non-IFRS EBIT	22.5	20.1	12.2%	121.6	102.5	18.6%
Margin	20.0%	18.2%	1.8% pts	25.5%	22.4%	3.2% pts
Non-IFRS EBITDA	33.1	28.5	16.0%	162.8	136.1	19.6%
Margin	29.5%	25.9%	3.5% pts	34.2%	29.7%	4.5% pts
Non-IFRS services margin	-1.9%	-11.3%	9.3% pts	0.8%	-6.3%	7.1% pts

Better revenue mix and operational leverage drives margin expansion

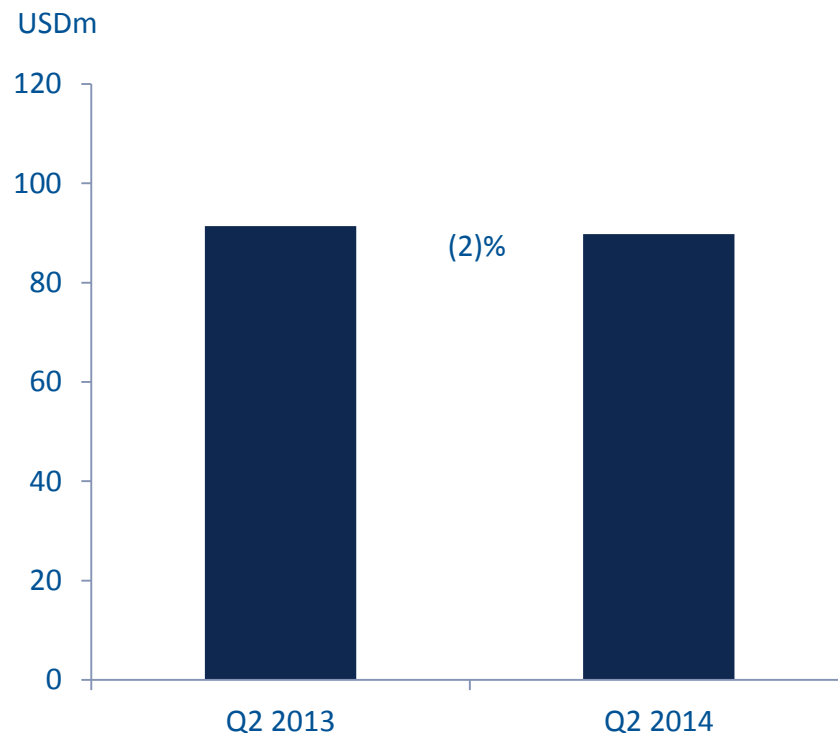


Like-for-like revenue and costs

Q2 LFL revenue up 1%



Q2 LFL non-IFRS costs down 2%



Revenue mix continues to improve



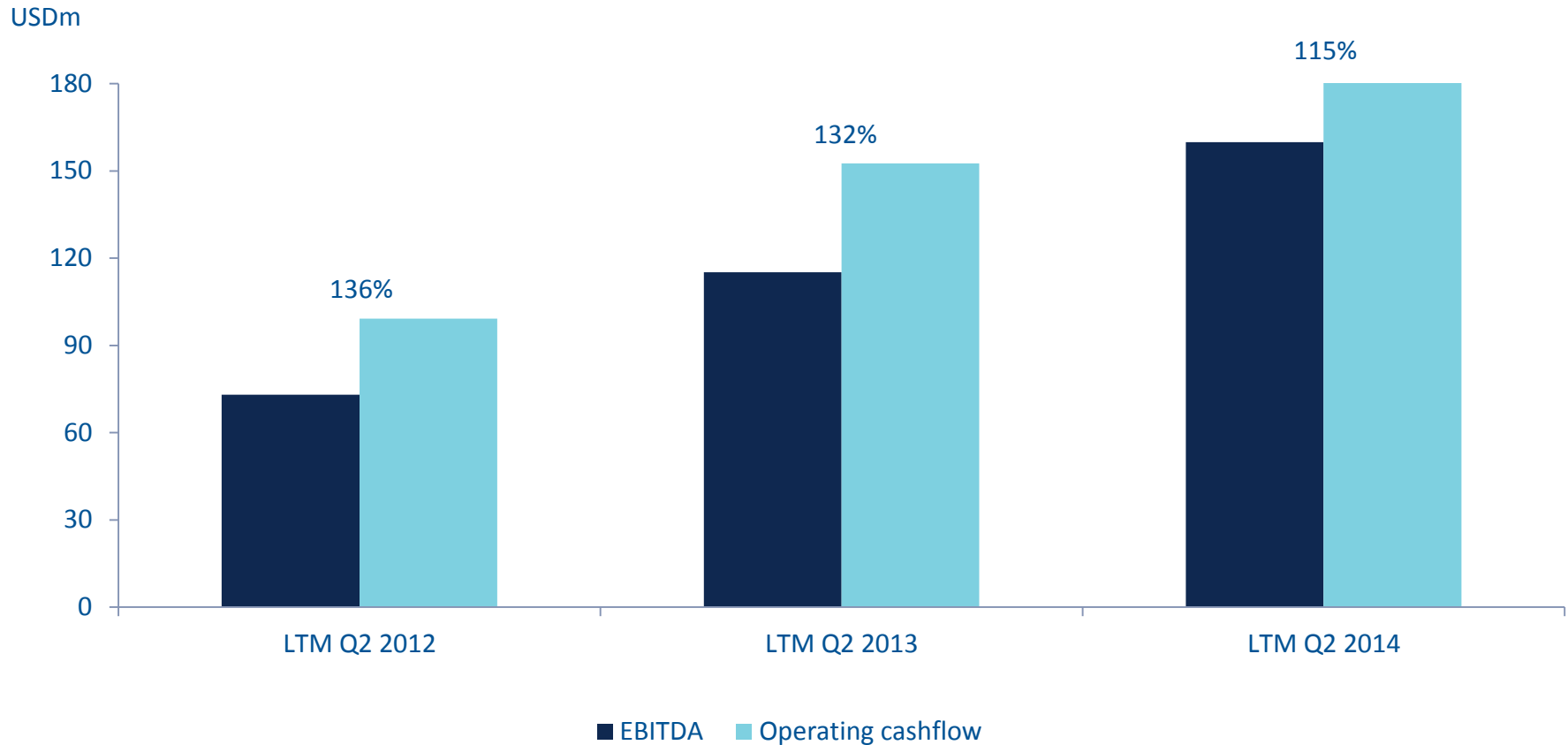
Non-IFRS income statement – non-operating

In USDm, except EPS	Q2 14	Q2 13	Y-o-Y	LTM 14	LTM 13	Y-o-Y
Non-IFRS EBIT	22.5	20.1	12%	121.6	102.5	19%
Net finance charge	-2.9	-2.4	-20%	-10.4	-8.2	-26%
FX gain / (loss)	0.1	-0.7	NA	-1.2	-1.5	18%
Tax	-3.3	-3.2	-3%	-17.0	-12.3	-38%
Non-IFRS net profit	16.3	13.7	20%	93.0	80.5	16%
Non-IFRS EPS (USD)	0.23	0.19	21%	1.34	1.15	17%

Well controlled below-the-line items



Cash conversion



Consistent improvement in EBITDA and operating cashflows; strong conversion



Balance sheet – debt and financing

In USDm	30 June 14	Comment
Debt	316.6	USD 350m facility and CHF 200m bonds
Cash	(195.3)	Held in short term deposits
Net debt	121.2	0.8x LTM EBITDA
Treasury shares	(60.1)	Reflects market value as of 30 June 2014
Net debt inc. treasury shares	61.1	0.4x LTM EBITDA
LTM EBITDA	159.8	

A strong and flexible balance sheet – 2014 share buyback initiated



2014 guidance

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 in Appendix
See Appendix for definition of non-IFRS

2014 guidance reaffirmed



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Summary

- Strong Q2 results across all key performance indicators
- Continued encouraging levels of customer activity across all geographies
- Progress made on discussions for larger deals
- Strong H1 and pipeline underpins confidence in achieving reaffirmed full year guidance

A strong quarter – on track to deliver the full year





Appendices

FX assumptions underlying 2014 guidance

In preparing the 2014 guidance, the Company has assumed the following, which remains unchanged since the announcement of the company's Q4 and FY 2013 results:

- USD to Euro exchange rate of 0.734;
- USD to GBP exchange rate of 0.607; and
- USD to CHF exchange rate of 0.903.



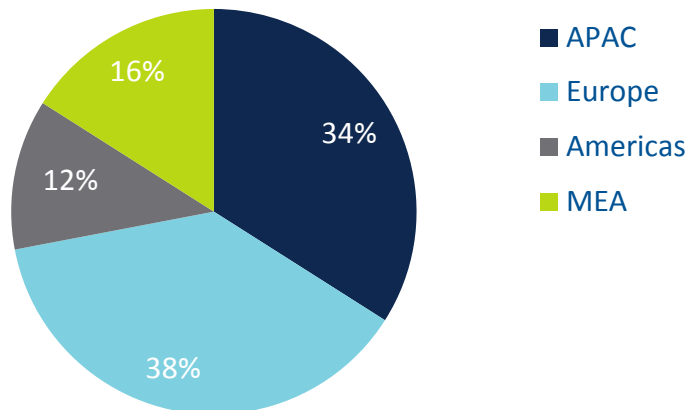
Net earnings reconciliation

In USDm, except EPS	Q2 14	Q2 13
IFRS net earnings	14.2	8.5
Acquisition related charges	-	-
Amortisation of acquired intangibles	2.0	3.2
Restructuring	0.4	2.4
Taxation	-0.3	-0.4
Net earnings for non-IFRS EPS	16.3	13.7
No. of dilutive shares	69.8	70.5
Non-IFRS diluted EPS (USD)	0.23	0.19

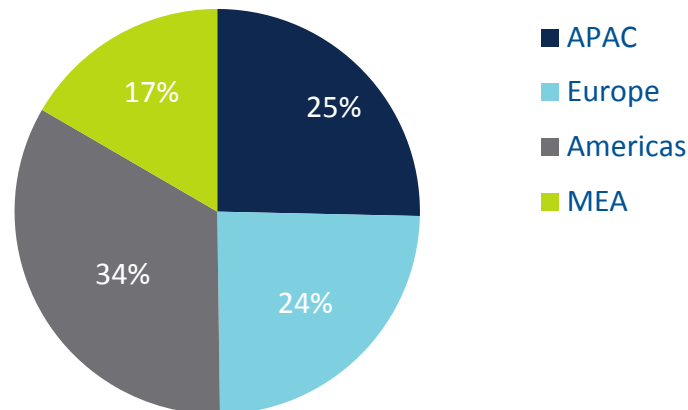


Total software licensing revenue breakdown by geography

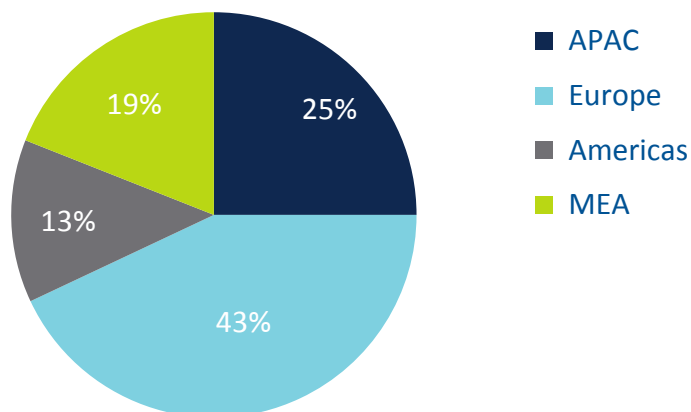
Q2 2013



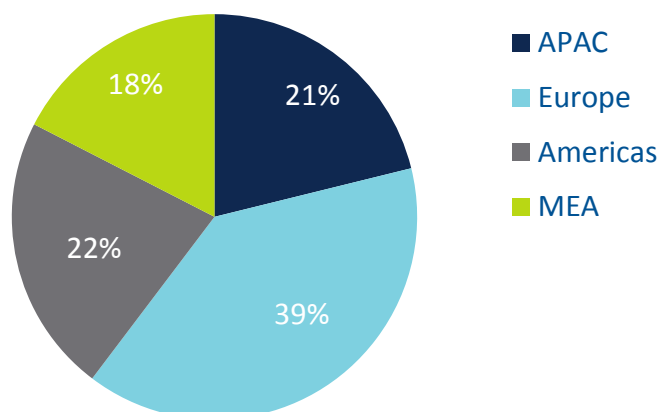
Q2 2014



LTM Q2 2013

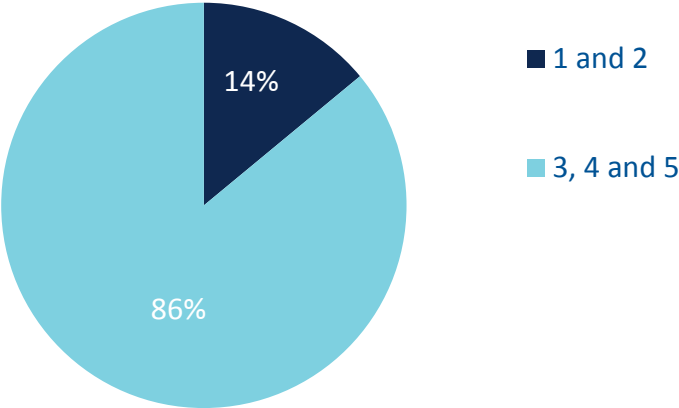


LTM Q2 2014

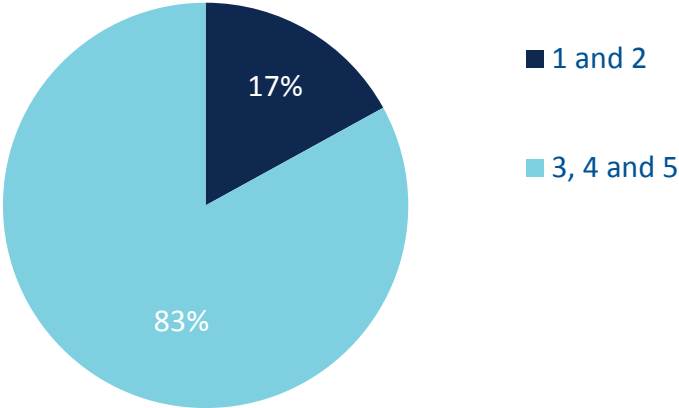


Total software licensing revenue breakdown by customer tier

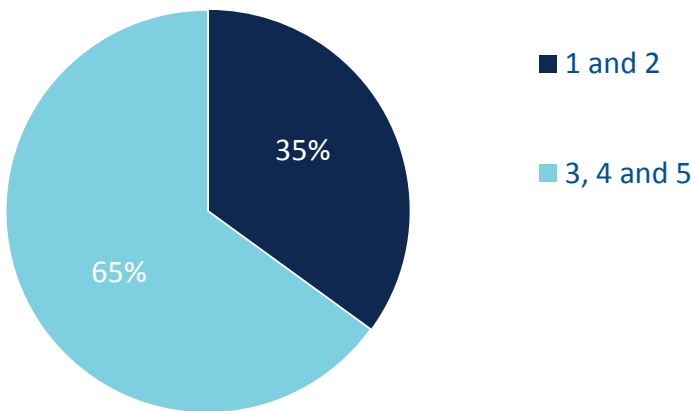
Q2 2013



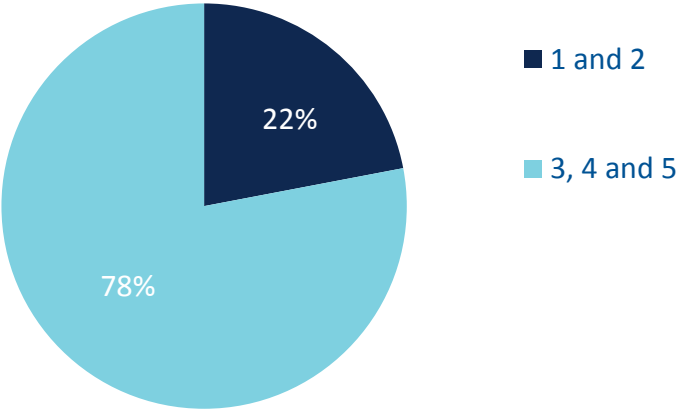
Q2 2014



LTM Q2 2013

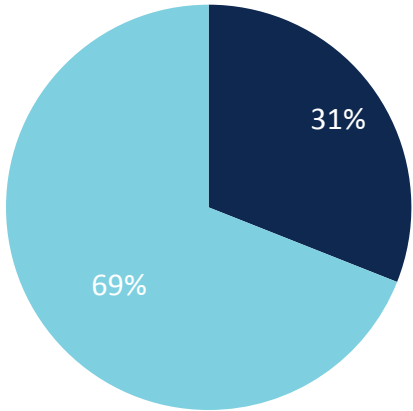


LTM Q2 2014



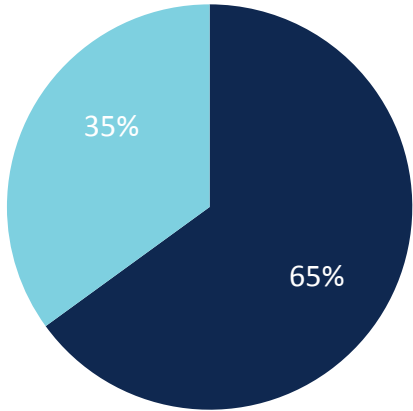
Total software licensing revenue breakdown by new / existing

Q2 2013



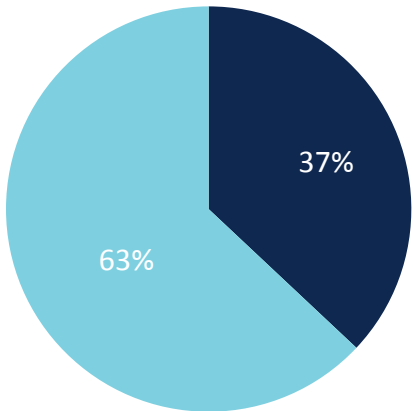
■ New
■ Existing

Q2 2014



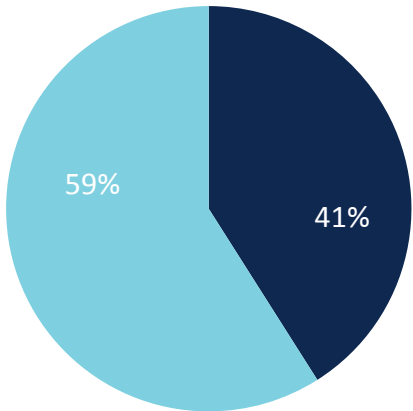
■ New
■ Existing

LTM Q2 2013



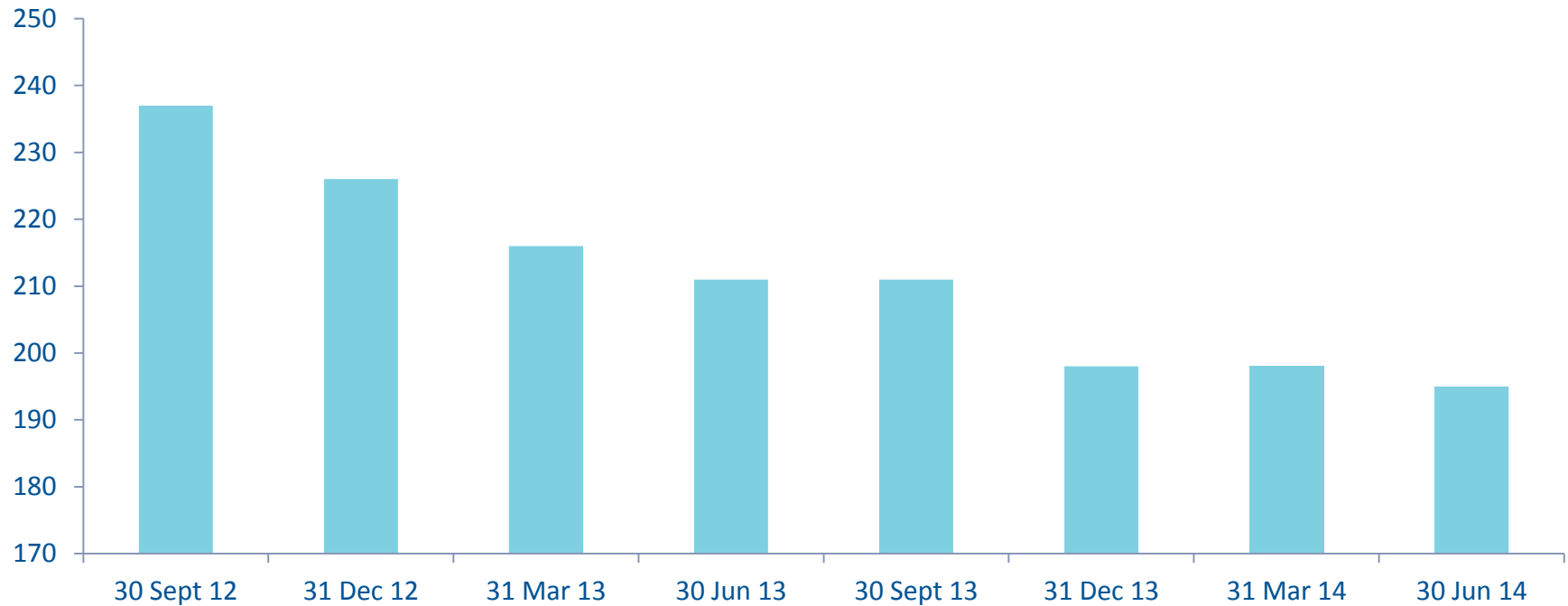
■ New
■ Existing

LTM Q2 2014



■ New
■ Existing

DSOs



DSOs down 16 days vs Q2 2013



Capitalisation of development costs

USDm	Q1 12	Q2 12	Q3 12	Q4 12	FY 12
Cap' dev' costs	-9.6	-9.6	-9.6	-13.0	-41.8
Amortisation	6.2	6.7	6.5	6.1	25.5
Net cap' dev'	-3.4	-2.9	-3.1	-6.9	-16.3

USDm	Q1 13	Q2 13	Q3 13	Q4 13	FY 13
Cap' dev' costs	-9.7	-9.6	-9.8	-12.7	-41.9
Amortisation	6.0	6.1	7.6	8.0	27.7
Net cap' dev'	-3.6	-3.6	-2.3	-4.7	-14.2

USDm	Q1 14	Q2 14	Q3 14	Q4 14	FY 14
Cap' dev' costs	-9.7	-9.8			
Amortisation	8.3	8.3			
Net cap' dev'	-1.3	-1.5			

Net capitalised development costs reducing; expected to be <\$10m in 2014



Reconciliation from IFRS EBIT to non-IFRS EBIT

USDm	Q2 2014
IFRS EBIT	20.1
Deferred revenue write-down	-
Discontinued activities	-
Acquisition-related charges	-
Amortisation of acquired intangibles	2.0
Restructuring	0.4
Non-IFRS EBIT	22.5

Reconciliation from IFRS to non-IFRS

IFRS revenue measure

+ Deferred revenue write-down

= **Non-IFRS revenue measure**

IFRS profit measure

+ / - Discontinued activities

+ / - Acquisition related charges

+ / - Amortisation of acquired intangibles

+ / - Restructuring

+ / - Taxation

= **Non-IFRS profit measure**



Definitions

Non-IFRS adjustments

Deferred revenue write-down

Adjustments made resulting from acquisitions

Discontinued activities

Discontinued operations at Temenos that do not qualify as such under IFRS

Acquisition related charges

Relates mainly to advisory fees and integration costs

Amortisation of acquired intangibles

Amortisation charges as a result of acquired intangible assets

Restructuring

Costs incurred in connection with a restructuring plan implemented and controlled by management

Severance charges, for example, would only qualify under this expense category if incurred as part of a company-wide restructuring plan

Taxation

Adjustments made to reflect the associated tax charge relating to the above items

Other

Like-for-like (LFL)

Excludes contributions from acquisitions and adjusts for movements in currencies





Thank you
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