Financial results & business update

Quarter ended 30 June 2015

21 July 2015

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 the conference call represent the company’s estimates as of 21 July 2015. 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 21 July 2015.

Non-IFRS Information

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

In the tables accompanying this press release the Company sets forth its supplemental non-IFRS figures for revenue, operating costs, EBIT, EBITDA, net earnings and earnings per share, which exclude the effect of adjusting the carrying value of acquired companies' deferred revenue, the amortization of acquired intangibles, discontinued activities, acquisition related charges, restructuring costs, and the income tax effect of the non-IFRS adjustments. The tables also set forth the most comparable IFRS financial measure and reconciliations of this information with non-IFRS information.

When the Company believes it would be helpful for understanding trends in its business, the Company provides percentage increases or decreases in its revenue (in both IFRS as well as non-IFRS) to eliminate the effect of changes in currency values. When trend information is expressed herein "in constant currencies", the results of the "prior" period have first been recalculated using the average exchange rates of the comparable period in the current year, and then compared with the results of the comparable period in the current year.

Agenda

Business update	David Arnott, CEO
Financial update	Max Chuard, CFO
Summary	David Arnott, CEO
Q&A	

Summary

- Strong execution in Q2 across all Key Performance Indicators
- Total software licensing up 56% for the quarter, 15% like-for-like
- Very strong European business performance
- Two landmark deals won in the U.S. with top tier domestic banks
- Meaningful progress on specific large deals, key milestones achieved
- Increased H2 revenue visibility following strong deal flow in Q2

Market conditions improving

Q2 sales update

- High win-rate and strong execution cross all geographies
- Very strong performance in the European business driven by increased competitiveness and improving market dynamics
- Asian business also performed well in Q2 and is returning to growth
- Competing effectively and winning the campaigns on specific large deals
- Product superiority, particularly in Wealth and domestic Retail, cementing competitive advantage
- Global partners (Accenture, Capgemini) having material positive impact on business, increasing momentum and win rate with top tier customers
- 13 new customer wins in Q2 2015 versus 10 in Q2 2014

Strong performance across all geographies

Q2 2015 operational overview

Improving services profitability

- 770 bps improvement in non-IFRS services margin year-on-year
- Premium services contributed 24% of total services revenue in Q2

Focus on customer success

- 13 implementation go lives in Q2 2015 vs. 9 in Q2 2014

Partner ecosystem functioning well

- Partners involved in nearly all implementations
- Focus on key strategic partners to strengthen collaboration

Maintenance revenues continue to accelerate, with LTM growth of 7% like-for-like

Focus on cost base ensuring margin improvement and strong cash conversion

Strategic focus on services margin and partners

Multifonds update

- Multifonds on track to deliver forecasts
  - 2015 revenues of USD 46m (USD 56m proforma)
  - 2015 EBIT of USD 13m (USD 16m proforma)
- Acquisition by Temenos has raised Multifonds profile and visibility, driving pipeline growth
- Multifonds leveraging the Temenos global footprint to gain access in Asia and the U.S.
- TCF generated strong interest in particular from partners, follow-up activities ongoing
- Office mergers completed across Europe, progressing in Singapore
- Back-office integration progressing well

Multifonds is delivering well and integration is on track

The fund industry opportunity

- Third-party administrator (TPA) revenues growing at 10% p.a. driven by asset manager outsourcing
- TPAs moving to external software to increase efficiency
- Multifonds is a leader in fund administration software and well positioned to capitalise on the market opportunity
- Global tier 1 client base, with 9 of the top 15 custodians
- Product excellence, with broad functionality that is highly competitive across both fund administration and investor servicing
- Provides a strategic gateway into the capital markets industry

Well positioned to capture growth in the market

U.S. update

- Good progress made in building U.S. pipeline
- Two key strategic deals signed in Q2
  - Top 20 U.S. domestic bank signing for T24 and TPS
  - Top 35 domestic bank signing for Akcelerant products, one of their largest deals ever
- Demonstrates traction being gained with higher tier domestic banks through traditional on-premise model
- Integrated sales force also focusing on cross-selling opportunities across community banking and credit unions

U.S. go-to-market strategy is on track

Temenos and the U.S. opportunity

- World's largest financial services market
- Dominated by few large venders with legacy technology
- Akcelerant has relationships with c. 600 credit unions and banks
  - 18 of top 25 credit unions
  - 60% penetration of credit unions over USD 1bn in assets
- TriNovus customer base currently at c. 1,300 financial institutions
- Opportunities for cross-selling T24 and other products across both Akcelerant and TriNovus customer bases
- SaaS and on-premise deployment solutions offered to maximise addressable market

Well positioned to capitalise on the U.S. market opportunity

TCF showcased product leadership in the last 12 months

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Q2 2015 non-IFRS financial highlights

- Total software licensing up 55.7% Y-o-Y and 7.6% LTM (constant currency)
  - Of which software licensing up 26.4% Y-o-Y (constant currency)
- SaaS and subscription contributed 24% of total software licensing in Q2 2015 vs. 6% in Q2 2014, with inclusion of revenues from recent acquisitions
- Maintenance growth of 10.9% Y-o-Y and 7.8% LTM (constant currency)
- 770bps improvement in services margin Y-o-Y
- EBIT up 37.4% Y-o-Y (constant currency), taking LTM EBIT margin to 27.6% up 210bps Y-o-Y
- Q2 operating cashflows of USD 19m; DSOs down 19 days Y-o-Y (27 days proforma)
- Q2 cash conversion on LTM basis of 113%*

Strong performance across all financial metrics

* LTM operating cash and EBITDA are on IFRS basis

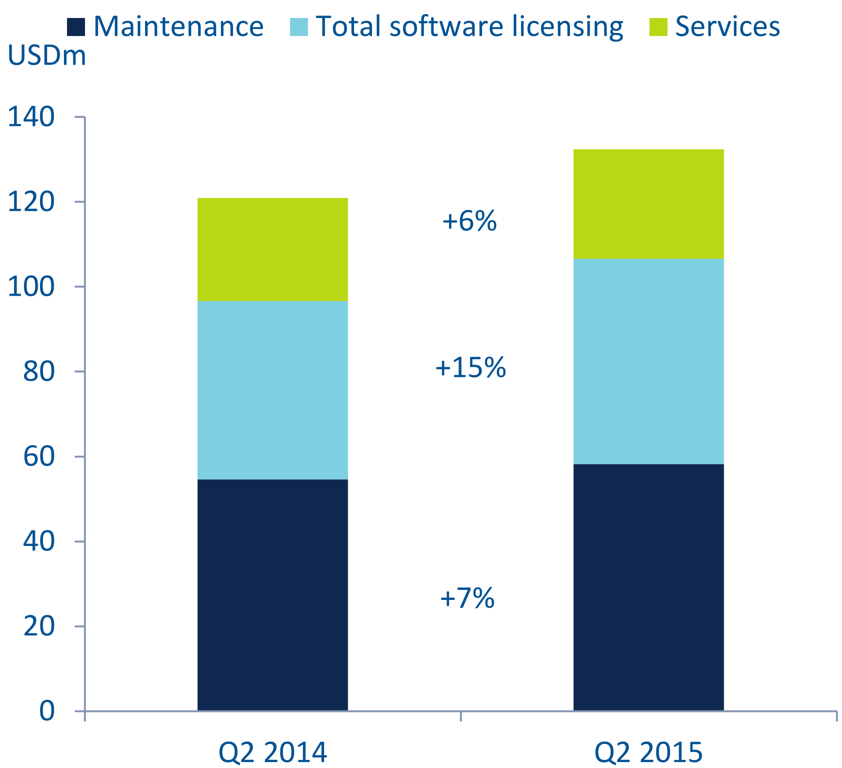
Non-IFRS income statement – operating

In USDm	Q2 15	Q2 14	Y-o-Y reported	Y-o-Y constant currency	LTM 15	LTM 14	Y-o-Y reported	Y-o-Y constant currency
Software licensing	36.7	30.5	20.6%	26.4%	136.2	145.9	-6.6%	-2.8%
SaaS and subscription	11.7	2.0	477.4%	479.9%	21.7	6.9	212.5%	212.8%
Total software licensing	**48.4**	**32.5**	**49.0%**	**55.7%**	**157.9**	**152.8**	**3.3%**	**7.6%**
Maintenance	58.2	55.7	4.6%	10.9%	227.8	218.6	4.2%	7.8%
Services	25.8	**24.1**	7.0%	16.6%	97.9	104.6	-6.4%	-2.2%
Total revenue	**132.4**	**112.3**	**18.0%**	**25.3%**	**483.6**	**476.0**	**1.6%**	**5.6%**
Operating costs	100.8	89.8	12.3%	21.9%	350.0	354.4	-1.2%	3.9%
EBIT	**31.7**	**22.5**	**40.7%**	**37.4%**	**133.6**	**121.6**	**9.9%**	**10.3%**
Margin	23.9%	20.0%	3.9% pts		27.6%	25.5%	2.1% pts	
EBITDA	**43.1**	**33.1**	**30.3%**	**28.3%**	**177.1**	**162.8**	**8.7%**	**9.0%**
Margin	32.6%	29.5%	3.1% pts		36.6%	34.2%	2.4% pts	
Services margin	**5.7%**	**-2.0%**	**7.7% pts**		**8.8%**	**0.8%**	**8.0% pts**	

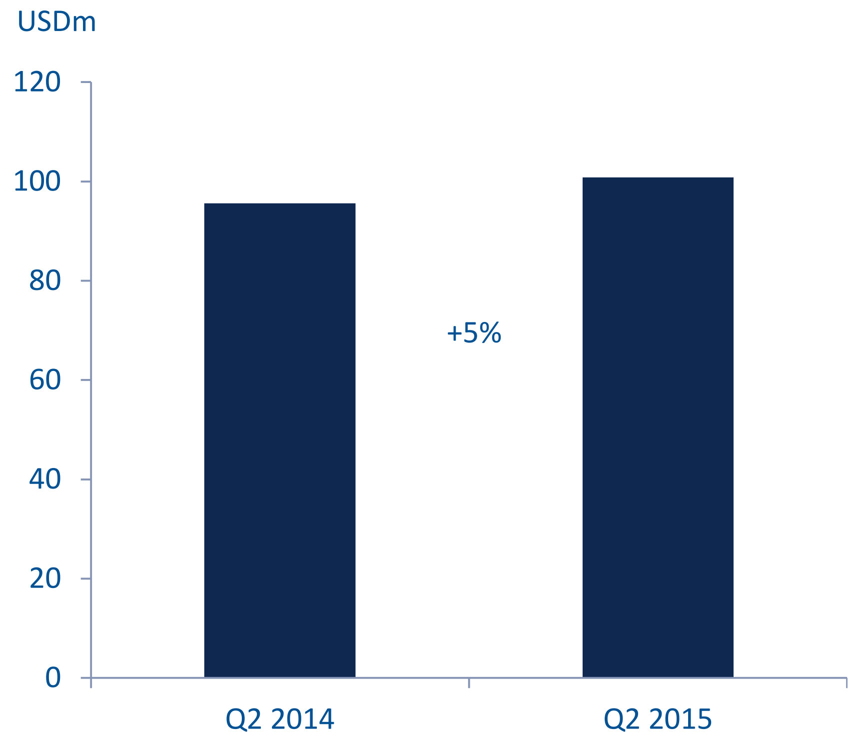
Revenue growth and margin expansion in Q2

Like-for-like revenue and costs

Q2 LFL non-IFRS revenues up 10%



Q2 LFL non-IFRS costs up 5%



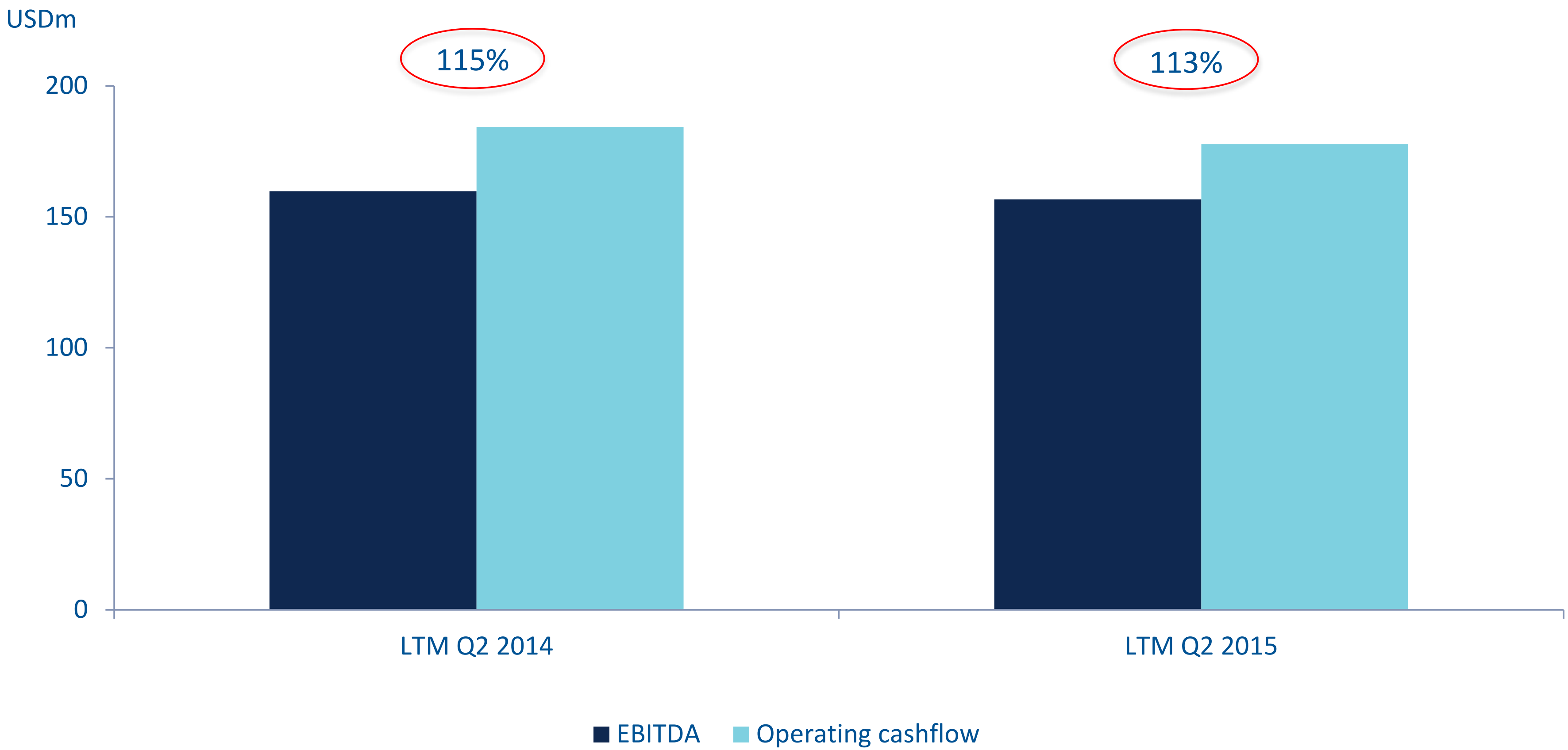
Positive underlying organic growth

Non-IFRS income statement – non-operating

In USDm, except EPS	Q2-15	Q2-14	Y-o-Y	LTM 15	LTM 14	Y-o-Y
EBIT	**31.7**	**22.5**	**41%**	**133.6**	**121.6**	**10%**
Net finance charge	-3.9	-2.9	-35%	-13.7	-10.4	-32%
FX gain / (loss)	-0.6	0.1	N.A.	-0.1	-1.2	95%
Tax	-2.6	-3.3	22%	-13.8	-17.0	19%
Net profit	**24.6**	**16.3**	**50%**	**106.1**	**93.0**	**14%**
EPS (USD)	**0.36**	**0.23**	**57%**	**1.56**	**1.34**	**16%**

Growth in EPS driven by good management of below-the-line items

IFRS cash conversion



Cash conversion consistently above target of 100%

Balance sheet – debt and financing

In USDm	30 Jun 15	Comment
Debt	509.5	Facilities of up to USD 350m and CHF 375m bonds
Cash	59.7	Held in short term deposits
Net debt	**449.8**	**2.4x proforma LTM non-IFRS EBITDA***
Treasury shares**	(27.9)	Reflects market value as of 30 June 2015
Net debt incl. treasury shares	**421.9**	**2.3x proforma LTM non-IFRS EBITDA***

* Non-IFRS EBITDA includes contribution from acquired companies in the period
** Cash equivalent i.e. excludes shares repurchased for cancellation in 2013 and 2014

Leverage expected to decrease to range of 1.0x to 1.5x within 12-18 months

2015 guidance

Total non-IFRS software licensing growth of 36% to 41% (implying total software licensing revenue of USD 192m to USD 199m)

- includes non-IFRS **software licensing growth of 13%+** (implying software licensing revenue of at least USD 152m)

Non-IFRS revenue growth of 18% to 23% (implying revenue of USD 526m to USD 548m)

Non-IFRS EBIT margin of 28.5% (implying non-IFRS EBIT of USD 150m to USD 156m)

100%+ conversion of EBITDA into operating cashflow

Tax rate of 17% to 18%

- Growth at constant currency - currency assumptions on slide 24
- See appendix for definition of non-IFRS

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Market conditions improving


4:20 PM
Back
TEMENOS
Logout
Current account
£2,300.56
Statement
Transfers
Statistics
Transfer to another account
Pay a person or bill
Stop a payment

Appendices

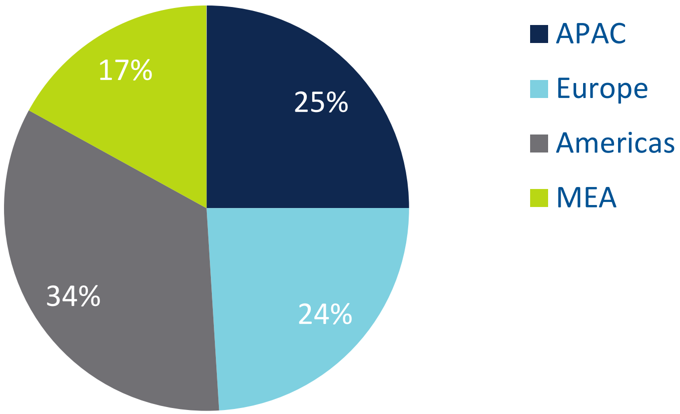
FX assumptions underlying 2015 guidance

In preparing the 2015 guidance, the Company has assumed the following:

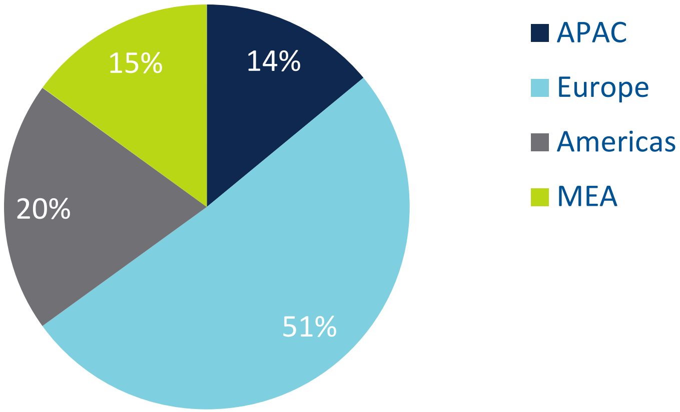
- USD to Euro exchange rate of 0.928
- USD to GBP exchange rate of 0.676; and
- USD to CHF exchange rate of 0.971

Total software licensing revenue breakdown by geography

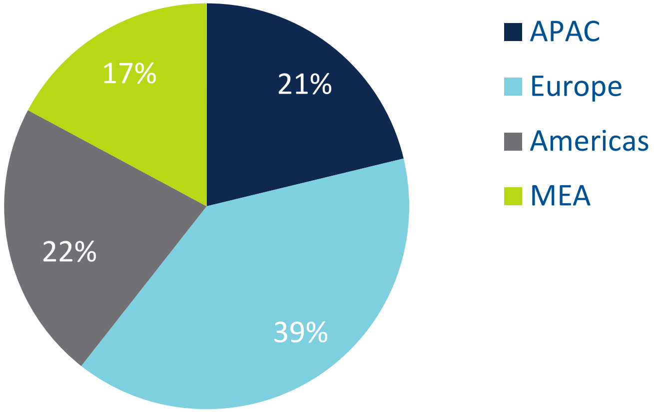
Q2 2014



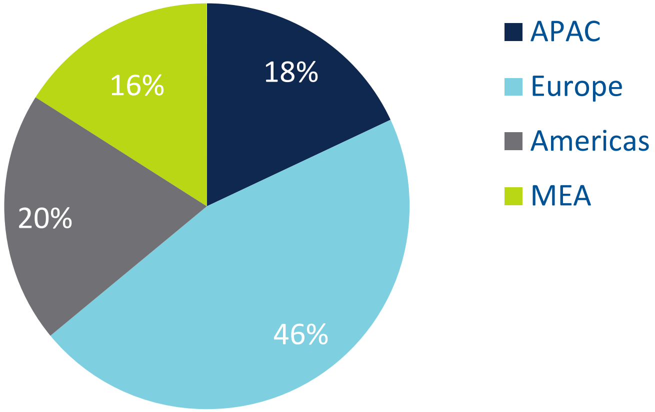
Q2 2015



LTM Q2 2014

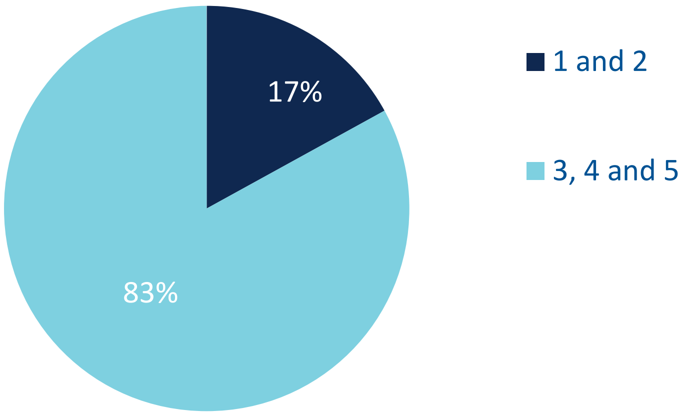


LTM Q2 2015

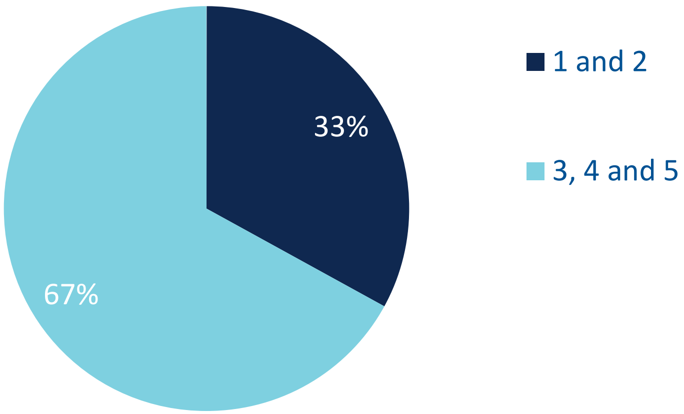


Total software licensing revenue breakdown by customer tier

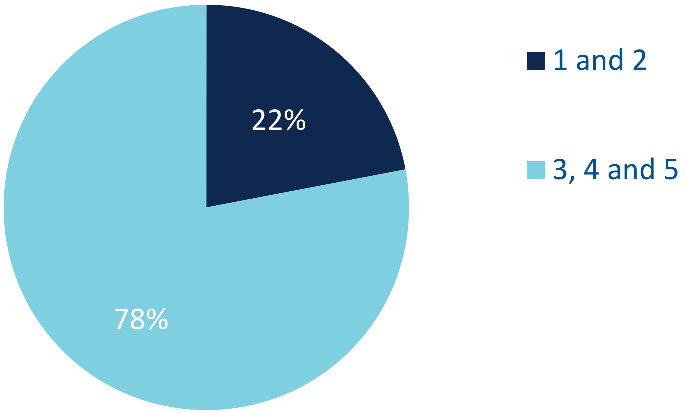
Q2 2014



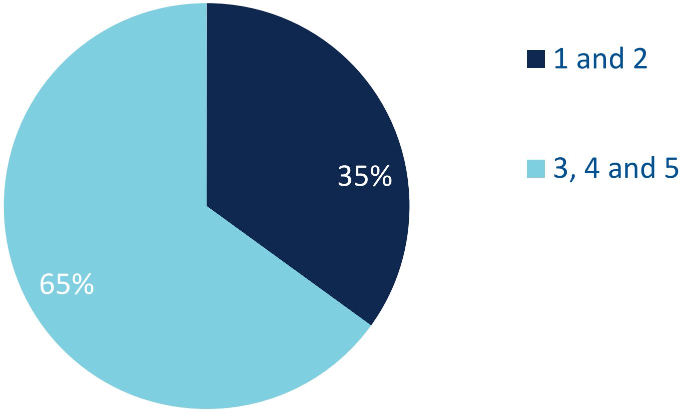
Q2 2015



LTM Q2 2014

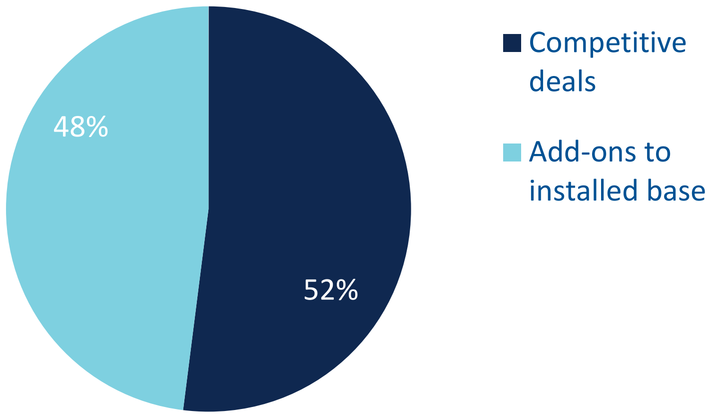


LTM Q2 2015

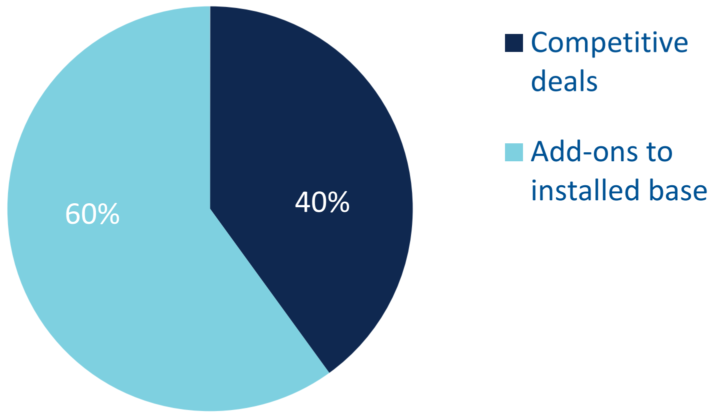


Software licensing revenue breakdown by competitive deals / add-ons to installed base (excluding SaaS and subscription)

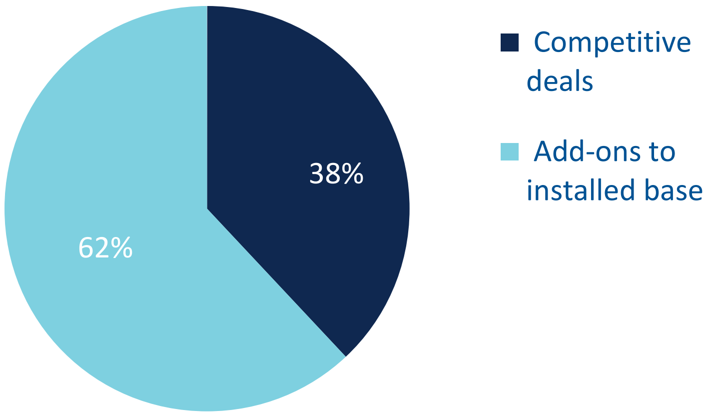
Q2 2014



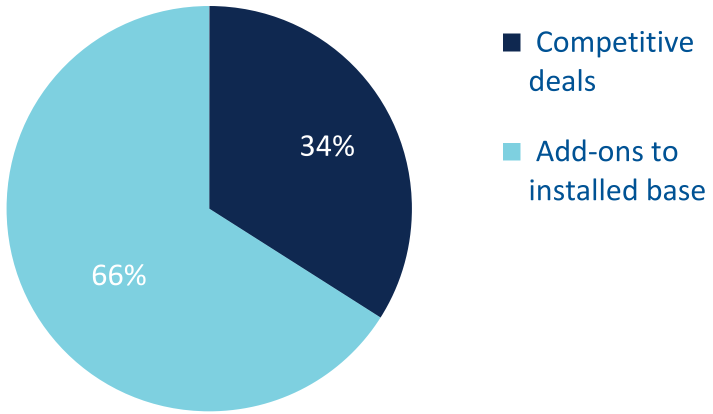
Q2 2015



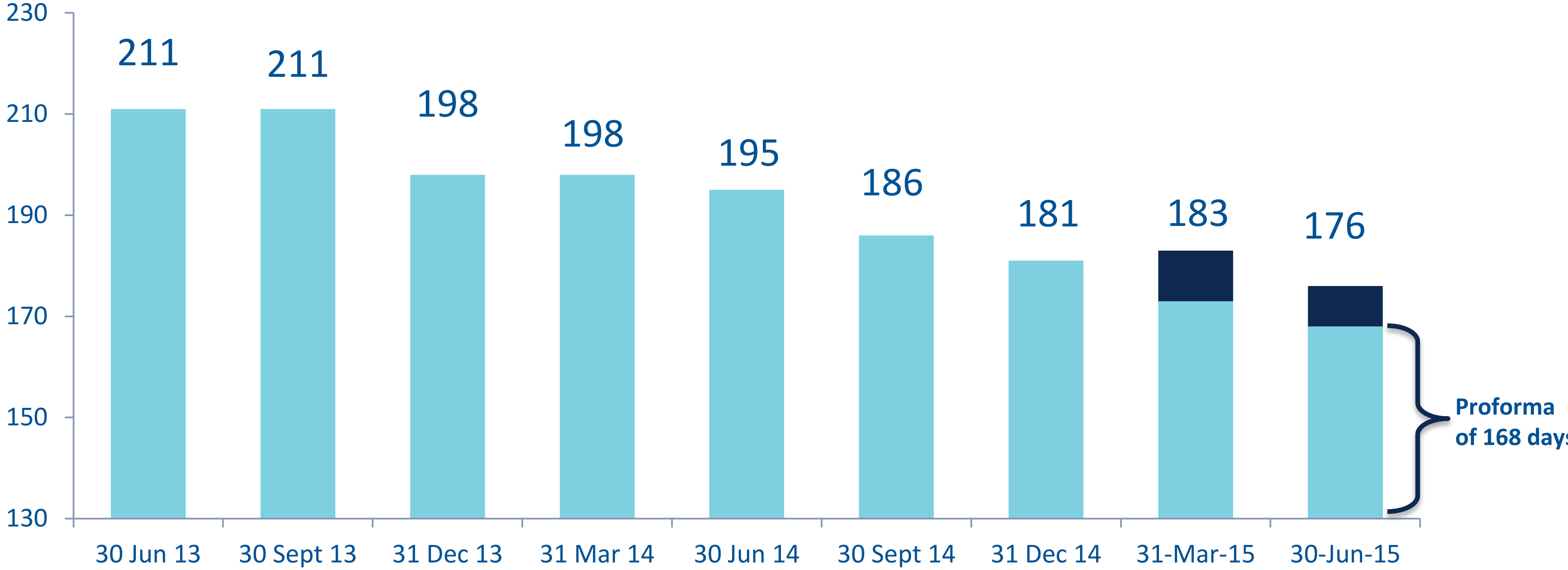
LTM Q2 2014



LTM Q2 2015



DSOs continue to decline



- DSO in Q2-15 ended at 176 days, of which eight are due to acquisitions

Capitalisation of development costs

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	-9.7	-13.9	**-43.1**
Amortisation	8.3	8.3	8.3	8.5	**33.4**
Net cap' dev'	**-1.3**	**-1.5**	**-1.4**	**-5.5**	**-9.8**

USDm	Q1 15	Q2 15			
Cap' dev' costs	-10.3	-11.2			
Amortisation	8.8	8.8			
Net cap' dev'	**-1.5**	**-2.4**			

Reconciliation from IFRS to non-IFRS

	IFRS revenue measure
+	Deferred revenue write-down
=	**Non-IFRS revenue measure**

	IFRS profit measure
+/-	Deferred revenue writedown
+ / -	Discontinued activities
+ / -	Acquisition related charges
+ / -	Amortisation of acquired intangibles
+ / -	Restructuring
+ / -	Taxation
=	**Non-IFRS profit measure**

Accounting elements not included in non-IFRS guidance

Below are the accounting elements not included in the 2015 non-IFRS guidance:

- FY 2015 estimated deferred revenue write-down of approximately USD 20m
- FY 2015 estimated amortisation of acquired intangibles of USD 30m
- FY 2015 estimated acquisition related charges of USD 5m
- FY 2015 estimated restructuring costs of USD 8m

These estimates do not include impact of any further acquisitions or restructuring programmes commenced after 21 April 2015.

The above figures are estimates only and may deviate from expected amounts.

Reconciliation from IFRS to non-IFRS

	3 Months Ending 30 June						Change	
	2015		2015	2014		2014		
USDm	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	43.7	4.7	48.4	32.5		32.5	34%	49%
Maintenance	57.7	0.5	58.2	55.7		55.7	4%	5%
Services	25.7	0.1	25.8	24.1		24.1	7%	7%
Total Revenue	**127.1**	**5.3**	**132.4**	**112.3**		**112.3**	**13%**	**18%**
Total Operating Costs	**(114.6)**	**13.8**	**(100.8)**	**(92.2)**	**2.4**	**(89.8)**	**24%**	**12%**
Restructuring	(5.5)	5.5	0.0	(0.4)	0.4	0.0	1115%	
Amort of Acq'd Intang.	(8.3)	8.3	0.0	(1.9)	1.9	0.0	321%	
Operating Profit	**12.5**	**19.1**	**31.7**	**20.1**	**2.4**	**22.5**	**(38%)**	**41%**
Operating Margin	**10%**		**24%**	**18%**		**20%**	**-8% pts**	**+4% pts**
Financing Costs	(4.5)		(4.5)	(2.8)		(2.8)	60%	60%
Taxation	(1.3)	(1.3)	(2.6)	(3.0)	(0.3)	(3.3)	(57%)	(22%)
Net Earnings	6.8	17.8	24.6	14.2	2.1	16.3	(53%)	50%
EPS ($ per Share)	**0.10**	**0.26**	**0.36**	**0.20**	**0.03**	**0.23**	**(50%)**	**57%**

Net earnings reconciliation

In USDm, except EPS	Q2-15	Q2-14
IFRS net earnings	**6.8**	**14.2**
Deferred revenue write-down	5.3	0.0
Amortisation of acquired intangibles	8.3	2.0
Restructuring	4.0	0.5
Acquisition related charges	1.5	-
Taxation	-1.3	-0.3
Net earnings for non-IFRS EPS	**24.6**	**16.3**

No. of dilutive shares	67.4	69.8
Non-IFRS diluted EPS (USD)	**0.36**	**0.23**

Reconciliation from IFRS to non-IFRS for EBIT and EBITDA

USDm – Q2 2015	IFRS EBIT		IFRS EBITDA	
		12.5		**32.3**
Deferred revenue write-down		5.3		5.3
Amortisation of acquired intangibles		8.3		-
Restructuring		4.0		4.0
Acquisition-related charges		1.5		1.5
	Non-IFRS EBIT	**31.7**	**Non-IFRS EBITDA**	**43.1**

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, integration costs and earn outs

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

Constant currencies
Prior year results adjusted for currency movement

Like-for-like (LFL)
Adjusted prior year for acquisitions and movements in currencies

SaaS and subscription
Revenues generated from Software-as-a-Service and subscription licenses

Thank you

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