TEMENOS

The software specialist for banking and finance

Financial results & business update

Quarter ended 30 June 2016
20 July 2016

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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 20 July 2016. 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 20 July 2016.

Non-IFRS Information

Readers are cautioned that the supplemental non-IFRS information presented in this presentation 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 presentation 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.

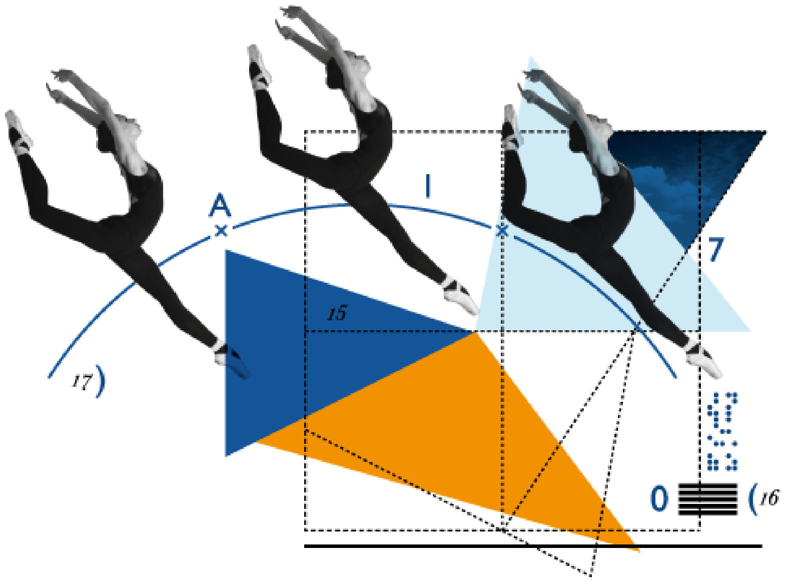
When the Company believes it would be helpful for understanding trends in its business, the Company provides percentage increases or decreases in its revenue (in both IFRS as well as non-IFRS) to eliminate the effect of changes in currency values. When trend information is expressed herein "in constant 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

1.	Business update	David Arnott
2.	Financial update	Max Chuard
3.	Summary	David Arnott
4.	Q&A	

Business update

David Arnott



Summary

- Outstanding performance across all KPIs
- Total software licensing up 25% for the quarter, driven by strong license growth of 31% y-o-y
- Digitisation and cost focus continue to drive bank decision making
- Leadership position in Wealth demonstrated by signing of Standard Chartered Bank
- Strong start to Q3 resulting in record level of revenue visibility for Q3 and FY 2016
- Very strong pipeline, significant breadth and depth of deals

Highly confident in delivering full year guidance

Q2 2016 sales update

- Strong growth in Q2 2016, in particular across Developed Markets
- Strong performance in Europe across all tiers and segments, Banque Internationale à Luxembourg (BIL) a key win
- Asia had another strong quarter, with key wins in Wealth space including Standard Chartered Bank and Bank of Montreal Asia Pacific
- Good momentum in North America with signing of Laurentian Bank, a strategically important win
- Strong growth for Retail and Wealth Suites
- Overall win rate continues to increase, nearing 100% in Wealth
- Tier 1 and 2 clients contributed 50% of total software licensing LTM, compared to 35% in prior year
- 21 new customer wins in Q2 2016 versus 13 in Q2 2015

Strong sales momentum

Competitive positioning in Wealth

- Won all key deals in Wealth in the last 3 years
- Standard Chartered Bank a key win
  - Standard Chartered Bank selected WealthSuite for deployment across more than 30 countries
  - Decision driven by need to standardised IT systems across operations, increase automation and offer clients a differentiated experience
- BIL a key win in Europe, with Wealth constituting significant part of the project
  - Renovation will focus on eliminating legacy risk, and client service innovation across all business lines
- Bank of Montreal Asia Pacific also an important win, selecting Temenos to maximise flexibility and lower TCO
- Ongoing Wealth implementations, including Julius Baer, progressing well

Extending leadership position in Wealth

Competitive positioning in Retail

- Won the two largest Retail deals in the market in H1 2016
- Laurentian Bank of Canada a key win in North America
- BIL a key win in Europe, with Retail constituting a significant part of the project
- In both cases, decision was driven by need to eliminate legacy risk, and to drive client service innovation
- Ongoing Retail implementations, including Nordea, progressing well

Extending leadership position in Retail

Why we win

- Key factors driving selection include
  - Ability to provide out of the box, front-to-back integrated solutions that can offer progressive renovation capability
  - Tier 1 ready - proven scalability and open architecture facilitates seamless integration
  - Clear vision of the future of banking
  - Model banks - availability of pre-configured country platforms key for multi-country implementations
  - Partner ecosystem - depth and breadth of partners available to support clients is a key differentiator
  - Scale and quality of our customer base and reference installations

Highly differentiated offering

Q2 2016 operational overview

Partner ecosystem expanding

- Clients value breadth and depth of partner resources
- Partners played critical role in winning key deals including Laurentian and BIL
- Partner involvement in nearly all implementations

Increased services activity

- 24 implementation go lives in Q2 2016 vs. 13 in Q2 2015
- Non-IFRS LTM services margin at 7.5%
- Premium services contributed 18% of total services revenue in Q2 2016

Q2 2016 maintenance revenue growth of 7% (LFL)

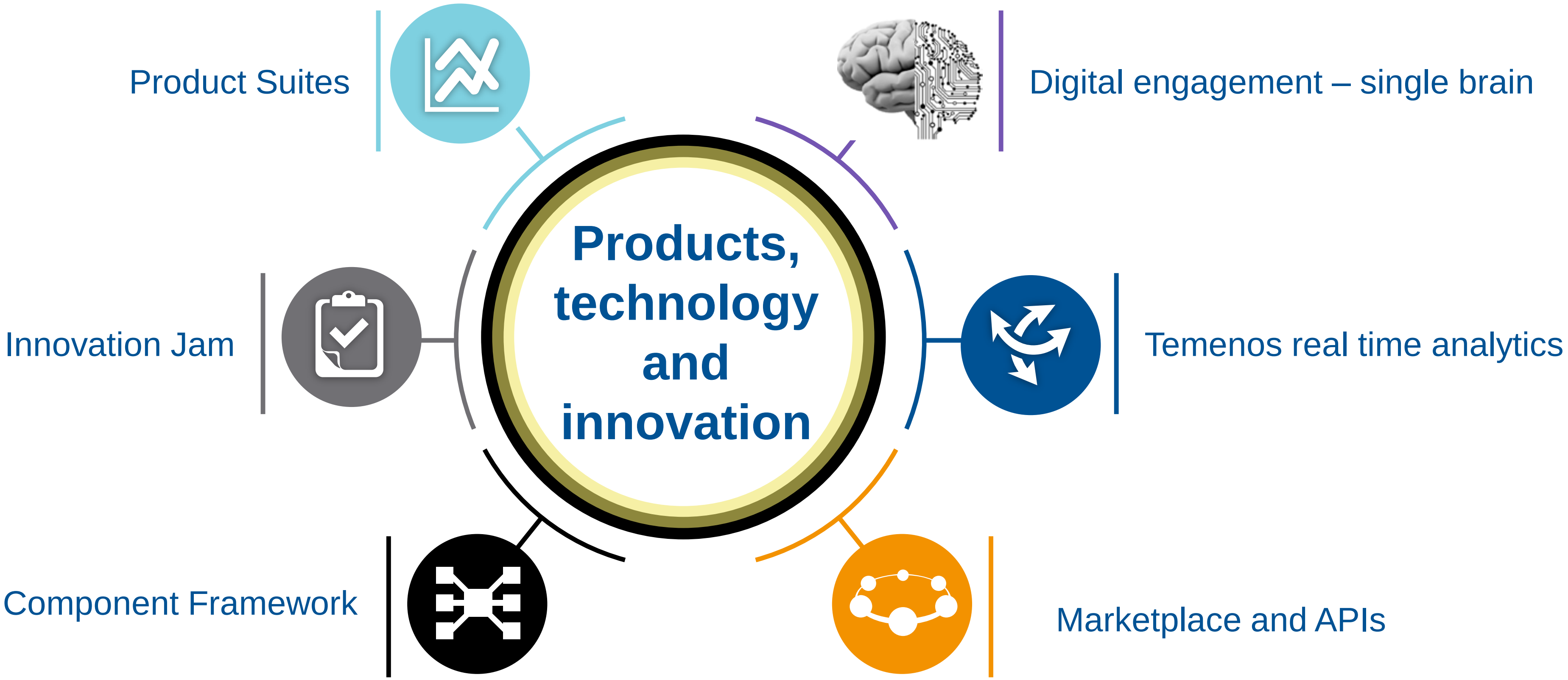
Focus on delivering customer success

U.S. update

- Go-live of top 20 U.S. bank, with partial replacement of its core - first large U.S. client, key reference for closing future deals
- Ongoing campaigns on key deals are progressing well
- Differentiated product value proposition resonating with clients
- Joint go-to-market with top U.S. partners
- New U.S. based Board Member, Peter Spenser, to be proposed for election at 2017 AGM
  - Mr. Spenser brings significant experience of advising U.S. financial institutions on their technology roadmaps

Solid progress in the U.S.

TCF showcased new products, technology and innovation



Overview of the market and pipeline

- Post Brexit referendum, all planned deals closed with no delay or change in scope
- Key accounts in pipeline reconfirmed intention and urgency of need to invest in IT renovation - no slow down in client engagement and decision making
- Banks still face same pressures of cost, digitisation and competition – these are becoming more intense
- IT renovation is key to banks' strategy, it is not discretionary spend
- Banks have significantly higher levels of capital vs. last financial crisis
- Pipeline is very strong in all geographies and segments
- Record levels of revenue visibility for Q3 and FY 2016

Structural drivers remain top of mind

Financial update

Max Chuard

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Q2 2016 non-IFRS financial highlights (c.c.)

- Total software licensing up 25% Y-o-Y
  - of which software licensing up 31% Y-o-Y
- SaaS and subscription contributed 21% of total software licensing in the quarter vs 24% in the prior quarter
- Maintenance growth of 7% Y-o-Y
- Total revenue growth of 17% Y-o-Y and 28% LTM
- EBIT up 19% Y-o-Y, with LTM EBIT margin of 28%, up 42bps Y-o-Y
- Q2 operating cashflows of USD 38m, up 96% Y-o-Y; DSOs down a record 46 days Y-o-Y to 130 days

Outstanding performance across all metrics

Non-IFRS income statement – operating

In USDm	Q2 16	Q2 15	Y-o-Y reported	Y-o-Y c.c.	LTM 16	LTM 15	Y-o-Y reported	Y-o-Y c.c.
Software licensing	47.8	36.8	29.9%	30.9%	191.2	136.2	40.4%	44.0%
SaaS and subscription	12.6	11.7	8.1%	6.7%	48.0	21.7	121.2%	119.8%
Total software licensing	**60.4**	**48.4**	**24.7%**	**24.9%**	**239.3**	**157.9**	**51.5%**	**54.8%**
Maintenance	61.2	58.2	5.2%	6.5%	243.3	227.8	6.8%	8.7%
Services	32.2	25.8	25.0%	25.4%	122.9	97.9	25.5%	30.0%
Total revenue	**153.8**	**132.4**	**16.1%**	**17.0%**	**605.5**	**483.6**	**25.2%**	**28.0%**
Operating costs	115.1	100.8	14.2%	16.4%	435.7	350.0	24.5%	28.5%
EBIT	**38.7**	**31.7**	**22.3%**	**18.9%**	**169.8**	**133.6**	**27.1%**	**26.9%**
Margin	25.2%	23.9%	1.3% pts		28.0%	27.6%	0.4% pts	
EBITDA	**50.1**	**43.1**	**16.1%**	**13.7%**	**214.9**	**177.1**	**21.4%**	**22.3%**
Margin	32.6%	32.6%	0.0% pts		35.5%	36.6%	-1.1% pts	
Services margin	2.7%	5.7%	-3.0% pts		7.5%	8.8%	-1.4% pts	

Strong growth in revenues and profit

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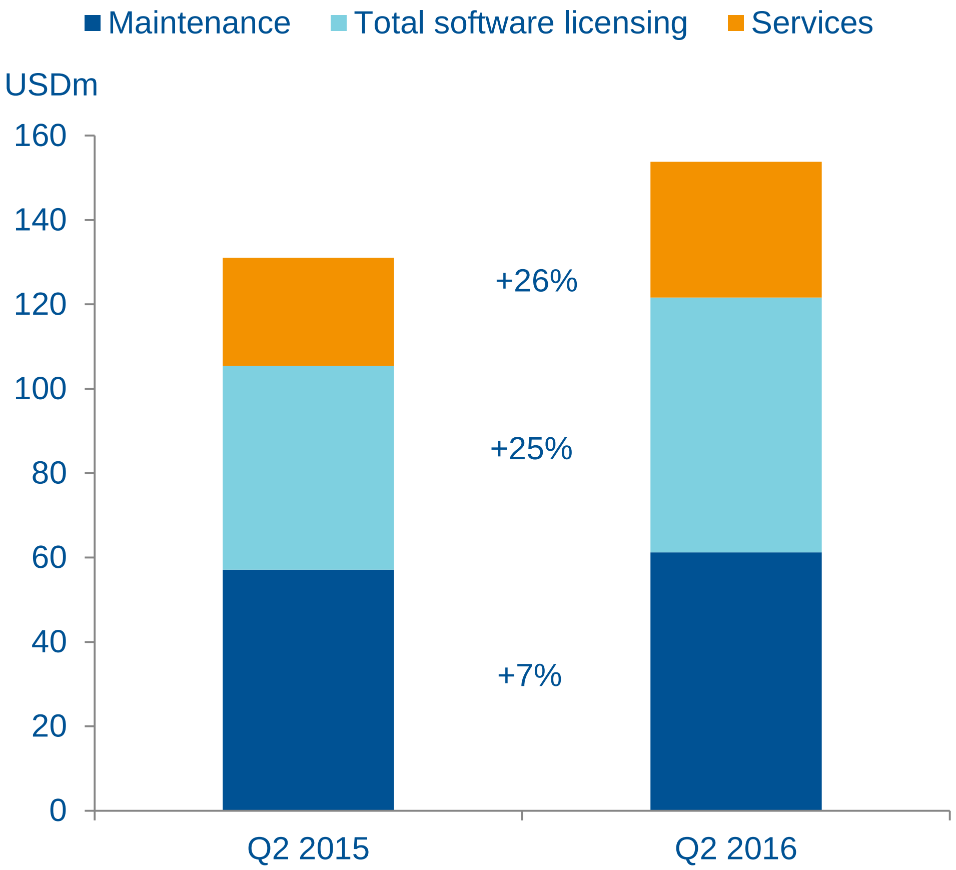
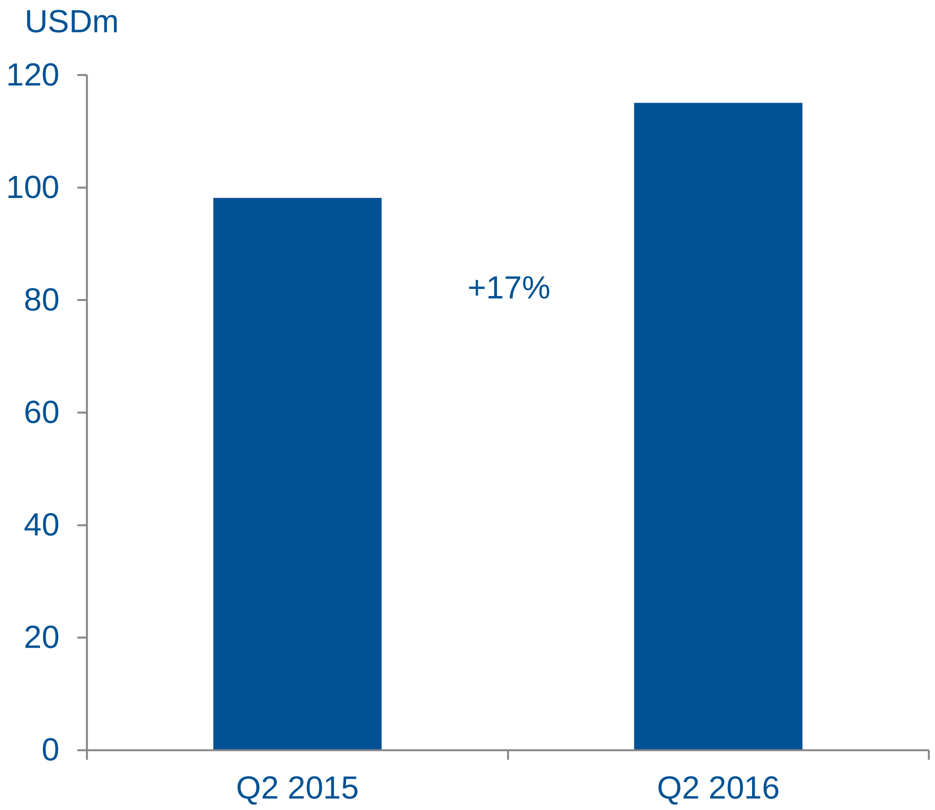
Like-for-like revenue and costs

Q2 LFL non-IFRS revenues up 17%



Q2 LFL non-IFRS costs up 17%



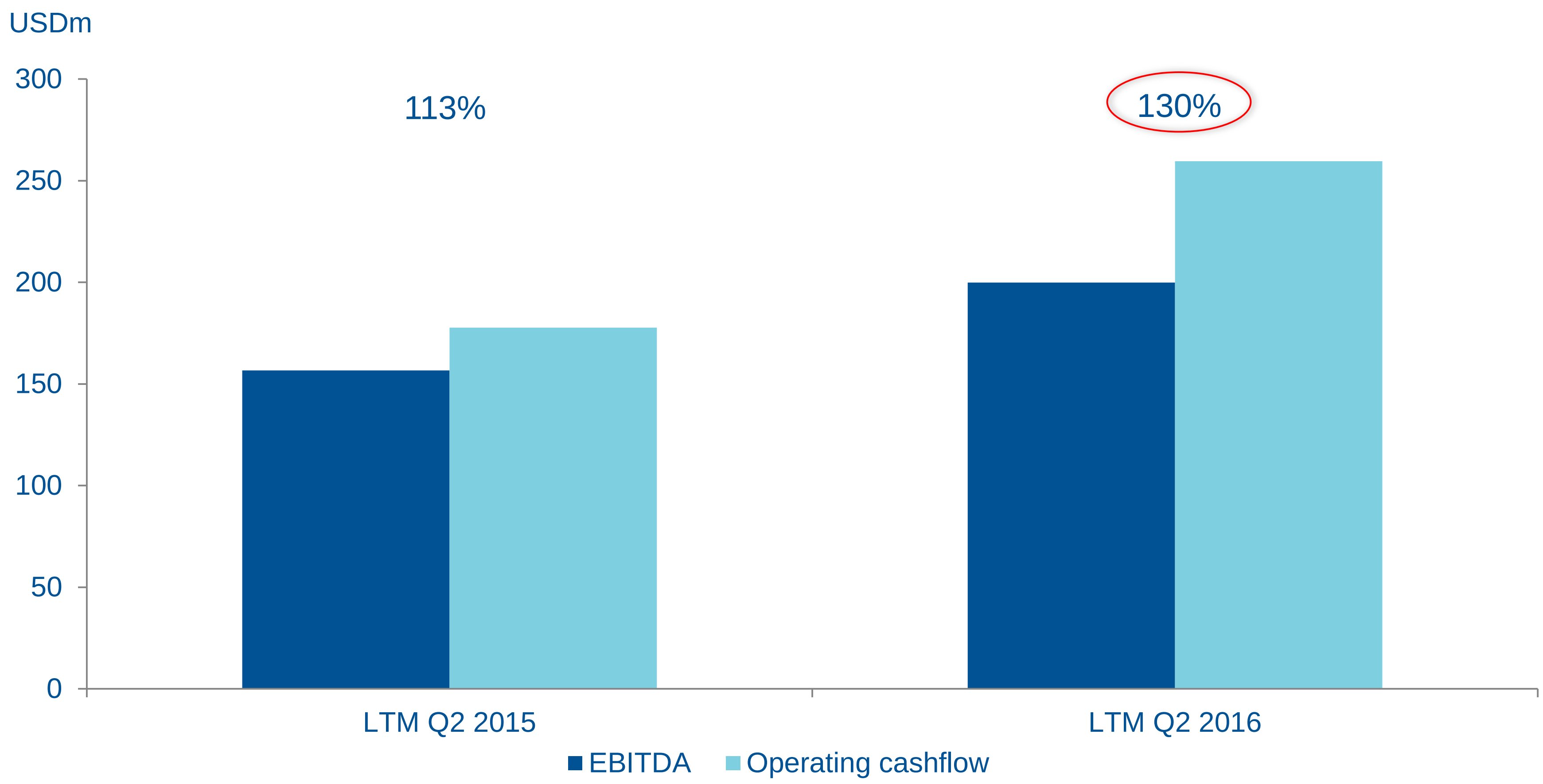
Excellent organic license growth

Non-IFRS income statement – non-operating

In USDm, except EPS	Q2 16	Q2 15	Y-o-Y	LTM 16	LTM 15	Y-o-Y
EBIT	**38.7**	**31.7**	**22%**	**169.8**	**133.6**	**27%**
Net finance charge	-4.2	-3.9	-7%	-18.3	-13.7	-34%
FX gain / (loss)	-0.6	-0.6	N.A.	-2.8	-0.1	N.A.
Tax	-4.2	-2.6	-59%	-19.5	-13.8	-42%
Net profit	**29.7**	**24.6**	**21%**	**129.2**	**106.1**	**22%**
EPS (USD)	**0.42**	**0.36**	**17%**	**1.84**	**1.56**	**18%**

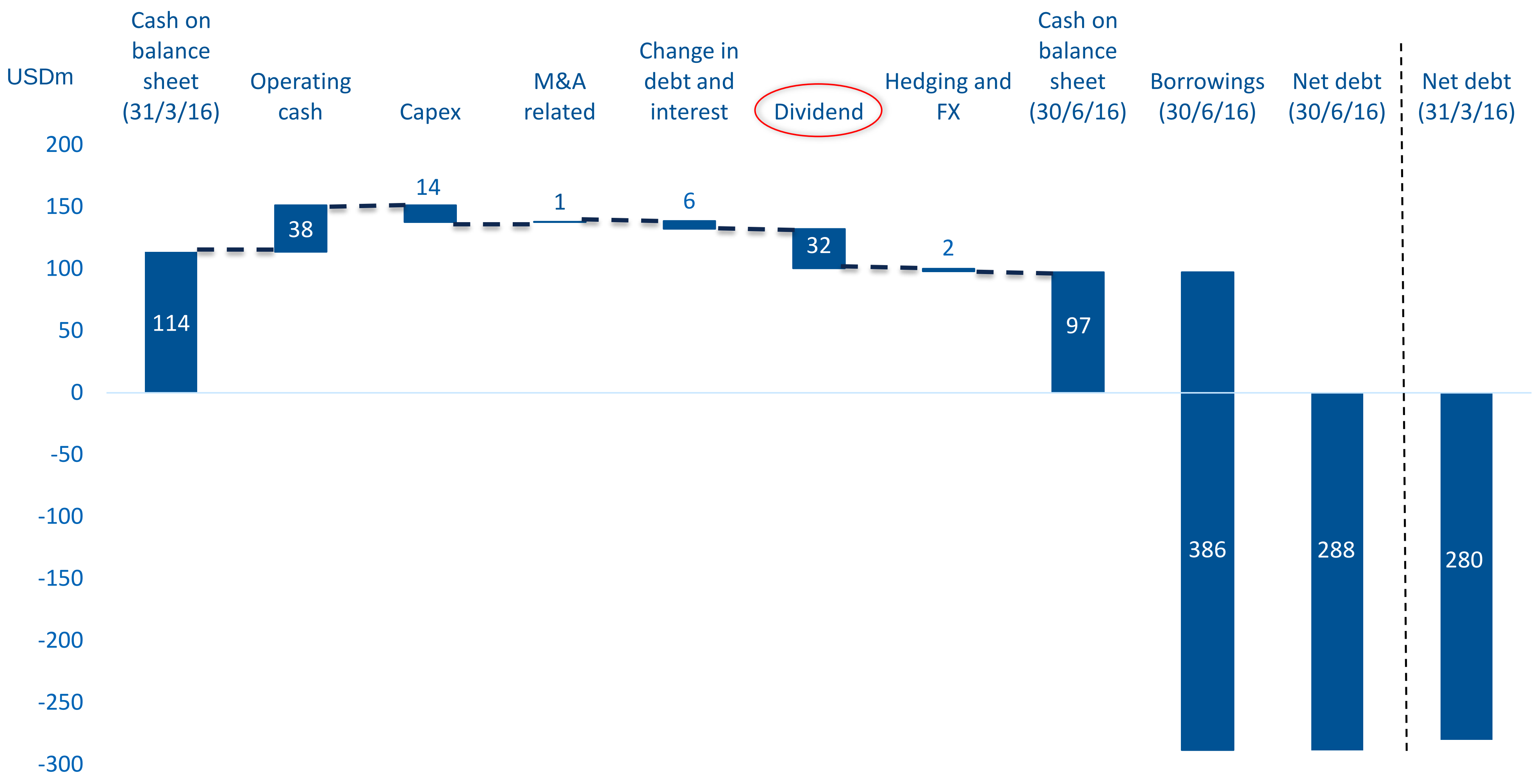
Strong growth in profit and EPS

IFRS cash conversion



Cash conversion significantly above target of 100%

Stable group liquidity



Operating cash up 96% Y-o-Y, leverage down to 1.3x vs. 2.4x in Q2 '15

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2016 guidance

- **Non-IFRS total software licensing growth at constant currencies of 10% to 15%** (implying non-IFRS total software licensing revenue of USD 233m to USD 244m)
- **Non-IFRS revenue growth at constant currencies of 7.5% to 11.0%** (implying non-IFRS revenue of USD 593m to USD 612m)
- **Non-IFRS EBIT at constant currencies of USD 180m to 185m** (implying non-IFRS EBIT margin of c.30%)
- **100%+ conversion** of EBITDA into operating cashflow
- **Tax rate of 17% to 18%**

- Currency assumptions on slide 27
- See slide 40 for definition of non-IFRS

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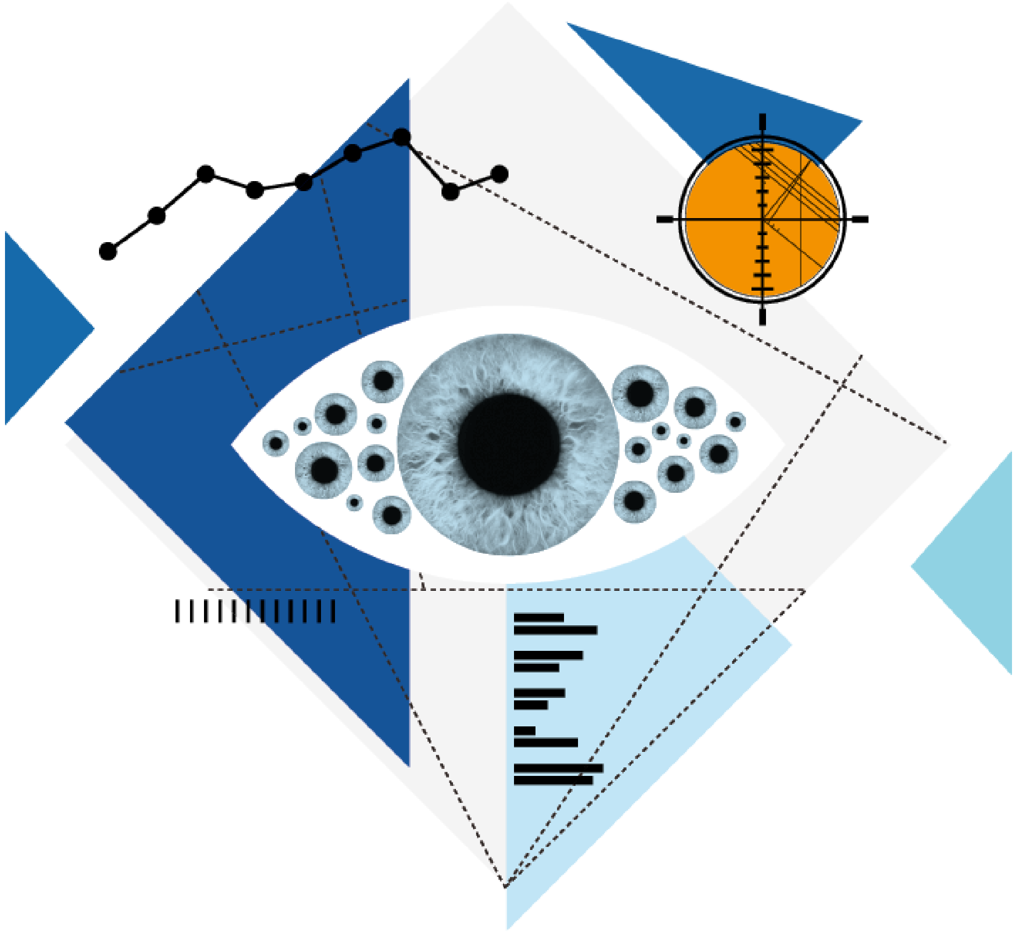
Summary

David Arnott



Conclusion

- Temenos achieved record sales growth and gained market share in the quarter
- Strong sales execution across the board, all client tiers and segments
- Banks are focused on digitisation and costs, IT spend is not discretionary
- Multiple key wins including Standard Chartered Bank, Laurentian, BMO and BIL
- Post Brexit referendum, all planned deals closed with no delay or change in scope
- Key clients in pipeline reconfirmed intention to invest in IT renovation - no slow down in engagement to date
- Revenue visibility at record level for Q3 and FY and pipeline is very strong, expect to achieve high end of guidance for 2016

Strong momentum for Q3 and FY 2016

Appendices

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FX assumptions underlying 2016 guidance

In preparing the 2016 guidance, the Company has assumed the following:

- USD to Euro exchange rate of 0.901
- USD to GBP exchange rate of 0.769; and
- USD to CHF exchange rate of 0.958

FX exposure

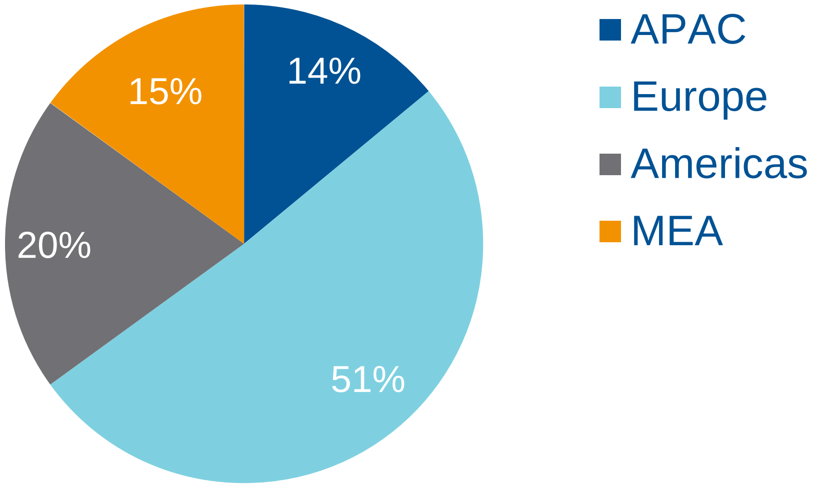
% of total	USD	EUR	GBP	CHF	Other
Total software licensing	36%	45%	8%	8%	3%
Maintenance	65%	20%	6%	6%	3%
Services	45%	29%	10%	10%	6%
Revenues	**49%**	**31%**	**8%**	**8%**	**4%**
Non-IFRS costs	**20%**	**20%**	**20%**	**10%**	**30%**
Non-IFRS EBIT	**127%**	**60%**	**-24%**	**1%**	**-64%**

NB. All % are approximations based on 2015 actuals

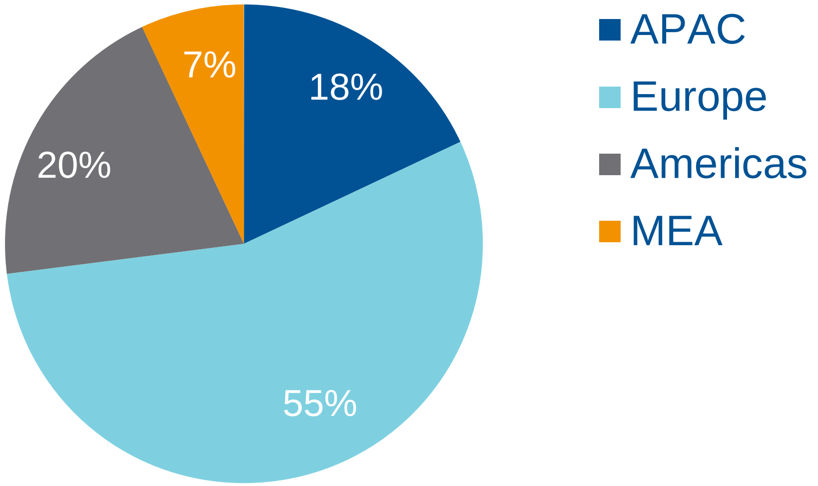
Mitigated FX exposure – matching of revenues / costs and hedging

Total software licensing revenue breakdown by geography

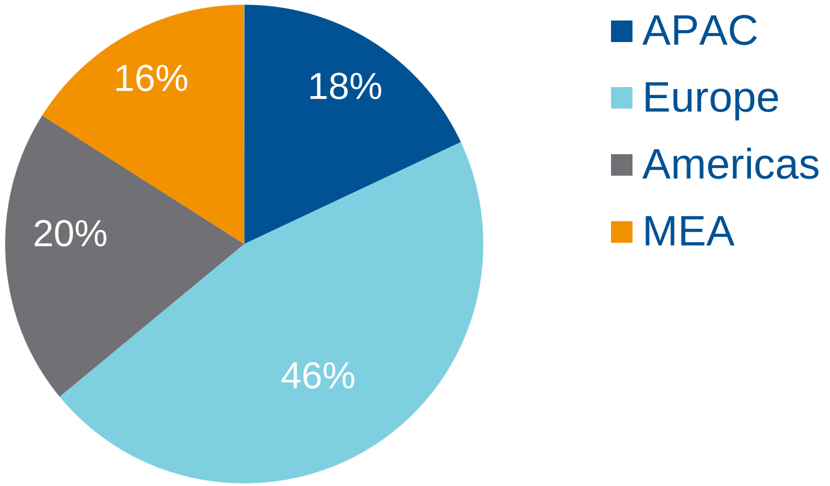
Q2 2015



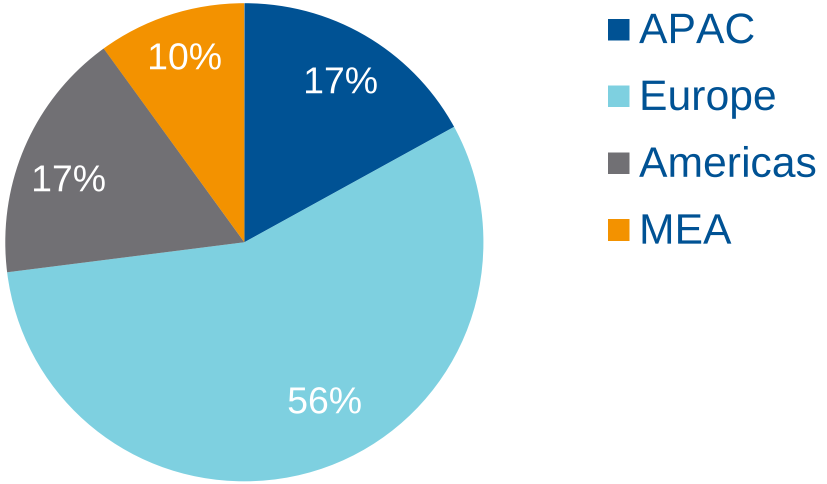
Q2 2016



LTM Q2 2015



LTM Q2 2016



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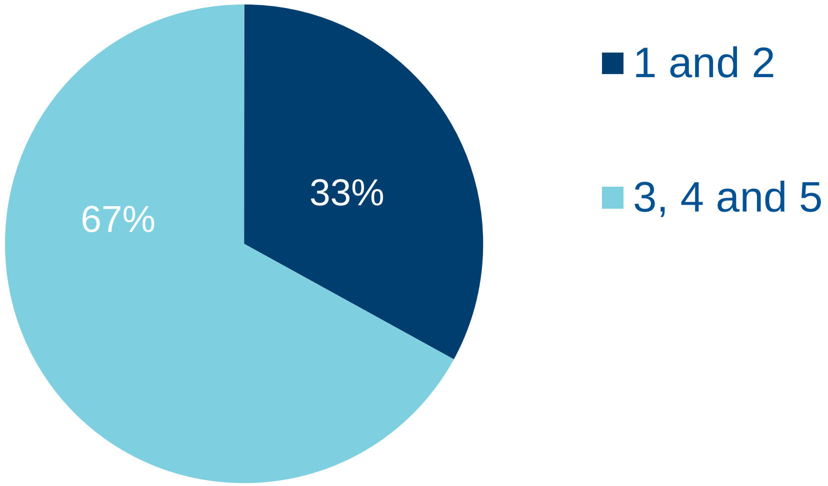
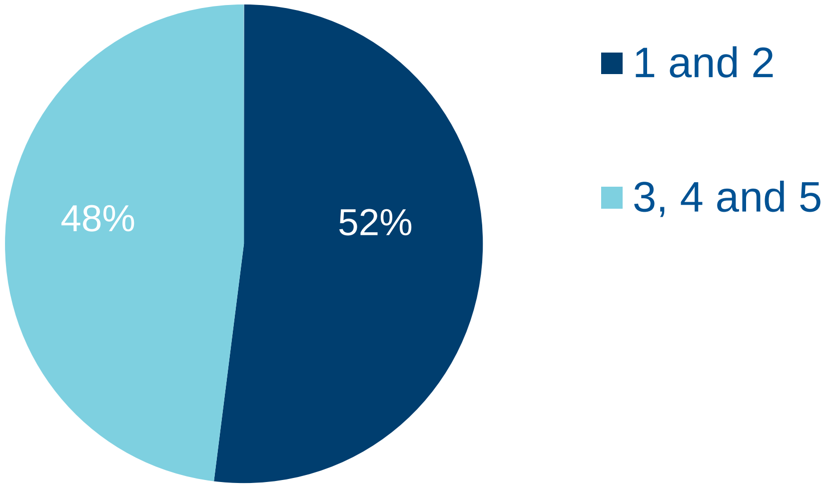
Total software licensing revenue breakdown by customer tier

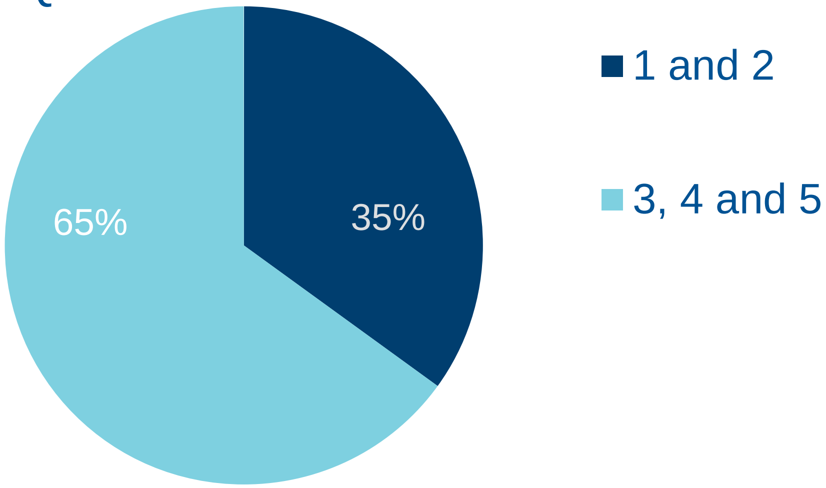
Q2 2015



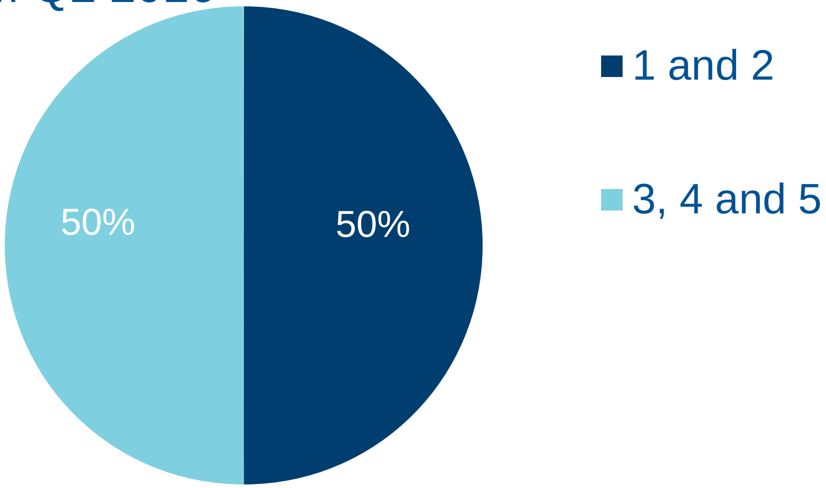
Q2 2016



LTM Q2 2015

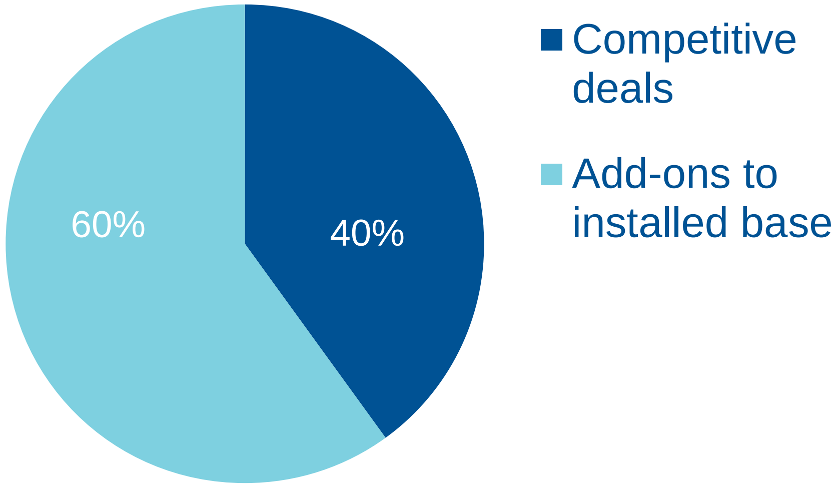


LTM Q2 2016

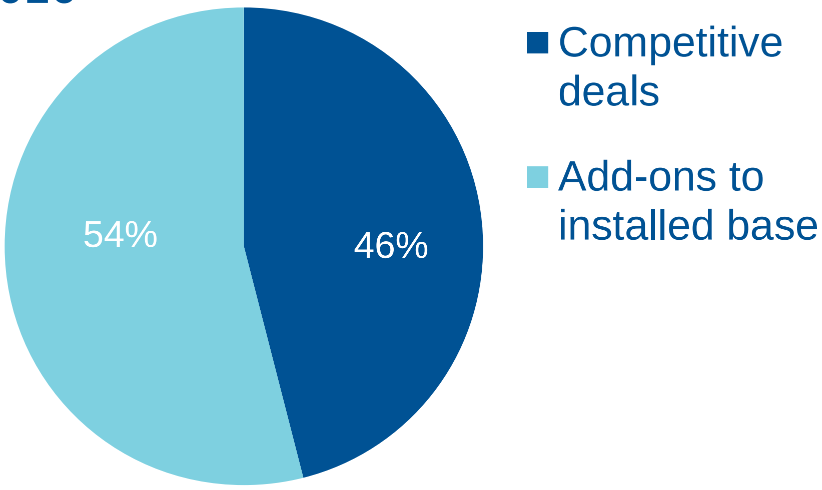


Software licensing revenue breakdown by competitive deals / add-ons to installed base

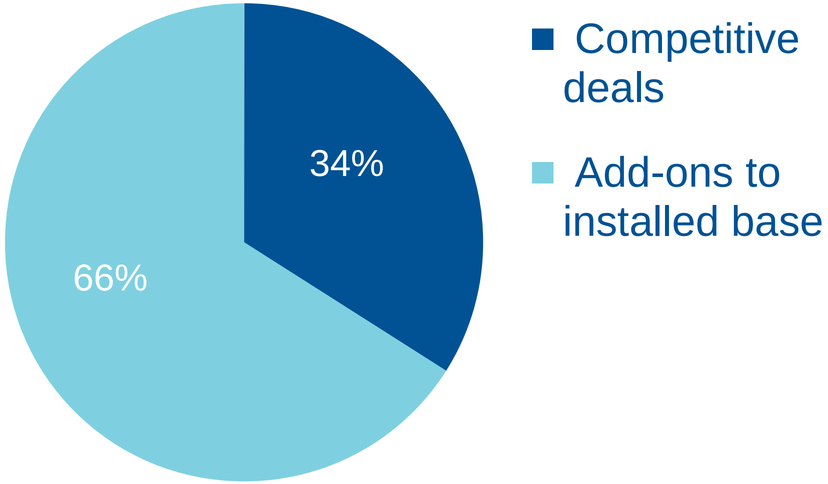
Q2 2015



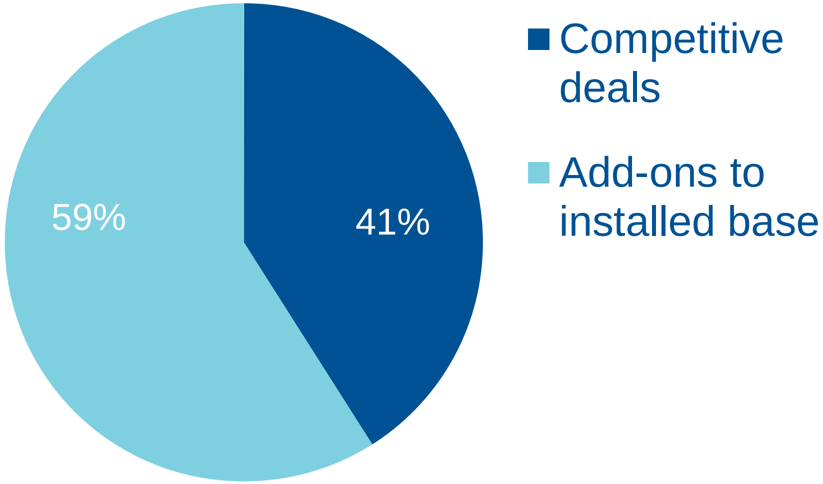
Q2 2016



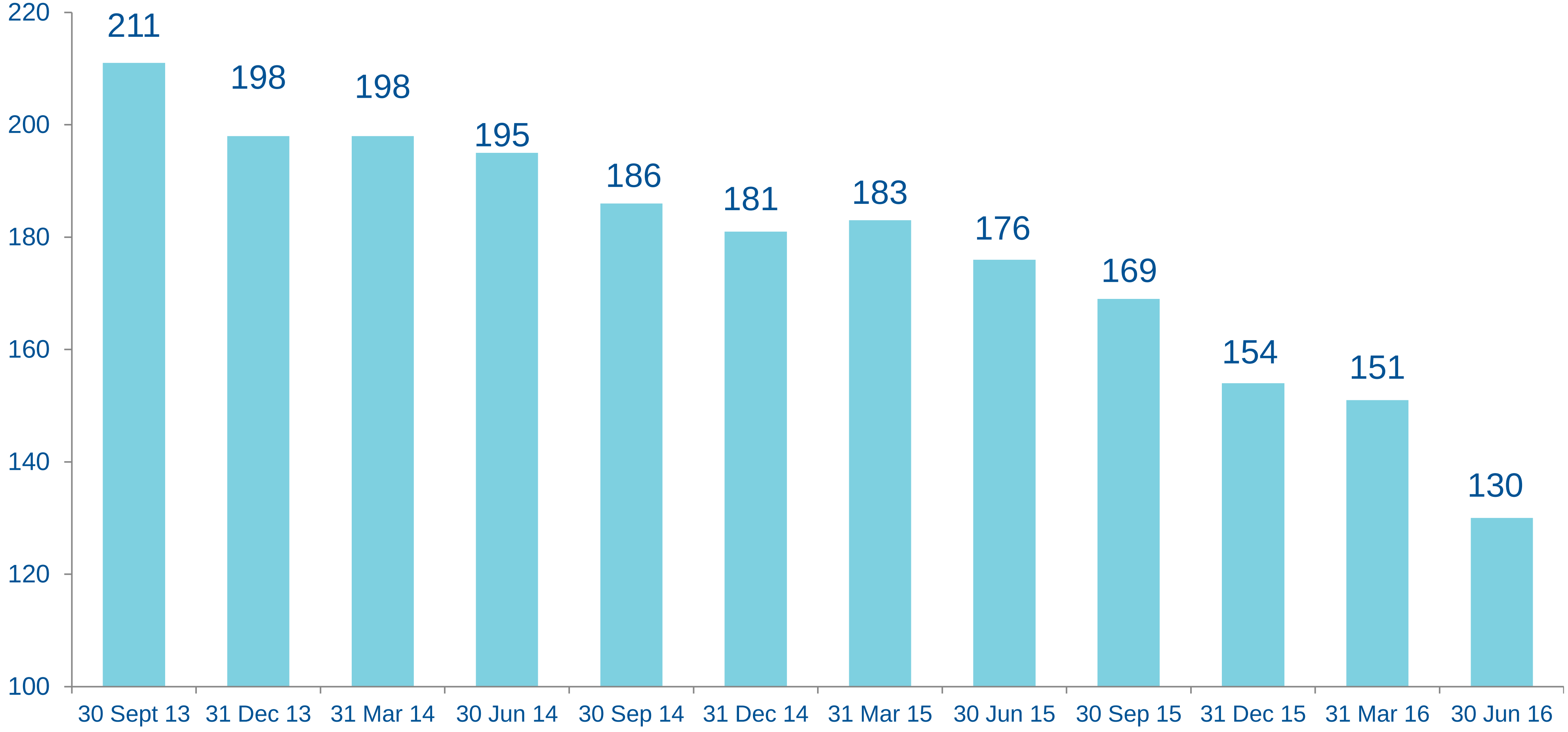
LTM Q2 2015



LTM Q2 2016



DSOs continue to decline



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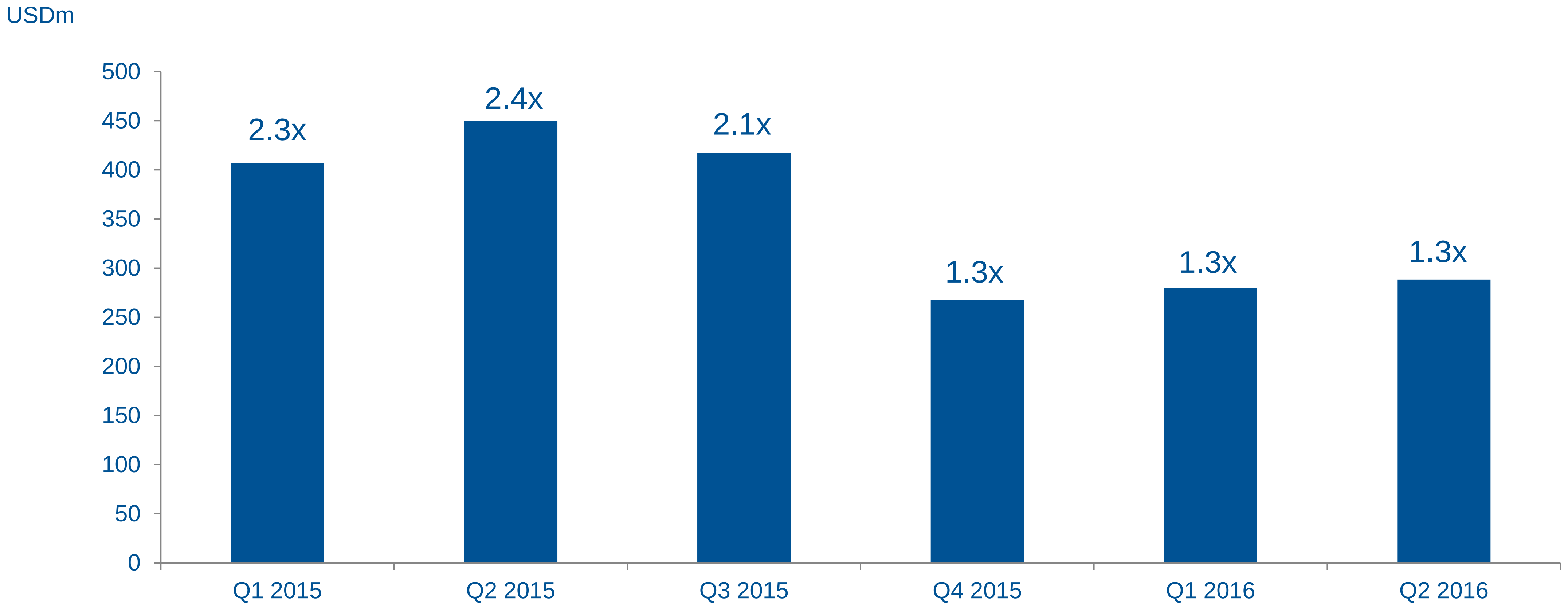
Balance sheet – debt and leverage

Net debt and leverage ratios*



* proforma non-IFRS EBITDA

Strong deleveraging profile

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Capitalisation of development costs

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	Q3 15	Q4 15	FY 15
Cap’ dev’ costs	-10.3	-11.2	-10.8	-13.0	**-45.3**
Amortisation	8.8	8.8	8.7	8.7	**35.0**
Net cap’ dev’	**-1.5**	**-2.4**	**-2.1**	**-4.3**	**-10.3**

USDm	Q1 16	Q2 16			
Cap’ dev’ costs	-10.8	-11.3			
Amortisation	8.8	8.8			
Net cap’ dev’	**-2.0**	**-2.5**			

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 2016 non-IFRS guidance:

- FY 2016 estimated amortisation of acquired intangibles of USD 35m
- FY 2016 estimated restructuring costs of USD 4m

Restructuring costs include completion of Multifonds integration and realising R&D efficiencies in acquired products. These estimates do not include impact of any further acquisitions or restructuring programmes commenced after 20 July 2016.

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

Reconciliation from IFRS to non-IFRS

In USDm, except EPS	3 Months Ending 30 June						Change	
	2016		2016	2015		2015		
	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	60.1	0.3	60.4	43.7	4.7	48.4	38%	25%
Maintenance	61.2		61.2	57.7	0.5	58.2	6%	5%
Services	32.2		32.2	25.7	0.1	25.8	25%	25%
Total Revenue	**153.6**	**0.3**	**153.8**	**127.1**	**5.3**	**132.4**	**21%**	**16%**
Total Operating Costs	**(124.6)**	**9.5**	**(115.1)**	**(114.6)**	**13.8**	**(100.8)**	9%	14%
Restructuring	(1.5)	1.5	0.0	(5.5)	5.5	0.0	(73%)	
Amort of Acq'd Intang.	(8.1)	8.1	0.0	(8.3)	8.3	0.0	(3%)	
Operating Profit	**28.9**	**9.8**	**38.7**	**12.5**	**19.1**	**31.7**	**131%**	**22%**
Operating Margin	**19%**		**25%**	**10%**		**24%**	**+9% pts**	**+1% pts**
Financing Costs	(4.8)		(4.8)	(4.5)		(4.5)	8%	8%
Taxation	(3.5)	(1.0)	(4.2)	(1.3)	(1.3)	(2.6)	145%	59%
Net Earnings	20.9	8.8	29.7	6.8	17.8	24.6	210%	21%
EPS (USD per Share)	**0.29**	**0.13**	**0.42**	**0.10**	**0.26**	**0.36**	**190%**	**17%**

Net earnings reconciliation

In USDm, except EPS	Q2 16	Q2 15
IFRS net earnings	**20.9**	**6.8**
Deferred revenue write-down	0.3	5.3
Amortisation of acquired intangibles	8.1	8.3
Restructuring	1.5	5.5
Acquisition related costs	**-**	**-**
Taxation	**-1.0**	**-1.3**
Net earnings for non-IFRS EPS	**29.7**	**24.6**
No. of dilutive shares (m)	71.4	67.4
Non-IFRS diluted EPS (USD)	**0.42**	**0.36**

Reconciliation from IFRS to non-IFRS for EBIT and EBITDA

USDm	Q2 2016 EBIT	Q2 2016 EBITDA
IFRS	**28.9**	**48.4**
Deferred revenue write-down	0.3	0.3
Amortisation of acquired intangibles	8.1	-
Restructuring	1.5	1.5
Acquisition-related charges	-	-
Non-IFRS	**38.7**	**50.1**

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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