



Financial results & business update

Quarter ended 30 September 2014
21 October 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 21 October 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 21 October 2014.



Agenda

Business update

David Arnott, CEO

Financial update
and 2014 guidance

Max Chuard, CFO

Summary

David Arnott, CEO

Q&A



Summary

Solid Q3 results

LFL software licensing growth – larger deals moving towards closure

Strong execution on services strategy - positive non-IFRS services margin in Q3

Strong cash inflows and conversion with DSOs materially down

Value returned to shareholders through share buyback

Increased non-IFRS EBIT margin guidance

YTD performance and pipeline underpins confidence in achieving FY guidance



Q3 2014 sales and pipeline overview

Good sales to new customers with 7 new customer wins (Q3 2013:5)

All regions performing well

- Europe continued to grow in the quarter with good growth on an LTM basis
- good growth in APAC and the Americas in the quarter
- lower MEA growth in Q3 vs strong Q3 2013 comparative

SaaS revenues grew by 30%

2nd customer signed for Temenos Payment Suite with ABN AMRO now providing references

Further progress made on discussions for larger deals

- multi-product offering remains key
- moving towards closure

Market conditions remain favourable



Q3 2014 operational overview

Leadership in product development

- Positioned as a 'leader' in the latest Forrester Wave on Global Banking Platforms with highest score for Strategy
- Enhancements to US offering and Retail / Corporate and Channels

Progress with SaaS

- Director of SaaS division now started
- Clear go-to-market strategy
- Revenue expected to be incremental

Services delivering results

- Premium services approaching 30% of services revenues
- 14 implementation go-lives in Q3 (13 in Q3 2013) taking YTD total to 42 (9M 2013: 28)

Momentum in partner strategy

- Partners playing crucial role in discussions for many larger deals
- Now over 1,900 partner consultants

Delivering customer success



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Q3 2014 financial highlights

- ✓ LFL software licencing growth of 2%; LTM growth of 11%
- ✓ Maintenance growth of 7% in the quarter
- ✓ 6.4% pts improvement in LTM non-IFRS services margin – positive margin in Q3
- ✓ Non-IFRS EBIT down 2%; LTM non-IFRS EBIT margin of 25.2%
- ✓ Non-IFRS EPS flat; up 11% on an LTM basis
- ✓ Q3 operating cash inflow of USD 29.9m with LTM inflow of USD 198.1m
- ✓ LTM cash conversion of 123% with DSOs down 25 days vs Q3 2013

Solid financial performance



Non-IFRS income statement - operating

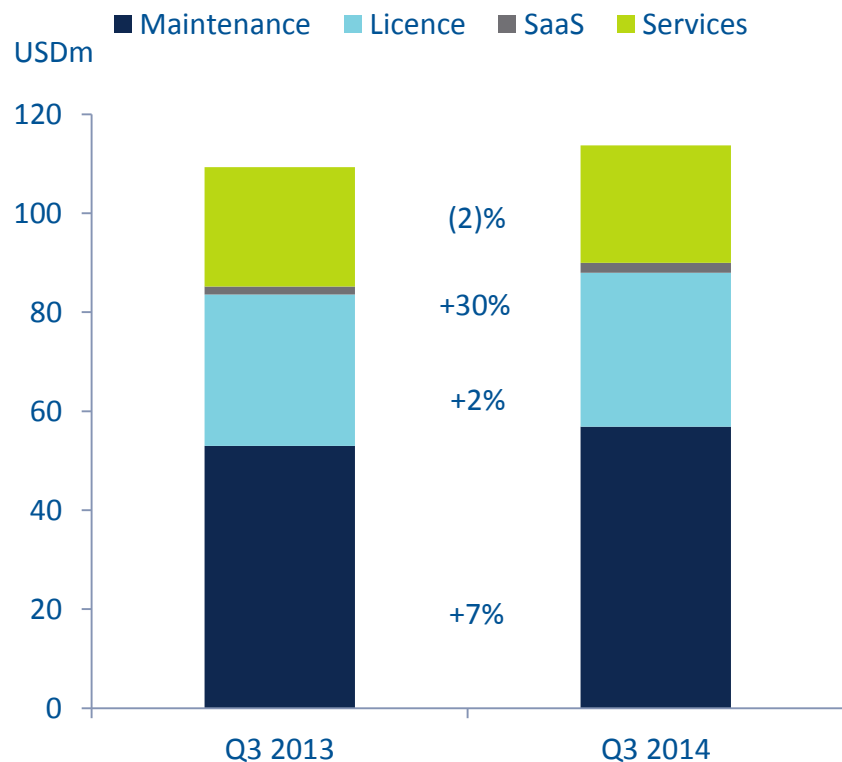
In USDm	Q3 14	Q3 13	Y-o-Y	LTM 14	LTM 13	Y-o-Y
Software licensing	31.1	30.9	0.8%	146.1	130.9	11.6%
SaaS	2.0	1.6	30.2%	7.4	3.2	131%
Total software licensing	33.1	32.4	2.2%	153.5	134.1	14.5%
Maintenance	56.9	53.2	7.0%	222.3	209.4	6.1%
Services	23.7	23.9	-1.0%	104.3	113.8	-8.3%
Total revenue	113.7	109.6	3.8%	480.2	457.4	5.0%
Non-IFRS operating costs	88.6	83.8	5.7%	359.2	350.0	2.6%
Non-IFRS EBIT	25.2	25.8	-2.2%	121.0	107.4	12.7%
Margin	22.1%	23.5%	-1.4% pts	25.2%	23.5%	1.7% pts
Non-IFRS EBITDA	35.9	35.6	0.8%	163.1	142.2	14.7%
Margin	31.5%	32.5%	-0.9% pts	34.0%	31.1%	2.9% pts
Non-IFRS services margin	1.1%	-4.3%	5.4% pts	1.9%	-4.5%	6.4% pts

Good maintenance growth; services margin positive in the quarter and LTM

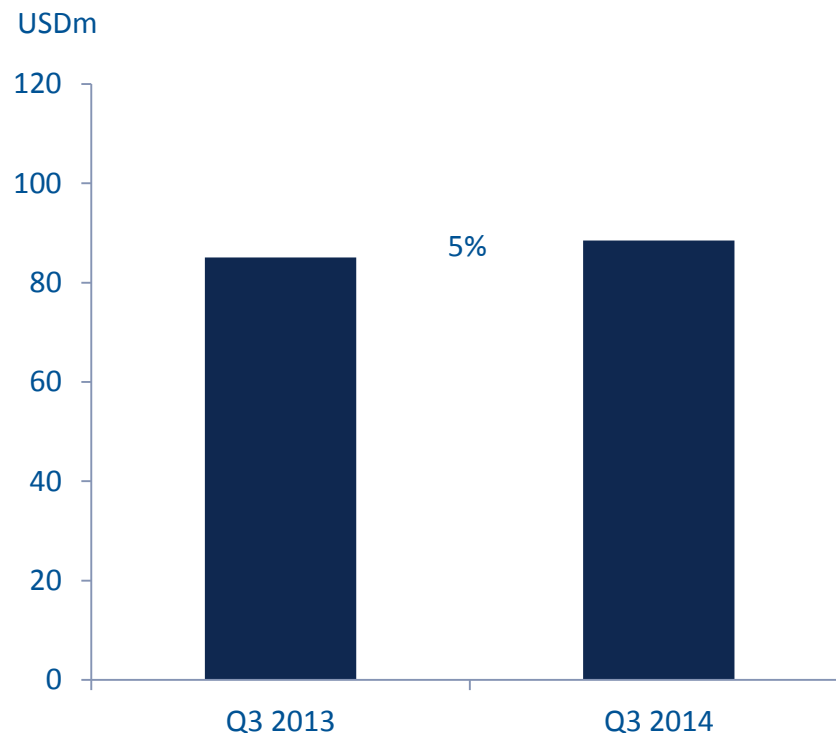


Like-for-like revenue and costs

Q3 LFL revenue up 4%



Q3 LFL non-IFRS costs up 5%



Small currency impact on LFLs



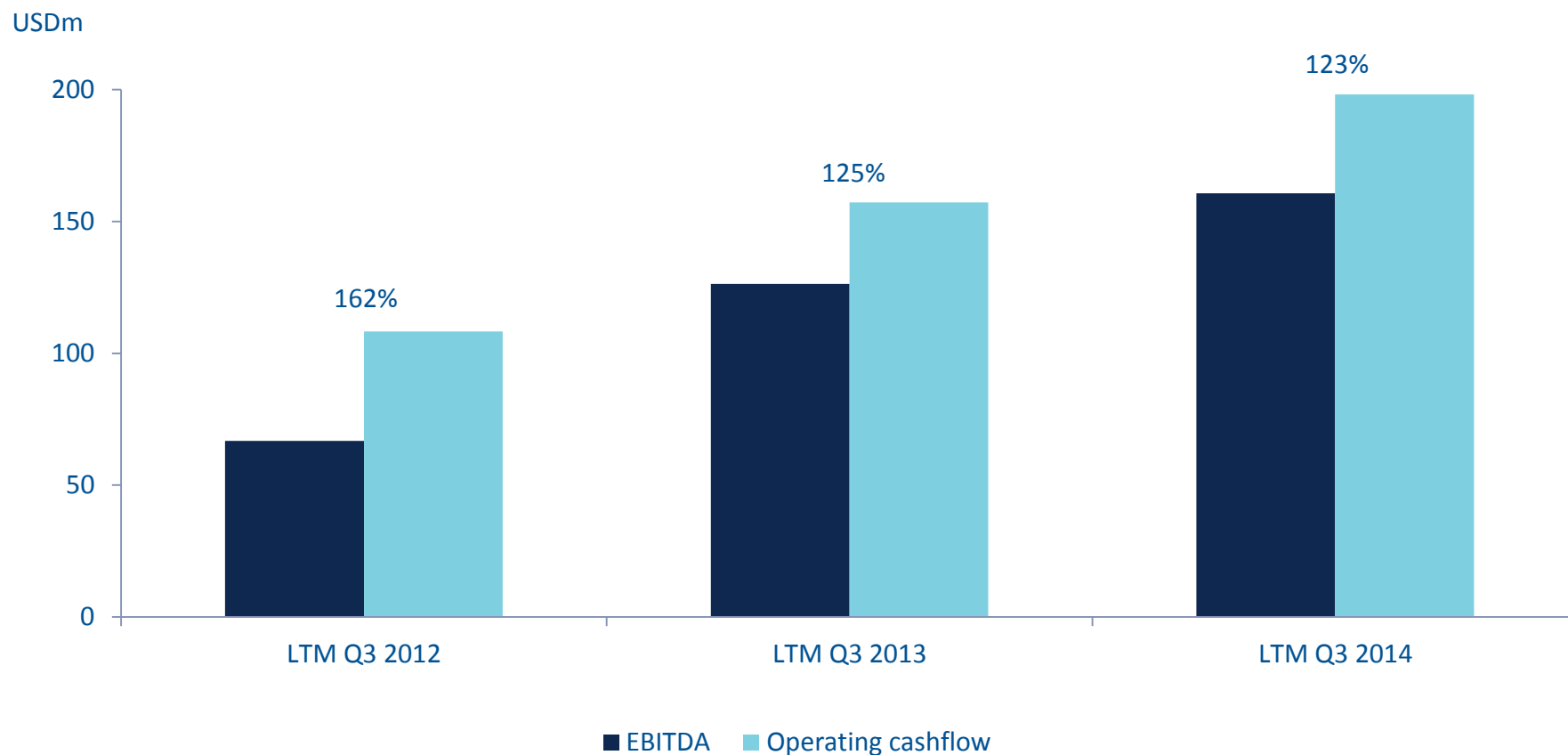
Non-IFRS income statement – non-operating

In USDm, except EPS	Q3 14	Q3 13	Y-o-Y	LTM 14	LTM 13	Y-o-Y
Non-IFRS EBIT	25.2	25.8	-2%	121.0	107.4	13%
Net finance charge	-2.8	-2.4	-16%	-10.8	-8.5	-26%
FX gain / (loss)	0.1	-0.5	NA	-0.6	-1.8	68%
Tax	-3.3	-3.3	1%	-17.0	-12.5	-35%
Non-IFRS net profit	19.2	19.5	-2%	92.7	84.6	10%
Non-IFRS EPS (USD)	0.28	0.28	0%	1.34	1.21	11%

Continued efficiency of below-the-line items



Cash conversion



Significant growth in EBITDA and operating cashflows



Balance sheet – debt and financing

In USDm	30 Sept 14	Comment
Debt	299.7	Includes USD 350m facility and CHF 200m bonds
Cash	137.4	Held in short term deposits
Net debt	162.3	1.0x LTM EBITDA
Treasury shares*	(60.1)	Reflects market value as of 30 Sept 2014
Net debt inc. treasury shares	102.2	0.6x LTM EBITDA
LTM EBITDA	160.7	

* Excludes shares repurchased for cancellation in 2013 and 2014

Low leverage; value returned through share buyback



2014 guidance

Software licensing growth of 10% to 15% (implying software licensing revenue of USD 151m to USD 158m)*

Non-IFRS revenue growth of 5% to 10% (implying revenue of USD 489m to USD 512m)*

Non-IFRS EBIT margin of 25.5% (implying non-IFRS EBIT of USD 124m to USD 130m)*

100%+ conversion of EBITDA into operating cashflow

Tax rate of 17% to 18%

* Currency assumptions in Appendix
See Appendix for definition of non-IFRS

Increased non-IFRS EBIT margin guidance



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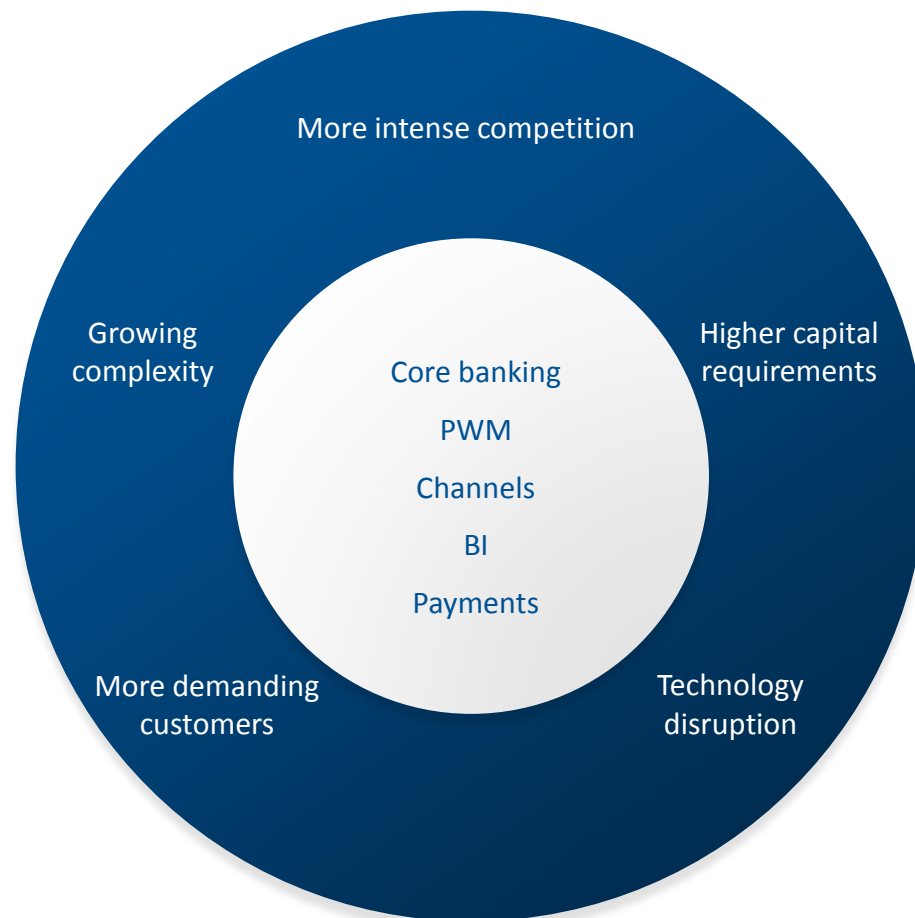
Summary

David Arnott, CEO

Q&A

The fundamental drivers of our business remain intact

- Each vertical and geography has the same fundamental underlying drivers supplemented by specific drivers
- These drivers represent a structural shift in the way that banks operate
- Banks have better longer term visibility to make right strategic decisions
- This is reflected in our multi-year pipeline across all geographies



We have the solutions to meet the industry's needs



Market conditions: Europe, MEA, APAC and Latam

Europe

- Continues to perform strongly
- 36% software licensing growth from Q3 2012 to Q3 2014 on an LTM basis
- Regulation and wealth remain key drivers

MEA

- Market leader in Islamic banking
- Strong growth opportunities within the regions
- Strengthened management

APAC

- Demographic drivers remain strong...
- ...overlaid with technology changes
- Significant wealth opportunity

Latam

- Untapped potential
- Key drivers are universal banking, payments and compliance
- Benefitting from investment in sales

Specific regional drivers supplementing fundamental growth



Market conditions: the US

Pressures on US financial institutions

- Changing customer behaviour
- New regulation
- New technology
- Changing competitive landscape

A vendor community struggling to meet FIs' needs

- Dominated by a few large vendors – little choice
- Multiple core systems for each vendor fragments market and R&D spend – rationalisation will result in fall out
- Legacy technology – batch processing, not real-time
- Inflexible, difficult to launch new products
- Low R&D, not being updated quickly for market changes

Over 18,000 institutions spending more than USD10bn annually on software



Temenos' US offering remains unique

	 TEMENOS			
Broad US functionality	✓	✓	✓	✓
Retail	✓	✓	✓	✓
Corporate	✓			
Private wealth	✓			
Real-time architecture	✓			
Single core	✓			
Compliance	✓			✓

Temenos has a unique proposition for US banks



Progress made in the past 18 months with Temenos US

March 2013	Progress made	Now
<ul style="list-style-type: none">• Installed base of US branches of European banks• On-premise solutions• Acquired TriNovus with “true” US core banking customers and compliance focus - all on a SaaS basis	<ul style="list-style-type: none">• US Model Bank successfully delivered to US team• Moving towards first go-lives• “Americanisation” of BI and – value-add to core proposition• 10 customers signed for AML (5 live) with 7 BI customers (2 live)• Expansion of Datacenter footprint	<ul style="list-style-type: none">• Prospect roadshows• Encouraging early stage feedback• Go-live of new signed customers in 2014 and in H1 2015• First Trinisys customer conversion to T24 go-live in H1 2015

Significant progress made



Summary

- Solid Q3 results
- Continued encouraging levels of customer activity across all geographies
- Larger deals moving towards closure
- YTD performance and pipeline underpins confidence in achieving full year guidance

Confidence in delivery of the full year





Appendices

FX assumptions underlying 2014 guidance

In preparing the 2014 guidance, the Company has taken the actual Q1, Q2 and Q3 2014 results and for Q4 2014 assumed the following:

- USD to Euro exchange rate of 0.786
- USD to GBP exchange rate of 0.614; and
- USD to CHF exchange rate of 0.948.



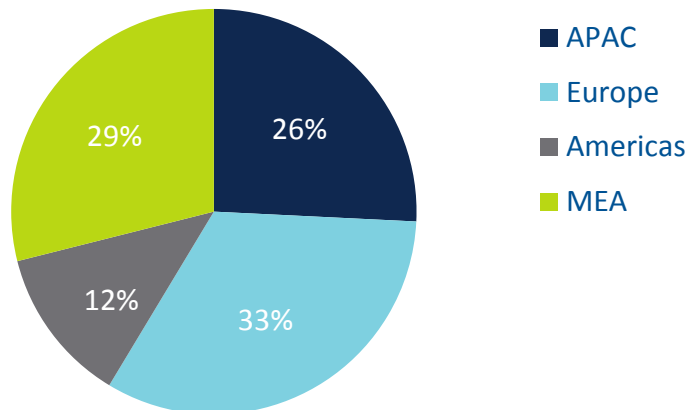
Net earnings reconciliation

In USDm, except EPS	Q3 14	Q3 13
IFRS net earnings	17.5	15.9
Acquisition related charges	-	-
Amortisation of acquired intangibles	1.9	3.2
Restructuring	0.3	0.8
Taxation	-0.6	-0.4
Net earnings for non-IFRS EPS	19.2	19.5
No. of dilutive shares	69.0	69.2
Non-IFRS diluted EPS (USD)	0.28	0.28

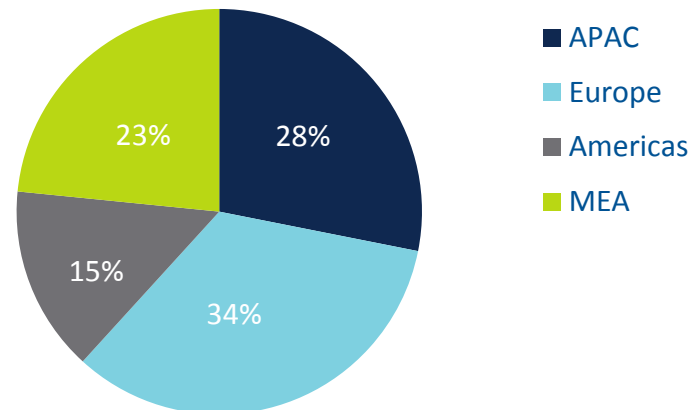


Total software licensing revenue breakdown by geography

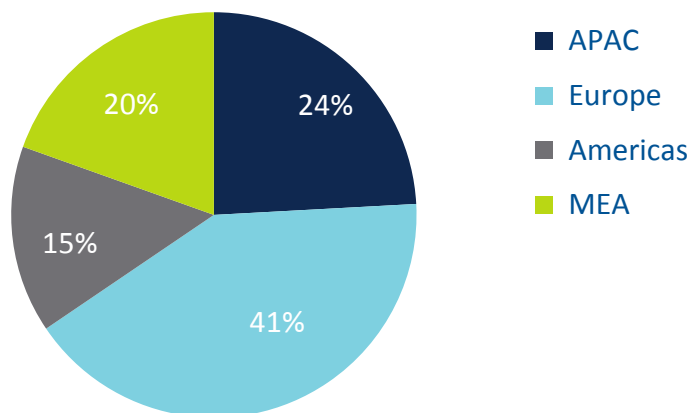
Q3 2013



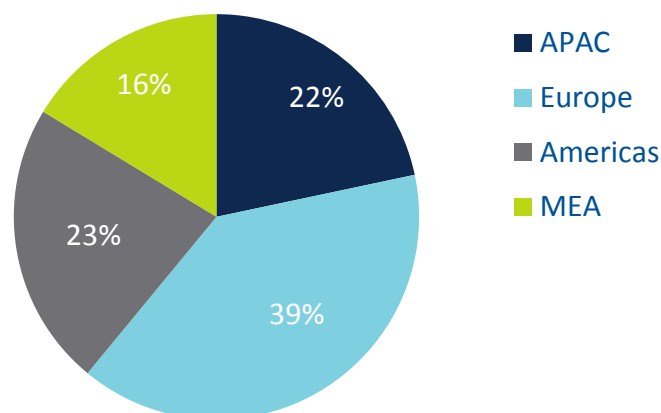
Q3 2014



LTM Q3 2013

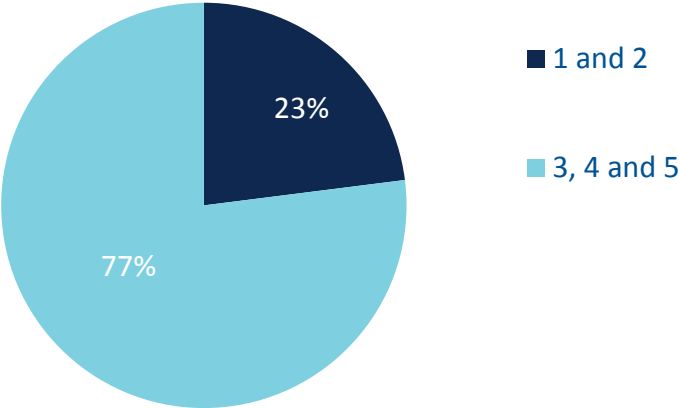


LTM Q3 2014

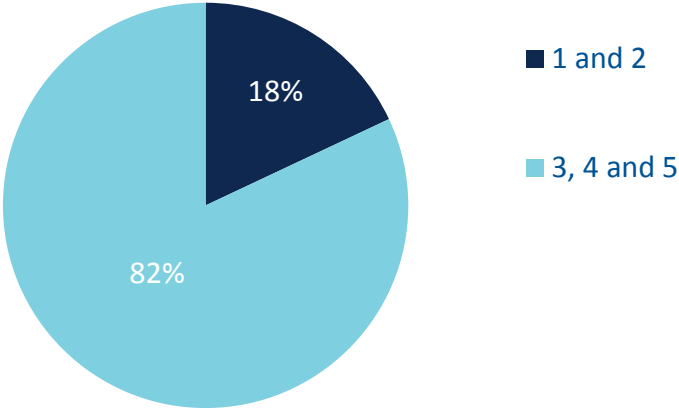


Total software licensing revenue breakdown by customer tier

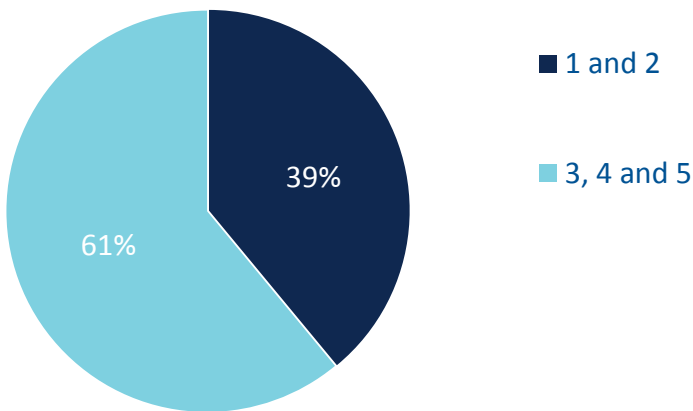
Q3 2013



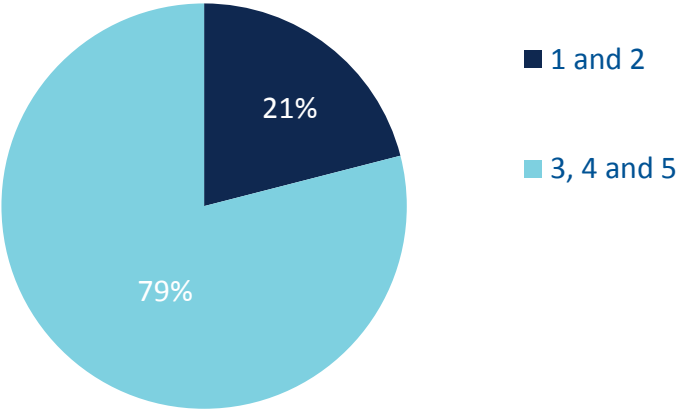
Q3 2014



LTM Q3 2013

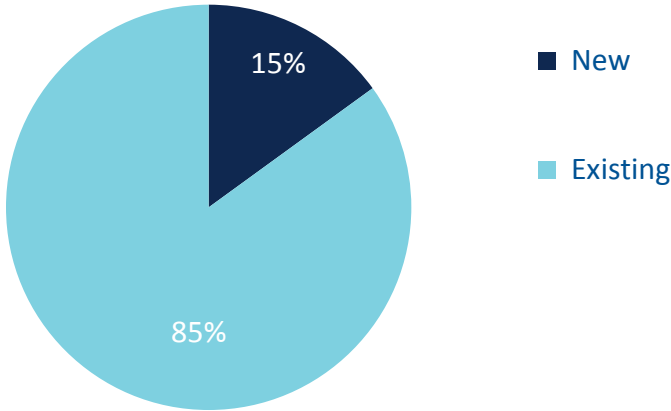


LTM Q3 2014

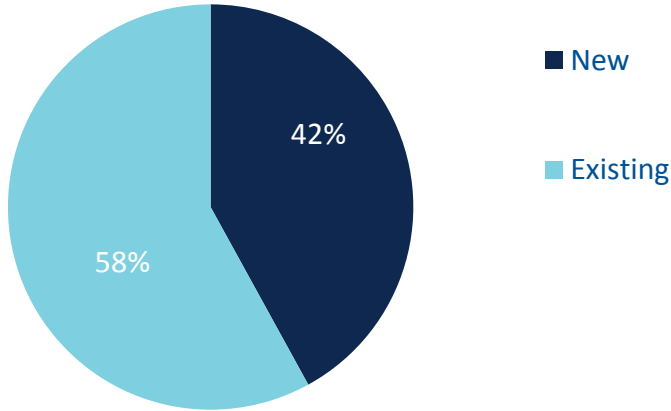


Total software licensing revenue breakdown by new / existing

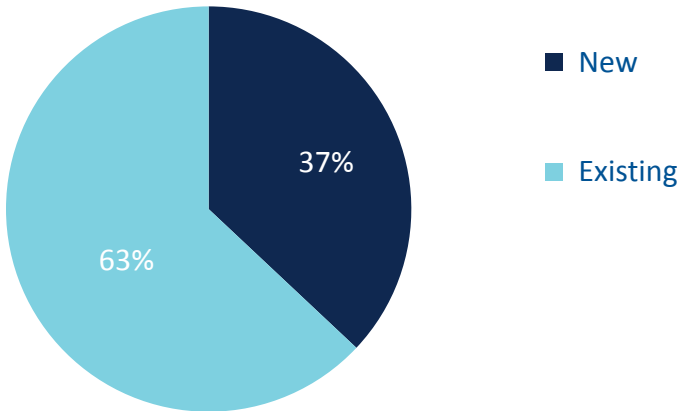
Q3 2013



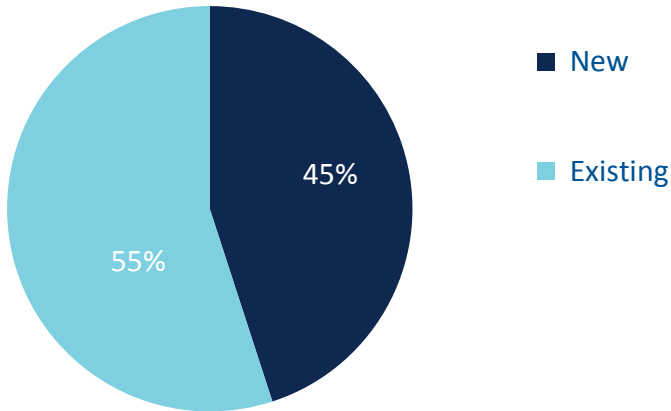
Q3 2014



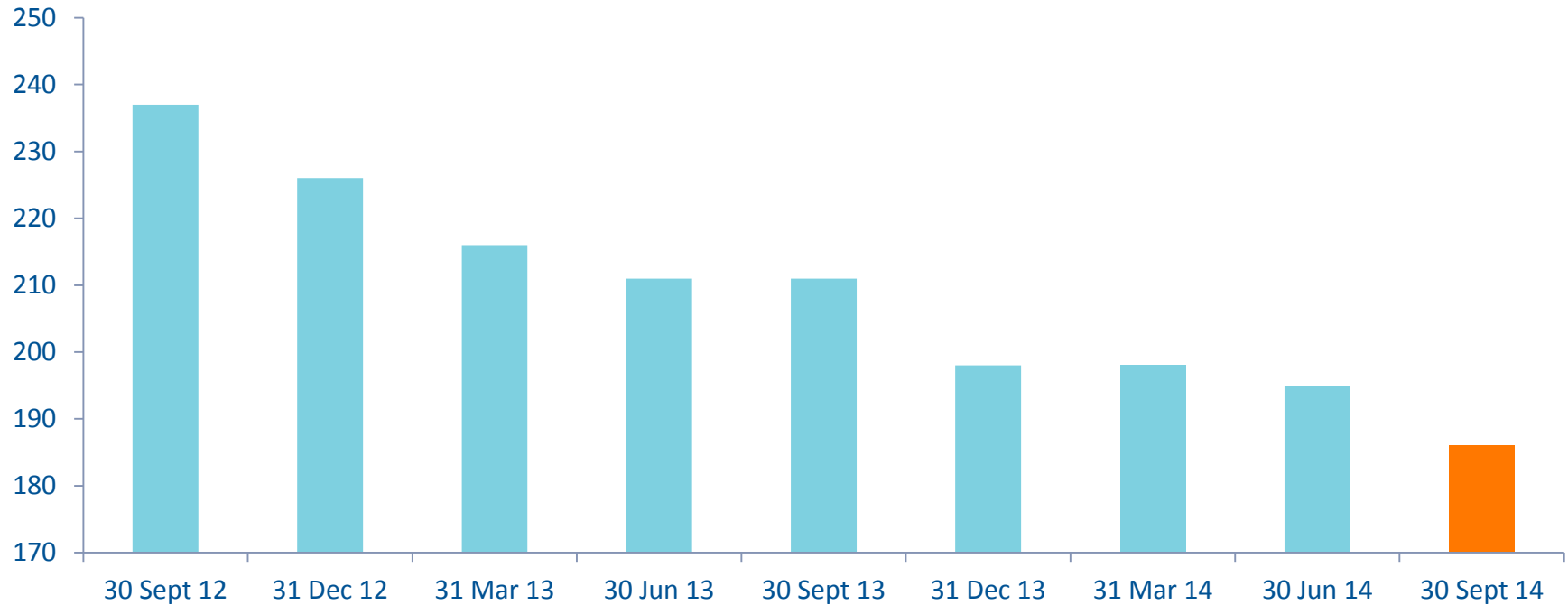
LTM Q3 2013



LTM Q3 2014



DSOs



DSOs down 25 days vs 30 September 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	-9.7		
Amortisation	8.3	8.3	8.3		
Net cap' dev'	-1.3	-1.5	-1.4		

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



Reconciliation from IFRS EBIT to non-IFRS EBIT

USDm	Q3 2014
IFRS EBIT	23.0
Deferred revenue write-down	-
Discontinued activities	-
Acquisition-related charges	-
Amortisation of acquired intangibles	1.9
Restructuring	0.3
Non-IFRS EBIT	25.2

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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