TEMENOS

The software specialist for banking and finance

Financial results & business update

Quarter ended 30 September 2017
18 October 2017

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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 18 October 2017. 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 18 October 2017.

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.

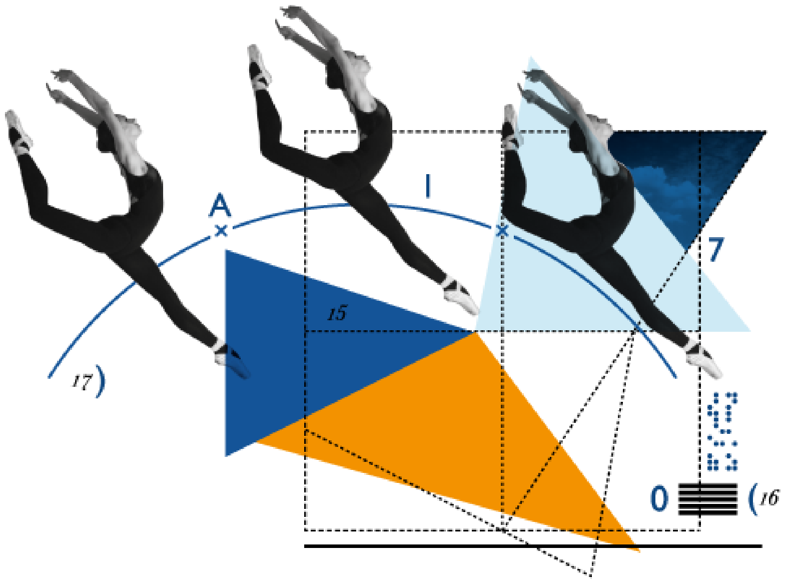
When the Company believes it would be helpful for understanding trends in its business, the Company provides percentage increases or decreases in its revenue (in both IFRS as well as non-IFRS) to eliminate the effect of changes in currency values. When trend information is expressed herein "in constant 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, CEO
2.	Financial update	Max Chuard, CFO, COO
3.	Summary	David Arnott, CEO
4.	Q&A	

Business update

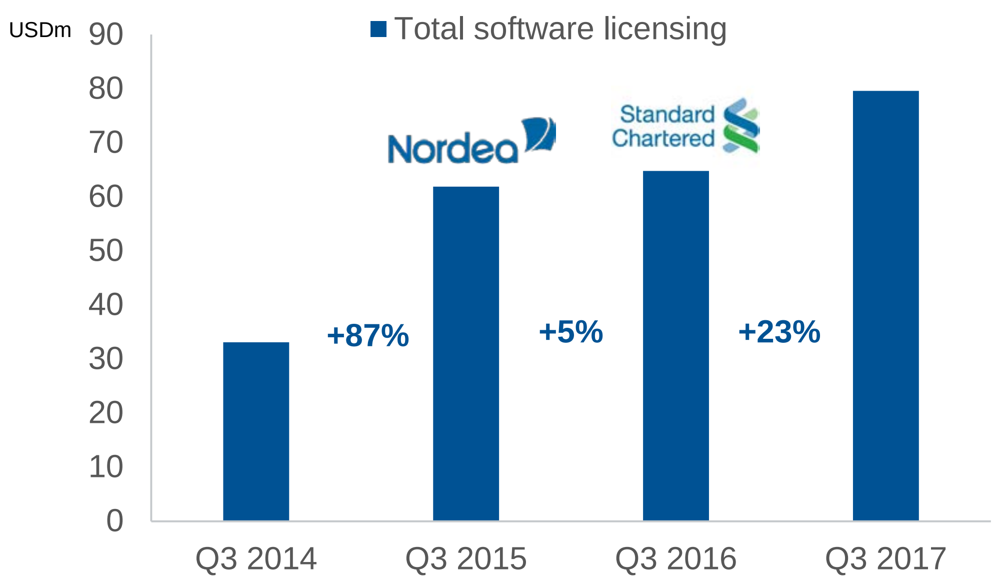
David Arnott, CEO



Very strong performance across all KPIs

- Total software licensing up 23%
- Total revenues up 16%
- EBIT up 19%
- Acceleration in pipeline growth and deal signings across all segments

Lapping two years of Q3 tier 1 contributions



"True digital banking needs both systems of engagement that support a great customer experience and agile, intelligent back-end capabilities"

FORRESTER®
Digital Banking Application Trends For 2018, September 2017

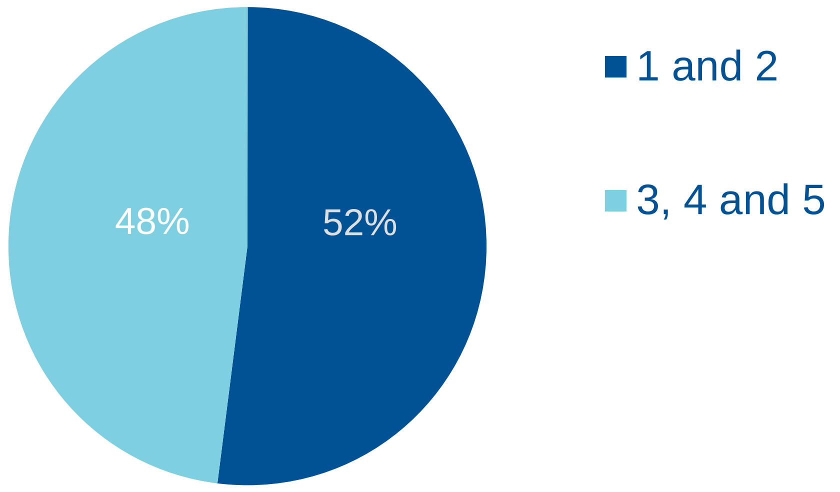
Guidance raised on back of market momentum and increased revenue visibility

Financials are non-IFRS growth rates.

Q3 2017 sales review

- Sales momentum across all markets, developed and emerging
- Digital and regulatory pressure on banks continue to drive market growth
- Robust tier 1 activity
  - 2015 Nordea
  - 2016 Standard Chartered and BOI
  - 2017 (Q4) Openbank, the digital bank of Santander
- Continue to take market share and pulling further ahead of the competition
- 14 new customer wins in Q3 2017
- Continued investment in sales and marketing

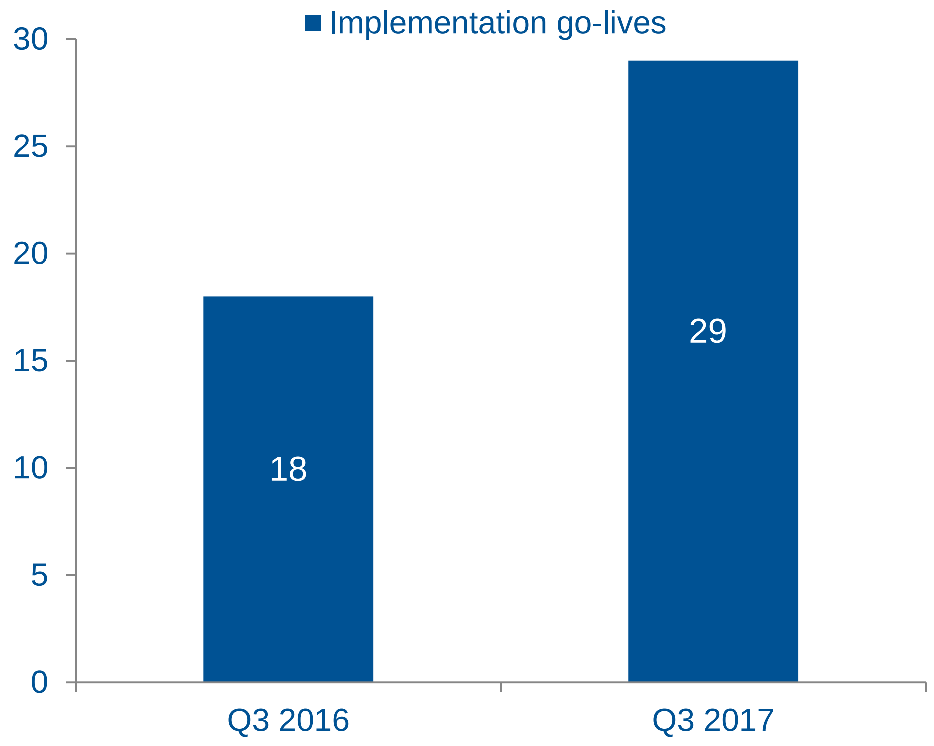
Significant traction with tier 1 and 2 banks



Total software licensing LTM Q3 2017

Sales momentum across all markets

Q3 go-lives



Key implementations continue to progress well

Nordea
leumi
PEPPER.
LAURENTIAN BANK
Bank of Ireland
Commerce Bank
Standard Chartered

Progressive renovation provides implementation flexibility

Build & Migrate	Back-to-front	Front-to-back
Openbank Grupo Santander	Bank of Ireland	Credit Suisse
PEPPER. by Bank Leumi Israel	ally	BMO Bank of Montreal
EQ Bank Canada	Julius Bär	BIL 1856 Banque Internationale à Luxembourg

Openbank, the digital bank of Santander Group

- Openbank signed deal in Q4 2017 for Temenos Core Banking for retail and SME banking
- One of the first fully digital banks in the world
- Complete range of banking and investment products through its digital platform
- Temenos will help drive domestic and international expansion and support the Santander Group digital strategy
- Decision driven by multiple factors
  - Requirement for scalable, modern platform with low TCO
  - Gaining a deeper understanding of their customers
  - Need to be fastest to market with new personalized products and services

Openbank Grupo Santander

Temenos is the partner of choice for the world's largest banks

Update on US

- Won high profile greenfield digital bank for core banking in the cloud
  - Competed against all US vendors and pure cloud players
  - Selected on strength of Temenos architecture and breadth of offering
- Commerce implementation progressing well, achieved key delivery milestone in September
- Further strengthened US sales organisation with key hires
- Strong pipeline growth across domestic core opportunities as a result of our win with Commerce Bank, tier 1 bank opportunities, and in the digital bank space

Momentum continues to build in the US

Update on Temenos Australia

- Acquisition of Rubik completed on 22 May 2017
- Rebranded as Temenos Australia
- Investing in sales and the Australia model bank
- Continued high level of pipeline activity in Australia for core banking renovation and wealth across tiers
- Market being driven by digitisation and wealth players seeking to integrate their banking and wealth management businesses
- Leveraging Rubik products into Temenos Asia Pacific client base

Financial update

Max Chuard, CFO, COO

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Q3 2017 non-IFRS financial highlights

- Total software licensing up 23% Y-o-Y
- Total revenue growth of 16% Y-o-Y
- EBIT up 19% Y-o-Y
- LTM EBIT margin of 30.3%, up 1.6% pts Y-o-Y
- EPS growth of 17% Y-o-Y, LTM EPS of USD 2.35 up 22% Y-o-Y
- Services margin of 10% for Q3 2017 LTM, up 2% points
- Q3 operating cash flows of USD 40m, DSOs down 5 days Y-o-Y to 124 days
- CHF150m share buyback planned to launch in Q4 2017

Delivering across all KPIs

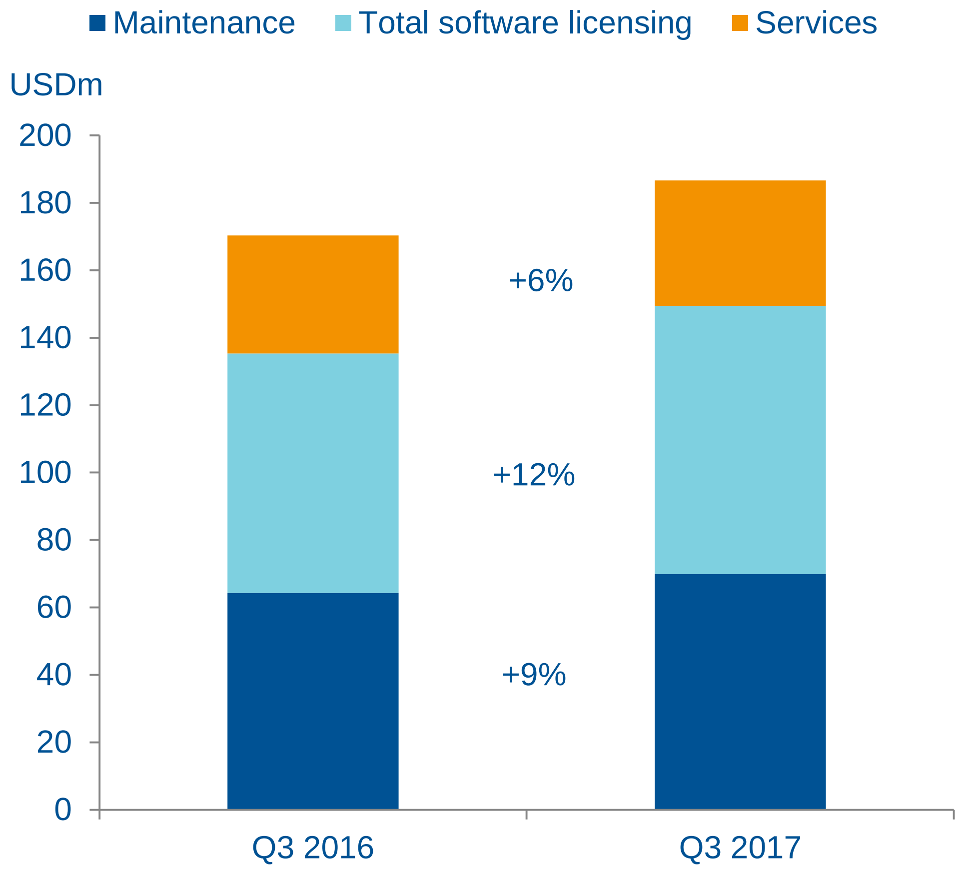
Non-IFRS income statement – operating

In USDm	Q3 17	Q3 16	Y-o-Y reported	Y-o-Y c.c.	LTM 17	LTM 16	Y-o-Y reported	Y-o-Y c.c.
Software licensing	59.9	51.7	16%	14%	228.1	192.7	18%	17%
SaaS and subscription	19.7	13.1	50%	46%	61.5	49.5	24%	24%
Total software licensing	**79.6**	**64.8**	**23%**	**20%**	**289.6**	**242.2**	**20%**	**19%**
Maintenance	69.9	63.4	10%	9%	266.8	247.5	8%	9%
Services	37.1	32.6	14%	11%	138.7	127.9	8%	10%
Total revenue	**186.6**	**160.8**	**16%**	**14%**	**695.1**	**617.5**	**13%**	**13%**
Operating costs	126.0	110.1	15%	13%	484.4	440.5	10%	12%
EBIT	**60.6**	**50.8**	**19%**	**16%**	**210.7**	**177.0**	**19%**	**16%**
Margin	32.5%	31.6%	0.9% pts		30.3%	28.7%	1.6% pts	
EBITDA	**73.7**	**61.5**	**20%**	**15%**	**257.9**	**221.4**	**16%**	**14%**
Margin	39.5%	38.3%	1.2% pts		37.1%	35.9%	1.3% pts	
Services margin	9.8%	9.6%	0.2%		10.4%	8.4%	2.0%	

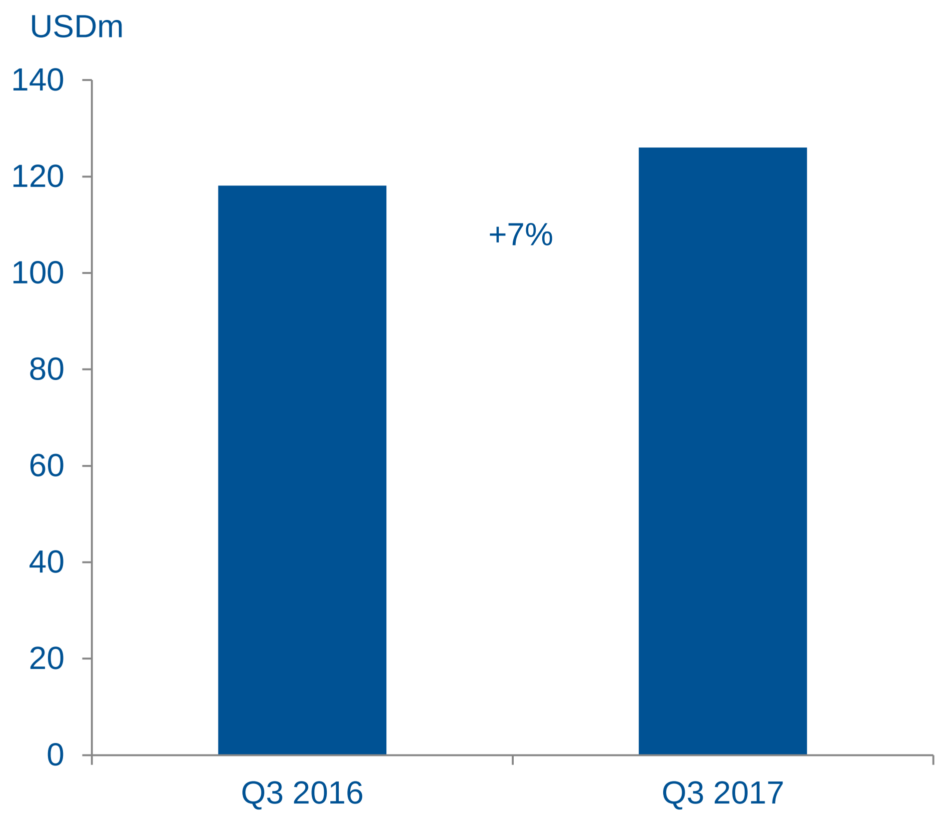
Strong operating performance

Like-for-like revenue and costs

Q3 LFL non-IFRS revenues up 10%



Q3 LFL non-IFRS costs up 7%



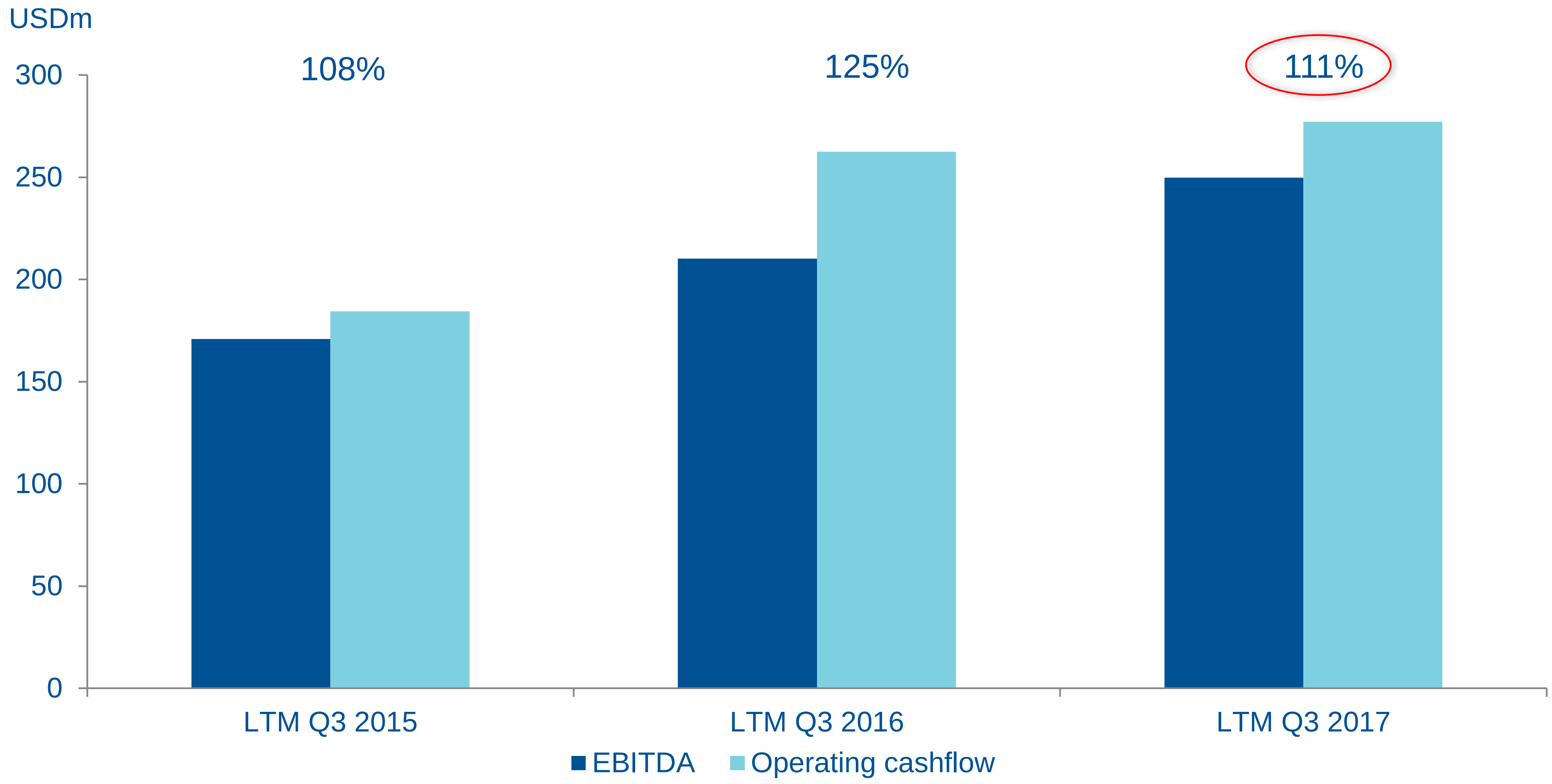
Continued investment driving organic growth

Non-IFRS income statement – non-operating

In USDm, except EPS	Q3 17	Q3 16	Y-o-Y	LTM 17	LTM 16	Y-o-Y
EBIT	**60.6**	**50.8**	**19%**	**210.7**	**177.0**	**19%**
Net finance charge	-3.6	-4.2	-15%	-15.8	-17.7	-11%
FX gain / (loss)	-0.6	0.4	NA	-1.2	-1.7	NA
Tax	-7.4	-5.7	30%	-24.3	-20.0	22%
Net profit	**49.0**	**41.2**	**19%**	**169.4**	**137.6**	**23%**
EPS (USD)	**0.68**	**0.58**	**17%**	**2.35**	**1.93**	**22%**

Continued growth in profit and EPS

IFRS cash conversion



Cash conversion significantly above target of 100%

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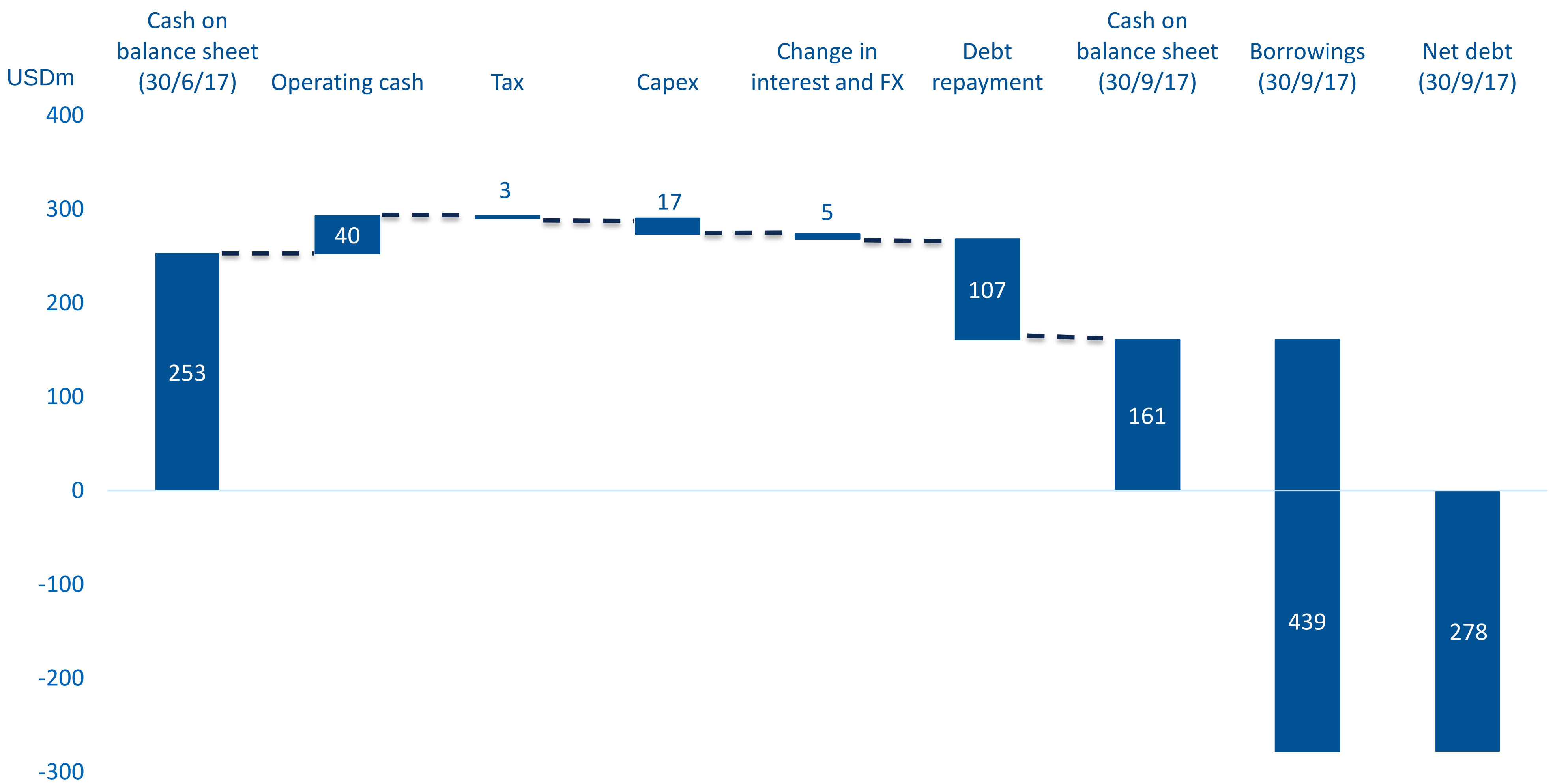
Group liquidity



Operating cash flow of USD40m, leverage at 1.1x

Revised 2017 non-IFRS guidance

- **Non-IFRS total software licensing growth at constant currencies of 20% to 22.5%** (implying non-IFRS total software licensing revenue of USD 309m to USD 315m), up from 15% to 20%
- **Non-IFRS revenue growth at constant currencies of 13% to 14.5%** (implying non-IFRS revenue of USD 724m to USD 732m), up from 10% to 13%
- **Non-IFRS EBIT at constant currencies of USD 219m to 223m**, (implying non-IFRS EBIT margin of c. 30.4%), up from USD 210m to 215m
- **100%+ conversion** of EBITDA into operating cash flow
- **Expected FY 2017 tax rate of 14% to 15%**

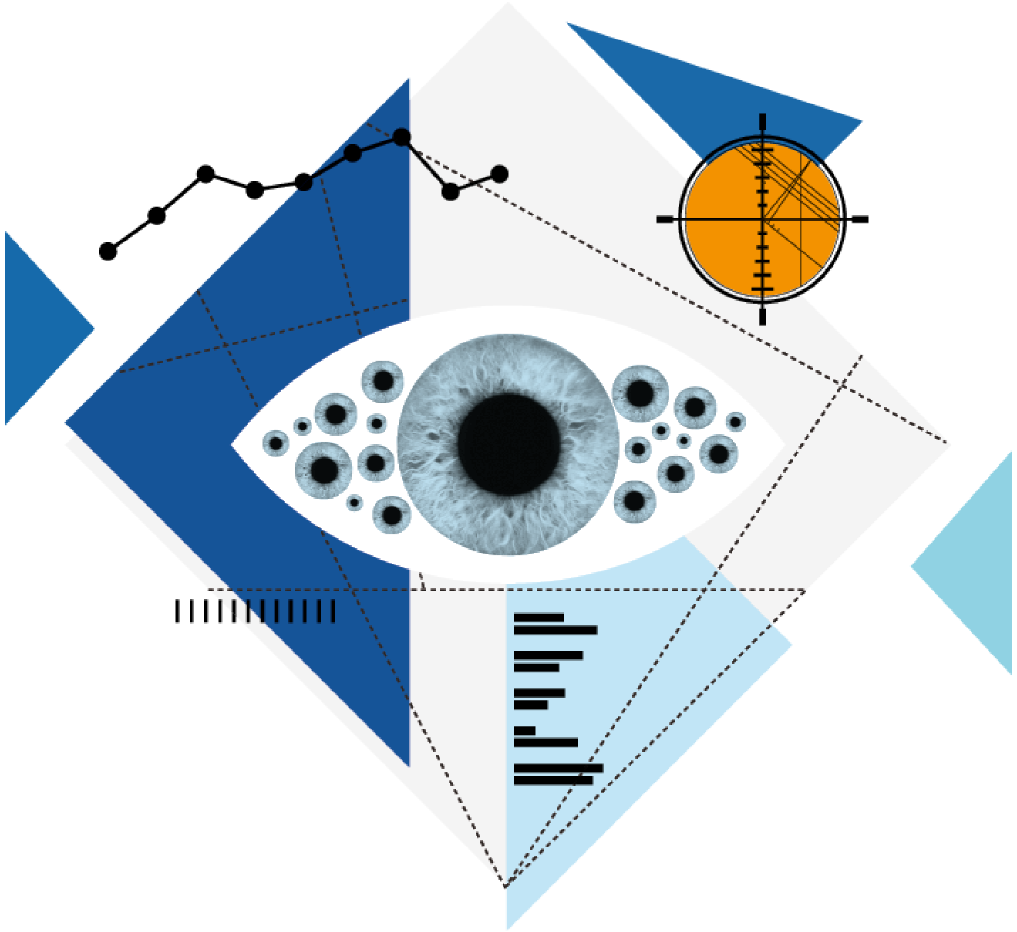
- Currency assumptions on slide 26
- See slide 39 for definition of non-IFRS

Share buyback to be launched

- Board approval has been given for a share buyback of up to a total of CHF 150m
- This will be funded through our strong cash flow generation and we expect to maintain our leverage at 1-1.5x EBITDA by year end
- Temenos intends to use the repurchased shares to cover future employee stock ownership plans (ESOP) and/or for potential acquisitions
- Launch is planned for Q4 2017
- The buyback is subject to regulatory approval

Summary

David Arnott, CEO



Conclusion

- Very strong performance across all KPIs in Q3
- Digital and regulatory pressure on banks continues to drive market growth
- Momentum across all geographies, client tiers and segments
- Signing of Santander’s digital bank, Openbank, early in Q4 demonstrating leadership position with tier 1 banks
- Acceleration in deal signings and pipeline generation positions us well for 2018 and medium term

Increased visibility gives confidence in full year outlook

Appendices

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FX assumptions underlying 2017 guidance

In preparing the 2017 guidance, the Company has assumed the following FX rates:

- USD to Euro exchange rate of 0.867
- USD to GBP exchange rate of 0.739; and
- USD to CHF exchange rate of 0.969

FX exposure

% of total	USD	EUR	GBP	CHF	Other
Total software licensing	55%	35%	2%	4%	4%
Maintenance	65%	22%	6%	6%	0%
Services	41%	34%	5%	5%	15%
Revenues	**56%**	**30%**	**4%**	**5%**	**5%**
Non-IFRS costs	**26%**	**18%**	**18%**	**8%**	**30%**
Non-IFRS EBIT	**128%**	**58%**	**-24%**	**-2%**	**-60%**

NB. All % are approximations based on 2016 actuals

Mitigated FX exposure – matching of revenues / costs and hedging

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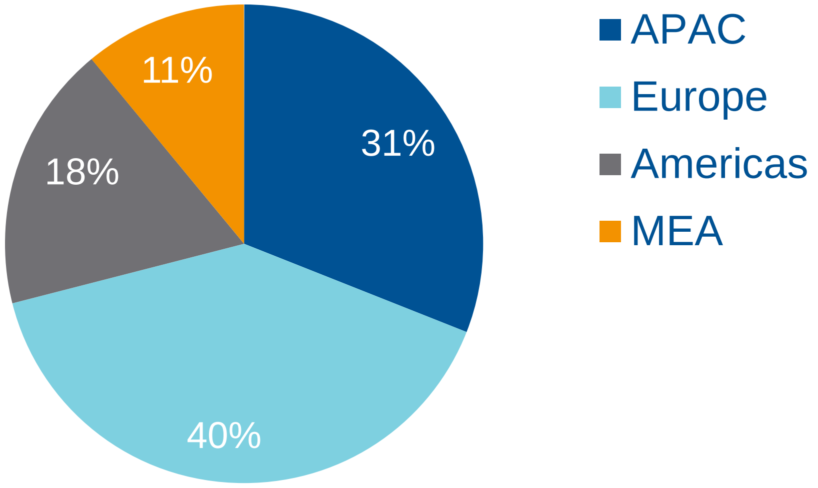
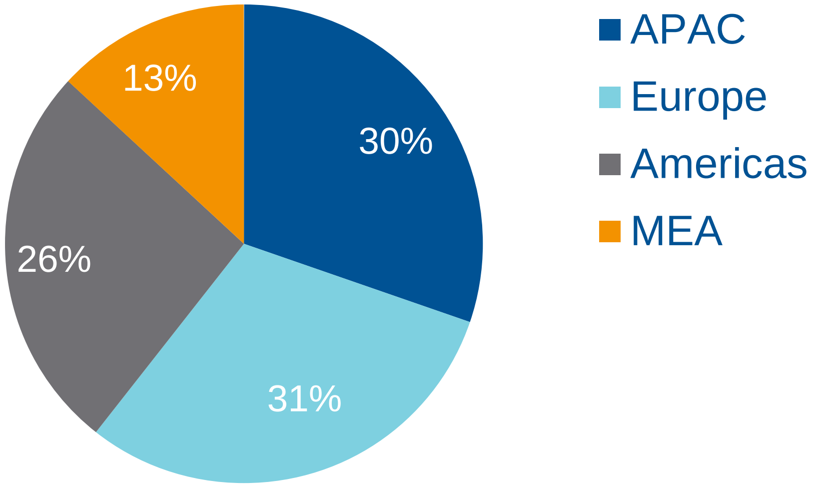
Total software licensing revenue breakdown by geography

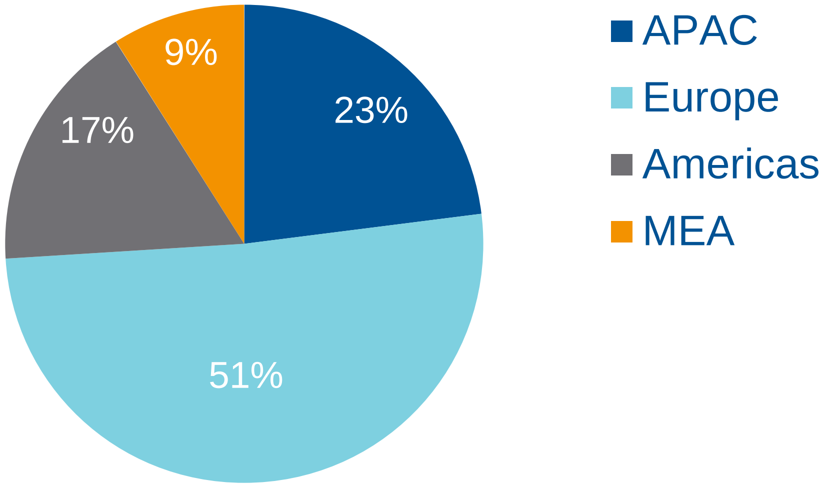
Q3 2016



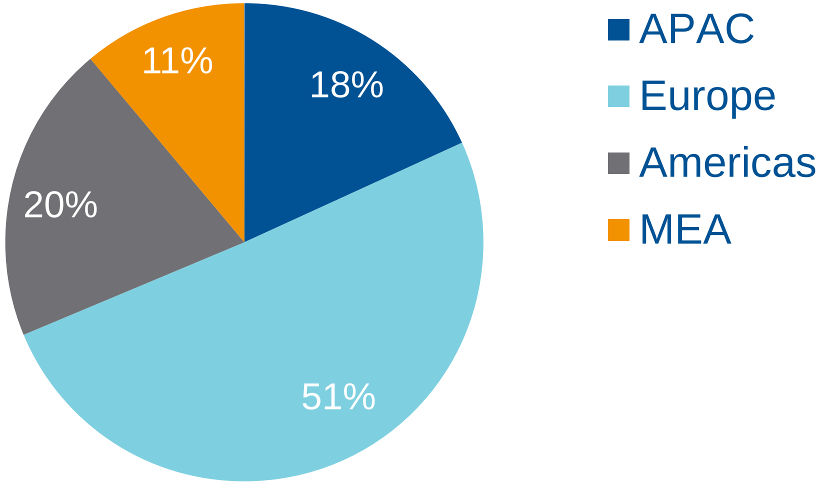
Q3 2017



LTM Q3 2016



LTM Q3 2017



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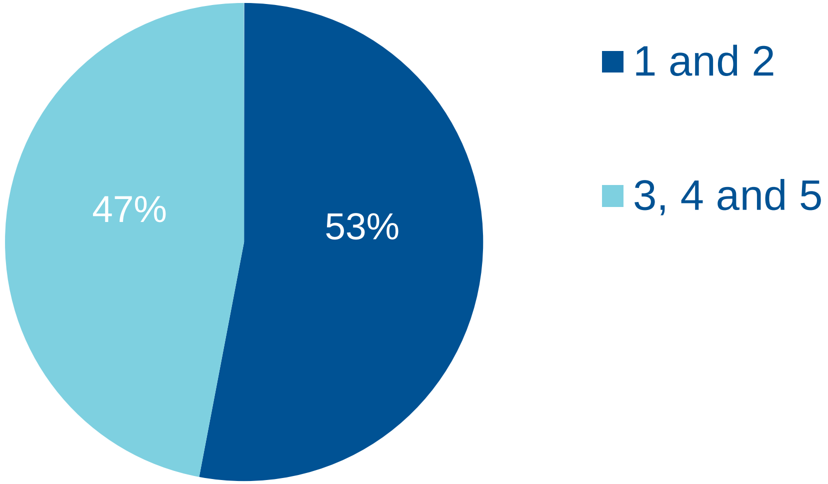
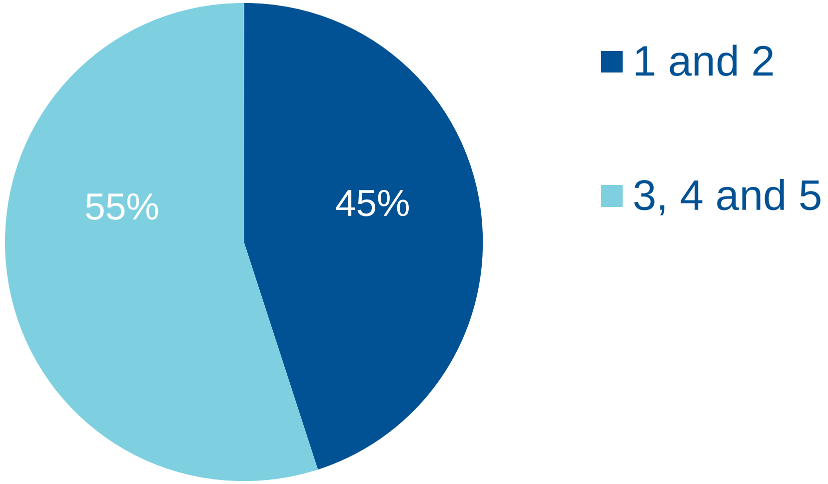
Total software licensing revenue breakdown by customer tier

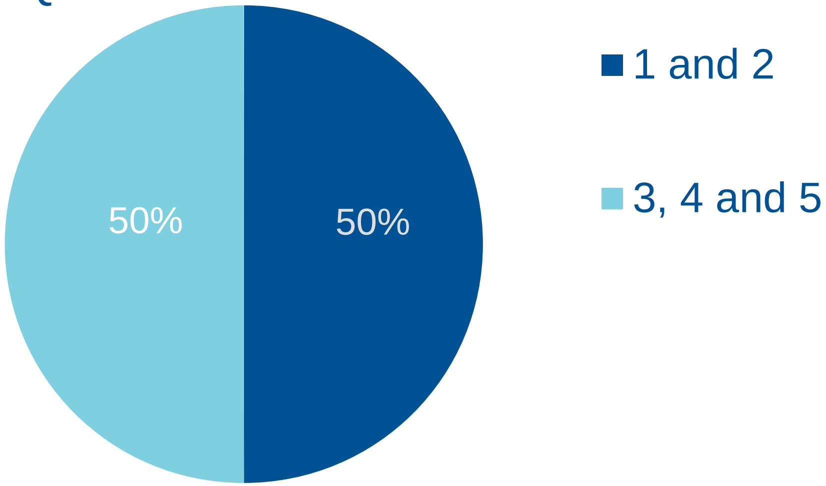
Q3 2016



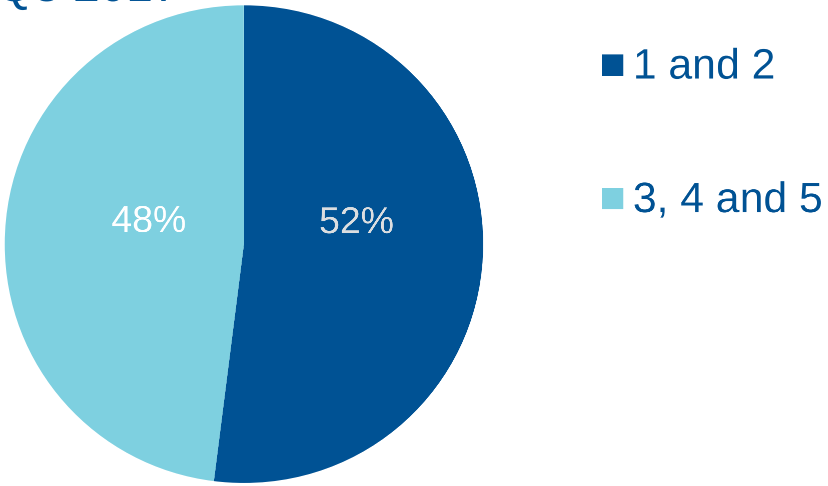
Q3 2017



LTM Q3 2016

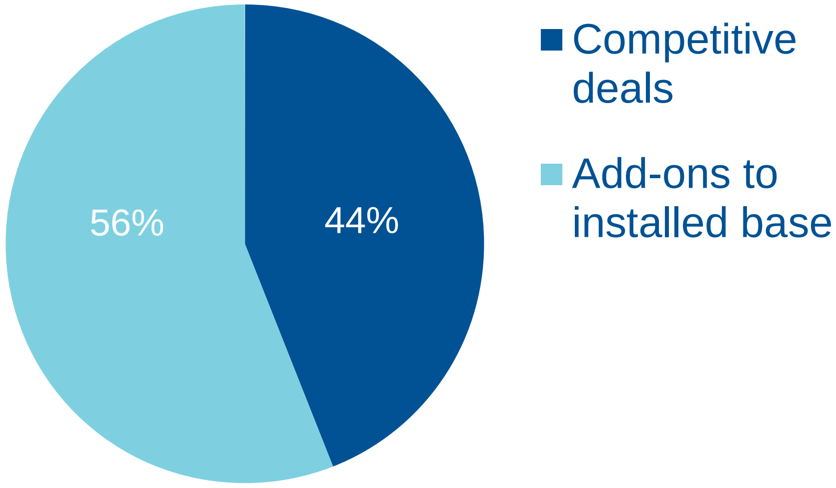


LTM Q3 2017

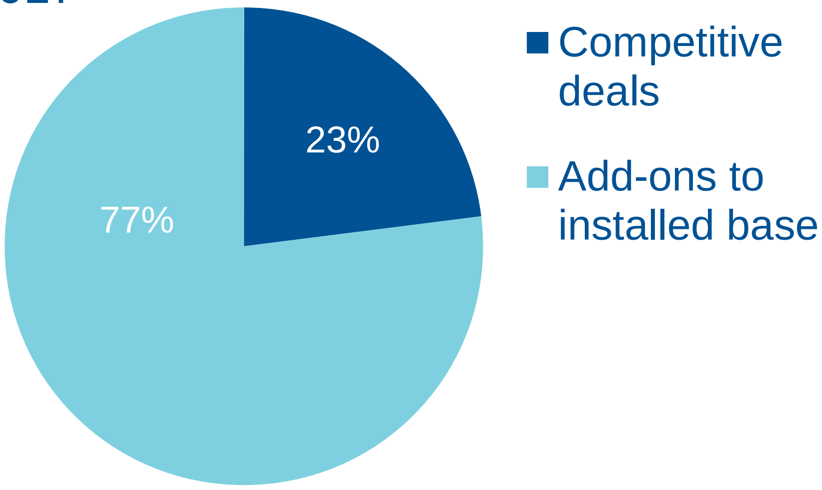


Software licensing revenue breakdown by competitive deals / add-ons to installed base

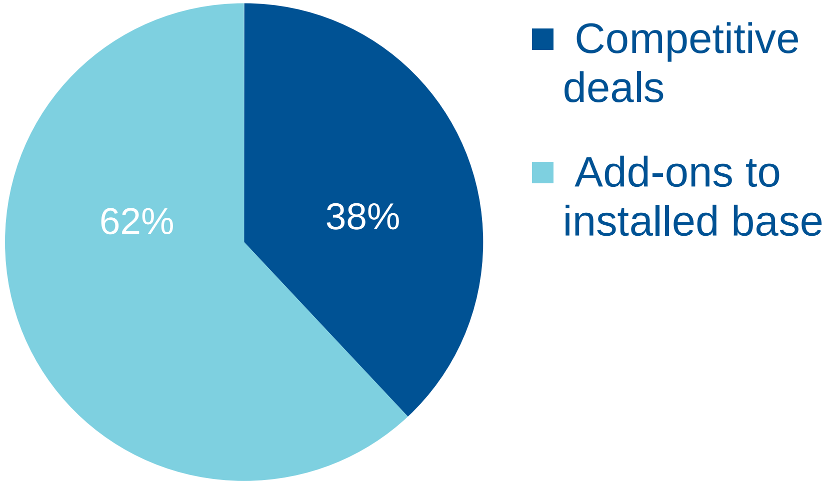
Q3 2016



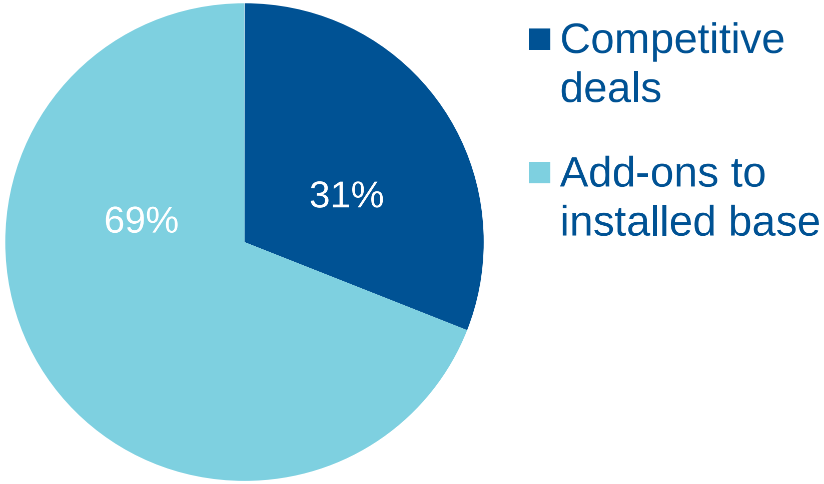
Q3 2017



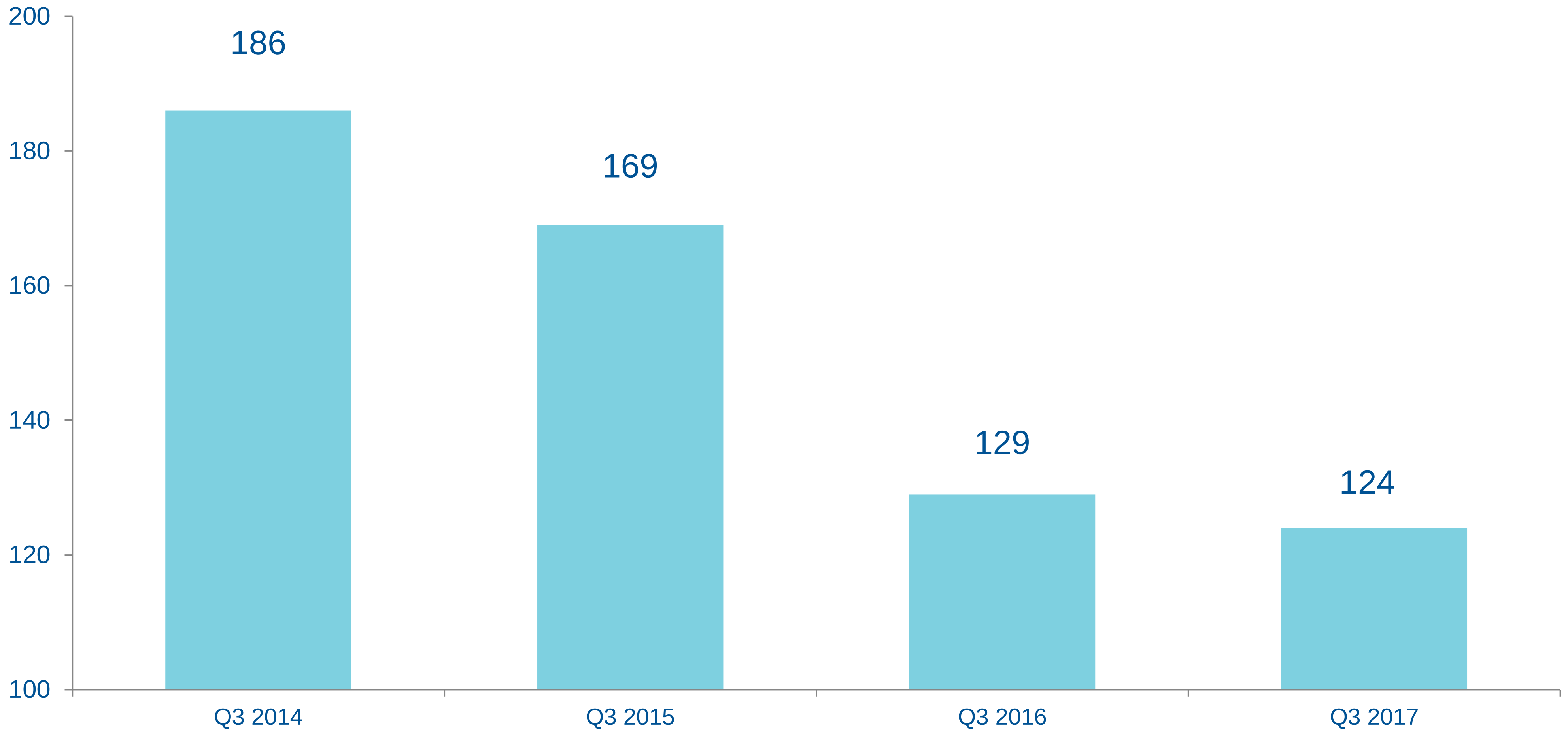
LTM Q3 2016



LTM Q3 2017



DSOs have declined significantly



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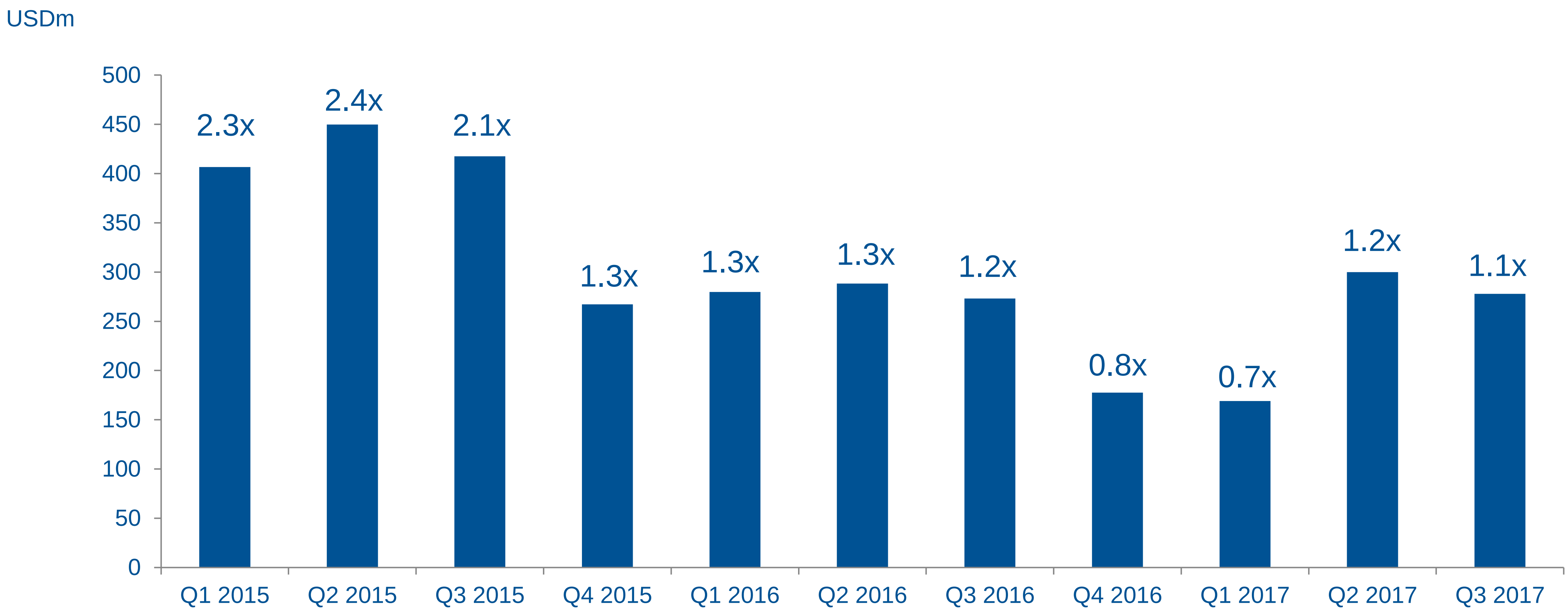
Balance sheet – debt and leverage

Net debt and leverage ratios*



* proforma non-IFRS EBITDA

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Capitalization of development costs

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	Q3 16	Q4 16	FY 16
Cap’ dev’ costs	-10.8	-11.3	-10.8	-12.7	**-45.6**
Amortisation	8.8	8.8	8.8	8.8	**35.2**
Net cap’ dev’	**-2.0**	**-2.5**	**-2.0**	**-3.8**	**-10.3**

USDm	Q1 17	Q2 17	Q3 17	Q4 17	FY 17
Cap’ dev’ costs	-11.2	-11.8	-13.4		
Amortisation	8.8	9.8	10.9		
Net cap’ dev’	**-2.4**	**-2.0**	**-2.5**		

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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 2017 non-IFRS guidance:

- FY 2017 estimated deferred revenue write down of USD 3m
- FY 2017 estimated amortisation of acquired intangibles of USD 35m
- FY 2017 estimated acquisition related charges of USD 2m
- FY 2017 estimated restructuring costs of USD 7m

Restructuring costs include realising R&D, operational and infrastructure efficiencies and the integration of Rubik. These estimates do not include impact of any further acquisitions or restructuring programmes commenced after 18 October 2017.

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 September						Change	
	2017		2017	2016		2016		
	IFRS	Adj.	Non-IFRS	IFRS	Adj.	Non-IFRS	IFRS	Non-IFRS
Total Software Licensing	79.3	0.3	79.6	64.6	0.3	64.8	23%	23%
Maintenance	69.9		69.9	63.4		63.4	10%	10%
Services	37.1		37.1	32.6		32.6	14%	14%
Total Revenue	**186.3**	**0.3**	**186.6**	**160.6**	**0.3**	**160.8**	**16%**	**16%**
Total Operating Costs	**(136.5)**	**10.5**	**(126.0)**	**(119.2)**	**9.1**	**(110.1)**	**15%**	**15%**
Restructuring	(0.9)	0.9	0.0	(1.1)	1.1	0.0	(21%)	
Amort of Acq'd Intang.	(9.6)	9.6	0.0	(8.0)	8.0	0.0	20%	
Operating Profit	**49.8**	**10.8**	**60.6**	**41.4**	**9.4**	**50.8**	**20%**	**19%**
Operating Margin	27%		32%	26%		32%	1.0% pts	0.9% pts
Financing Costs	(4.2)		(4.2)	(3.9)		(3.9)	8%	8%
Taxation	(6.1)	(1.3)	(7.4)	(4.7)	(1.0)	(5.7)	30%	30%
Net Earnings	39.6	9.5	49.0	32.8	8.4	41.2	20%	19%
EPS (USD per Share)	**0.55**	**0.13**	**0.68**	**0.46**	**0.12**	**0.58**	**20%**	**17%**

Net earnings reconciliation

In USDm, except EPS	Q3 17	Q3 16
IFRS net earnings	**39.6**	**32.8**
Deferred revenue write-down	0.3	0.3
Amortisation of acquired intangibles	9.6	8.0
Restructuring	0.9	1.1
Acquisition related costs	-	-
Taxation	-1.3	-1.0
Net earnings for non-IFRS EPS	**49.0**	**41.2**

No. of dilutive shares	71.8	71.5
Non-IFRS diluted EPS (USD)	**0.68**	**0.58**

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Reconciliation from IFRS to non-IFRS for EBIT and EBITDA

USDm	Q3 2017 EBIT	Q3 2017 EBITDA
IFRS	**49.8**	**72.5**
Deferred revenue write-down	0.3	0.3
Amortisation of acquired intangibles	9.6	-
Restructuring	0.9	0.9
Acquisition-related charges	-	-
Non-IFRS	**60.6**	**73.7**

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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

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