



TEMENOS

The banking software company

Financial results & business update

Quarter ended 30 September 2018
17 October 2018

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 17 October 2018. 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 17 October 2018.

All non-IFRS information in the presentation is under IAS 18, comparable to prior periods.

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

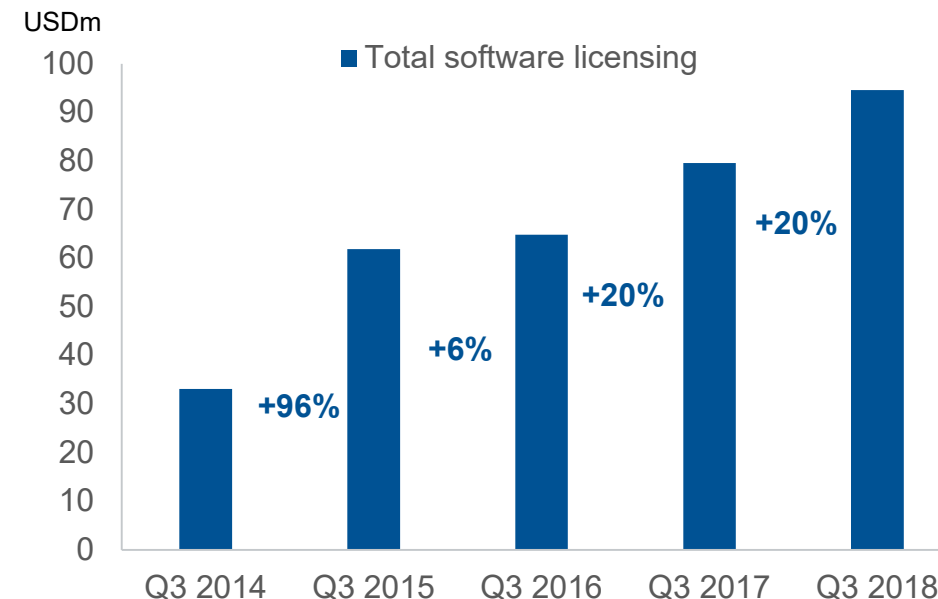
David Arnott, CEO



Outstanding Q3 across all KPIs

- Total software licensing growth of 20%
- Total revenue up 16%
- EBIT up 20%
- Recognised as a Leader in the Forrester Wave: Global Digital Banking Platforms

Lapping strong comparatives



“
Temenos’ banking platform excels with its current offering

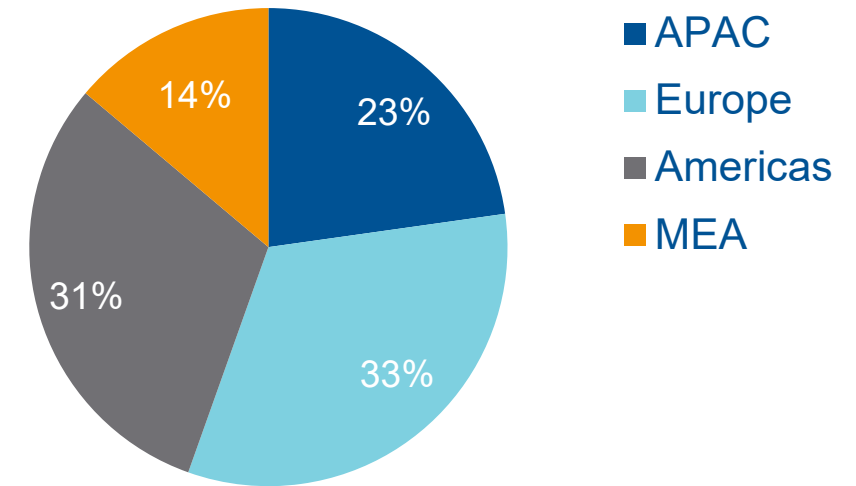
”
The Forrester Wave™:
Global Digital Banking Platforms

Guidance raised on back of sales momentum and increased revenue visibility

- Very strong quarter driven by broad based demand across geographies and tiers
- 17 new customer wins including challenger banks in the US, Asia and Europe
- Very strong quarter in the US
- Broad based growth in Europe across client tiers
- Strong performance in Australia, tier 1 bank signed
- Continued investment in product and sales and marketing

Strong contribution across geographies

Q3 2018 software licensing



Growth across markets and client tiers

- Very strong quarter in the US driven by signings across multiple suites including fund management
- Varo Money, the first truly national mobile-only bank, selected Temenos Core Banking to be implemented in the cloud
- Commerce Bank and State Street implementations progressing well
- Pipeline continues to grow across suites



Building momentum in the US

- ◆ 21 implementation go-lives in Q3 2018
- ◆ Total of 70 implementation go lives in 2018YTD
- ◆ Increase in cloud implementations including incumbents such as Itau and Coventry Building Society, as well as neo-banks including Varo Money and Judo
- ◆ Partner involvement in implementations continues to increase
- ◆ LTM Services margin reached 11.5%
- ◆ Temenos Learning Community driving growth in partner consultant numbers

Key implementations continue to progress well

Nordea 

Bank of Ireland 

 **Commerce Bank**™
Member FDIC

Partner strategy delivering significant benefits

- ◆ Addressable software spend by banks of USD 48bn globally growing at c.5% p.a.
- ◆ Digital, regulatory and competitive pressures intensifying
- ◆ Temenos has a leadership position, pulling ahead in a winner-takes-all market
- ◆ Significant increase in appetite for cloud adoption and SaaS
- ◆ Building momentum in the US with multiple wins
- ◆ Confidence in medium term growth driven by committed spend from tier 1 and 2 progressive renovation and strength of pipeline

Medium term growth underpinned by leadership position in growing market

Financial update

Max Chuard, CFO, COO



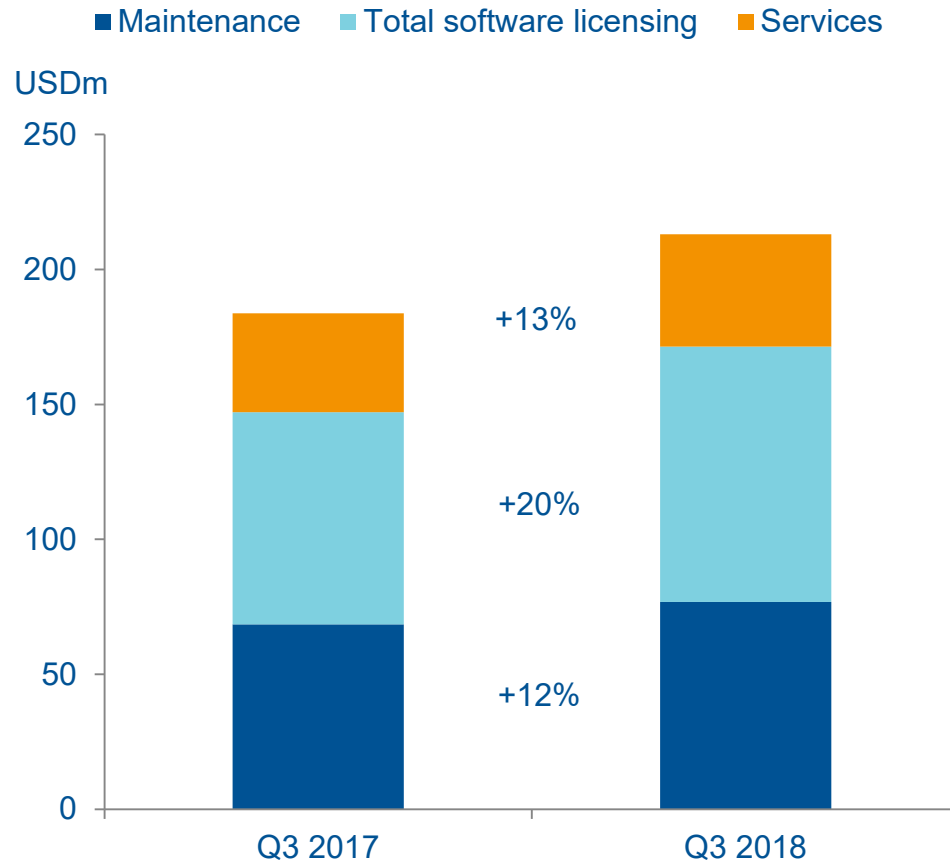
- Total software licensing up 20% Y-o-Y (c.c.)
- Maintenance growth of 12% Y-o-Y (c.c.)
- Total revenue growth of 16% Y-o-Y (c.c.)
- EBIT up 20% Y-o-Y (c.c.) , with LTM EBIT margin of 30.8%
- EPS growth of 18% Y-o-Y, LTM EPS of USD 2.84
- Q3 operating cash flows of USD 53m, up 31%
- DSOs down 10 days Y-o-Y to 114 days
- LTM Services margin of 11.5%

Outstanding performance across all KPIs

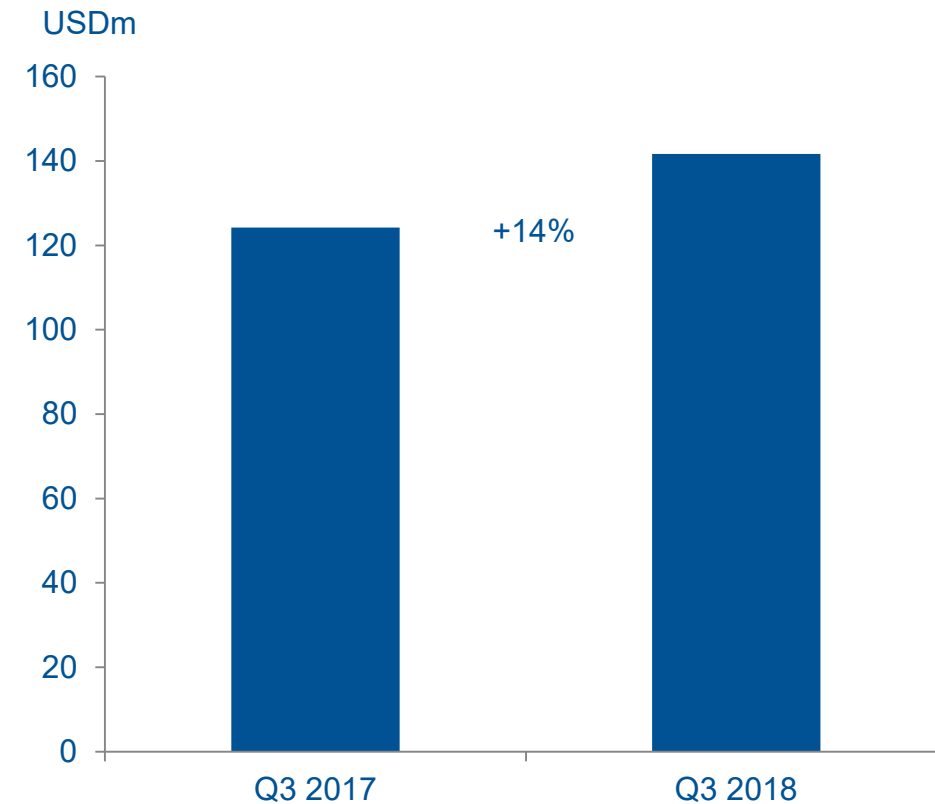
IAS 18, in USDm	Q3 18	Q3 17	Y-o-Y reported	Y-o-Y c.c.	LTM 18	LTM 17	Y-o-Y reported	Y-o-Y c.c.
Software licensing	74.5	59.9	24%	25%	291.5	228.1	28%	26%
SaaS and subscription	20.1	19.7	2%	5%	74.8	61.5	22%	18%
Total software licensing	94.6	79.6	19%	20%	366.3	289.6	26%	24%
Maintenance	76.8	69.9	10%	12%	299.0	266.8	12%	11%
Services	41.6	37.1	12%	13%	156.3	138.7	13%	9%
Total revenue	213.0	186.6	14%	16%	821.5	695.1	18%	16%
Operating costs	141.7	126.0	12%	14%	568.5	484.4	17%	14%
EBIT	71.3	60.6	18%	20%	253.0	210.7	20%	22%
Margin	33.5%	32.5%	100 bps		30.8%	30.3%	49 bps	
EBITDA	85.1	73.7	16%	17%	307.6	257.9	19%	21%
Margin	40.0%	39.5%	48 bps		37.4%	37.1%	33 bps	
Services margin	13.0%	9.8%	319 bps		11.5%	10.4%	116 bps	

Very strong growth across the board

Q3 LFL non-IFRS revenue



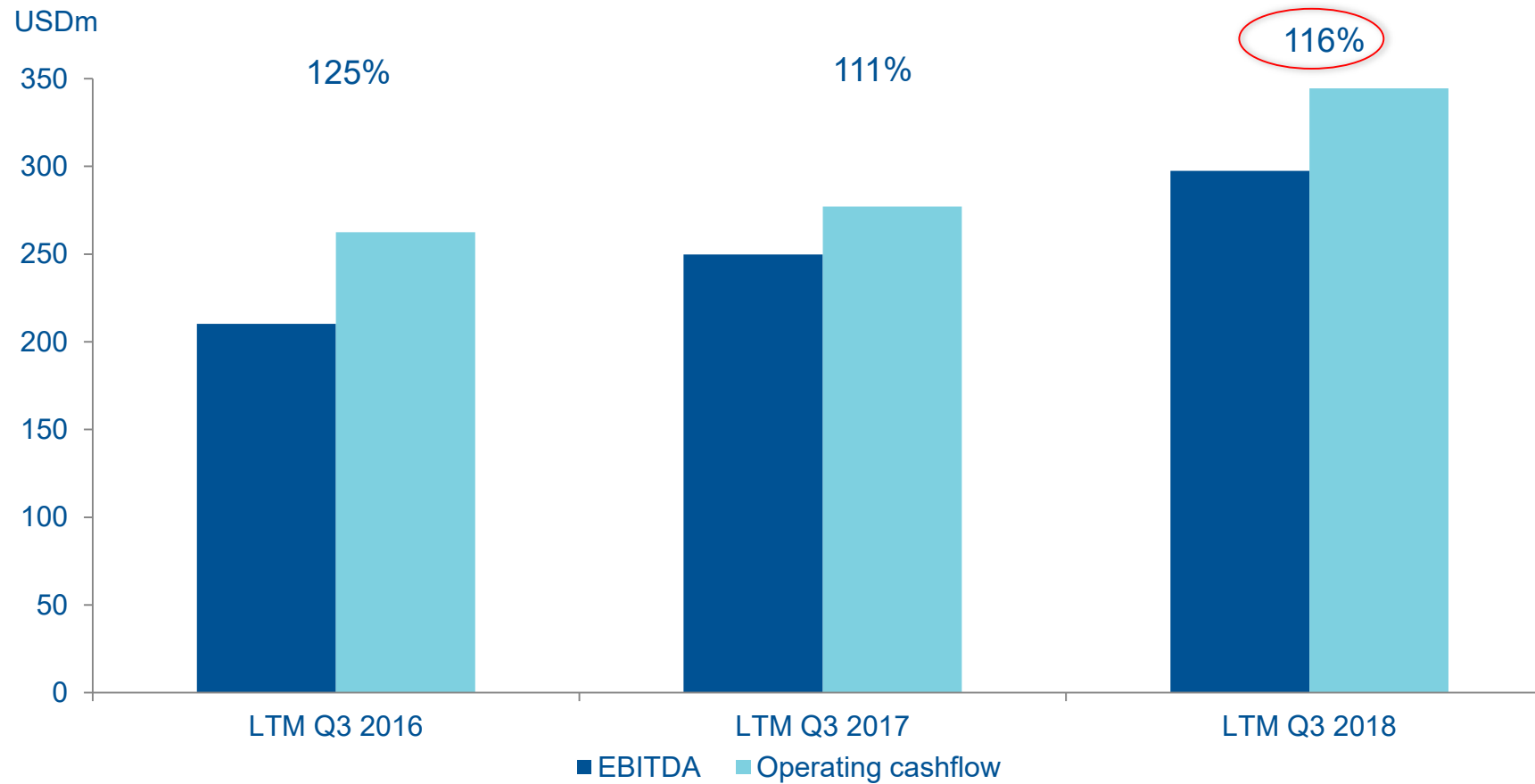
Q3 LFL non-IFRS costs



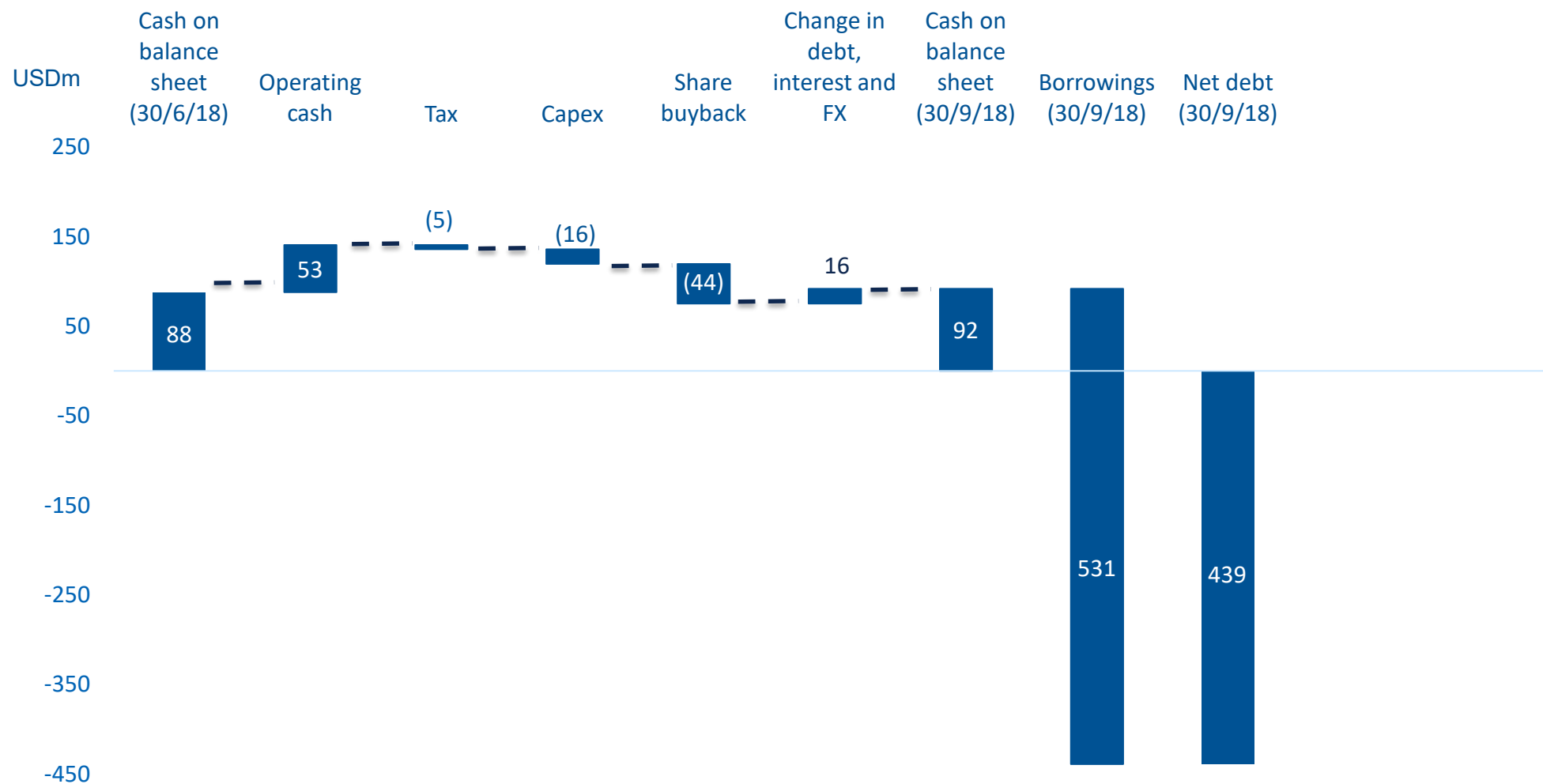
Total organic revenue growth of 16%

In USDm, except EPS	Q3 18	Q3 17	Y-o-Y	LTM 18	LTM 17	Y-o-Y
EBIT	71.3	60.6	18%	253.0	210.7	20%
Net finance charge	-4.2	-3.6	17%	-14.4	-15.8	-8%
FX gain / (loss)	-0.6	-0.6	NA	-1.0	-1.2	NA
Tax	-9.0	-7.4	21%	-32.2	-24.3	33%
Net profit	57.6	49.0	18%	205.4	169.4	21%
EPS (USD)	0.80	0.68	18%	2.84	2.35	21%

Very strong growth in profit and EPS



Cash conversion significantly above target of 100%



Operating cash flow up 31% in Q3, leverage at 1.4x

FY 2018 guidance		
	Revised guidance	Original guidance
Total software licensing (%)	15% - 20%	13.5% – 18.5%
<i>Implied USDm</i>	<i>366 – 382</i>	<i>363 – 379</i>
Total revenue (%)	12% - 14%	10% – 13%
<i>Implied USDm</i>	<i>832 – 847</i>	<i>820 – 840</i>
EBIT (USDm)	262 – 264	255 – 260
<i>Implied margin</i>	<i>c.31% (100bps increase y-o-y)</i>	<i>c.31% (100bps increase y-o-y)</i>
Cash conversion	100%+ conversion of IFRS EBITDA into operating cash flow	
Tax rate	Expected FY 2018 IFRS tax rate of 15% to 16%	

Guidance raised on back of sales momentum and increased revenue visibility

- Currency assumptions on slide 23
- See slide 39 for definition of non-IFRS

Summary

David Arnott, CEO



- ◆ Outstanding performance across all KPIs
- ◆ Digital, regulatory and competitive pressures on banks continue to intensify, with open banking and payments a key focus
- ◆ Momentum across all geographies, client tiers and segments; IT renovation remains strategic, not discretionary
- ◆ Significant increase in appetite for cloud adoption and SaaS
- ◆ Temenos' leadership position reconfirmed – pulling ahead in a winner-takes-all market
- ◆ Guidance raised on back of sales momentum and increased revenue visibility

Appendices

In preparing the 2018 guidance, the Company has assumed the following FX rates:

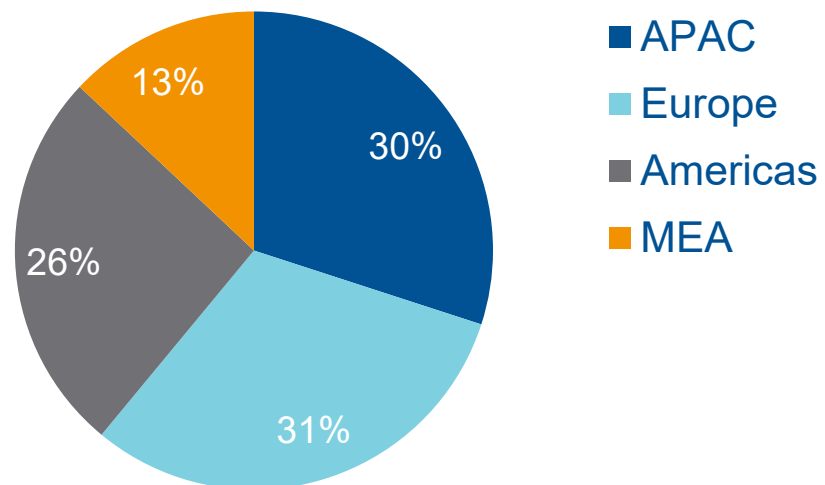
- USD to Euro exchange rate of 0.868
- USD to GBP exchange rate of 0.755; and
- USD to CHF exchange rate of 0.990

% of total	USD	EUR	GBP	CHF	Other
Total software licensing	44%	40%	1%	3%	12%
Maintenance	68%	22%	5%	5%	0%
Services	42%	38%	5%	1%	14%
Revenues	53%	33%	3%	3%	8%
Non-IFRS costs	23%	20%	14%	8%	35%
Non-IFRS EBIT	120%	62%	-21%	-7%	-54%

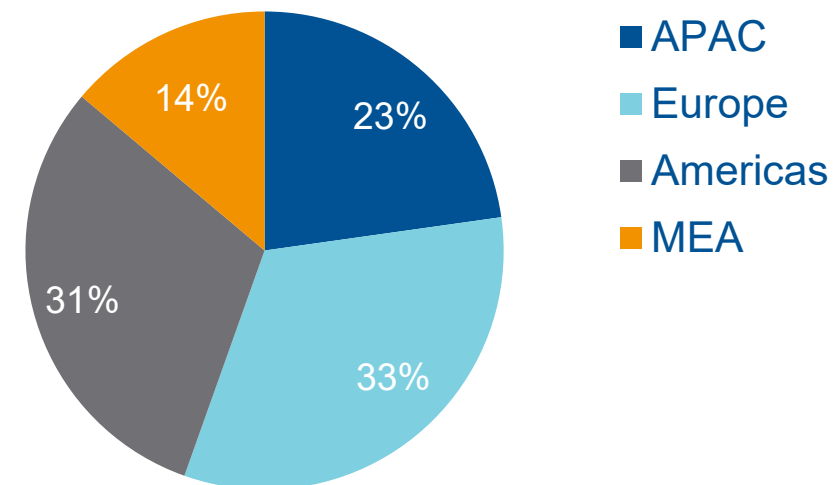
NB. All % are approximations based on 2017 actuals

Mitigated FX exposure – matching of revenues / costs and hedging

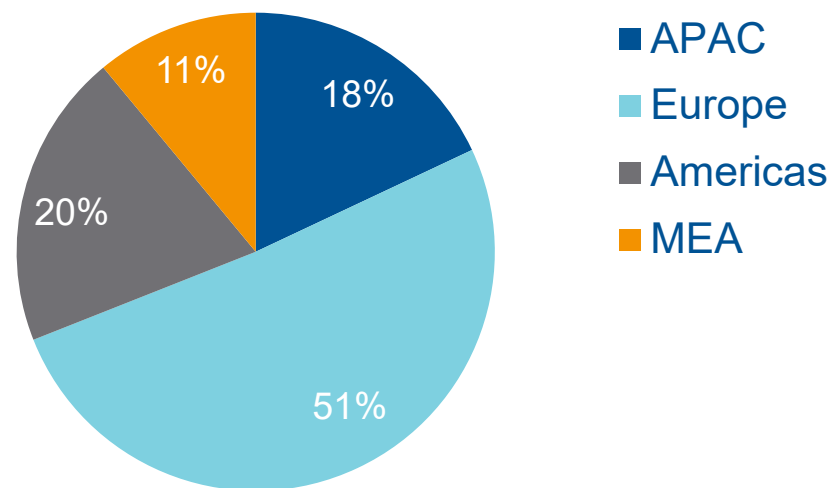
Q3 2017



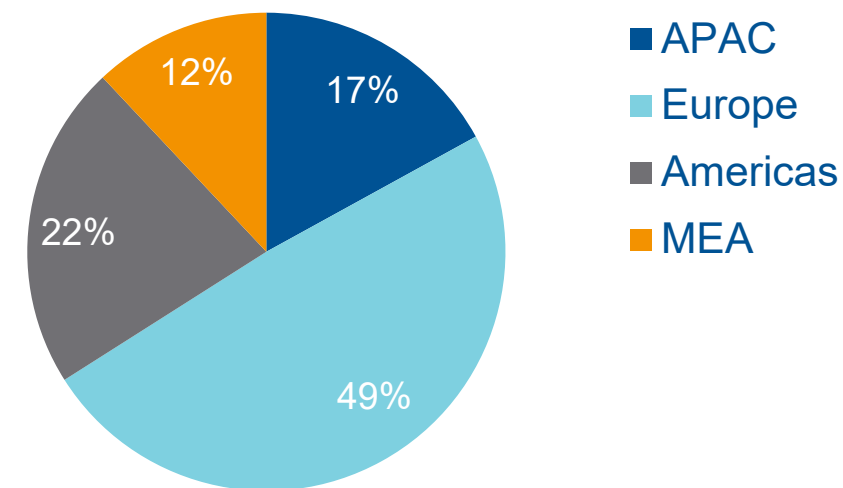
Q3 2018



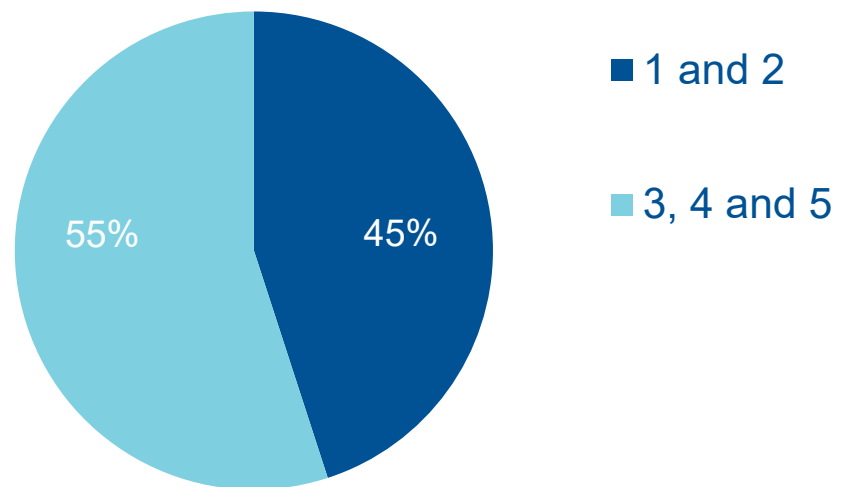
LTM Q3 2017



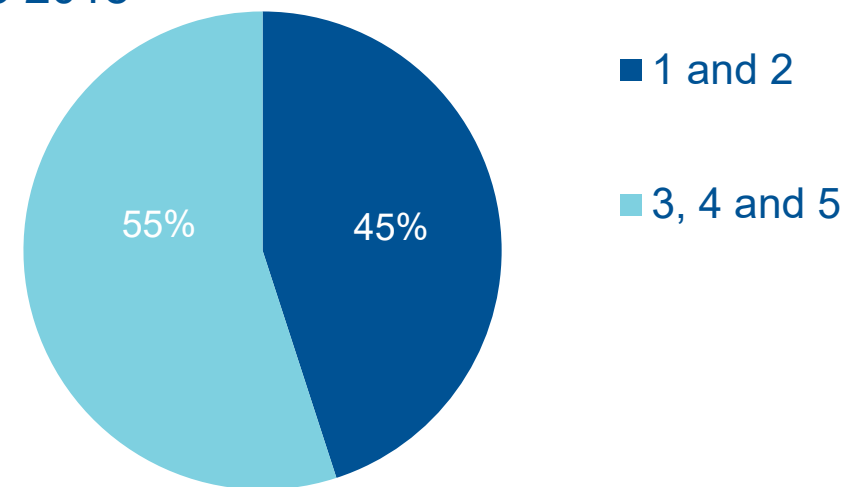
LTM Q3 2018



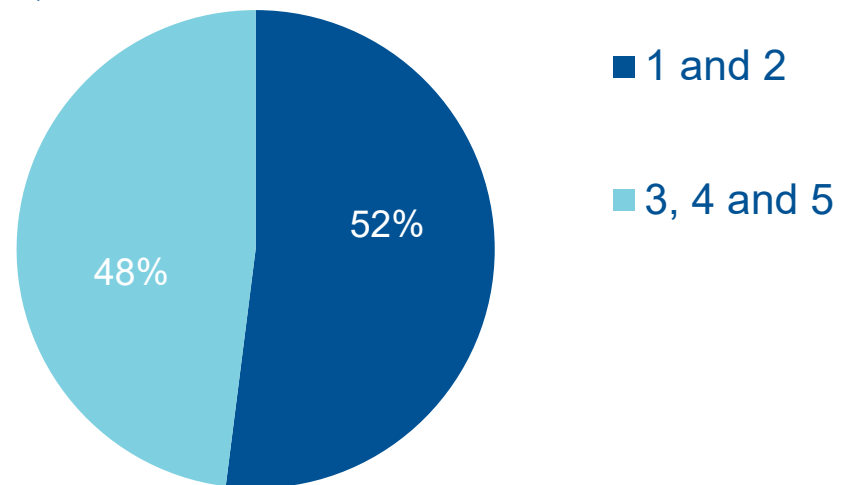
Q3 2017



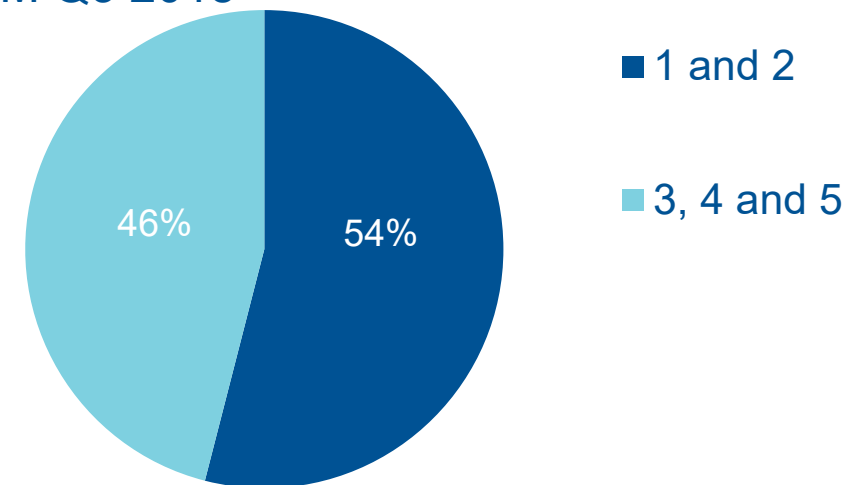
Q3 2018



LTM Q3 2017

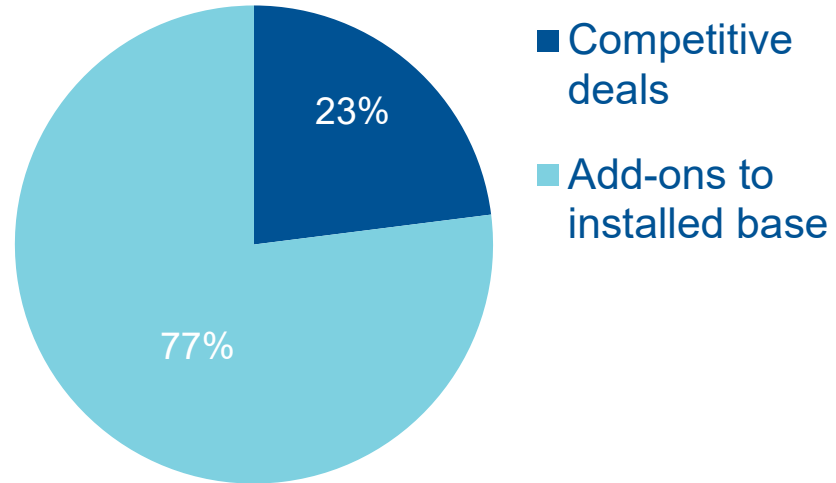


LTM Q3 2018

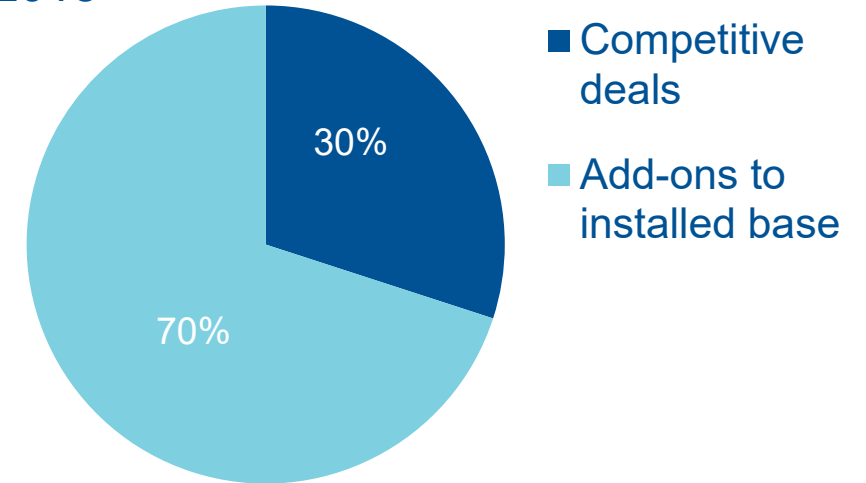


Software licensing revenue breakdown by competitive deals / add-ons to installed base

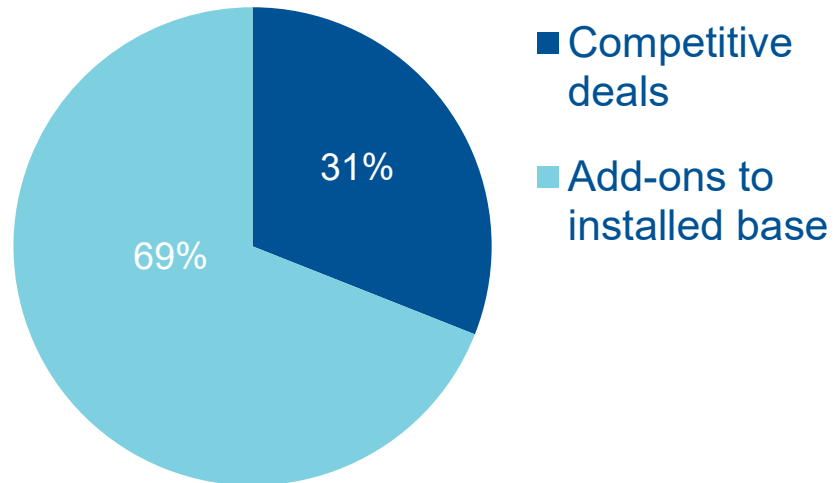
Q3 2017



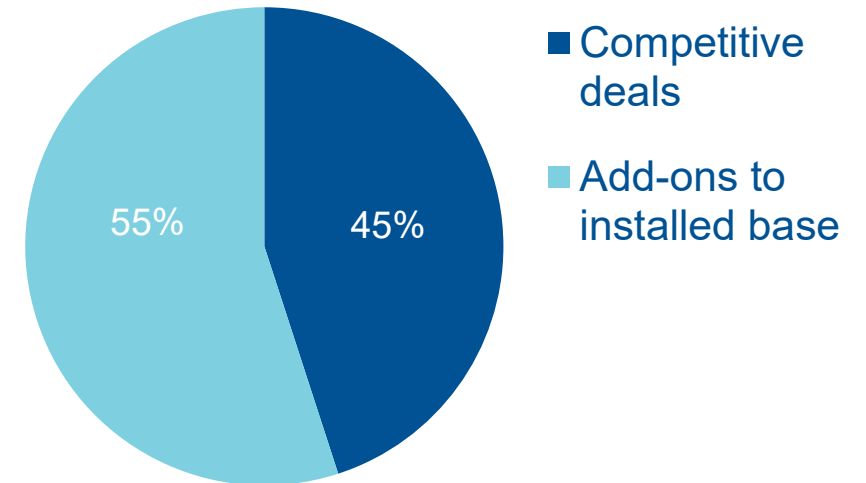
Q3 2018

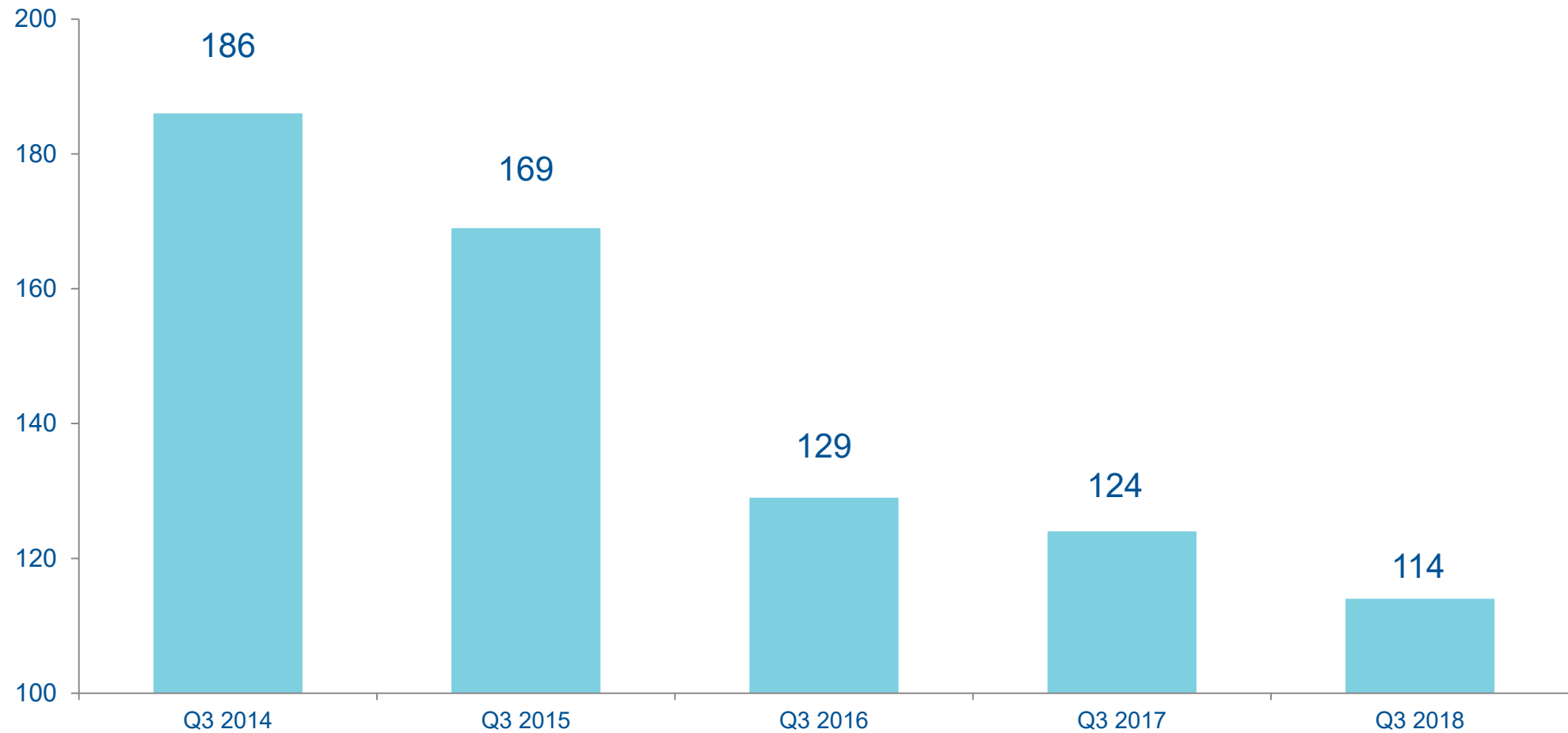


LTM Q3 2017



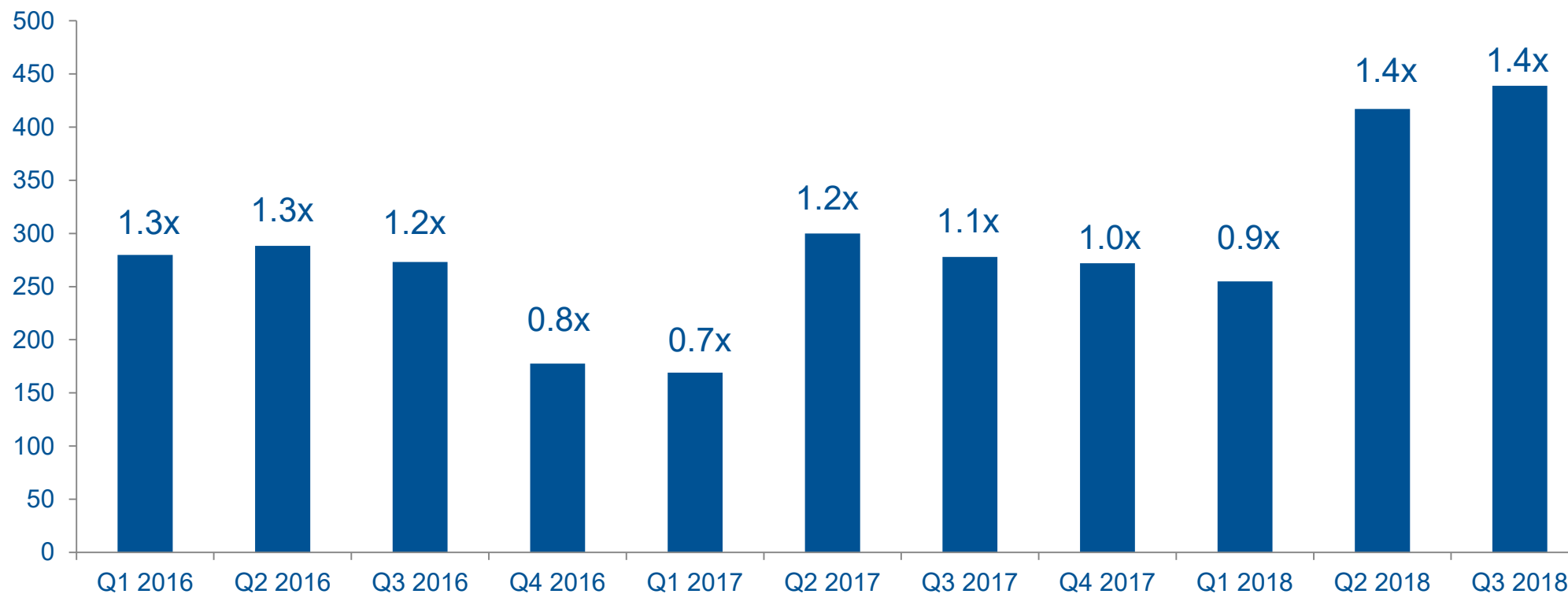
LTM Q3 2018





Net debt and leverage ratios*

USDm



* proforma non-IFRS EBITDA

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	-14.1	-50.5
Amortisation	8.8	9.8	10.9	10.5	40.0
Net cap' dev'	-2.4	-2.0	-2.5	-3.6	-10.5

USDm	Q1 18	Q2 18	Q3 18	Q4 18	FY 18
Cap' dev' costs	-12.6	-13.2	-13.0		
Amortisation	10.8	11.1	11.1		
Net cap' dev'	-1.8	-2.0	-1.9		

IFRS (IFRS 15) revenue measure

+/- IFRS 15 impact

+ Deferred revenue write-down

= **Non-IFRS (IAS 18) revenue measure**

IFRS (IFRS 15) profit measure

+/- IFRS 15 impact

+/- Deferred revenue write down

+ / - Discontinued activities

+ / - Amortisation of acquired intangibles

+ / - Acquisition related charges

+ / - Restructuring

+ / - Taxation

= **Non-IFRS (IAS 18) profit measure**

Below are the accounting elements not included in the 2018 non-IFRS (IAS 18) guidance:

- FY 2018 estimated deferred revenue write down of USD 1m
- FY 2018 estimated amortisation of acquired intangibles of USD 38m
- FY 2018 estimated restructuring costs of USD 5m
- FY 2018 estimated acquisition costs of USD 13m

Restructuring costs include realising R&D, operational and infrastructure efficiencies. Acquisition costs include the costs associated with the bid for Fidessa.

These estimates do not include impact of any further acquisitions or restructuring programmes commenced after 17 October 2018. The above figures are estimates only and may deviate from expected amounts.

In USDm, except EPS	3 Months Ending 30 September		
	2018		2018
	IFRS (IFRS 15)	IFRS 15 adj.	IFRS (IAS 18)
Software Licensing	80.5	(6.0)	74.5
SaaS and subscription	7.8	12.2	20.1
Total Software Licensing	88.4	6.2	94.6
Maintenance	78.9	(2.0)	76.8
Services	40.6	1.0	41.6
Total Revenue	207.9	5.1	213.0
Total Operating Costs	(148.9)	(2.0)	(150.9)
Restructuring/acq. costs	(0.1)		(0.1)
Amort of Acq'd Intang.	(9.1)		(9.1)
Operating Profit	59.0	3.1	62.1
Operating Margin	28%		29%
Financing Costs	(4.8)		(4.8)
Taxation	(7.4)	(0.4)	(7.8)
Net Earnings	46.8	2.7	49.5
EPS (USD per Share)	0.65	0.04	0.69

In USDm, except EPS	3 Months Ending 30 September						Change	
	2018		2018	2017		2017	IFRS	Non-IFRS
	IFRS (IAS 18)	Non-IFRS adj.	Non-IFRS (IAS 18)	IFRS (IAS 18)	Non-IFRS adj.	Non-IFRS (IAS 18)		
Software Licensing	74.5		74.5	59.9		59.9	24%	24%
SaaS and subscription	20.1		20.1	19.4	0.3	19.7	3%	2%
Total Software Licensing	94.6		94.6	79.3	0.3	79.6	19%	19%
Maintenance	76.8		76.8	69.9		69.9	10%	10%
Services	41.6		41.6	37.1		37.1	12%	12%
Total Revenue	213.0		213.0	186.3	0.3	186.6	14%	14%
Total Operating Costs	(150.9)	9.2	(141.7)	(136.5)	10.5	(126.0)	11%	12%
Restructuring/acq. costs	(0.1)	0.1	-	(0.9)	0.9	0.0	(87%)	
Amort of Acq'd Intang.	(9.1)	9.1	-	(9.6)	9.6	0.0	(5%)	
Operating Profit	62.1	9.2	71.3	49.8	10.8	60.6	25%	18%
Operating Margin	29%		33%	27%		32%	2.4% pts	1.0% pts
Financing Costs	(4.8)		(4.8)	(4.2)		(4.2)	14%	14%
Taxation	(7.8)	(1.2)	(9.0)	(6.1)	(1.3)	(7.4)	28%	21%
Net Earnings	49.5	8.1	57.6	39.6	9.5	49.0	25%	17%
EPS (USD per Share)	0.69	0.11	0.80	0.55	0.13	0.68	25%	18%

In USDm, except EPS	3 Months Ending 30 September		
	2018		2018
	IFRS (IFRS 15)	Non-IFRS adj.	Non-IFRS (IFRS 15)*
Software Licensing	80.5		80.5
SaaS and subscription	7.8		7.8
Total Software Licensing	88.4		88.4
Maintenance	78.9		78.9
Services	40.6		40.6
Total Revenue	207.9		207.9
Total Operating Costs	(148.9)	9.2	(139.7)
Restructuring/acq. costs	(0.1)	0.1	-
Amort of Acq'd Intang.	(9.1)	9.1	-
Operating Profit	59.0	9.2	68.2
Operating Margin	28%		33%
Financing Costs	(4.8)		(4.8)
Taxation	(7.4)	(1.2)	(8.5)
Net Earnings	46.8	8.1	54.9
EPS (USD per Share)	0.65	0.11	0.76

* 2018 non-IFRS (IFRS15) will constitute the basis of Non-IFRS comparatives for non-IFRS numbers from 2019 onwards

In USDm, except EPS	30 September 2018		
	IFRS 15 reported	IFRS 15 adj.	IAS 18
Cash and cash equivalents	91.9	-	91.9
Trade receivables	255.9	8.0	263.9
Other receivables	36.9	(4.9)	32.0
Property, plant and equipment	17.0	-	17.0
Intangible assets	752.6	-	752.6
Deferred tax assets	23.1	-	23.1
Totals assets	1,177.5	3.1	1,180.6
Trade and other payables	150.0	-	150.0
Contract Liability / (Deferred revenue)	206.6	1.4	208.0
Income tax liabilities	38.3	(0.5)	37.9
Borrowings	530.7	-	530.7
Deferred tax liabilities	12.0	-	12.0
Retirement benefit obligations	8.6	-	8.6
Total liabilities	946.3	0.9	947.2
Equity	(440.5)	-	(440.5)
Retained earnings	671.8	2.1	673.9
Total equity	231.2	2.1	233.4
Total liabilities and equity	1,177.5	3.1	1,180.6

In USDm, except EPS	Q3 18	Q3 17
IFRS (IFRS 15) net earnings	46.8	39.6
IFRS 15 adjustment	3.1	-
Deferred revenue write down	-	0.3
Amortisation of acquired intangibles	9.1	9.6
Restructuring	0.1	0.9
Acquisition related costs	-	-
Taxation	-1.6	-1.3
Net earnings for non-IFRS (IAS 18) EPS	57.6	49.0
No. of dilutive shares	71.7	71.8
Non-IFRS (IAS 18) diluted EPS (USD)	0.80	0.68

USDm	Q3 2018 EBIT	Q3 2018 EBITDA
IFRS (IFRS 15)	59.0	81.9
IFRS 15 adjustment	3.1	3.1
Deferred revenue write-down	-	-
Amortisation of acquired intangibles	9.1	-
Restructuring	0.1	0.1
Acquisition-related charges	-	-
Non-IFRS (IAS 18)	71.3	85.1

Non-IFRS adjustments

Impact of IFRS 15

Adjustments made resulting from elimination of impact of IFRS 15 accounting

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



TEMENOS

The banking software company