Financial results & business update

Quarter and year ended 31 December 2012

26 February 2013

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 26 February 2013. 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 26 February 2013.

Agenda

Business update	David Arnott, CEO
Financial update and 2013 guidance	Max Chuard, CFO
Medium term targets	David Arnott, CEO
Q&A	

Overview

We reversed the trend and returned to growth in Q4

Strong Q4 on all KPIs with full year 2012 results delivered within outlook range

Strong sales to the installed base of products with shorter sales cycles and quicker payback

New organisation already delivering benefits

2013 profitability underpinned by maintenance growth and lower costs already locked-in

Strength of future cashflows and balance sheet support initiation of dividend

Optimism for 2013 following strong Q4

Q4 financial overview

LFL licence revenues up 17% in Q4

Maintenance revenues highly resilient with LFL growth of 6% - $200m+ of revenues in 2012

Adjusted EBIT up 36% following recovery in licence revenues and lower cost base

Adjusted EPS growth of 103%

FY cash conversion of 102%

Leverage of 1x as at the end of December

Delivered on all KPIs in Q4

Q4 sales overview

Strong sales of products with shorter sales cycles and quicker payback with growth in Q4 from PWM, BI and Channels

Core banking resilient after six quarters of decline

Strong Q4 in Europe - signs of stabilisation; Americas strong; APAC and MEA weaker

Strong sales in Q4 to Tier 1 and Tier 2 banks driven by PWM

Strong wins in Q4 from existing customers highlighting installed base opportunity

10 new customer wins in Q4 (Q4 2011: 9) taking the total to 37 new customer wins in 2012 (2011: 40)

Only vendor to be recognised as both a "Global Power Seller" and "Top Global Player" by Forrester 2012

Multi-product approach reaping rewards

Operational overview

Sales

Organisation aligned to market opportunity
Multi-product focus in sales and pre-sales

Product

edge IPK integrated
Unified product organisation

Cost reduction complete

Underpins 2013 profitability
Does not impact ability to grow

Regional focus

New structure delivered growth in Q4
Full ownership and accountability

Customer success

43 implementation go-lives; 89 in total
Moving to higher-value add services

Partners

14% of 2012 licence sales (2011: 12%)
Involved in 70 projects

Delivering on our objectives

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Q4 and FY KPIs

LFL licence revenue

Q4 up 17%
FY down 14%

LFL total revenue

Q4 up 5%
FY down 3%

Adjusted EBIT (and margin)

Q4 up 36% (margin up 8.0% pts)
FY down 3% (margin up 0.5% pts)

Adjusted EPS

Q4 up 103%
FY up 1.1%

Cash

USD 114m of operating cash flow in Q4
102% conversion for the FY

Leverage

USD 97m of free cash flow in Q4
1x as at Dec 2012

Strong Q4 licence growth; cost control drives margin expansion

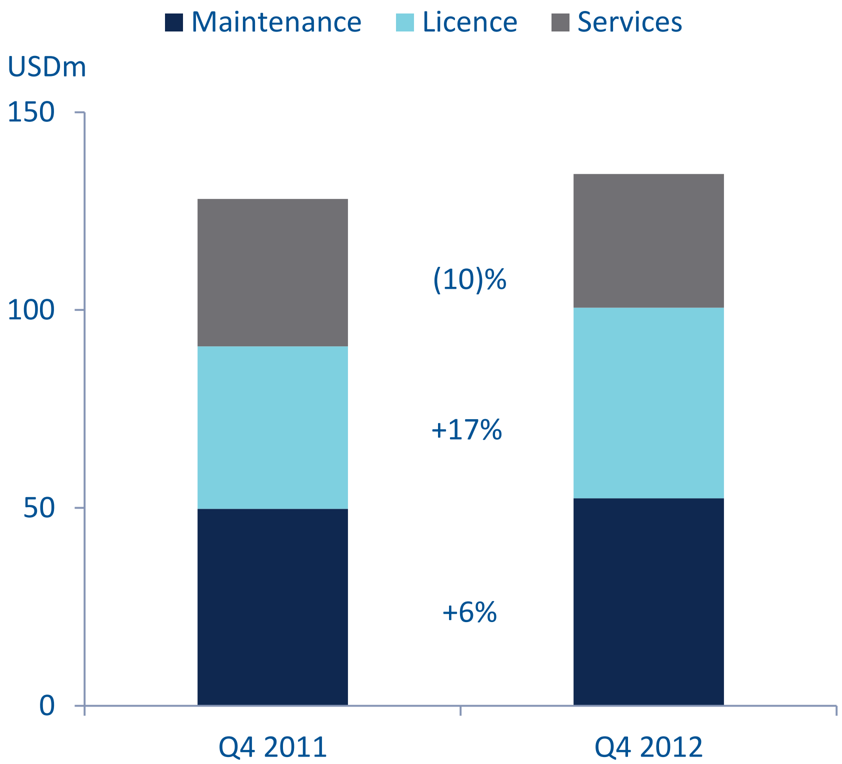
Operating income statement

In USDm	Q4 12	Q4 11	Y-o-Y	FY 12	FY 11	Y-o-Y
Licences	47.9	41.1	16.6%	125.1	146.0	-14.3%
Maintenance	52.8	49.9	5.8%	201.7	197.3	2.2%
Services	33.5	36.0	-7.1%	123.4	130.1	-5.2%
Total revenue	**134.2**	**127.0**	**5.7%**	**450.2**	**473.5**	**-4.9%**
Adj. operating costs	86.3	91.8	-6.0%	364.7	385.7	-5.5%
Adj. EBIT	**47.9**	**35.2**	36.0%	**85.5**	**87.7**	**-2.5%**
Margin	35.7%	27.7%	8.0% pts	19.0%	18.5%	0.5% pts
Adj. EBITDA	**56.2**	**41.2**	**36.3%**	**119.8**	**116.7**	**2.6%**
Margin	41.9%	32.5%	9.4% pts	26.6%	24.7%	2.0% pts

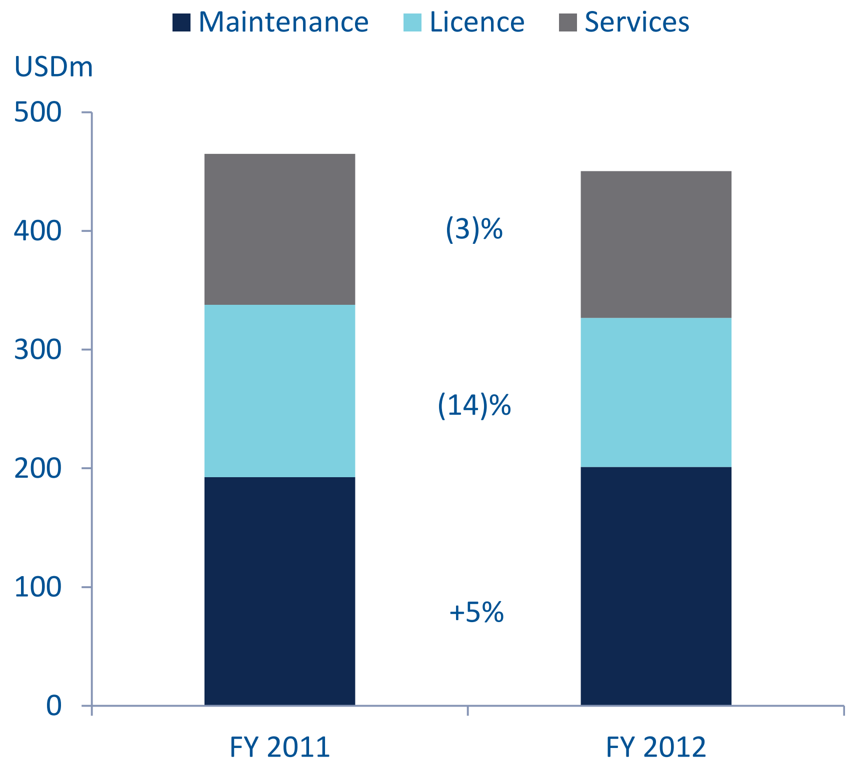
Licence momentum, strong maintenance and margin improvement

Like-for-like revenue

Q4 like-for-like revenue up 5%



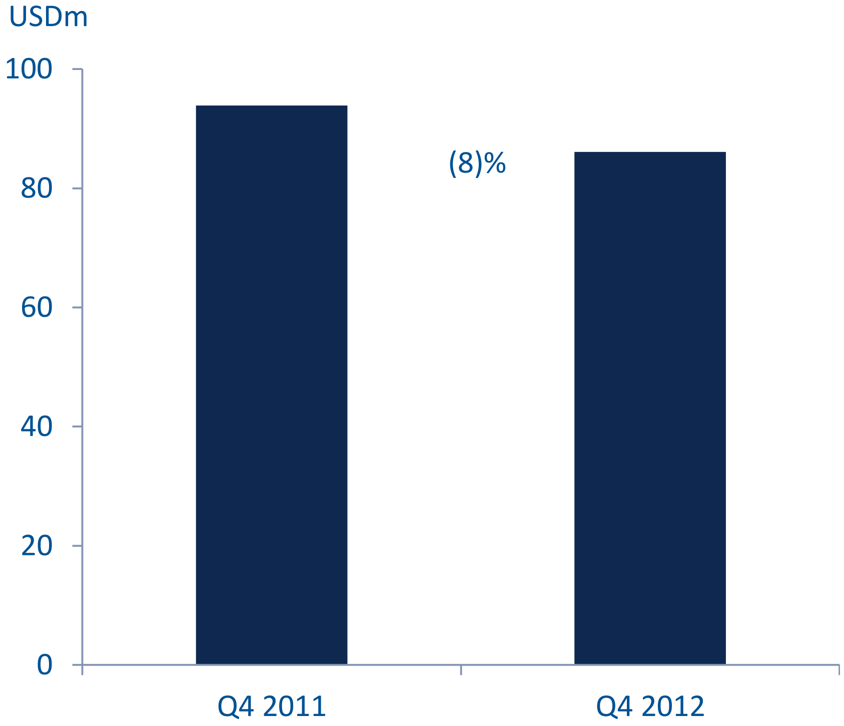
FY like-for-like revenue down 3%



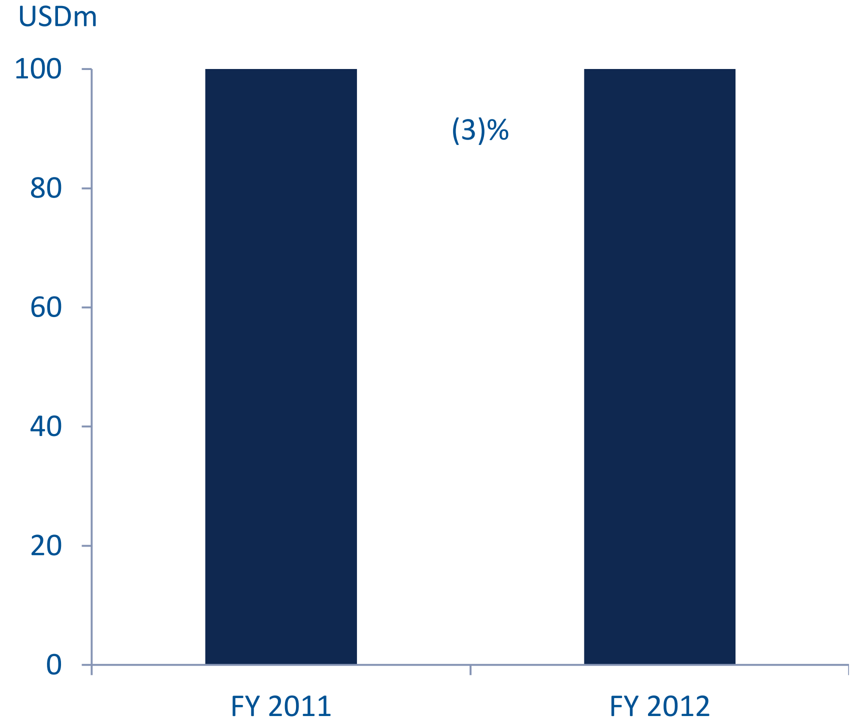
Maintenance up 6% in Q4; Licences up 17% in Q4

Like-for-like costs

Q4 year like-for-like adjusted costs down 8%



FY like-for-like adjusted costs down 3%



LFL costs down 8% in Q4 to USD 86m; 2013 cost base of USD 360m reconfirmed

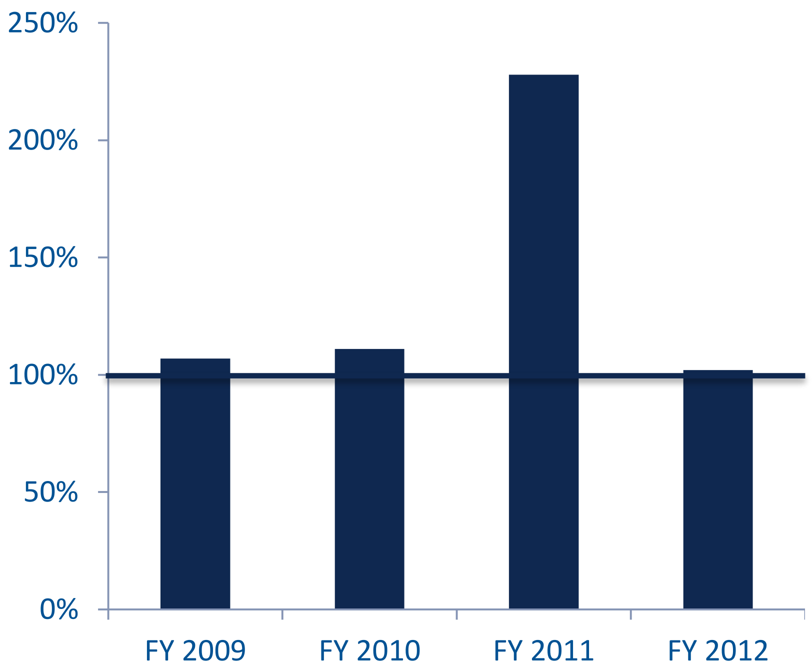
Below the line income statement

In USDm except EPS (USD)	Q4 12	Q4 11	Y-o-Y	FY 12	FY 11	Y-o-Y
Adj. EBIT	**47.9**	**35.2**	**36.0%**	**85.5**	**87.7**	**-2.5%**
Net finance charge	(2.1)	(2.5)	17.2%	(7.8)	(8.6)	9.3%
FX gain / (loss)	**0.1**	**(2.7)**	**NM**	**(3.5)**	**(5.4)**	**35.0%**
Tax	(3.4)	(9.0)	61.8%	(12.6)	(12.2)	-3.2%
Adj. net profit	**42.4**	**20.9**	**102.2%**	**61.6**	**61.5**	**0.1%**
Adj. EPS	**0.61**	**0.30**	**103.3%**	**0.88**	**0.87**	**1.1%**

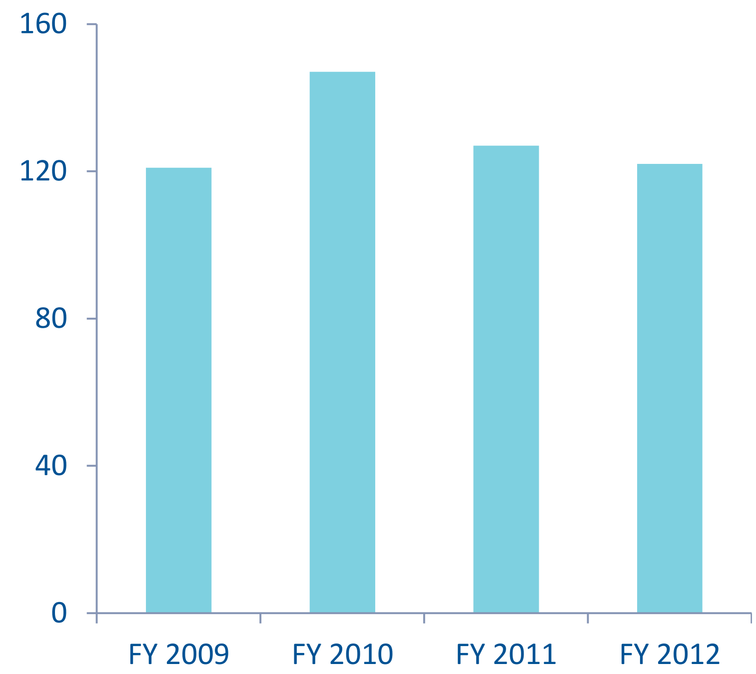
Adj. EPS up in both Q4 and FY with well controlled financing and tax structure

Cash

Cash conversion*



Adjusted operating cashflow (USDm)



* EBITDA into operating cashflow

High quality of earnings; cashflow resilience

Balance sheet – debt and financing

In USDm	31 Dec 12	Comment
Credit facilities	213.8	USD 350m facility, due in 2014
Others	0.6	
Total debt	214.4	
Cash	(117.7)	Held in short term deposits
Net debt	96.6	1.0x EBITDA
Treasury shares	(50.8)	Held at market value as of 31 Dec 2012
Net debt and financing	45.8	0.5x EBITDA
EBITDA	95.6	

1x leveraged at year end

Dividend

Temenos is highly cash generative with a strong balance sheet which enables:

- servicing of our debt obligations; and
- investment in the business, including industry leading R&D spend; and
- funding for targeted acquisitions; and
- returning value to shareholders

The Board intends to initiate regular annual dividend payments

Subject to shareholder approval at the AGM on 24 May 2013, Temenos intends to pay an initial annual dividend of CHF 0.28 (c.USD 0.30) on 31 May 2013. The dividend record date will be set on 30 May 2013 with the shares trading ex-dividend on 28 May 2013

Temenos policy is to distribute a sustainable to growing dividend

Strength of cashflow and balance sheet supports initiation of dividend

2013 guidance

Non-IFRS revenue growth of 2.5% to 5.5% (implying revenue of USD 462m to USD 475m)*

Licence growth of 5% to 10% (implying licence revenue of USD 131m to USD 138m)*

Non-IFRS cost base of USD 360m reaffirmed with **non-IFRS EBIT margin of 22.0% to 23.5%** (implying non-IFRS EBIT of USD 102m to USD 112m)*

100%+ conversion of EBITDA into operating cashflow

Tax rate of 17% to 18%

* At constant currency – assumptions in Appendix
See Appendix for definition of non-IFRS

Licence and revenue growth in 2013 with significant improvement in margins

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Temenos Analyst & Investor Day: London, 27 February 2013

10.00 to 10.45	Our strategic plan	David Arnott, CEO
10.45 to 11.30	Products	Mark Winterburn, Group Product Director Mark Gunning, Director of Business Solutions
11.30 to 11.45	Coffee	
11.45 to 12.15	Services and Partners	Mike Davis, Global Head of Services Mike Head, Director of Strategic Alliances
12.15 to 12.35	Financials	Max Chuard, CFO
12.35 to 13.00	Q&A	

Setting out our medium term strategy

Medium term targets

10%+ licence growth

5%+ revenue growth

per annum

Economies of scale

Higher services margins

Revenue mix shift

100-150bps of margin expansion

on average

per annum

Shorter projects

New / existing mix

More cash up-front

Cash conversion over 100%

per annum

Significant, sustained shareholder returns

Appendix

FX assumptions underlying 2013 guidance

USD / EUR	0.778
USD / GBP	0.631
USD / CHF	0.938

Adjusted EPS reconciliation

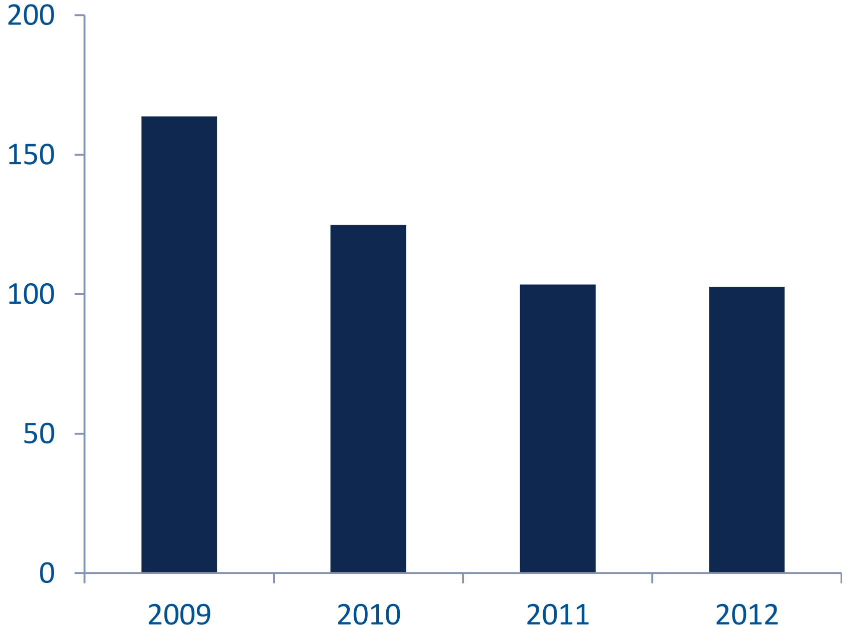
In USDm, except EPS (USD)	Q4 12	Q4 11	Y-o-Y	FY 12	FY 11	Y-o-Y
Net earnings	**28.9**	**(8.1)**	**NM**	**24.2**	**(28.3)**	**NM**
Amortisation of acquired intangibles	3.5	4.3	-19.6%	13.2	17.7	-25.8%
Adjusting costs*	10.0	24.6	-59.3%	24.2	72.0	-66.3%
Earnings for adjusted EPS	**42.4**	**20.9**	**103.4%**	**61.6**	**61.5**	**0.1%**
No. of dilutive shares	69.6	69.5	0.2%	69.7	70.8	-1.4%
Adj. EPS	**0.61**	**0.30**	**103.3%**	**0.88**	**0.87**	**1.1%**

* Restructuring and one-off non-recurring charges

DSOs

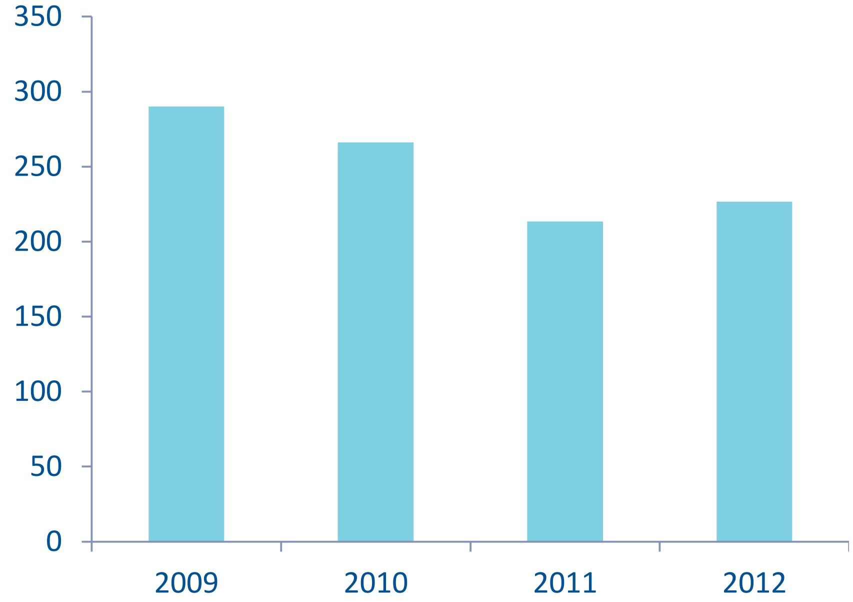
Old definition

$$\frac{\text{(Receivables – Deferred Revenues)}}{\text{LTM total revenue}} \text{ X 365}$$



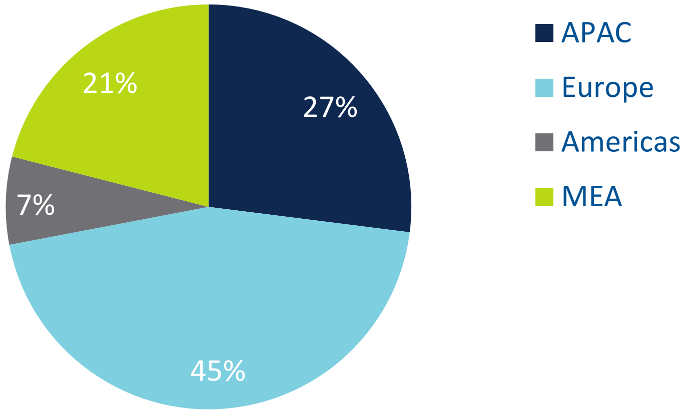
New definition

$$\frac{\text{Receivables}}{\text{LTM total revenue}} \text{ X 365}$$

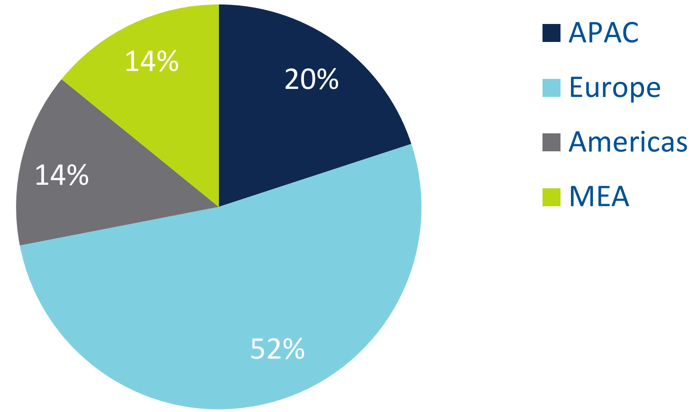


Licence revenue breakdown by geography

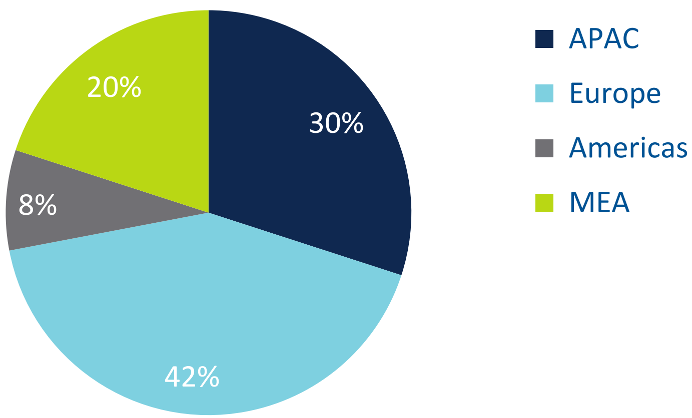
Q4 2011



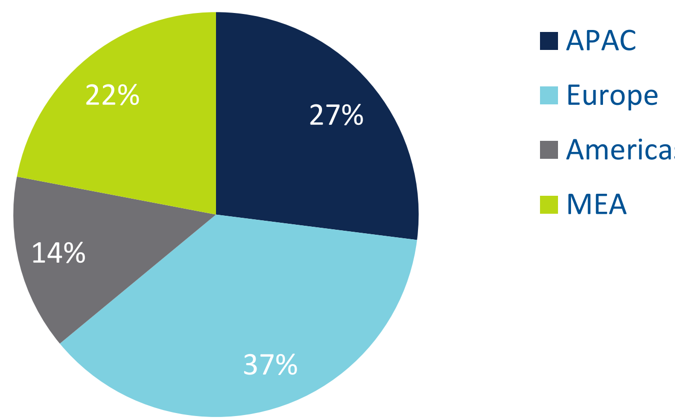
Q4 2012



FY 2011

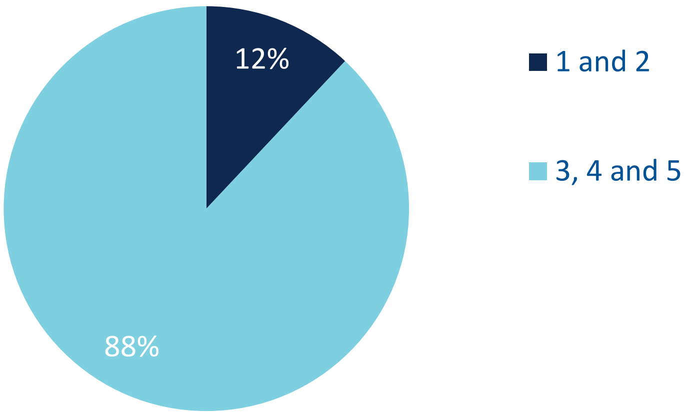


FY 2012

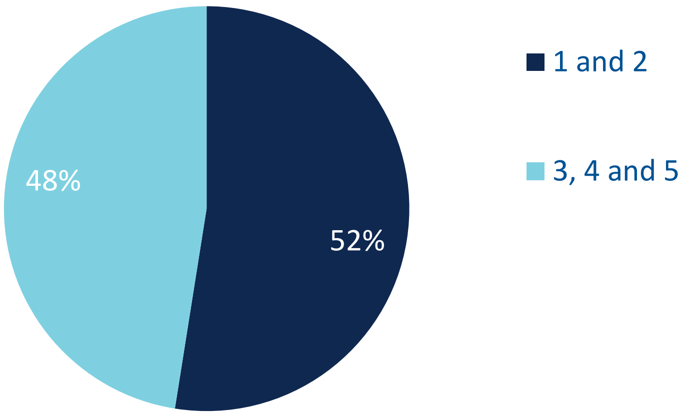


Licence revenue breakdown by customer tier

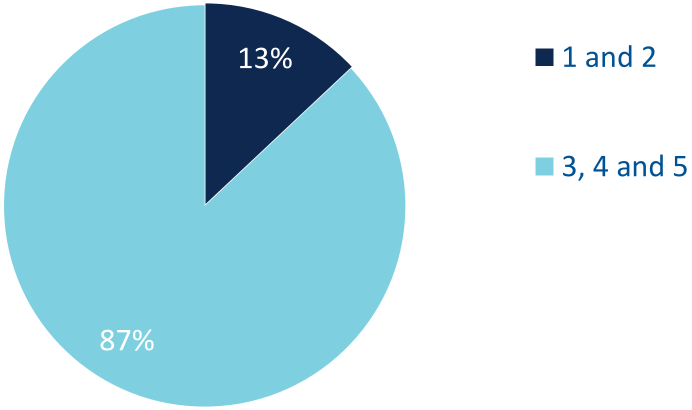
Q4 2011



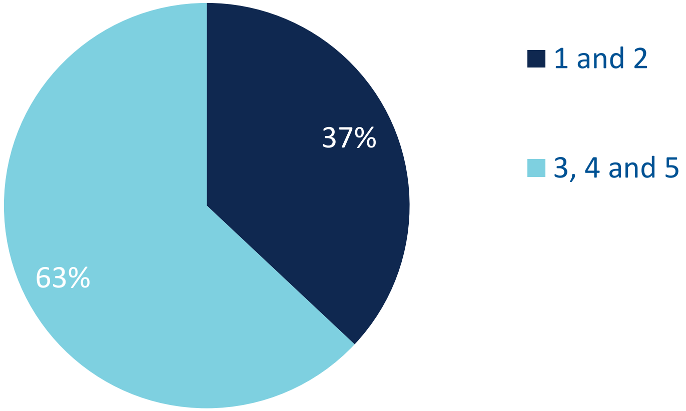
Q4 2012



FY 2011

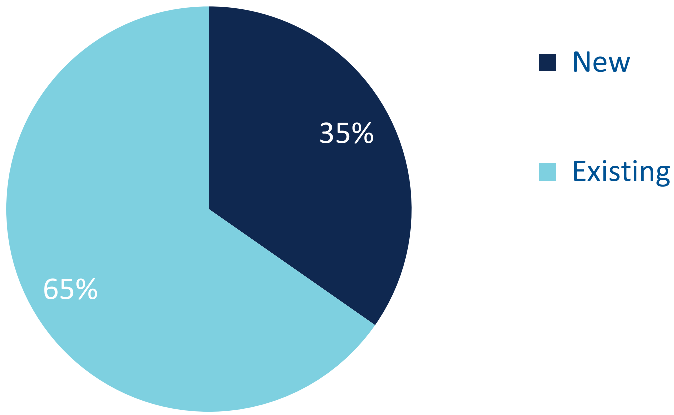


FY 2012

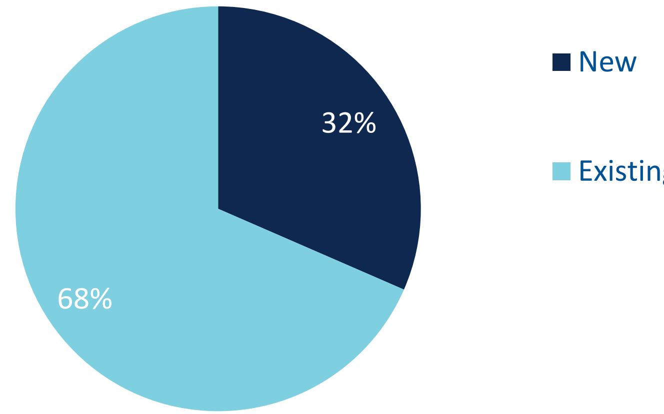


Licence revenue breakdown by new / existing customer

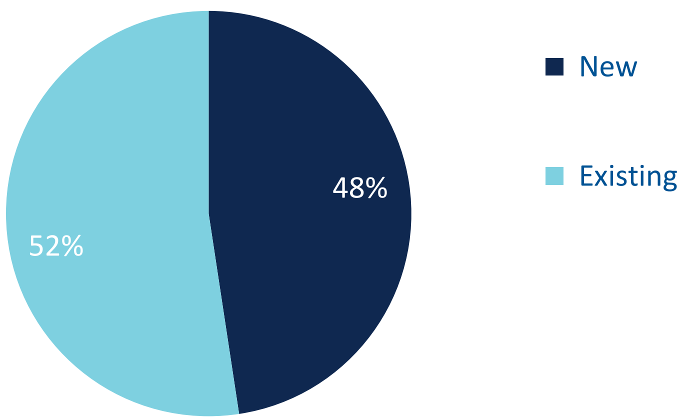
Q4 2011



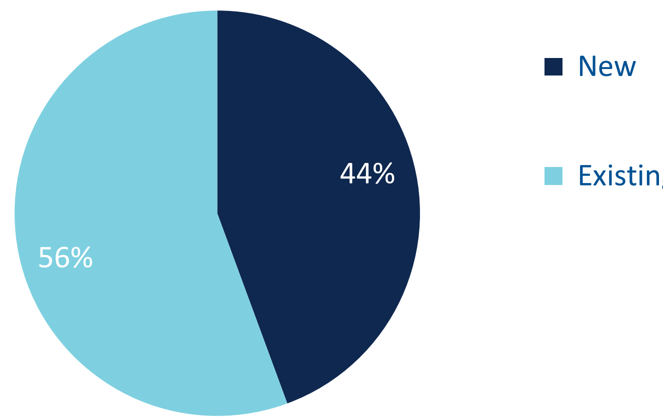
Q4 2012



FY 2011



FY 2012



2012 reconciliation from IFRS EBIT to non-IFRS EBIT

USD m	2012
IFRS EBIT	48.1
Deferred revenue write-down	-
Discontinued activities	-
Acquisition-related charges	5.5
Amortisation of acquired intangibles	13.2
Restructuring	18.7
Non-IFRS EBIT	**85.5**

2012 non-IFRS EBIT the same as 2012 adjusted EBIT

Definition of 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

Reconciliation from IFRS to non-IFRS

	IFRS Revenue Measure
+	Deferred revenue write-down
=	**Non-IFRS Revenue Measure**
+ / -	Discontinued activities
+ / -	Acquisition related charges
+ / -	Amortisation of acquired intangibles
+/-	Restructuring
+ / -	Taxation
=	**Non-IFRS Profit Measure**

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Thank you

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