Financial results & business update

Quarter and year ended 31 December 2013

18 February 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 18 February 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 18 February 2014.

Agenda

Business update	David Arnott, CEO
Financial update and 2014 guidance	Max Chuard, CFO
Summary	David Arnott, CEO
Q&A	

Overview of 2013

Strong licence growth, with momentum building through the year – taking market share

Strong growth in Europe, our largest market, and across MEA and APAC

Core banking strong, supported by multi-product offering

Services strategy delivering with lower contribution from services and improved margin

Non-IFRS EBIT margin above the top of guidance

Strong cash conversion and DSO reduction

Highly strategic acquisition in US

Significant new product launches including the Temenos Payment Suite

2013 performance provides greater confidence for medium term plan

FY 2013 financial highlights

- ✓ Software licensing growth at the top of guidance
- ✓ Significant improvement in non-IFRS services margin
- ✓ Non-IFRS EBIT margin above the top of guidance
- ✓ Cash conversion above guidance
- ✓ Material reduction in DSOs
- ✓ Dividend increased
- ✓ Share buyback programme completed

Delivering significant shareholder value

Q4 and FY 2013 sales update

Strong Q4 reflecting

- fruition of sales investment made at the start of the sales cycle
- multi-product offering accelerating demand for core replacements

Good sales to new customers

- 14 new customer wins in Q4 (Q4 2012: 10) with 33 in total in 2013 (2012: 37)
- High profile wins and return of larger deals in Q4, especially in Europe

Continued growth in sales to existing customer base

- focus on strategic accounts
- relicensing contributed mid single digit % of FY software licensing revenue

Strong FY growth in Europe, APAC and MEA

Americas lower due to timing of larger deals; Banesco announced today

A strong Q4 building on success throughout 2013

Services and partners update

Services
A strong 2013

- More projects delivered – 132 in 2013 (2012:89)
- "Premium" services contributed 19% of revenues (2012: 11%)
- Implementation times reduced
- Significant improvement in services margin

Partners
The model is delivering

- Growth in partner resource – now at over 1,700
- Increase in ILF brought by partners to 20% in 2013 (2012: 14%)
- Improved governance of partner-led projects

2014 services revenue broadly flat with non-IFRS margin around breakeven

Market conditions

Packaged solutions coupled with progressive renovation is proving winning model

Good start to the year with pipeline building well

- multi-product offering expected to contribute c.30% to 2014 software licensing revenue
- Europe improving on a macro level, but remains below peak
- MEA and APAC remaining strong
- US SaaS sales momentum building
- Banesco signed
- key product references from high profile customers
- taking market share

A good start to 2014

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Q4 and FY 2013 financial highlights

Q4 LFL software licencing growth of 15% drives 10% FY 2013 growth, top end of guidance

Lower services contribution to group revenues and 7.8% points improvement in LFL FY 2013 non-IFRS services margin

Better revenue mix and lower fixed cost base delivers FY 2013 non-IFRS EBIT up 30%; non-IFRS EBIT margin up 4.9% points to 24.1%, above the top of guidance

FY 2013 non-IFRS EPS up 36%

FY 2013 operating cash inflow of USD 169.3m with cash conversion of 119% ahead of guidance; DSOs reduced by 28 days to 198 days

Strength of operational performance and cashflows supported 2013 buyback of USD 54m and supports 25% increase in dividend to CHF 0.35 (2012: CHF 0.28)

Delivering significant shareholder value

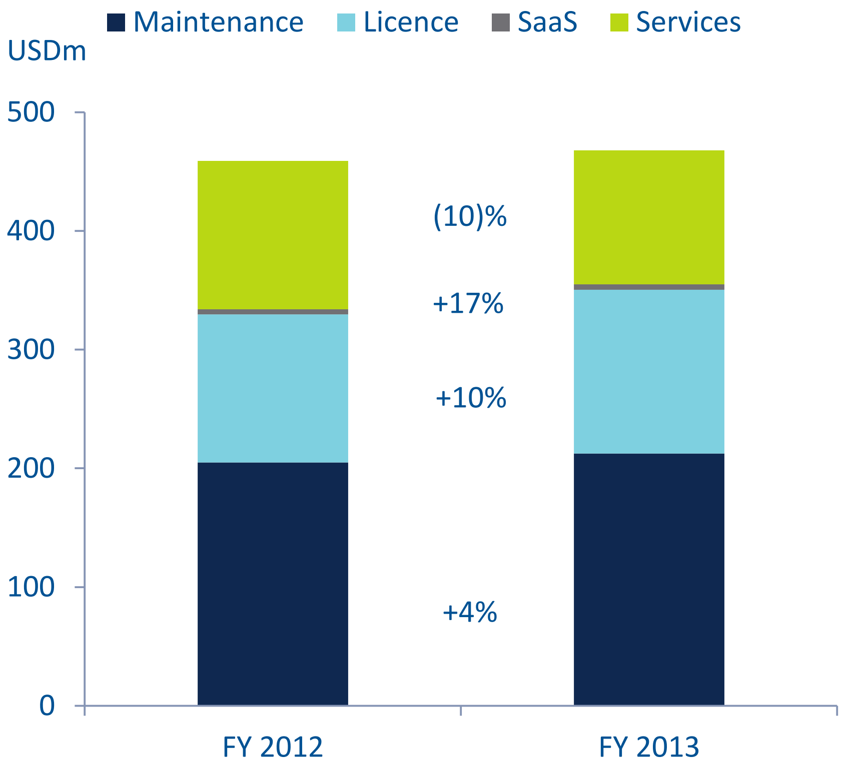
Non-IFRS income statement - operating

In USDm	Q4 13	Q4 12	Y-o-Y	FY 13	FY 12	Y-o-Y
Software licensing	54.8	47.9	14.3%	137.8	125.1	10.1%
SaaS	1.6	0.0	NA	4.8	0.0	NA
Total software licensing	**56.3**	**47.9**	**17.6%**	**142.6**	**125.1**	**13.9%**
Maintenance	55.9	52.8	5.8%	212.5	201.7	5.4%
Services	32.4	33.5	-3.3%	112.7	123.4	-8.7%
Total revenue	**144.6**	**134.2**	**7.7%**	**467.8**	**450.2**	**3.9%**
Non-IFRS operating costs	91.1	86.0	5.8%	355.0	363.7	-2.4%
Non-IFRS EBIT	**53.5**	**48.2**	**11.2%**	**112.8**	**86.5**	**30.4%**
Margin	37.0%	35.9%	1.1% pts	24.1%	19.2%	4.9% pts
Non-IFRS EBITDA	**63.7**	**56.4**	**12.9%**	**149.5**	**120.8**	**23.8%**
Margin	44.1%	42.1%	2.0% pts	32.0%	26.8%	5.1% pts
Non-IFRS services margin	**11.7%**	**8.7%**	**3.1% pts**	**-3.7%**	**-11.5%**	**7.8% pts**

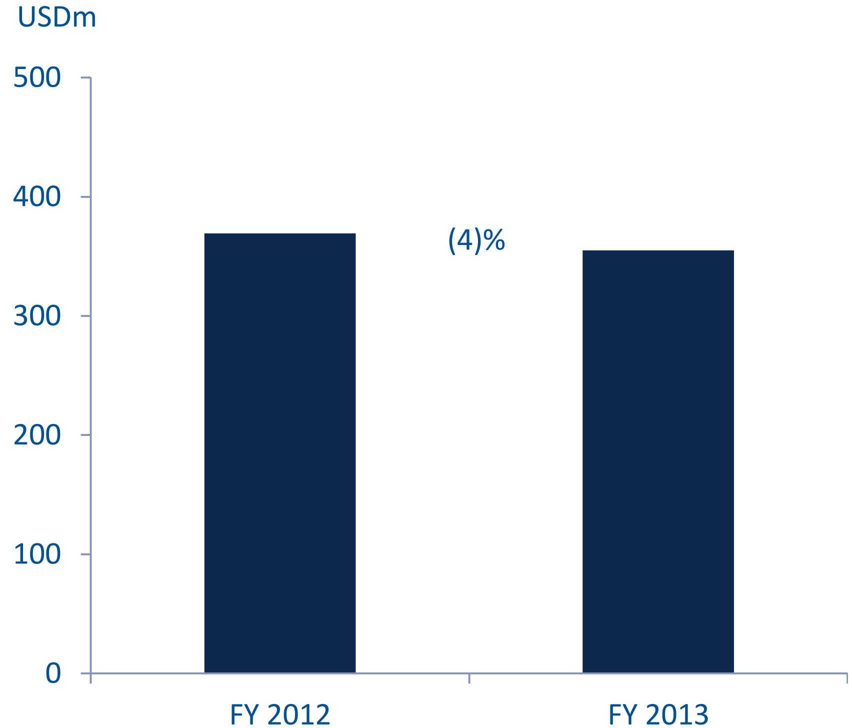
A strong operating performance

Like-for-like revenue and costs

FY LFL revenue up 2%

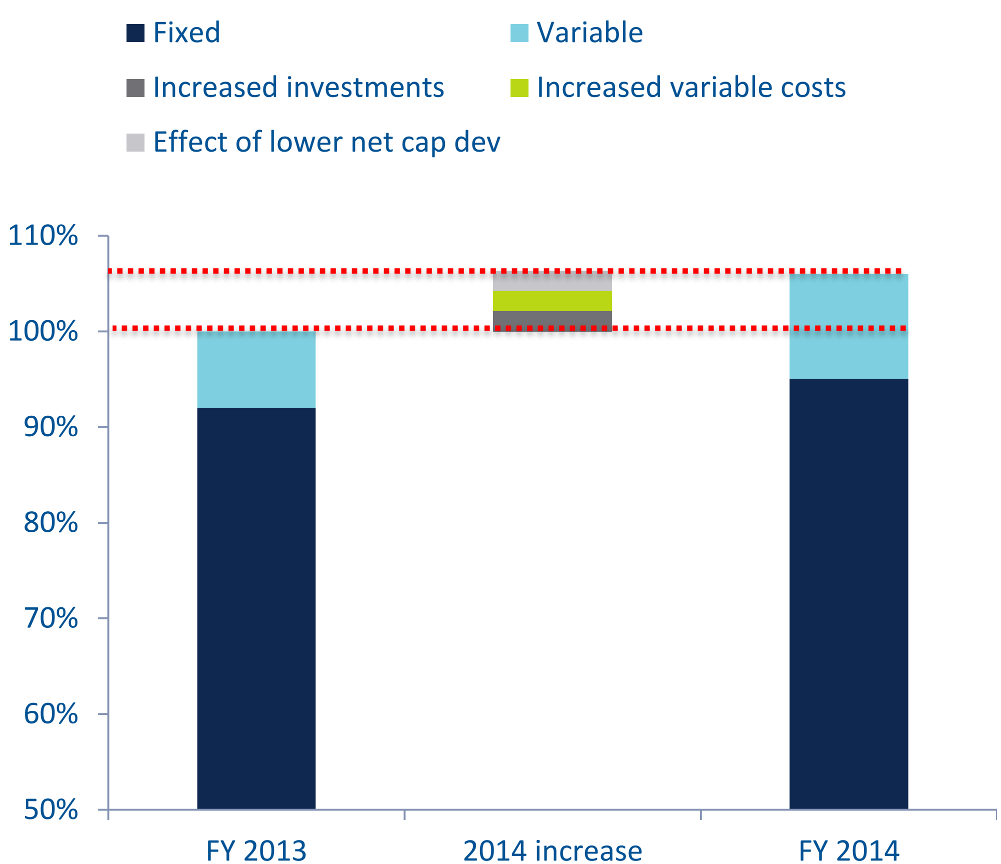


LFL non-IFRS costs down 4%



Revenue mix improving; lower like-for-like cost base

2014 non-IFRS cost base



At the mid point of guidance, the 2014 cost base is expected to increase by 6%

This increase is expected to be broadly split between

- increased investment in the businesses
- increased variable costs
- the headwind from lower net capitalised developments costs

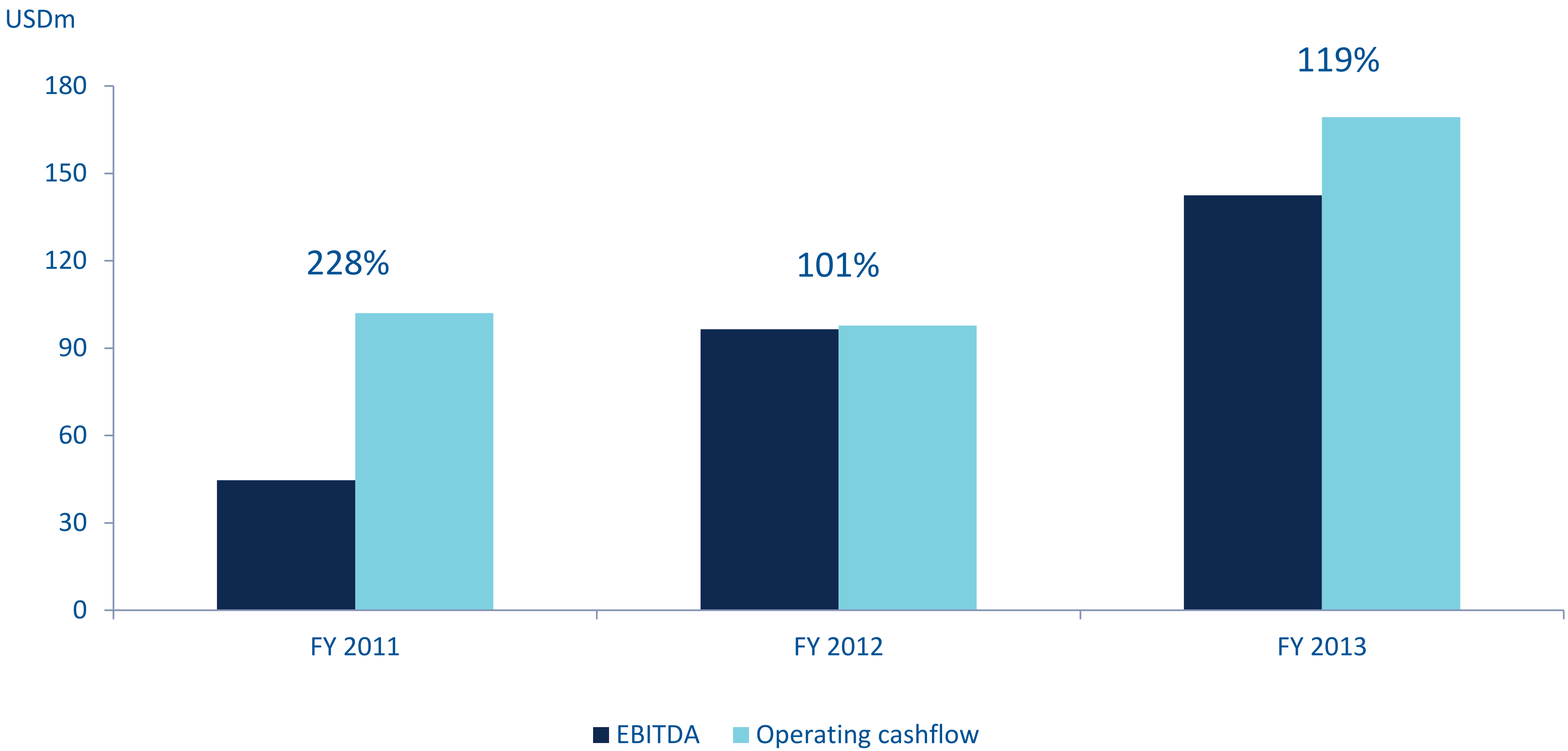
Expected 6% increase in 2014 non-IFRS cost base at mid-point of guidance

Non-IFRS income statement – non-operating

In USDm, except EPS	Q4 13	Q4 12	Y-o-Y	FY 13	FY 12	Y-o-Y
Non-IFRS EBIT	**53.5**	**48.2**	**11%**	**112.8**	**86.5**	**30%**
Net finance charge	-2.5	-2.1	-19%	-8.9	-7.8	-14%
FX gain / (loss)	**-0.3**	**0.1**	**NA**	**-2.2**	**-3.5**	**39%**
Tax	-7.5	-3.4	-118%	-16.6	-12.6	-32%
Non-IFRS net profit	**43.2**	**42.7**	**1%**	**85.1**	**62.5**	**36%**
Non-IFRS EPS (USD)	**0.63**	**0.61**	**3%**	**1.22**	**0.90**	**36%**

Efficient below the line management drives EPS growth above EBIT growth

Cash conversion



Continued strong cash conversion driven by DSOs reduction of 28 days

Balance sheet – debt and financing

In USDm	31 Dec 13	Comment
Debt	213.1	USD 350m facility and CHF 100m bond, due in 2017
Cash	(115.6)	Held in short term deposits
Net debt	**97.4**	0.7x LTM EBITDA
Treasury shares	(62.5)	Reflects market value as of 31 December 2013
Net debt inc. treasury shares	**34.9**	0.2x LTM EBITDA
LTM EBITDA	142.5	

Significant financial flexibility after returning cash to shareholders

2014 guidance

Software licensing growth of 10% to 15% (implying software licensing revenue of USD 152m to USD 158m)*

Non-IFRS revenue growth of 5% to 10% (implying revenue of USD 491m to USD 515m)*

Non-IFRS EBIT margin of 25.1% (implying non-IFRS EBIT of USD 123m to USD 129m)*

100%+ conversion of EBITDA into operating cashflow

Tax rate of 17% to 18%

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

Strong growth expected in 2014

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Temenos Analyst & Investor Day: London, 19 February 2014

10.00 to 10.45	Strategy and vision	David Arnott, CEO
10.45 to 11.15	Delivering innovation	Mark Winterburn, Group Product Director
11.15 to 11.30	Coffee	
11.30 to 12.00	Making payments pay	Amanda Gilmour, Payments Product Director Jost Hoppermann, Forrester
12.00 to 12.30	Delivering client success	Mike Davis, Client Director
12.30 to 12.50	Financials	Max Chuard, CFO
12.50 to 13.15	Q&A	With the above speakers, and Mark Gunning (Director of Business Solutions)
13.15 to 14.00	Lunch	

To be held at Deutsche Bank, 1 Great Winchester Street, London EC2N 2DB

Medium term targets announced in February 2013

10%+ software licensing 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

Year one delivered on plan

Summary

- Sustainably grow licence and maintenance revenues
- Multi-product offering with a focus on reusable product investment
- Realising the installed base opportunity
- Higher margin services supporting product business
- Partner strategy moving into the next phase
- Strategic M&A complementing organic growth
- Translating operational outperformance into financial outperformance

We have delivered on our commitments


TEMENOS
Current account
£2,300.56
Statement
Transfers
Statistics
Transfer to another account
Pay a person or bill
Stop a payment

Appendices

FX assumptions underlying 2014 guidance

In preparing the 2014 guidance, the Company has assumed the following:

- USD to Euro exchange rate of 0.734;
- USD to GBP exchange rate of 0.607; and
- USD to CHF exchange rate of 0.903.

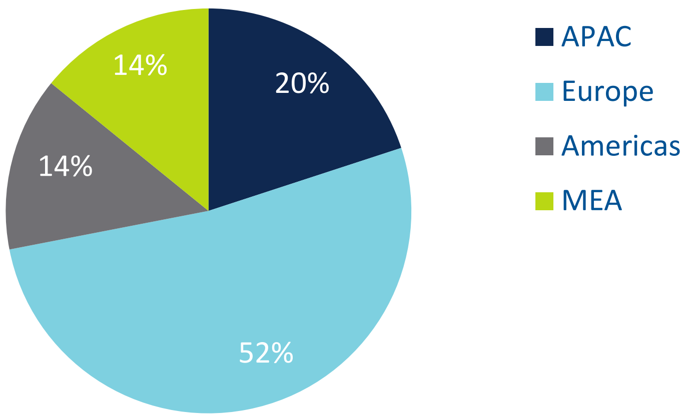
Net earnings reconciliation

In USDm, except EPS	Q4 13	Q4 12	FY 13	FY 12
IFRS net earnings	**40.2**	**31.3**	**68.2**	**25.2**
Acquisition related charges	-	-	0.3	5.5
Amortisation of acquired intangibles	3.3	3.5	12.3	13.2
Restructuring	1.1	10.0	6.7	18.7
Taxation	(1.4)	-	(2.4)	-
Net earnings for non-IFRS EPS	**43.2**	**42.7**	**85.1**	**62.5**

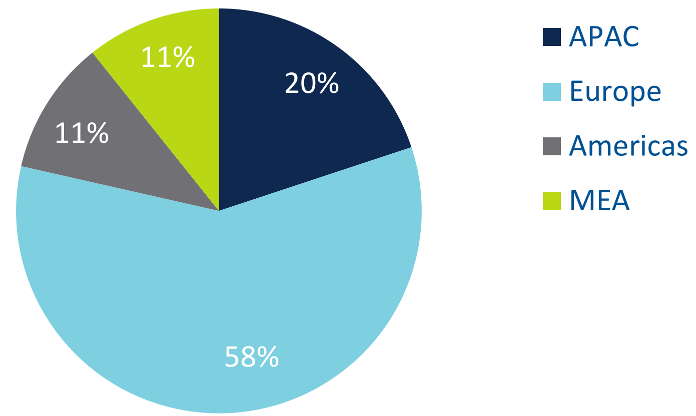
No. of dilutive shares	68.9	69.6	69.7	69.7
Non-IFRS diluted EPS (USD)	**0.63**	**0.61**	**1.22**	**0.90**

Total software licensing revenue breakdown by geography

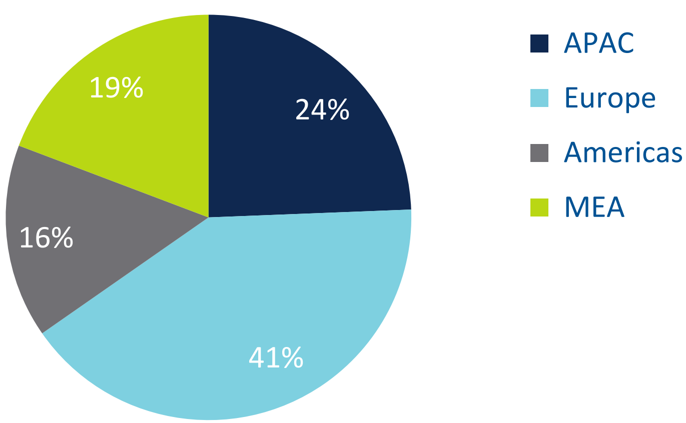
Q4 2012



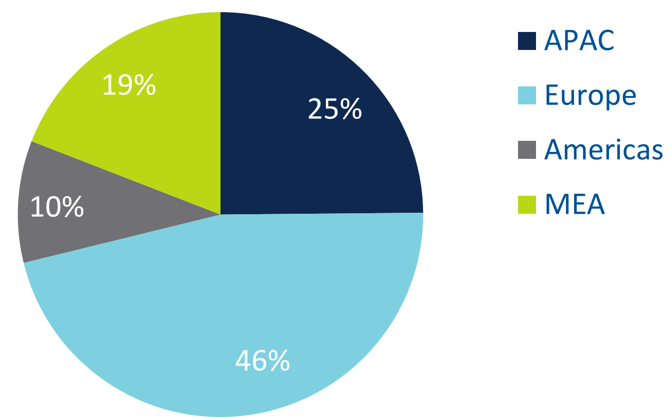
Q4 2013



FY 2012

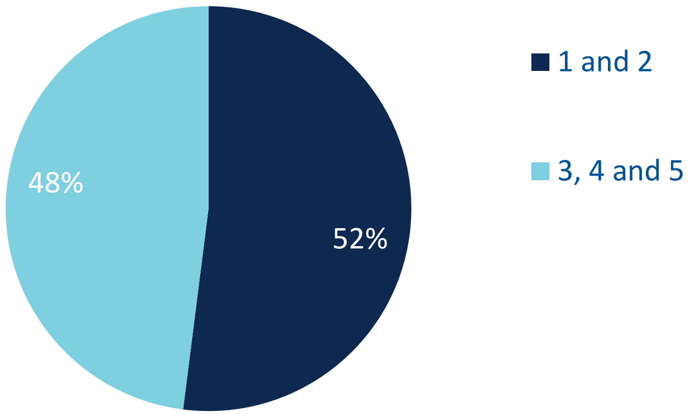


FY 2013

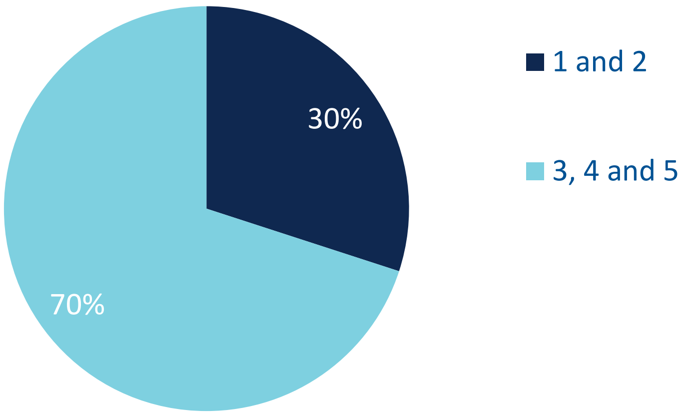


Total software licensing revenue breakdown by customer tier

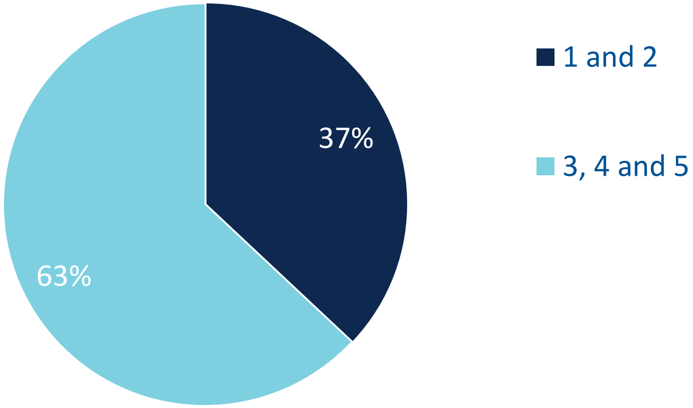
Q4 2012



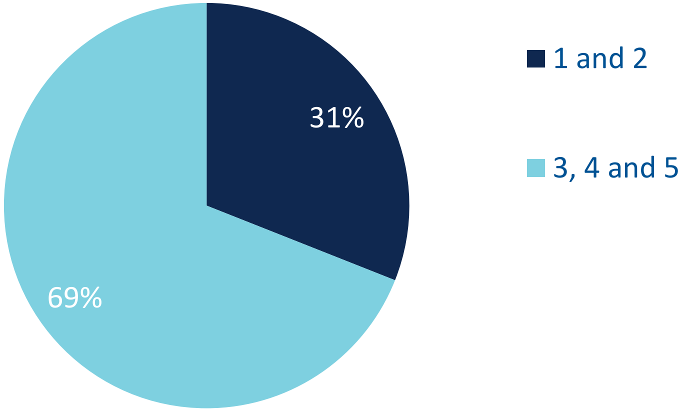
Q4 2013



FY 2012

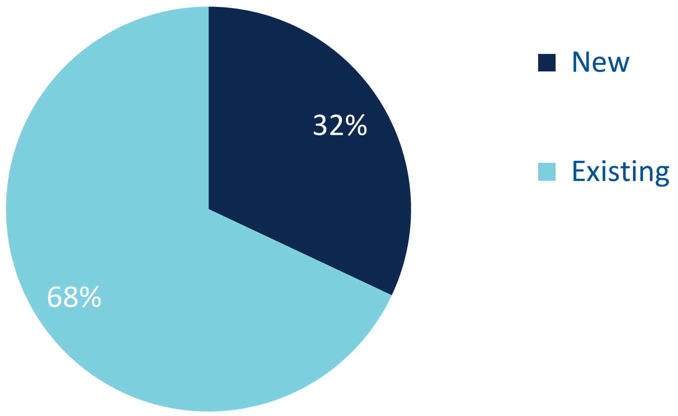


FY 2013

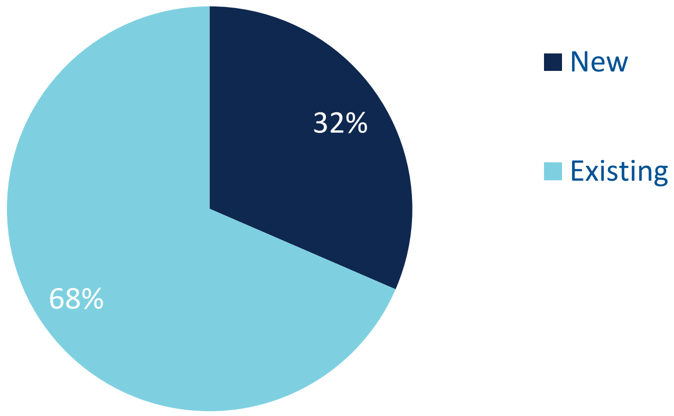


Total software licensing revenue breakdown by new / existing

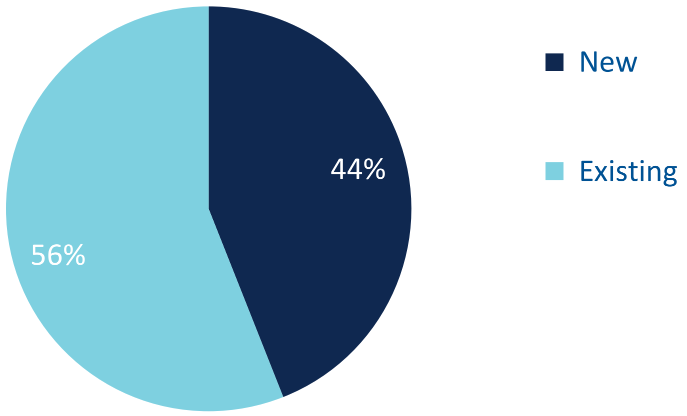
Q4 2012



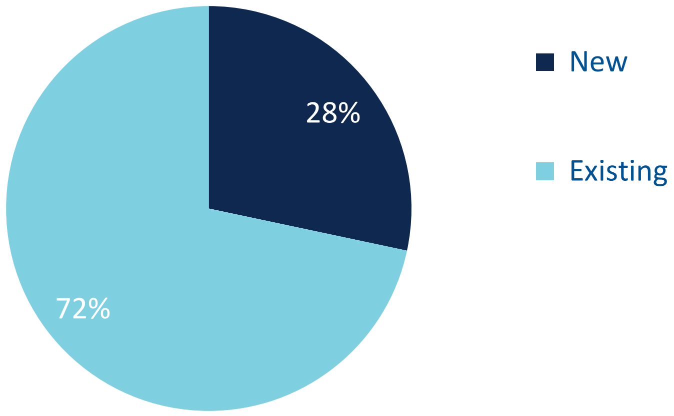
Q4 2013



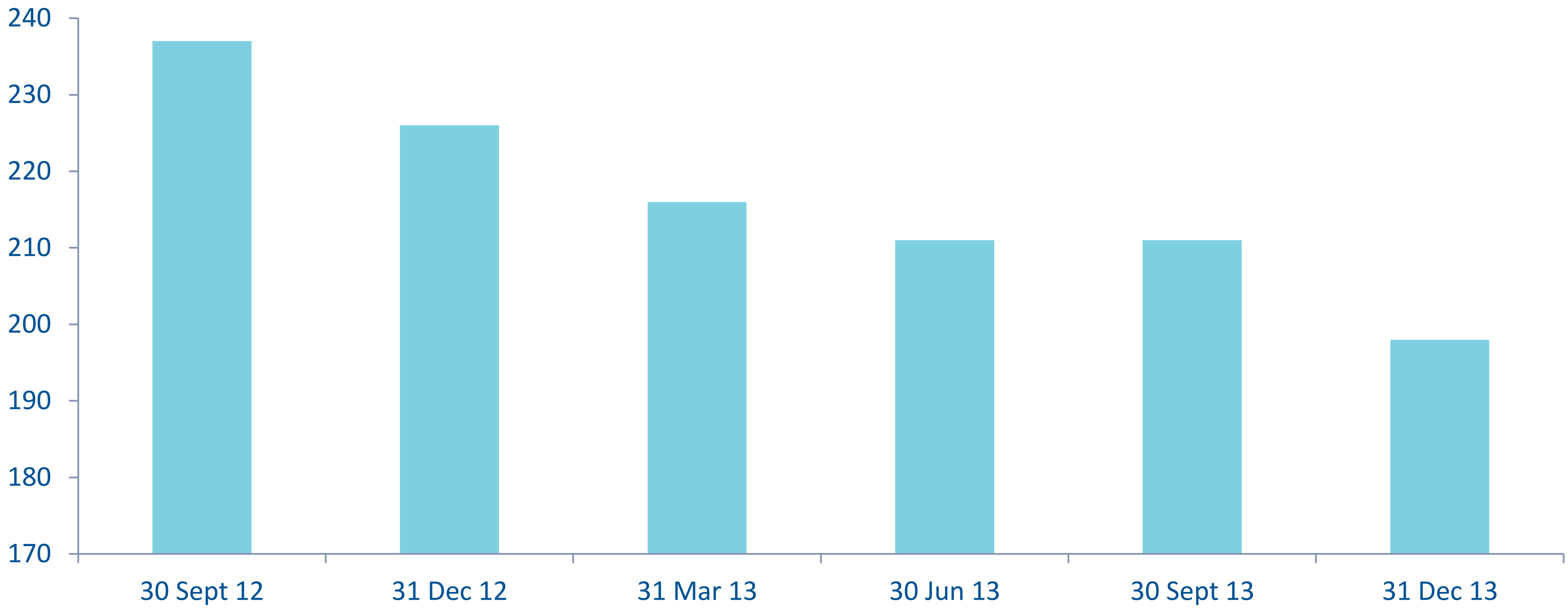
FY 2012



FY 2013



DSOs



Continued significant reduction in DSOs

Capitalisation of development costs

USDm	Q1 11	Q2 11	Q3 11	Q4 11	FY 11
Cap' dev' costs	-6.2	-7.6	-11.2	-13.5	**-38.5**
Amortisation	4.5	4.4	5.3	5.1	**19.2**
Net cap' dev'	**-1.7**	**-3.2**	**-5.9**	**-8.4**	**-19.3**

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**

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

Reconciliation from IFRS EBIT to non-IFRS EBIT

USDm	Q4 2013	FY 2013
IFRS EBIT	**49.1**	**93.5**
Deferred revenue write-down	-	-
Discontinued activities	-	-
Acquisition-related charges	-	0.3
Amortisation of acquired intangibles	3.3	12.3
Restructuring	1.1	6.7
Non-IFRS EBIT	**53.5**	**112.7**

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

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Thank you

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