



TEMENOS

THE BANKING SOFTWARE COMPANY



| Financial results & business update

Quarter ended 30 June 2019

17 July 2019



TEMENOS
THE BANKING SOFTWARE COMPANY

| 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 17 July 2019. 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 July 2019.

| 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.....Max Chuard, CEO
2. Financial update..... Takis Spiliopoulos, CFO
3. Summary.....Max Chuard, CEO
4. Q&A

Business update

Max Chuard, CEO



TEMENOS
THE BANKING SOFTWARE COMPANY



Review of Q2 2019

Q2 2019

- Total software licensing growth of **21%** (24% H1 2019)
- Total revenue up **17%** (20% H1 2019)
- EBIT up **20%** (23% H1 2019)
- EPS up **18%** (21% H1 2019)
- Sales momentum underpinning 2019 confidence
- Recognition of leadership position across core banking and digital front office

Recognised as a leader

FORRESTER®

Leader in the Forrester Wave™ for Digital Banking Engagement Platforms

Top vendor for new-name clients and new and existing clients

IBSintelligence

#1 best selling Core Banking system and
#1 best selling Digital Banking and Channels system

“ The transformation imperative in banking needs imminent execution...Very few banks and technology leaders disagree that banks need complete digital transformation

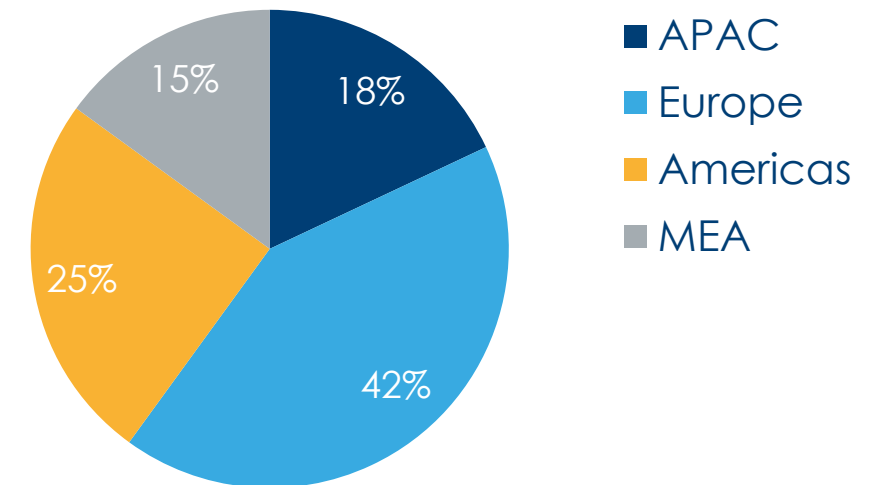
” **FORRESTER®**

| Q2 2019 sales review

- Digital, regulatory and cost pressures and move to open banking continue to drive market growth
- Asia and Americas particularly strong in Q2 with significant US sales across products
- Key wins include European-based payments company for Temenos T24 Transact and two global Tier 1 banks, one in US and one in Europe, for Temenos Infinity
- Continued strong sales into the installed base, increasing share of wallet
- 20 new customer wins in Q2 2019 vs. 13 in Q2 2018
- Continued investment in sales and marketing to support our six drivers of growth

Geographical diversification

LTM Q2 2019 total software licensing



| Q2 2019 operational overview

- 22 implementation go-lives in Q2 2019
- Key go-lives in Q2 included
 - ABN Amro on Temenos' WealthSuite to power the bank's international operations for private and corporate banking
 - Grasshopper Bank, a US challenger bank specialising in high-growth technology SMEs
- Continued growth in third party experts



Building strong references with key go-lives

| CMD 2019 highlights



Significant addressable market of USD 57bn globally



The leader in a winner takes all market



Benefiting from six drivers of growth



An expanding ecosystem of 6000+ consultants



M&A to accelerate organic growth

Six drivers of growth

		Medium-term third party spend (bn)	CAGR
	 TEMENOS T24 Transact	\$5.0	7%
	 TEMENOS Infinity	\$5.3	8%
	 TEMENOS WealthSuite	\$0.6	8%
	 TEMENOS Payments	\$2.7	10%
	 TEMENOS Fund Administration	\$1.6	8%



ALL DEPLOYMENT OPTIONS

The world's best selling banking software vendor



Best-selling
Core Banking
for **14 years**



Best-selling
Digital Banking
& Channels



Best-selling
Payments
system



Best-selling
Compliance
& Risk Mgmt.

FORRESTER®

New-name clients:

A top global power seller for the 13th consecutive year with 60 new named deals*

New and existing clients:

A top global player for the 7th consecutive year*

A Leader in Digital Banking:

Recognized as a leader in The Forrester Wave™: Digital Banking Engagement Platforms, Q3 2019

A leading vendor across the banking software market

| Overview of acquisition of Logical Glue

- Temenos completed the acquisition of Logical Glue for GBP 12 million on 17 July 2019
- Logical Glue is a London based provider of a patented Explainable AI (XAI) platform to its predominantly financial services clients in the UK and Europe
- Highly strategic acquisition, enhancing the competitiveness of Temenos' products across the stack
- The Logical Glue XAI platform will be immediately embedded within the Temenos banking platform and will be available with all Temenos software including digital front office, core banking, wealth management, payments and fund administration products
- AI credit scoring models will be immediately available worldwide. Additional use cases include robo-advisor, intelligent pricing, product recommendation, real-time fraud detection and debt collection products
- The acquisition is expected to be EPS neutral in 2019 and accretive in 2020

logicalglue

| Financial update

Takis Spiliopoulos, CFO



TEMENOS
THE BANKING SOFTWARE COMPANY



| Q2 2019 non-IFRS financial highlights

- Total software licensing up 21% Y-o-Y (c.c.), 24% in H1 2019
- Maintenance growth of 13% Y-o-Y (c.c.), 13% in H1 2019
- Total revenue growth of 17% Y-o-Y (c.c.), 20% in H1 2019
- EBIT up 20% Y-o-Y (c.c.), 23% in H1 2019, Q2 EBIT margin of 30.9%
- EPS growth of 18% Y-o-Y, 21% in H1 2019
- Q2 operating cash flows of USD 77m, up 16%
- DSOs down 4 days Y-o-Y to 110 days (6 days on a proforma basis)
- Services margin of 11.2% in the quarter, up from 7.0% last year

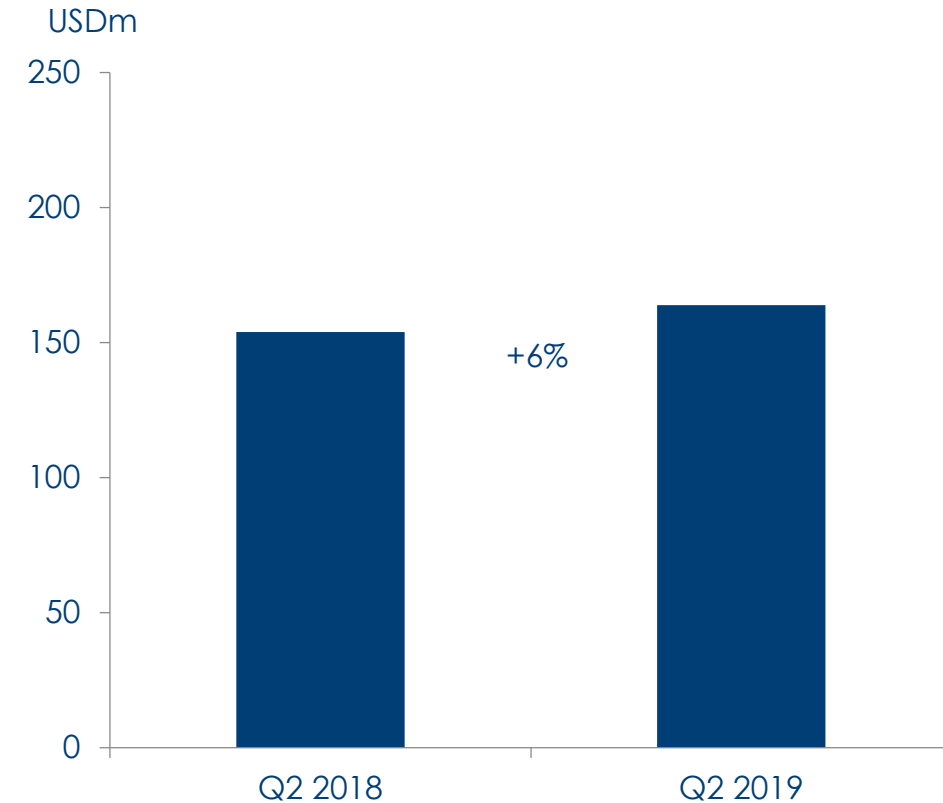
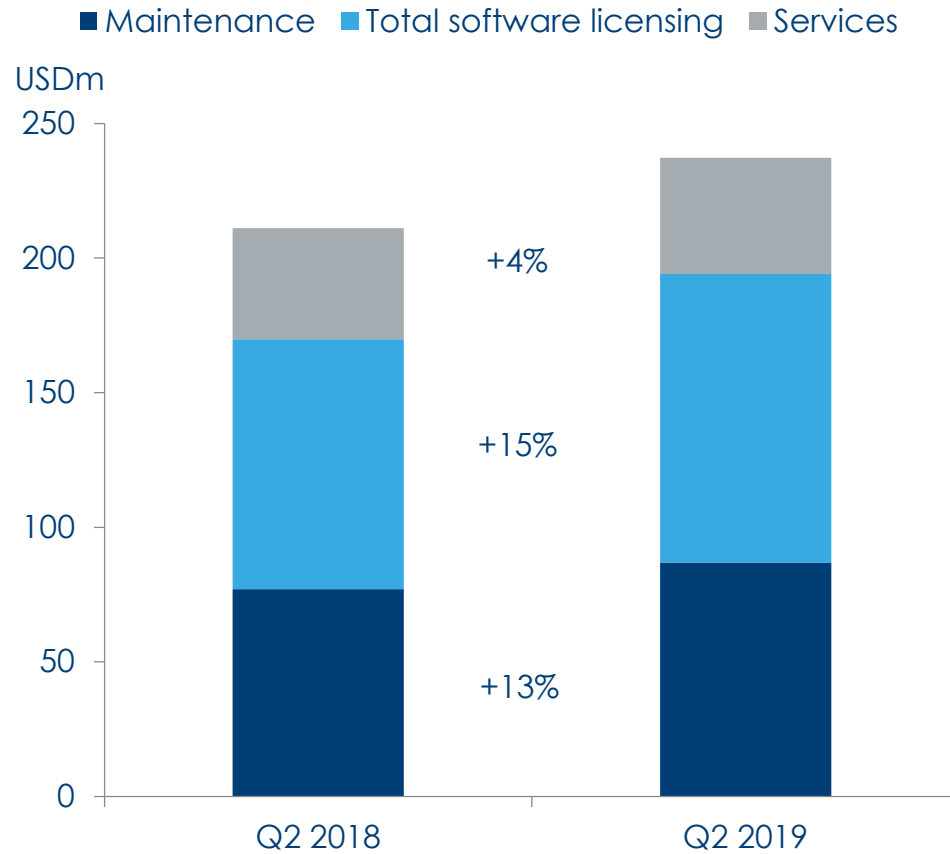
Non-IFRS income statement – operating

In USDm	Q2 19	Q2 18	Y-o-Y reported	Y-o-Y c.c.	YTD 19	YTD 18	Y-o-Y reported	Y-o-Y c.c.
Software licensing	92.6	83.2	11%	14%	155.8	137.6	13%	17%
SaaS and subscription	14.6	7.6	92%	101%	27.6	15.7	76%	85%
Total software licensing	107.2	90.8	18%	21%	183.4	153.3	20%	24%
Maintenance	86.9	77.3	12%	13%	171.6	153.6	12%	13%
Services	43.1	38.0	13%	17%	86.9	72.1	21%	25%
Total revenue	237.1	206.1	15%	17%	441.9	378.9	17%	20%
Operating costs	163.9	145.5	13%	16%	319.3	279.8	14%	18%
EBIT	73.1	60.6	21%	20%	122.6	99.1	24%	23%
Margin	30.9%	29.4%	1.4% pts	0.6% pts	27.7%	26.2%	1.6% pts	0.7% pts
EBITDA	91.2	74.3	23%	22%	158.5	126.2	26%	25%
Margin	38.5%	36.1%	2.4% pts		35.9%	33.3%	2.5% pts	
Services margin	11.2%	7.0%	4.2% pts					

| Like-for-like revenue and costs

- Q2 19 LFL non-IFRS revenues up 12%

- Q2 19 LFL non-IFRS costs up 6%

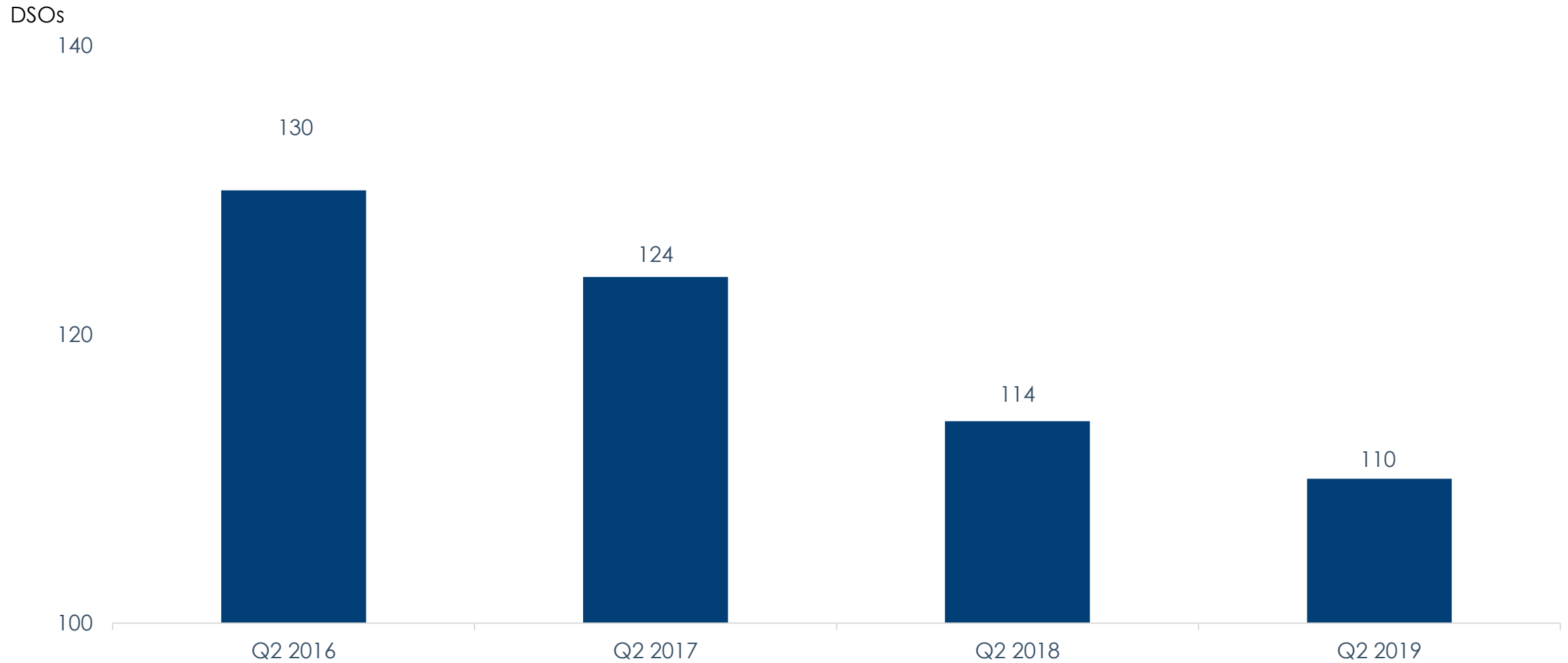


Total like-for-like revenue growth of 12%

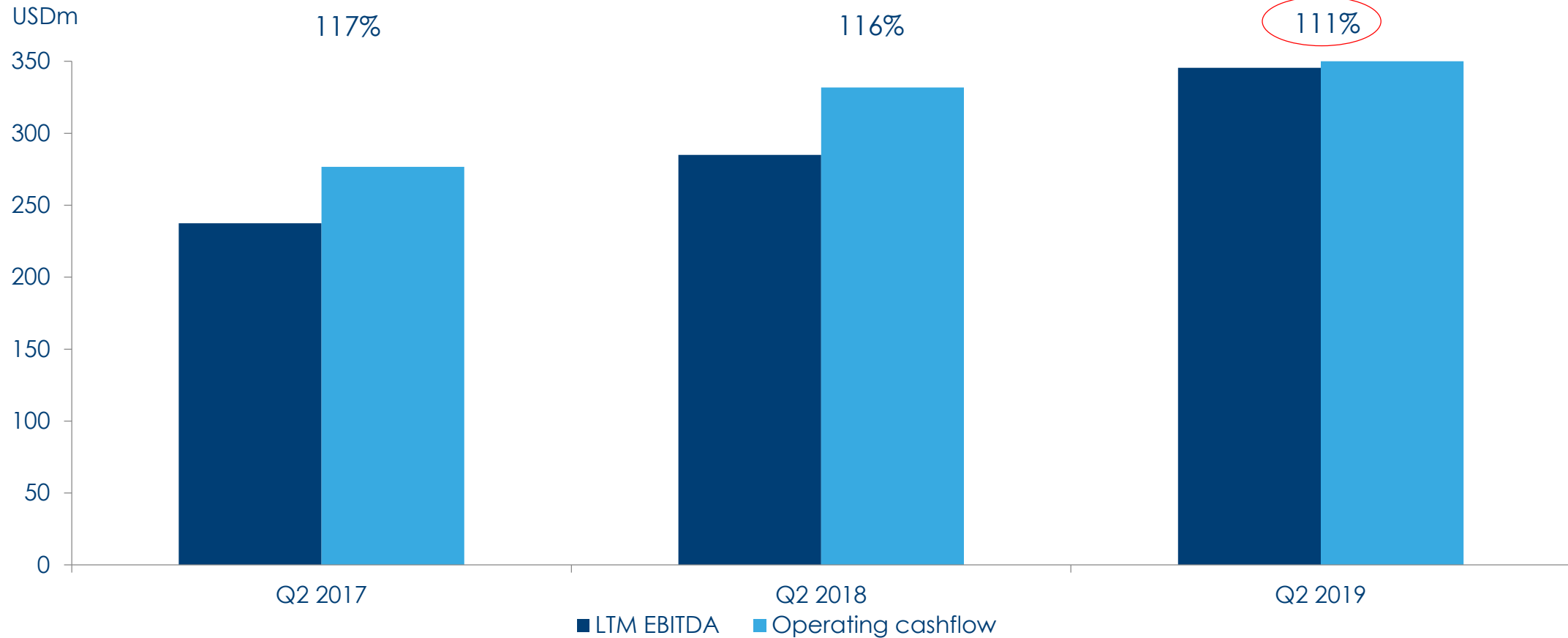
| Non-IFRS income statement – non-operating

In USDm, except EPS	Q2 19	Q2 18	Y-o-Y	YTD 19	YTD 18	Y-o-Y
EBIT	73.1	60.6	21%	122.6	99.1	24%
Net finance charge	-4.9	-3.8	30%	-9.3	-7.3	28%
FX gain / (loss)	0.3	-0.5	NA	-0.4	0.1	NA
Tax	-10.0	-7.4	36%	-17.0	-12.4	37%
Net profit	58.5	49.0	19%	95.9	79.5	21%
EPS (USD)	0.80	0.68	18%	1.32	1.09	21%

| DSOs continue to decline

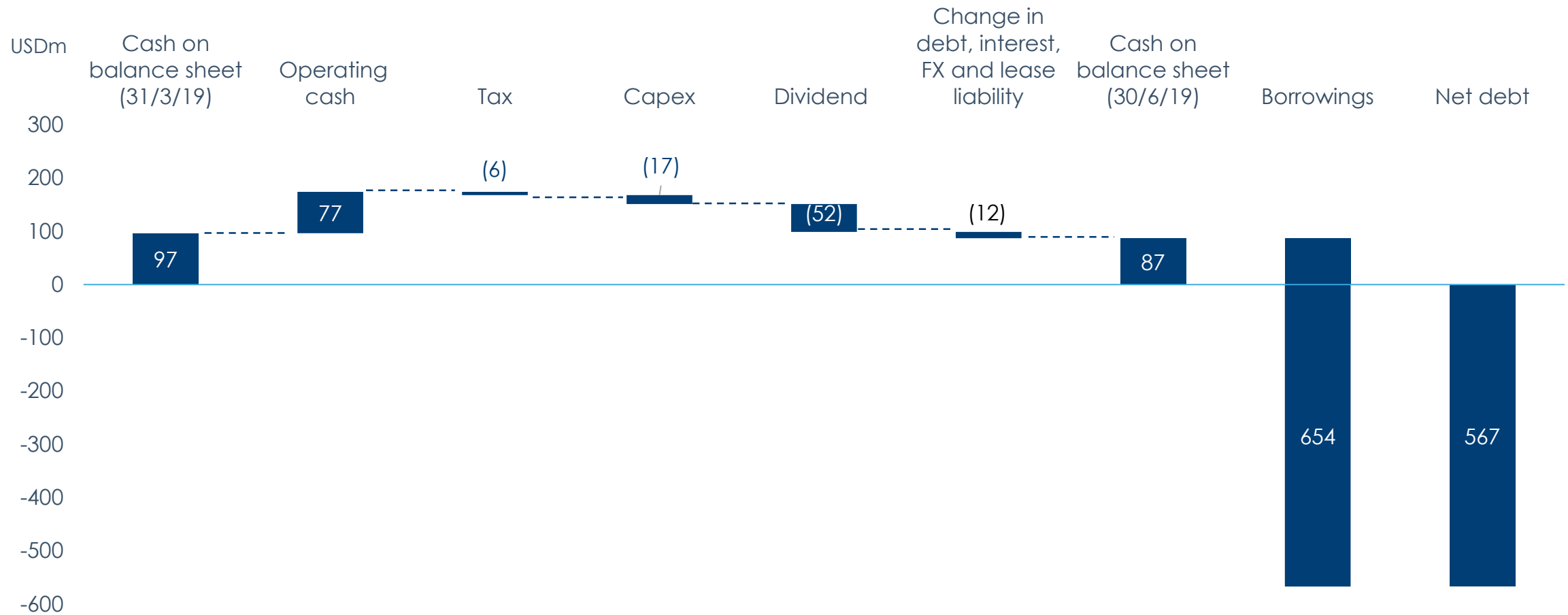


IFRS cash conversion



Cash conversion significantly above target of 100%

| Group liquidity



Operating cash flow up 16%, leverage at 1.5x*

* proforma non-IFRS EBITDA adjusted for lease expense now reported under depreciation and amortization under IFRS 16, net debt includes cross-currency swap and excludes leases reported as borrowings under IFRS 16

2019 non-IFRS guidance range (c.c.)

	FY 19 guidance
Total software licensing (%)	17.5% - 22.5%
<i>Implied USDm</i>	<i>USD 431 – 450m</i>
Total revenue (%)	16% - 19%
<i>Implied USDm</i>	<i>USD 966 – 991m</i>
EBIT (USDm)	USD 310 – 315m
<i>Implied margin</i>	<i>c.31.9%</i>
<i>Implied organic margin increase</i>	<i>c. 150 bps</i>
Cash conversion	100%+ conversion of EBITDA into operating cash flow
Tax rate	Expected FY 2019 tax rate of 15% to 16%

- Currency assumptions on slide 27
- See slide 43 for definition of non-IFRS

Sustainable annual growth targets

Metric (Non-IFRS)	Sustainable long term annual targets
Total software licensing	At least 15% CAGR
Total revenue	10-15% CAGR
EPS	At least 15% CAGR
DSOs	Less than 90 days
EBIT Margin	36%+
Tax rate	c. 20%
Cash conversion	100%+ of EBITDA p.a.

	3-5 year targets
EBIT Margin	100-150 bps p.a.
Tax rate	18-20%

| Summary

Max Chuard, CEO



| Conclusion

- Strong performance across all KPIs in Q2 and H1
- Digital, regulatory and cost pressures and move to open banking are driving demand
- Ongoing investment in sales and product to support the six drivers of growth
- Acquisition of AI platform Logical Glue significantly enhances the Temenos banking platform
- Sales momentum underpinning 2019 confidence
- Recognition of leadership position across core banking and digital front office

Continuation of winning strategy to deliver shareholder value

| Appendix

| FX assumptions underlying 2019 guidance

In preparing the 2019 guidance, the Company has assumed the following FX rates:

- USD to Euro exchange rate of 0.881
- USD to GBP exchange rate of 0.757; and
- USD to CHF exchange rate of 1.00

| FX exposure

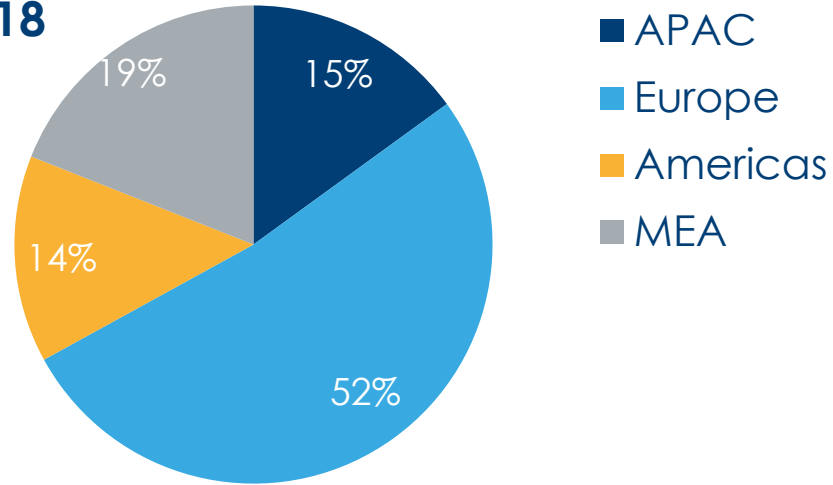
% of total	USD	EUR	GBP	CHF	Other
Total software licensing	60%	25%	2%	1%	12%
Maintenance	68%	22%	5%	5%	0%
Services	46%	30%	8%	3%	13%
Revenues	60%	25%	4%	3%	8%
Non-IFRS costs	23%	20%	13%	8%	36%
Non-IFRS EBIT	142%	35%	-15%	-9%	-53%

NB. All % are approximations based on 2018 actuals

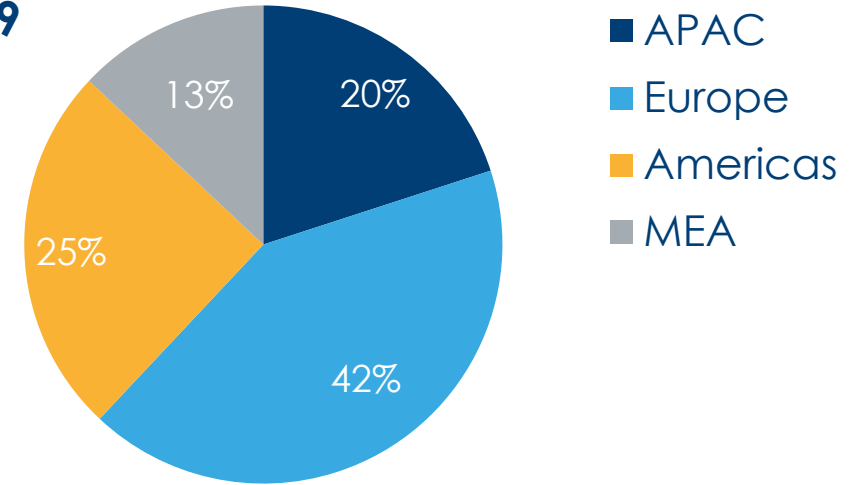
Mitigated FX exposure – matching of revenues / costs and hedging

Total software licensing revenue breakdown by geography

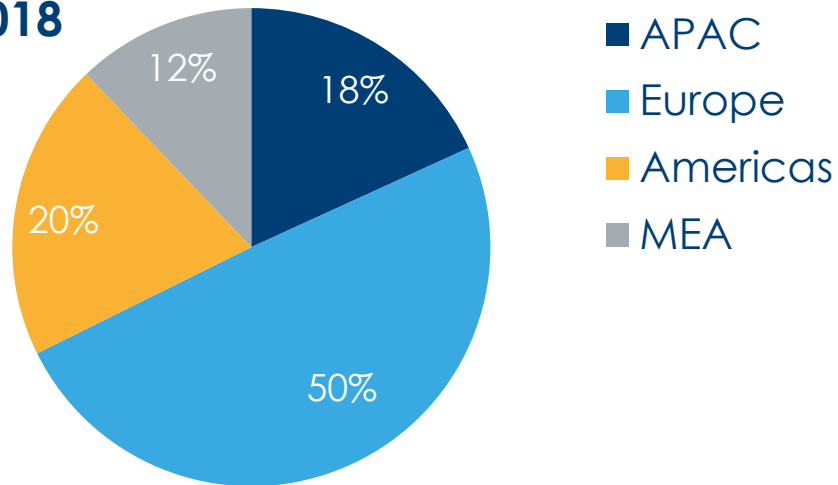
Q2 2018



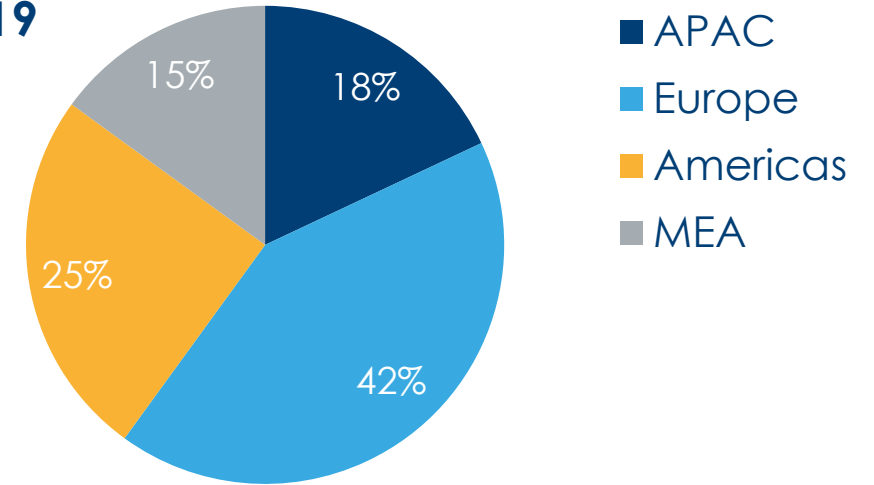
Q2 2019



LTM 2018

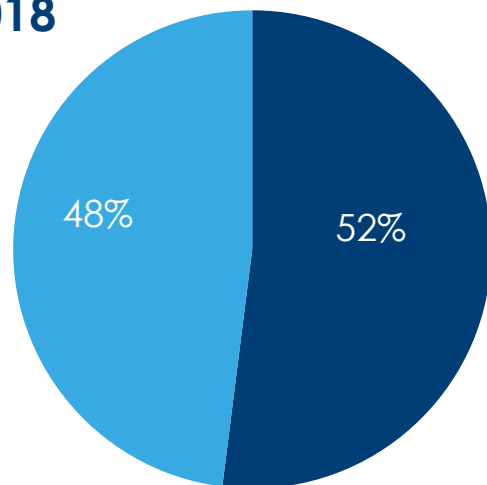


LTM 2019



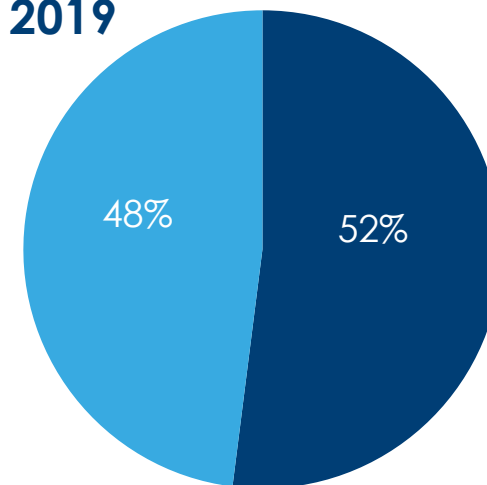
Total software licensing revenue breakdown by customer tier

Q2 2018



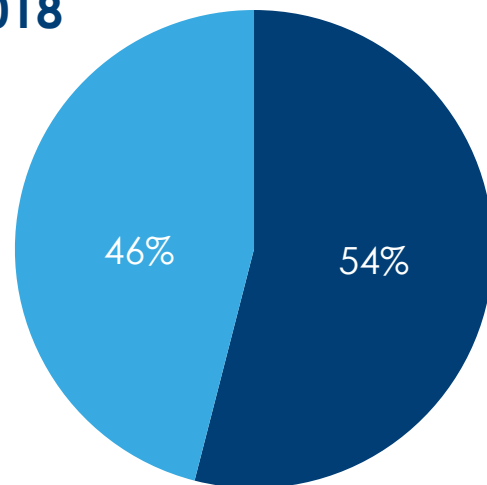
■ 1 and 2
■ 3, 4 and 5

Q2 2019



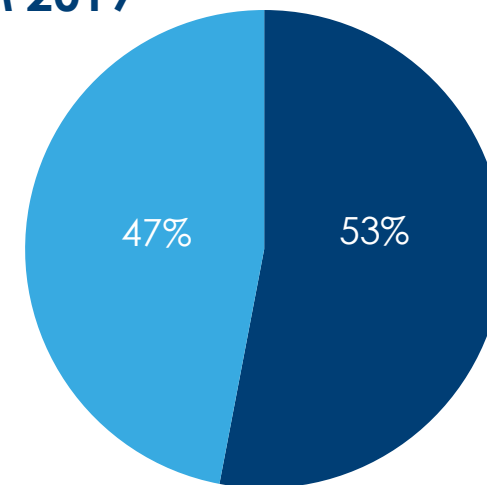
■ 1 and 2
■ 3, 4 and 5

LTM 2018



■ 1 and 2
■ 3, 4 and 5

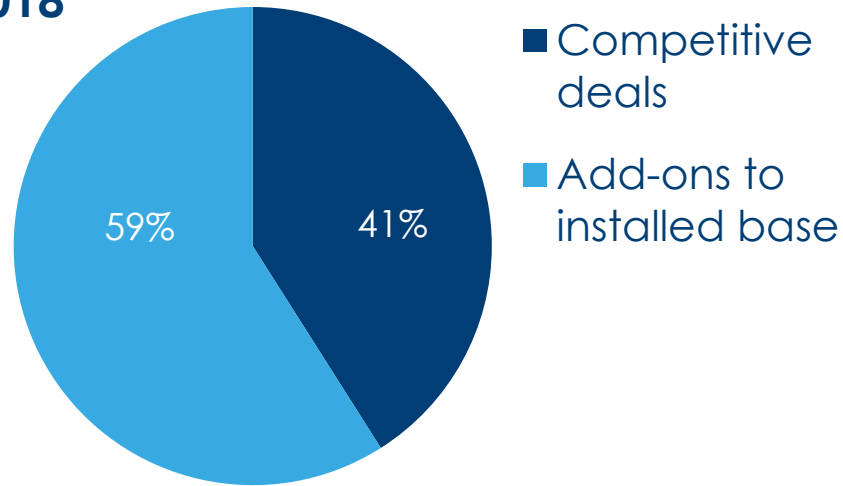
LTM 2019



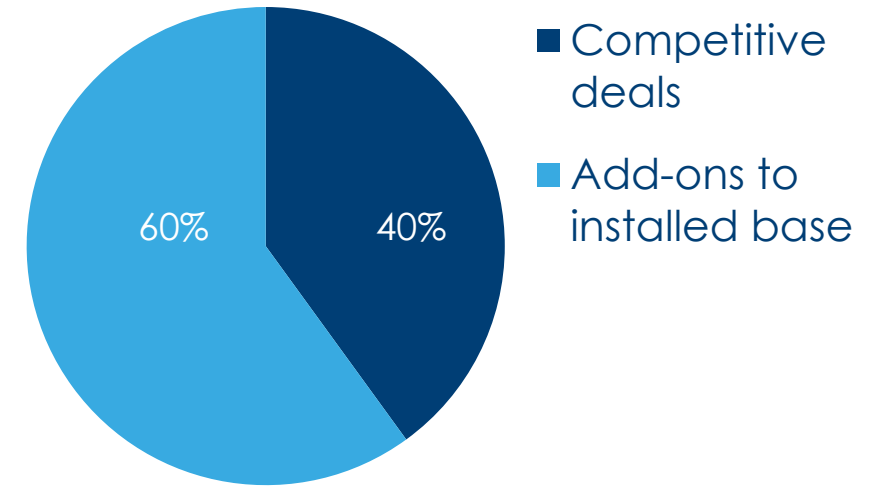
■ 1 and 2
■ 3, 4 and 5

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

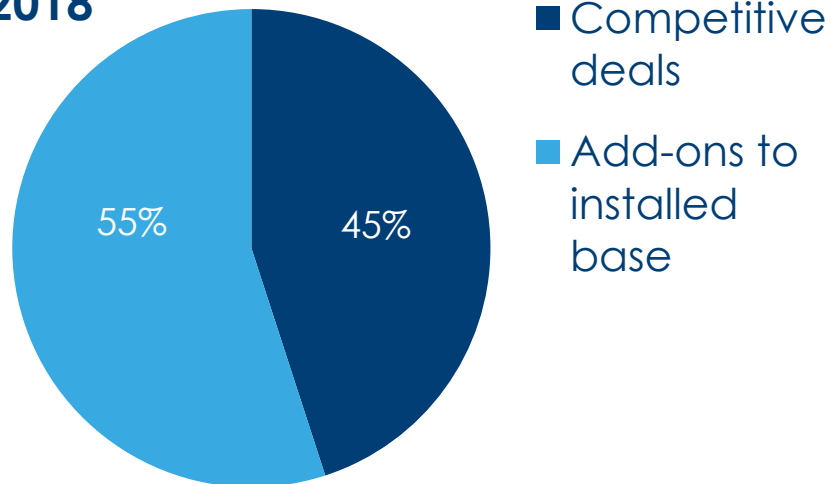
Q2 2018



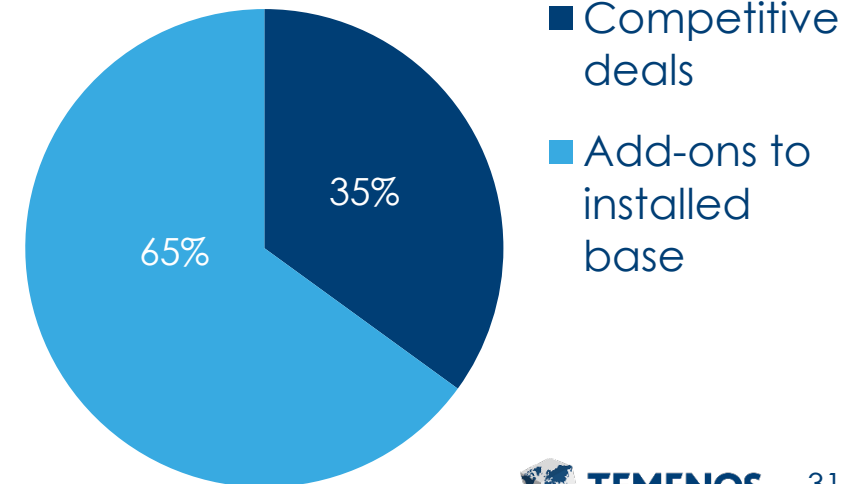
Q2 2019



LTM 2018

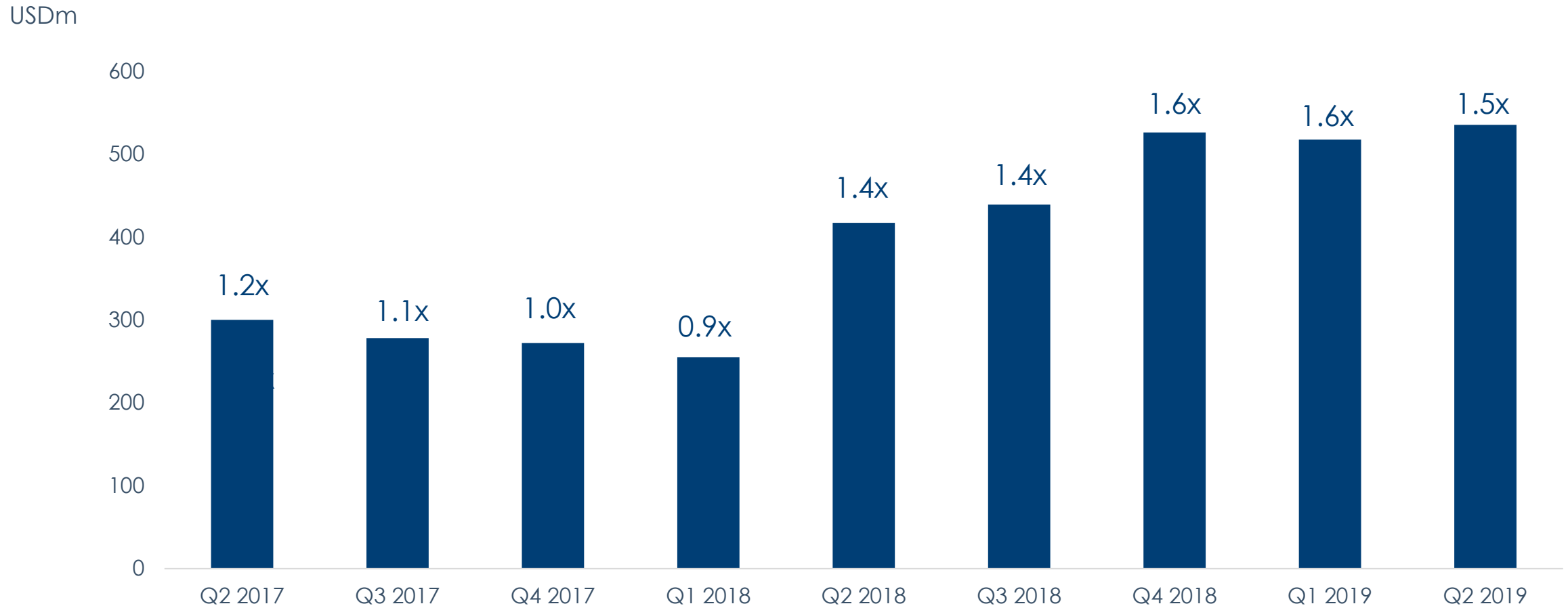


LTM 2019



Balance sheet – debt and leverage

Net debt and leverage ratios*



* proforma non-IFRS EBITDA adjusted for lease expense now reported under depreciation and amortization under IFRS 16, net debt includes cross-currency swap and excludes leases reported as borrowings under IFRS 16

| Capitalization of development costs

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	-13.9	-52.6
Amortisation	10.8	11.1	11.1	11.9	44.9
Net cap' dev'	-1.8	-2.0	-1.9	-2.0	-7.7

USDm	Q1 19	Q2 19	Q3 19	Q4 19	FY 19
Cap' dev' costs	-14.1	-14.3			
Amortisation	11.7	12.0			
Net cap' dev'	-2.5	-2.3			

| Reconciliation from IFRS to non-IFRS

IFRS revenue measure

+ Deferred revenue write-down

= Non-IFRS revenue measure

IFRS profit measure

+/- Deferred revenue write down

+ / - Discontinued activities

+ / - Amortisation of acquired intangibles

+ / - Acquisition related charges

+ / - Restructuring

+ / - Taxation

= Non-IFRS profit measure

Accounting elements not included in non-IFRS guidance

Below are the accounting elements not included in the 2019 non-IFRS guidance:

- FY 2019 estimated deferred revenue write down of USD 4m
- FY 2019 estimated amortisation of acquired intangibles of USD 48m
- FY 2019 estimated restructuring costs of USD 5m

Restructuring costs include realising R&D, operational and infrastructure efficiencies.

These estimates do not include impact of any further acquisitions or restructuring programmes commenced after 17 July 2019. The above figures are estimates only and may deviate from expected amounts.

Reconciliation – IFRS to non-IFRS

In USDm, except EPSd	3 Months Ending 30 June			3 Months Ending 30 June		
	2019		2019	2018		2018
	IFRS	Non-IFRS adj.	Non-IFRS	IFRS	Non-IFRS adj.	Non-IFRS
Software Licensing	92.6		92.6	83.2		83.2
SaaS and subscription	13.5	1.1	14.6	7.6		7.6
Total Software Licensing	106.1	1.1	107.2	90.8		90.8
Maintenance	86.9		86.9	77.3		77.3
Services	43.1		43.1	38.0		38.0
Total Revenue	236.0	1.1	237.1	206.1		206.1
Total Operating Costs	(178.3)	14.4	(163.9)	(160.7)	15.2	(145.5)
Restructuring/acq. costs	(2.1)	2.1	-	(5.9)	5.9	-
Amort of Acq'd Intang.	(12.3)	12.3	-	(9.3)	9.3	-
Operating Profit	57.7	15.5	73.1	45.4	15.2	60.6
Operating Margin	24%		31%	22%		29%
Financing Costs	(4.7)	-	(4.7)	(6.4)	2.2	(4.2)
Taxation	(8.0)	(2.0)	(10.0)	(5.7)	(1.7)	(7.4)
Net Earnings	45.0	13.5	58.5	33.3	15.7	49.0
EPS (USD per Share)	0.62	0.18	0.80	0.46	0.22	0.68

Net earnings reconciliation

In USDm, except EPS	Q2 19	Q2 18
IFRS net earnings	45.0	33.3
Deferred revenue write down	1.1	0.0
Amortisation of acquired intangibles	12.3	9.3
Restructuring	1.8	1.1
Acquisition related costs	0.3	7.0
Taxation	-2.0	-1.7
Net earnings for non-IFRS EPS	58.5	49.0
No. of dilutive shares	72.9	72.3
Non-IFRS diluted EPS (USD)	0.80	0.68

Reconciliation from IFRS to non-IFRS for EBIT and EBITDA

USDm	Q2 19 EBIT	Q2 19 EBITDA
IFRS	57.7	88.0
Deferred revenue write-down	1.1	1.1
Amortisation of acquired intangibles	12.3	-
Restructuring	1.8	1.8
Acquisition-related charges	0.3	0.3
Non-IFRS	73.1	91.2

| Transition to IFRS 16 “Leases”

- IFRS 16 “Leases” primarily changes lease accounting for lessee and moves to single accounting model eliminating the distinction between finance leases and operating lease. Leases qualified under IFRS16 are captured on the balance sheet from 1st January 2019.
- Temenos has adopted IFRS 16 using the modified retrospective method effective 1 January 2019
- Temenos intends to apply IFRS16 exemption on short term leases (1 year or less) – these will be accounted as per old approach i.e. rental expense.
- Most significant impact for Temenos relates to office leases
- Prior comparative periods will not be restated under IFRS 16
- Further information can be found on our investor relations website:

<https://www.temenos.com/en/about-temenos/investor-relations/>

Reconciliation – IFRS 16 Income Statement

In USDm
Total Revenue
Operating Expense
EBIT
D&A
EBITDA
Financing Costs
Taxation
Net Earnings

3 Months Ending 30 June		
2019		2019
IFRS	Impact of IFRS 16	IFRS 16 adjusted
236.0	-	236.0
(178.3)	(0.4)	(178.7)
57.7	(0.4)	57.3
30.4	(3.4)	27.0
88.0	(3.8)	84.3
(4.7)	0.4	(4.3)
(8.0)	-	(8.0)
45.0	(0.0)	45.0

Reconciliation – IFRS 16 Balance Sheet

In USDm
Property, plant and equipment
Other assets (current / non-current)
Totals assets
Borrowings (current / non-current)
Other liabilities (current / non-current)
Total liabilities
Equity
Retained Earnings
Total Equity
Total liabilities and equity

3 Months as at 30 June		
2019		2019
IFRS	Impact of IFRS 16	IFRS 16 adjusted
60.1	(43.1)	17.0
1,430.1	(2.3)	1,427.8
1,490.2	(45.4)	1,444.8
654.2	(48.7)	605.5
520.6	1.6	522.2
1,174.8	(47.1)	1,127.8
(440.7)	-	(440.7)
756.1	1.6	757.8
315.4	1.6	317.1
1,490.2	(45.4)	1,444.8

Reconciliation – IFRS 16 net debt calculation

In USDm
Non-IFRS EBITDA
IFRS16 adjustment
IFRS 16 adjusted EBITDA
LTM EBITDA
Net Debt reported
SWAP add-back
IFRS16 adjustment
IFRS 16 adjusted Net Debt
Leverage

3 Months Ending 30 June
2019
IFRS
91.2
(3.8)
87.4
346.3
567.0
16.4
(48.7)
534.7
1.54x

| 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

Revenue visibility

Visibility on revenue includes a combination of revenue that is contractually committed and revenue that is in our pipeline and that is likely to be booked, but is not contractually committed and therefore may not occur.

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

Thank You

temenos.com