



# TEMENOS

THE BANKING SOFTWARE COMPANY



# | Acquisition of Kony, Inc.

28 August 2019



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# | Agenda

1. Acquisition overview.....Max Chuard, CEO
2. Introduction to Kony.....Thomas E. Hogan, Chairman and CEO, Kony
3. Transaction summary.....Takis Spiliopoulos, CFO
4. Conclusion.....Max Chuard, CEO
5. Q&A

# | Acquisition overview

Max Chuard, CEO



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# Introduction



Temenos is acquiring Kony for an enterprise value of USD 559m and an earn-out of USD 21m



Kony is the No.1 digital banking SaaS provider in the US



Strengthens Temenos Infinity as the richest and most technologically advanced digital banking product



Global team of 1,500 people brings unmatched digital and cloud expertise



Accelerates Temenos' growth in the US, bringing substantial scale, digital expertise and increased market presence



Transaction expected to close in early Q4 2019

# | Strategic rationale

- ✓ Significantly enhances Temenos Infinity, our digital front-office platform, by combining Kony's award-winning digital banking experience (DBX) and multi-experience development platforms (MXDP) with the best components of Temenos Infinity and Avoka
- ✓ Create the market leading digital banking product, enabling Temenos to accelerate its growth in the Digital Front-Office space and become a global leader in Digital Banking
- ✓ Transforms Temenos' presence in the US by adding a proven, core-agnostic Front-Office solution, particularly in larger banks and credit unions, and significant sales coverage
- ✓ Significant opportunity to cross-sell Temenos products, including T24 Transact, into the Kony client base
- ✓ Strengthens the Temenos management team with the appointment of Thomas E. Hogan, Chairman and Chief Executive Officer of Kony, a seasoned US leader, as President of Temenos North America and member of the Executive Committee
- ✓ Adding a global team of c.1,500 employees that are experts in digital banking with significant Cloud expertise
- ✓ SaaS-based business model with over 60% recurring revenue, the majority of which is SaaS

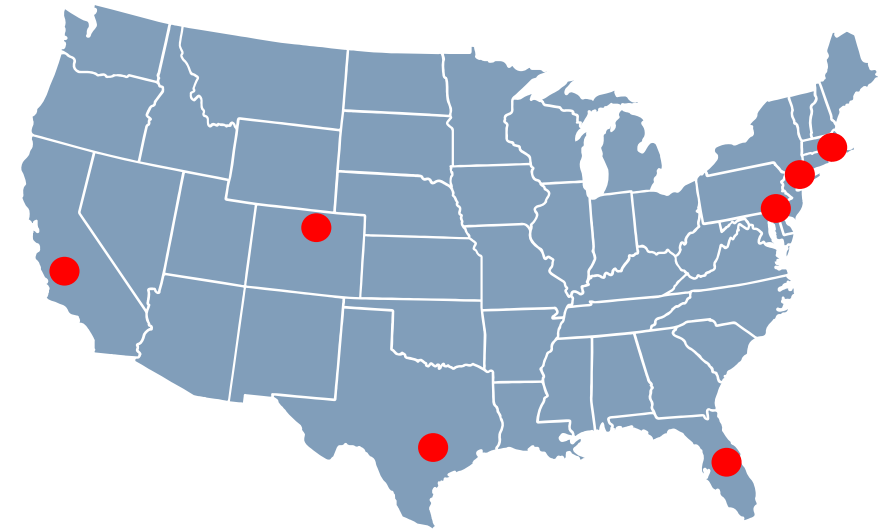
# | The digital banking opportunity

- **USD 23bn addressable market globally for digital banking software**
- **Fragmented competitive landscape** across incumbent banking software vendors, specialist front office providers and best of breed fintech companies
- **Banks are increasingly seeing the benefits of packaged, customizable single-platform solutions**
  - Lower maintenance and development costs
  - More easily managed security
  - Easier content management
- **Differentiation in digital is through customer experience design-superiority**, understanding the user-journey through continuous customer feedback loops and applying design-thinking and intensive research of demographic shifts
- In the open banking era **APIs are enabling an array of market opportunities from new banking business models**, innovation, financial services ecosystems and customer connectivity

# Significantly expanding our US presence

- Acquisition significantly enhances the Temenos US operations
- Kony is headquartered in Austin, Texas, with 230 employees across the country
- Takes Temenos' US workforce to over 700 employees
- Increases Temenos' US presence to 7 locations
- Increases US client base to over 1,300 banks and credit unions
- Pro-forma US revenue expected to be c.USD 200m for 2019
- Strengthens US management team with Thomas E. Hogan, Chairman and CEO of Kony, becoming President of Temenos North America and joining the Temenos Executive Committee

**Temenos presence across the US**





# | Introduction to Kony

Thomas E. Hogan, Chairman and CEO, Kony



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# | Overview of Kony

## Market leader in digital banking

- Global leader in digital banking and low-code development platforms
- Recognized as a leading player by analysts including Forrester & IDC
- Very strong mobile development and application capabilities

## US and global client base

- Global client base of over 100 banks across the US, Europe, Middle East and Asia
- 50 US clients across banks and credit unions
- Excellent traction with the largest US banks – a key target market for Temenos – the majority of US clients have asset sizes above USD 10bn

## US, digital & cloud expertise

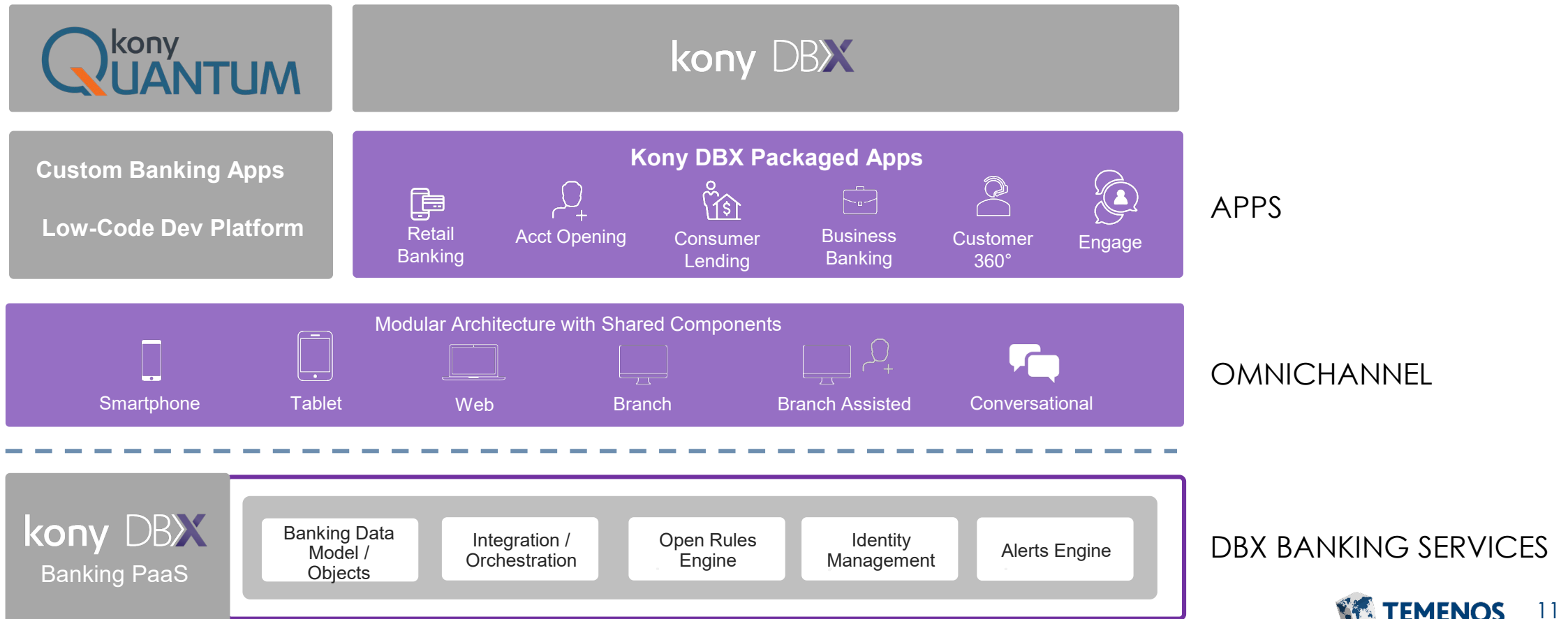
- Headquartered in the US with c.230 employees
- Global team of c.1,500 employees immersed in digital & cloud
- Operating a similar R&D model as Temenos, with a large centre of c.1,100 employees with deep digital expertise in Hyderabad, India

## Highly compelling business model with strong momentum

- Fast growing recurring revenue business model – over 60% recurring, mostly SaaS
- Low attrition rate (mid-single digit)

# Kony Quantum and DBX platforms

- Quantum is a low code multi-experience development platform (MXDP) that enables the creation of native applications with excellent customer experience across multiple devices from one set of tools
- DBX is a flexible omni-channel banking platform which combines out-of-the-box applications with high levels of customizable experiences to drive efficient marketing campaigns and improve customer retention



# | Creating the market leader in digital banking

|  |  <b>TEMENOS<br/>+ Kony</b> | Backbase | Q2 | EdgeVerve | Crealogix |
|--|---|----------|----|-----------|-----------|
| Digital Banking specialist<br>Front to Back                        | ✓   | ✗        | ✗  | ✓         | ✗         |
| Abstracted Full Banking<br>Capability                              | ✓   | ✗        | ✓  | ✓         | ✓         |
| Crosses all Banking Verticals                                      | ✓   | ✓        | ✓  | ✓         | ✓         |
| Proven Digital Onboarding<br>with Journey Analytics                | ✓   | ✗        | ✓  | ✗         | ✗         |
| Global Solution – US and<br>International                          | ✓   | ✓        | ✗  | ✗         | ✗         |
| True MXDP for code once,<br>deliver omni-channel cross<br>platform | ✓   | ✗        | ✗  | ✗         | ✗         |
| Human to Human Digital<br>channel                                  | ✓   | ✗        | ✗  | ✗         | ✗         |

# | Transaction summary

Takis Spiliopoulos, CFO



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# | Transaction summary

## Acquisition price

- Temenos is acquiring Kony for an Enterprise Value of USD 559m and an earn-out of USD 21m
- Kony has c. USD 50m of debt on Balance Sheet

## Funding

- The acquisition is being funded through cash and debt
- Temenos is using a combination of its existing revolving credit facility and a bridge loan
- Debt leverage will be below 2.5x net debt to EBITDA by year end 2019 and below 1.5x by year end 2020

## Timing and regulatory approvals

- The acquisition is subject to US anti-trust approvals which are expected to take 4-6 weeks to complete
- The acquisition is expected to close in early Q4 2019

## Financial impact

- Kony is expected to generate total revenues of c.USD 115m in 2020
- This corresponds to total revenue growth in excess of Temenos' sustainable annual growth targets
- Over 60% of total 2020 revenue is expected to be recurring, mostly SaaS
- The acquisition is expected to be non-IFRS EPS neutral in 2020, accretive in 2021 and to reach group margins within 3 years
- One-time total integration and restructuring costs of USD 10-12m and acquisition related costs of USD 3m



# | Revenue and cost synergies

- Digital banking is a major investment area for banks globally
- Significant opportunities for revenue synergies from the acquisition of Kony
- The main drivers for revenue synergies are:
  - Cross-selling the KonyDBX and Quantum platforms to the Temenos client base globally outside of the US
  - Accelerating the sales of KonyDBX and Quantum in the US through leveraging a larger combined sales force and cross-selling to the Temenos US client base
  - Cross-selling Temenos products to the Kony client base in the US and globally
- Cost synergies will largely be driven through G&A optimization



| Metric<br>(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%           |

# | Conclusion

- ✓ Significantly enhances Temenos Infinity, our digital front-office platform, by combining Kony's award-winning digital banking experience (DBX) and multi-experience development platforms (MXDP) with the best components of Temenos Infinity and Avoka
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# Thank You

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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 28 August 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 28 August 2019.

# | Non-IFRS Information

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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.

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