TEMENOS

THE BANKING SOFTWARE COMPANY

Financial results & business update

Quarter ended 30 September 2019

16 October 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 16 October 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 16 October 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

Business update

Max Chuard, CEO

Review of Q3 2019

Q3 2019

- Total software licensing growth of **15%** in Q3, **20%** YTD
- Strong momentum in SaaS, with revenues up **93%** and ACV up **164%** in Q3
- Total revenue growth of **12%** in Q3, **17%** YTD
- EBIT up **16%** in Q3, **20% YTD**
- EPS up **18%** in Q3,**19% YTD**
- Guidance updated following Kony acquisition

Acquisition of Kony strengthens Temenos Infinity, US strategy and SaaS and cloud expertise

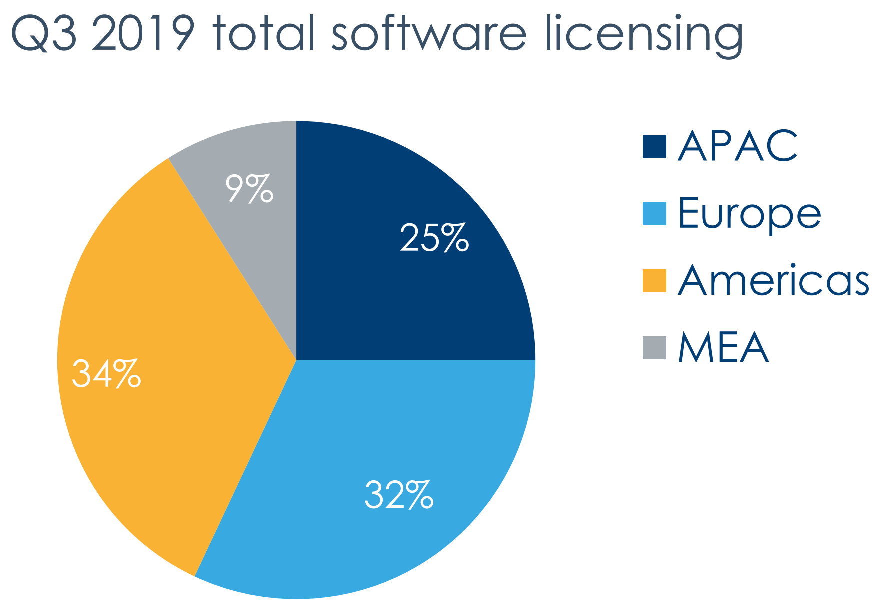
SaaS ACV up 164%; total software licensing up 15% in Q3 and 20% in 2019 YTD

*Revenue and EBIT figures are non-IFRS c.c. growth rates, EPS is non-IFRS reported growth rate

Q3 2019 sales review

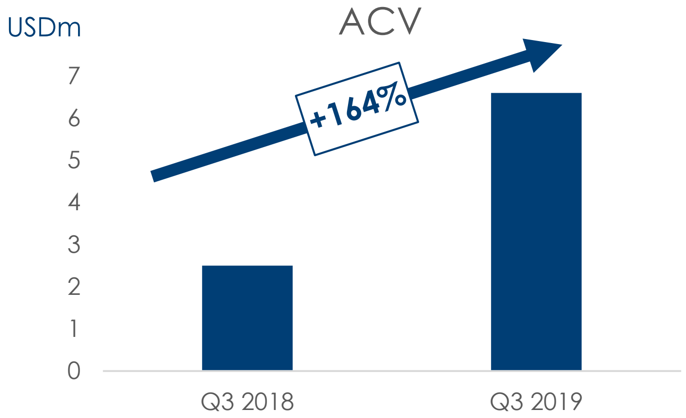
- Digital, regulatory and cost pressures and move to open banking continue to drive market growth
- Good sales momentum in Europe, Asia and Americas, in particular in the US, continuing the trend from H1
- Key wins in Q3 include
  - Tier 1 US bank for fund administration
  - Tier 1 Australian bank for Infinity
  - Multiple sales to existing Tier 1 European clients
- Weak sales execution in MEA region impacted signings in Q3, plan in place to regain momentum in the region by early 2020
- Continued momentum in sales into the installed base, increasing share of wallet
- 18 new customer wins in Q3 2019 vs. 17 in Q3 2018

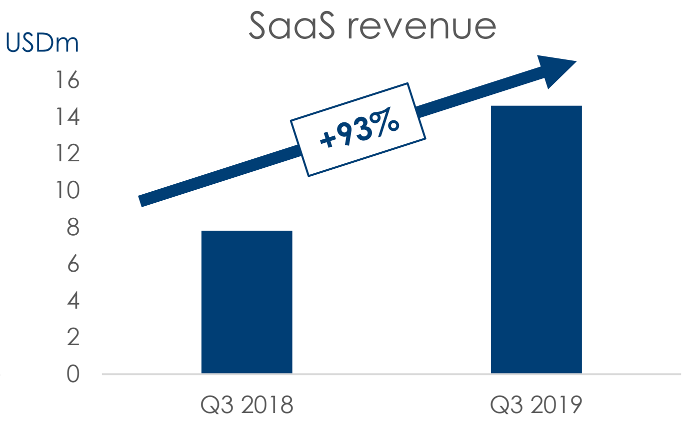
Geographic split of total software licensing

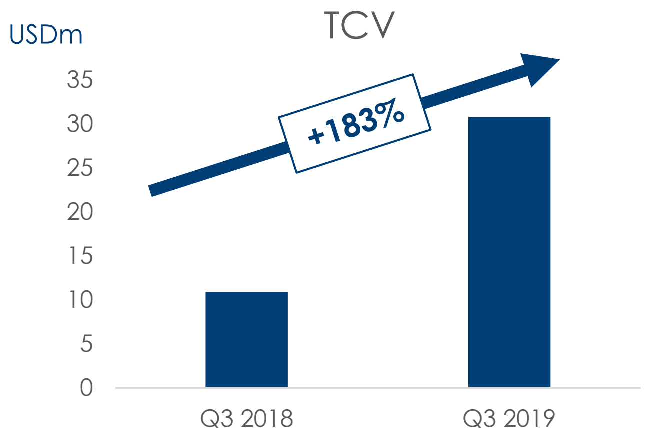


Significant momentum in SaaS

- Strong performance in SaaS in Q3
- Key signings include
    - High profile challenger bank entering Australian market
    - Alba, UK challenger bank, focusing on SME
    - Multiple wins across countries in Europe for neo-banks and new entrants
- Developing SaaS pipeline with Kony and already seen early customer success in Q4







*non-IFRS c.c. growth rates

Q3 2019 operational overview

Q3 2019 update

- 21 implementation go-lives in Q3 2019
- Multiple go-lives in Europe with ongoing tier 1 and 2 continuous renovation projects
- Multiple cloud go-lives in Asia and Europe with neo-banks
- Continued growth in third party experts

Global partner network

6,000+ experienced third party and Temenos consultants globally supporting client success

Building strong references with key go-lives

Kony integration progressing well

- Temenos acquired Kony in September 2019 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
- Integration of product and organisation progressing well

Kony is the market leader in digital banking

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)

Financial update

Takis Spiliopoulos, CFO

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Q3 2019 non-IFRS financial highlights

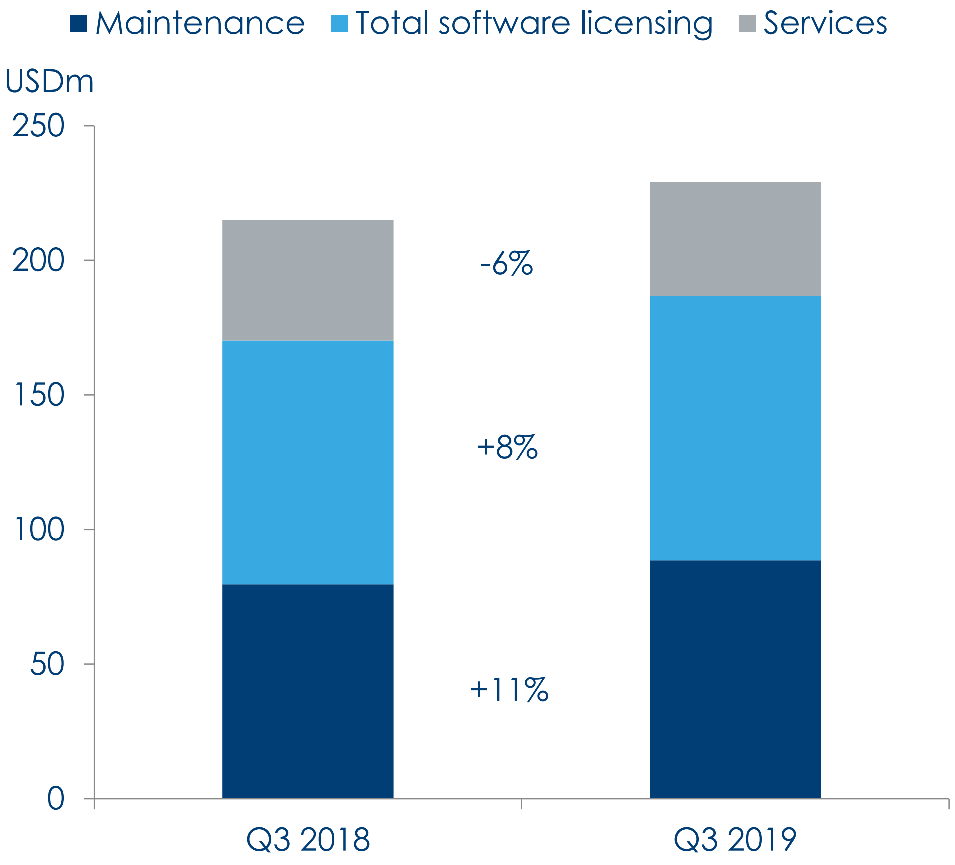
- Total software licensing up 15% Y-o-Y (c.c.), 20% 2019 YTD (c.c.)
- Maintenance growth of 12% Y-o-Y (c.c.), 12% 2019 YTD (c.c.)
- Total revenue growth of 12% Y-o-Y (c.c.), 17% 2019 YTD (c.c.)
- EBIT up 16% Y-o-Y (c.c.), 20% 2019 YTD (c.c.), Q3 EBIT margin of 34.5%
- EPS growth of 18% Y-o-Y, 19% 2019 YTD
- Q3 operating cash flow of USD 50m, LTM cash flow of USD 382m
- DSOs at 123 days, 9 of which due to M&A (pro-forma 114)
- Leverage at 3.1x net debt to EBITDA, expected to be below 2.5x by year end
- Services margin of 12.2% in the quarter, up 1.2% points

Non-IFRS income statement – operating

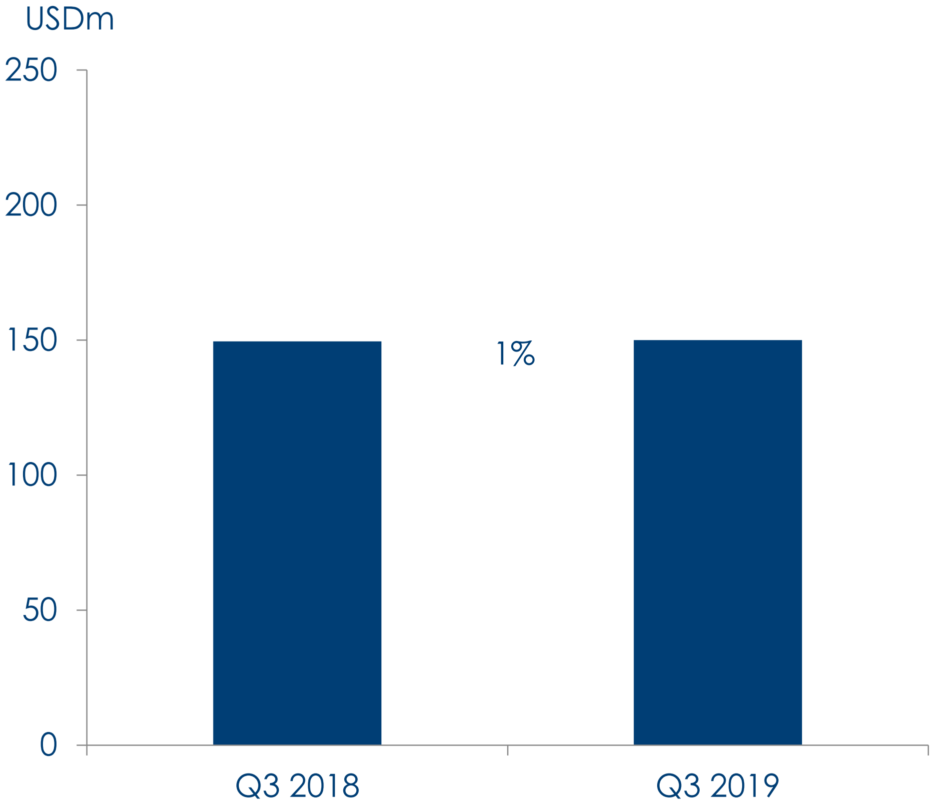
In USDm	Q3 19	Q3 18	Y-o-Y reported	Y-o-Y c.c.	YTD 19	YTD 18	Y-o-Y reported	Y-o-Y c.c.
Software licensing	83.5	80.5	4%	7.0%	239.3	218.2	10%	13%
SaaS and subscription	14.6	7.8	87%	93%	42.3	23.5	80%	88%
Total software licensing	**98.1**	**88.4**	**11%**	**15%**	**281.5**	**241.7**	**16%**	**20%**
Maintenance	88.6	78.9	12%	12%	260.2	232.4	12%	12%
Services	42.3	40.6	4%	6%	129.3	112.7	15%	18%
Total revenue	**229.1**	**207.9**	**10%**	**12%**	**671.0**	**586.8**	**14%**	**17%**
Operating costs	150.0	139.7	7%	10%	469.3	419.5	12%	16%
EBIT	**79.1**	**68.2**	**16%**	**16%**	**201.7**	**167.3**	**21%**	**20%**
Margin	34.5%	32.8%	1.7% pts	1.3% pts	30.1%	28.5%	1.6% pts	0.7% pts
EBITDA	**98.0**	**82.0**	**19%**	**20%**	**256.4**	**208.3**	**23%**	**23%**
Margin	42.8%	39.5%	3.3% pts		38.2%	35.5%	2.7% pts	
Services margin	12.2%	10.9%	1.2% pts		10.8%	8.0%	2.8% pts	

Like-for-like revenue and costs

- Q3 19 LFL non-IFRS revenues up 7%



- Q3 19 LFL non-IFRS costs up 1%

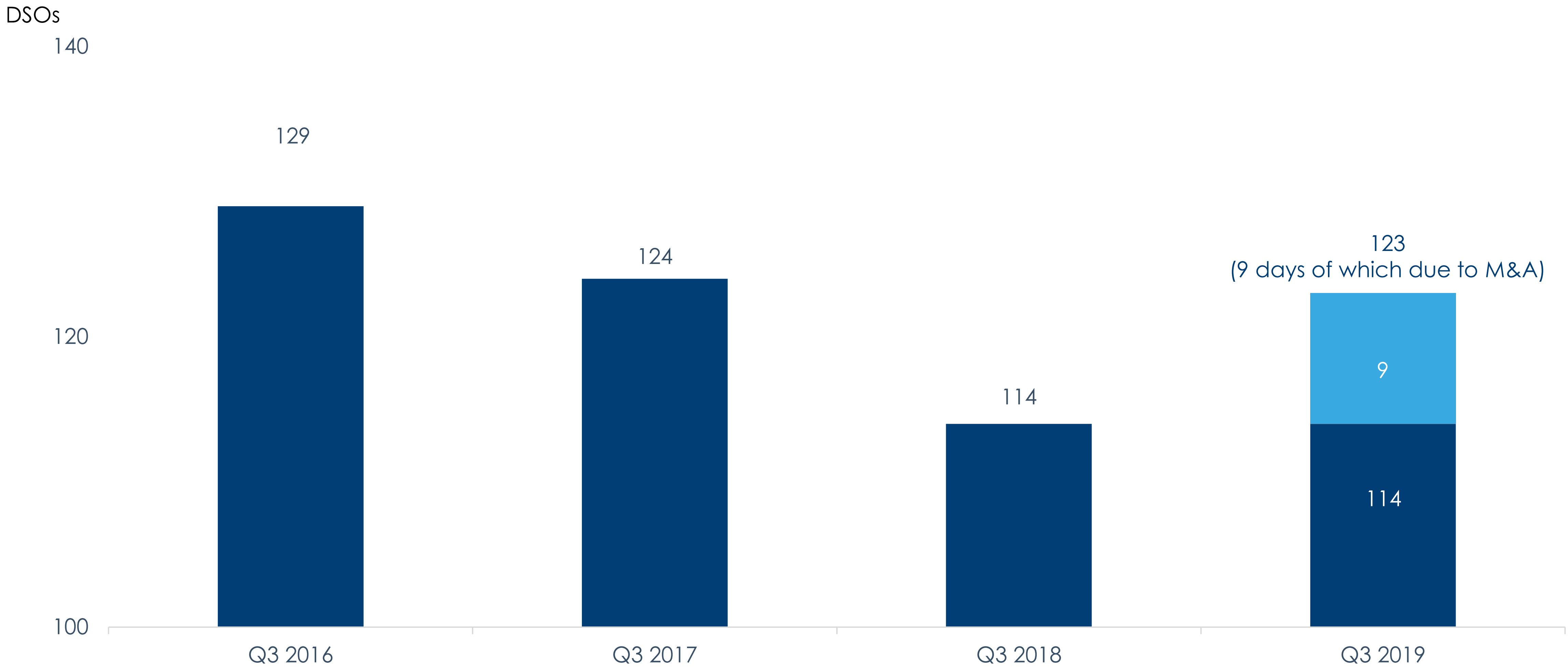


Total like-for-like revenue growth of 7%

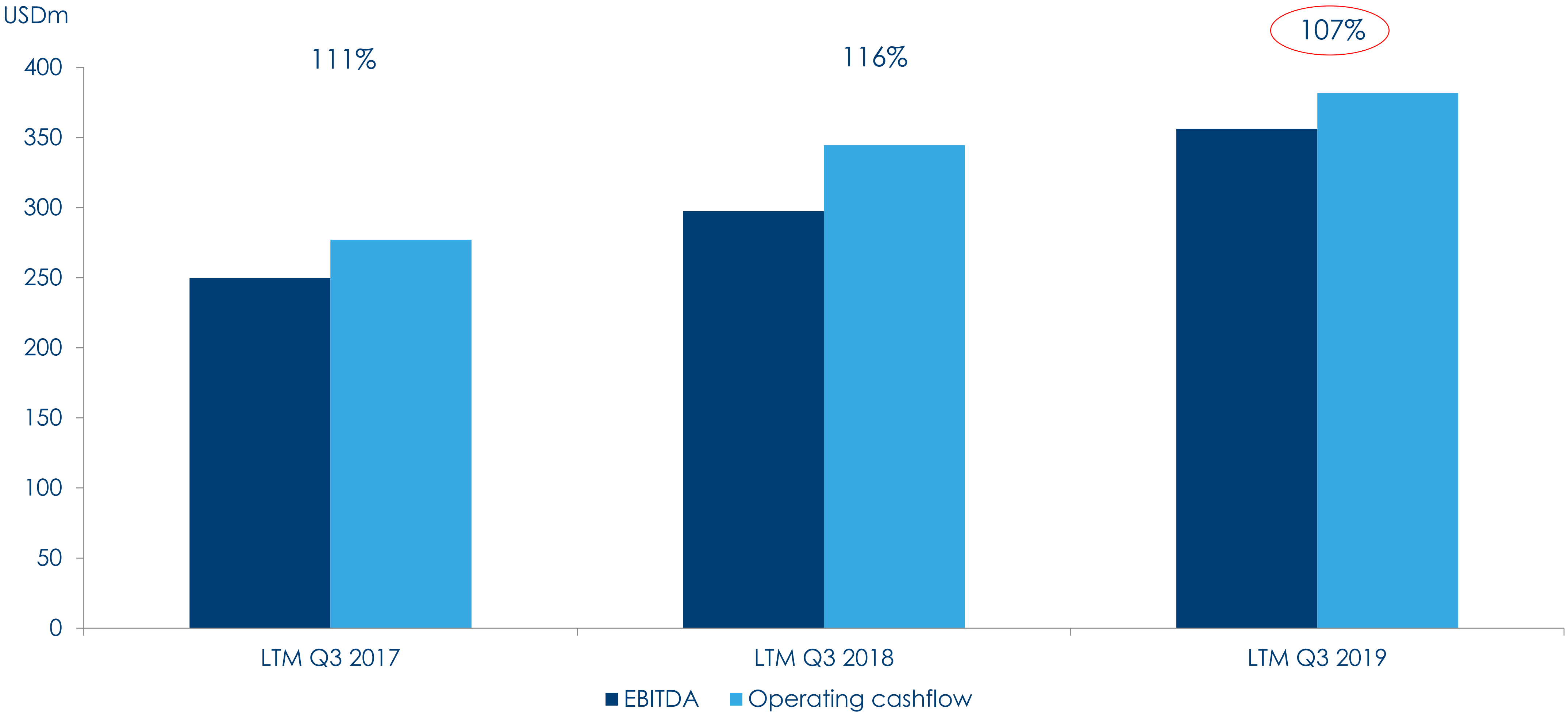
Non-IFRS income statement – non-operating

In USDm, except EPS	Q3 19	Q3 18	Y-o-Y	YTD 19	YTD 18	Y-o-Y
EBIT	**79.1**	**68.2**	**16%**	**201.7**	**167.3**	**21%**
Net finance charge	-5.7	-4.2	36%	-15.0	-11.4	31%
FX gain / (loss)	1.2	-0.6	NA	0.7	-0.5	NA
Tax	-8.9	-8.5	5%	-26.0	-21.0	24%
Net profit	**65.6**	**54.9**	**20%**	**161.5**	**134.4**	**20%**
EPS (USD)	**0.90**	**0.76**	**18%**	**2.22**	**1.86**	**19%**

DSOs continue to decline

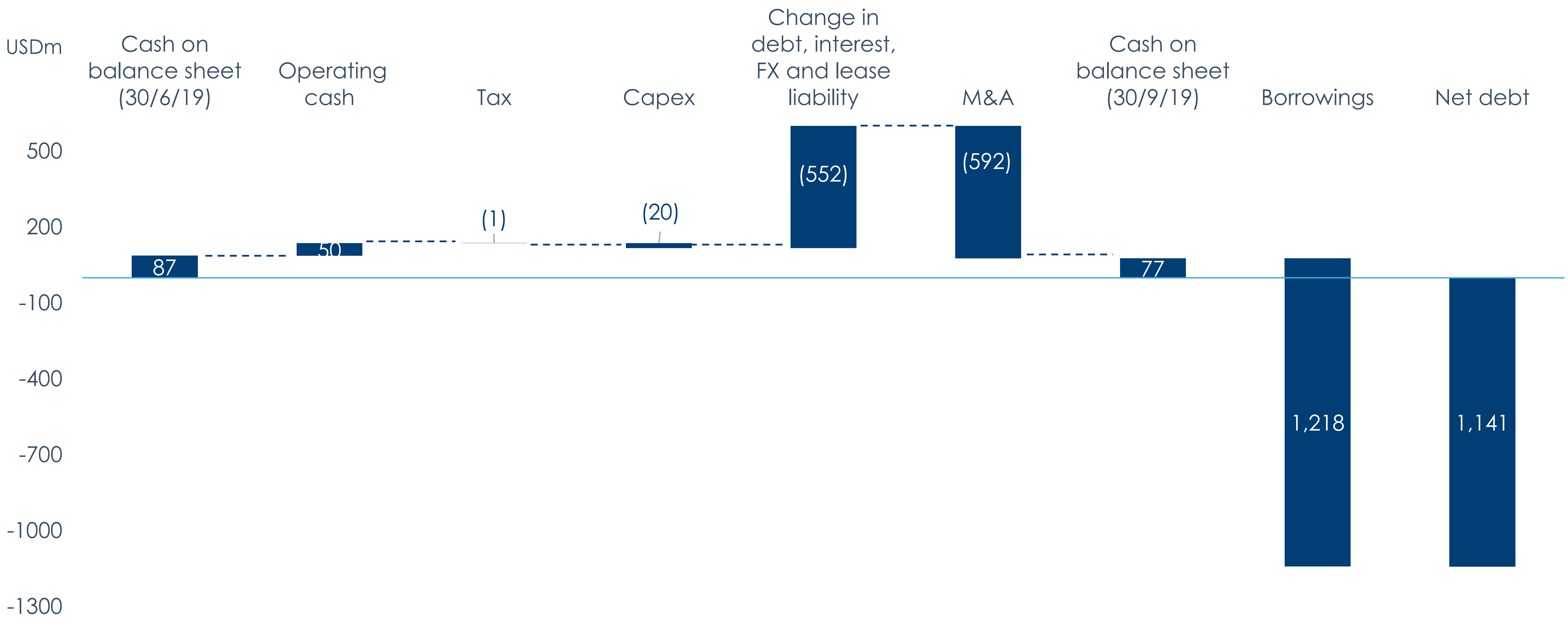


IFRS cash conversion



Cash conversion significantly above target of 100%

Group liquidity



Leverage expected to be below 2.5x by year end*

** 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*

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

	Revised FY 19 guidance	Original FY 19 guidance
Total software licensing (%)	**19.5% - 22.5%**	**17.5% - 22.5%**
Implied USDm	*USD 431 - 442*	
Total revenue (%)	**18.0% - 20.0%**	**16% - 19%**
Implied USDm	*USD 970 - 986*	
EBIT (USDm)	**USD 310 – 315m**	**USD 310 – 315m**
Implied margin	*c.31.9%*	
Implied organic margin increase	*c. 150 bps*	
Cash conversion	**100%+ conversion** of EBITDA into operating cash flow	
Tax rate	**14% to 15%**	**15% to 16%**

- Currency assumptions on slide 26
- 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

- 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
- Good sales momentum in Europe, Asia and the Americas, in particular the US
- Strong momentum in SaaS in particular
- Acquisition of Kony strengthens Temenos Infinity, SaaS and cloud and US strategy

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:

- EUR to USD exchange rate of 1.095
- GBP to USD exchange rate of 1.210; and
- USD to CHF exchange rate of 0.980

FX exposure

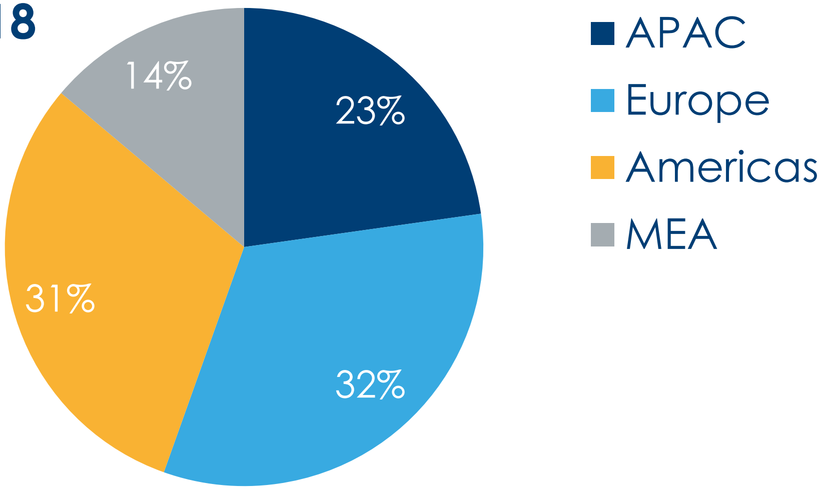
% of total	USD	EUR	GBP	CHF	Other
Total software licensing	60%	25%	2%	1%	12%
Maintenance	68%	22%	5%	5%	0%
Services	46%	30%	8%	3%	13%
Revenues	**60%**	**25%**	**4%**	**3%**	**8%**
Non-IFRS costs	**23%**	**20%**	**13%**	**8%**	**36%**
Non-IFRS EBIT	**142%**	**35%**	**-15%**	**-9%**	**-53%**

NB. All % are approximations based on 2018 actuals

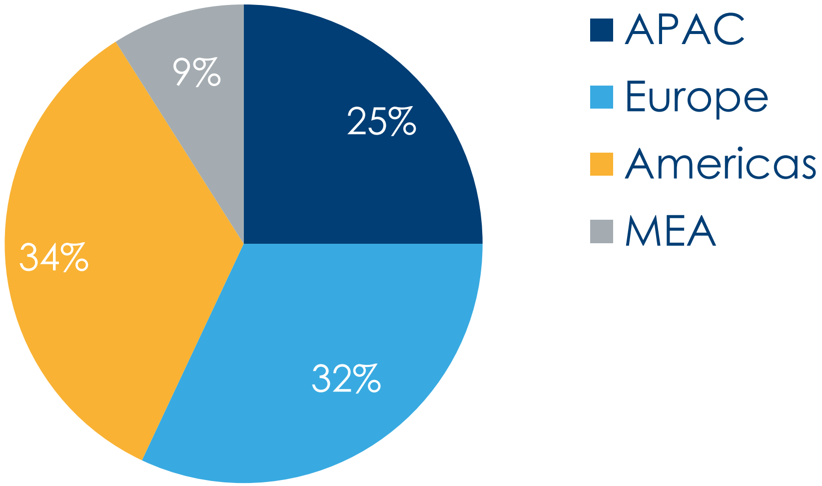
Mitigated FX exposure – matching of revenues / costs and hedging

Total software licensing revenue breakdown by geography

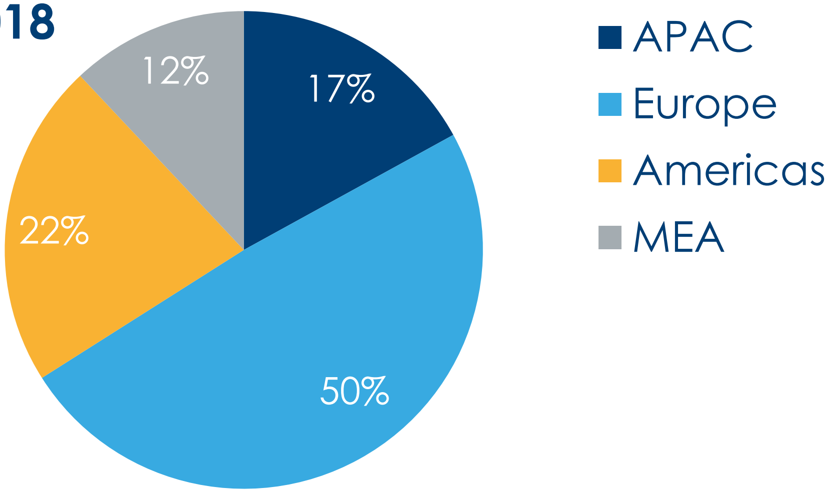
Q3 2018



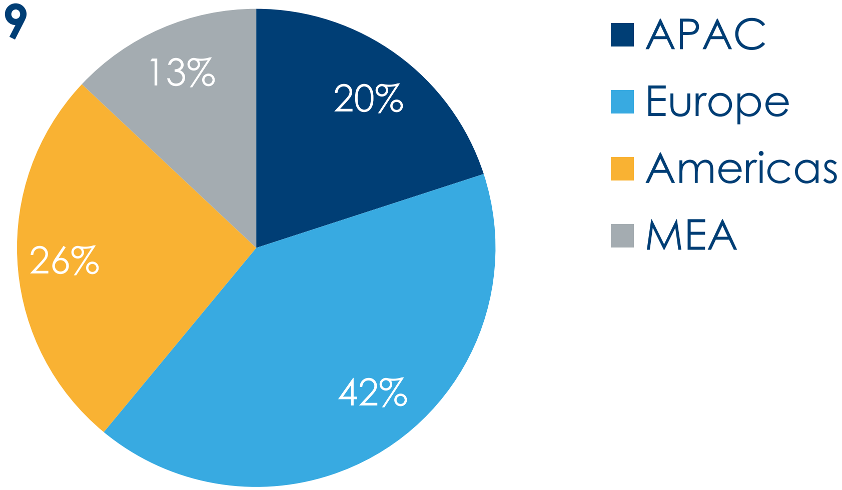
Q3 2019



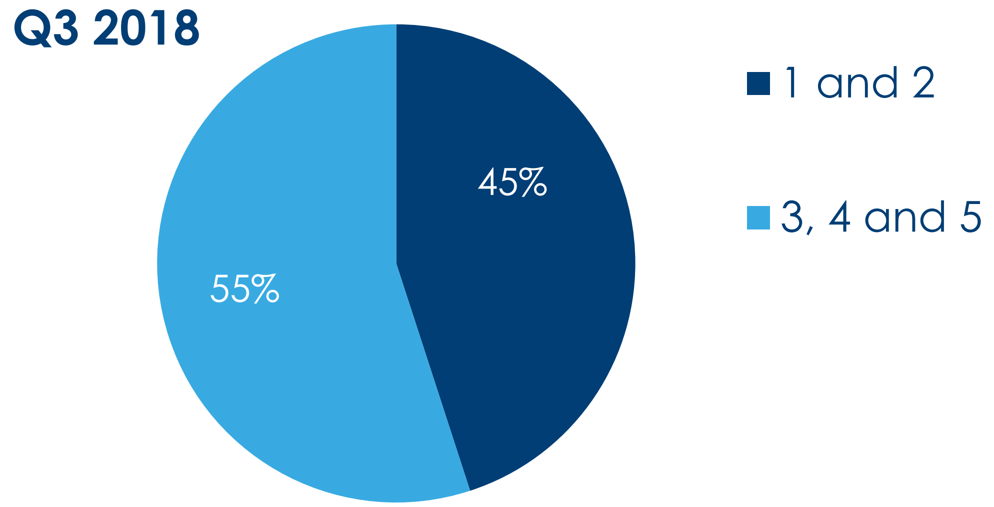
LTM 2018

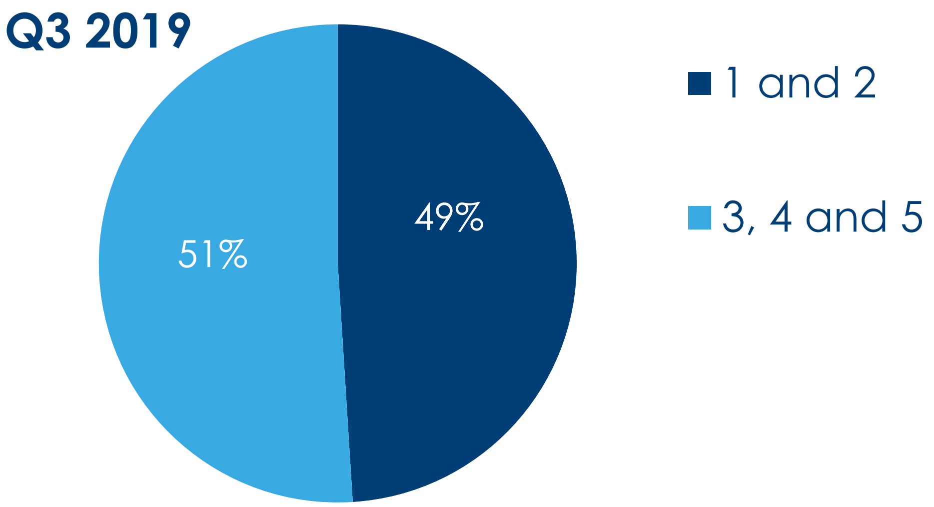


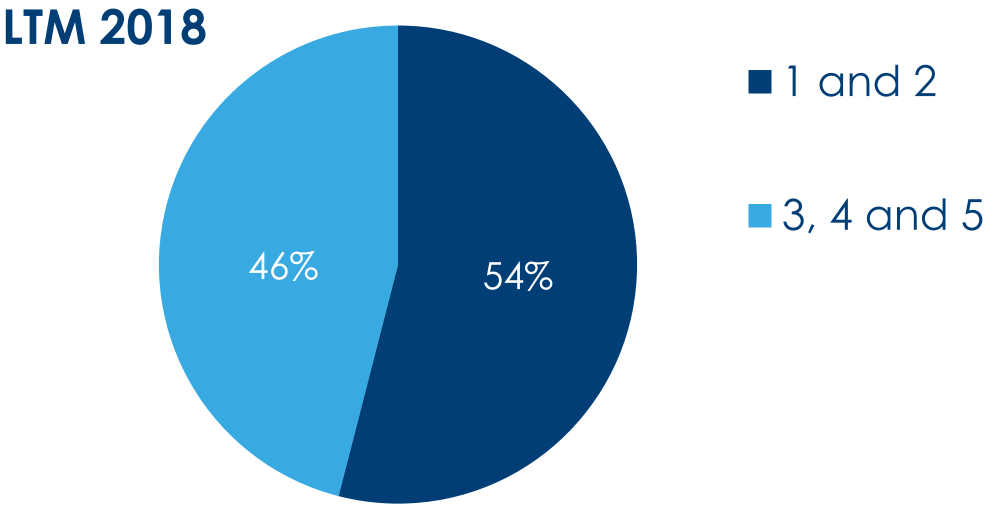
LTM 2019

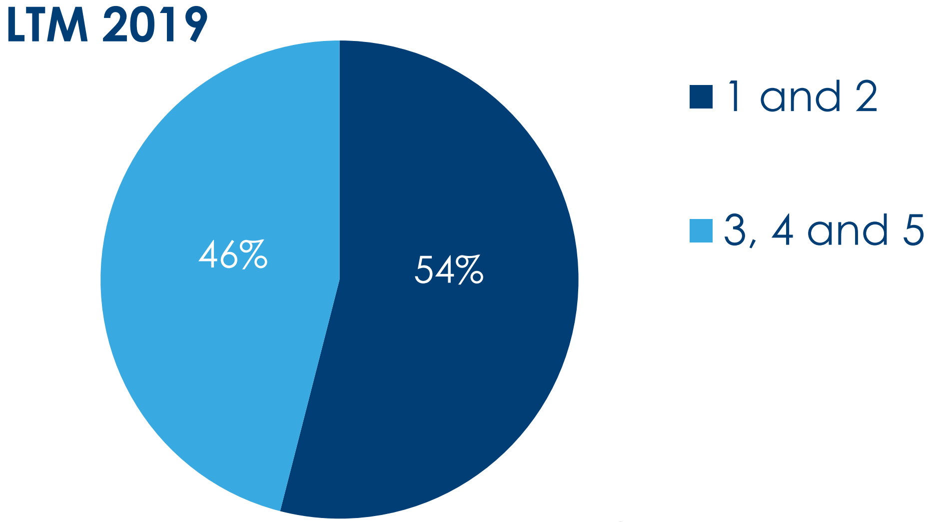


Total software licensing revenue breakdown by customer tier



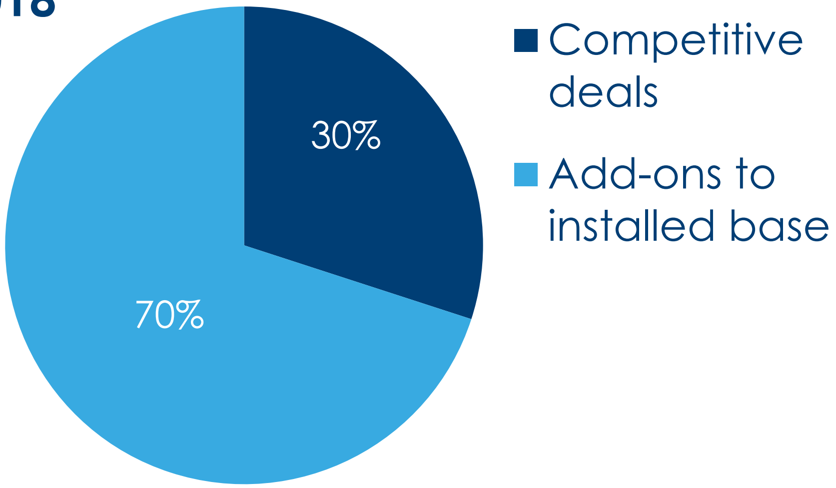




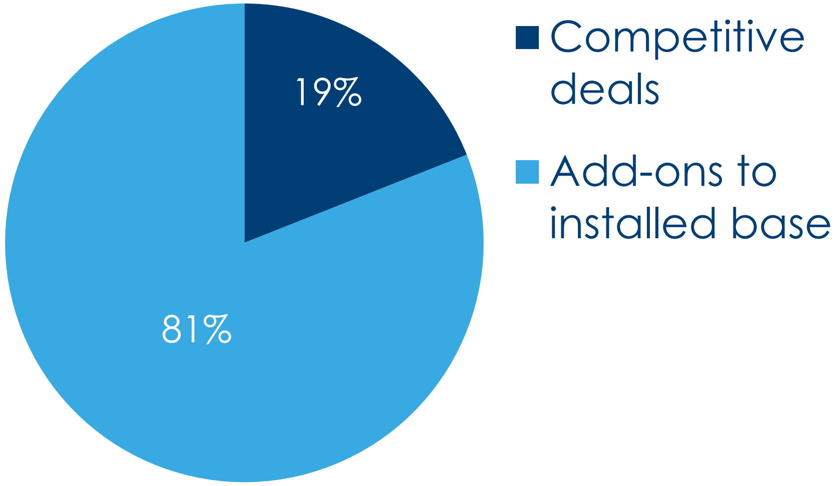


Software licensing revenue breakdown by competitive deals / add-ons to installed base

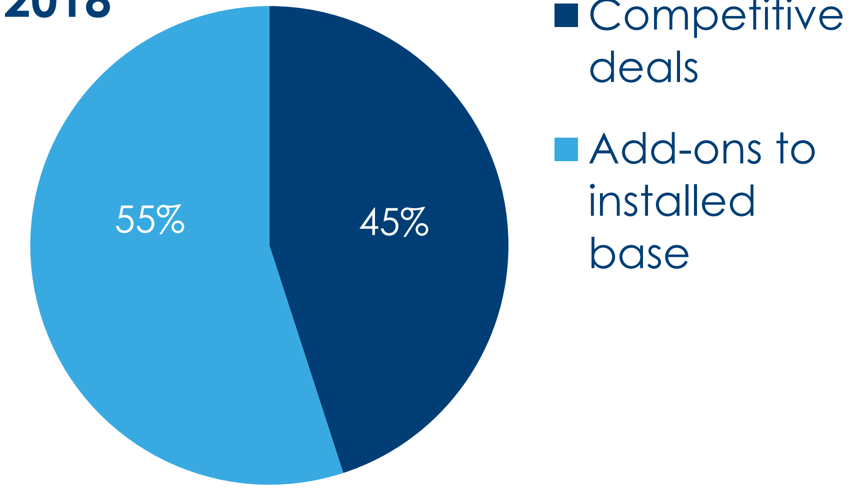
Q3 2018



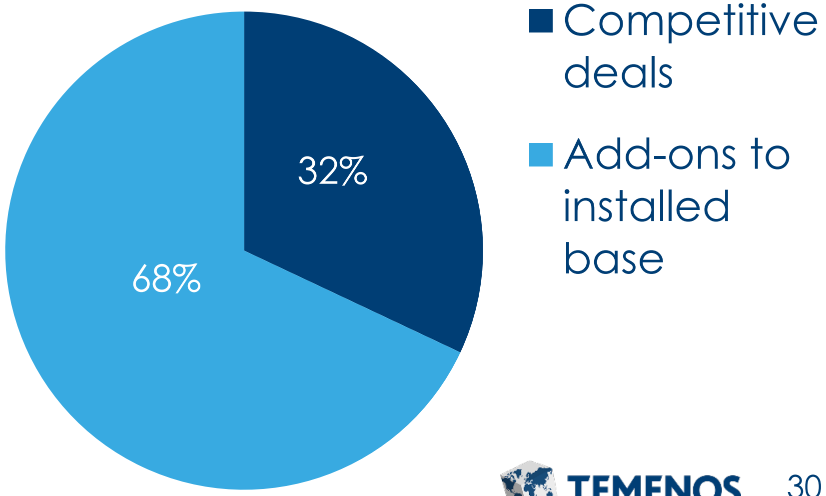
Q3 2019



LTM 2018



LTM 2019

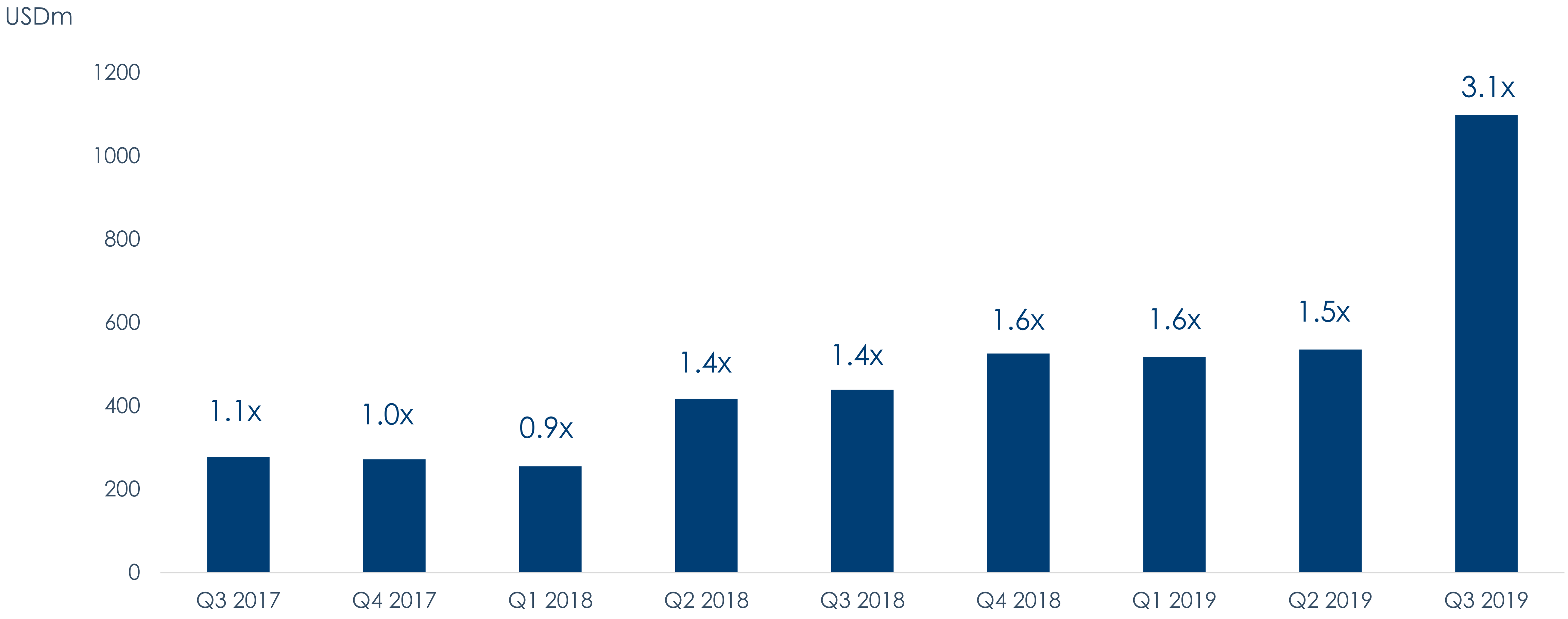


Kony transaction summary

Acquisition price	• Temenos acquired Kony for an Enterprise Value of USD 559m and an earn-out of USD 21m • Kony had c. USD 50m of debt on Balance Sheet
Funding	• The acquisition was funded through cash and debt • Temenos used 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
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

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 IFRS16*

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	-15.2		
Amortisation	11.7	12.0	12.2		
Net cap' dev'	**-2.5**	**-2.3**	**-3.0**		

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 9-10m
- FY 2019 estimated amortisation of acquired intangibles of USD 58-60m
- FY 2019 estimated restructuring costs of USD 13-15m

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 16 October 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 September			3 Months Ending 30 September		
	2019		2019	2018		2018
	IFRS	Non-IFRS adj.	Non-IFRS	IFRS	Non-IFRS adj.	Non-IFRS
Software Licensing	83.5		83.5	80.5		80.5
SaaS and subscription	13.5	1.1	14.6	7.8		7.8
Total Software Licensing	**97.0**	**1.1**	**98.1**	**88.4**		**88.4**
Maintenance	88.6		88.6	78.9		78.9
Services	42.3		42.3	40.6		40.6
Total Revenue	**228.0**	**1.1**	**229.1**	**207.9**		**207.9**
Total Operating Costs	**(166.5)**	**16.5**	**(150.0)**	**(148.9)**	**9.2**	**(139.7)**
Restructuring/acq. costs	(4.2)	4.2	-	-0.1	0.1	-
Amort of Acq'd Intang.	(12.3)	12.3	-	-9.1	9.1	-
Operating Profit	**61.5**	**17.6**	**79.1**	**59.0**	**9.2**	**68.2**
Operating Margin	**27%**		**35%**	**28%**		**33%**
Financing Costs	(5.3)	0.7	(4.6)	(4.8)	0.0	(4.8)
Taxation	(7.0)	(2.0)	(8.9)	(7.4)	(1.2)	(8.5)
Net Earnings	49.3	16.3	65.6	46.8	8.1	54.9
EPS (USD per Share)	**0.68**	**0.22**	**0.90**	**0.65**	**0.11**	**0.76**

Net earnings reconciliation

In USDm, except EPS	Q3 19	Q3 18
IFRS net earnings	**49.3**	**46.8**
Deferred revenue write down	1.1	0.0
Amortisation of acquired intangibles	12.3	9.1
Restructuring	0.9	0.1
Acquisition related costs	3.3	
Acquisition related financing costs	0.7	
Taxation	-2.0	-1.2
Net earnings for non-IFRS EPS	**65.6**	**54.9**
No. of dilutive shares	**72.9**	**71.7**
Non-IFRS diluted EPS (USD)	0.90	0.76

Reconciliation from IFRS to non-IFRS for EBIT and EBITDA

USDm	Q3 19 EBIT	Q3 19 EBITDA
IFRS	**61.5**	**92.7**
Deferred revenue write-down	1.1	1.1
Amortisation of acquired intangibles	12.3	-
Restructuring	0.9	0.9
Acquisition-related costs	3.3	3.3
Non-IFRS	**79.1**	**98.0**

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	3 Months Ending 30 September		
	2019		2019
	IFRS	Impact of IFRS 16	IFRS 16 adjusted
Total Revenue	**228.0**	**-**	**228.0**
Operating Expense	(166.5)	(0.1)	(166.6)
EBIT	**61.5**	**(0.1)**	**61.4**
D&A	(31.2)	3.9	(27.3)
EBITDA	**92.7**	**(4.0)**	**88.7**
Financing Costs	(5.3)	0.4	(4.8)
Taxation	(7.0)	-	(7.0)
Net Earnings	**49.3**	**0.3**	**49.6**

Reconciliation – IFRS 16 Balance Sheet

In USDm	3 Months as at 30 September		
	2019		2019
	IFRS	Impact of IFRS 16	IFRS 16 adjusted
Property, plant and equipment	70.4	(48.2)	22.2
Other assets (current / non-current)	2,118.1	(2.1)	2,116.0
Totals assets	**2,188.5**	**(50.3)**	**2,138.2**
Borrowings (current / non-current)	1,217.6	(54.2)	1,163.4
Other liabilities (current / non-current)	616.0	1.9	617.9
Total liabilities	**1,833.6**	**(52.3)**	**1,781.3**
Equity	(450.5)	-	(450.5)
Retained Earnings	805.4	2.0	807.4
Total Equity	**354.9**	**2.0**	**356.9**
Total liabilities and equity	**2,188.5**	**(50.3)**	**2,138.2**

Reconciliation – IFRS 16 net debt calculation

In USDm	3 Months Ending 30 September 2019 IFRS
Non-IFRS EBITDA	98.0
IFRS16 adjustment	(4.3)
IFRS 16 adjusted EBITDA	**93.7**
LTM EBITDA	357.3
Net Debt reported	1,140.9
SWAP add-back	12.2
IFRS16 adjustment	(54.2)
IFRS 16 adjusted Net Debt	**1,098.9**
Leverage	**3.08x**

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

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