TEMENOS

THE BANKING SOFTWARE COMPANY

Financial results & business update

Quarter ended 31 March 2020

14 April 2020

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 14 April 2020. 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 14 April 2020.

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

Q1 2020 new license performance significantly impacted by COVID-19

Q1 2020

- Total software licensing down 26%
- Robust growth in recurring revenue of 20%
  - SaaS growth of 79%
  - SaaS ACV up 104%
  - Maintenance growth of 11%
- Total revenue down 5%
- EBIT down 22%
- New FY 20 guidance to account for COVID-19 impact

Resilient business model

- Recurring revenue growth driving cash and profit visibility for 2020
- Flexible cost base enables profit protection
- CEO and Executive Chairman taking voluntary 50% salary cut, Executive Committee taking voluntary 25% salary cut for remainder of 2020
- Continued investment, in particular in R&D, to extend product advantage

Resilient business model driven by recurring revenue growth and flexible cost base

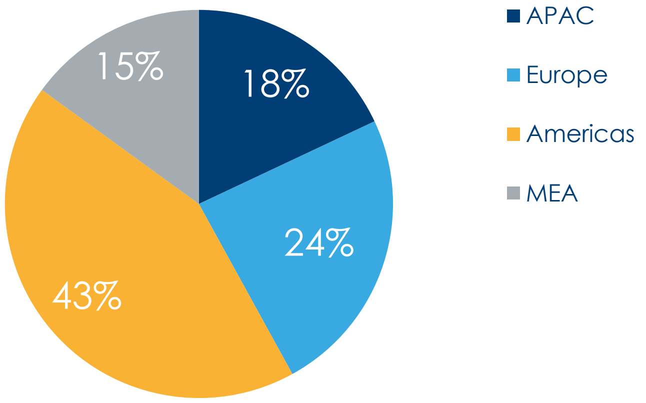
**Revenue, ACV and EBIT figures are non-IFRS c.c. growth rates*

Q1 2020 sales review

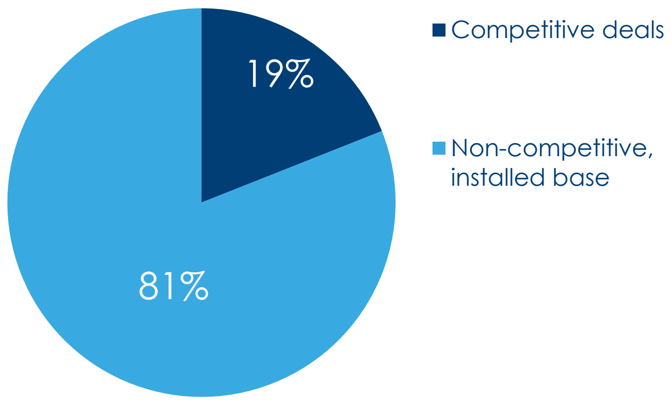
- Sales in the first two months of the quarter were in line with expectations. There was a significant negative impact on licenses in the last month of the quarter due to COVID-19
- Deals that did not sign in Q1 are being delayed, not cancelled
- Deals were delayed as banks focused on business continuity, ensuring they can run operations and service customers remotely, and some banks postponed deals due to lack of visibility on when implementations could start during lock down; travel restrictions also impacted the sales force's ability to close deals
- Decline in signings particularly acute in Asia and Europe, with relatively less impact in the US and MEA
- Signings with new logos and competitive deals impacted significantly more than sales into the installed base, with existing customers more likely to continue their ongoing IT renovation projects
- SaaS growth was strong, key deal signed with tier 1 bank
- 9 new client wins in Q1 across products

Q1 2020 total software licensing

Geographic split



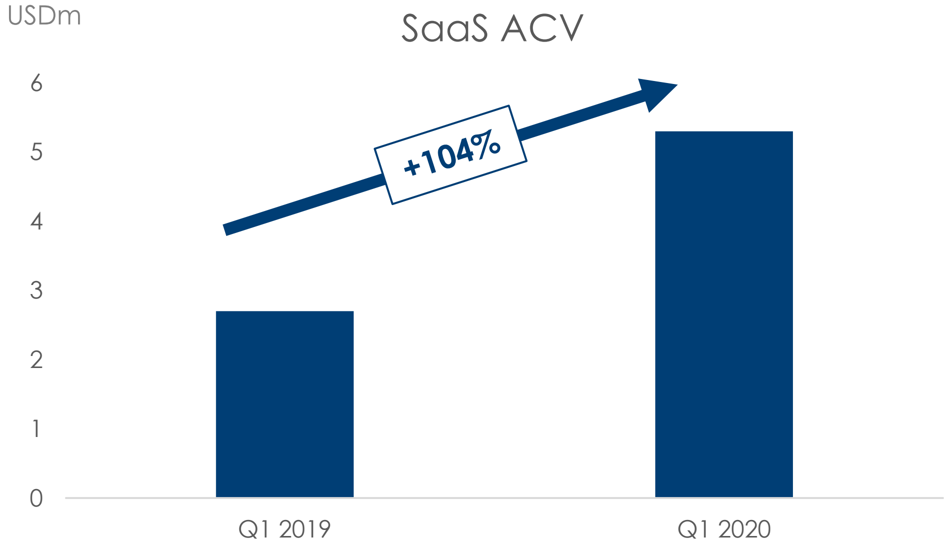
Competitive / installed base

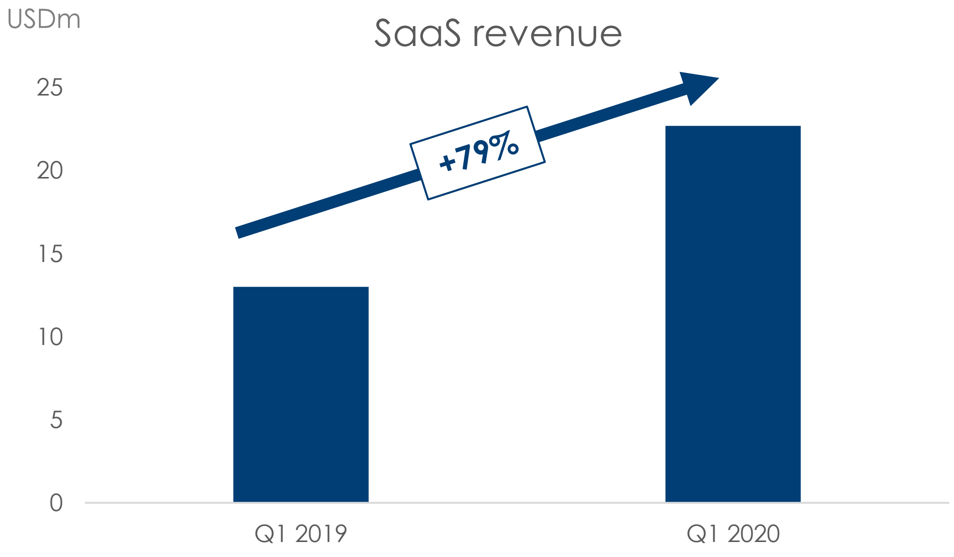


Note: Q1-20 geographic breakdown adjusted for reallocation between Asia and Europe

Continued momentum in SaaS and cloud

- Demand for SaaS continues to grow with SaaS ACV up 104% in Q1
- Signings across all regions globally, with demand for both Transact and Infinity
- SaaS expected to continue growing organically in FY 20 despite the current crisis
- Crisis highlights benefit of running software in the cloud and may accelerate shift to SaaS and cloud in the medium term





Note: non-IFRS c.c. growth rates

Q1 2020 operational overview

- 35 implementation go-lives in Q1 2020
- Partner involvement continues to increase
- Banks are rapidly adapting to deliver mission critical transformations remotely and to keep implementations progressing during the crisis
- Temenos already able to run significant part of implementation process work streams remotely pre-crisis
- Increased use of cloud a key mitigating factor in keeping implementations progressing

Enabling our clients to adapt to the crisis

Temenos software enables our clients to rapidly adapt to the evolving crisis

- Easily move to remote operations for front and back office
- Adapt existing products to accommodate changing customer needs e.g., payment holidays, loan restructuring
- Maintain and enhance customer interaction through sophisticated digital channels including human-to-human secure messaging with bank staff
- Rapidly launch new crisis-appropriate products including partnerships with governments & charities for crisis loans and payments
- Rapidly adapt AML, KYC, and fraud management to evolving threats

Looking forward

- Banks are much better capitalized and in a much stronger position; regulators and central banks have been acting more quickly and decisively than in 2008/2009
- Banks' customers significantly more dependent on digital channels and the crisis will accelerate use of digital in the medium term
- Banks running on modern, front-to-back digital platforms able to rapidly adapt
- Crisis highlights need for sophisticated digital banking platforms and modern core banking software which can be run remotely with minimal human intervention
- Minimal impact on our clients, Temenos able to fully support clients remotely and maintain R&D productivity
- Confidence in long term sustainable growth targets once new normal has been reached

Structural drivers intact and likely to accelerate post-crisis

Financial update

Takis Spiliopoulos, CFO

Q1 2020 non-IFRS financial highlights

Revenue and profit

- Total software licensing down 26%
- Maintenance growth of 11%
- Total revenue down 5%
- EBIT down 22%
- Q1 EBIT margin of 20.4% down 4% points
- Q1 EPS of USD 0.39 (reported) down 25%

Cash flow and Balance Sheet

- Q1 operating cash flow of USD 60m, up 9%
- Q1 operating cash conversion of 106% into IFRS EBITDA
- DSOs at 109 days (105 days organic), down 11 days vs. Q4 2019
- Leverage at 2.6x as of 31.3.20*

Dividend

- Reconfirmed 2019 dividend payment of CHF 0.85 per share
- Subject to shareholder approval at 2020 AGM

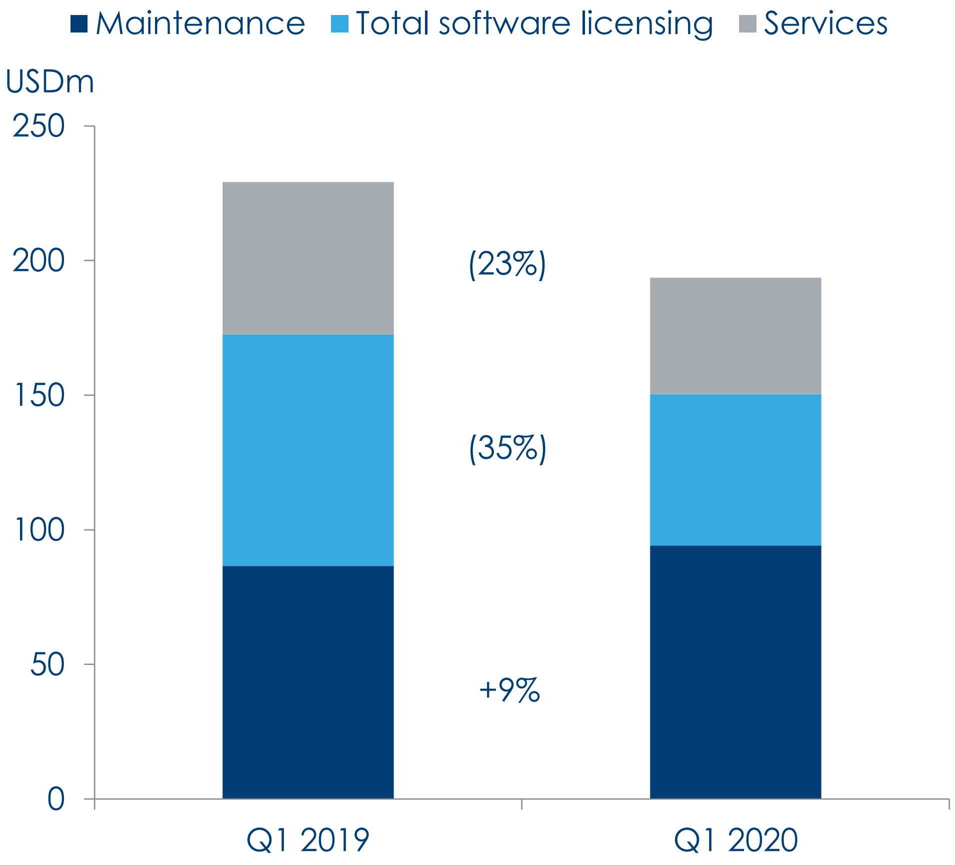
Note: figures are non-IFRS c.c. growth rates unless otherwise stated
** proforma non-IFRS EBITDA adjusted for lease expense now reported under depreciation and amortization under IFRS 16, net debt includes cross-currency swap and excludes leases reported as borrowings under IFRS16*

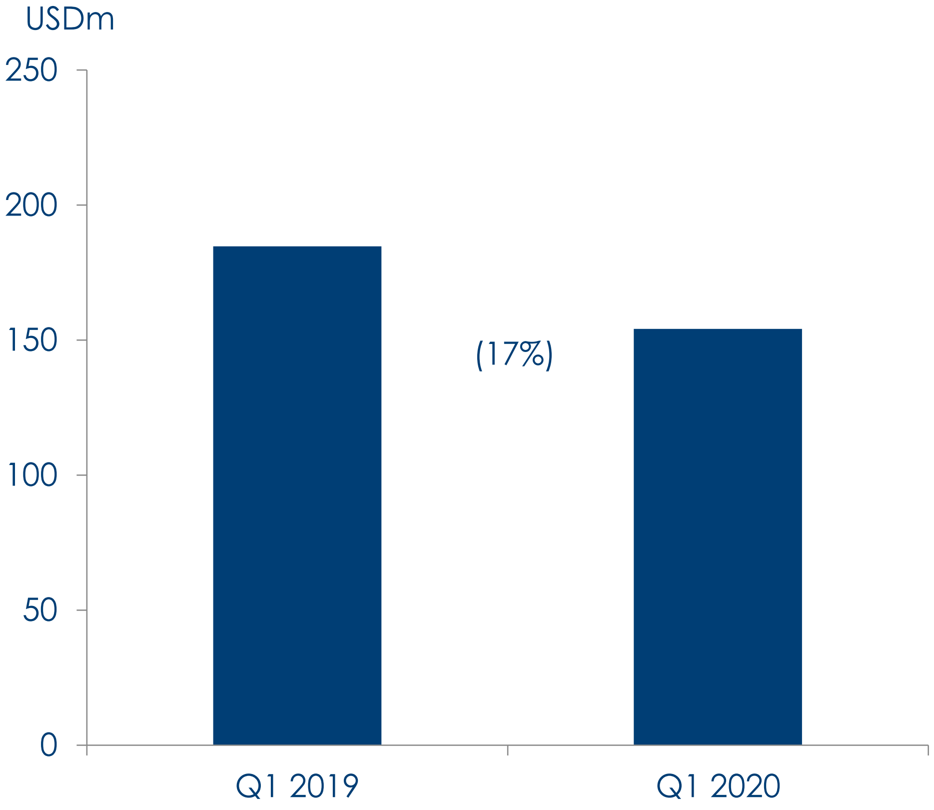
Non-IFRS income statement – operating

In USDm	Q1 20	Q1 19	Y-o-Y reported	Y-o-Y c.c.	LTM 20	LTM 19	Y-o-Y reported	Y-o-Y c.c.
Software licensing	33.6	63.2	(47%)	(47%)	348.8	350.4	(0%)	1%
SaaS and subscription	22.7	13.0	74%	79%	76.2	36.3	110%	120%
Total software licensing	**56.2**	**76.2**	**(26%)**	**(26%)**	**424.9**	**386.7**	**10%**	**12%**
Maintenance	94.1	84.7	11%	11%	367.1	322.8	14%	15%
Services	43.3	43.9	(1%)	0%	177.4	163.5	8%	11%
Total revenue	**193.7**	**204.9**	**(5%)**	**(5%)**	**969.4**	**873.0**	**11%**	**13%**
Operating costs	154.2	155.4	(1%)	1%	661.5	596.7	11%	13%
EBIT	**39.4**	**49.5**	**(20%)**	**(22%)**	**307.9**	**276.3**	**11%**	**13%**
Margin	20.4%	24.1%	(4%) pts	(4%) pts	31.8%	31.6%	0% pts	0% pts
EBITDA	**59.6**	**67.3**	**(11%)**	**(12%)**	**385.7**	**336.2**	**15%**	**16%**
Margin	30.8%	32.8%	(2%) pts		39.8%	38.5%	1% pts	
Services margin	10.1%	9.1%	1% pts		11.3%	10.8%	1% pts	

Like-for-like revenue and costs

- Q1 20 LFL non-IFRS revenues down 15%
- Q1 20 LFL non-IFRS costs down 17%



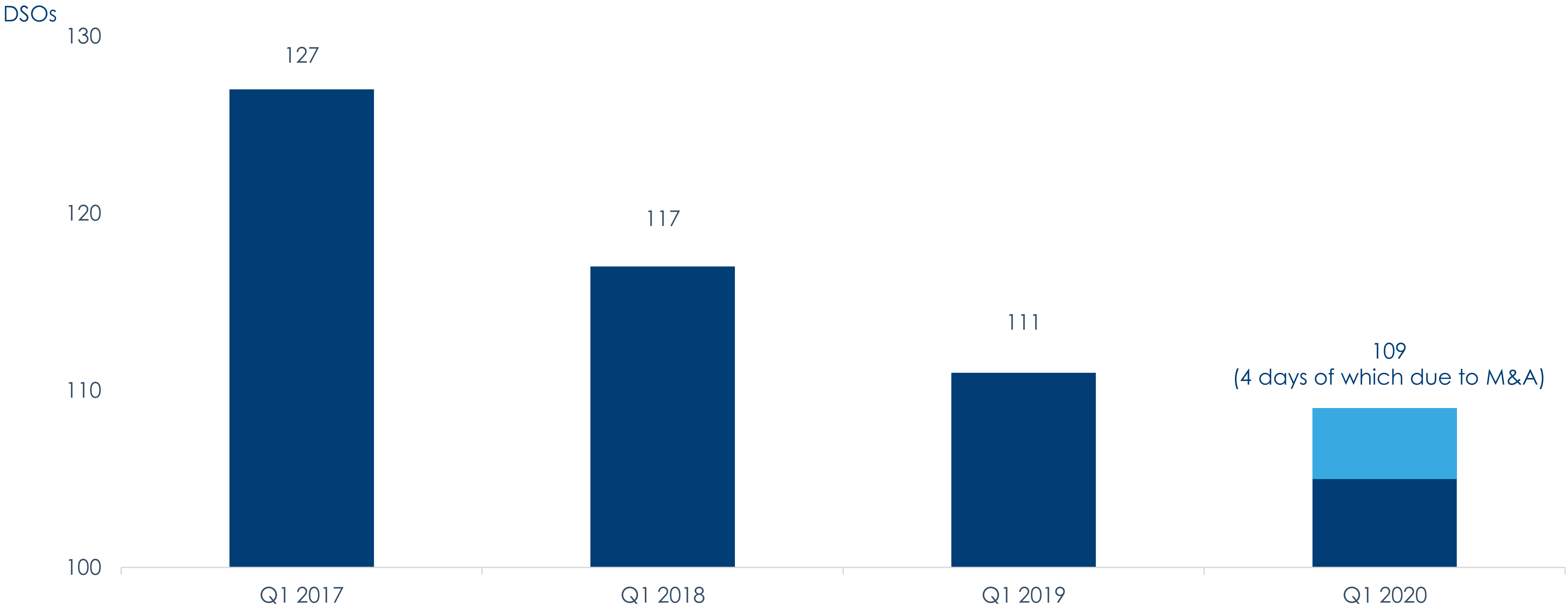


Flexible cost base will limit impact on profit for FY 20

Non-IFRS income statement – non-operating

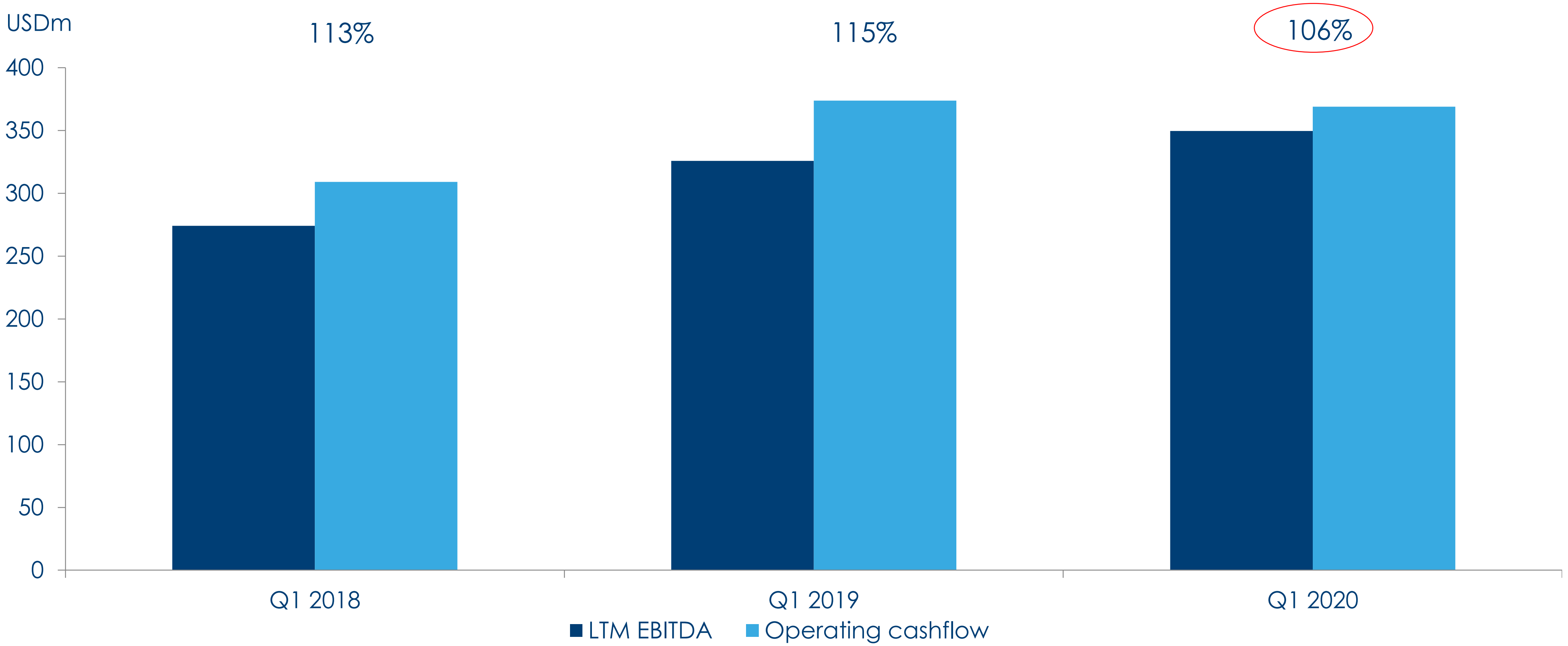
In USDm, except EPS	Q1 20	Q1 19	Y-o-Y	LTM 20	LTM 19	Y-o-Y
EBIT	**39.4**	**49.5**	**(20%)**	**307.9**	**276.3**	**11%**
Net finance charge	(7.2)	(4.3)	67%	(27.2)	(16.5)	65%
FX gain / (loss)	1.1	(0.7)	N.A.	4.1	(2.2)	N.A.
Tax	(4.6)	(7.0)	(34%)	(38.5)	(35.4)	9%
Net profit	**28.6**	**37.4**	**(23%)**	**246.3**	**222.2**	**11%**
EPS (USD)	**0.39**	**0.52**	**(25%)**	**3.37**	**3.08**	**9%**

DSOs continue to decline



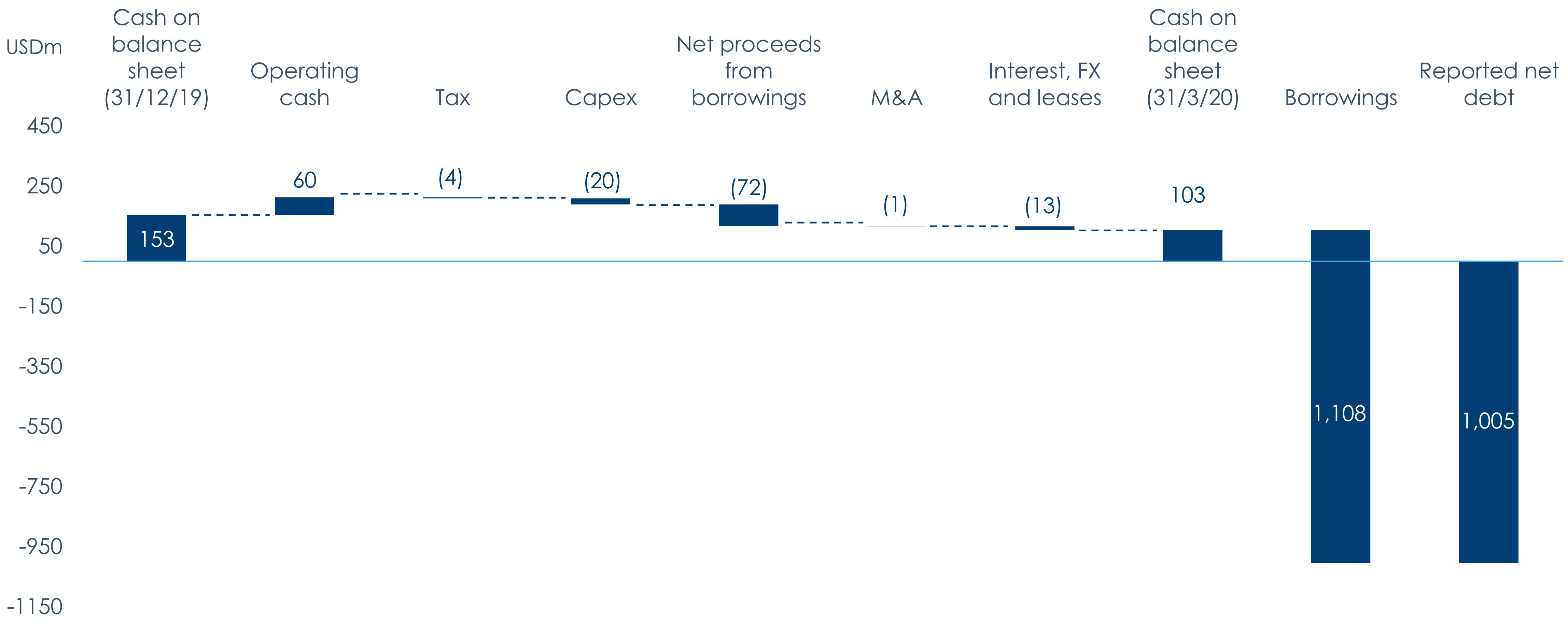
We expect DSOs to be around 110 day at the end of 2020

IFRS cash conversion



Cash conversion expected to be above 100% at year end 2020

Group liquidity



Leverage at 2.6x, expected to be around 2x by year end 2020

Revised 2020 non-IFRS guidance (c.c.)

- Total software licensing guidance withdrawn
- Total revenue guidance withdrawn
- SaaS ACV guidance withdrawn
- New guidance on recurring revenue (SaaS + Maintenance) growth
- Revised guidance for EBIT, tax and leverage
- Cash conversion and DSOs guidance maintained
- Our revised outlook is based on the assumption that the recessionary crisis due to COVID-19 will have the largest impact in Q2 2020 with gradual improvement in our end market environment in H2 2020 as banks adapt to the crisis and lockdowns are gradually relaxed

	FY 20 guidance	FY 19 base
Recurring revenue (SaaS + Maintenance, %)	At least 13% growth	419
EBIT (USDm)	At least 7% growth	318
Cash conversion	100%+ conversion of EBITDA into operating cash flow DSOs around 110 days by year end	100%
Tax rate	Expected FY 2020 tax rate of 14% to 15%	
Leverage	Net leverage of c.2x by year end	2.6x

- Currency assumptions on slide 27
- See slide 41 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
Tax rate	c. 20%
Cash conversion	100%+ of EBITDA p.a.

	Medium-term targets
DSOs	90 days
EBIT Margin	36%+
Tax rate	18-20%

Summary

Max Chuard, CEO

TCF 2020 online, 29-30 April

- 2-day virtual event
- Product announcements and software demonstrations by Temenos experts
- Mix of streamed content and on-demand sessions
- Register to attend with this link: TCF Online

Conclusion

- Impact from COVID-19 on new license sales in last month of the quarter
- Deals that did not sign in Q1 are being delayed, not cancelled
- Structural drivers of digital, regulation, cost pressures and move to open banking are intact and likely to accelerate post-crisis
- Recurring revenue growth driving cash and profit visibility
- Flexible cost base enables profit protection
- Confident in ability to grow recurring revenue, generate cash and protect profit for FY 2020
- Continue to invest, in particular in R&D, to extent product advantage

Resilient business model with structural drivers intact

Appendix

FX assumptions underlying 2020 guidance

In preparing the 2020 guidance, the Company has assumed the following FX rates:

- EUR to USD exchange rate of 1.08
- GBP to USD exchange rate of 1.20; and
- USD to CHF exchange rate of 0.98

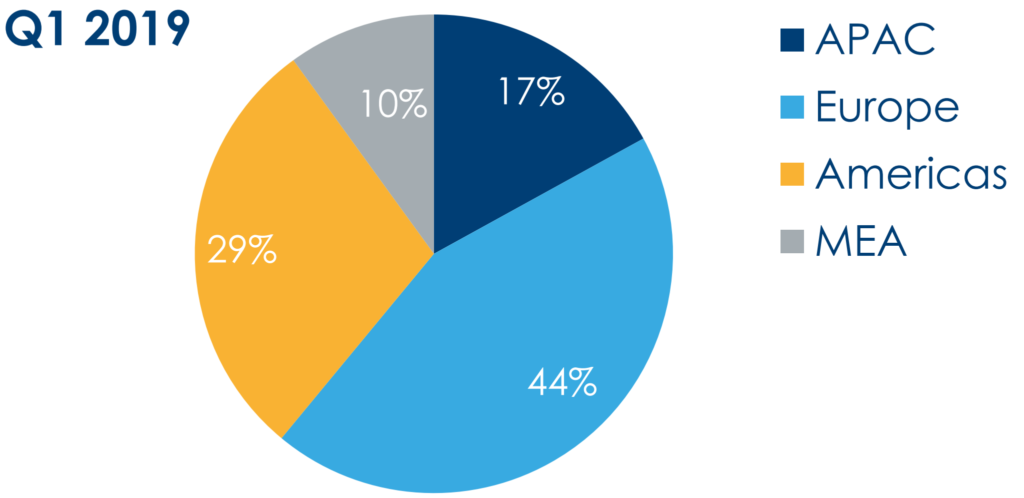
FX exposure

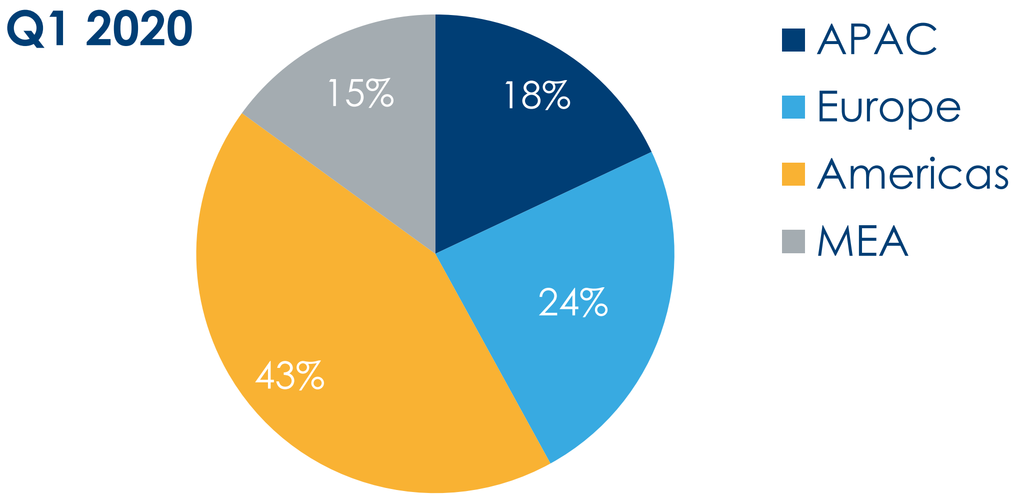
% of total	USD	EUR	GBP	CHF	Other
Total software licensing	59%	25%	3%	3%	10%
Maintenance	71%	20%	2%	2%	5%
Services	53%	29%	3%	1%	13%
Revenues	**62%**	**24%**	**3%**	**2%**	**9%**
Non-IFRS costs	**29%**	**14%**	**13%**	**8%**	**36%**
Non-IFRS EBIT	**130%**	**43%**	**(20)%**	**(9)%**	**(46)%**

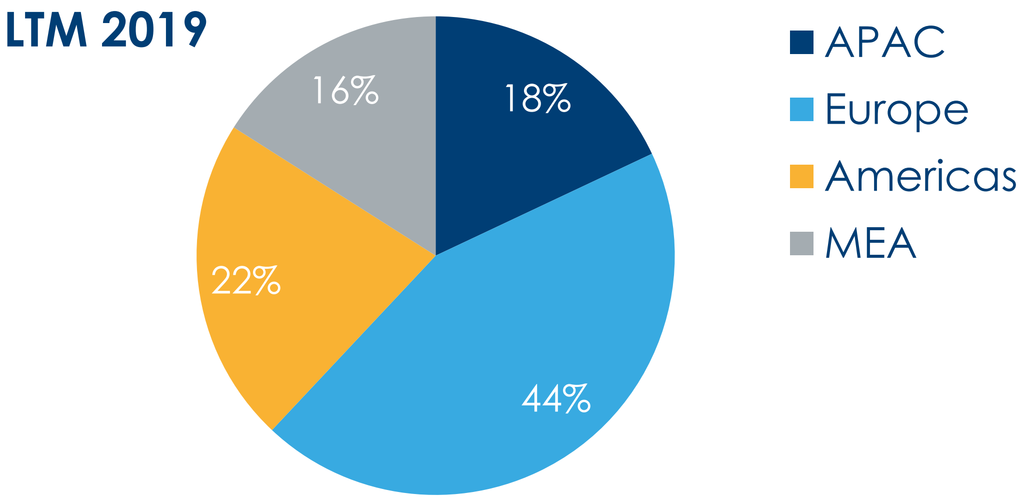
NB. All % are approximations based on 2019 actuals

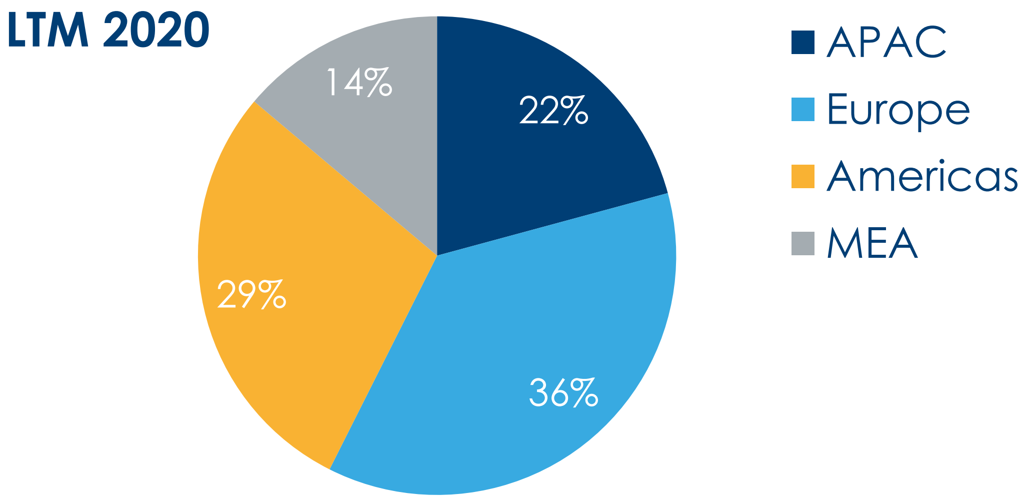
Mitigated FX exposure – matching of revenues / costs and hedging

Total software licensing revenue breakdown by geography





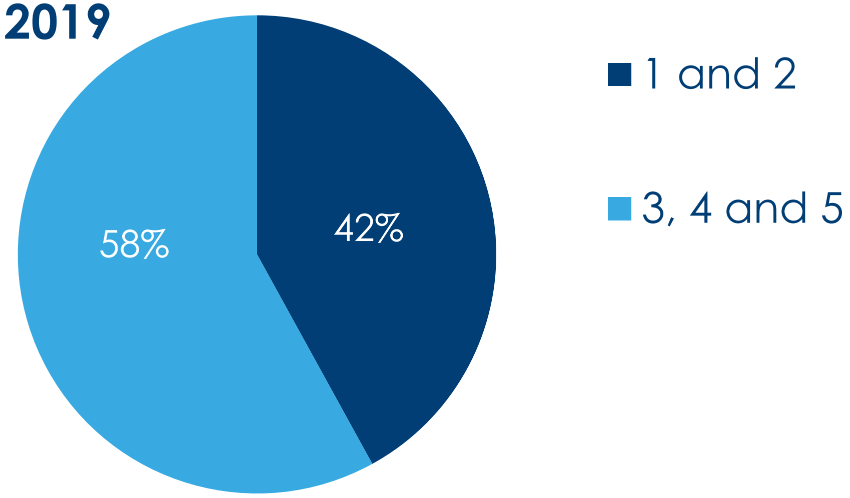




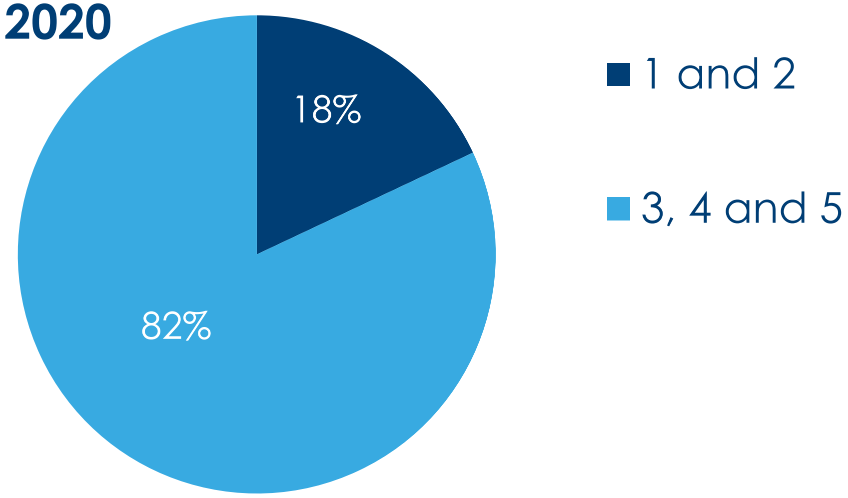
Note: Q1-20 geographic breakdown adjusted for reallocation between Asia and Europe

Total software licensing revenue breakdown by customer tier

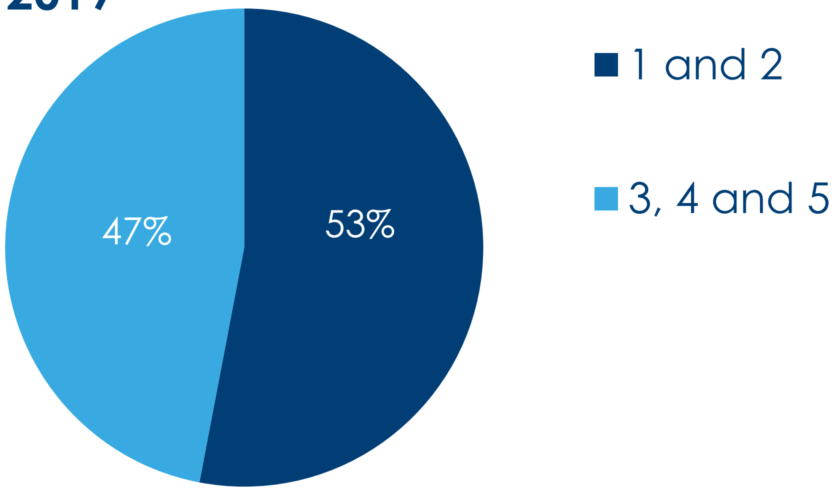
Q1 2019



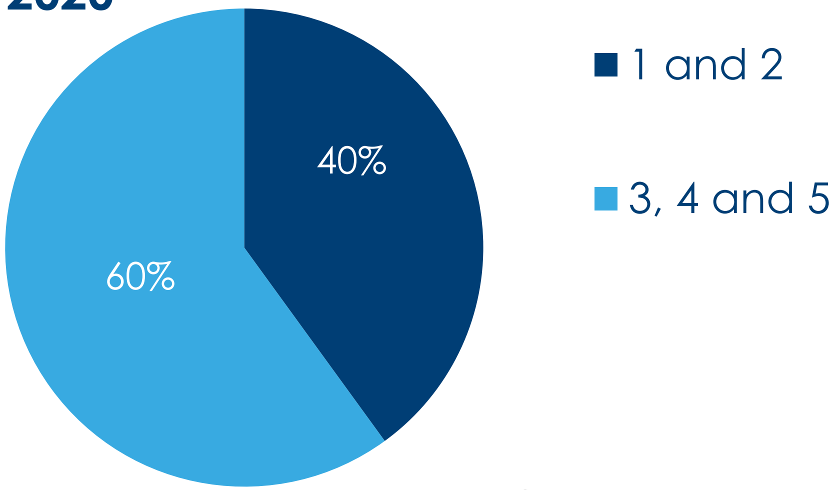
Q1 2020



LTM 2019

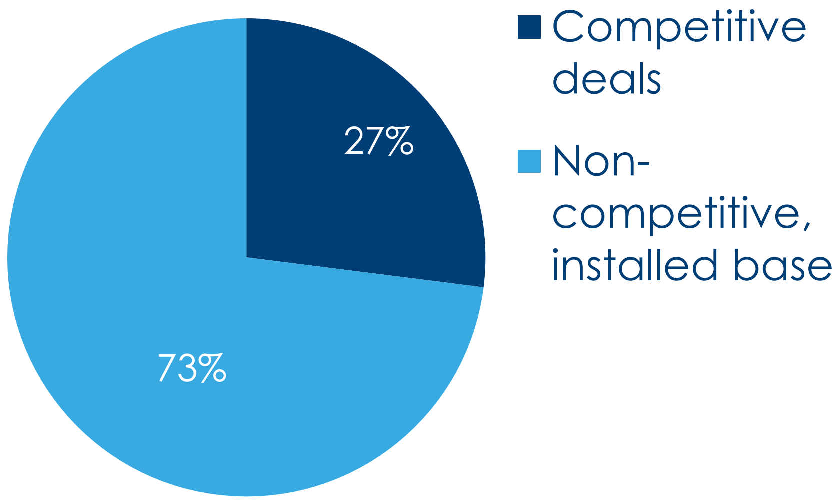


LTM 2020

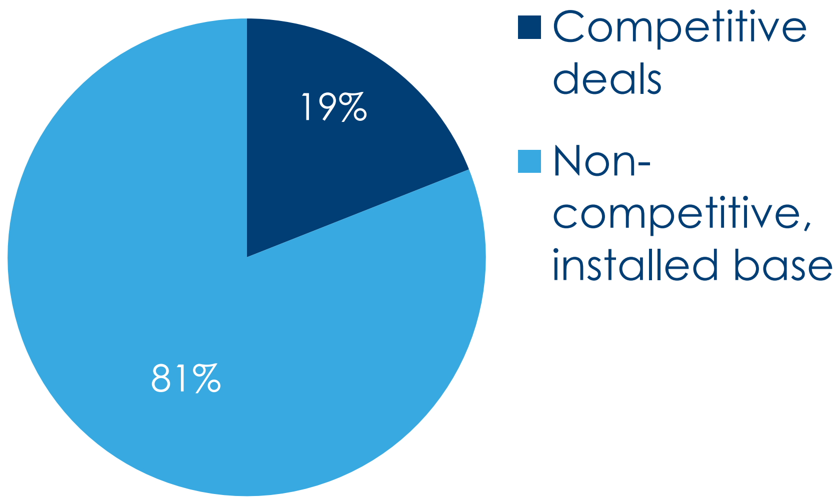


Software licensing revenue breakdown by competitive deals / non-competitive, installed base

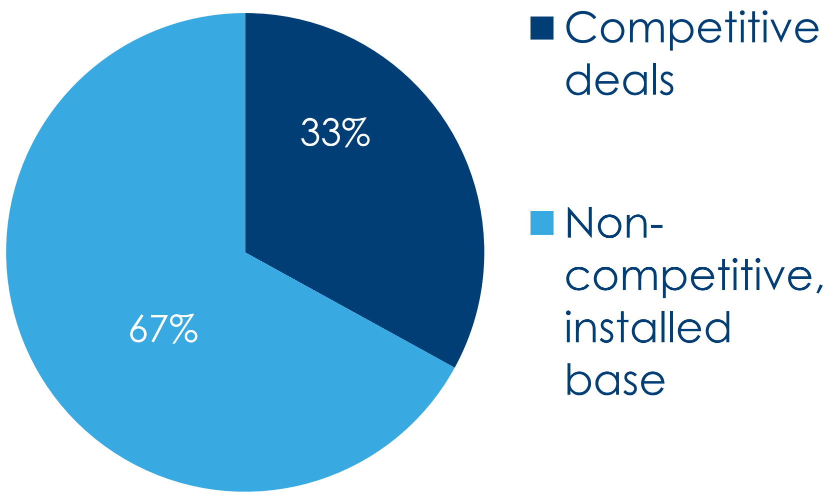
Q1 2019



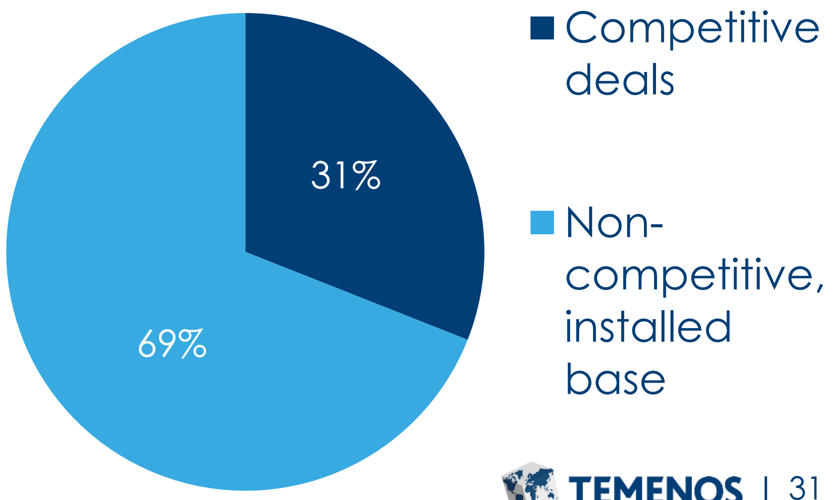
Q1 2020



LTM 2019

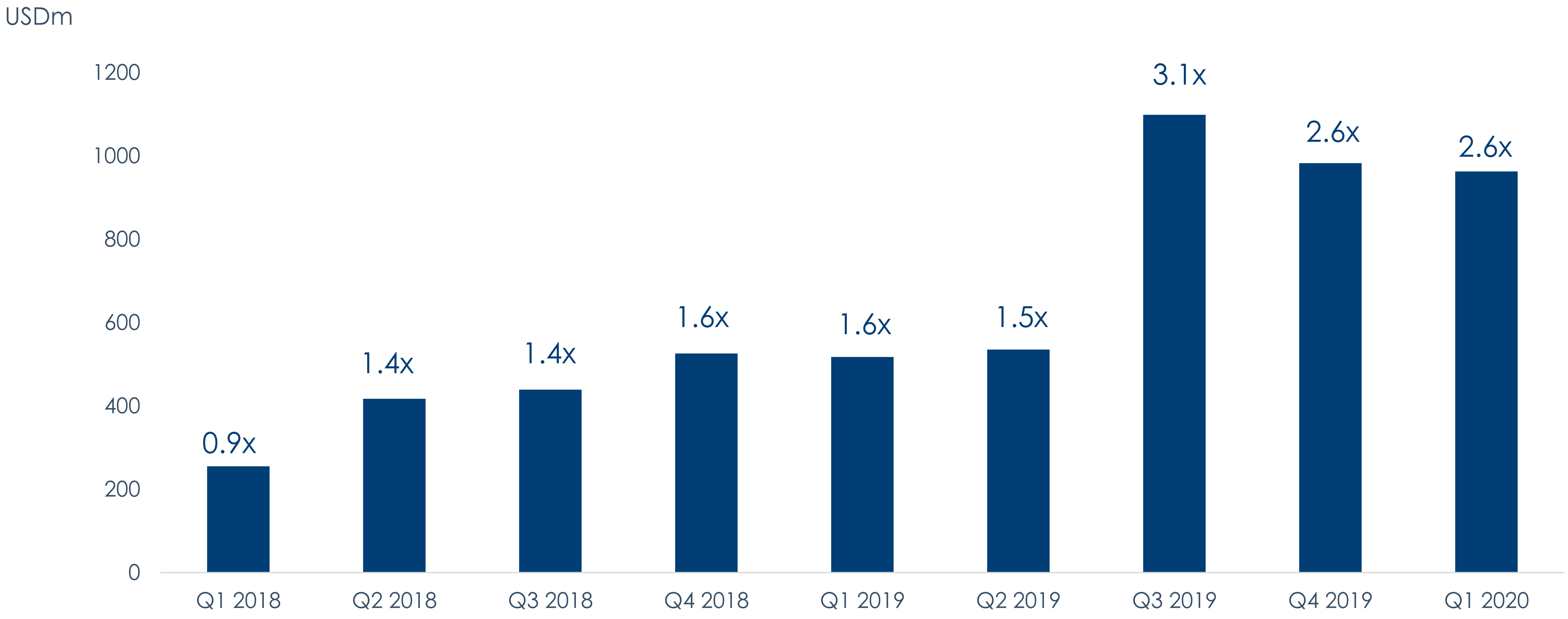


LTM 2020



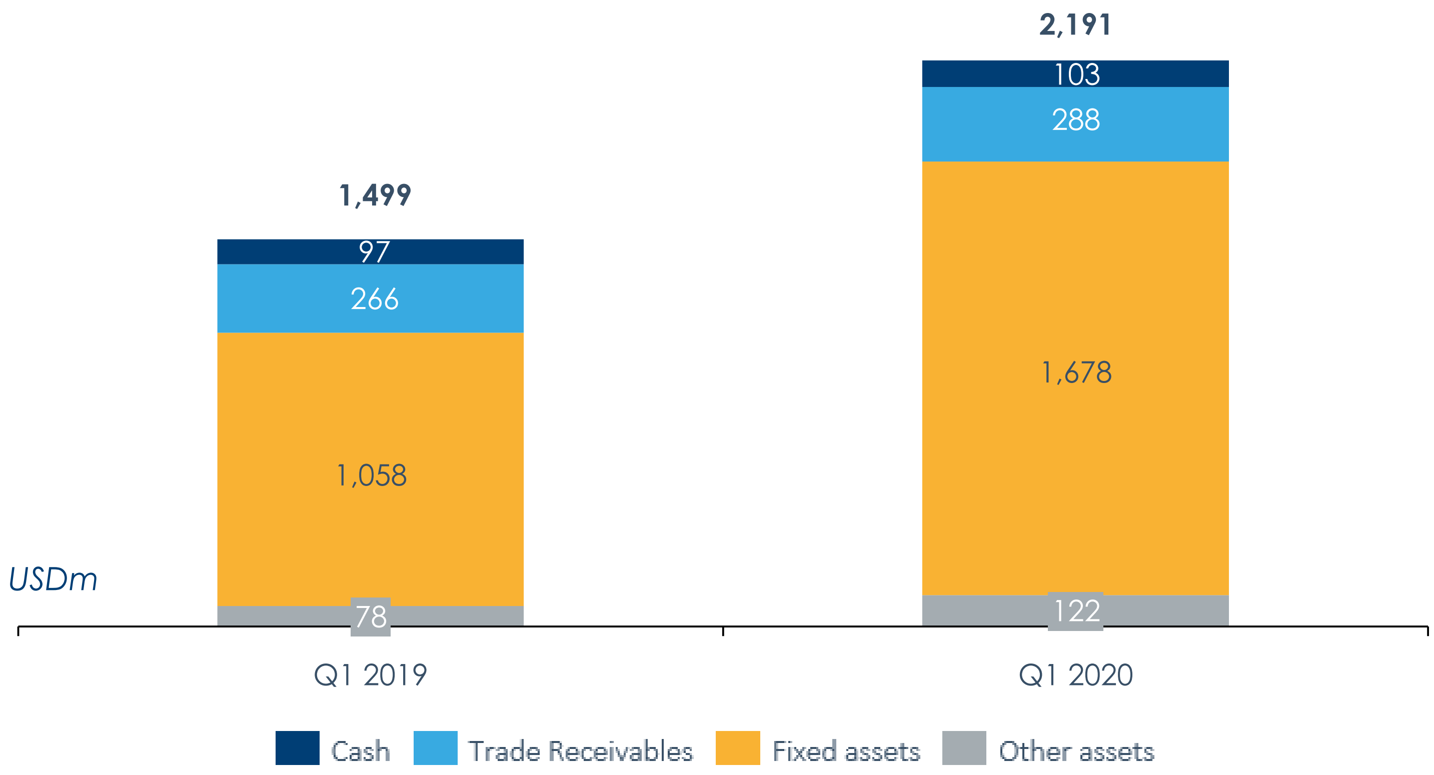
Balance sheet – debt and leverage

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*

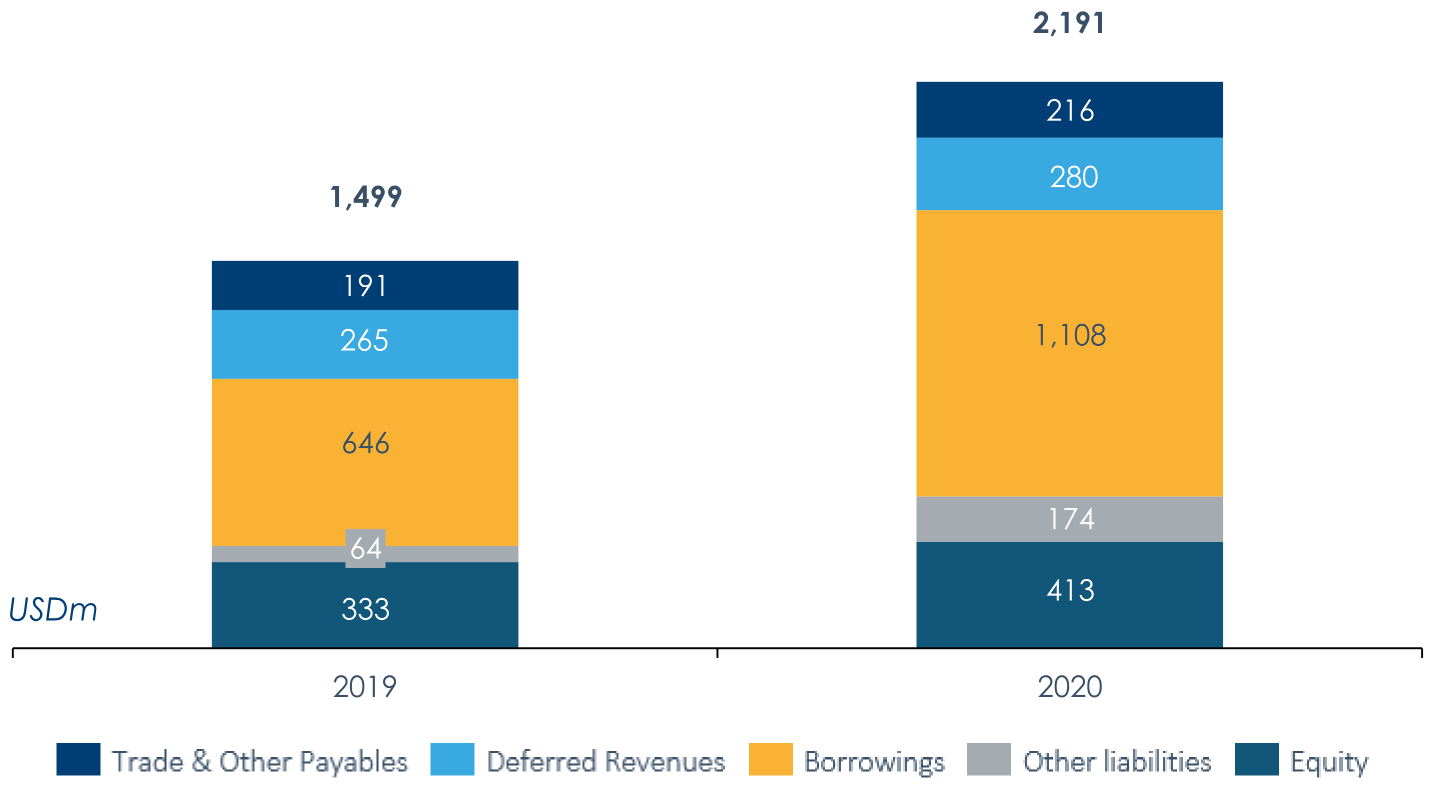
Q1-20 v Q1-19 assets



Comments:

- Fixed assets up $620m driven by acquisitions
- Other assets up $44m driven primarily by Kony earn-out and investments (convertible loan)

Q1-20 v Q1-19 liabilities and equity



Comments:

- Trade and Other payables increase mainly driven by Kony $34m
- Borrowings increase of c.$500m, including issuance of bond funding acquisitions
- Other Liabilities driven by Kony deferred tax liabilities
- Equity change driven mostly by LTM profit and dividend pay-out

Capitalization of development costs

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)	(21.0)	**(64.6)**
Amortisation	11.7	12.0	12.2	13.7	**49.6**
Net cap' dev'	**(2.5)**	**(2.3)**	**(3.0)**	**(7.3)**	**(15.1)**

USDm	Q1 20	Q2 20	Q3 20	Q4 20	FY 20
Cap' dev' costs	(17.7)				
Amortisation	12.9				
Net cap' dev'	**(4.8)**				

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 2020 non-IFRS guidance:

- FY 2020 estimated deferred revenue write down of USD 13m
- FY 2020 estimated amortisation of acquired intangibles of USD 65-70m
- FY 2020 estimated restructuring costs of USD 10m

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 14 April 2020. The above figures are estimates only and may deviate from expected amounts.

Reconciliation – IFRS to non-IFRS

In USDm, except EPS	3 Months Ending 31 March			3 Months Ending 31 March		
	2020		2020	2019		2019
	IFRS	Non-IFRS adj.	Non-IFRS	IFRS	Non-IFRS adj.	Non-IFRS
Software Licensing	33.6		33.6	63.2		63.2
SaaS and subscription	18.4	4.2	22.7	11.9	1.1	13.0
Total Software Licensing	**52.0**	**4.2**	**56.2**	**75.1**	**1.1**	**76.2**
Maintenance	94.1		94.1	84.7	-	84.7
Services	43.3		43.3	43.9	-	43.9
Total Revenue	**189.4**	**4.2**	**193.7**	**203.8**	**1.1**	**204.9**
Total Operating Costs	**(178.7)**	**24.4**	**(154.2)**	**(169.1)**	**13.7**	**(155.4)**
Restructuring/acq. costs	(6.9)	6.9	-	(1.3)	1.3	-
Amort of Acq'd Intang.	(17.6)	17.6	-	(12.4)	12.4	-
Operating Profit	**10.8**	**28.7**	**39.4**	**34.7**	**14.8**	**49.5**
Operating Margin	**6%**		**20%**	**17%**		**24%**
Financing Costs	(6.2)	0.0	(6.2)	(5.0)	-	(5.0)
Taxation	(1.6)	(3.1)	(4.6)	(5.1)	(2.0)	(7.0)
Net Earnings	3.0	25.6	28.6	24.6	12.8	37.4
EPS (USD per Share)	**0.04**	**0.35**	**0.39**	**0.34**	**0.18**	**0.52**

Net earnings reconciliation

In USDm, except EPS	Q1 20	Q1 19
IFRS net earnings	**3.0**	**24.6**
Deferred revenue write down	4.2	1.1
Amortisation of acquired intangibles	17.6	12.4
Restructuring	6.9	1.0
Acquisition related costs	-	0.3
Taxation	-3.1	-2.0
Net earnings for non-IFRS EPS	**28.6**	**37.4**
No. of dilutive shares	73.5	72.4
Non-IFRS diluted EPS (USD)	**0.39**	**0.52**

Reconciliation from IFRS to non-IFRS for EBIT and EBITDA

USDm	Q1 20 EBIT	Q1 20 EBITDA
IFRS	**10.8**	**48.5**
Deferred revenue write-down	4.2	4.2
Amortisation of acquired intangibles	17.6	-
Restructuring	6.9	6.9
Acquisition-related charges	-	-
Non-IFRS	**39.4**	**59.6**

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

SaaS - Financial metrics definitions

Annual Contract Value (ACV)	Annual value of incremental business taken in-year. Includes New Customers, up-sell/cross-sell. Only includes the recurring element of the contract and exclude variable elements.
Total Contract Value (TCV)	Total value of incremental business taken in-year (Bookings). Includes New Customers, up-sell/cross-sell. Only includes the recurring element of the contract and exclude variable elements.
Annual Recurring Revenue (ARR)	Annualized value of revenues booked in a period: Recurring revenue recognized in a month * 12.
Software-as-a-Service Revenue (SaaS)	Software-as-a-Service revenues booked in a period
ACV bookings equivalent	License component of SaaS contracts includes estimated value of license revenue over the life of the SaaS contract, excluding infrastructure, services and maintenance revenue components. ACV x average duration of contract / license equivalent factor

Thank You

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