TEMENOS

THE BANKING SOFTWARE COMPANY

Financial results & business update

Quarter ended 30 June 2020

15 July 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 15 July 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 15 July 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

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Q2 highlights

Q2 2020

- Strong growth in recurring revenue of 17%
  - SaaS growth of 62%
  - SaaS ACV up 21%
  - Maintenance growth of 10%
- Total software licensing down 22% in Q2 vs. 26% in Q1
- Strong operating cash flow up 21%
- EBIT down 7%
- Re-confirming FY 20 guidance

Recognised as a leader

FORRESTER

Only Global Power Seller in Forrester's Global Banking Platform Deals Survey 2020

Reconfirmed as Top Global Player for 8th consecutive year

IBS intelligence

#1 best selling Core Banking system;
#1 best selling Digital Banking and Channels system;
and #1 best selling Retail Payments system
in the IBS Intelligence Sales League Table 2020

Strong growth in recurring revenue, reconfirming full year guidance

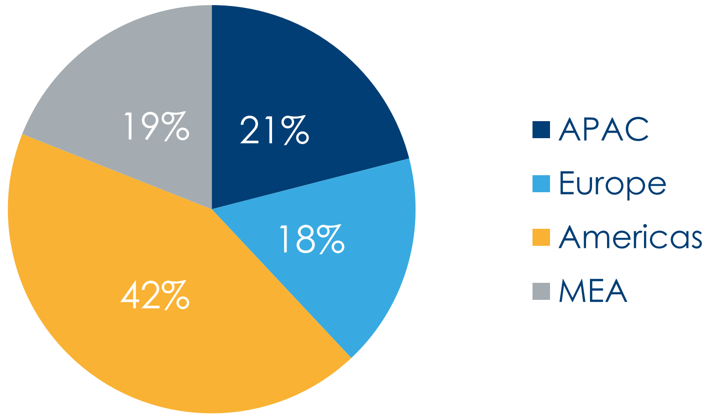
*Revenue, ACV and EBIT figures are non-IFRS c.c. growth rates

Q2 2020 sales review

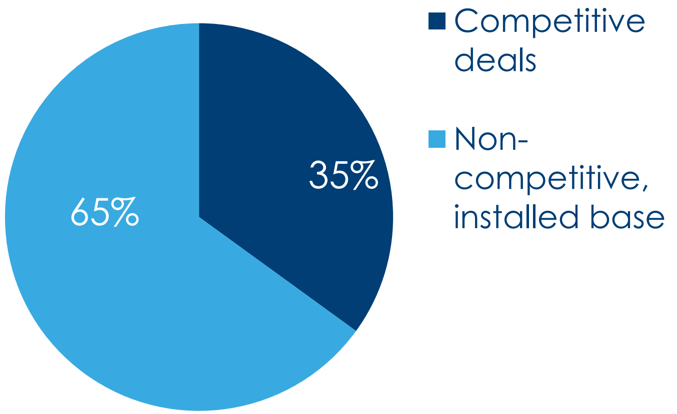
- Q2 sales continued to be impacted by Covid-19
- Many banks remain focused on business continuity; limited visibility on when implementations could start also a continued cause of delay
- Increase in sales activity leading to double-digit growth in new pipeline opportunities year-on-year
- Positive momentum in MEA and North America, which also benefited from HCL partnership
- Travel restrictions impacted the sales force’s ability to close deals in particular in Europe
- Around one third of deals delayed from Q1 signed in Q2 as some banks moved their focus from business continuity to digital transformations
- Deals that did not sign in Q1 and Q2 continue to be delayed, not cancelled
- Key tier 1 wins across Japan and Australia, and first SaaS signing in MEA
- SaaS growth remained strong
- 12 new client wins in Q2 across products

Q2 2020 total software licensing

Geographic split



Competitive / installed base

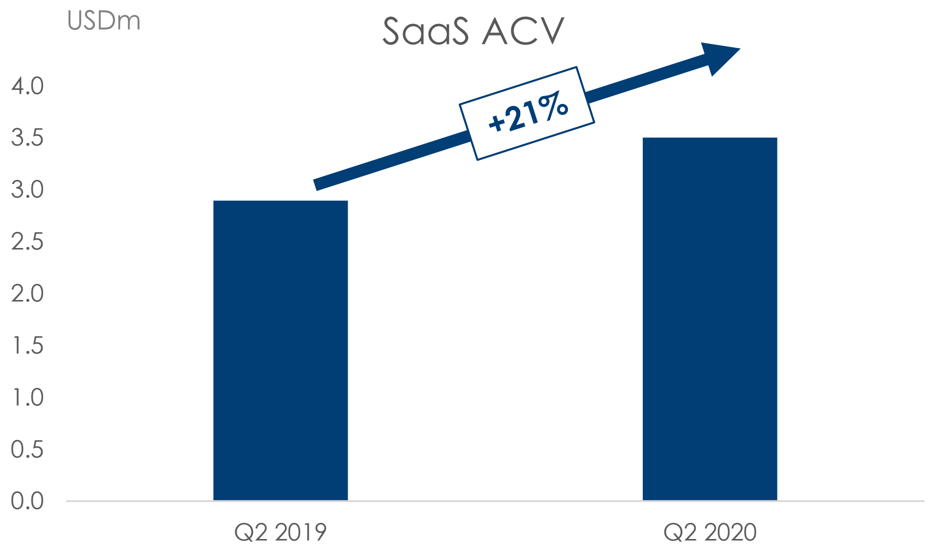


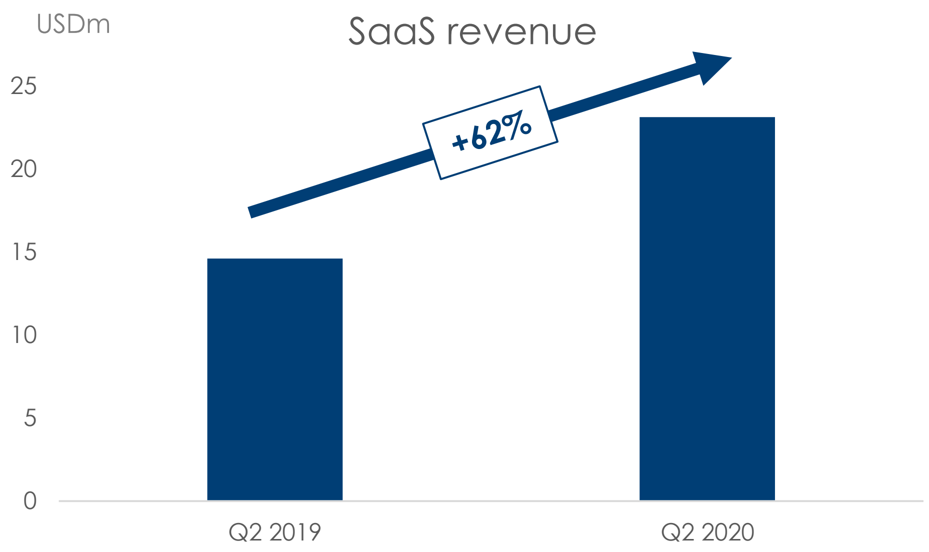
Partnership with HCL signed in Q2 for non-banking services

- Temenos and HCL signed a 7 year exclusive strategic agreement for non-banking services
- The agreement grants HCL a license to develop, market and support Temenos Quantum for non-banking services only
- Temenos Quantum is the market leading multiexperience development platform (MXDP), and is the technology foundation for Temenos Infinity, the most advanced omnichannel digital banking product (note the agreement does not include Temenos Infinity)
- Temenos will continue its R&D investment in Temenos Quantum and will support and service existing non-banking services clients that are currently contracted with Temenos
- The agreement provides Temenos with further enhanced visibility on profitability and cash flow
- The agreement has a positive impact on total software licensing and non-IFRS EBIT and is on average 1-2% accretive to non-IFRS EPS p.a. for the duration of the exclusivity

Sustained momentum in SaaS and cloud

- Continued growth in demand for SaaS with SaaS ACV up 21% in Q2 and 60% in H1
- Signings across all regions globally
- SaaS expected to continue growing organically in FY 20 despite the current crisis
- Increased interest in SaaS and cloud as 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

Q2 2020 operational overview

- 28 implementation go-lives in Q2 2020, vs. 22 in Q2 2019
- ‘Remote first’ implementation methodology announced at the Temenos Community Forum being rapidly adopted by both new and existing clients
- Significant majority of projects have now moved to remote implementation as banks adapt to the ‘new normal’
- Increased use of cloud a key mitigating factor in keeping implementations progressing
- Services margin continues to improve, benefiting from efficiency gains of remote implementation

TCF online with Covid-19 specific product developments

- Rapidly adapted TCF to a two day virtual event, showcasing innovation and allow clients to engage directly with our experts
- Over 4,500 individuals attended sessions over the two days, driving solid new lead generation
- We announced a number of specific cloud-based SaaS solutions at TCF online to address our clients' business needs in the crisis. The initiatives include:
  - **Enhancing customer digital interactions** with Infinity Engage
  - **Helping banks give financial relief to customers** with fast loan applications using Explainable AI
  - **US Paycheck Protection Programme (PPP),** helping US institutions to rapidly process loan applications
  - **Temenos Financial Crime Mitigation SaaS solution** enabling clients to adapt to new threats
  - **Temenos Continuous Deployment** to enable rapid launch and adaption of products to respond to Covid-19
  - **Providing free access to Temenos Learning Community,** our on-line training platform, for bank employees during lockdown

The world's best selling banking software vendor

IBSintelligence

#1

Best-selling Core Banking for **15 years**

#1

Best-selling Digital Banking & Channels

#1

Best-selling Retail Payments System

#1

Best-selling Compliance & Risk Mgmt.

FORRESTER®

New-name clients:
A top global power seller for the 14th consecutive year with 78 new named deals*

New and existing clients:
A top global player for the 8th 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

*Source: IBS Sales League Table, June 2020, *Results From Forrester's Global Banking Platform Deals Survey 2020*
Forrester, June 2020

Looking forward

- Technology-enabled banks running on modern digital platforms have adapted to the crisis – easily moving to remote working, rapidly launching new products and servicing clients through sophisticated digital channels
- Banks running on legacy technology have struggled; the crisis will accelerate demand as banks realise the need for modern core banking platforms and best-in-class digital channels
- The crisis will also accelerate use of digital channels and decline in use of cash in the medium term, as well as accelerating the adoption of SaaS and cloud
- Minimal impact on our clients, Temenos able to maintain R&D productivity and implement remotely
- Gradual improvement expected in Q3 and Q4 2020; strong levels of sales activity, delayed deals expected to sign as banks re-focus on digital transformation
- Confidence in long term sustainable growth targets once new normal has been reached

Crisis expected to accelerated structural drivers

Financial update

Takis Spiliopoulos, CFO

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Q2 2020 non-IFRS financial highlights

Revenue and profit

- Total software licensing down 22%
- Maintenance growth of 10%
- Total revenue down 8%
- EBIT down 7%
- Q2 EBIT margin of 31.2% up 16bps
- Q2 EPS of USD 0.70 (reported) down 13%

Cash flow and Balance Sheet

- Q2 operating cash flow of USD 94m, up 21%
- Q2 operating cash conversion of 115% of IFRS EBITDA
- DSOs at 107 days (105 days organic), down 2 days vs. Q1 2020, and 3 days vs. Q2 2019
- Leverage at 2.6x as of 30.6.20*

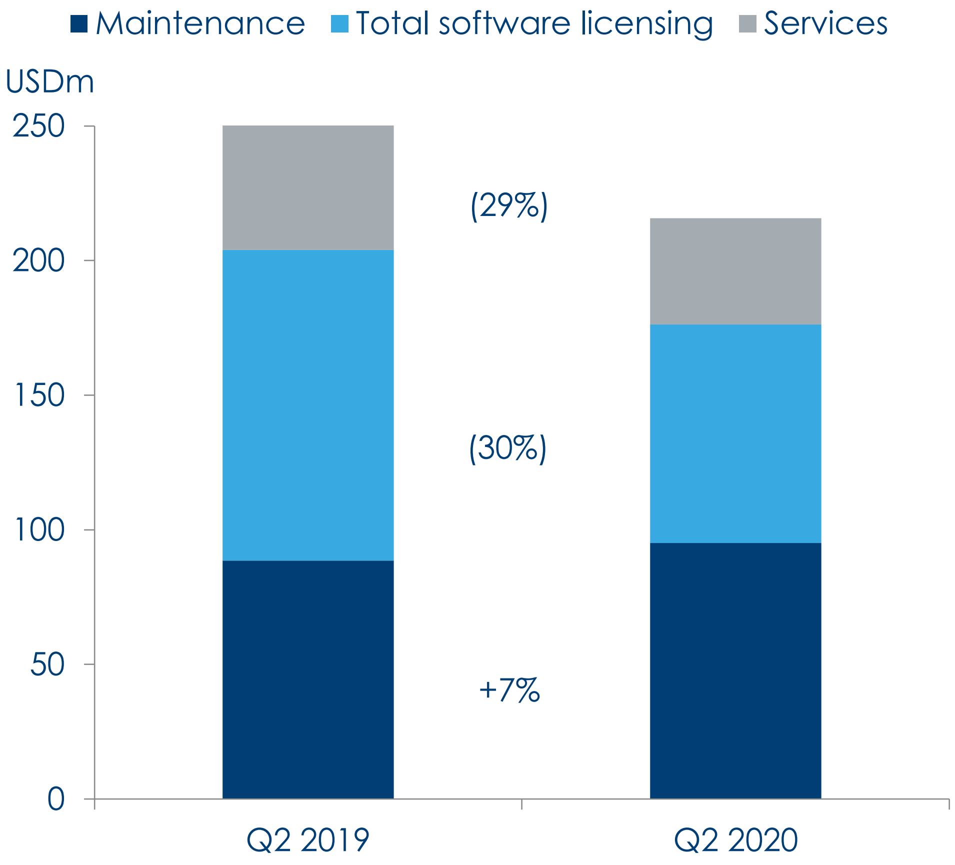
Note: figures are non-IFRS c.c. growth rates unless otherwise stated. IFRS EBITDA adjusted for Kony earn-out
** proforma non-IFRS EBITDA adjusted for lease expense now reported under depreciation and amortization under IFRS 16, net debt includes cross-currency swap and excludes leases reported as borrowings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

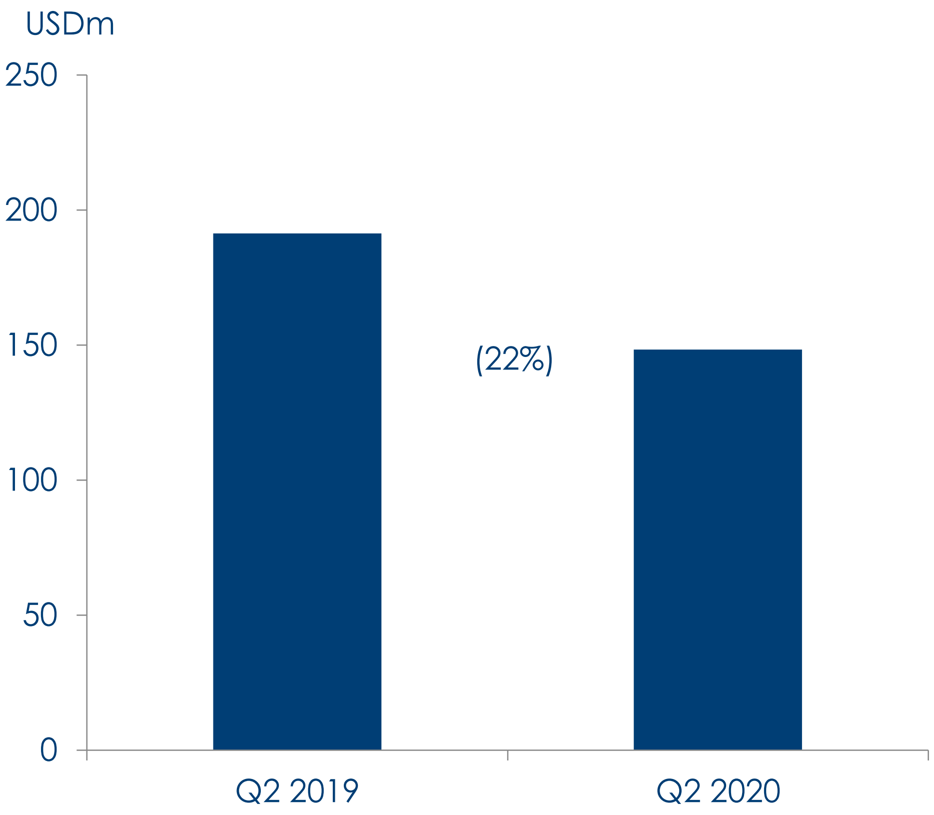
Non-IFRS income statement – operating

In USDm	Q2 20	Q2 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	58.1	92.6	(37%)	(36%)	314.3	359.7	(13%)	(10%)
SaaS and subscription	23.1	14.6	58%	62%	84.7	43.3	96%	105%
Total software licensing	**81.2**	**107.2**	**(24%)**	**(22%)**	**399.0**	**403.0**	**(1%)**	**2%**
Maintenance	95.1	86.9	10%	10%	375.3	332.4	13%	13%
Services	39.4	43.1	(8%)	(7%)	173.7	168.5	3%	6%
Total revenue	**215.7**	**237.1**	**(9%)**	**(8%)**	**948.0**	**903.9**	**5%**	**7%**
Operating costs	148.4	163.9	(9%)	(8%)	646.0	615.2	5%	8%
EBIT	**67.3**	**73.1**	**(8%)**	**(7%)**	**302.1**	**288.8**	**5%**	**6%**
Margin	31.2%	30.9%	0.4% pts	0.2% pts	31.9%	31.9%	(0.1%) pts	(0.3%) pts
EBITDA	**88.1**	**91.2**	**(3%)**	**(3%)**	**382.6**	**353.1**	**8%**	**10%**
Margin	40.8%	38.5%	2.3% pts		40.4%	39.1%	1.3% pts	
Services margin	11.9%	11.2%	0.7% pts		11.4%	11.8%	(0.4%) pts	

Like-for-like revenue and costs

- Q2 20 LFL non-IFRS revenues down 17%
- Q2 20 LFL non-IFRS costs down 22%



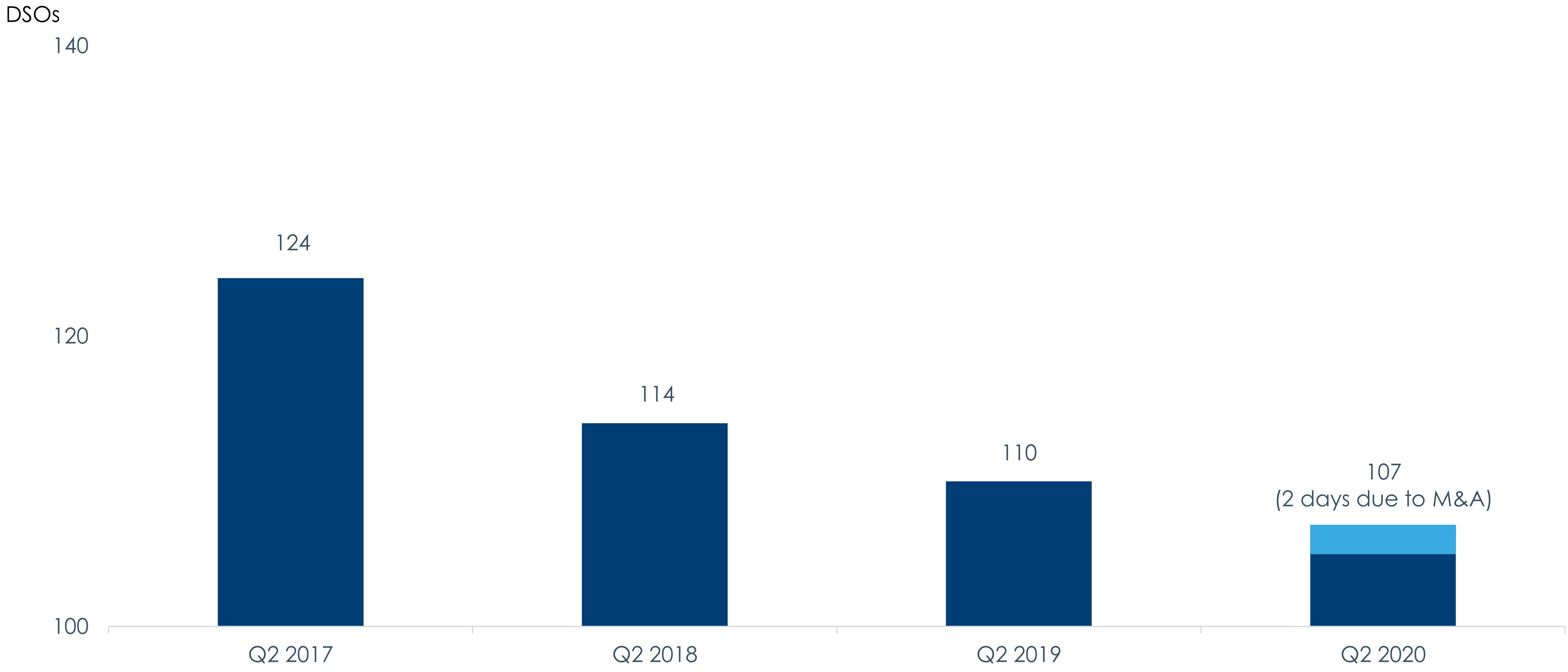


Cost base flexibility and tight cost control driving EBIT

Non-IFRS income statement – non-operating

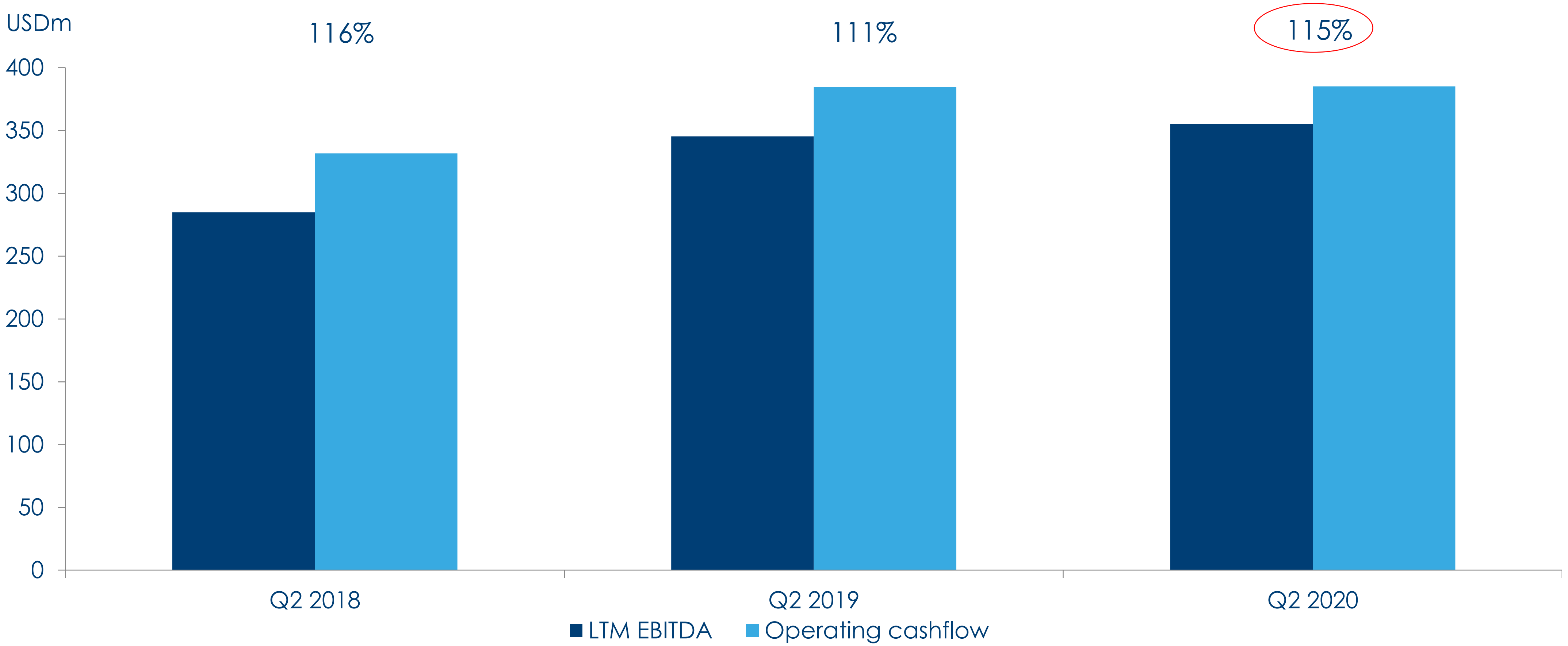
In USDm, except EPS	Q2 20	Q2 19	Y-o-Y	LTM 20	LTM 19	Y-o-Y
EBIT	**67.3**	**73.1**	**(8%)**	**302.1**	**288.8**	**5%**
Net finance charge	(8.0)	(4.9)	62%	(30.2)	(17.7)	71%
FX gain / (loss)	(0.4)	0.3	NA	3.4	(1.4)	NA
Tax	(8.0)	(10.0)	(20%)	(36.5)	(38.0)	(4%)
Net profit	**50.9**	**58.5**	**(13%)**	**238.7**	**231.7**	**3%**
EPS (USD)	**0.70**	**0.80**	**(13%)**	**3.26**	**3.20**	**2%**

DSOs continue to decline



DSOs expected to be around 110 day at the end of 2020

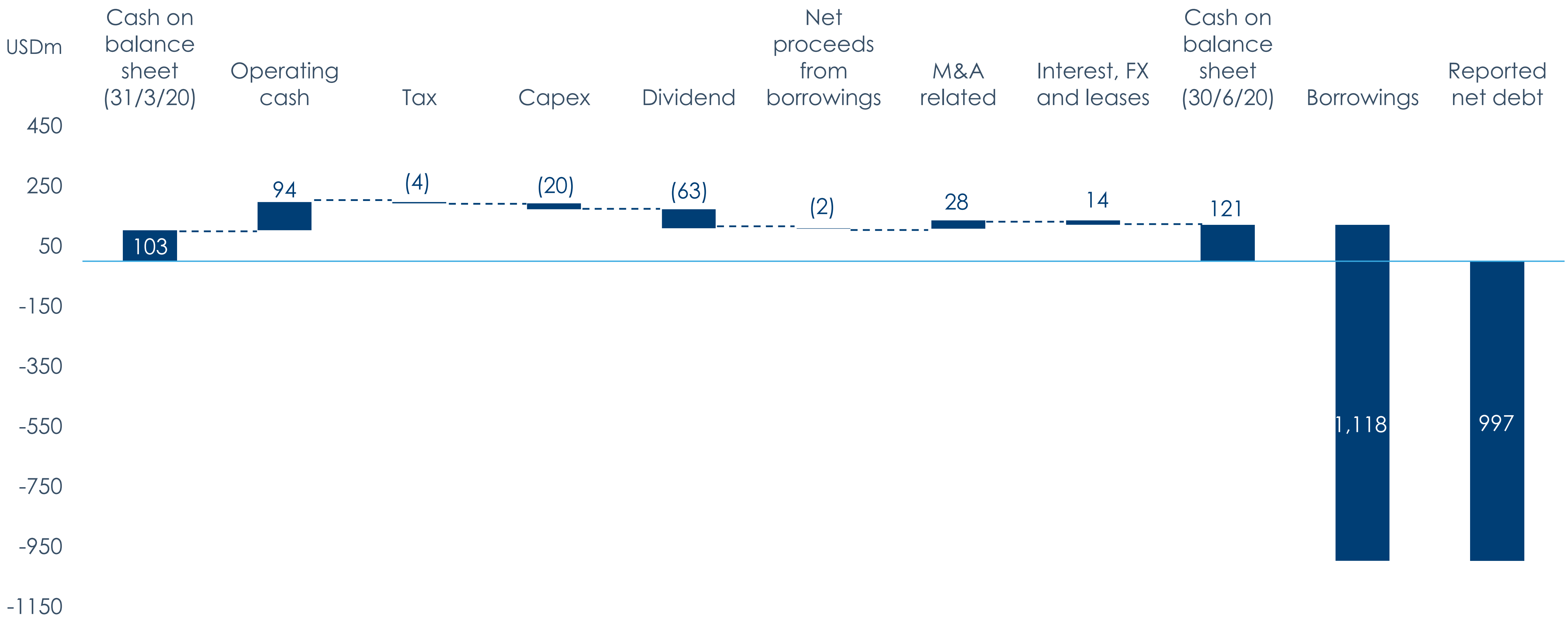
IFRS cash conversion



Cash conversion significantly above target of 100%

Note: IFRS EBITDA adjusted for Kony earn-out

Group liquidity



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

2020 non-IFRS guidance confirmed

The 2020 guidance is based on the assumption that the recessionary crisis due to COVID-19 had the largest impact in H1 2020, with continued gradual improvement in our end market environment in Q3 and Q4 2020 as banks adapt to the crisis and lockdowns are gradually relaxed. Our guidance for 2020 is in constant currencies.

	FY 20 guidance (c.c.)	FY 19 base
Recurring revenue (SaaS + Maintenance, %)	At least 13% growth	420
EBIT (USDm)	At least 7% growth	320
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 28
- 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
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

Conclusion

- Continued impact of Covid-19 on license signings in Q2
- Deals are being delayed, not cancelled – one third of delayed deals from Q1 signed in Q2
- Gradual improvement expected in Q3 and Q4 2020
- Recurring revenue growth, cost base flexibility and strong cost control driving cash generation, EBIT performance
- Structural drivers of digital, regulation, cost pressures and move to open banking are intact and likely to accelerate post-crisis, as well as adoption of SaaS and cloud
- Continue to invest, in particular in R&D, to extent product advantage

Gradual improvement expected in Q3 and Q4 2020

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 1.10
- GBP to USD exchange rate of 1.23; and
- USD to CHF exchange rate of 0.96

FX exposure

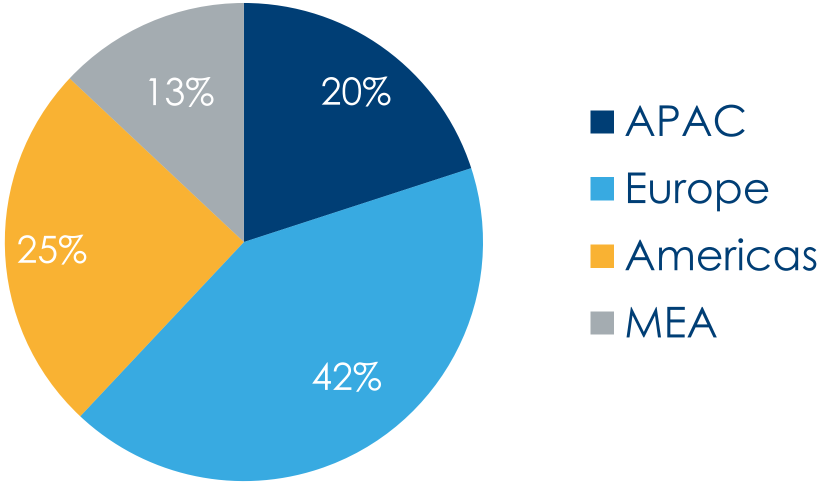
% of total	USD	EUR	GBP	CHF	Other
Total software licensing	59%	25%	3%	3%	10%
Maintenance	71%	20%	2%	2%	5%
Services	53%	29%	3%	1%	13%
Revenues	**62%**	**24%**	**3%**	**2%**	**9%**
Non-IFRS costs	**29%**	**14%**	**13%**	**8%**	**36%**
Non-IFRS EBIT	**131%**	**44%**	**(20)%**	**(9)%**	**(46)%**

NB. All % are approximations based on 2019 actuals

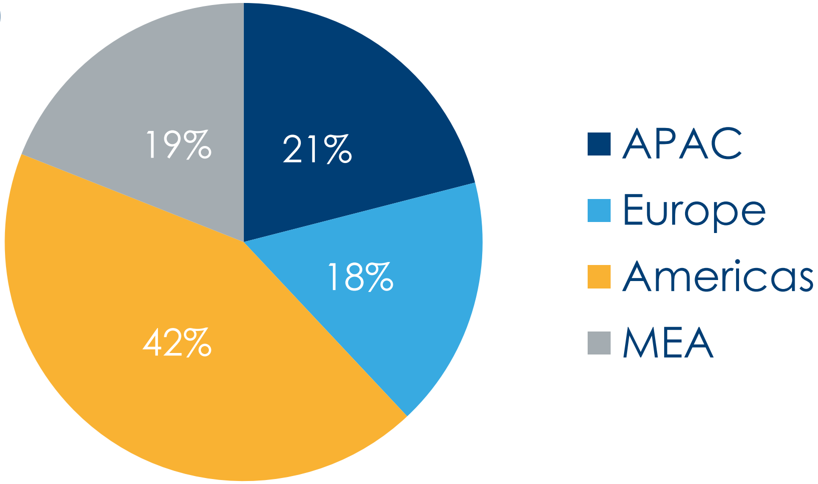
Mitigated FX exposure – matching of revenues / costs and hedging

Total software licensing revenue breakdown by geography

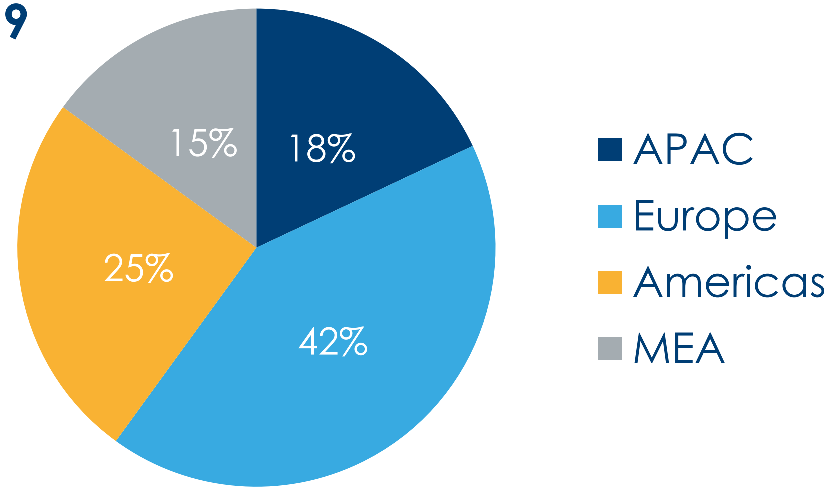
Q2 2019



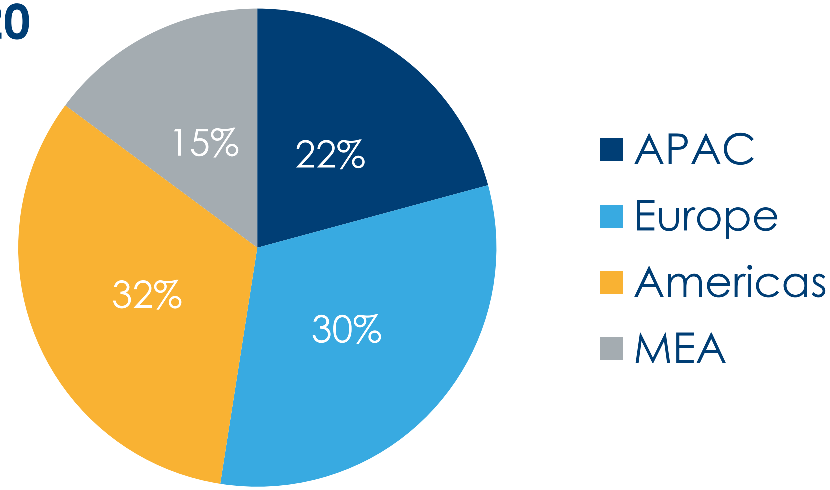
Q2 2020



LTM 2019



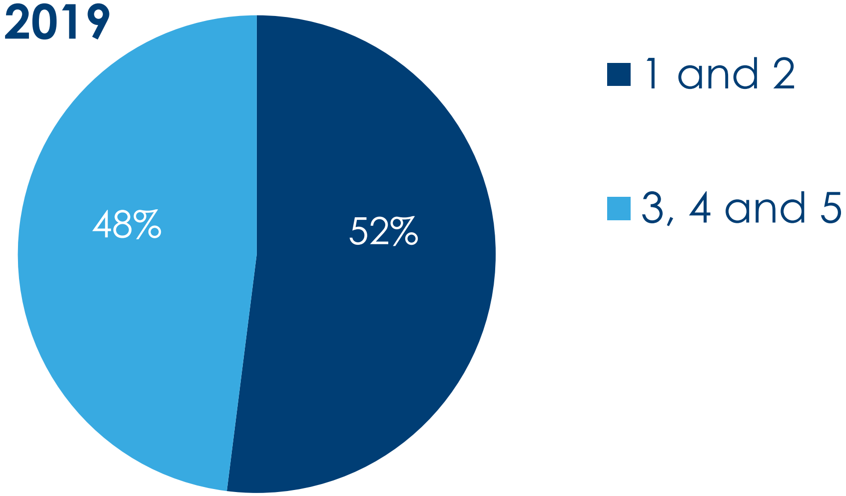
LTM 2020



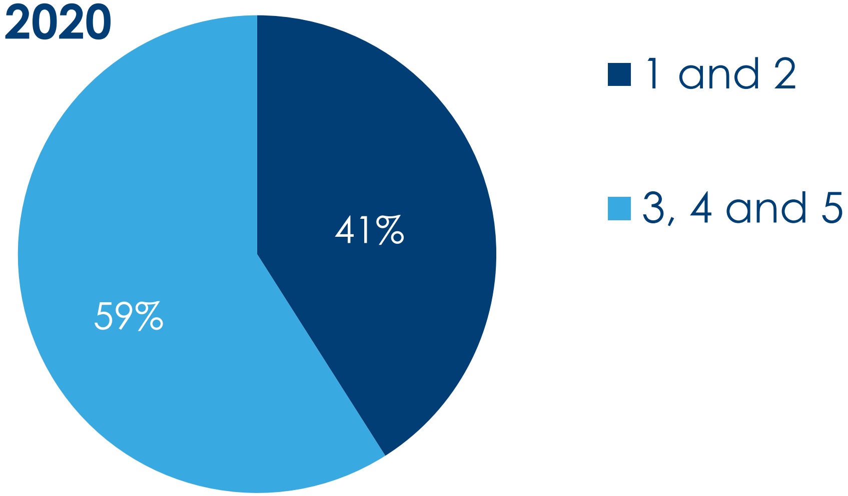
Note: Q1-20 geographic breakdown adjusted for reallocation between Asia and Europe

Total software licensing revenue breakdown by customer tier

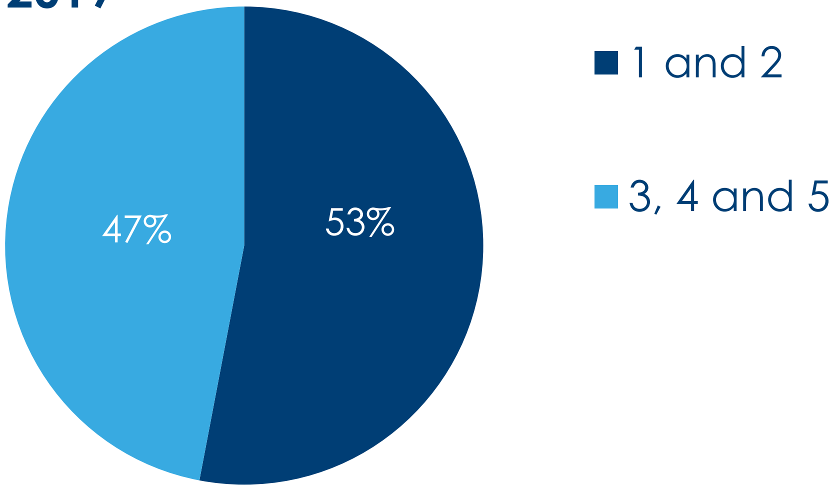
Q2 2019



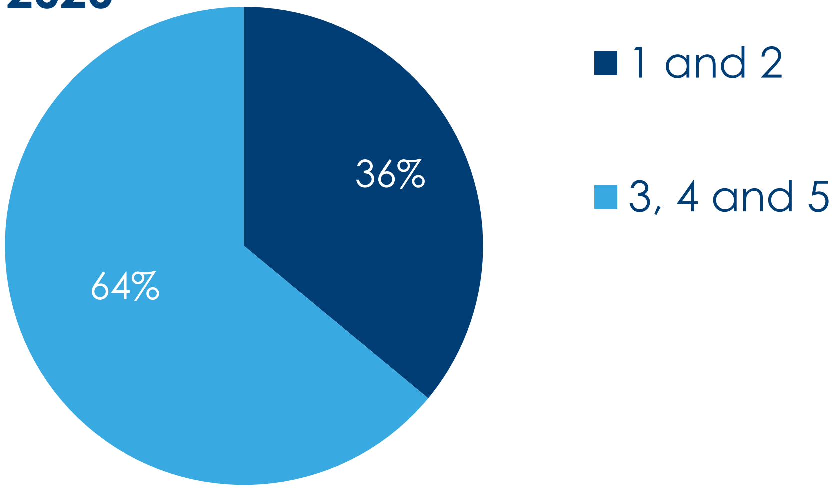
Q2 2020



LTM 2019

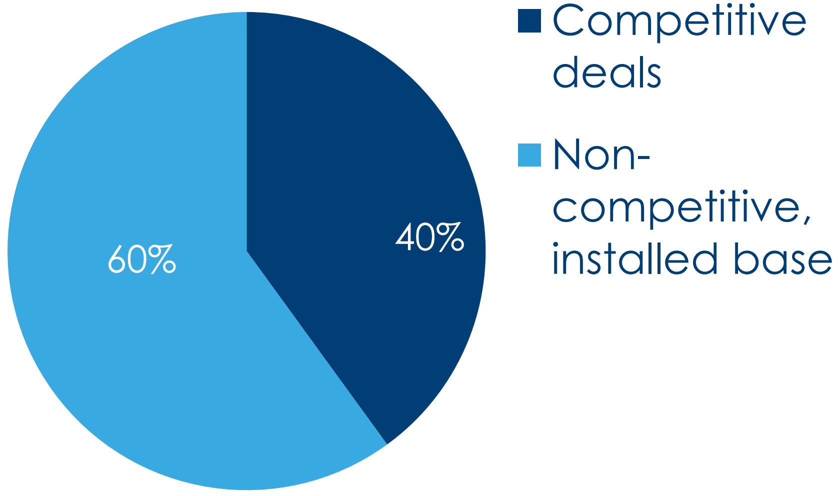


LTM 2020

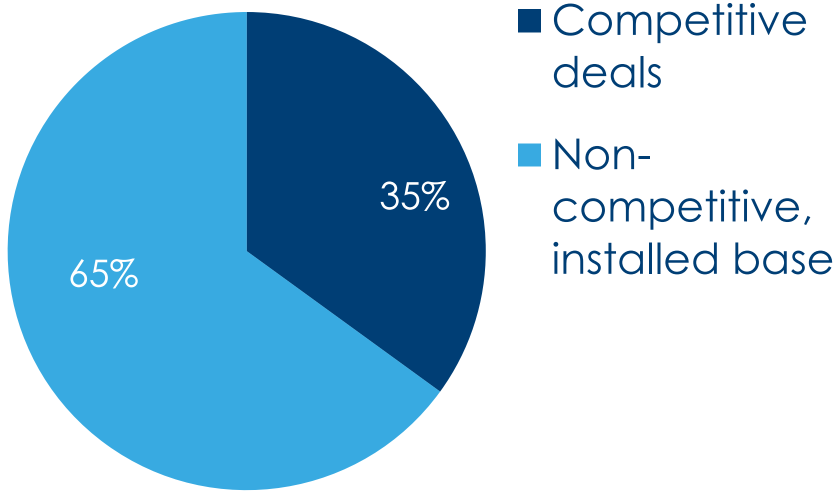


Software licensing revenue breakdown by competitive deals / non-competitive, installed base

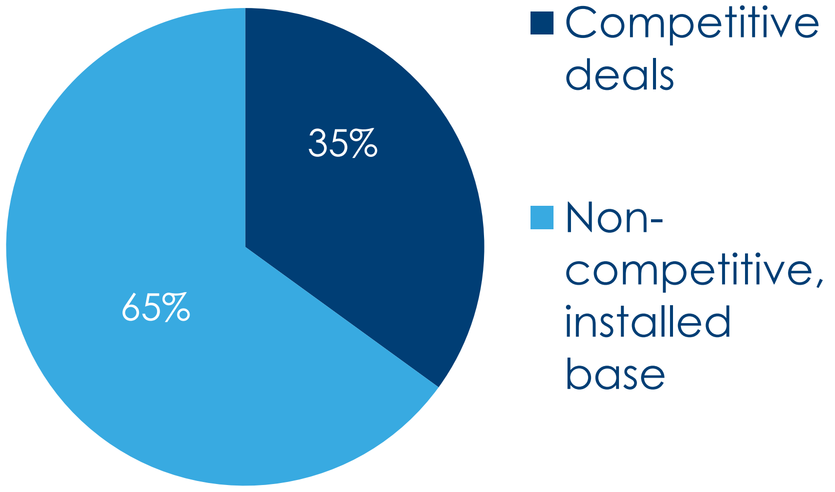
Q2 2019



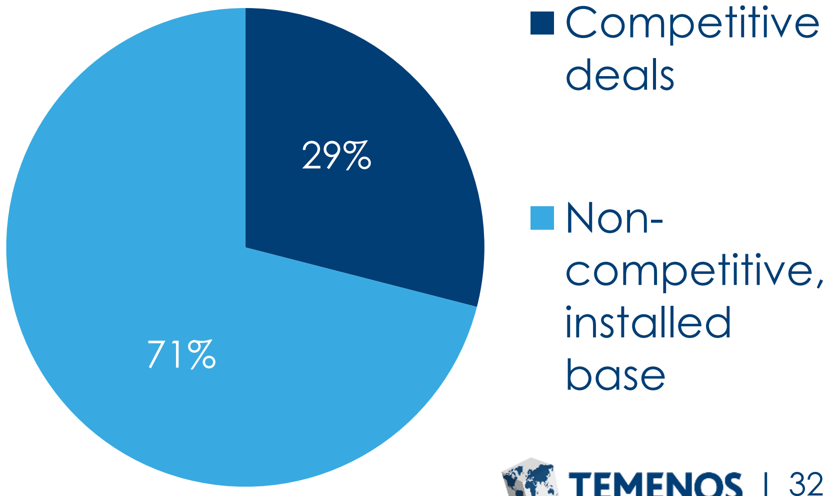
Q2 2020



LTM 2019

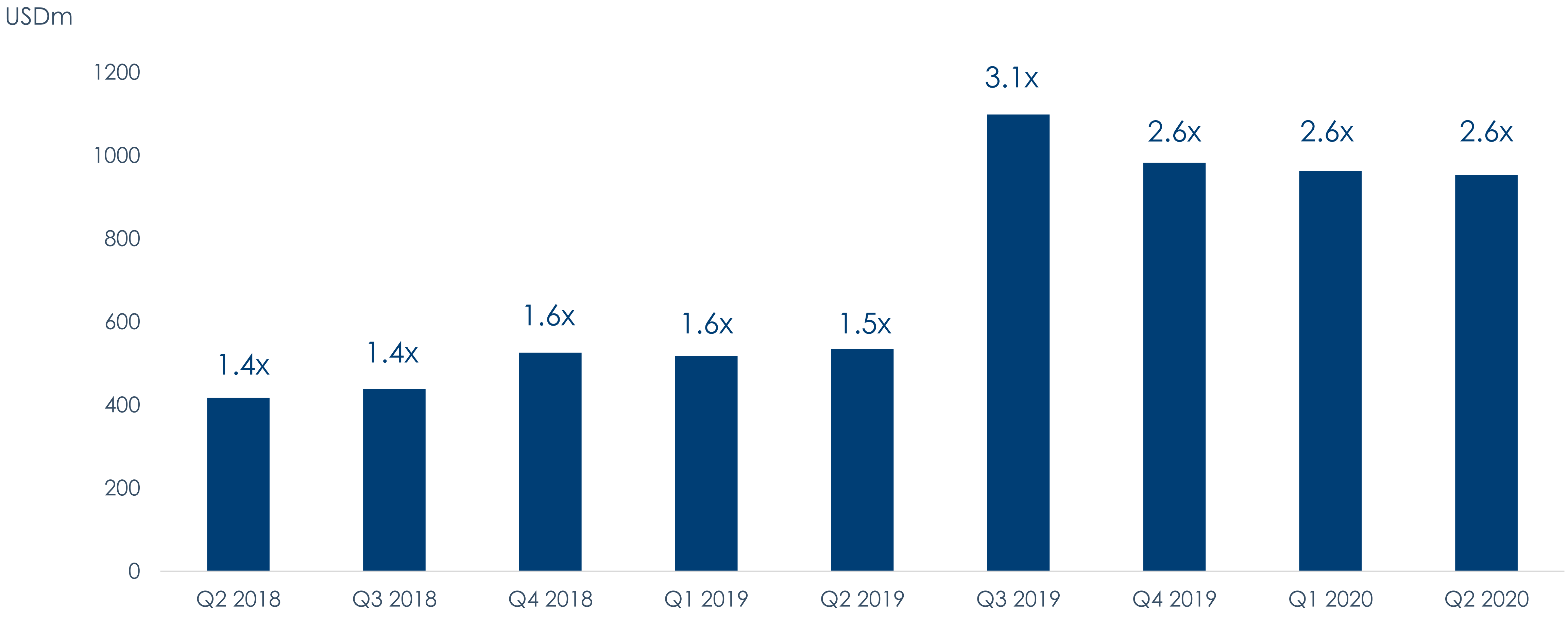


LTM 2020



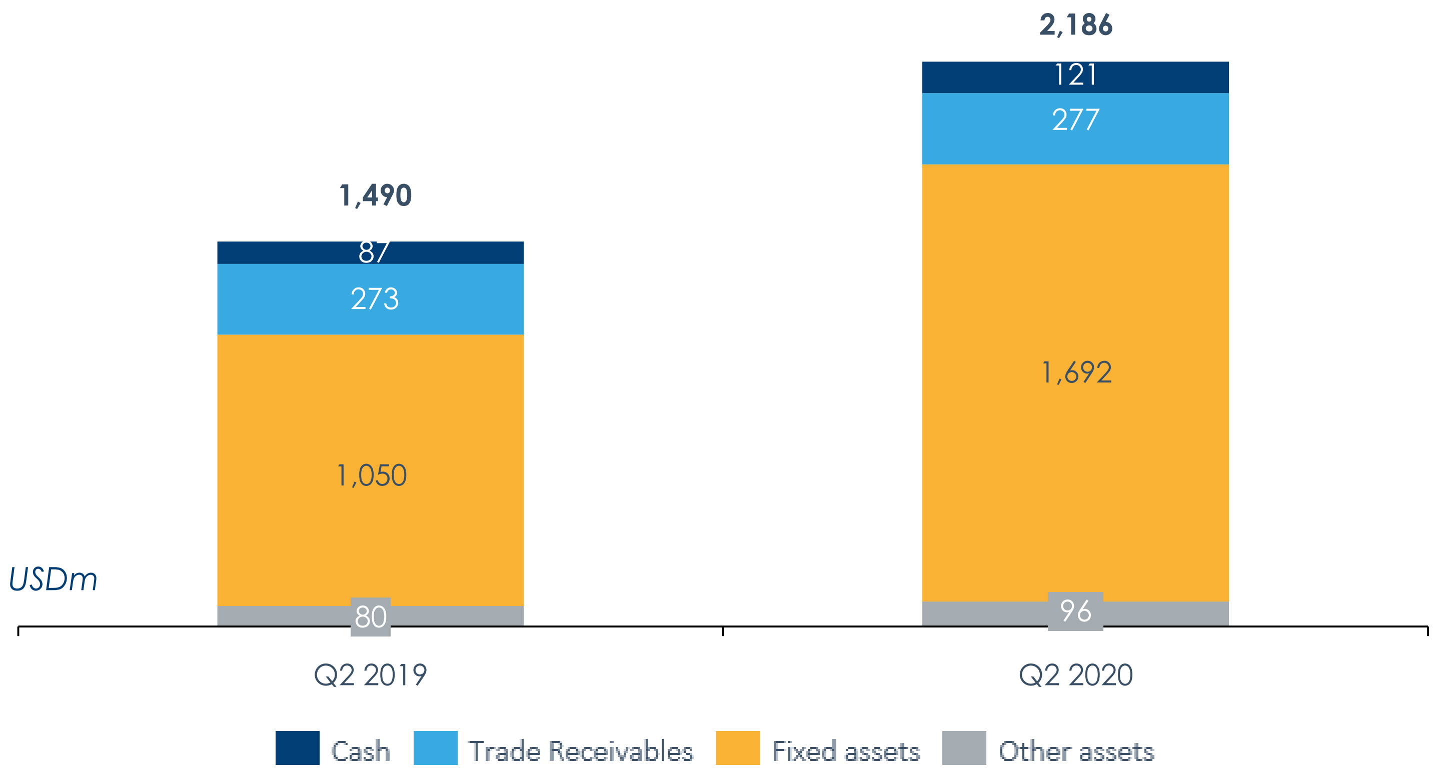
Balance sheet – debt and leverage

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*

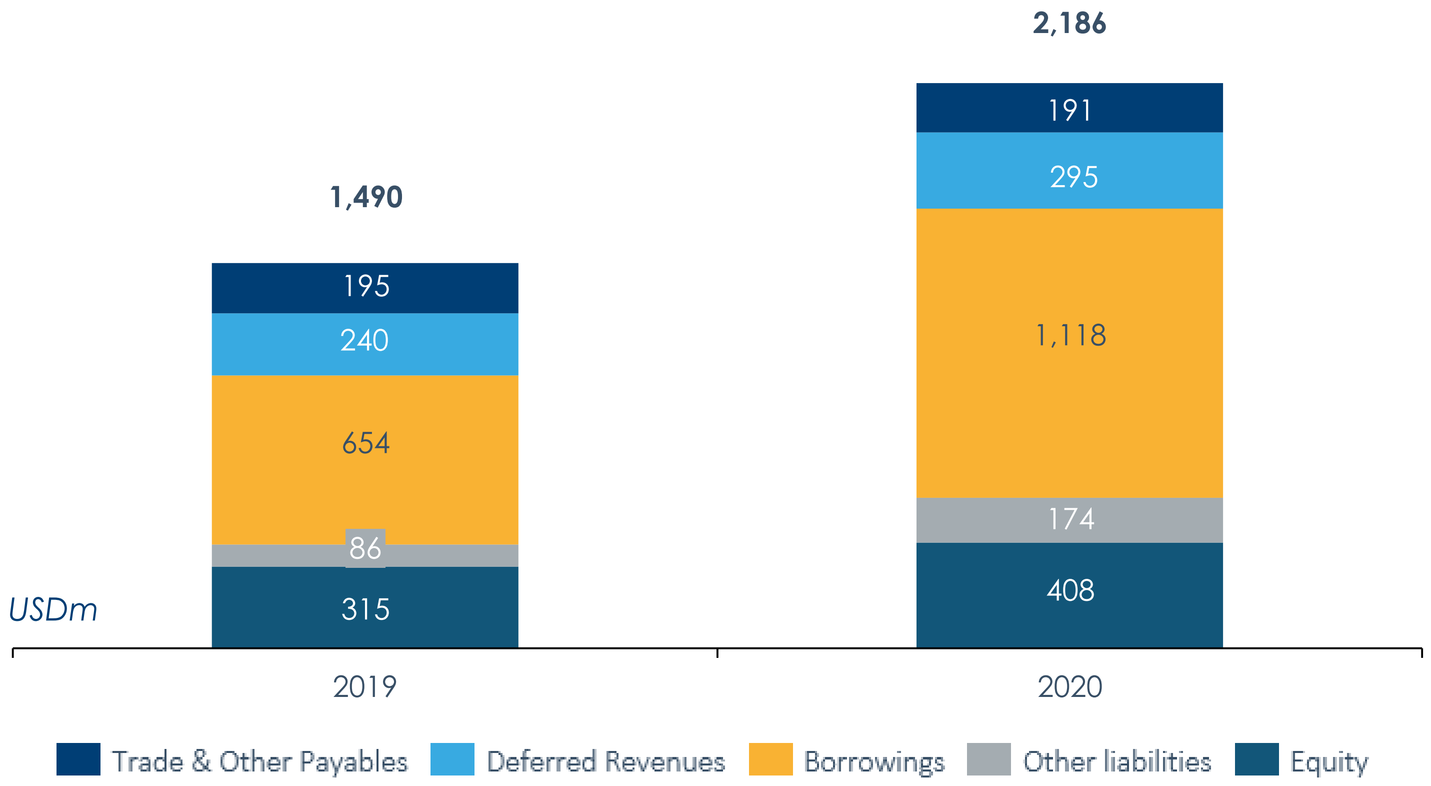
Q2-20 v Q2-19 assets



Comments:

- Fixed assets up $642m driven by acquisitions

Q2-20 v Q2-19 liabilities and equity



Comments:

- Borrowings increase of $464m, including draw down on facility and issuance of bond
- 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)	(18.0)			
Amortisation	12.9	13.6			
Net cap' dev'	**(4.8)**	**(4.4)**			

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 25m

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 15 July 2020. The above figures are estimates only and may deviate from expected amounts.

Reconciliation – IFRS to non-IFRS

	3 Months Ending 30 June			3 Months Ending 30 June		
	2020		2020	2019		2019
In USDm, except EPS	IFRS	Non-IFRS adj.	Non-IFRS	IFRS	Non-IFRS adj.	Non-IFRS
Software Licensing	58.1		58.1	92.6		92.6
SaaS and subscription	18.9	4.2	23.1	13.5	1.1	14.6
Total Software Licensing	**77.0**	**4.2**	**81.2**	**106.1**	**1.1**	**107.2**
Maintenance	95.1		95.1	86.9		86.9
Services	39.4		39.4	43.1		43.1
Total Revenue	**211.5**	**4.2**	**215.7**	**236.0**	**1.1**	**237.1**
Total Operating Costs	**(155.0)**	**6.6**	**(148.4)**	**(178.3)**	**14.4**	**(163.9)**
Restructuring	(10.7)	10.7	-	(1.8)	1.8	-
Acquisition related costs	20.4	(20.4)	-	(0.3)	0.3	-
Amort of Acq'd Intang.	(16.4)	16.4	-	(12.3)	12.3	-
Operating Profit	**56.5**	**10.8**	**67.3**	**57.7**	**15.5**	**73.1**
Operating Margin	**27%**		**31%**	**24%**		**31%**
Financing Costs	(8.4)		(8.4)	(4.7)	-	(4.7)
Taxation	(5.1)	(2.9)	(8.0)	(8.0)	(2.0)	(10.0)
Net Earnings	43.0	8.0	50.9	45.0	13.5	58.5
EPS (USD per Share)	**0.59**	**0.11**	**0.70**	**0.62**	**0.18**	**0.80**

Net earnings reconciliation

In USDm, except EPS	Q2 20	Q2 19
IFRS net earnings	**42.9**	**45.0**
Deferred revenue write down	4.2	1.1
Amortisation of acquired intangibles	16.4	12.3
Restructuring	10.7	1.8
Acquisition related costs	(20.4)	0.3
Taxation	(2.9)	(2.0)
Net earnings for non-IFRS EPS	**50.9**	**58.5**
No. of dilutive shares	73.2	72.9
Non-IFRS diluted EPS (USD)	**0.70**	**0.80**

Reconciliation from IFRS to non-IFRS for EBIT and EBITDA

USDm	Q2 20 EBIT	Q2 20 EBITDA
IFRS	**56.5**	**93.6**
Deferred revenue write-down	4.2	4.2
Amortisation of acquired intangibles	16.4	-
Restructuring	10.7	10.7
Acquisition-related charges	(20.4)	(20.4)
Non-IFRS	**67.3**	**88.1**

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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