

# TEMENOS

## Capital Markets Day

2021



# | 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 event (Capital Markets Day) represent the company's estimates as of 18 February 2021. 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 18 February 2021.

# | 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, share-based payments 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.

# Financial growth plan

**Takis Spiliopoulos**  
CFO



# Consistent and Profitable Growth Trajectory in next 5 years

Achieving  
more than  
**USD1bn**  
of bookings  
by 2025

Expanding  
EBIT margin to  
**at least  
c.41%**  
by 2025

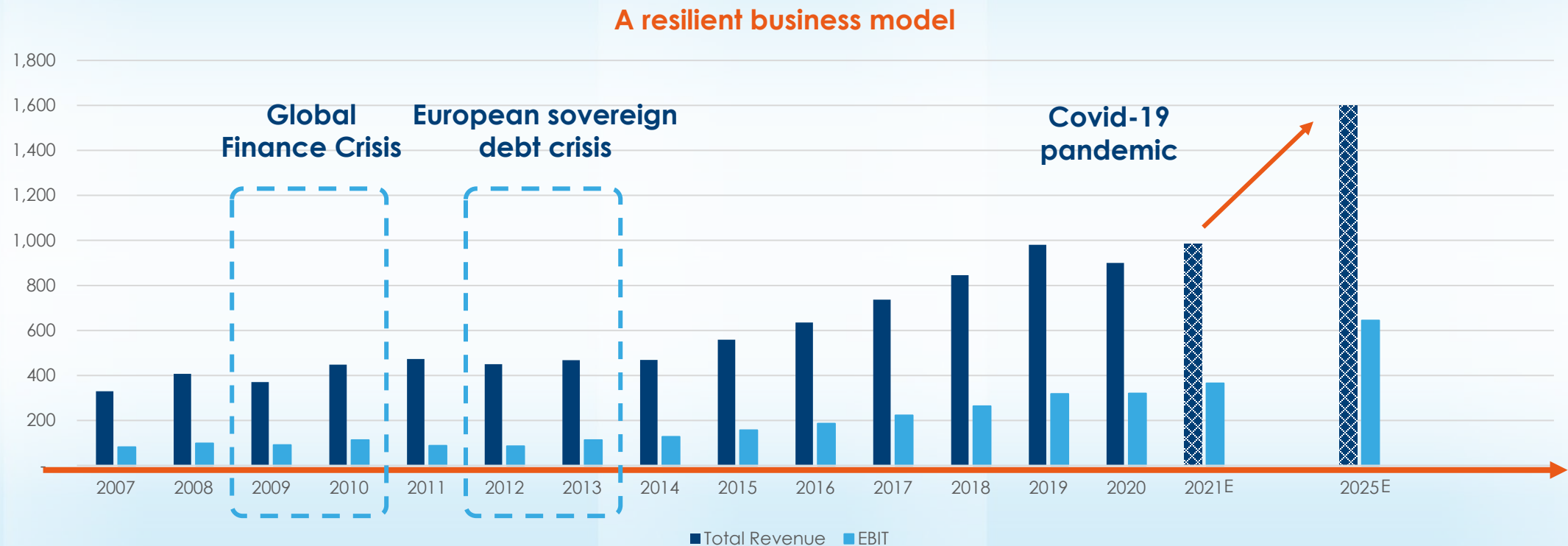
Generating  
more than  
**USD600m**  
of Free Cash  
Flow by 2025



***Our Vision ...from Category Killer to the Industry  
Standard in Banking Software...***



# Temenos has successfully navigated global crises and come out stronger



**Resilient business model backed by consistent innovation-focused strategy**

# | Why Temenos?



**Only focused  
on banking**



**Leading functionality,  
localization,  
advanced technology**



**Packaged product,  
single code base**



**Relentless focus on  
innovation, highest  
R&D over 27 years**

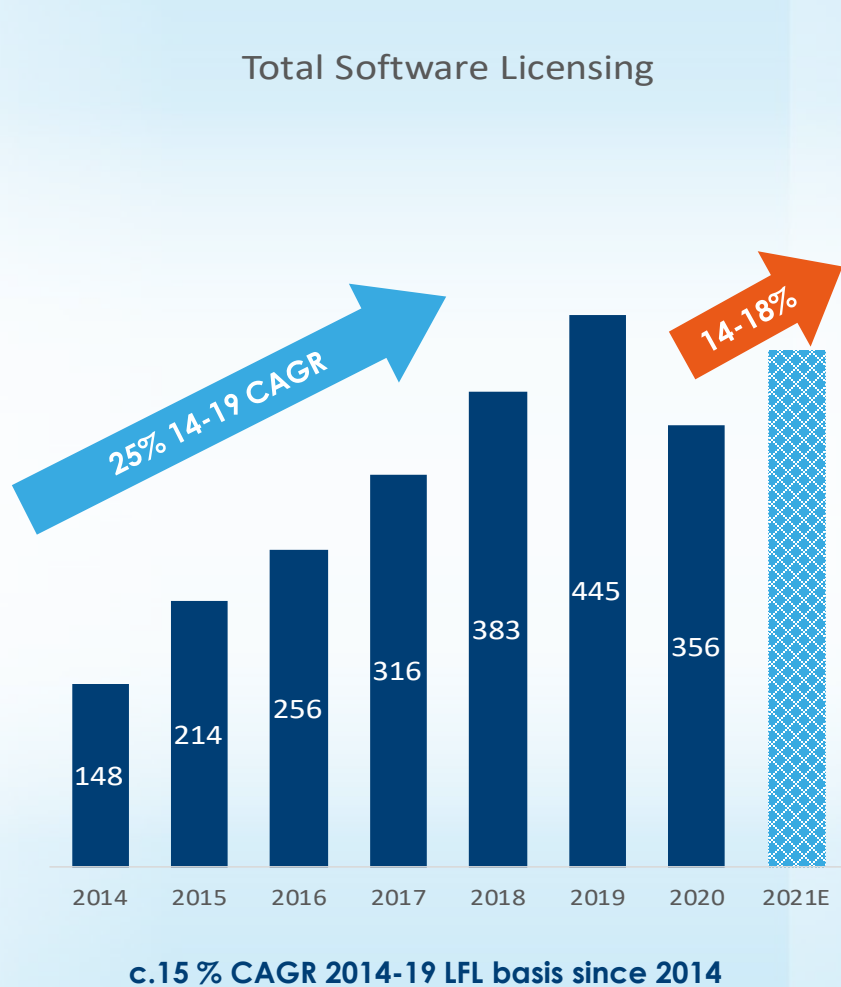


**Scaling through  
ecosystem of technology  
and implementation  
partners**



**Leader in our market,  
3,000+ clients**

# Sustained strong growth across revenue KPIs...

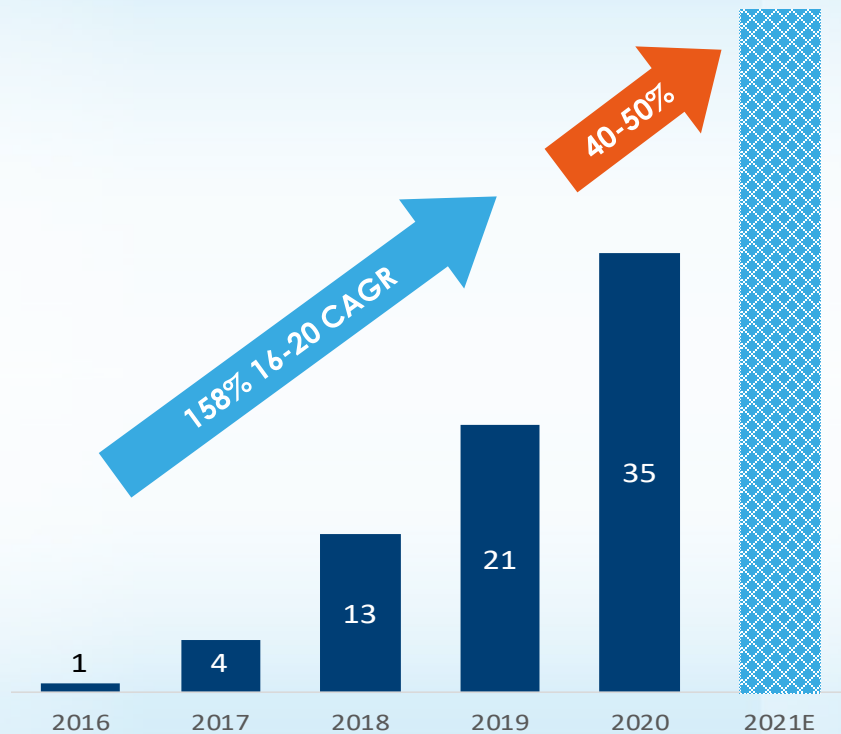


Note: Numbers are non-IFRS. 2021E bar chart based on mid-point of guidance

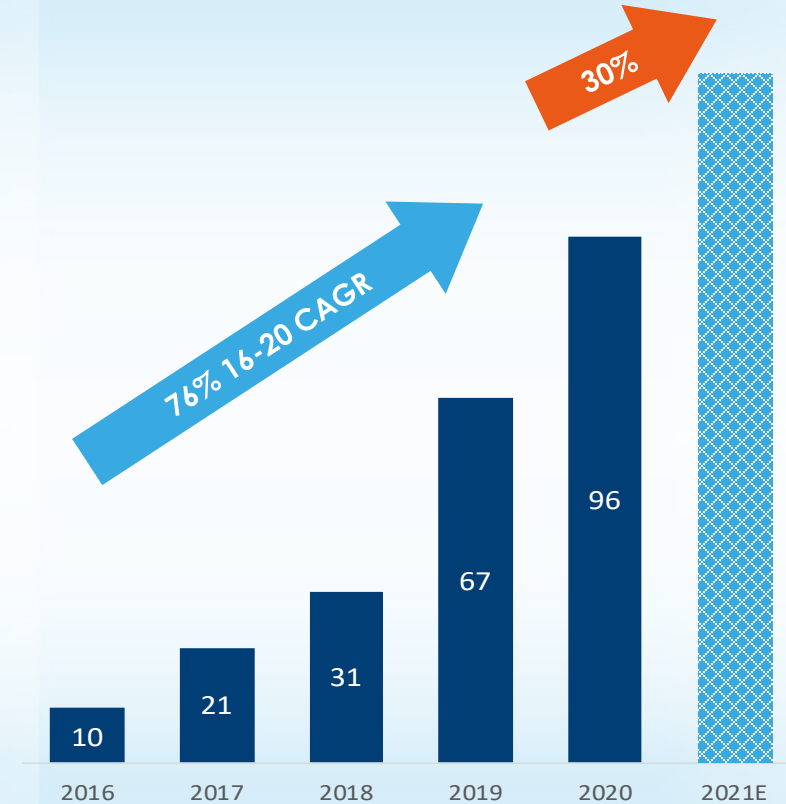


# Sustained strong growth across revenue KPIs...

Annual Contract Value



SaaS Revenues

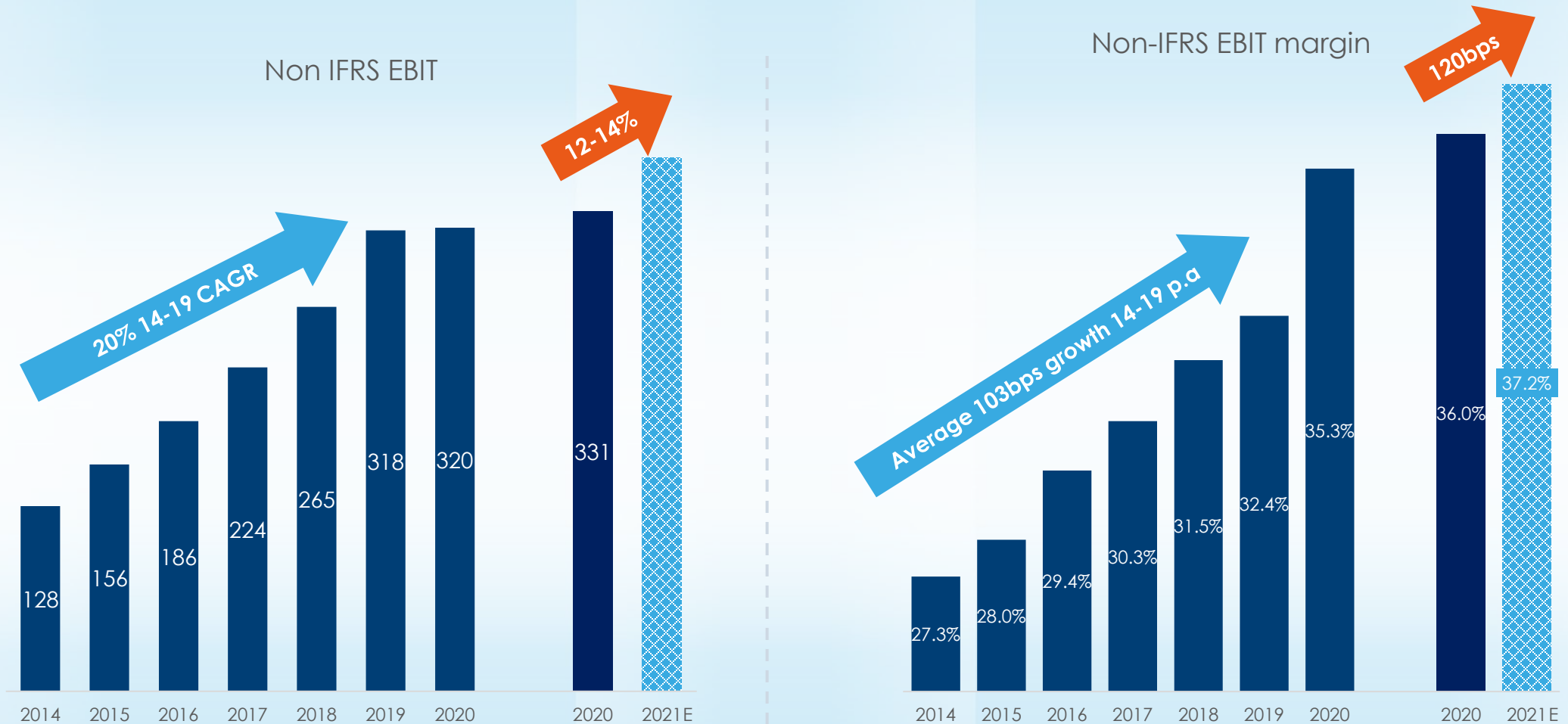


Note: KPIs are non-IFRS

\* Historical SaaS revenues adjusted for estimated IFRS15 impact

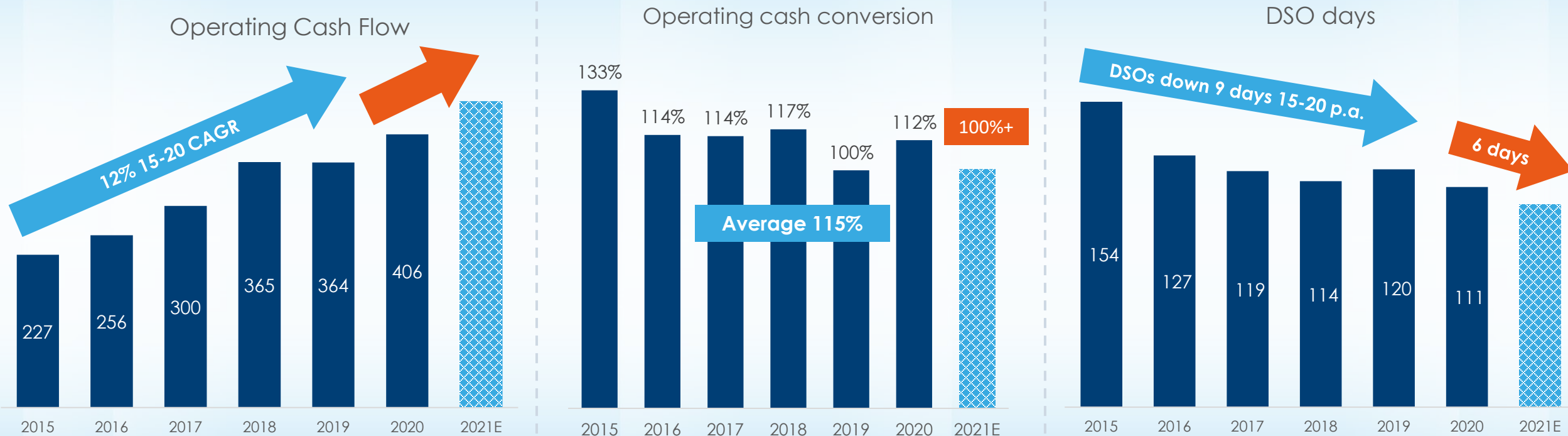
Note: 2021E based on mid-point of guidance

# | ... and delivering very robust profit growth



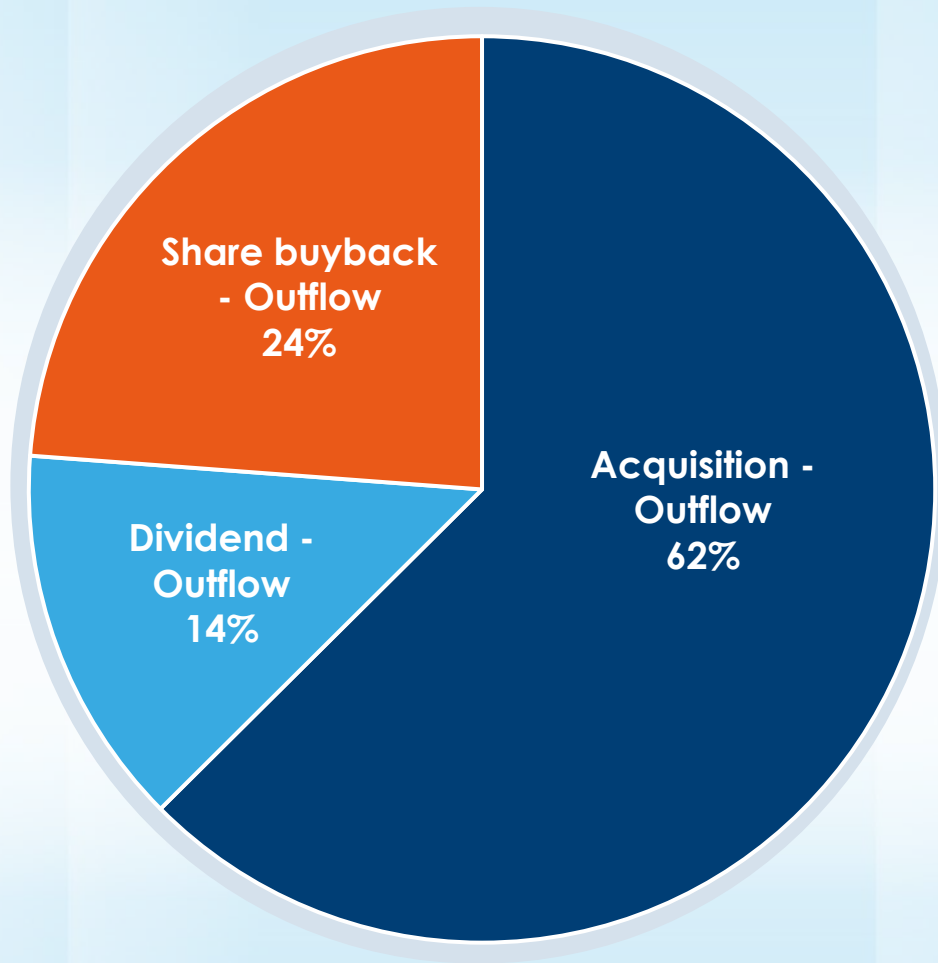
Note: Historical Non IFRS EBIT and EBIT margin shown above is based on the old definition of Non IFRS EBIT – refer to Appendix for further details

# Business model generates strong cash-flow profile



Note: 2021E based on mid-point of guidance








# Disciplined capital allocation (2015-2020)



	Balance sheet (31-Dec-20)
Weighted average interest rate	2.1%
Weighted average debt maturity	3 years
Leverage ratio	2.1x

Targeted acquisitions for USD1.2bn+ and returned USD700m+ to shareholders

# Using M&A to accelerate organic growth

Date		Price (m)	Capabilities
Sep 19		\$560	US scale, digital banking and low code development, cloud operations excellence
Jul 19		£12	Explainable AI expertise across all products
Feb 19		N.D.	Data lake capabilities
Dec 18		\$245	Digital front office, cloud operations excellence
Feb 17		\$50	Core banking, wealth management, scale in Australia
Mar 15		\$260	Fund and securities
Feb 15		\$55	Core banking, analytics, US credit union expertise

**15-20% EBIT contribution over 6 years from USD1.2bn of M&A**

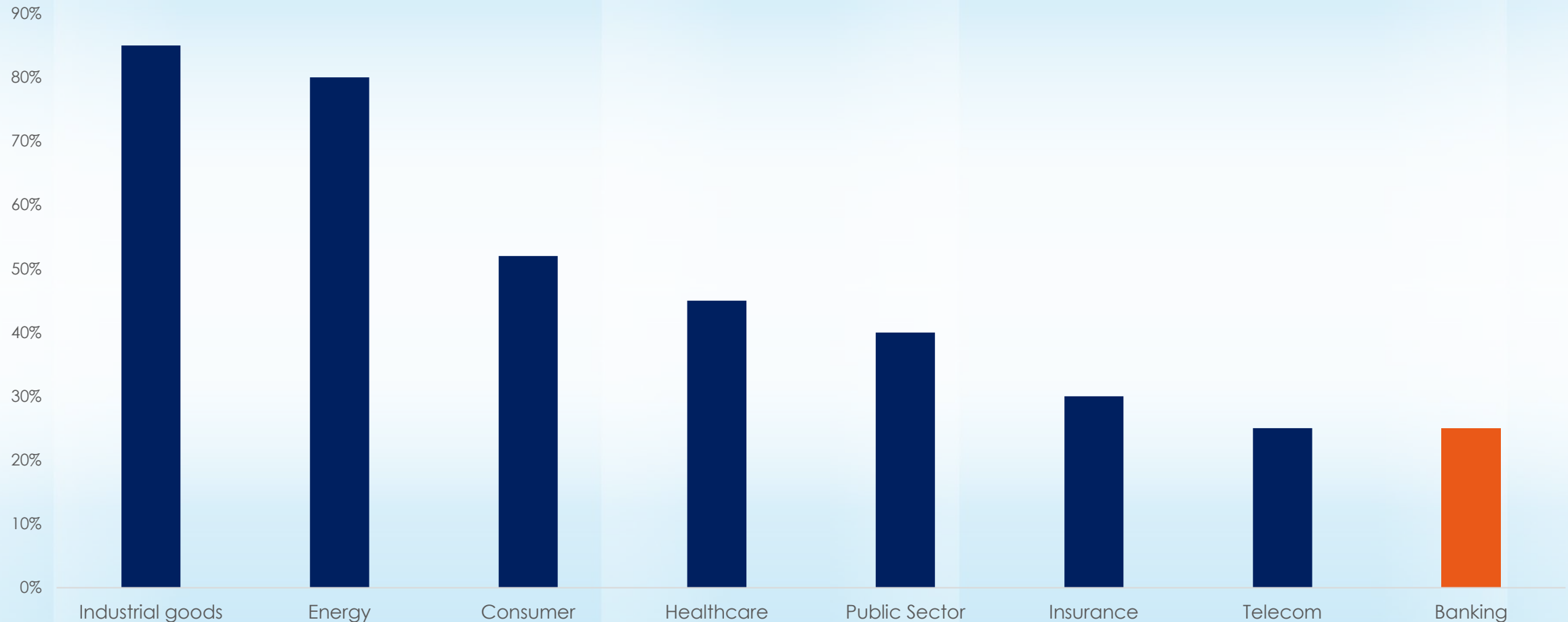
# Drivers of growth



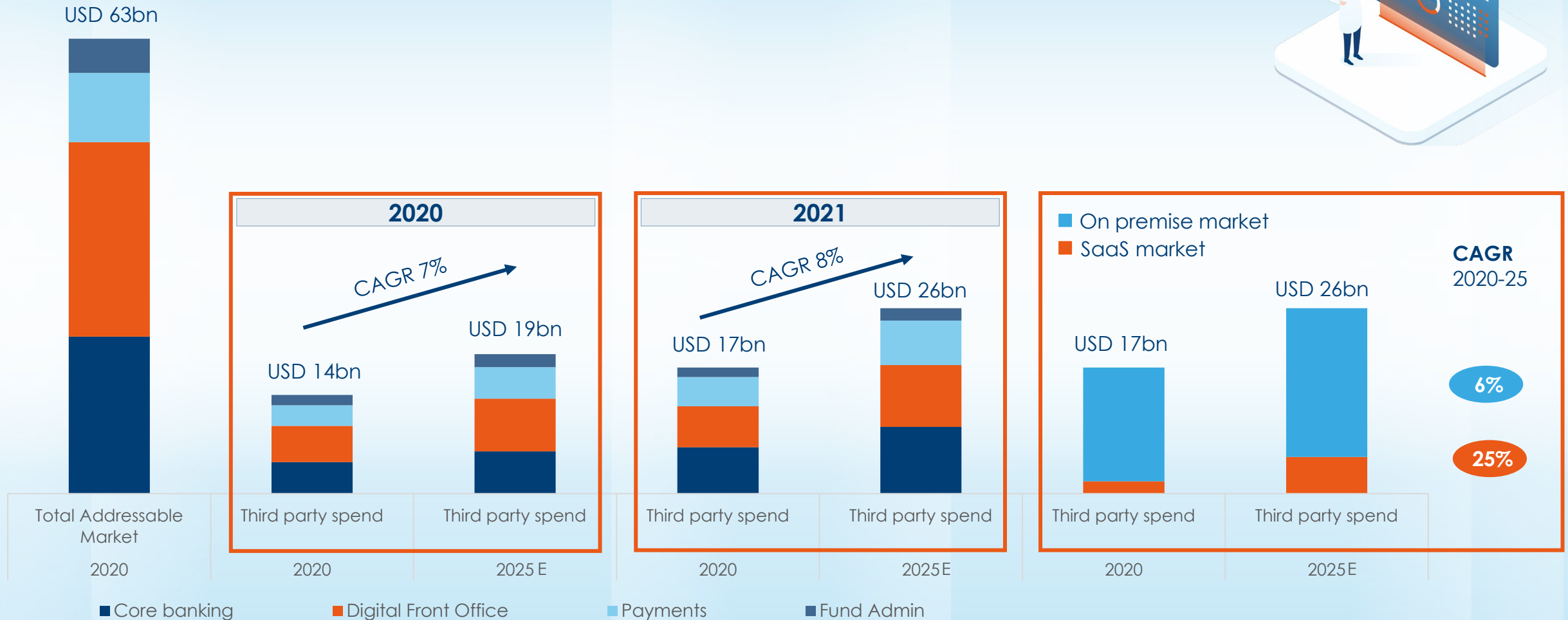
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# Application software is significantly underpenetrated in banks



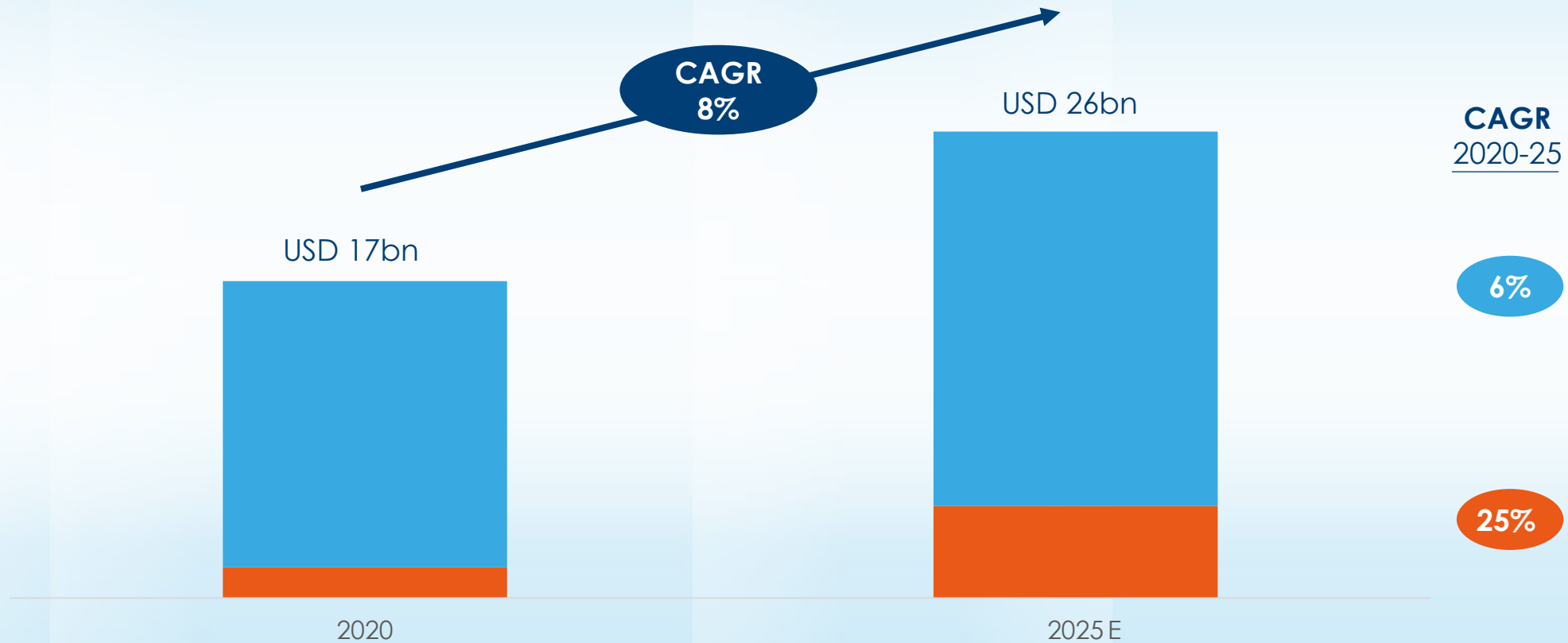
# An attractive and continuously growing market



# SaaS on the rise globally

## Overall serviceable market

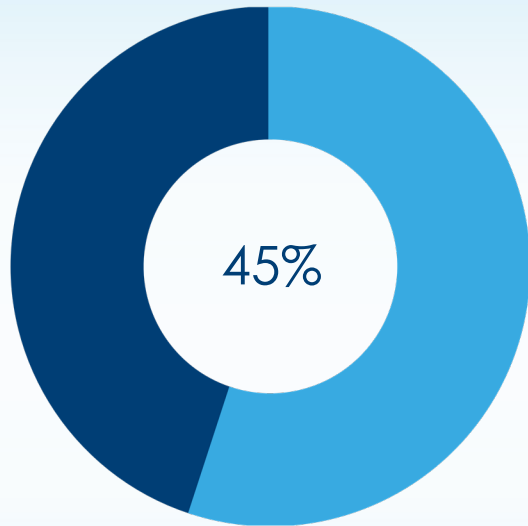
■ On premise market ■ SaaS market



# Building momentum with tier 1 and 2 clients

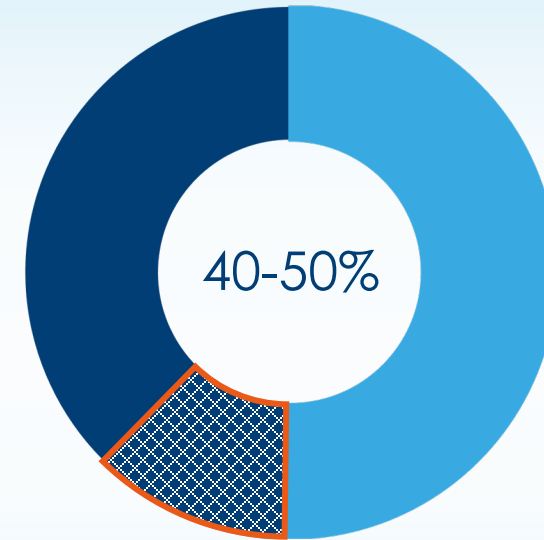
Non-IFRS total software licensing revenues by client tier

Average 2014-20



■ Tier 1/2 ■ Others

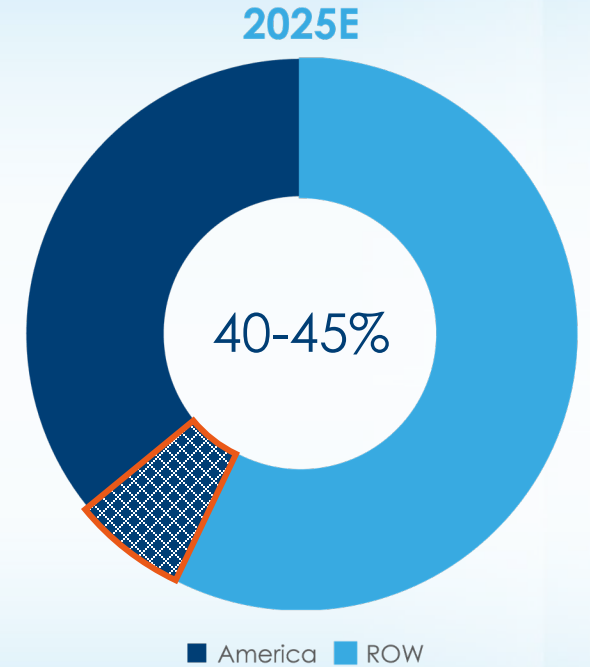
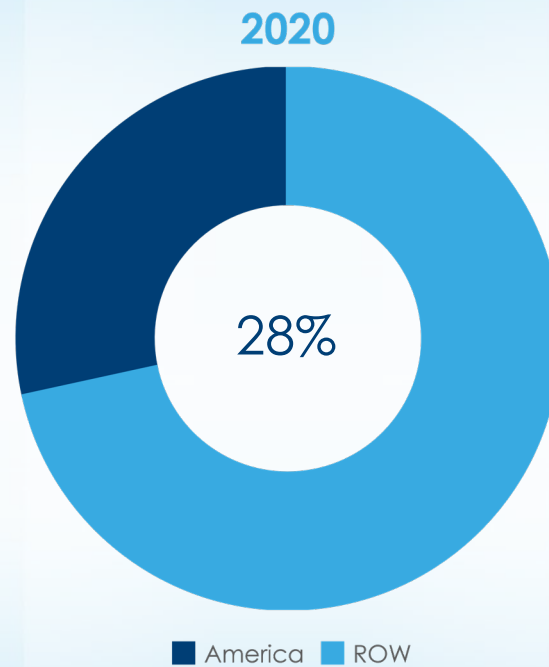
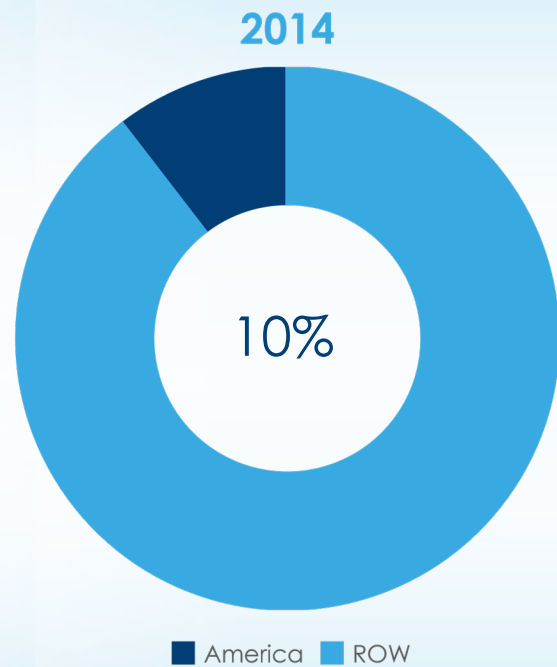
2025E



■ Tier 1/2 ■ Others

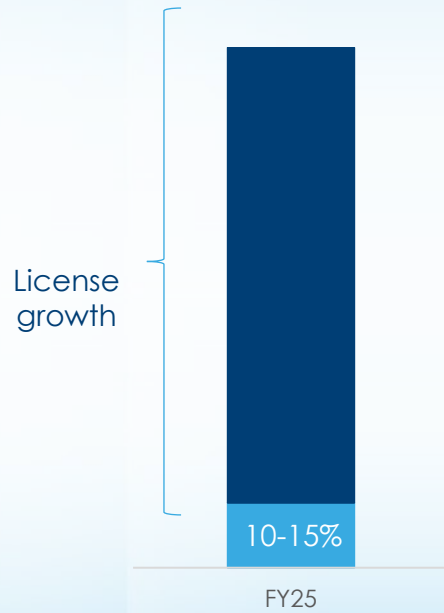
# Building momentum in North America

Non-IFRS total software licensing, North America vs. Rest of World

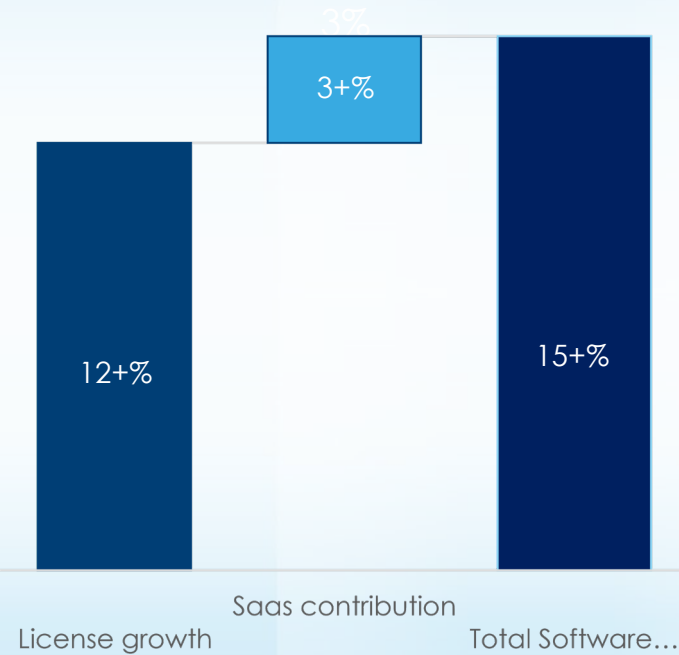


# SaaS growth is largely incremental

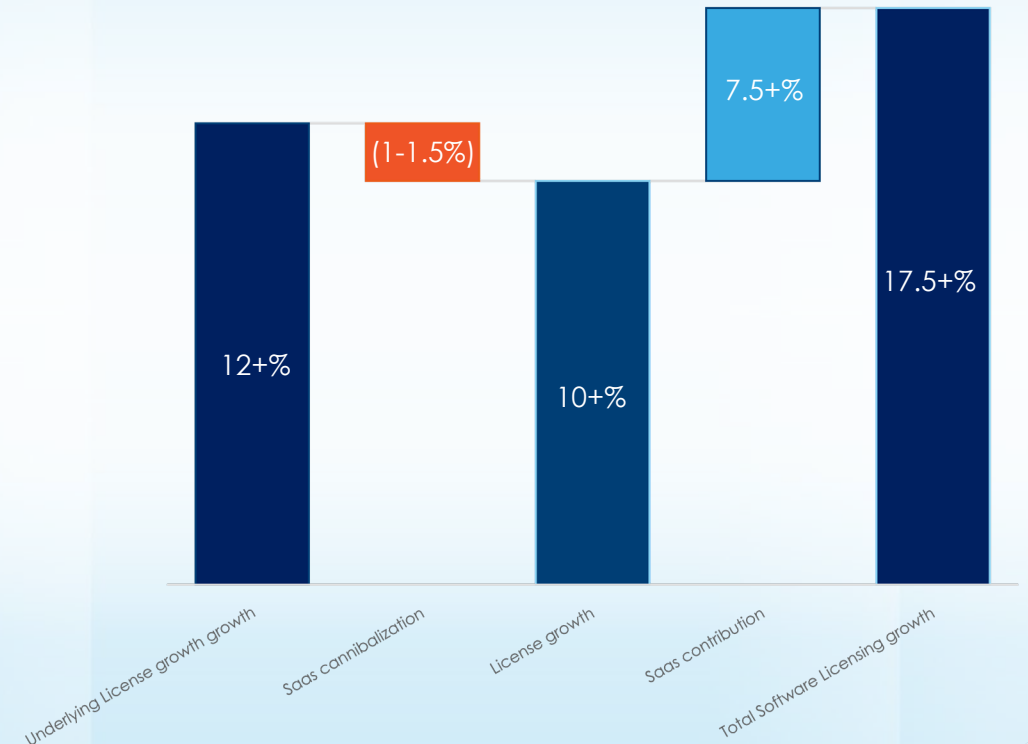
License growth to SaaS cannibalization FY21-25



Prior total software licensing guidance at 15%+



New total software licensing guidance at 15-20%



Note: Non-IFRS.



# License vs SaaS Profitability



- Net present value of SaaS gross margin over 10 years is c70% higher than License & Maintenance gross margin

# Future reporting KPIs

Sales	P&L	Cash
Total bookings*	Total software licensing	Operating cash conversion
SaaS ACV	EBIT margin	Free cash flow
Total ARR*	EPS	DSOs

*\*New KPIs*

**Total bookings** – include fair value of licence contract value, committed maintenance contract value on licence, and SaaS committed contract value. All must be committed and evidenced by duly signed agreements.

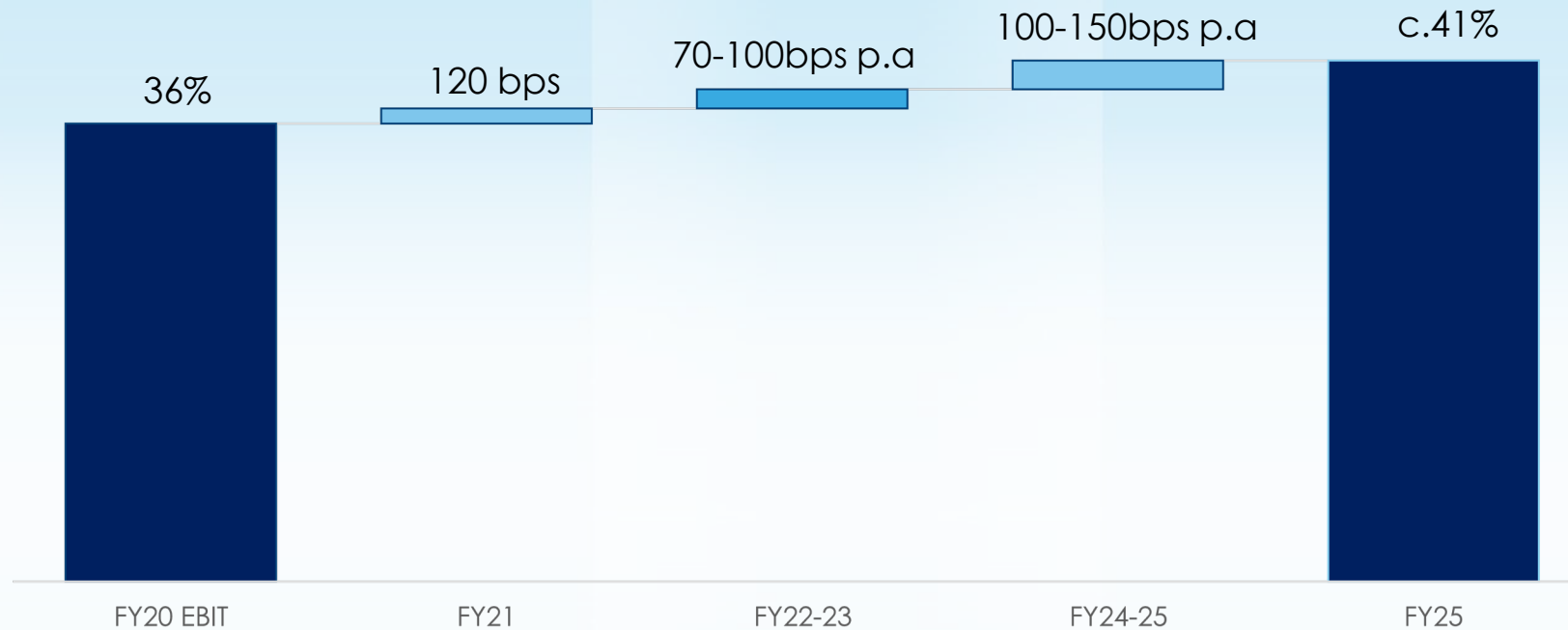
**Total ARR** – Annual recurring revenue committed at the end of the period for both SaaS and Maintenance. Includes New Customers, up-sell/cross-sell, and attrition. Only includes the recurring element of the contract and exclude variable elements.



# 2025 Targets

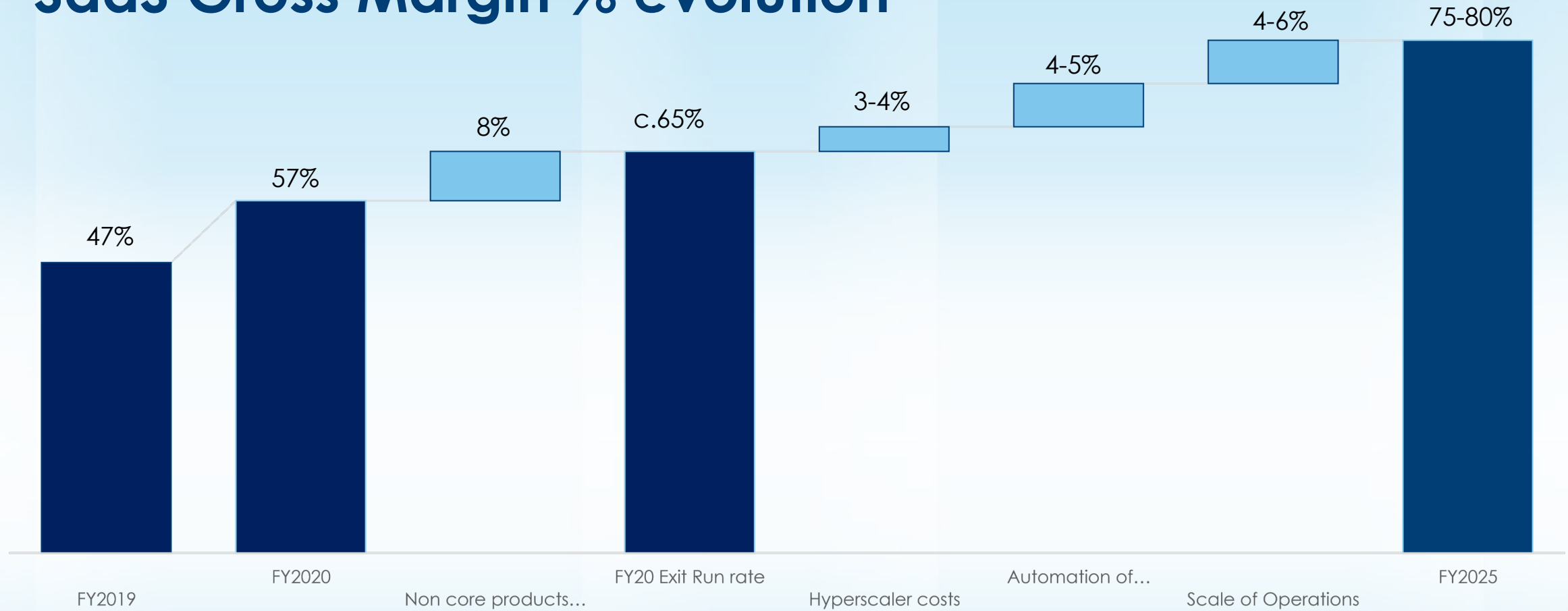
Mid-term Guidance	2020 base (CCY)	2025 Targets	Previous guidance
Total Software Licensing	359.3	15-20% CAGR 2020-25	>=15% CAGR
Total revenue	905.5	10-15% CAGR 2020-25	10-15% CAGR
EBIT margin	36.0%	c.41% by 2025	36%+ (39%+ equivalent excluding IFRS2 costs)
Total Bookings	491.5	17-22% CAGR 2020-25	-
ARR	494	>=15% CAGR 2020-25	-
FCF	297	>=15% CAGR 2020-25 to reach >USD600m	-
Tax rate*	13.9%	18-20%	18-20%
DSO	111	c.85 days	90 days

# | EBIT Margin % expansion



- FY2021 Guidance represents 120bps Non IFRS EBIT margin expansion from 36% in FY20
- FY22-23 margins at 70-100bps per annum increase from FY21
- FY24-25 margins at c.41% representing a further acceleration of margin expansion at 100-150bps per annum from FY2023

# | SaaS Gross Margin % evolution

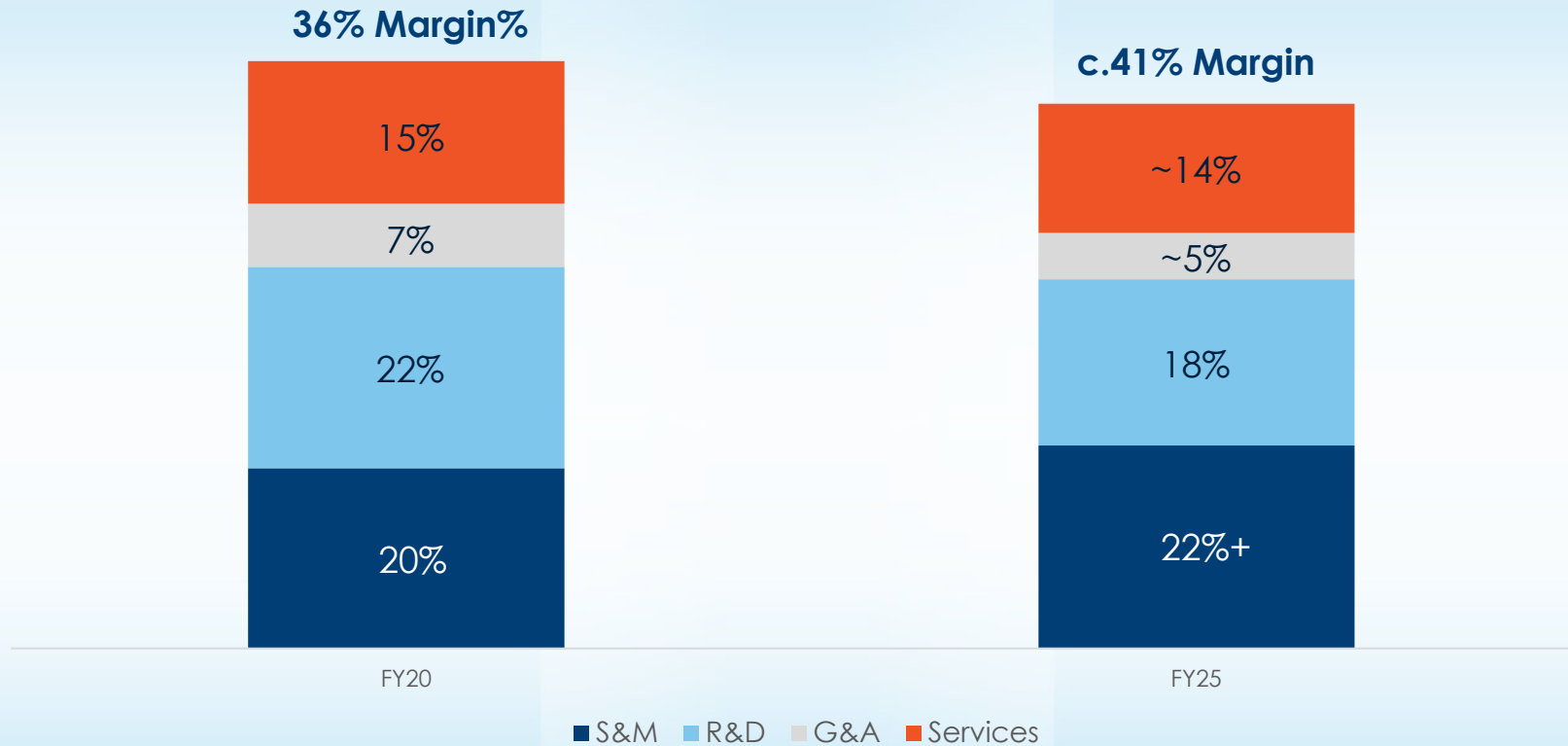


- Hyper-scalers: unit costs to reduce by 25-35% as volumes increase
- Automation to drive significant efficiencies in operation centres
- Operations optimized into centralized offshore function with local hubs to provide “follow the sun” service and drive economies of scale

Gross margin includes: All costs relating to datacentres costs, cloud infrastructure such MS Azure, risk management and security tooling, all people costs and related expenses dedicated to providing SaaS operations.

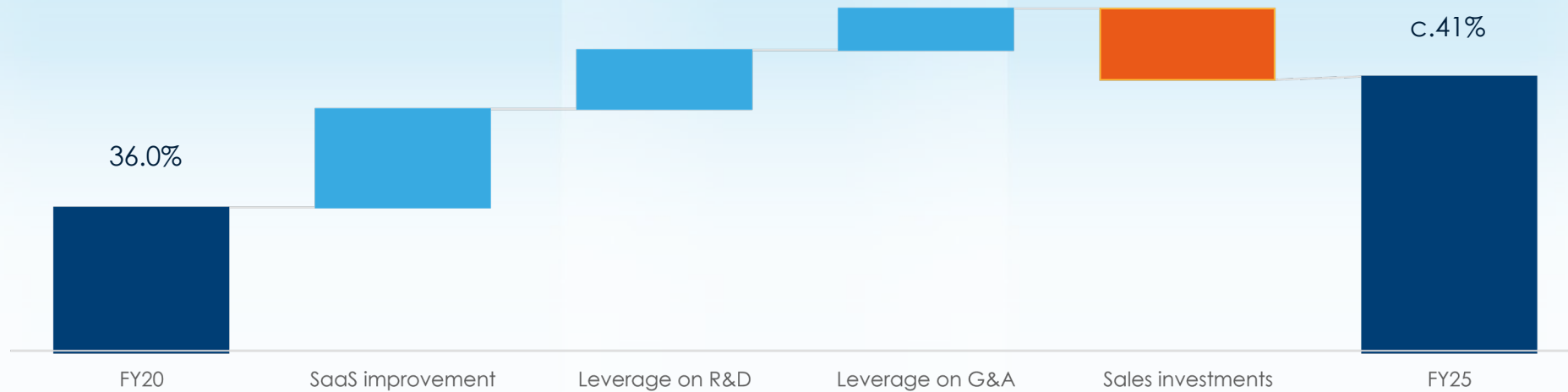
FY20 run rate adjusted for Kony non- banking and efficiencies from sunseting of products not sold actively

# | Key cost lines as a percentage of revenue





# Drivers of non-IFRS EBIT margin evolution



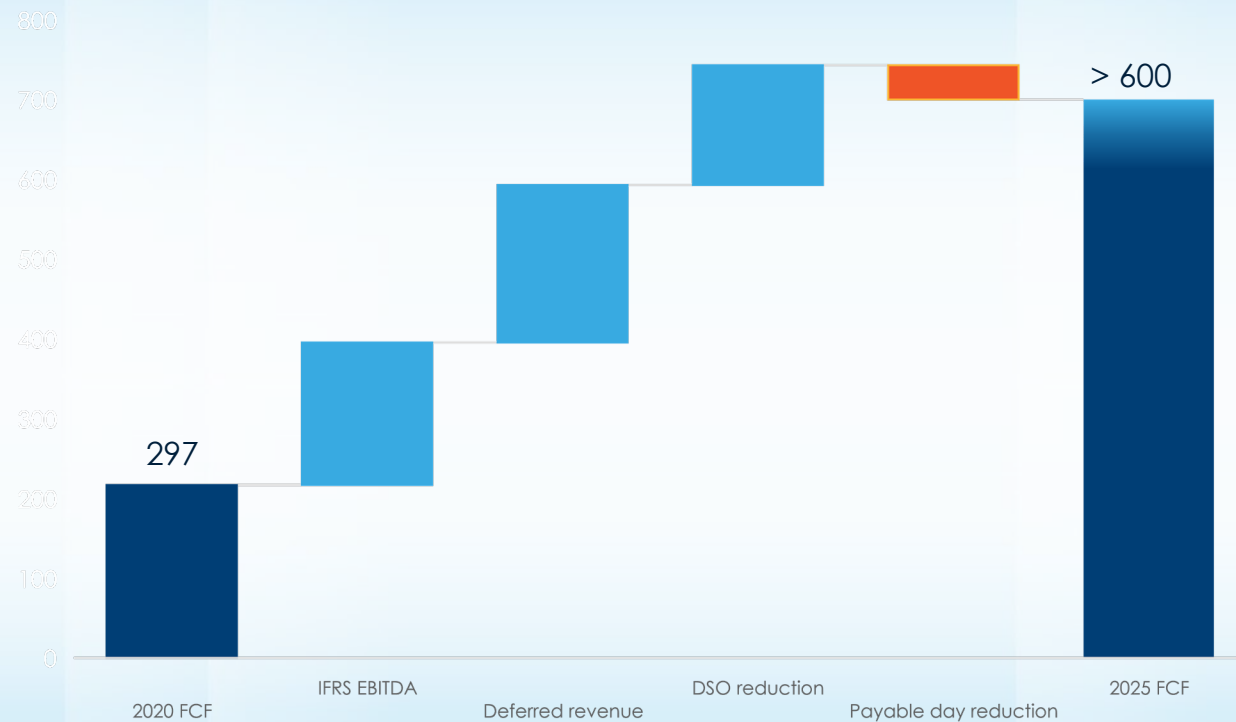
- On-Premise and services gross margin to remain constant
- SaaS Margin to expand to c.75-80%
- Continued leverage of R&D and G&A infrastructure
- Sustained investments in Sales & Marketing

Note: Non-IFRS.

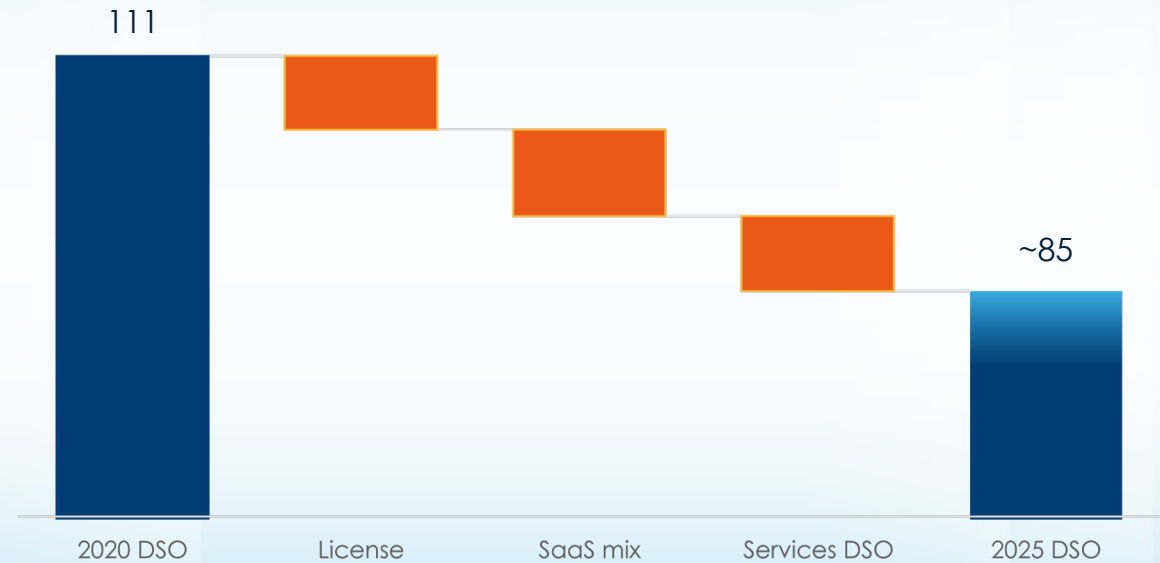


# Drivers of FCF evolution and DSO reduction

Free cash flow growth of at least 15% CAGR

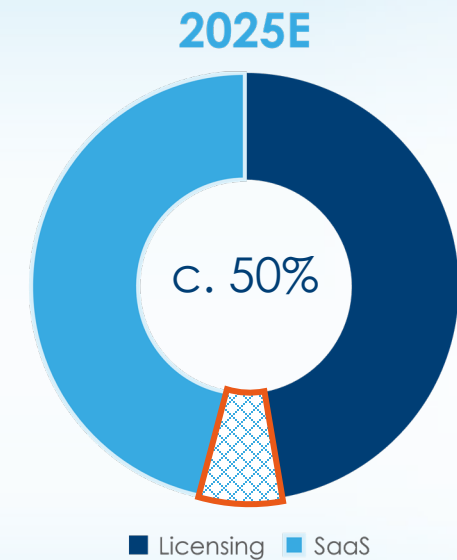
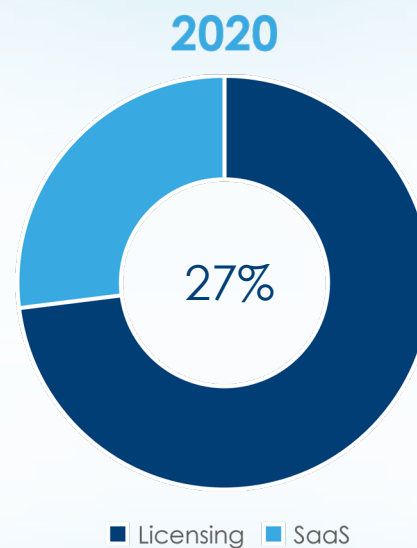
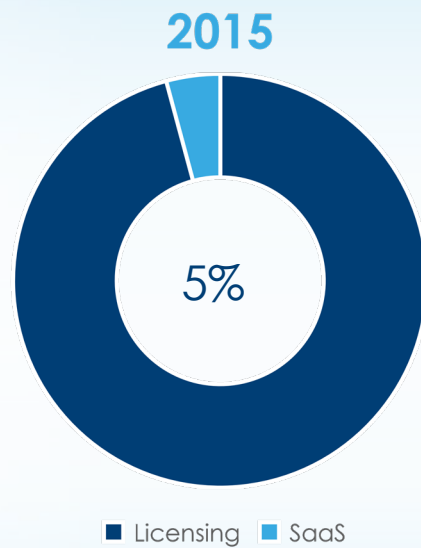


DSO Reduction from 111 to < 85 by 2025



# Growth contribution from SaaS is growing rapidly

Non-IFRS Software licensing vs. SaaS revenues



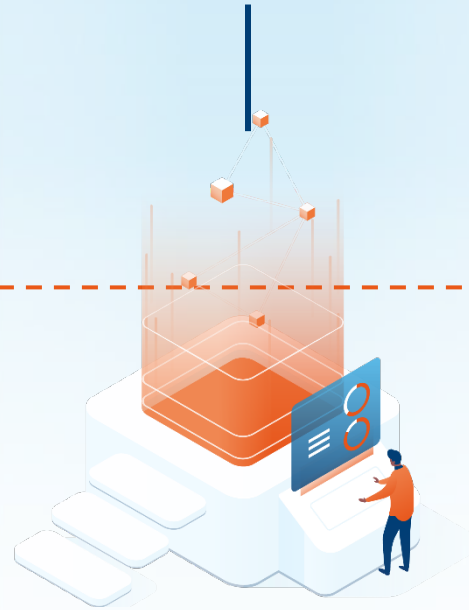
# 2025 non-IFRS EBIT margin relatively insensitive to revenue mix

	Medium term guidance	Lower License growth scenario	Higher License growth scenario
License growth	10%+ CAGR	7% CAGR	13% CAGR
SaaS growth	30%+ CAGR	35%+ CAGR	25%+ CAGR
Total Software Licensing growth	15-20% CAGR	15-20% CAGR	15-20% CAGR
EBIT Margin	c.41% by FY25	c.40.7%	c.41.5%
FCF	>=15% CAGR	>=15% CAGR	>=15% CAGR

# A three-pronged approach to M&A to accelerate organic growth



**Accelerated R&D  
roadmap in key  
markets and  
segments**



**Increased  
scale**



**Adjacent markets  
and  
complementary  
products**

# | Appendix



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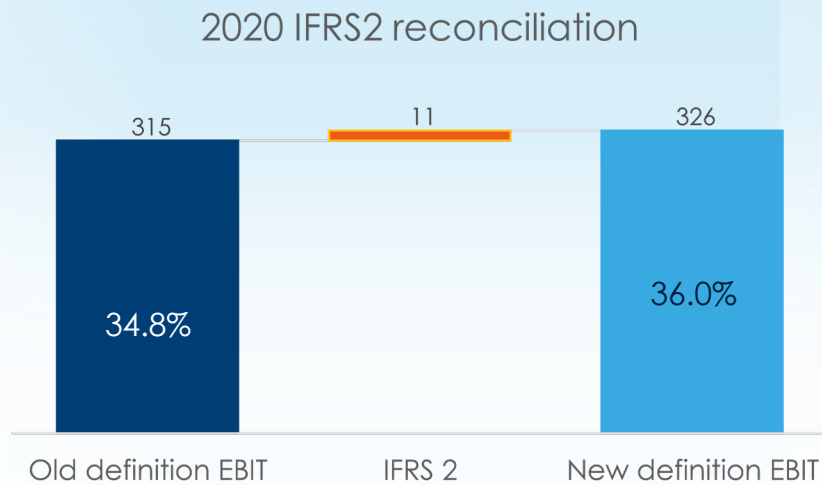
# EBIT reconciliation

## Changes of Non-IFRS definitions

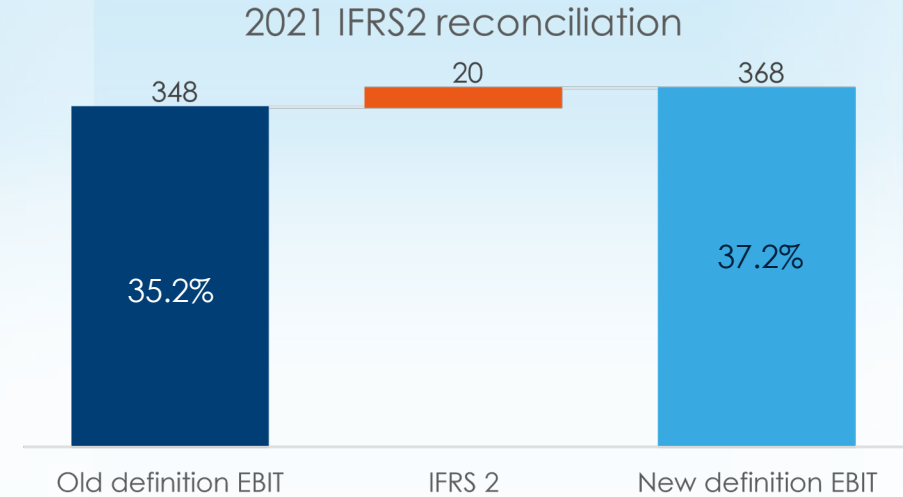
- From FY-21, we will be excluding the costs of share based payments (IFRS2) and related social charges from our Non-IFRS presented financials. The change of methodology is supported by the fact that this expense is a primarily non-cash item. Our current Non-IFRS adjustments already exclude all other non-cash related expenses (such as Amortisation of acquired intangibles, and deferred revenue write-downs resulting of acquisitions).
- This approach is common practice in a large number of listed companies. As such, **more than 60% of companies in our peer group adjust** their earnings for the cost of share-based payments



# Non-IFRS EBIT reconciliation



*FY20 restated on a constant currency basis*



*FY21 represents mid point of guidance*

- Last 10 year average IFRS 2 cost as a % of revenues was c.4%
- FY22-25 estimated IFRS 2 costs of 3-3.5% on total revenues
- Total IFRS2 charges for companies in peer group is 4.5%

*Note: Non-IFRS*

# | Temenos R&D overview

- R&D cash cost in FY 20 was USD 232m
- Total R&D headcount was 3,758 at year end FY 20
- This is split between 83% based in India and 17% based globally outside of India
- R&D costs also include all other associated costs to run the R&D operations including travel, contractors, rent, insurance, software, tooling and hyperscaler costs

R&D cash cost FY20	USDm
Software development and maintenance	(274.9)
Capitalised development costs	(76.3)
Amortised development costs	53.8
Amortisation of acquired intangibles	65.6
<b>Cash R&amp;D cost</b>	<b>(231.8)</b>

R&D headcount	No. of employees
Total R&D headcount	3,758
% based in India	83%
% based globally	17%

# | Non-IFRS Definitions

## **Non-IFRS adjustments**

### **IFRS2 charges**

Adjustment made for IFRS2 expenses and social charges linked to long term incentive plans

### **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

### **Total bookings**

Include fair value of licence contract value, committed maintenance contract value on licence, and SaaS committed contract value. All must be committed and evidenced by duly signed agreements.

### **Annual Recurring Revenues (ARR)**

Annual recurring revenue committed at the end of the period for both SaaS and Maintenance. Includes New Customers, up-sell/cross-sell, and attrition. Only includes the recurring element of the contract and exclude variable elements

# SaaS Financial metrics definitions and reporting

## 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.

**Disclosure: quarterly reporting, annual guidance**

## 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.

**Disclosure: annual reporting**

## Annual Recurring Revenue (ARR)

Annual recurring revenue committed at the end of the period for both SaaS. Includes New Customers, up-sell/cross-sell, and attrition. Only includes the recurring element of the contract and exclude variable elements

**Disclosure: quarterly reporting, annual reporting**

## Software-as-a-Service Revenue (SaaS)

Software-as-a-Service revenues booked in a period

**Disclosure: quarterly reporting, annual reporting**



# Thank You

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