

temenos

Fixed Income Investor Update 2023

Takis Spiliopoulos, CFO
September 26, 2023



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Any statements we make about our expectations, plans and prospects for the Company, including any guidance on the Company's financial performance, constitute forward-looking statements. Future events are inherently difficult to predict. Accordingly, actual results may differ materially from those indicated by these forward-looking statements as a result of a variety of factors.

The forward-looking financial information provided by the Company on the conference call and in this document represent the Company's current view and estimates as of 20 July 2023. We anticipate that subsequent events and developments may cause the Company's guidance and estimates to change.

While the Company may elect to update forward-looking information at some point in the future, the Company specifically disclaims any obligation to do so.

More information about factors that potentially could affect the Company's financial results is included in its annual report available on the Company's website.

Agenda

1. Introduction to Temenos
2. ESG at Temenos
3. Financial overview
4. Temenos' credit story
5. Appendix

1. Introduction to Temenos

Everyone's

Banking

Platform

3k clients

In **150+**
countries

Smallest
Client

500
accounts

Largest
Client

150m
accounts

200+
partners

Temenos is a global leader in banking software

Market leading functionality and technology



**Packaged,
upgradeable software**



**Country model
banks
(localization)**



**Cloud and
SaaS**



**Composable
banking**



**Single code
base**



**Breadth & depth
of
functionality**



**Cloud native
cloud agnostic**



**Extensibility
framework**

Leading functionality + modern technology = the winning combination

Delivering tangible business value through our platform



Win on Customer Experience

Hyper-personalization powered by open banking and explainable AI



Agility to Grow

Faster innovation with cloud native, API-first banking capabilities and a plug-and-play fintech ecosystem



Scale Without Limits

Improve cost-to-income ratio with unlimited scale and services delivered at a fraction of cost of legacy systems

57%

faster onboarding¹⁾

30%

higher NPS score³⁾

6x

launch newer products²⁾

20%

higher cross-sell rate⁴⁾

31%

higher operations STP rate³⁾

24%

more IT spend on growth & innovation³⁾

1) Temenos CEO Navigator 2022. Sample from 102+ Banks. Refers to Digital Banking capabilities

2) Retail banks with Temenos Product Builder

3) Banks with Temenos core banking

4) Banks running Temenos front-to-back



Retail



Corporate

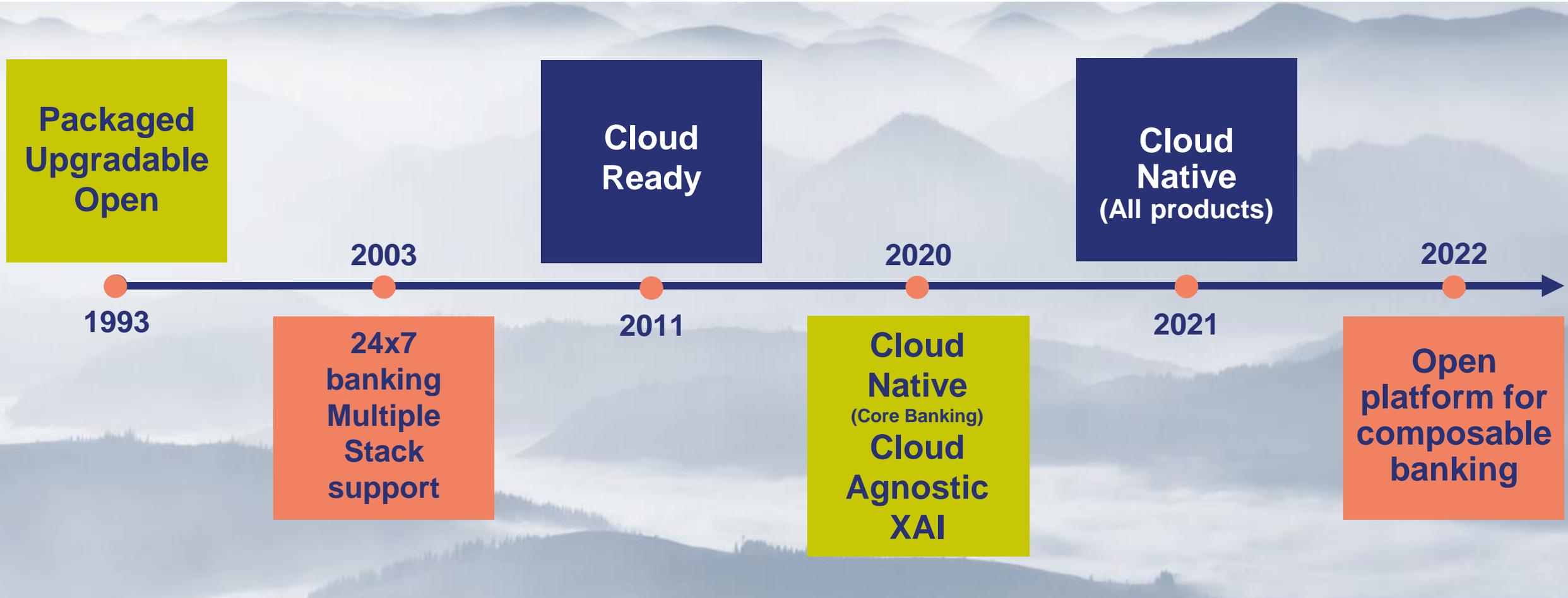


Wealth



Temenos has a global reference client base across main banking business models and tiers

We've always been pioneers



\$2.8bn
1995-2022



Significant R&D investment



\$1.3bn
2023-2026

(Based on historic R&D ratios on predicted

Single code and configuration base



Supporting clients across tiers, geographies, and business models

Note: Data accurate as of February 21, 2023

Temenos' competitive advantage

 **Temenos vs ALL vendors**

-  **Packaged, upgradable**
-  **Functionality breadth & depth**
-  **Pre-built localization**
-  **Extensible**

 **Temenos vs Traditional vendors**

-  **100% Banking focused**
-  **Market leadership**, including non-incumbents
-  Proven **SaaS** delivery and **cloud native**

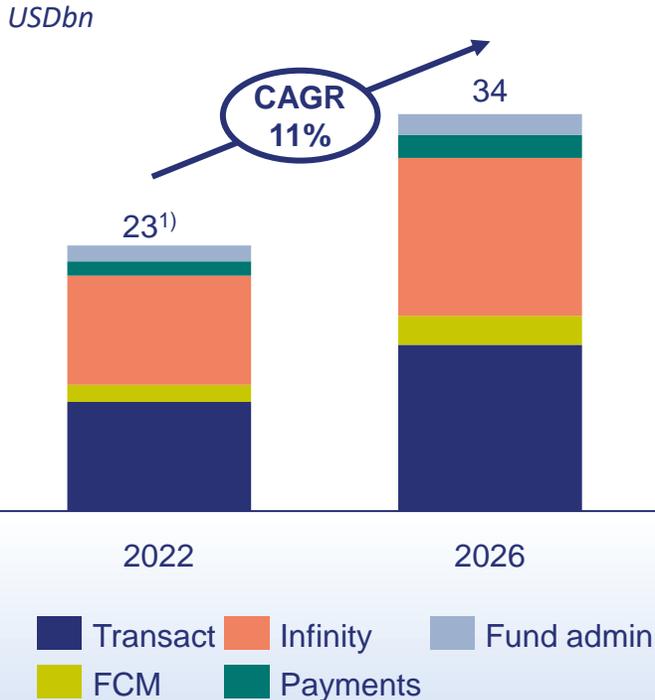
 **Temenos vs Neo-vendors**

-  Proven **scalability**
-  Proven **migration** credentials in every segment and tier
-  30 years of **regulation, security and compliance**

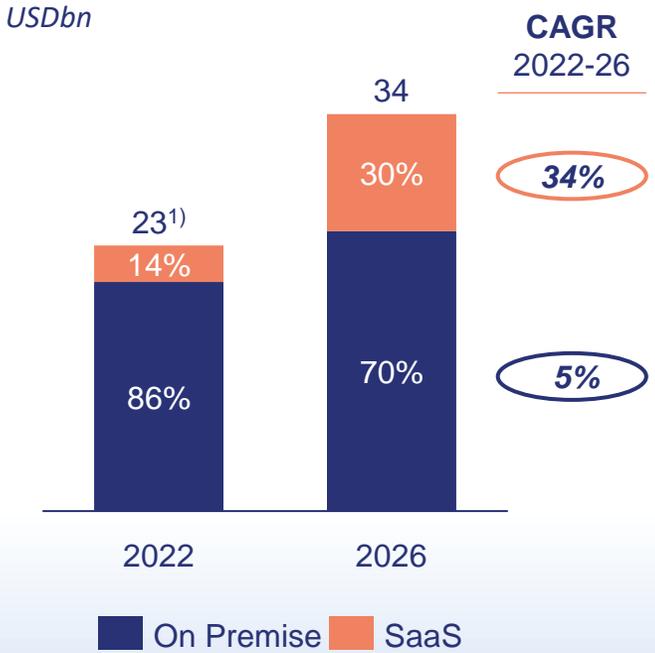
Temenos consistently outsells both Traditional vendors and Neo-vendors; Recognized as a top ranked banking software vendor by leading industry analysts IBS and Forrester

Temenos' Serviceable Addressable Market

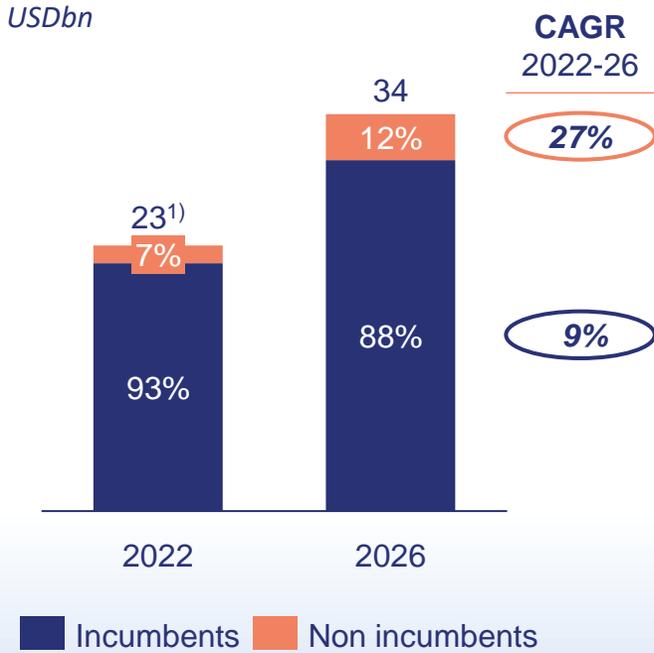
By Product



By SaaS vs On Premise



By Incumbent vs Non-incumbent

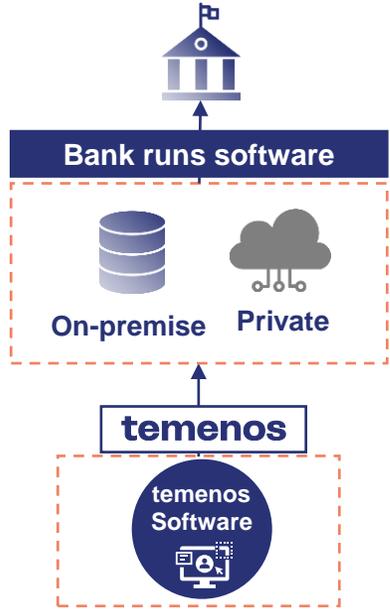


Large and growing Serviceable Addressable Market

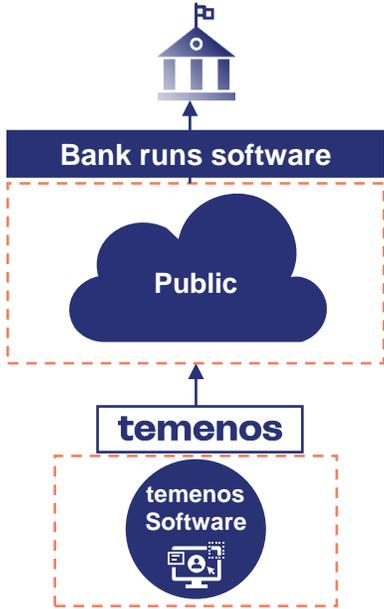
Sources: CB Insights, IDC, McKinsey, Ovum, S&P CapIQ, Temenos estimates | Abbreviation: FCM (Financial Crime Mitigation)
 Note: Serviceable Addressable Market is the banking 3rd party software spend addressable by Temenos products
 1) Represents an estimated 30-40% of addressable market, including in-house spend

Revenue and operating models

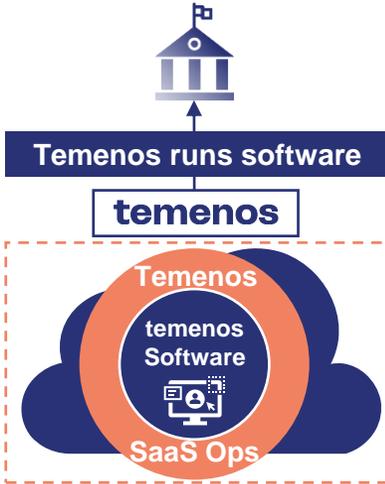
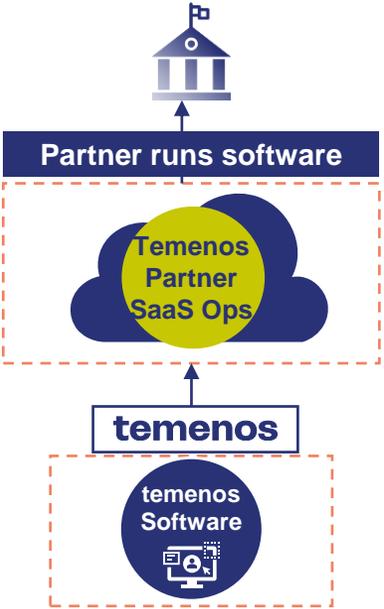
Subscription revenue



Subscription revenue



SaaS revenue



- Banks to continue in jurisdictions with regulatory restrictions
 - Larger banks likely to run software inhouse for main business lines
- Traditional Temenos business

- Larger banks likely to run software themselves for main business lines
 - Growth in public cloud accelerates revenues for Temenos
- Traditional Temenos business

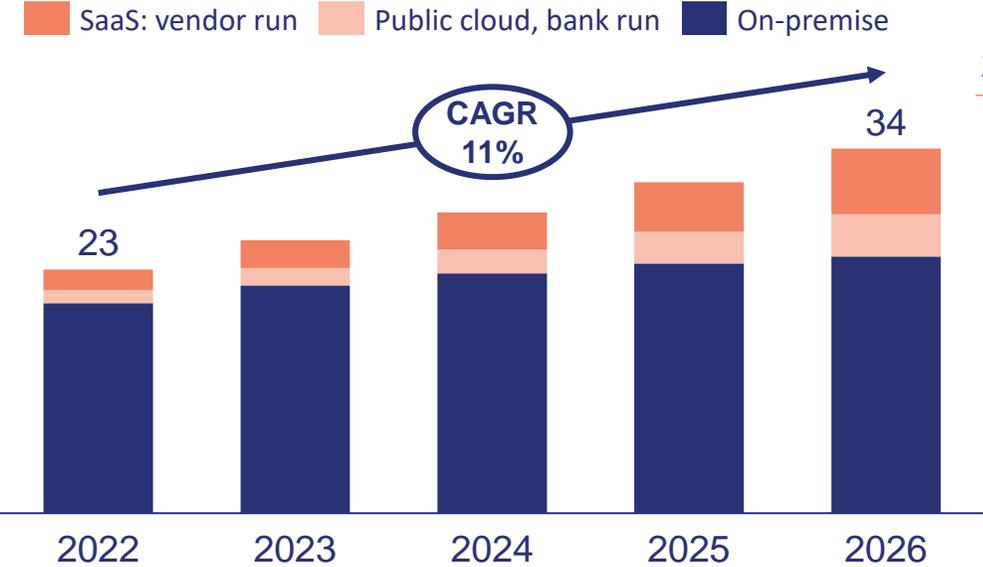
- Larger banks more open to large SIs providing managed services
 - Banks in jurisdictions with data sovereignty & data centre location issues for hyper-scalers
- Opportunity for Temenos to improve margin and scale in new segments/markets
Migration strategy for banks running legacy
Accelerated integration to banks' IT landscape

- Typically for smaller banks and non-incumbents increasingly adopted by larger banks for overseas, speciality business lines
 - Some mainstream large banks are also moving onto Temenos Banking cloud
- Temenos margin improves with scale, automation, and cross-sell

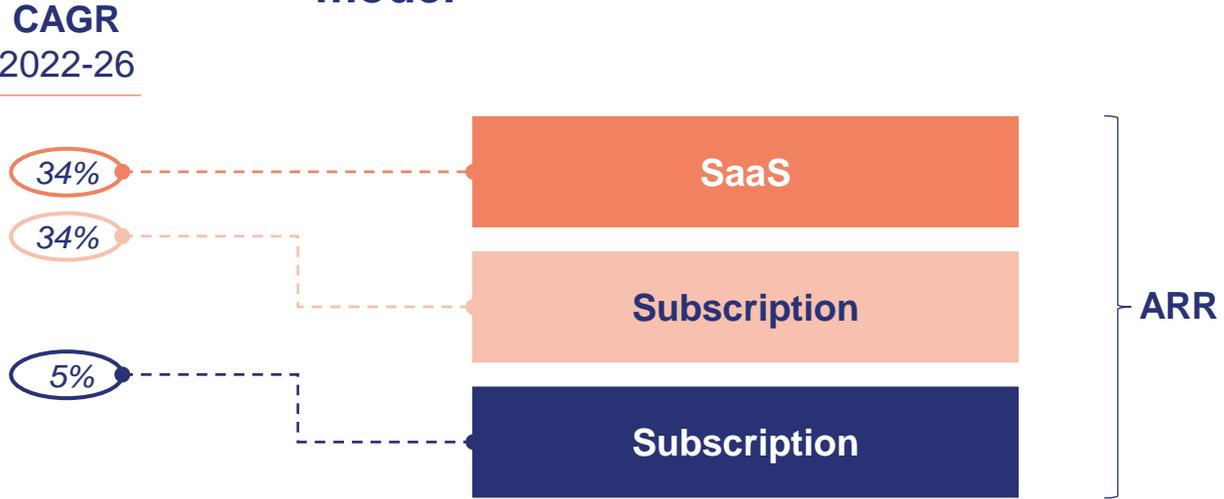
Driving recurring revenue and giving clients choice of operating model

Public cloud adoption accelerating SaaS as well as Subscription revenues

Serviceable Addressable Market (USDbn)



Implications for Temenos revenue model



94% of bankers expect >50% of business to move to cloud within 3 years

2x increase in preference for public cloud amongst banks in 2022 vs 2021

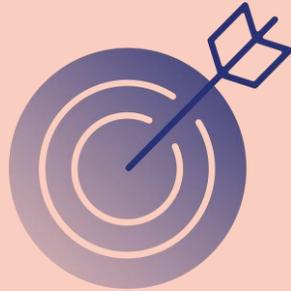
We monetize Public Cloud and SaaS market growth through both SaaS and Subscription to drive ARR

Sources: Accenture report "The ultimate guide to banking in the Cloud 2022", Expert interviews, IDC, McKinsey Global annual banking review 2021, Ovum, Temenos analysis
Abbreviation: ARR (Annual Recurring Revenue)

Key strategic initiatives



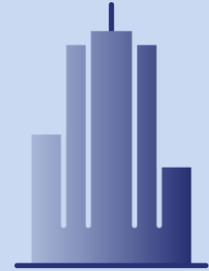
**Continued SaaS
acceleration**



**North America
focus**



**Partner centric
approach**



**Increasing
penetration
in larger banks**

2. ESG at Temenos

Temenos continues to top ESG global indices and ratings

Top 25 Swiss stocks
SXI Switzerland Sustainability 25[®] Index

TOP SOF category globally
Dow Jones Sustainability Index World & Europe

Top 10%
FTSE4GOOD Index

Highest rating
CDP Leadership (A/A-)

Highest rating
MSCI AAA Rating

Highest rating
ISS E&S Rating

PRIME status
ISS ESG PRIME Status

Low risk
Sustainalytics

Top performer
Bloomberg Gender Equality Index

2x Sustainability Award Winner
2022 S&P Global Silver Class + Industry Mover

Top 1%
Ecovadis Platinum medal

Top 20%
Vigeo Eiris

95% fewer emissions



Temenos ESG targets

59 offices in 39 countries, 87 nationalities

ENVIRONMENT

Climate Change
Business Ambition for 1.5°C

Science-based targets
50% reduction of GHG emissions by 2030

Temenos carbon calculator
Carbon insights to customers on Temenos Banking Cloud

Net zero
Emission by 2050

SOCIAL

Diversity, Equity & Inclusion
Employees

36%
Gender diversity in global workforce by 2025

40%
Gender diversity in global workforce by 2030

40%
Racial diversity in the US by 2025

GOVERNANCE

Corporate governance
Operating responsibly

30%
Gender diversity in Board of Directors by 2025

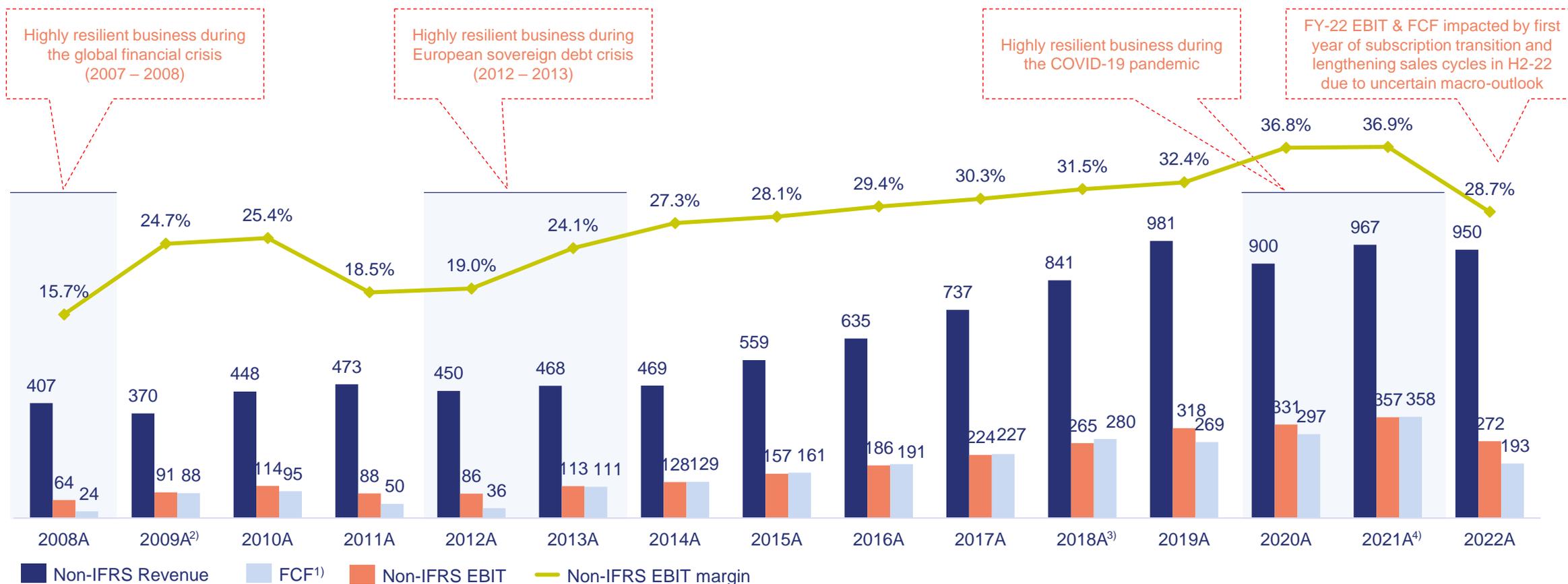
>97%
Business Code of Conduct training completion

ESG target in executive compensation (planned)

3. Financial overview

Temenos has demonstrated long-term sustainable growth

USDm



Focus on recurring revenue drives long-term growth in revenue, EBIT, and Free Cash Flow; Proven resilience throughout crises

1) Operating cash flow – capex incl. capitalized R&D
 2) 2009A EBIT adjusted for post-acquisition adjustment
 3) 2018A restated financials

4) New non-IFRS definition adopted as of 1 January 2021 adjusting for share-based payments including related social charges costs and associated tax impact

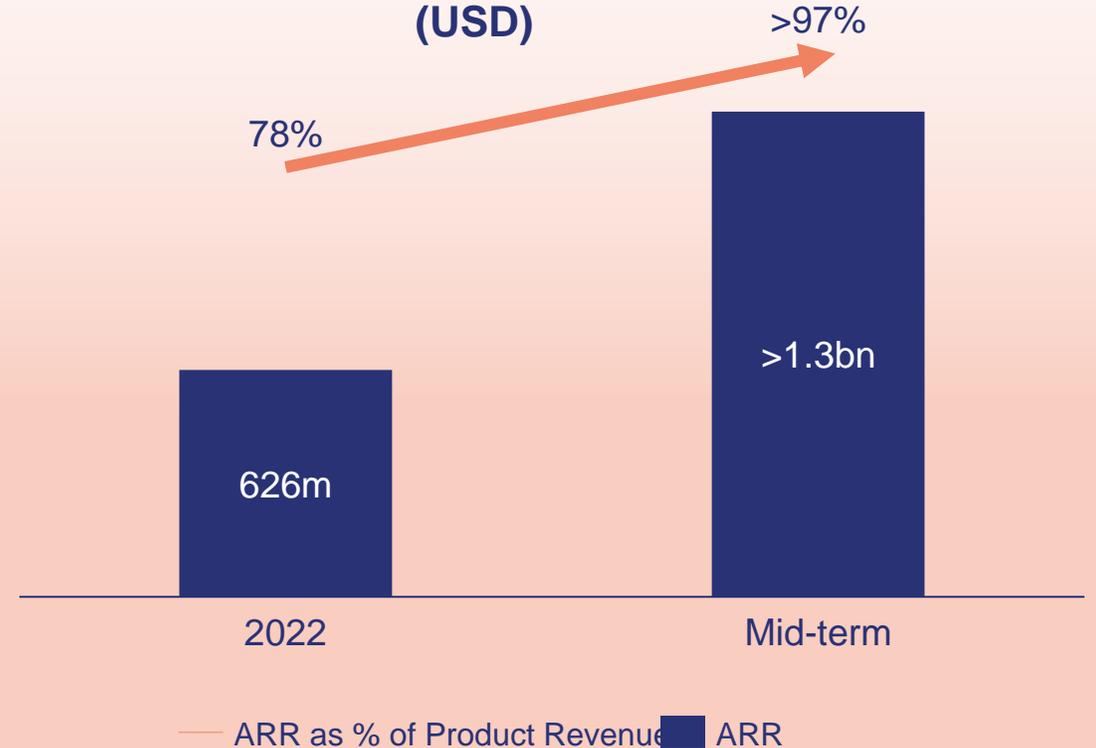
Move to Subscription improves predictability of financial performance

Client across all tiers and business models are now sold **Subscription contracts**



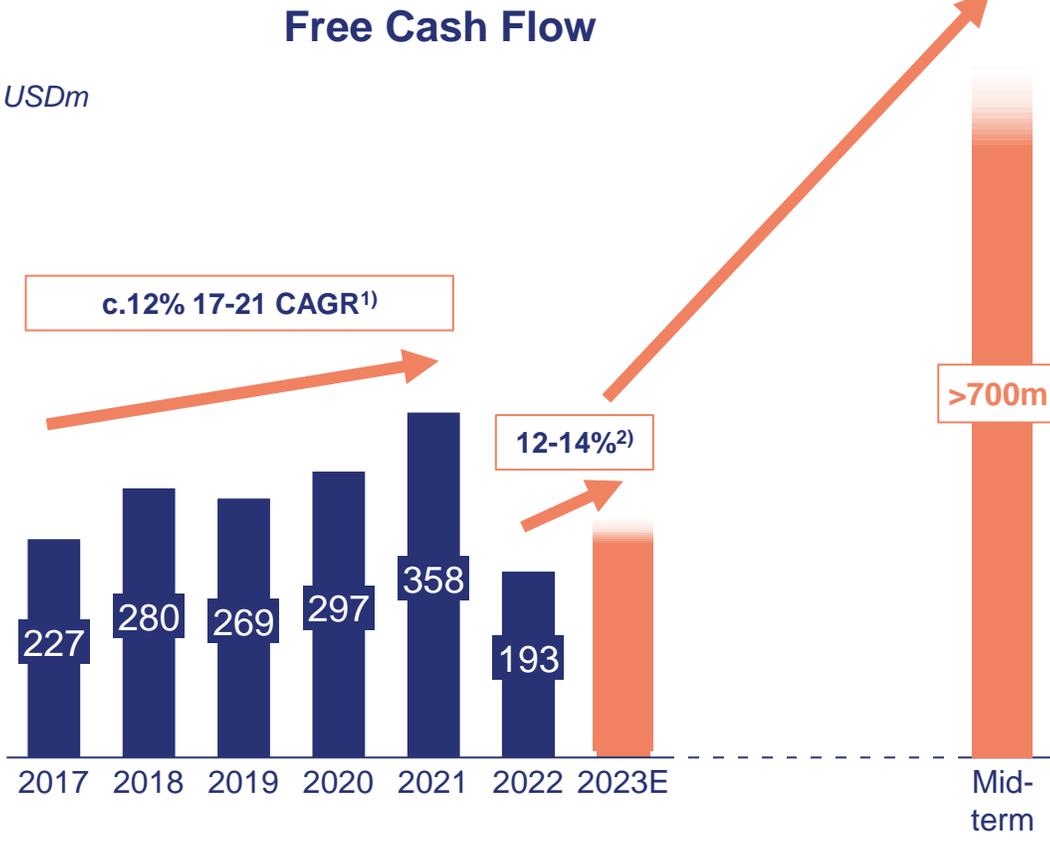
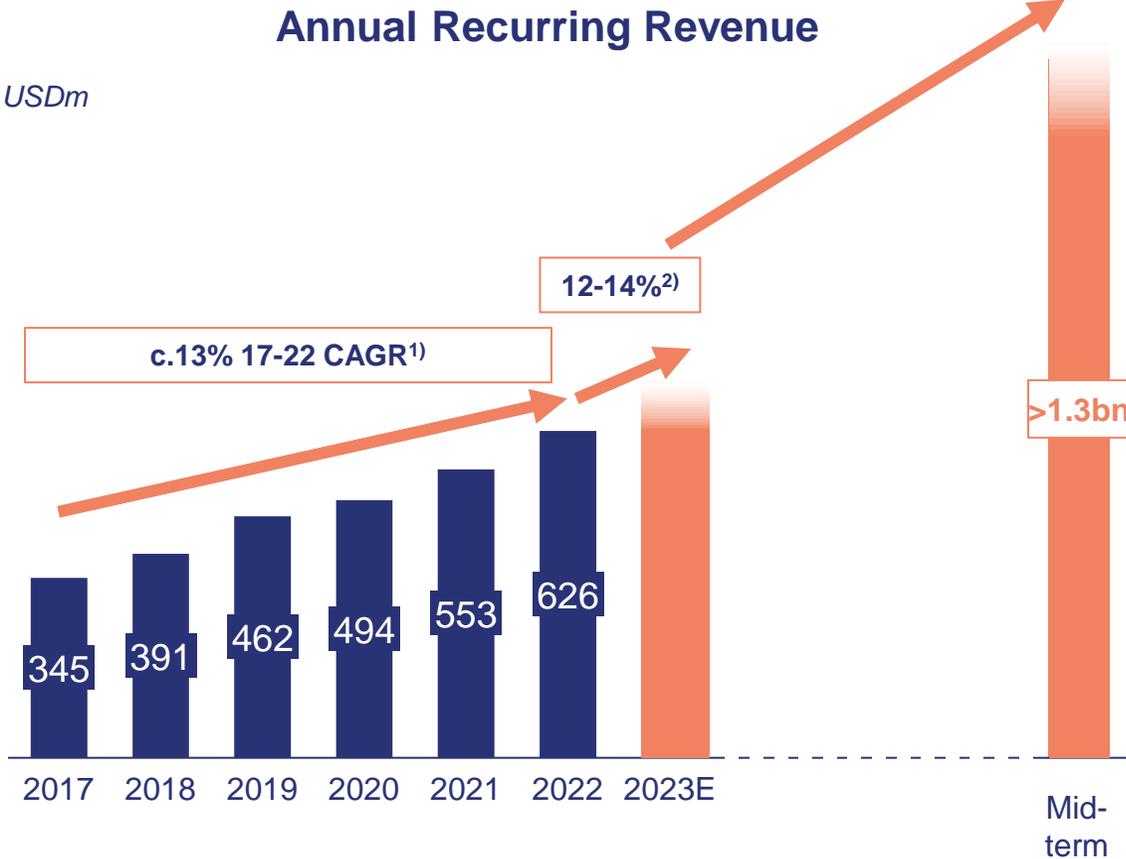
Temenos' **five-year Subscription contracts** for on-premise license and maintenance offering have been **well received by the market**

Significant acceleration in Annual Recurring Revenue (USD)



Growth in Subscription and SaaS will drive recurring revenue; Subscription model accelerates shift to more predictable financial performance

Accelerating ARR and Free Cash Flow growth

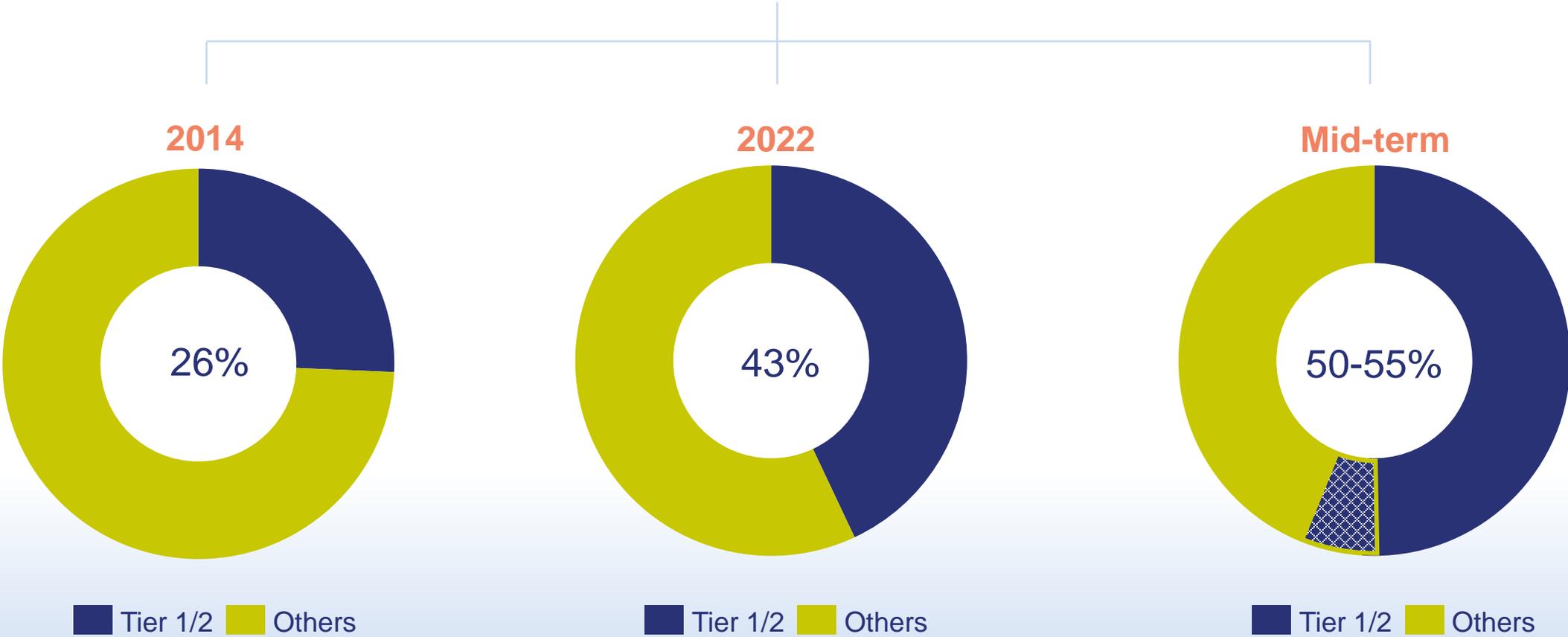


Free Cash Flow growth in excess of ARR and accelerating from 2023 based on SaaS deferred revenues

1) Growth rates is in constant currency
 2) 2023 guidance

Building momentum with Tier 1 and 2 clients

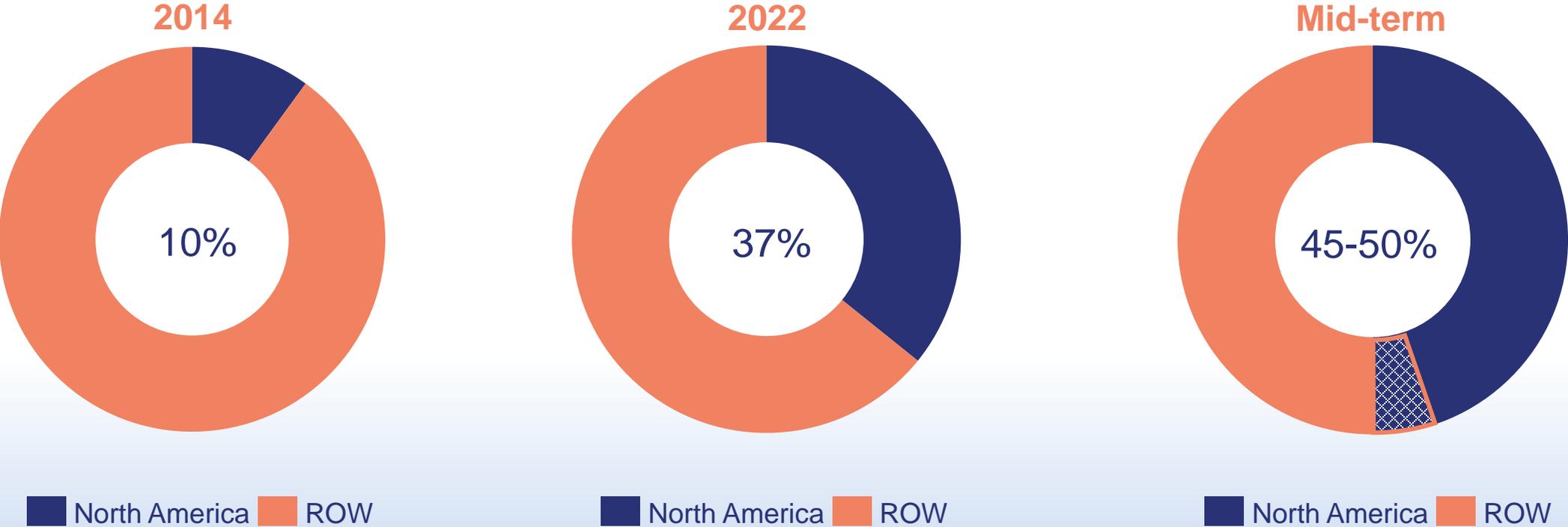
Non-IFRS total software licensing revenues by client tier



Note: Total Software Licensing revenue are non-IFRS

Building momentum in North America

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



Note: Total Software Licensing revenue are non-IFRS

Mid-term targets (non-IFRS, c.c.)

	Mid-term targets (USD)	FY-22 base (USD, c.c.)
ARR	>1.3bn	629m
EBIT	>570m	276m
Free Cash Flow	>700m	193m ¹⁾

Abbreviations: ARR (Annual Recurring Revenue), c.c. (Constant Currency)

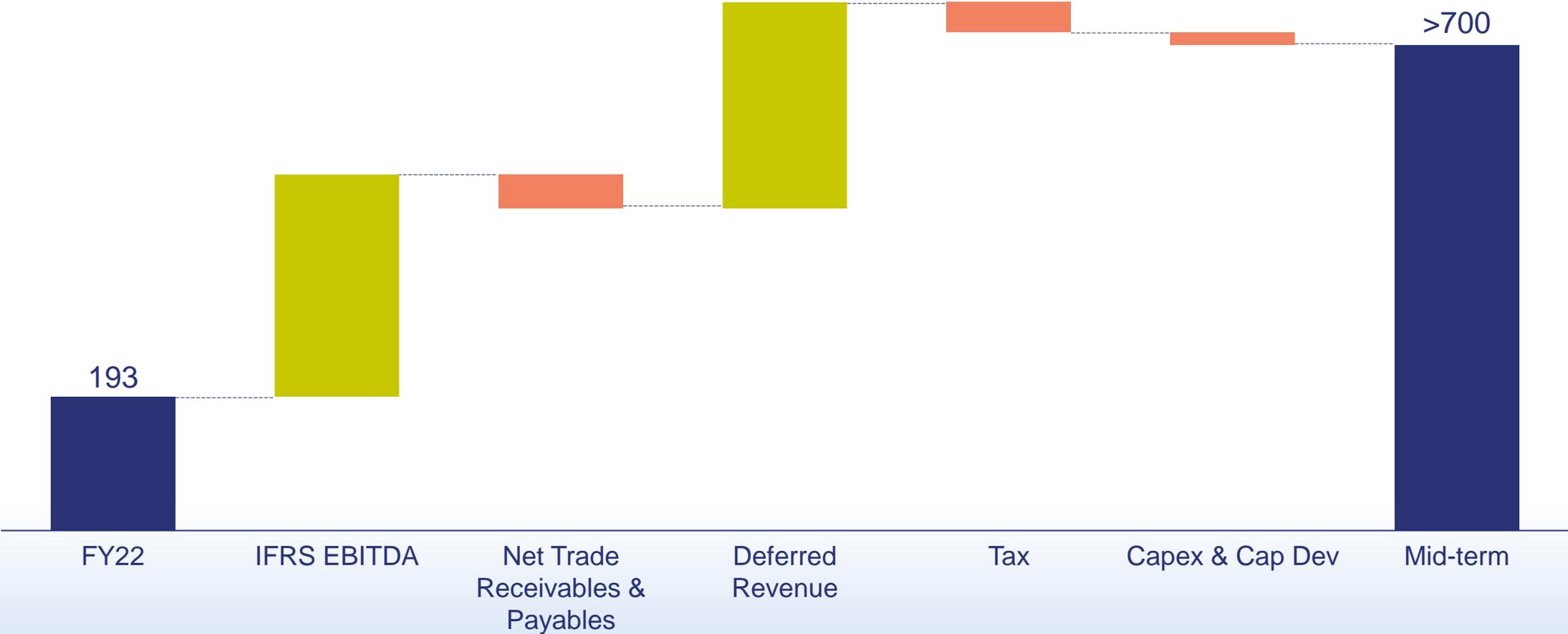
Note: See Disclaimer at the beginning of this presentation on forward-looking statements.

1) FY-22 Free Cash Flow is reported figure and not restated

Free Cash Flow evolution 2022 to mid-term

Estimated movements for illustrative purposes only

USDm



Accelerating Free Cash Flow growth driven by profit and deferred revenue growth

Note: Figures are on a reported basis

FY-23 guidance (non-IFRS, c.c.)

	FY-23 guidance	FY-22 base (USD, c.c.)
ARR	12% - 14% growth (raised from at least 12%) ¹⁾	629m
Total Software Licensing	At least 6% growth	405m
EBIT	At least 7% growth	276m
EPS	At least 6% growth	2.82 ²⁾
Free Cash Flow	12% - 14% growth; in-line with ARR (raised from at least 12%) ¹⁾	193m ²⁾

Q2-23 highlights

Q2-23 financial highlights (non-IFRS, c.c.)

- Strong second quarter with 14% ARR growth
- Subscription revenue of USD 35.6m
- SaaS ACV of USD 20m, highest ever quarterly ACV
- SaaS revenue up 30%
- EBIT growth of 5%
- Free Cash Flow growth of 26%
- Strong H1-23 performance
 - ARR growth of 14%
 - Total software licensing growth of 6%
 - EBIT growth of 7%
 - Free Cash Flow growth of 23%

Q2-23 operational highlights

- Sales environment remained stable
- Subscription transition progressing well and delivering value uplift
- SaaS ACV driven by incremental consumption and new logos – Convera in the US for payments in the cloud
- Tier 1 and 2 contributed 39% of Total Software Licensing in Q2-23 and 46% LTM
- Services continued trend of profitability; good cost control across the business

FY-23 guidance – ARR and FCF guidance raised

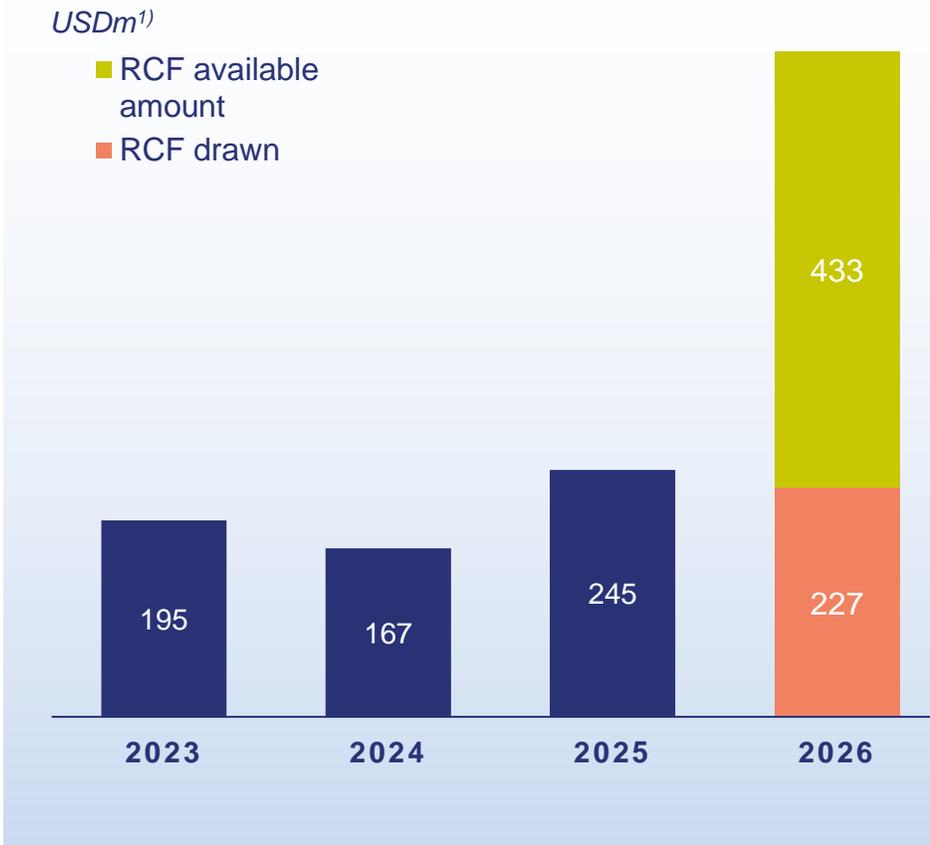
- ARR growth of 12%-14%
- Total software licensing revenue growth of at least 6%
- EBIT growth of at least 7%
- EPS growth of at least 6%
- FCF growth of 12%-14%, in-line with ARR

4. Temenos' credit story

Funding and maturity profile as at June 30, 2023

- Straight Bonds**
- Temenos has regularly tapped into the Swiss bond market since 2013
 - Current bonds outstanding:
 - CHF 175m 1.875%, due Nov/2023
 - CHF 150m 1.750%, due Apr/2024
 - CHF 220m 1.500%, due Nov/2025
 - All current bonds outstanding are assigned a BBB rating from Fitch

- RCF**
- Temenos further has a USD 660m RCF due for renewal in July 2026

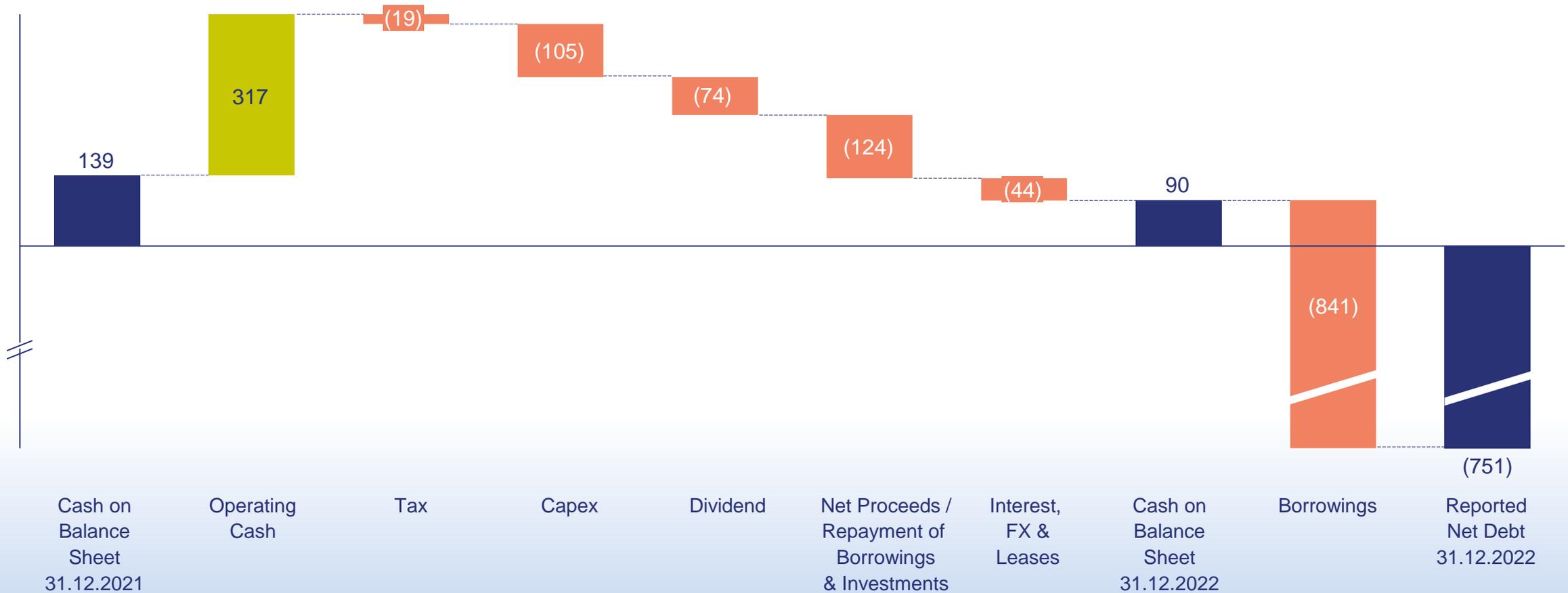


A diversified funding base. All maturing transactions have either been refinanced or repaid on time

1) FX USD/CHF = 0.8977

Group liquidity in FY-22

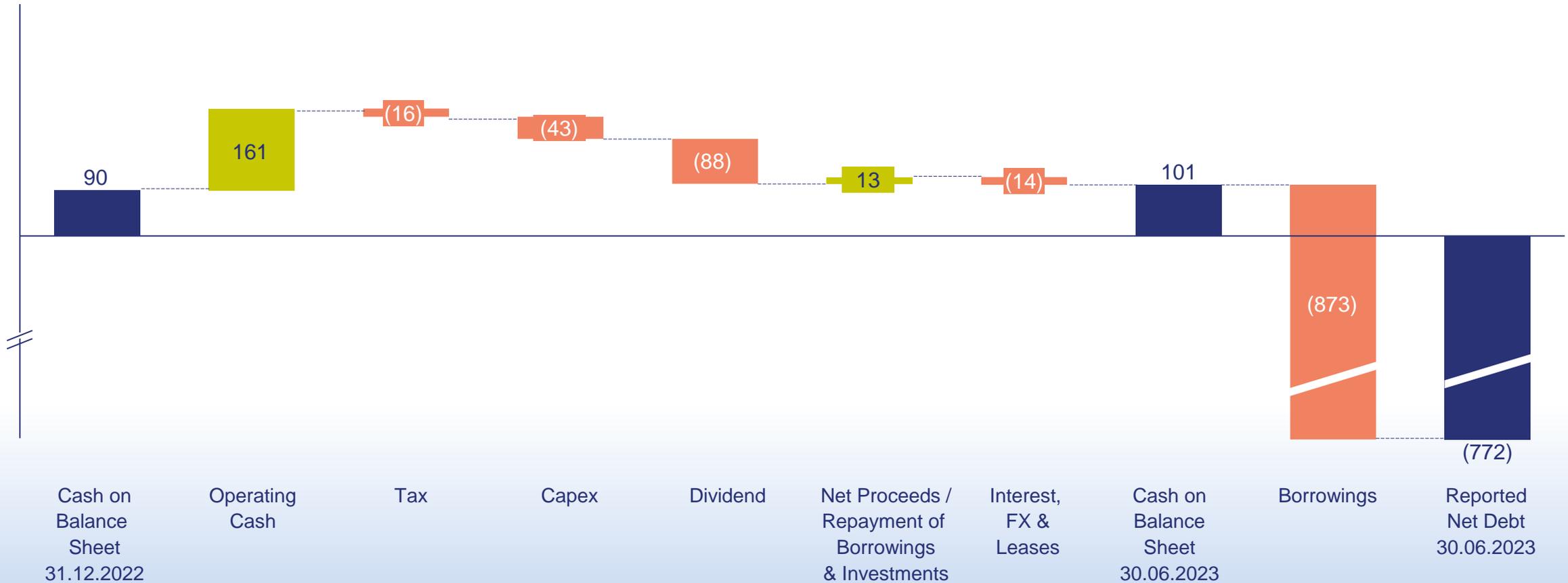
USDm



Leverage at 2.0x at year-end FY-22

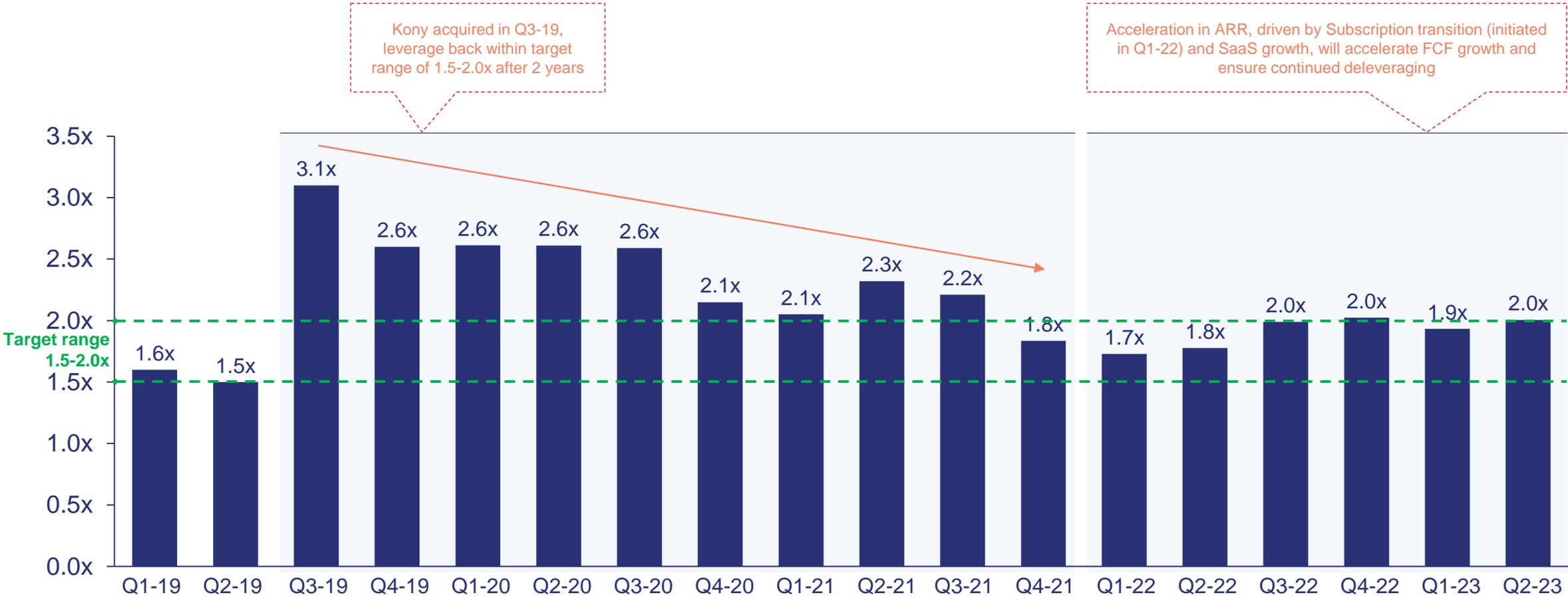
Group liquidity in H1-23

USDm



Leverage at 2.0x at end of Q2-23

Leverage ratio



Resilient business model with strong cash flow generation enables strong deleveraging profile

Credit highlights



- 1 Market leading platform and strategy allow for expanding market share
- 2 High barriers to entry driven by continuous innovation, technology leadership and operational excellence
- 3 Geographically and structurally diversified customer base, low concentration risk
- 4 Increasing share of recurring revenues through transition of business model
- 5 BBB (stable) issuer rating by Fitch, all bonds carry a BBB rating – expected inclusion in Swiss Bond Index
- 6 Leader in ESG – MSCI AAA
- 7 Strong free cash flow generation, consistent leverage ratio management, conservative funding policy
- 8 Highly experienced management team complemented with stable shareholder base

5. Appendix

Temenos leadership team

Years of tenure



24

Andreas Andreades
CEO



4

Takis Spiliopoulos
CFO



23

Prema Varadhan
President Product & COO



7

Colin Jarrett
Chief Security & Risk Officer



7

Jayde Tipper
Chief People Officer



12

Jean-Paul Mergeai
President International Sales



18

Philip Barnett
President Americas



21

Deirdre Dempsey Leclercq
Chief Legal Officer



7

Kalliopi Chioti
Chief Marketing & ESG Officer



7

Kanika Hope
Chief Strategy Officer

Global Sales Awards – Temenos is #1 in eight categories



IBS intelligence
Global FinTech Perspectives

Annual Sales League Table 2023

• LEADERSHIP CLUB •

Best in Universal
Core Banking



IBS intelligence
Global FinTech Perspectives

Annual Sales League Table 2023

• LEADERSHIP CLUB •

Best in Digital
Banking Channels



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• LEADERSHIP CLUB •

Best in Retail
Payment Systems



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• LEADERSHIP CLUB •

Best in Risk
Management



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Global FinTech Perspectives

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• LEADERSHIP CLUB •

Best in Treasury &
Risk Management



IBS intelligence
Global FinTech Perspectives

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• LEADERSHIP CLUB •

SLT Global Leader
DIGITAL-ONLY BANKS



IBS intelligence
Global FinTech Perspectives

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• LEADERSHIP CLUB •

Best in Islamic Banking
RISK MANAGEMENT



IBS intelligence
Global FinTech Perspectives

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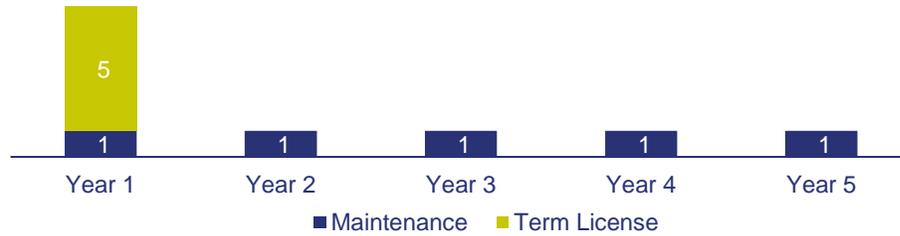
• LEADERSHIP CLUB •

Best in Islamic Banking
UNIVERSAL CORE - MIDDLE EAST

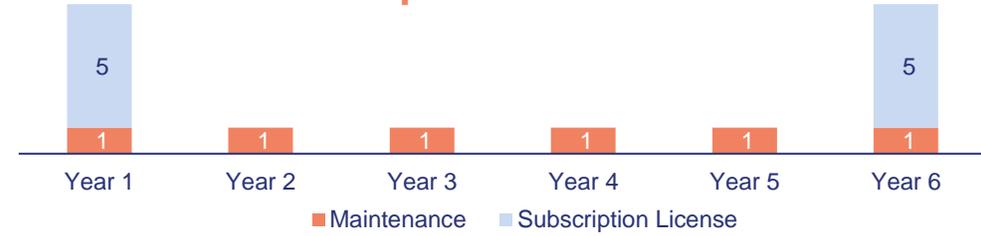
IBS reconfirms Temenos as the #1 best-selling banking software vendor

Impact of subscription transition on P&L, cashflow and ARR

Term model – P&L



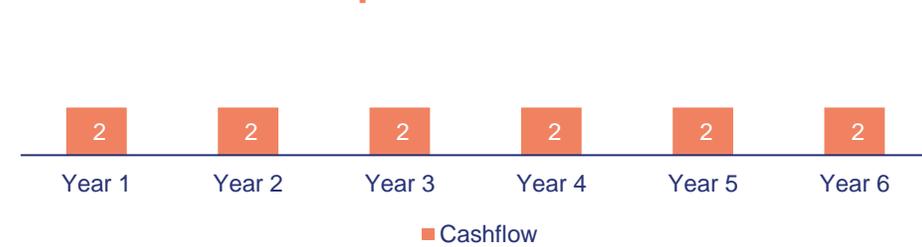
Subscription model – P&L



Term model – Cash



Subscription model – Cash



Term model – ARR



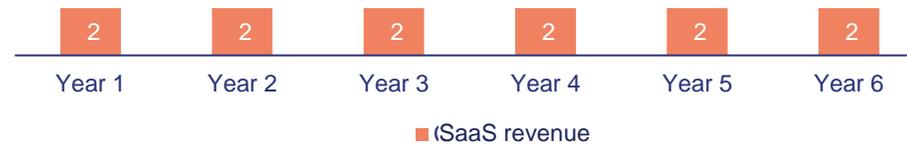
Subscription model – ARR



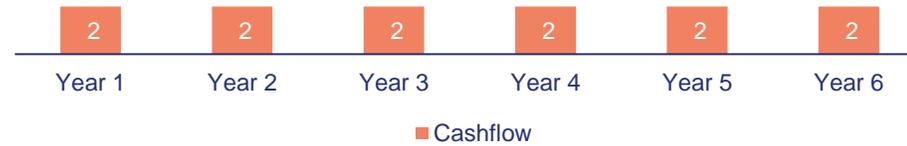
Note: Based on our standard 5-year term contract and based on IFRS15 standards. For illustrative purposes, the example assumes no uplift in value from move to subscription

Impact of SaaS contracts on P&L, cashflow and ARR

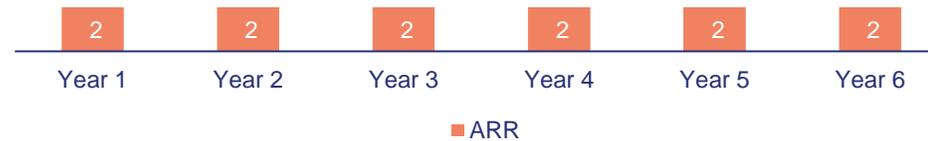
SaaS model – P&L



SaaS model – Cash



SaaS model – ARR



Thank you

temenos