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Financial Results and Business Update

Andreas Andreades, CEO
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23 April 2024
Quarter ended, 31 March 2024

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Disclaimer

Our presentation and this document may contain forward-looking statements relating to the future of the business and financial performance of Temenos AG.

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.

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 23 April 2024. We anticipate that subsequent events and developments may cause the Company's guidance and estimates to change. Such events may include adverse publicity from information put into market place by a short seller, which the company believes to be inaccurate and misleading, as well as the time and efforts relating to the company's response thereto. 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. 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.

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.

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Non-IFRS information

In its presentation and in this document, the Company may present and discuss non-IFRS measures.

Readers are cautioned that non-IFRS measures are subject to inherent limitations. Non-IFRS measures are 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 measures may not be comparable to similarly titled non-IFRS measures used by other reporting companies.

In the Appendix accompanying this presentation, the Company sets forth supplemental non-IFRS figures for revenue, operating costs, EBIT, EBITDA, net earnings and earnings per share that exclude the effect of share-based payments, the carrying value of acquired companies’ deferred revenue, the amortization of acquired intangibles, discontinued activities, acquisition/investment related charges, restructuring costs, and the income tax effect of the non-IFRS adjustments. These tables also present the most comparable IFRS financial measures and reconciliations.

In addition, the Company provides percentage increases or decreases in its revenue (on both an IFRS and non-IFRS basis) eliminating the effect of changes in currency values when it believes that this presentation is helpful to an understanding of trends in its business. Accordingly, when trend information is expressed "in constant currencies“ or “c.c.”, 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.

Q1-24 highlights

Q1-24 financial highlights (non-IFRS, c.c.)

- ARR of USD 723m, up 12% y-o-y
- Subscription revenue of USD 20m
- SaaS ACV of USD 5m, SaaS revenue up 19%
- Total software licensing declined by 8%
- Maintenance revenue accelerated to 10% growth
- Total revenue growth of 2%
- EBIT growth of 7%, EBIT margin expansion of 2% points
- Free cash flow of USD 49m, up 26%

Q1-24 operational highlights

- Temporary lengthening of sales cycles due to short seller allegations impacted signings in Q1-24
- Pipeline continued to grow despite challenging sales environment
- Sales environment otherwise remained stable with no impact from macro
- Sales focus on ARR driving strong growth in recurring revenue streams
- Shift to recurring revenue model is reducing volatility, with total revenue still growing despite lower license sales
- No change to full year guidance with publication of independent report on allegations expected to restore normal deal closure rates

FY-24 guidance confirmed (non-IFRS, c.c.)

- ARR growth of about 15%
- Total software licensing revenue growth of 7-10%
- EBIT growth of 7-9%
- EPS growth of 6-8%
- FCF growth of at least 16%

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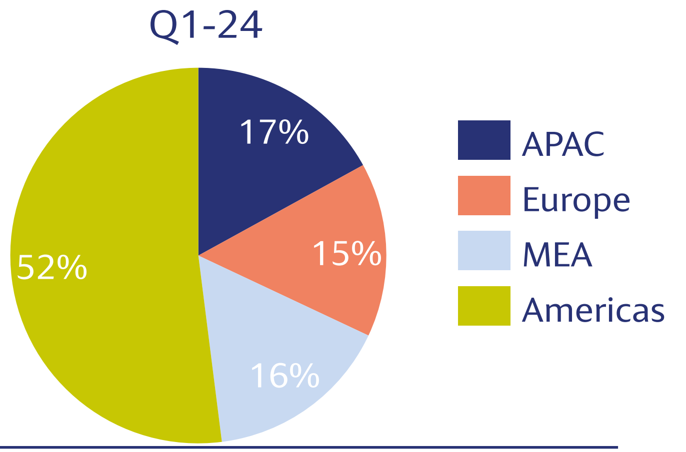
Q1-24 sales and operational review

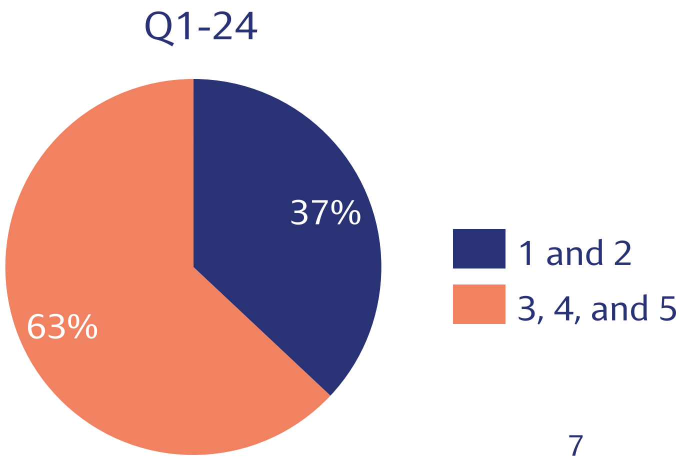
- Q1-24 signings impacted by temporary delays in client decision making due to short seller allegations
- Sales environment otherwise remained stable
- Despite sales challenges, APAC and Europe still grew year-on-year, with Americas flat and MEA seeing a decline due to a tough comparable
- Subscriptions continued to grow as a percentage of the license mix, at 73% in Q1-24, continuing to achieve value uplift on new clients and renewals
- 9 new client wins in the quarter
- Tier 1 & 2 mix in total software licensing at 37% in Q1-24 and 42% over the last twelve months

Total software licensing

Geographic split



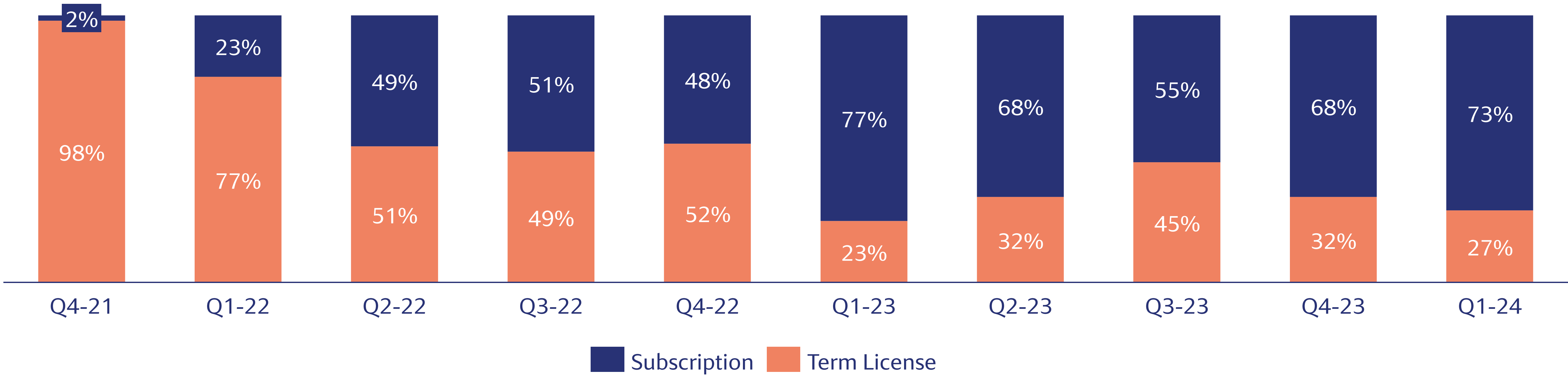
Tiers



Subscription transition substantially complete

Subscription and term license mix

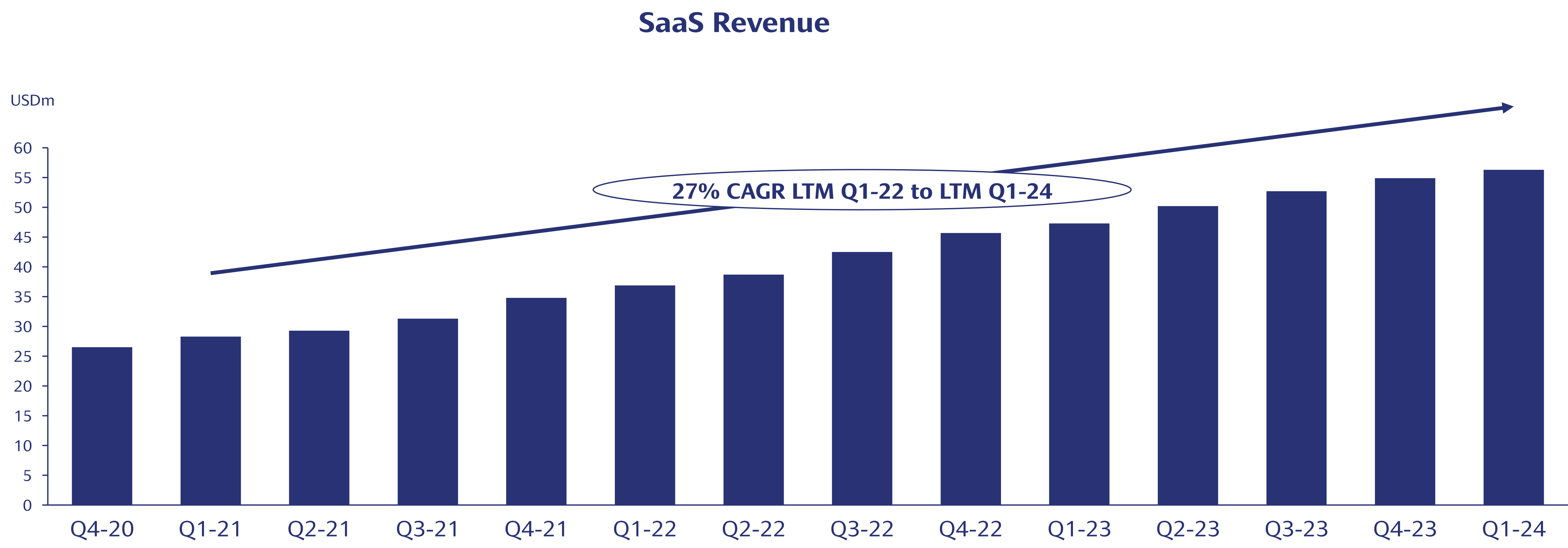
Subscription was 44% of FY-22 and 67% of the FY-23 subscription and term license mix



Subscription represented 73% of Q1-24 subscription and term license mix

See Disclaimer at beginning of this presentation on forward-looking statements

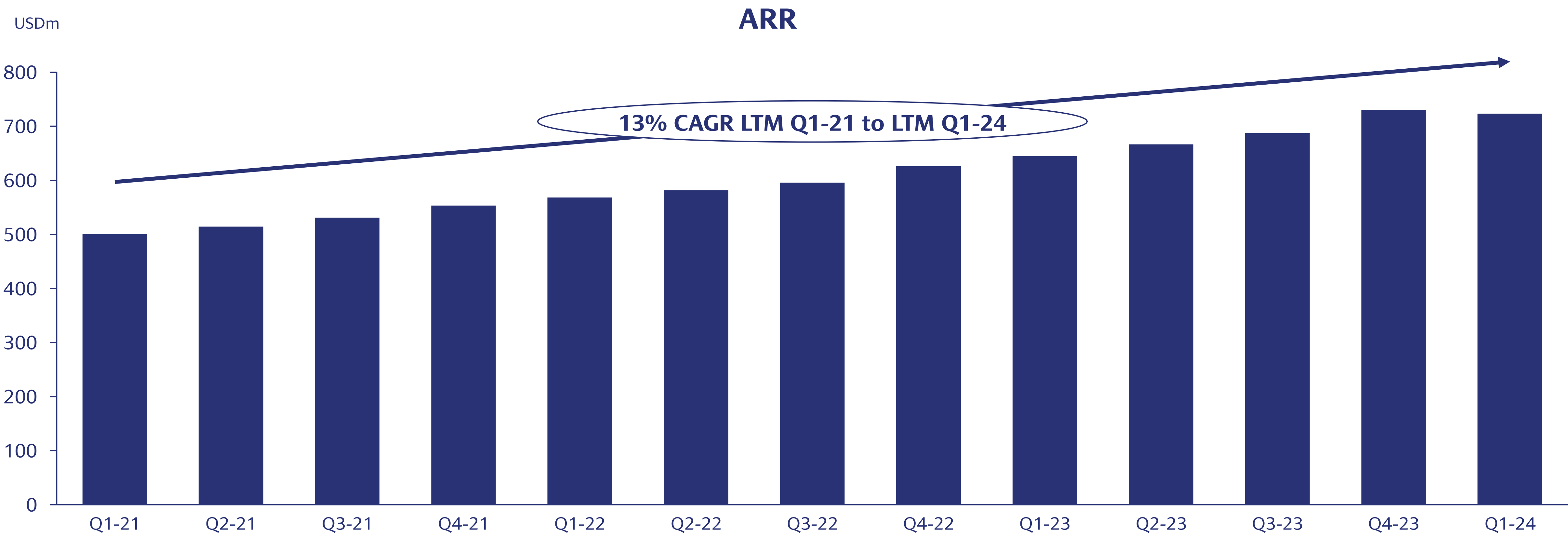
SaaS momentum continues with revenue growth of 19% in Q1-24



Q1-24 SaaS ACV of USD 5m; mix of new logos and upsell/cross-sell

Note: non-IFRS c.c. growth rates. See Disclaimer at beginning of this presentation on forward-looking statements

Strong ARR growth trajectory, up 12% in Q1-24



ARR growth driven by subscription, SaaS and maintenance

Note: non-IFRS c.c. growth rates. See Disclaimer at beginning of this presentation on forward-looking statements

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Q1-24 Non-IFRS financial highlights

Revenue and profit (non-IFRS, c.c.)

- ARR of USD 723.1m, up 12%
- Subscription revenue of USD 20.1m
- SaaS revenue up 19% in Q1-24
- Total software licensing down 8% in Q1-24
- Maintenance growth of 10% in Q1-24
- Total revenue growth of 2% in Q1-24
- EBIT up 7% in Q1-24
- Q1-24 EBIT margin of 31.7%, up 2% pts
- EPS (reported) up 6% in Q1-24

Cash flow

- Q1-24 operating cash flow of USD 71.6m, up 1% y-o-y;
- Q1-24 operating cash conversion of 118% of IFRS EBITDA
- Q1-24 free cash flow of USD 48.8m, up 26% y-o-y
- DSOs at 136 days, up 11 days y-o-y, down 5 days q-o-q

Debt, leverage and capital allocation

- Net debt[1] of USD 549m as of 31 March 2024; leverage at 1.4x at quarter end, down from 1.6x at Q4-23

Note: figures are non-IFRS c.c. growth rates unless otherwise stated
[1] Net debt adjusted for swaps add-back for leverage calculation

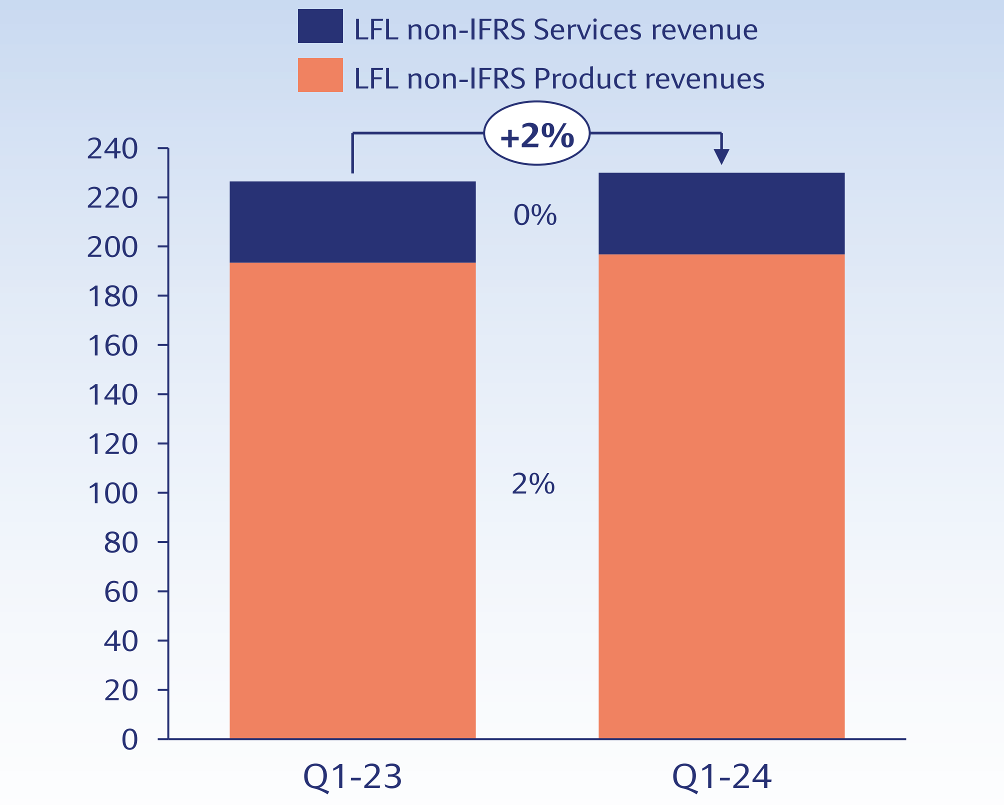
ARR and non-IFRS income statement – operating

ARR (USDm)	Q1-24	Q1-23	Y-o-Y reported	Y-o-Y c.c.
ARR	723.1	645.2	12%	12%

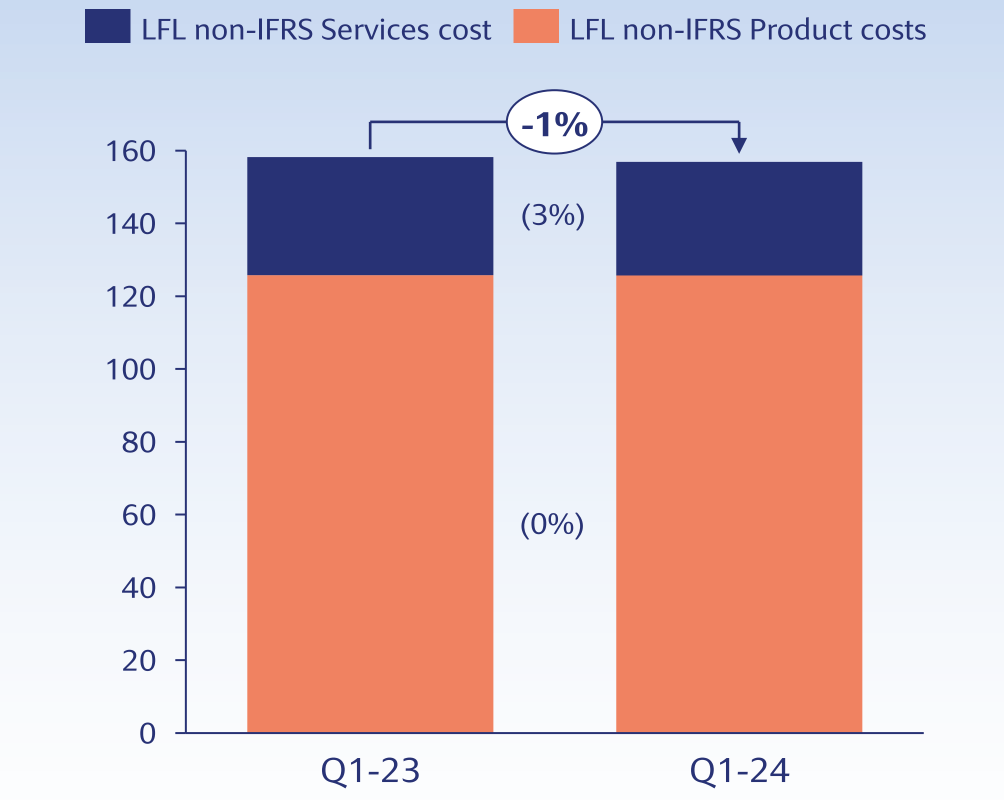
Income statement (USDm)	Q1-24	Q1-23	Y-o-Y reported	Y-o-Y c.c.	LTM Q1-24	LTM Q1-23	Y-o-Y reported	Y-o-Y c.c.
Subscription	20.1	33.8	(41%)	(41%)	146.7	129.0	14%	13%
Term Licence	7.6	10.2	(25%)	(25%)	75.6	109.6	(31%)	(31%)
SaaS	56.3	47.3	19%	19%	214.1	174.2	23%	23%
Total software licensing	**84.0**	**91.3**	**(8%)**	**(8%)**	**436.4**	**412.8**	**6%**	**5%**
Maintenance	112.7	102.4	10%	10%	434.0	404.7	7%	7%
Services	33.1	32.8	1%	0%	133.2	138.0	(4%)	(5%)
Total revenue	**229.9**	**226.5**	**1%**	**2%**	**1,003.6**	**955.5**	**5%**	**4%**
Operating costs	156.9	159.3	(2%)	(1%)	684.9	675.2	1%	1%
EBIT	**72.9**	**67.2**	**9%**	**7%**	**318.7**	**280.3**	**14%**	**12%**
Margin	31.7%	29.7%	2% pts	2% pts	31.8%	29.3%	2% pts	2% pts
EBITDA	**94.3**	**88.5**	**7%**	**5%**	**404.6**	**370.5**	**9%**	**8%**
Margin	41.0%	39.1%	2% pts		40.3%	38.8%	2% pts	

Like-for-like revenues and costs

- **Q1-24 LFL non-IFRS revenues up 2%**
- **Q1-24 LFL non-IFRS product revenues up 2%**



- **Q1-24 LFL non-IFRS costs down 1%**
- **Q1-24 LFL non-IFRS product costs flat**

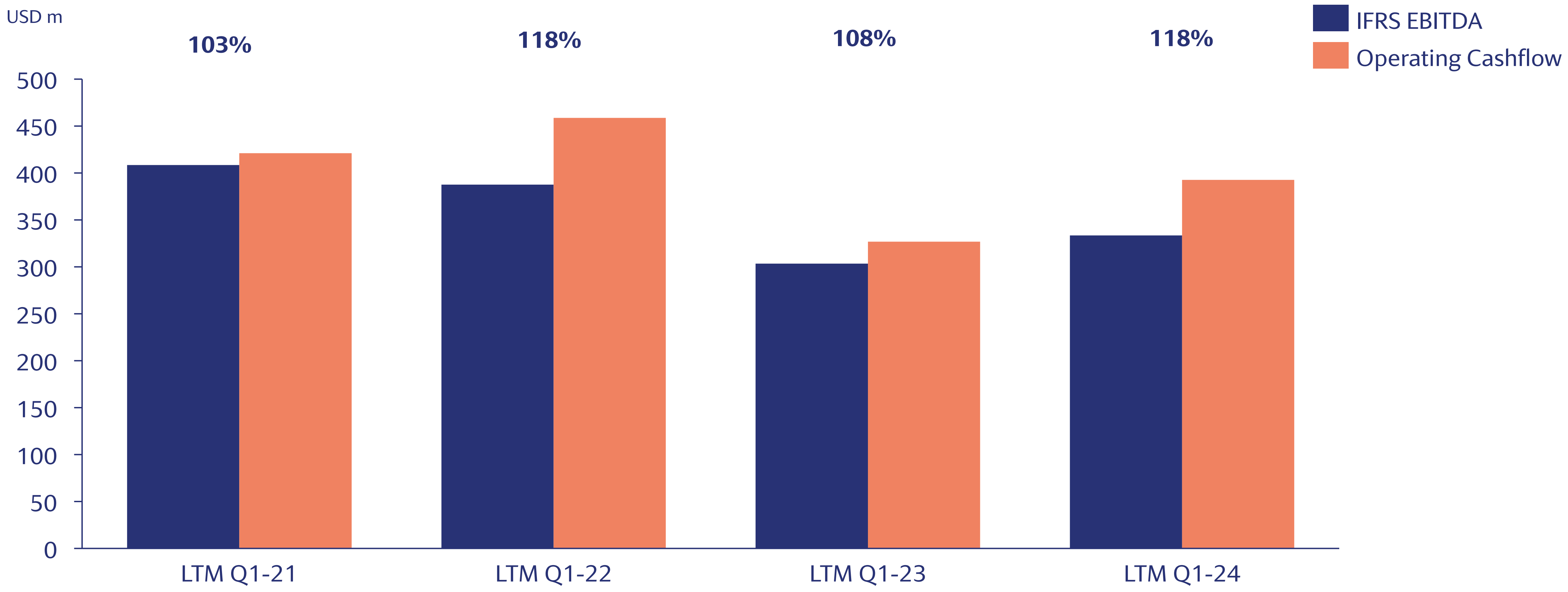


Note: figures are non-IFRS c.c. growth rates unless otherwise stated

Non-IFRS income statement – non-operating

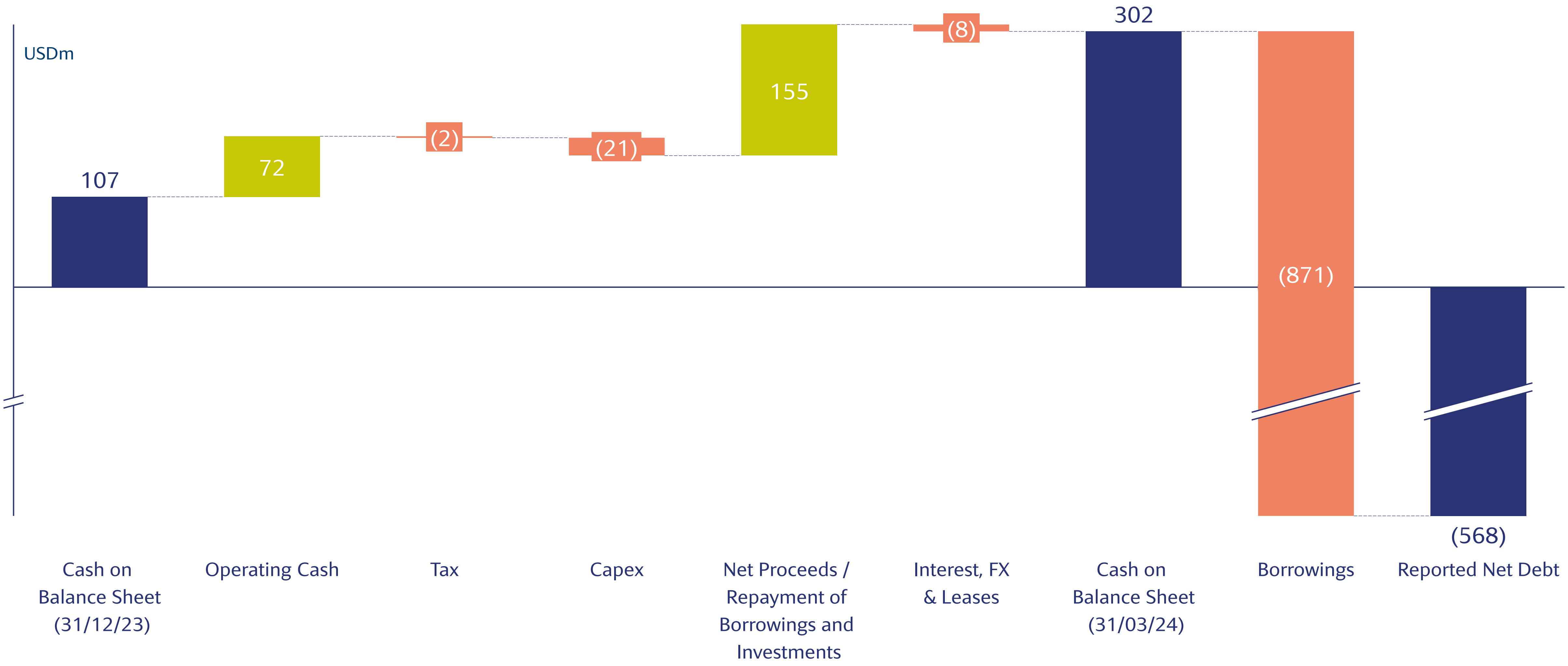
In USDm, except EPS	Q1-24	Q1-23	Y-o-Y reported	LTM Q1-24	LTM Q1-23	Y-o-Y reported
EBIT	**72.9**	**67.2**	**9%**	**318.7**	**280.3**	**14%**
Net finance charge	(3.4)	(5.3)	(37%)	(20.4)	(23.8)	(14%)
FX gain / (loss)	(1.9)	0.4	(633%)	(1.5)	1.3	(216%)
Tax	(13.9)	(12.1)	14%	(61.4)	(49.7)	24%
Net profit	**53.8**	**50.1**	**7%**	**235.3**	**208.1**	**13%**
EPS (USD)	**0.73**	**0.69**	**6%**	**3.24**	**2.89**	**12%**

IFRS cash conversion



Cash conversion well above 100% target

Group liquidity



Leverage at 1.4x at end of Q1-24

Note: Net debt is reported

FY-24 guidance confirmed (non-IFRS, c.c.)

	FY-24 guidance	FY-23 base (USD, c.c.)
ARR	About 15% growth	728m
Total software licensing	7-10% growth	444m
EBIT	7-9% growth	310m
EPS	6-8% growth	3.19*
Free cash flow	At least 16% growth	243m*

* FY-23 EPS and Free Cash Flow are reported figures and not restated.
See Disclaimer at beginning of this presentation on forward-looking statements

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

	Mid-term targets (USD)	FY-23 base (USD, c.c.)
ARR	>1.3bn	728m
EBIT	>570m	310m
Free cash flow (reported)	>700m	243m*

* FY-23 Free Cash Flow is reported figure and not restated.
See Disclaimer at beginning of this presentation on forward-looking statements

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Concluding remarks

- USD 723m of ARR at end of Q1-24, up 12%
- Shift to recurring revenue model with ARR as key metric is reducing quarterly volatility, with total revenue growing despite lower license sales
- Pipeline continued to grow in Q1-24
- Publication of independent report expected to restore normal deal closure rates
- Strong growth in profitability in Q1-24 also linked to recurring revenue model
- Sales environment expected to remain stable through 2024
- FY-24 guidance confirmed

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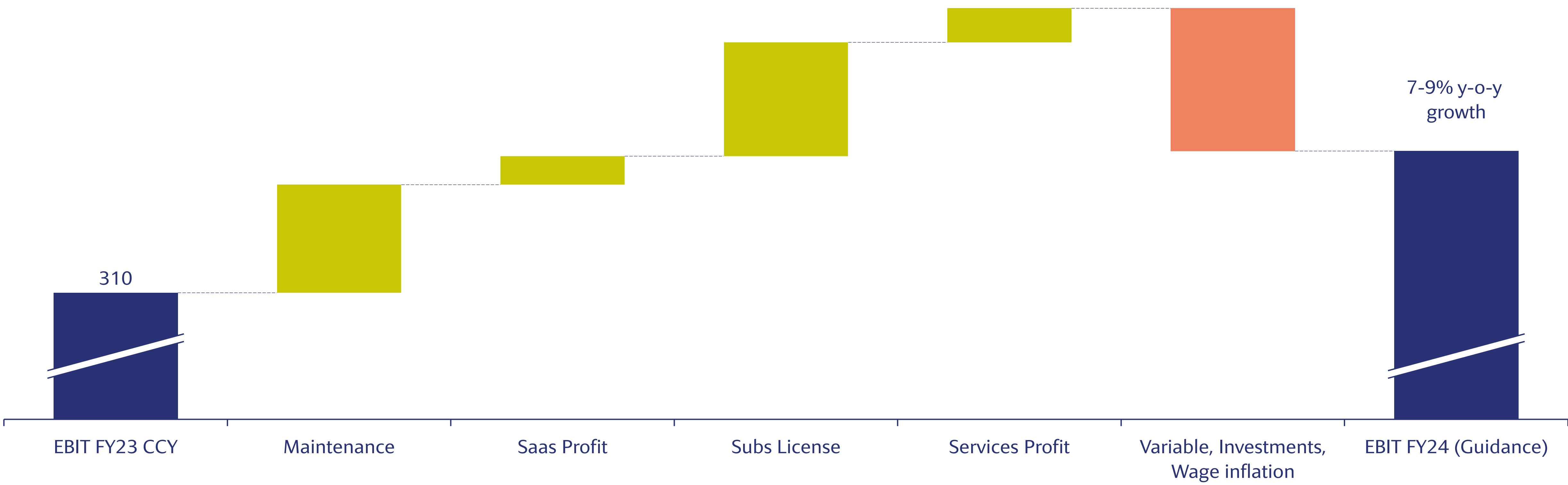
Illustrative Non-IFRS EBIT Bridge FY-23/FY-24



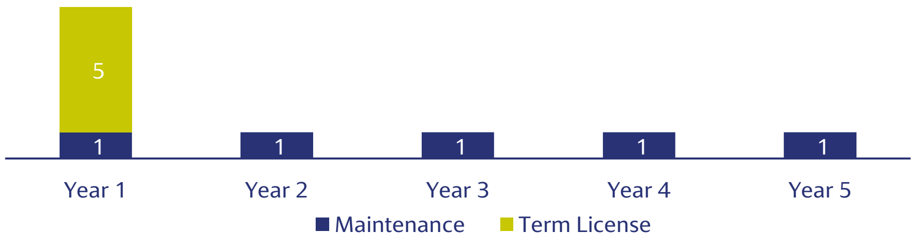
- Visibility on maintenance and subscription driving FY-24 EBIT growth
- Prior year headwinds on services business overcome, contributing to margin expansion in FY-24
- Sustained commitment to investment in Cloud, S&M and R&D combined with wage inflation

FCF evolution 2023 to 2024

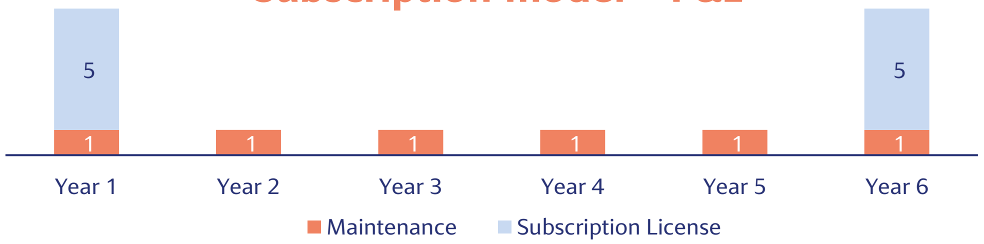
Estimated movements for illustrative purposes only

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

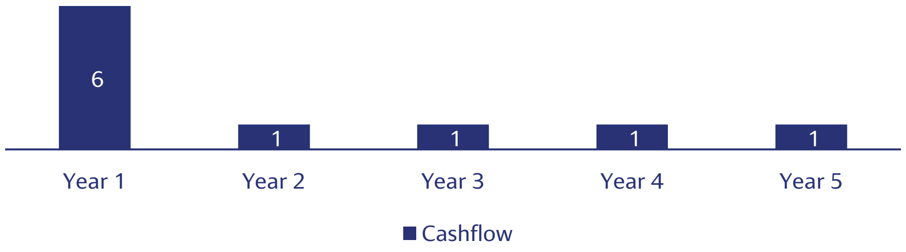
Term model – P&L



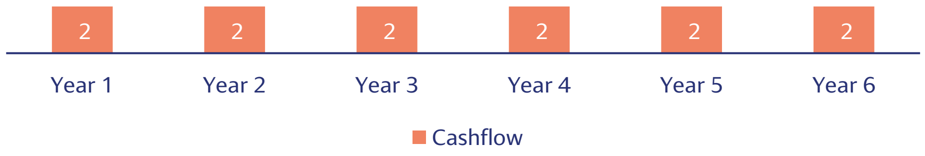
Subscription model – P&L



Term model – Cash

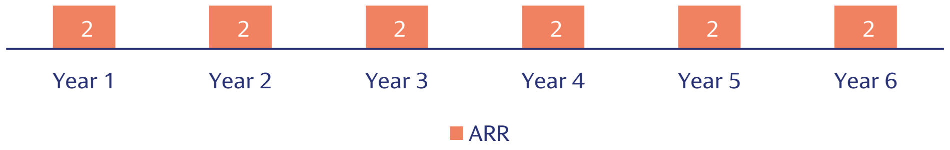


Subscription model – Cash



Term model – ARR

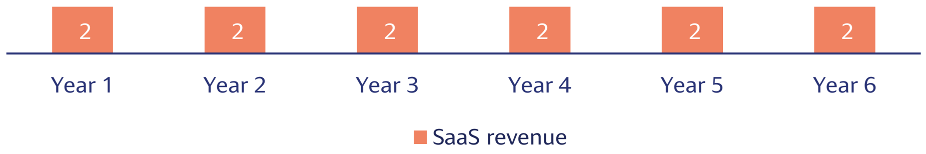
Subscription model – ARR



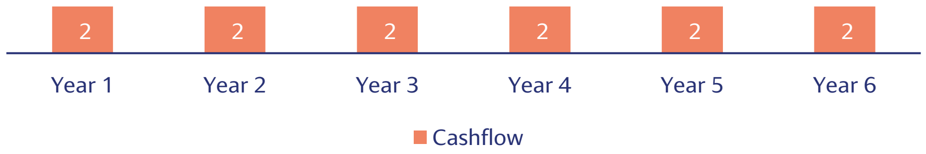
Note: Based on our standard 5 year term contract and based on IFRS15 standards, assumes no uplift in value from move to subscription

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

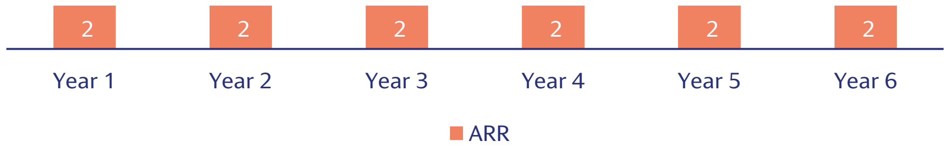
SaaS model – P&L



SaaS model – Cash



SaaS model – ARR



Q1-24 operational overview

62 go-lives

including 25 implementation go-lives in Q1-24

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FX and other assumptions underlying FY-24 guidance

In preparing the FY-24 guidance, the Company has assumed the following FX rates:

EUR to USD exchange rate of 1.08

GBP to USD exchange rate of 1.26; and

USD to CHF exchange rate of 0.87

The Company has also assumed the following for FY-24 guidance:

- Cash conversion of 100%+ of IFRS EBITDA into Operating Cash
- FY-24 tax rate expected to be between 20-22%

FX exposure

% of total	USD	EUR	GBP	CHF	INR	RON	Other
Total software licensing	69%	19%	2%	3%	0%	0%	6%
Maintenance	77%	15%	2%	1%	0%	0%	6%
Services	55%	27%	6%	5%	0%	0%	7%
Revenues	**70%**	**18%**	**3%**	**3%**	**0%**	**0%**	**6%**
Non-IFRS costs	**27%**	**18%**	**10%**	**5%**	**16%**	**2%**	**21%**
Non-IFRS EBIT	**165%**	**19%**	**(15)%**	**(3)%**	**(35)%**	**(3)%**	**(27)%**

NB. All % are approximations based on FY-23 actuals

Mitigated FX exposure – matching of revenues / costs and hedging

Quarterly SaaS ACV

USDm	Q1-19	Q2-19	Q3-19	Q4-19
SaaS ACV	2.7	2.9	6.6	8.8

USDm	Q1-20	Q2-20	Q3-20	Q4-20
SaaS ACV	5.3	3.5	14.3	11.5

USDm	Q1-21	Q2-21	Q3-21	Q4-21
SaaS ACV	12.1	17.4	10.7	17.0

USDm	Q1-22	Q2-22	Q3-22	Q4-22
SaaS ACV	19.0	10.6	17.9	10.5

USDm	Q1-23	Q2-23	Q3-23	Q4-23
SaaS ACV	18.9	20.2	12.8	8.6

USDm	Q1-24	Q2-24	Q3-24	Q4-24
SaaS ACV	4.7			

Figures are on a reported basis

Quarterly ARR, FCF

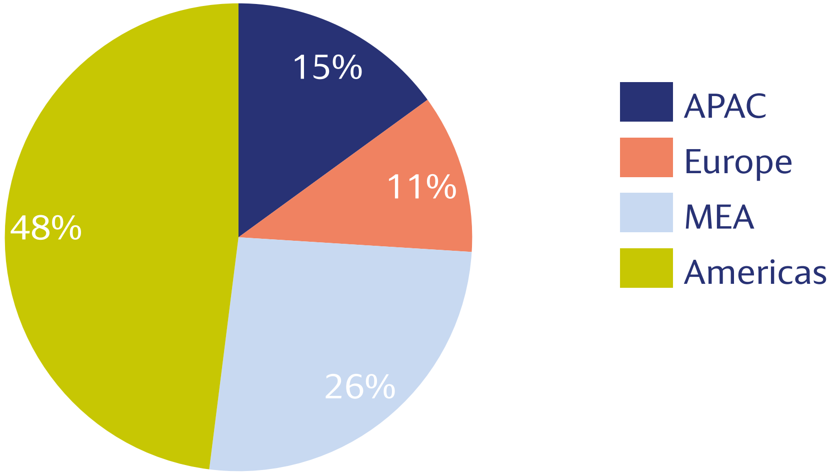
ARR, USD m	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24
ARR	468.1	475.4	486.4	493.5	500.1	514.4	530.8	553.4	568.4	581.9	595.9	626.1	645.2	666.8	687.5	730.0	723.1

FCF, USD m	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24
FCF	35.7	69.7	33.9	157.7	45.5	86.5	40.3	185.6	32.3	49.9	4.8	105.9	38.7	62.7	27.6	113.6	48.8

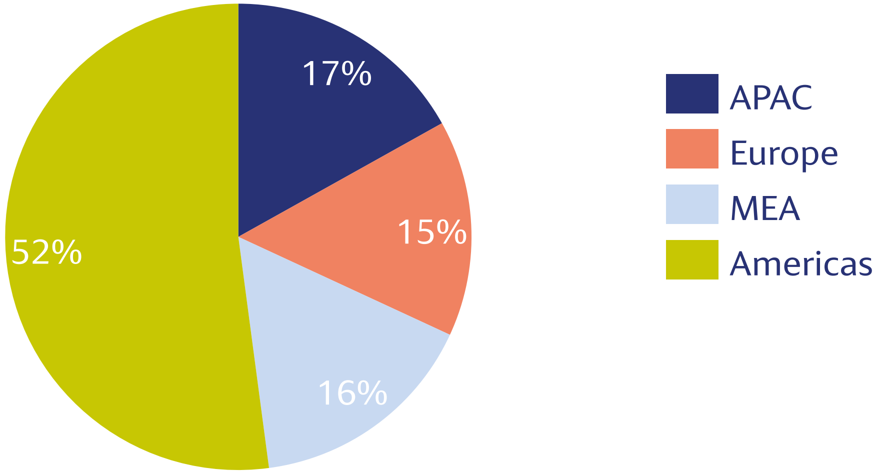
Figures are on a reported basis

Total software licensing revenue breakdown by geography

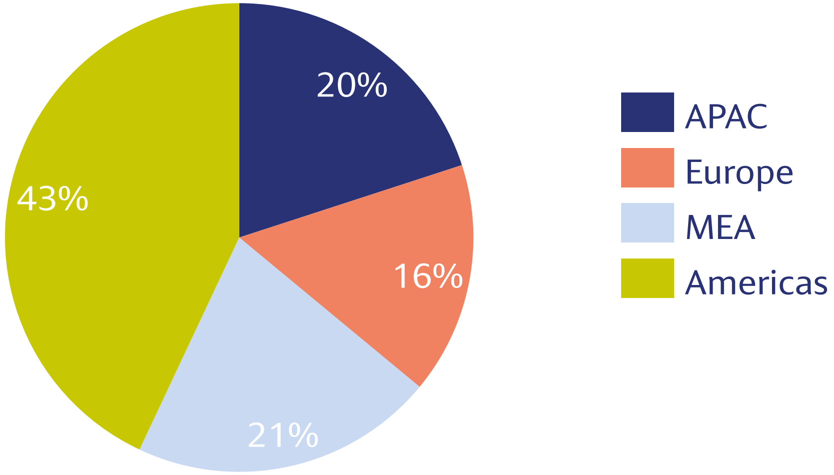
Q1-23



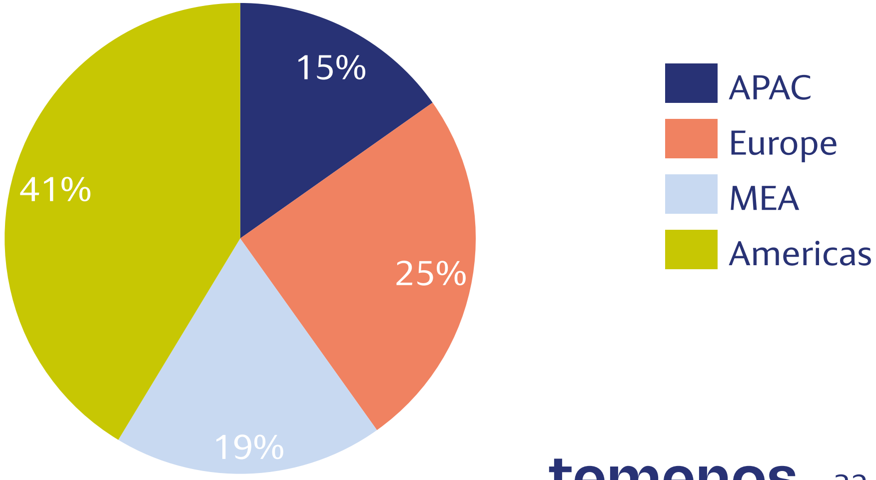
Q1-24



LTM Q1-23

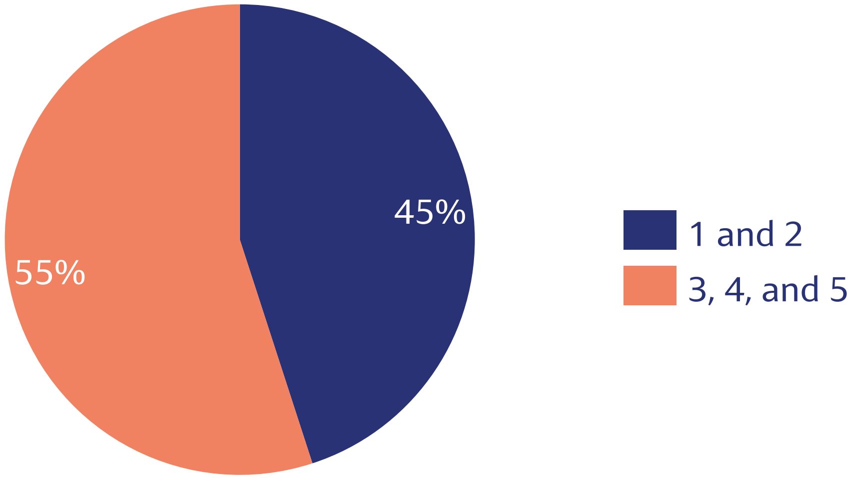


LTM Q1-24

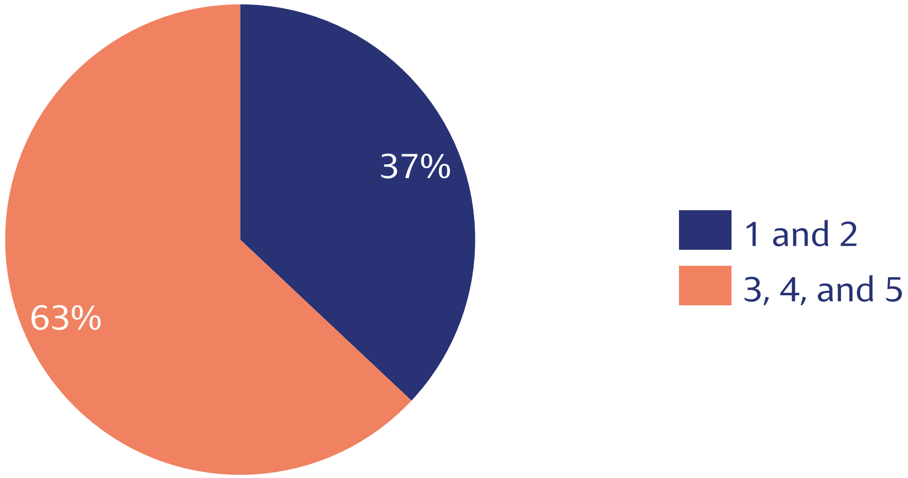


Total software licensing revenue breakdown by customer tier

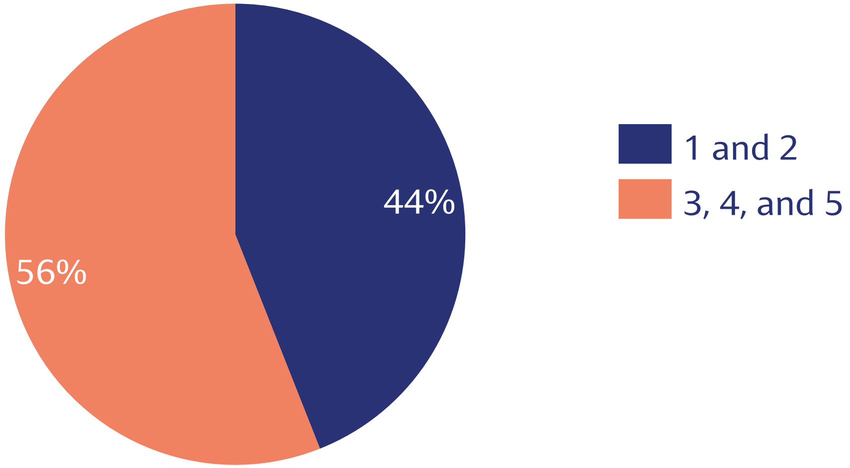
Q1-23



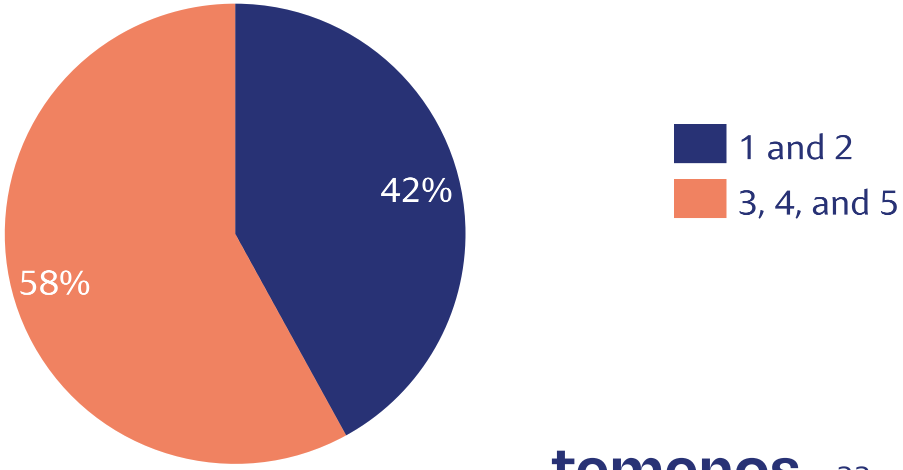
Q1-24



LTM Q1-23

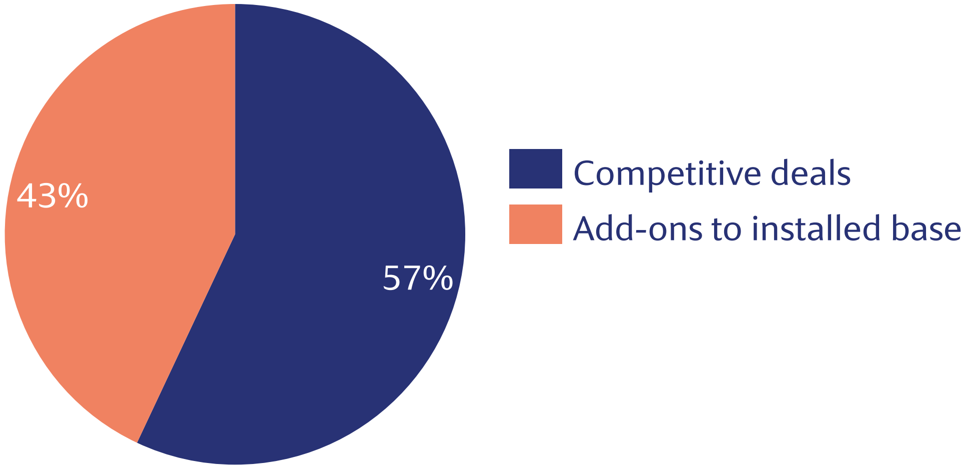


LTM Q1-24

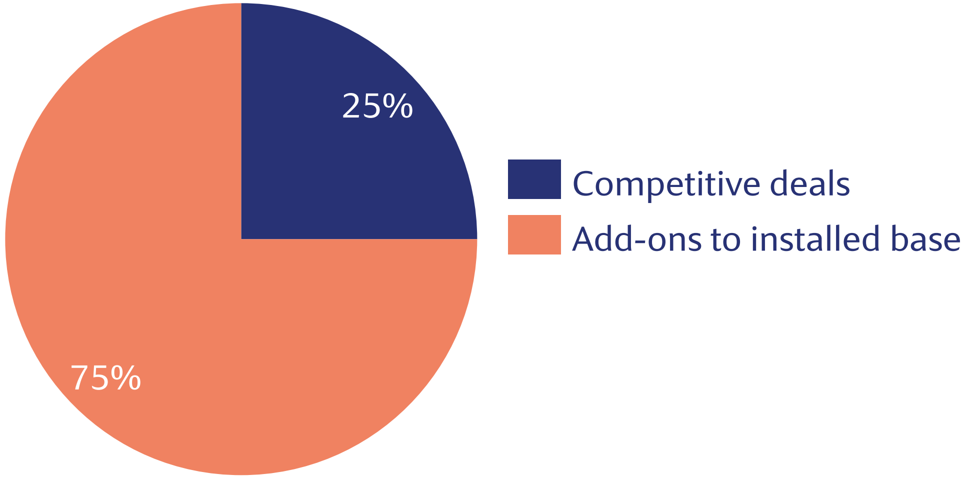


Software licensing revenue breakdown by competitive deals/ add-ons to installed base

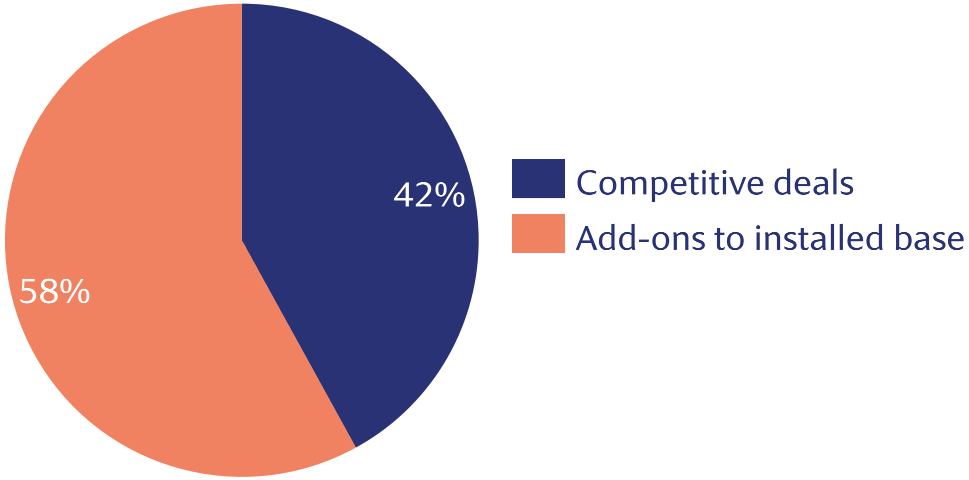
Q1-23



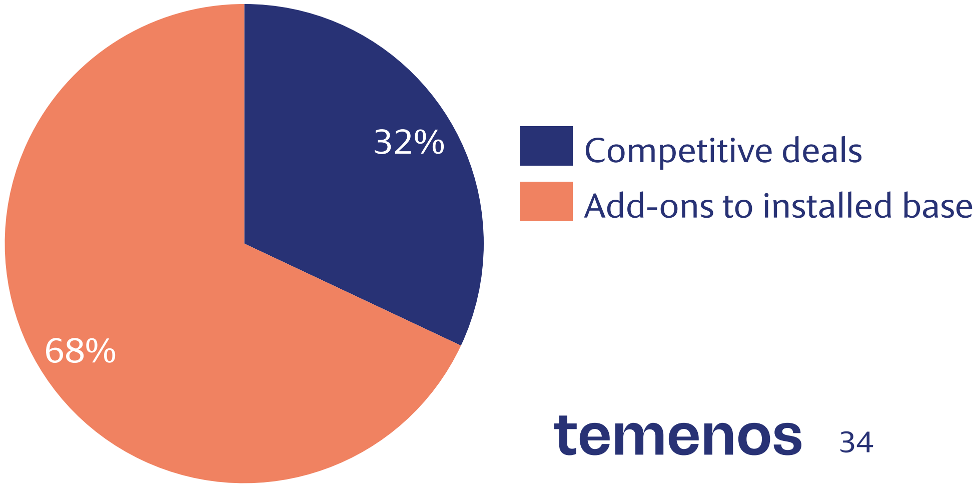
Q1-24



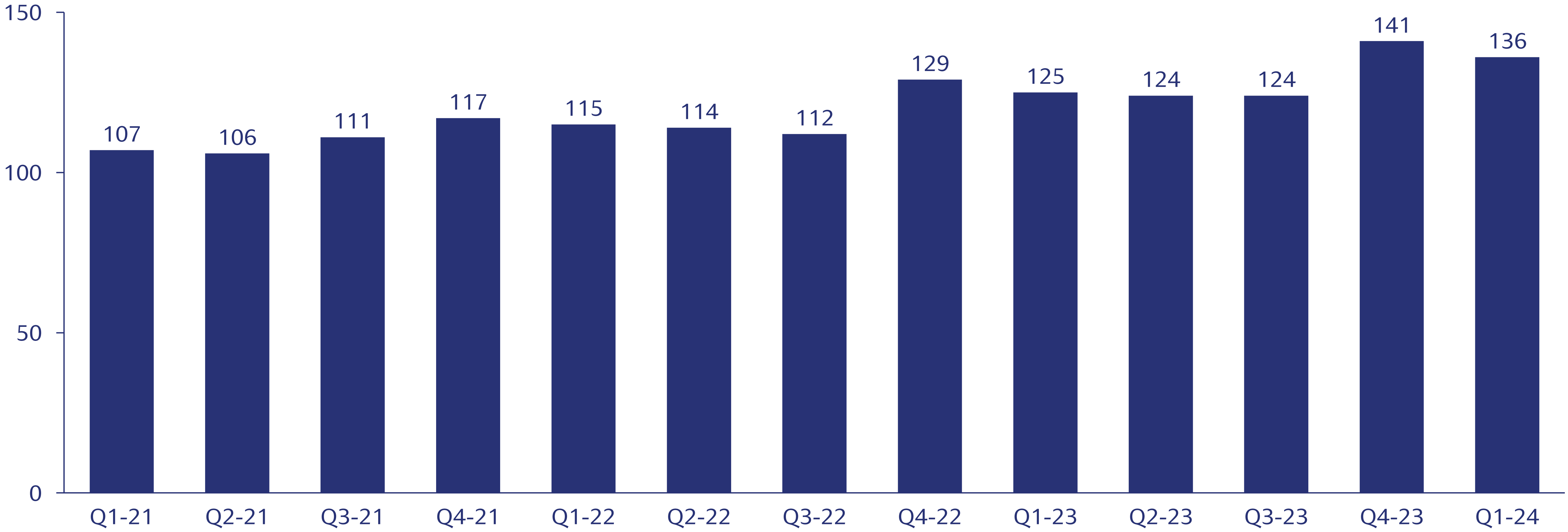
LTM Q1-23



LTM Q1-24



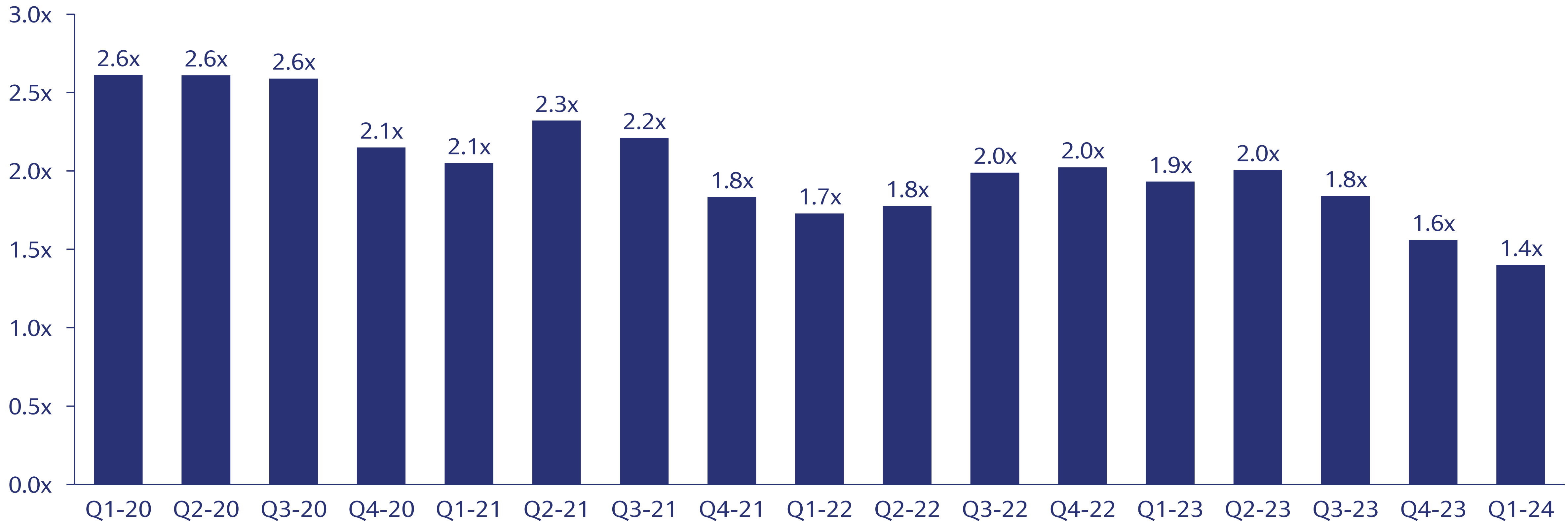
DSOs



DSOs at 136 at Q1-24

Balance sheet –leverage

Leverage ratios



Capitalization of development costs

USDm	Q1-22	Q2-22	Q3-22	Q4-22	FY-22
Cap' dev' costs	(21.9)	(22.3)	(21.3)	(20.8)	**(86.3)**
Amortisation	15.8	16.4	15.7	15.6	**63.4**
Net cap' dev'	**(6.1)**	**(6.0)**	**(5.6)**	**(5.2)**	**(22.9)**

USDm	Q1-23	Q2-23	Q3-23	Q4-23	FY-23
Cap' dev' costs	(19.7)	(18.2)	(19.4)	(19.3)	**(76.6)**
Amortisation	14.4	14.7	14.7	14.8	**58.6**
Net cap' dev'	**(5.3)**	**(3.5)**	**(4.7)**	**(4.6)**	**(18.1)**

USDm	Q1-24	Q2-24	Q3-24	Q4-24	FY-24
Cap' dev' costs	(19.3)				
Amortisation	14.8				
Net cap' dev'	**(4.6)**				

FCF Evolution 2023 to Mid-term

Estimated movements for illustrative purposes only

Reconciliation from IFRS to non-IFRS

	IFRS revenue measure
+	Deferred revenue write-down
=	**Non-IFRS revenue measure**

	IFRS profit measure
+/-	Share-based payments and related social charges
+/-	Deferred revenue write down
+ / -	Discontinued activities
+ / -	Amortisation of acquired intangibles
+ / -	M&A related costs
+ / -	Fair value change on financial investments
+ / -	Restructuring
+ / -	Taxation
=	**Non-IFRS profit measure**

Accounting elements not included in non-IFRS guidance

Below are the accounting elements not included in the FY-24 non-IFRS guidance:

FY-24 estimated share-based payments charge of c.5% of revenue

FY-24 estimated amortisation of acquired intangibles of USD 50m

FY-24 estimated restructuring / M&A related costs of USD 22m

Restructuring / M&A related costs include costs incurred in connection with a restructuring programme or other organisational transformation activities planned and controlled by management, or cost related mainly to advisory fees, integration costs and earn out credits or charges. Severance charges, for example, would only qualify under this expense category if incurred as part of a company-wide restructuring plan

These estimates do not include impact of any further acquisitions or restructuring programmes commenced after April 23, 2024. The above figures are estimates only and may deviate from expected amounts.

Earnings Reconciliation – IFRS to non-IFRS

In USDm, except EPS	3 Months Ending 31 March			3 Months Ending 31 March		
	2024		2024	2023		2023
	IFRS	Non-IFRS adj.	Non-IFRS	IFRS	Non-IFRS adj.	Non-IFRS
Subscription	20.1		20.1	33.8		33.8
Term Licence	7.6		7.6	10.2		10.2
SaaS	56.3		56.3	47.3		47.3
Total Software Licensing	**84.0**		**84.0**	**91.3**		**91.3**
Maintenance	112.7		112.7	102.4		102.4
Services	33.1		33.1	32.8		32.8
Total Revenue	**229.9**		**229.9**	**226.5**		**226.5**
Total Operating Costs	**(183.5)**	**26.6**	**(156.9)**	**(183.4)**	**24.0**	**(159.4)**
Restructuring/M&A costs	(5.3)	5.3	-	(3.8)	3.8	-
Amort of Acq'd Intang.	(10.8)	10.8	-	(11.1)	11.1	-
Share-based payments	(10.4)	10.4	-	(9.1)	9.1	-
Operating Profit	**46.4**	**26.6**	**72.9**	**43.2**	**24.0**	**67.2**
Operating Margin	**20%**		**32%**	**19%**		**30%**
Financing Costs	(5.3)	-	(5.3)	(5.0)	-	(5.0)
Taxation	(8.8)	(5.1)	(13.9)	(7.7)	(4.5)	(12.1)
Net Earnings	32.3	21.5	53.8	30.6	19.5	50.1
EPS (USD per Share)	**0.44**	**0.29**	**0.73**	**0.42**	**0.27**	**0.69**

Net earnings reconciliation IFRS to non-IFRS

In USDm, except EPS	Q1-24	Q1-23
IFRS net earnings	**32.3**	**30.6**
Share-based payments	10.4	9.1
Amortisation of acquired intangibles	10.8	11.1
Restructuring / M&A related costs	5.3	3.8
Taxation	(5.1)	(4.5)
Net earnings for non-IFRS EPS	**53.8**	**50.1**
No. of dilutive shares (m shares)	73.2	72.2
Non-IFRS diluted EPS (USD)	**0.73**	**0.69**

Non-IFRS definitions

Non-IFRS adjustments

Share-based payment charges
Adjustment made for shared-based payments and social charges

Deferred revenue write-down
Adjustments made resulting from acquisitions

Discontinued activities
Discontinued operations at Temenos that do not qualify as such under IFRS

Acquisition / Investment related finance cost
Mainly relates to acquisition & investment related financing expenses and fair value changes on investments

Amortisation of acquired intangibles
Amortisation charges as a result of acquired intangible assets

Restructuring / M&A related costs
Costs incurred in connection with a restructuring programme or other organisational transformation activities planned and controlled by management, or cost related mainly to advisory fees, integration costs and earn out credits or charges. 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 mainly on deferred revenue write-down and amortization of acquired intangibles, fair value changes on investment and on the basis of Temenos' expected effective tax rate

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
Revenues generated from Software-as-a-Service

Subscription
Revenue from software sold on a subscription basis. License and Maintenance are recognized separately, with the License obligation reported as Subscription under Total Software Licensing.

Term license
Revenues from sale of on-premise software license on a fixed term or perpetual basis. License and Maintenance are recognized separately, with the License obligation reported as Term License under Total Software Licensing.

Annual Recurring Revenues (ARR)
Annualized contract value committed at the end of the reporting period from active contracts with recurring revenue streams. Includes New Customers, up-sell/cross-sell, and attrition. Excludes variable elements.

Product Revenues
Revenues from Total Software Licensing and Maintenance combined i.e. Total revenues excluding services revenues

Financial metrics definitions and reporting

SaaS 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 reporting**
Annual Recurring Revenue (ARR)	→	Annualized contract value committed at the end of the reporting period from active contracts with recurring revenue streams. Includes New Customers, up-sell/cross-sell, and attrition. Excludes 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

temenos