TEMENOS

Financial results & business update

Quarter ended 30 September 2013

22 October 2013

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 this conference call represent the company's estimates as of 22 October 2013. 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 22 October.

Agenda

Business update	David Arnott, CEO
Financial update	Max Chuard, CFO
Summary	David Arnott, CEO
Q&A	

Q3 summary

Good Q3 performance across all KPIs

Product performing well with growth in software licencing; 4th consecutive quarter

Services strategy delivering ahead of expectations – margins improving strongly

Continued group margin expansion driven by better revenue mix

Strong cashflows and cash conversion; significant reduction in DSOs

Completed 2013 share buyback with USD 54m returned to shareholders

Temenos positioned as a “leader” in Gartner’s Magic Quadrant for 5th consecutive year

Continued sound execution across the business

Q3 sales update

Good performance from product business

- LFL software licensing revenues up 4% with sales activity accelerating
- Fourth consecutive quarter of software licensing growth with LTM growth of 11%
- 5 new customer wins in Q3 (Q3 2012: 9)
- Expansion of SaaS offering in APAC with local partner
- Maintenance revenues LFL growth of 4%

Multi-product approach continues to drive sales and pipeline growth

- Improving overall offering
- Strong sales into the installed base
- Continued resilience in Europe; strong performance in MEA
- Increasing large retail bank deal activity outside of Europe, especially LatAm and Asia

Comprehensive solution set meeting market needs

Q3 operations update

Continued leadership in product development

- Temenos Payment Suite (“TPS”) launched
- Expansion of T24 on Azure platform
- “Leader” in Gartner Magic Quadrant for retail banking

Services strategy ahead of expectations

- Premium services now account for more than 20% of services revenues
- 13 go-lives in Q3 (7 in Q3 2012)

Partner strategy continuing to gain traction

- Every new deal in Q3 has a partner-led implementation
- Extension of agreement with Accenture – global core banking agreement; doubling certified consultants to 250

Strong operational performance

Update on US SaaS business

63 new customers added in Q3

LFL SaaS revenues up 7%

T24 on a SaaS basis sold to two financial institutions in the US market

SaaS versions of BI and AML sold and being installed in first group of US banks

Integration of TriNovus operations complete

US strategy on track

TPS: introduction

Launched in September at Sibos

Designed by banks for banks, in conjunction with ABN AMRO

Channel and platform agnostic

Linear and componentised

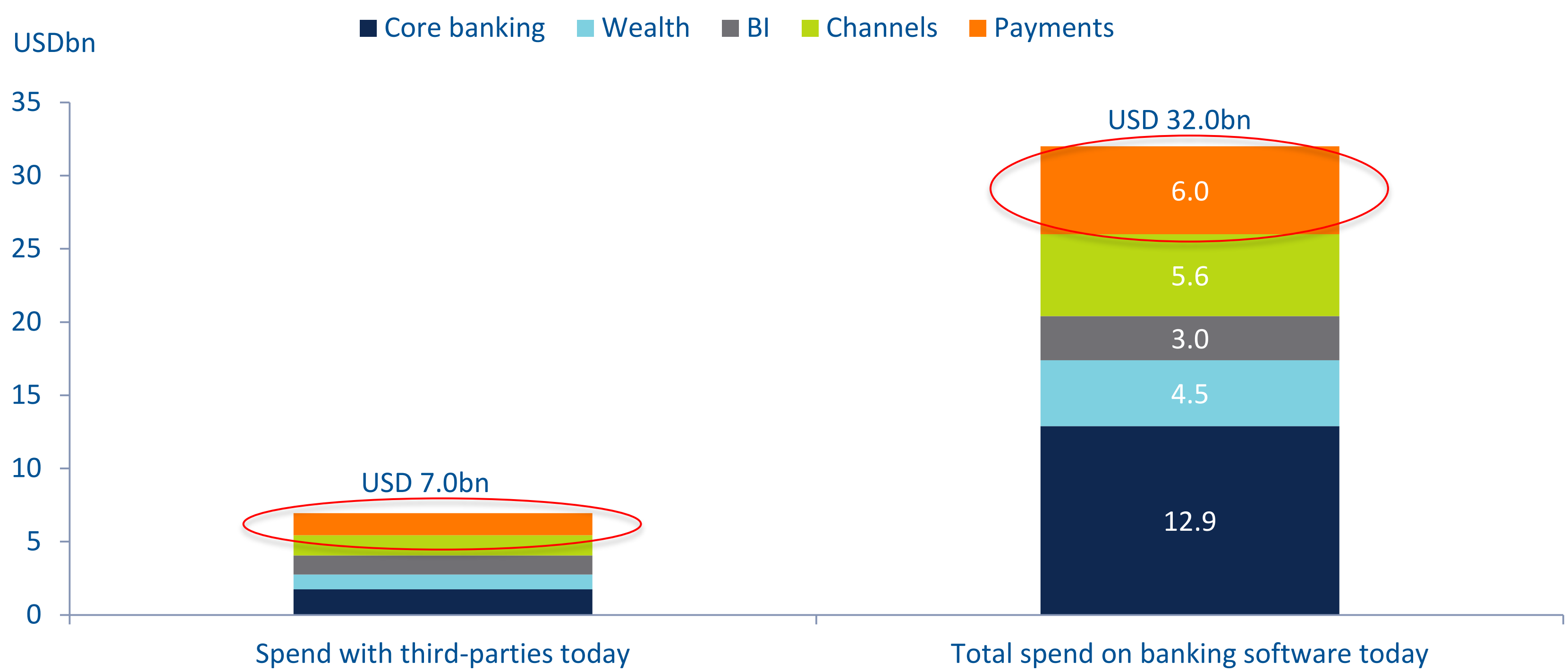
Sanction screening & AML fully integrated

Flexible, real-time, single customer view

A ground breaking payments hub

TPS: the market opportunity (1)

Third party spend & total spend on banking software today*

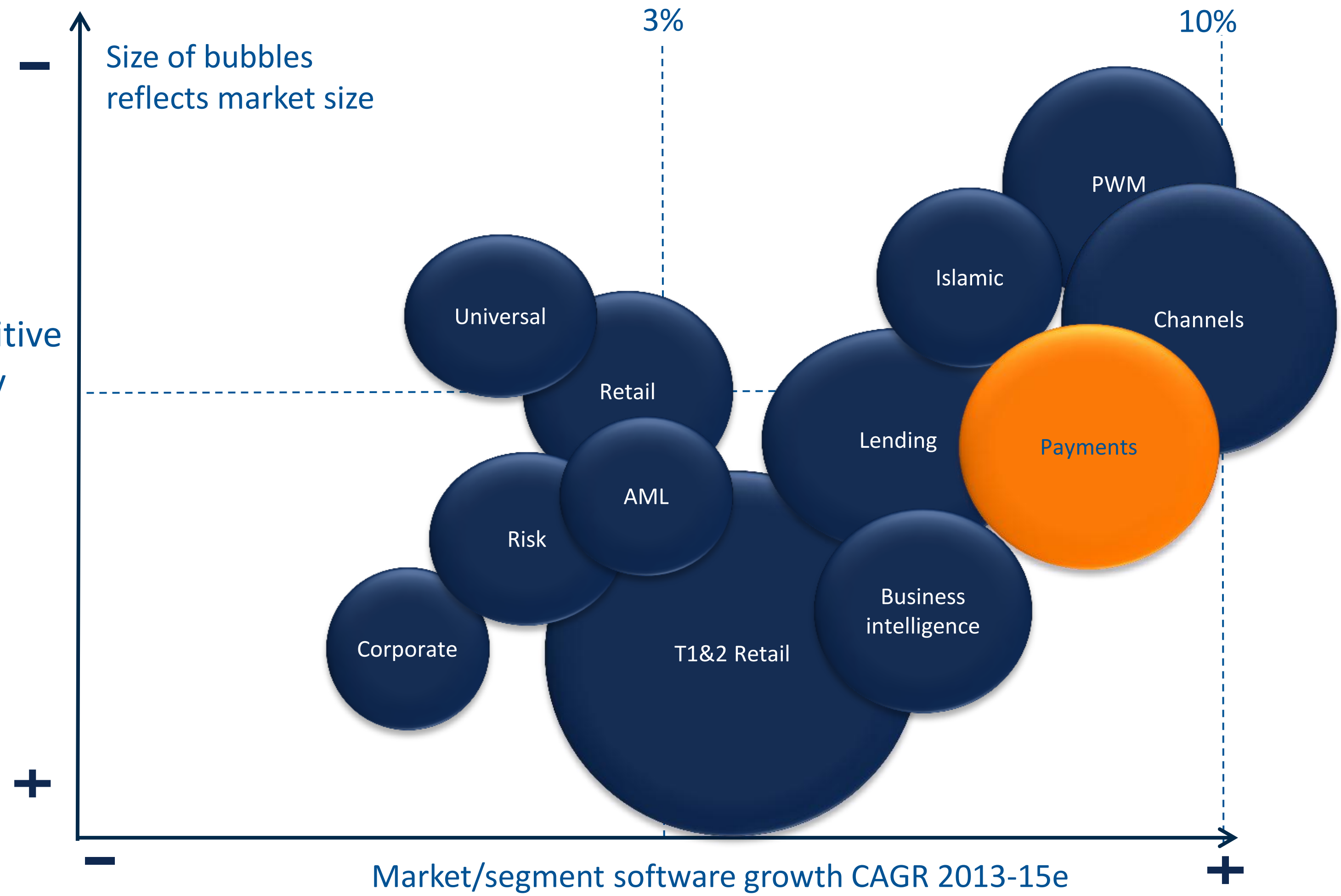


*Licences and maintenance

Source: Gartner, IDC, Celent, Temenos estimates

TPS has added USD 6bn to Temenos' total addressable market

TPS: the market opportunity (2)



Payments is a high growth area

TPS: competitive landscape

A different competitive landscape but still plays to our strengths

TPS: why we are well-positioned

Market demands	How our solution addresses this
Rationalisation of IT systems	Integrated, comprehensive, end to end
More personalised customer service	Fast time to market, flexible
Higher levels of STP rates	Linear, condition driven, payment repair
Ability to cope with increase in channels	TPS is channel agnostic
Compliance with increased regulation	AML, Insight, SmartFind
Unlocking the value of big data	Integrated with Insight

Solution able to fully meet complex market demands

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Q3 financial overview

Strong growth in product revenues
- LFL software licensing revenues up 4% with LTM growth of 11%
- Maintenance revenues remain resilient with LFL growth of 4%

Services delivering on strategy
- Margin improvement of 7% pts as revenue mix shifts / premium business delivers
- Premium services now account for more than 20% of services revenues
- Services revenues declining as a % of total revenues

Non-IFRS EBIT up 24% with margin up 4.6 percentage points (from 18.9% to 23.5%)

Non-IFRS EPS up 27% to USD 0.28

LTM operating cash inflow of USD 157m resulting in a cash conversion of 125%+

DSOs at 211 days, a reduction of 26 days from September 2012

Good operational performance translates into strong financial performance

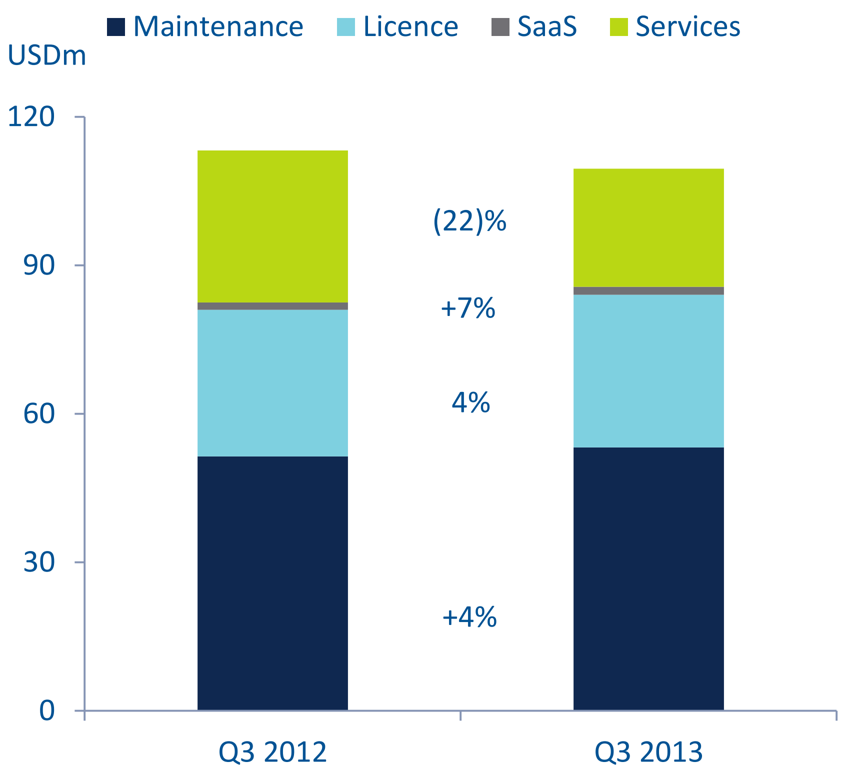
Non-IFRS income statement - operating

In USDm	Q3 13	Q3 12	Y-o-Y	LTM 13	LTM 12	Y-o-Y
Software licensing	30.9	29.6	4.3%	130.9	118.3	10.6%
SaaS	1.6	-	NA	3.2	-	NA
Total software licensing	**32.4**	**29.6**	**9.6%**	**134.1**	**118.3**	**13.3%**
Maintenance	53.2	50.2	6.0%	209.4	198.7	5.4%
Services	23.9	30.2	-20.8%	113.8	126.0	-9.6%
Total revenue	**109.6**	**110.0**	**-0.4%**	**457.4**	**443.0**	**3.2%**
Non-IFRS operating costs	83.8	89.2	-6.0%	350.0	369.5	-5.3%
Non-IFRS EBIT	**25.8**	**20.8**	**23.5%**	**107.4**	**73.6**	**46.0%**
Margin	23.5%	18.9%	4.6% pts	23.5%	16.6%	6.9% pts
Non-IFRS EBITDA	**35.6**	**29.5**	**20.6%**	**142.2**	**105.6**	**34.7%**
Margin	32.5%	26.8%	5.7% pts	31.1%	23.8%	7.3% pts
Non-IFRS services margin	**-4.3%**	**-11.7%**	**7.4% pts**	**-4.5%**	**-10.0%**	**5.5% pts**

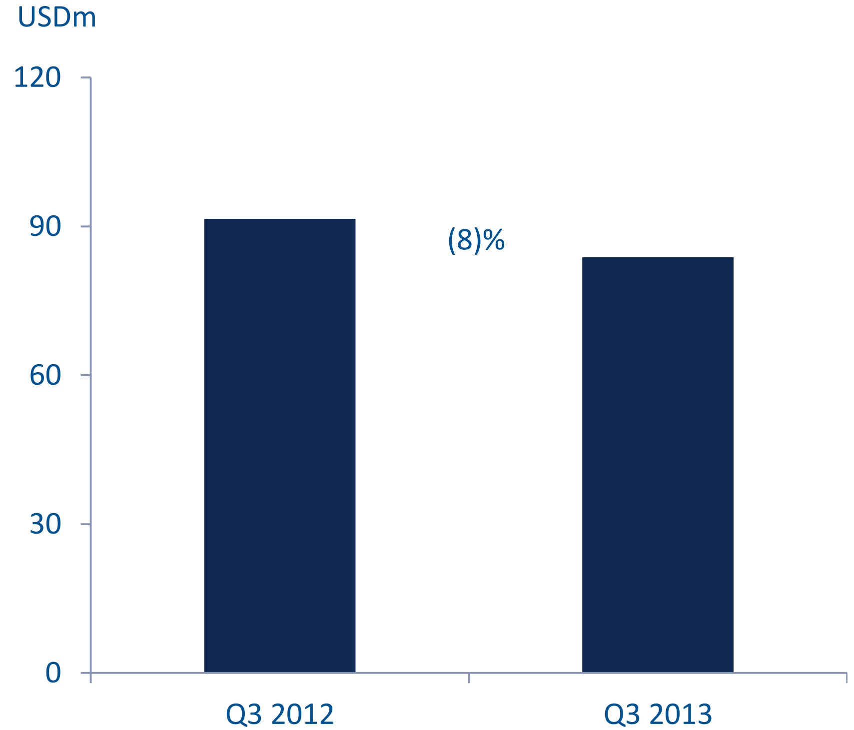
Revenue growth and mix with lower costs drives significant increase in profit

Q3 like-for-like revenue and costs

LFL revenue



LFL non-IFRS costs



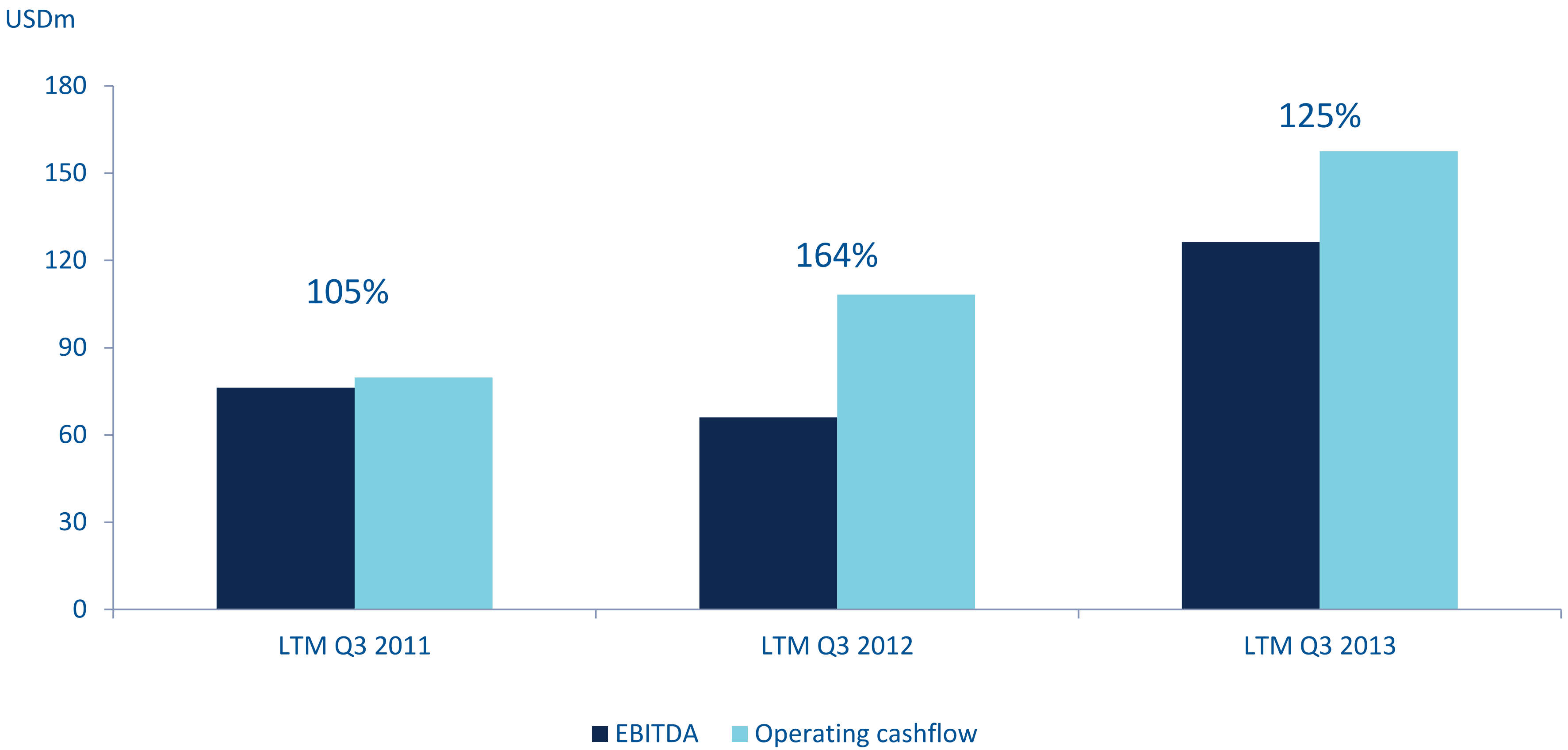
Revenue mix improving and like-for-like costs lower

Non-IFRS income statement – non-operating

In USDm, except EPS	Q3 13	Q3 12	Y-o-Y	LTM 13	LTM 12	Y-o-Y
Non-IFRS EBIT	**25.8**	**20.8**	**24%**	**107.4**	**73.6**	**46%**
Net finance charge	-2.4	-2.1	-14%	-8.5	-8.3	-3%
FX loss	-0.5	-0.2	-154%	-1.8	-6.3	71%
Non-IFRS tax	-3.3	-3.1	-7%	-12.5	-18.2	31%
Non-IFRS net profit	**19.5**	**15.4**	**26%**	**84.6**	**40.8**	**107%**
Non-IFRS EPS (USD)	**0.28**	**0.22**	**27%**	**1.21**	**0.59**	**105%**

Efficient tax and financing structures

Cash conversion



Continued strong cash conversion; DSOs to reduce by c. 20 to 25 by end of year

Balance sheet – debt and financing

In USDm	30 Sept 13	Comment
Total debt	255.4	USD 350m facility and CHF 100m bond, due in 2017
Cash	(57.2)	Held in short term deposits
Net debt	**198.2**	1.6x LTM EBITDA
Treasury shares	(56.3)	Reflects market value as of 30 September 2013
Net debt inc. treasury shares	**141.9**	1.1x LTM EBITDA
LTM EBITDA	126.3	

Remain 1x leveraged after returning cash to shareholders

2013 guidance

Software licensing growth of 5% to 10% (implying software licensing revenue of USD 131m to USD 137m)*

Non-IFRS revenue growth of 4.5% to 7.5% (implying revenue of USD 469m to USD 482m)*

Non-IFRS EBIT margin of 21.7% to 23.2% (implying non-IFRS EBIT of USD 102m to USD 112m)*

100%+ conversion of EBITDA into operating cashflow

Tax rate of 17% to 18%

* Currency assumptions in Appendix, unchanged from Q1 results
See Appendix for definition of non-IFRS

2013 guidance reaffirmed

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Market conditions

Comprehensive solution set to meet customer demands remains our biggest differentiator

Focus on improving account management realising installed base opportunity

Continuing to taking share with LTM software licencing growth of 11%

Geographical drivers of growth

- LatAm and Asia performing strongly driven by market growth and PWM
- Large market opportunity remains in US for market disruptor
- Early stage of recovery in Europe with banks starting to take a longer term view

Big deals now coming to market in universal and retail banks outside of Europe

Well-positioned to deliver Q4 and medium term outlook

Looking forward

Good Q3 performance across all KPIs with pipeline providing confidence for Q4

Fourth consecutive quarter of licence growth

Services strategy delivering ahead of expectations – margins improving strongly

Continued group margin expansion driven by better revenue mix

Strong cashflows and cash conversion; significant reduction in DSOs

Business executing well, in line with strategy

Momentum across the business provides confidence for the medium term


TEMENOS
Current account
£2,300.56
Statement
Transfers
Statistics
Transfer to another account
Pay a person or bill
Stop a payment

Appendices

FX assumptions underlying 2013 guidance

In preparing the 2013 guidance, the Company has taken the actual Q1, Q2 and Q3 2013 results and for Q4 2013 assumed the following (unchanged from assumptions as at Q1 and Q2 2013):

- USD to Euro exchange rate of 0.780;
- USD to GBP exchange rate of 0.658; and
- USD to CHF exchange rate of 0.950.

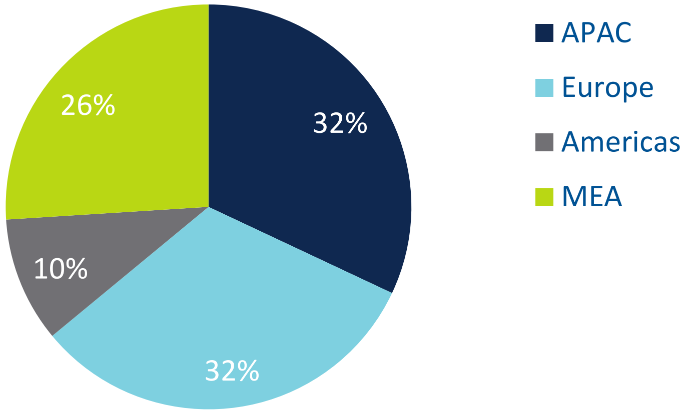
Net earnings reconciliation

In USDm, except EPS	Q3 13	Q3 12
IFRS net earnings	15.9	7.0
Acquisition related charges	-	0.5
Amortisation of acquired intangibles	3.2	3.1
Restructuring	0.8	4.9
Taxation	(0.4)	-
Net earnings for non-IFRS EPS	**19.5**	**15.4**

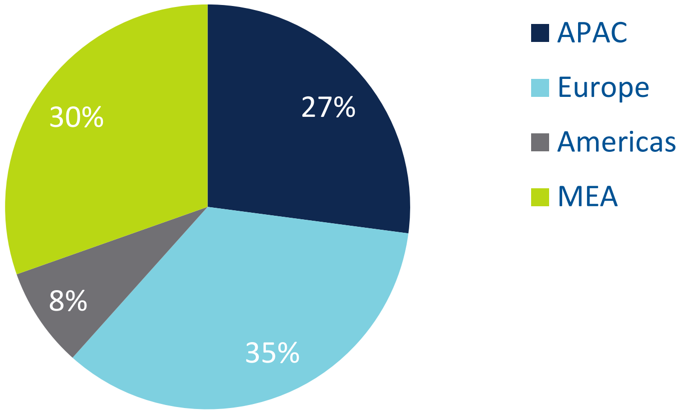
No. of dilutive shares	69.2	68.9
Non-IFRS diluted EPS (USD)	**0.28**	**0.22**

Total software licensing revenue breakdown by geography

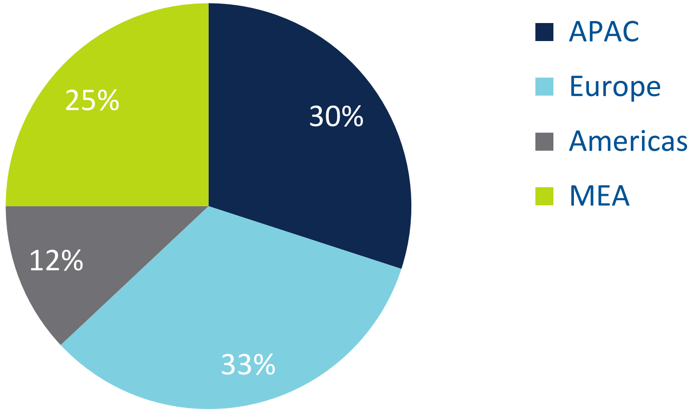
Q3 2012



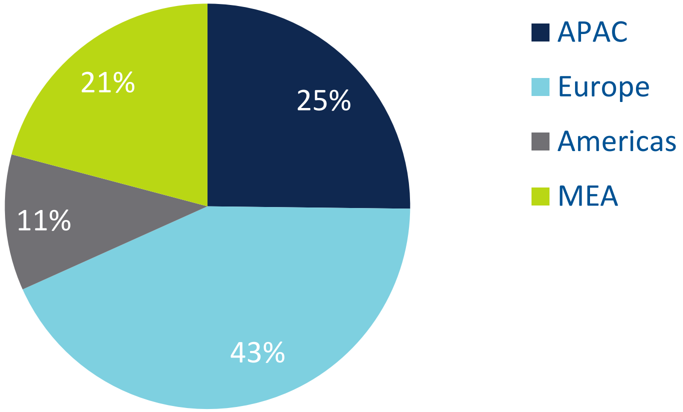
Q3 2013



LTM Q3 2012

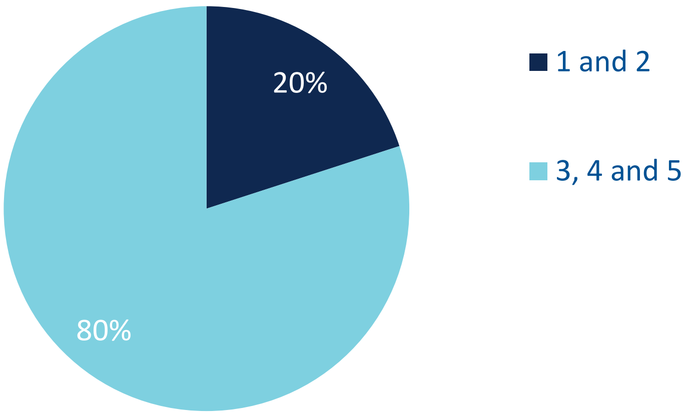


LTM Q3 2013

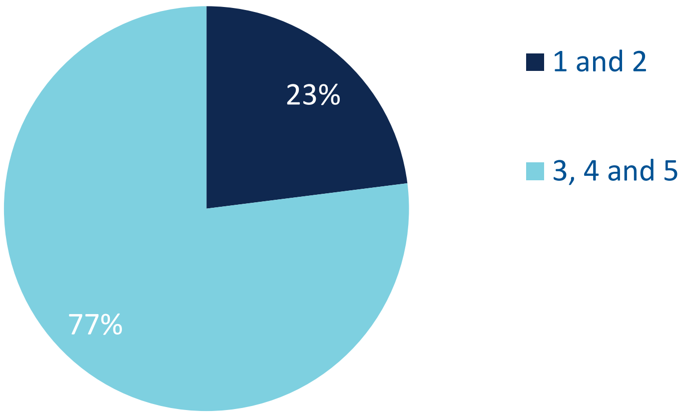


Total software licensing revenue breakdown by customer tier

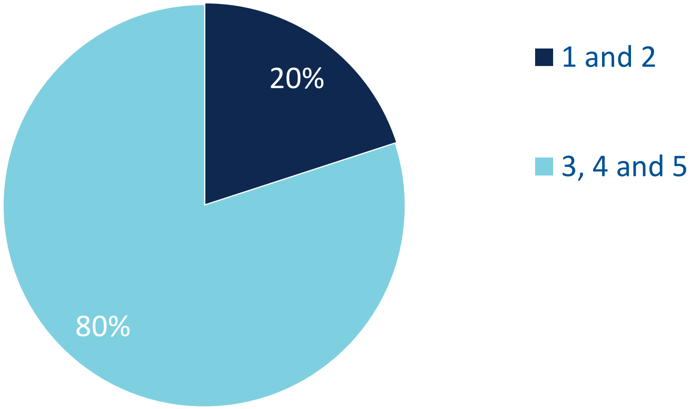
Q3 2012



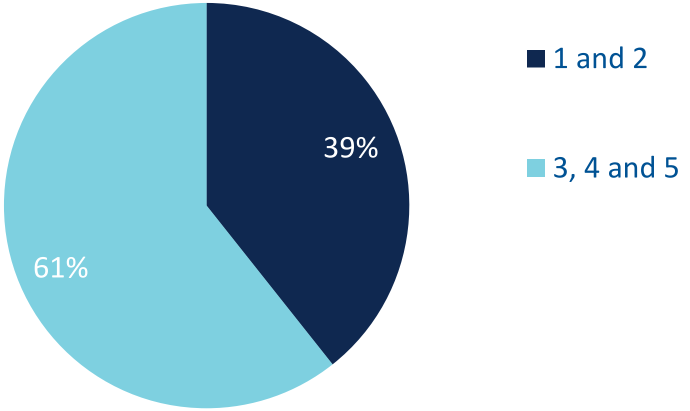
Q3 2013



LTM Q3 2012

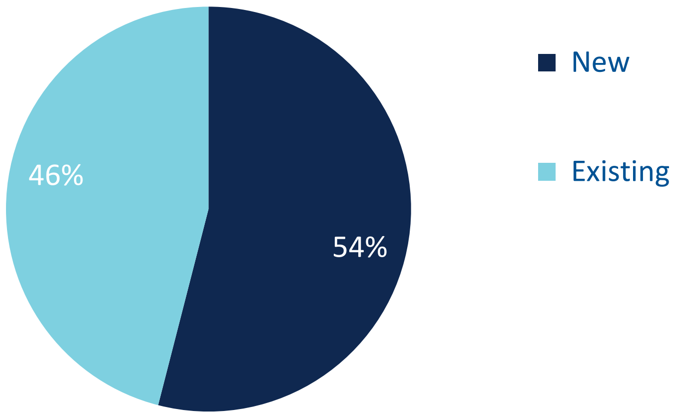


LTM Q3 2013

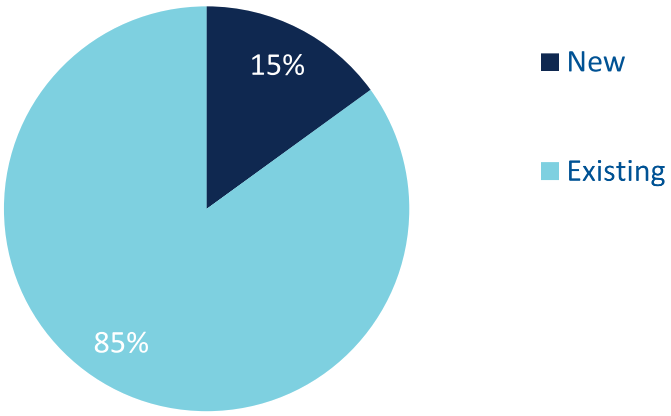


Total software licensing revenue breakdown by new / existing

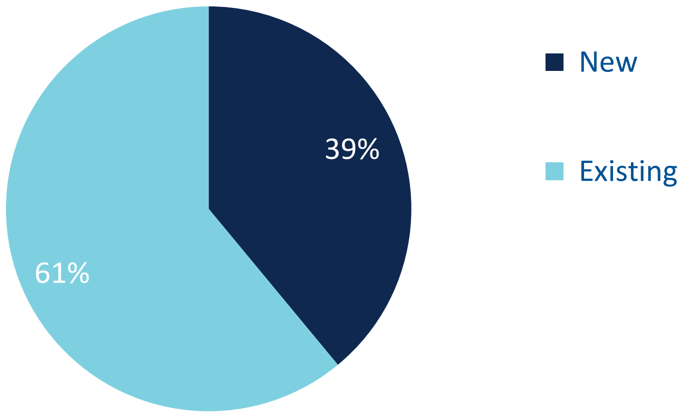
Q3 2012



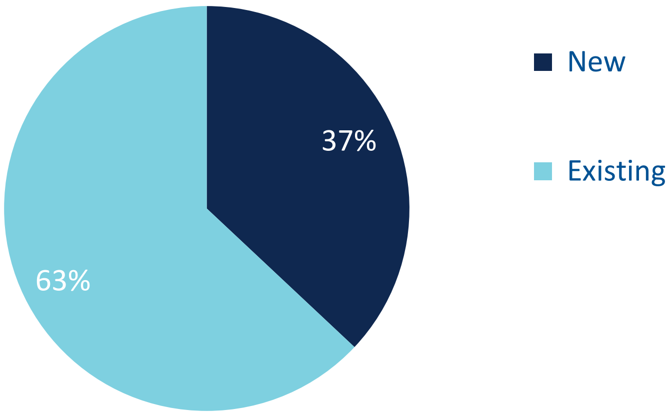
Q3 2013



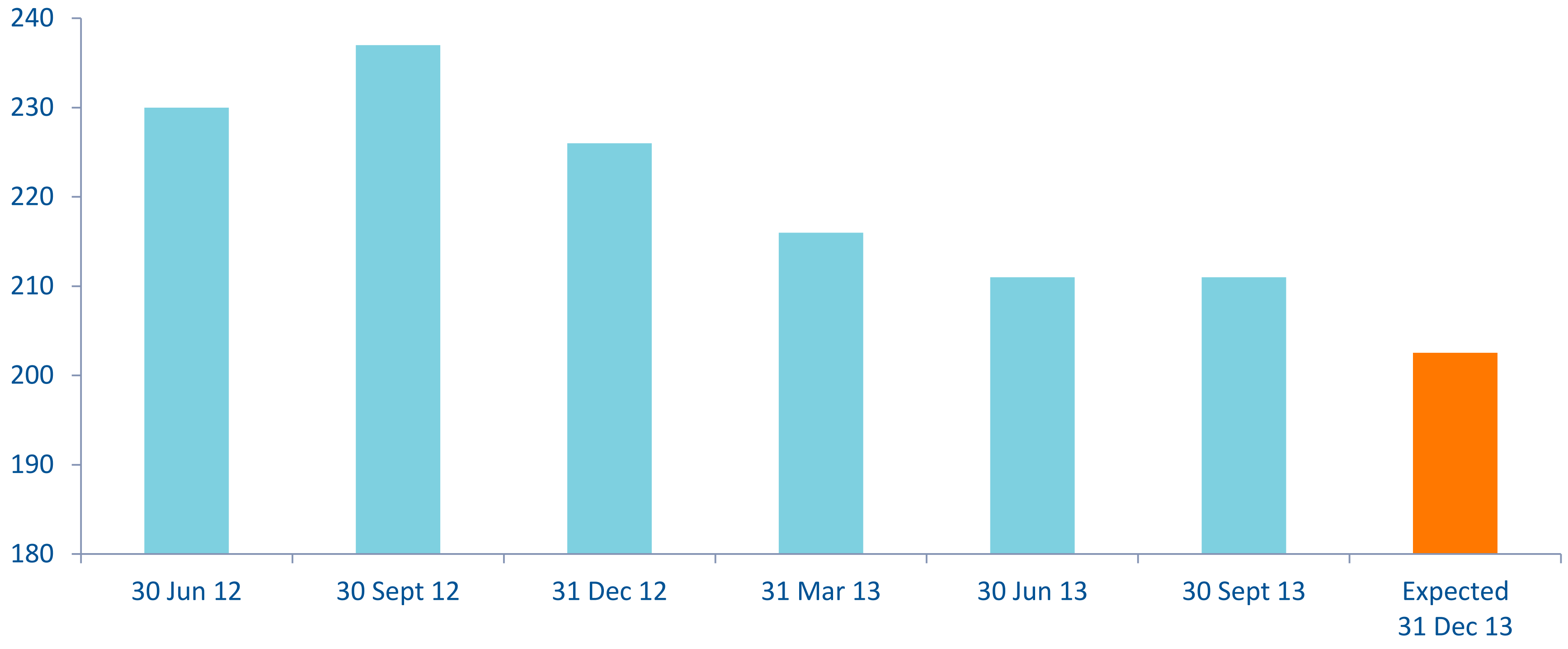
LTM Q3 2012



LTM Q3 2013



DSOs



Continued significant reduction in DSOs

Capitalisation of development costs

USDm	Q1 11	Q2 11	Q3 11	Q4 11	FY 11
Cap' dev' costs	-6.2	-7.6	-11.2	-13.5	**-38.5**
Amortisation	4.5	4.4	5.3	5.1	**19.2**
Net cap' dev'	**-1.7**	**-3.2**	**-5.9**	**-8.4**	**-19.3**

USDm	Q1 12	Q2 12	Q3 12	Q4 12	FY 12
Cap' dev' costs	-9.6	-9.6	-9.6	-13.0	**-41.8**
Amortisation	6.2	6.7	6.5	6.1	**25.5**
Net cap' dev'	**-3.4**	**-2.9**	**-3.1**	**-6.9**	**-16.3**

USDm	Q1 13	Q2 13	Q3 13
Cap' dev' costs	-9.7	-9.6	-9.8
Amortisation	6.0	6.1	7.6
Net cap' dev'	**-3.6**	**-3.6**	**-2.3**

Reducing net capitalisation – approaching zero over medium term

Reconciliation from IFRS EBIT to non-IFRS EBIT

USDm	Q3 2013
IFRS EBIT	**21.7**
Deferred revenue write-down	-
Discontinued activities	-
Acquisition-related charges	-
Amortisation of acquired intangibles	3.2
Restructuring	0.8
Non-IFRS EBIT	**25.8**

Reconciliation from IFRS to non-IFRS

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

	IFRS profit measure
+ / -	Discontinued activities
+ / -	Acquisition related charges
+ / -	Amortisation of acquired intangibles
+ / -	Restructuring
+ / -	Taxation
=	**Non-IFRS profit measure**

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 and integration costs

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

Like-for-like (LFL)
Excludes contributions from acquisitions and adjusts for movements in currencies


Thank you
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