Financial results & business update

Quarter and year ended 31 December 2014

10 February 2015

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 10 February 2015. 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 10 February 2015.

Agenda

Business update	David Arnott, CEO
Financial update and 2015 guidance	Max Chuard, CFO
Summary	David Arnott, CEO
Q&A	

Summary

- Disappointing software licensing revenue in Q4 impacted full year growth
- Fundamentals of the business remain intact - strong growth expected in 2015
- Good progress made in Q4 on strategic initiatives
- Strong execution on services strategy – significant improvement in services margin
- Good growth in FY non-IFRS group EBIT and EPS with significant margin expansion
- Strong cashflows and conversion with DSOs materially down
- US acquisition announced today - additional scale in NA, expands product portfolio and increases momentum in credit union market

Progress made in 2014; strong growth expected in 2015

Q4 and FY sales update

All regions performed as expected other than APAC with no significant deals lost in Q4

Overly focussed on new business in a recovering market

- value of competitive deals won in 2014 increased by half – taking significant market share
- less focus on the installed base

Good progress on Wealth and very strong growth in Channels

Strong Tier 1 performance, laying the foundations for future growth, including

- Swiss bank continuing progressive renovation in domestic business
- Western European bank and UK bank replacing competitor systems

Marked contrasts in regional performances

- strong Q4 growth in MEA and the Americas
- Europe did not close large deals during the quarter
- new sales organisation in APAC lacked focus on delivery of Q4 and overly focussed on new business

Disappointing software licensing revenue in Q4

Services and partners update

Services
A strong 2014

- Consistent project delivery – 135 go-lives in 2014 (2013: 132)
- "Premium" services contributed 27% of revenues (2013: 19%)
- Significant improvement in services margin – mid single digit margin expected in 2015

Partners
The model continues to develop

- Growth in partner resource – now at over 2,000 (2013: 1,700)
- Partner support on increasing number of deals
- Increased sales commitment from strategic partners

Further progress on services strategy

Akcelerant – adding scale and products in North America

- ✓ The US is a highly strategic market for Temenos
- ✓ Akcelerant is a market leading provider of collections software to US credit unions
- ✓ Client base of c.600 financial institutions including 18 of the top 25 US credit unions
- ✓ Leverages existing Canadian credit union experience and Temenos' US model bank providing a quick route to market
- ✓ Revenue synergies from selling the T24 credit union model bank together with full Temenos product suite
- ✓ Adds scale and accelerates our route to achieving critical mass in North America
- ✓ Impressive management team with deep experience of the US credit union market

A strategic fit for Temenos

Well positioned in structural growth markets

North America
- Banks well capitalised yet underinvested in IT
- 2 acquisitions and key go lives great platform to expand

Europe
- IT renovation as only solution to higher ROE and digitalisation increasingly gaining acceptance
- Technology and progressive renovation winning solution for all tiers and segments

MEA
- Strong growth in Islamic
- Market leader

APAC
- Demographic, ROE, Wealth, Digitalisation all key drivers
- Best business model and references to capture opportunity

Latin America
- Structural growth, ageing cores, digitalisation strong drivers
- Platform in place (references, partners)

Foundations laid to capture multiple structural drivers

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Q4 and FY 2014 financial highlights

- LFL software licencing growth down 9% in Q4; FY growth of 2%
- LFL maintenance growth of 6% in 2014
- 14% pts improvement in Q4 non-IFRS services margin; 9% pts improvement for FY
- Non-IFRS EBIT up 13% in Q4 and FY; FY non-IFRS EBIT margin of 27.3%
- Q4 operating cashflows of USD 118.5m; FY cashflows of USD 190.3m, up 12% on 2013
- FY cash conversion of 113% with DSOs down 18 days in the year
- Strength of profit growth and cashflows supported 2014 buyback of USD 120m and supports 14% increase in dividend to CHF 0.40 (2013: CHF 0.35)

Weaker software licensing; strong profit and cash

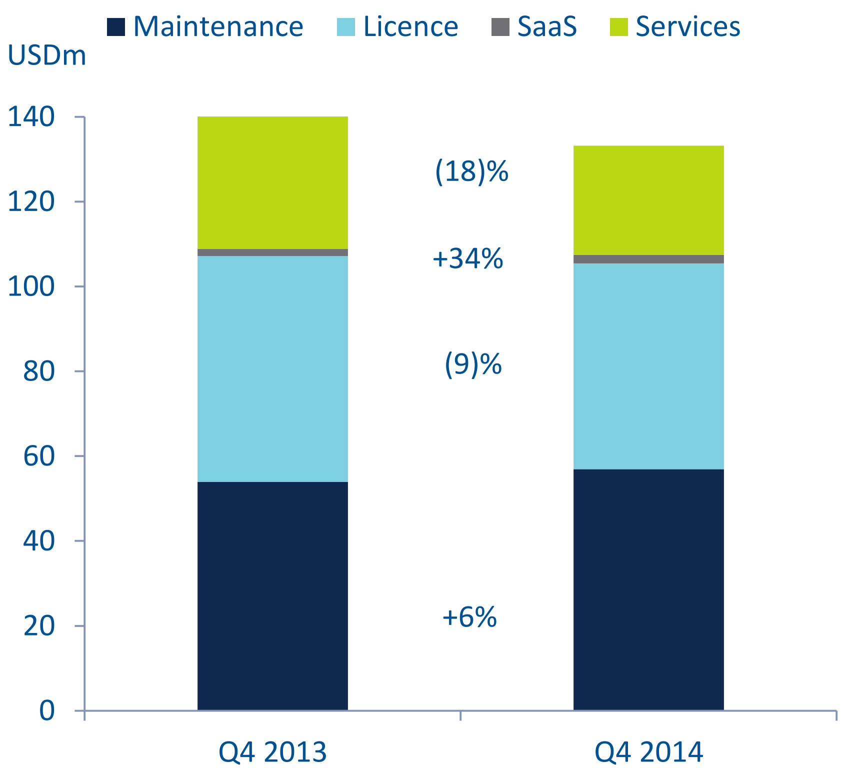
Non-IFRS income statement – operating

In USDm	Q4 14	Q4 13	Y-o-Y	FY 14	FY 13	Y-o-Y
Software licensing	48.3	54.8	-11.8%	139.7	137.8	1.4%
SaaS	2.1	1.6	33.7%	8.0	4.8	65.1%
Total software licensing	**50.4**	**56.4**	**-10.5%**	**147.6**	**142.6**	**3.5%**
Maintenance	56.9	55.9	1.9%	223.4	212.5	5.1%
Services	25.7	32.4	-20.6%	97.7	112.7	-13.4%
Non-IFRS total revenue	**133.1**	**144.6**	**-8.0%**	**468.7**	**467.8**	**0.2%**
Non-IFRS operating costs	72.8	91.1	-20.1%	340.9	355.0	-4.0%
Non-IFRS EBIT	**60.3**	**53.5**	**12.6%**	**127.8**	**112.8**	**13.3%**
Margin	45.3%	37.0%	8.3% pts	27.3%	24.1%	3.2% pts
Non-IFRS EBITDA	**70.3**	**63.7**	**10.3%**	**169.7**	**149.5**	**13.5%**
Margin	52.8%	44.1%	8.7% pts	36.2%	32.0%	4.2% pts
Non-IFRS services margin	**25.9%**	**11.8%**	**14.1% pts**	**5.1%**	**-3.7%**	**8.8% pts**

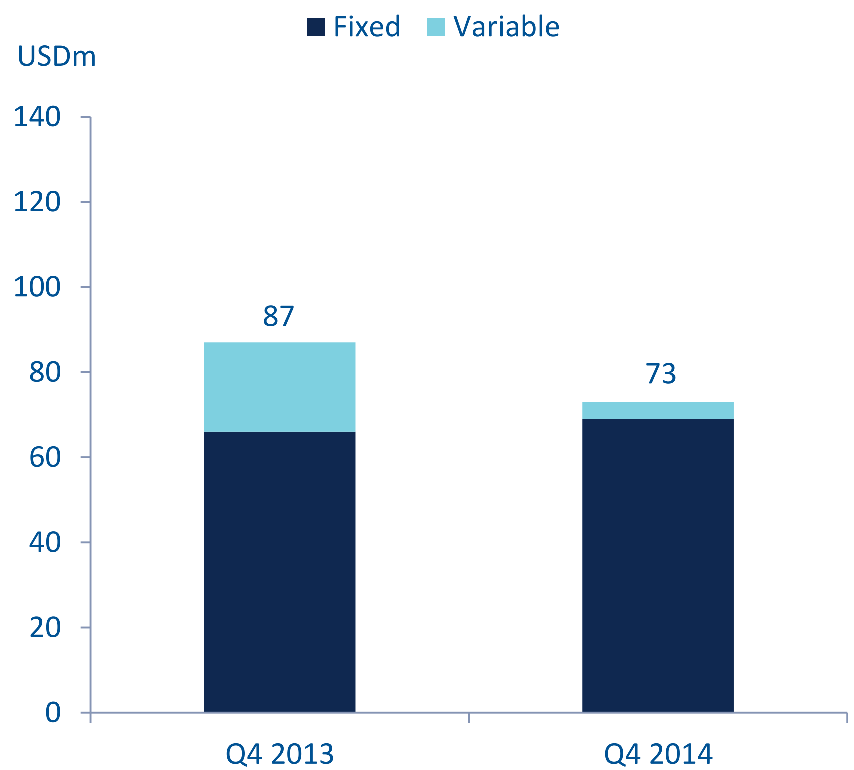
Significant improvement in non-IFRS margins

Like-for-like revenue and costs

Q4 LFL revenue down 5%



Q4 LFL non-IFRS costs down 17%



FX impacted maintenance revenues; lower variable and services costs

FX exposure

% of total	USD	EUR	GBP	CHF	Other
Total software licensing	65%	20%	5%	5%	5%
Maintenance	65%	20%	5%	5%	5%
Services	50%	30%	5%	10%	5%
Revenues	**60%**	**25%**	**5%**	**5%**	**5%**

Non-IFRS costs	**20%**	**20%**	**20%**	**10%**	**30%**

Non-IFRS EBIT	**170%**	**40%**	**-40%**	**-10%**	**-60%**

NB. All % are approximations

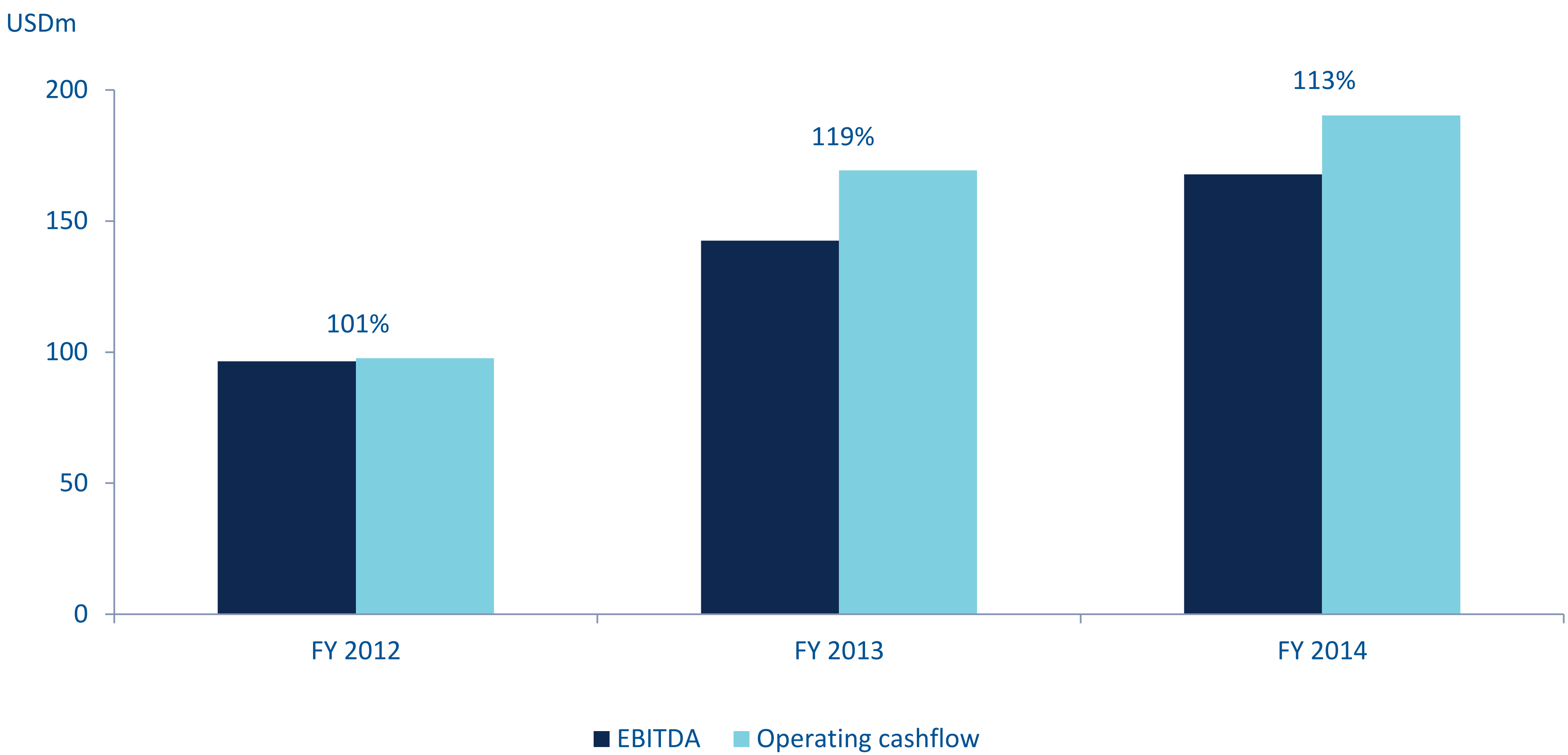
Mitigated FX exposure - matching of revenues / costs and hedging

Non-IFRS income statement – non-operating

In USDm, except EPS	Q4 14	Q4 13	Y-o-Y	FY 14	FY 13	Y-o-Y
Non-IFRS EBIT	**60.3**	**53.5**	**13%**	**127.8**	**112.8**	**13%**
Net finance charge	-2.9	-2.5	-16%	-11.2	-8.9	-25%
FX gain / (loss)	-0.4	-0.3	-44%	-0.7	-2.2	68%
Tax	-6.8	-7.5	10%	-16.2	-16.6	2%
Non-IFRS net profit	**50.2**	**43.2**	**16%**	**99.7**	**85.1**	**17%**
Non-IFRS EPS (USD)	**0.74**	**0.63**	**17%**	**1.44**	**1.22**	**18%**

Continued efficiency of below-the-line items

Cash conversion



Consistent cash conversion with operating cashflows doubling in two years

Balance sheet – debt and financing

In USDm	31 Dec 14	Comment
Debt	292.1	USD 350m facility and CHF 200m bonds
Cash	192.6	Held in short term deposits
Net debt	**99.5**	**0.6x LTM EBITDA**
Treasury shares*	(35.9)	Reflects market value as of 31 Dec 2014
Net debt inc. treasury shares	**63.6**	**0.4x LTM EBITDA**
LTM EBITDA	167.8	

* Excludes shares repurchased for cancellation in 2013 and 2014

Low net debt with significant flexibility

Akcelerant transaction summary

Consideration of USD 50m in cash plus a USD 5m earnout over 3 years

Expected revenues of c.USD 15m in 2015

- 75% recurring, subscription model
- breakeven in 2015

Akcelerant has seen historic strong growth and is expected to reach group margins by the end of 2017

Revenue synergies from selling the T24 credit union model bank and full Temenos product suite

Expected to be non-IFRS EPS neutral in 2015 and 2% accretive from 2016 onwards

North America revenues expected to triple in the medium term

2015 guidance

Total software licensing growth of 15% to 20% (implying total software licensing revenue of USD 164m to USD 172m)

- includes **software licensing growth of 10%+** (implying software licensing revenue of at least USD 149m)

Non-IFRS revenue growth of 8% to 13% (implying revenue of USD 482m to USD 504m)

Non-IFRS EBIT margin of 28.5% (implying non-IFRS EBIT of USD 137m to USD 144m)*

100%+ conversion of EBITDA into operating cashflow

Tax rate of 17% to 18%

- Growth at constant currency - currency assumptions on slide 23
- See appendix for definition of non-IFRS
- See slide 24 for 2014 income statement restated for currency
- Includes impact of Akcelerant acquisition

Strong growth in 2015

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Temenos Analyst & Investor Day: London, 11 February 2015

10.00 to 10.45	Strategy and vision	David Arnott, CEO
10.45 to 11.15	A new era in banking	Juan Pedro Moreno, Accenture Global Senior Managing Director - Banking Industry
11.15 to 11.30	Coffee	
11.30 to 12.00	Experience driven banking	Dharmesh Mistry, Product Director UXP
12.00 to 12.30	Driving growth in North America	David Arnott Jay Mossman, Founder & CEO, Akcelerant
12.30 to 12.50	Financials	Max Chuard, CFO
12.50 to 13.15	Q&A	With the above speakers, and Mark Gunning (Director of Business Solutions) and Mike Davis (Client Director)
13.15 to 14.00	Lunch	

UBS Conference Center, 1 Finsbury Avenue, Ground Floor, London EC3M 2PP

Summary

- Significant progress in Channels, Wealth and with larger deals
- Signing of Julius Baer validates belief in product, executability and strategy
- Services performing in line with strategy
- Strong cash performance with DSOs materially down
- Increasing levels of new business as the market backdrop improves
- Strong growth expected in 2015

Confidence in delivery of the full year


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 2015 guidance

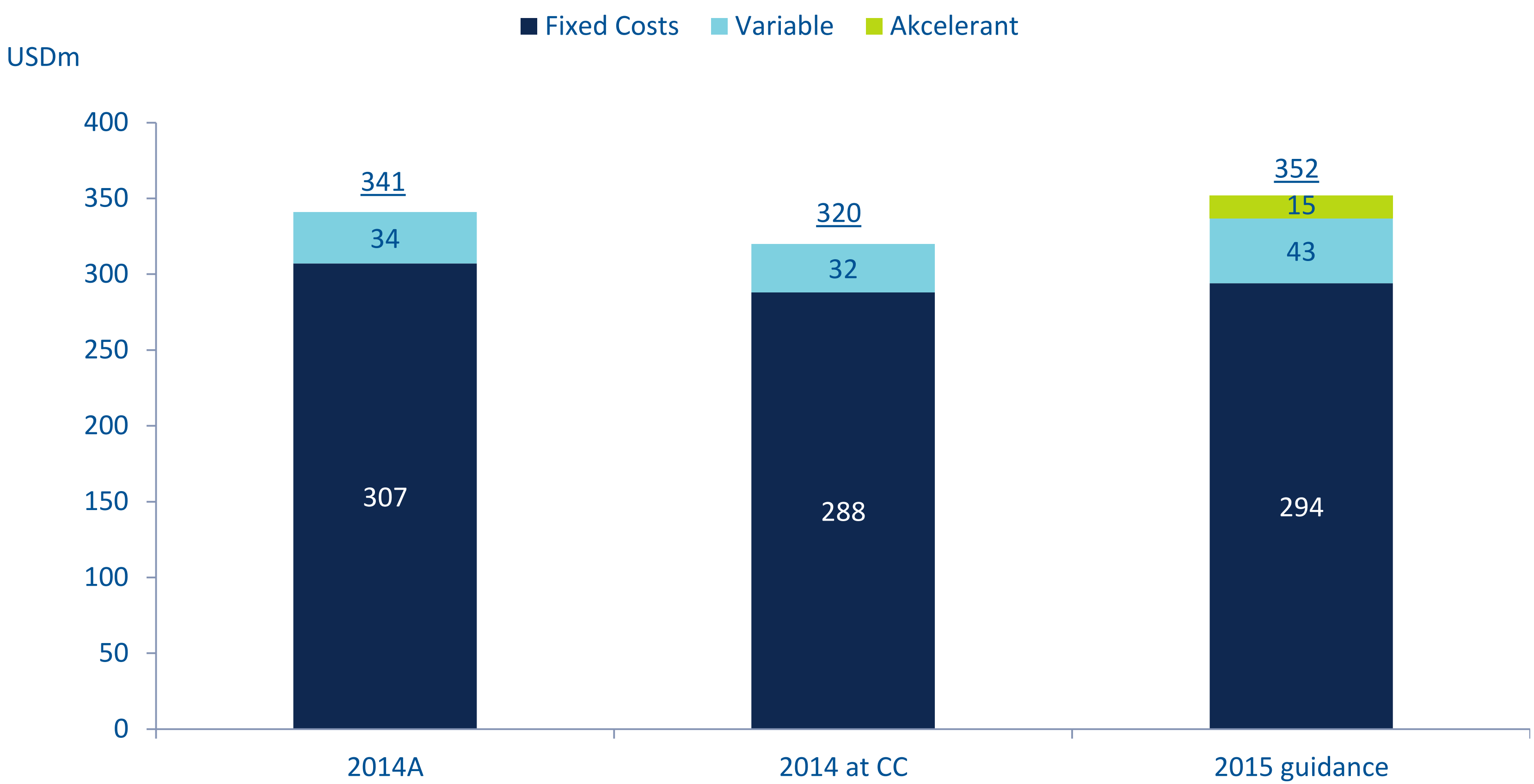
In preparing the 2015 guidance, the Company has assumed the following:

- USD to Euro exchange rate of 0.891
- USD to GBP exchange rate of 0.666; and
- USD to CHF exchange rate of 0.890.

2014 income statement restated for currency

2014	Temenos actual (excl. Akcelerant)	Restated at 2015 currency guidance
Software licensing	139.7	135.0
SaaS and subscriptions	8.0	7.9
Total software licensing	**147.6**	**143.0**
Maintenance	223.4	211.1
Services	97.7	91.8
Non-IFRS total revenues	**468.7**	**445.9**
Non-IFRS costs	**340.9**	**320.1**
Non-IFRS EBIT	**127.8**	**125.8**

2015 non-IFRS cost base



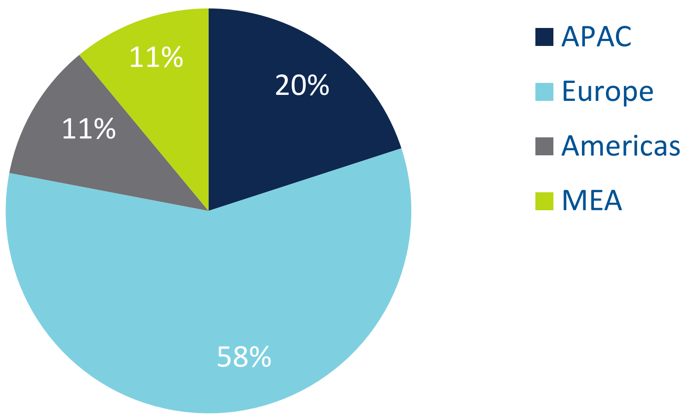
2015 non-IFRS costs up 4% on a LFL basis

Net earnings reconciliation

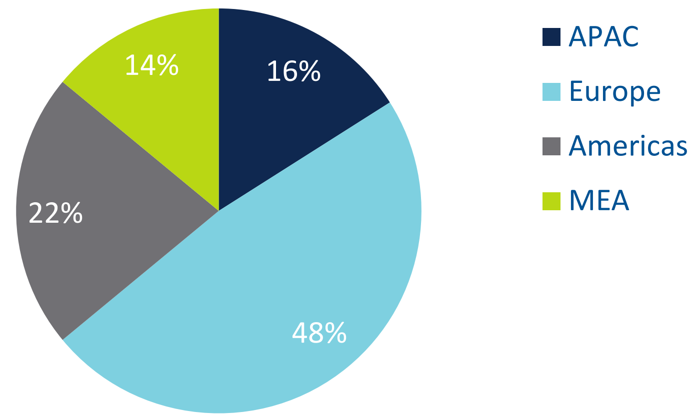
In USDm, except EPS	Q4 14	Q4 13
IFRS net earnings	**48.1**	**40.2**
Acquisition related charges	-	-
Amortisation of acquired intangibles	1.8	3.2
Restructuring	0.6	1.1
Taxation	-0.3	-1.4
Net earnings for non-IFRS EPS	**50.2**	**43.2**
No. of dilutive shares	67.5	68.9
Non-IFRS diluted EPS (USD)	**0.74**	**0.63**

Total software licensing revenue breakdown by geography

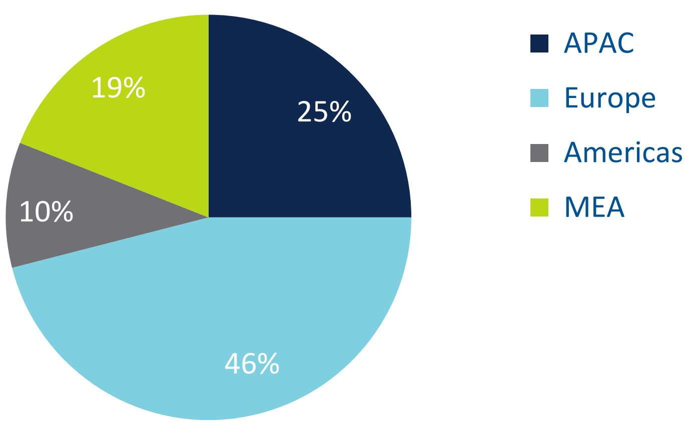
Q4 2013



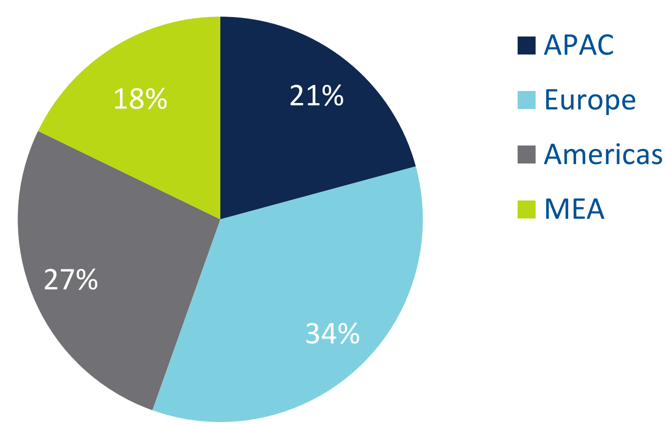
Q4 2014



FY 2013

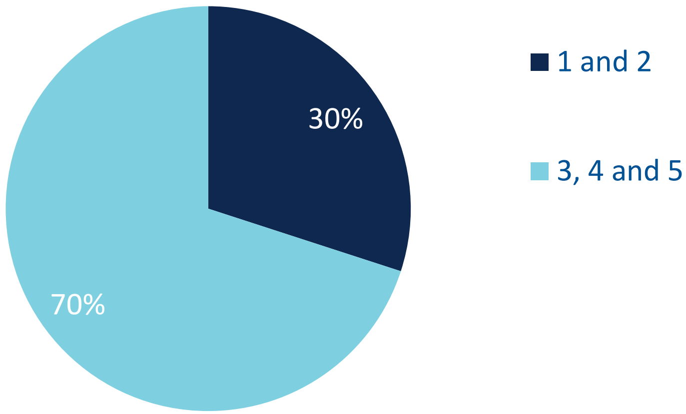


FY 2014

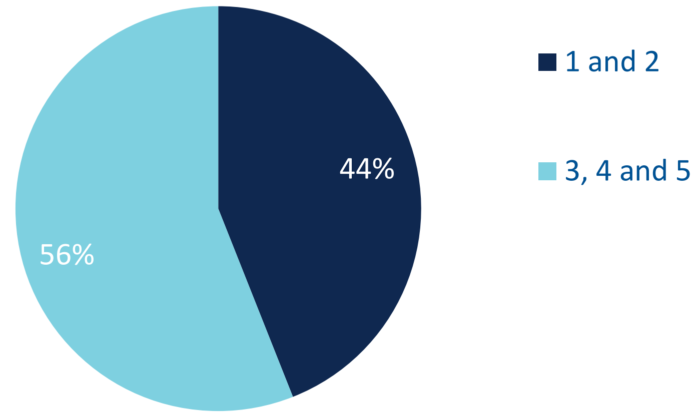


Total software licensing revenue breakdown by customer tier

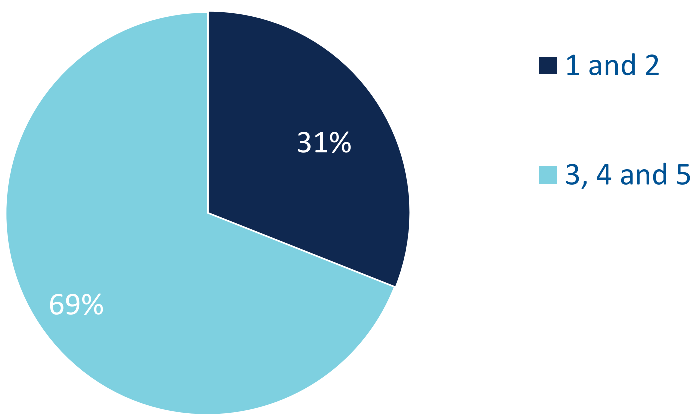
Q4 2013



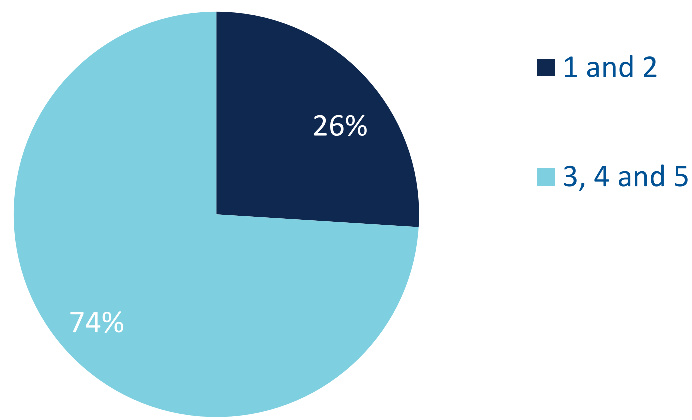
Q4 2014



FY 2013

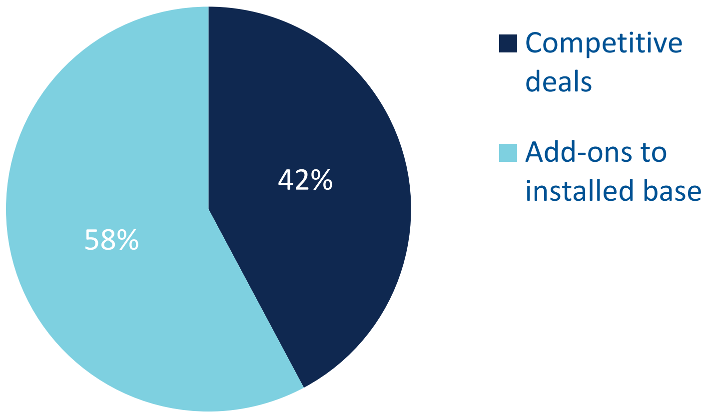


FY 2014

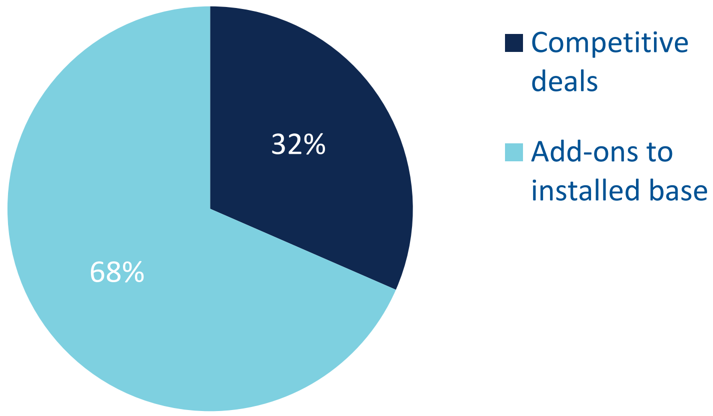


Total software licensing revenue breakdown by competitive deals / add-ons to installed base

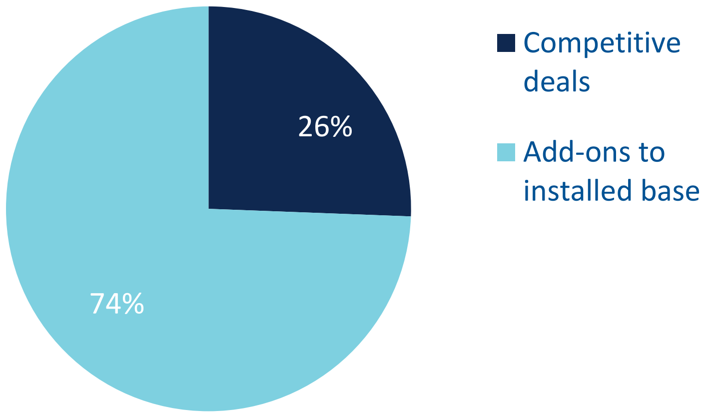
Q4 2013



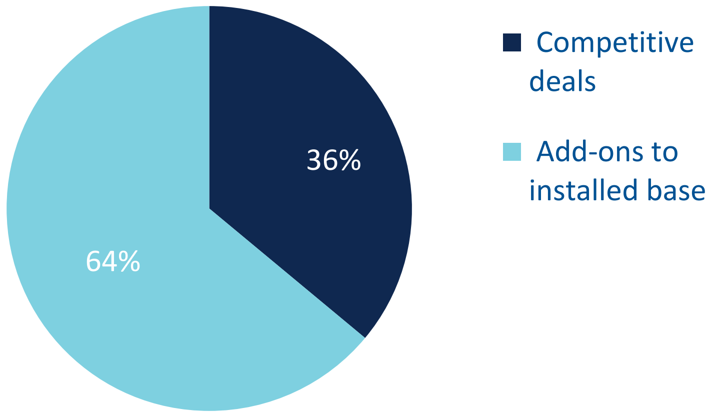
Q4 2014



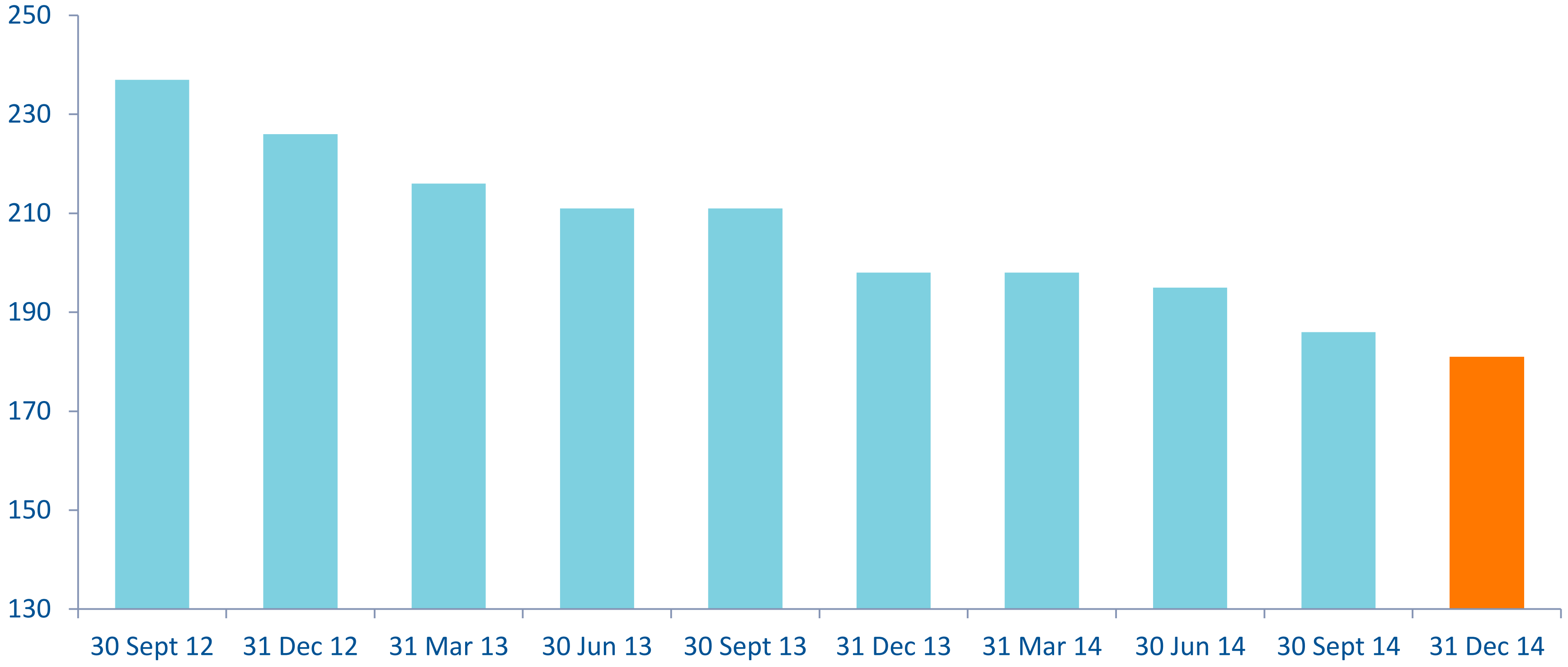
FY 2013



FY 2014



DSOs



DSOs down 18 days in 2014

Capitalisation of development costs

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	Q4 13	FY 13
Cap' dev' costs	-9.7	-9.6	-9.8	-12.7	**-41.9**
Amortisation	6.0	6.1	7.6	8.0	**27.7**
Net cap' dev'	**-3.6**	**-3.6**	**-2.3**	**-4.7**	**-14.2**

USDm	Q1 14	Q2 14	Q3 14	Q4 14	FY 14
Cap' dev' costs	-9.7	-9.8	-9.7	-13.9	**-43.1**
Amortisation	8.3	8.3	8.3	8.5	**33.4**
Net cap' dev'	**-1.3**	**-1.5**	**-1.4**	**-5.5**	**-9.8**

Net capitalised development costs <USD 10m in 2014

Reconciliation from IFRS EBIT to non-IFRS EBIT

USDm	Q4 2014
IFRS EBIT	**57.9**
Deferred revenue write-down	-
Discontinued activities	-
Acquisition-related charges	-
Amortisation of acquired intangibles	1.9
Restructuring	0.6
Non-IFRS EBIT	**60.3**

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, 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

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

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Thank you

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