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Financial Results and Business Update

Jean-Pierre Brulard, CEO
Takis Spiliopoulos, CFO

23 July 2024

Quarter ended, 30 June 2024



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 July 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.

Q2-24 Highlights

- Customer confidence: all delayed deals from Q1-24 signed in Q2-24, strong TCF attendance
- Q2-24 ARR of USD 742m, up 12% y-o-y c.c.
- Free Cash Flow of USD 73m, up 16% reported
- Launched Temenos SaaS Foundation, our next-gen SaaS platform for banking
- However 2 month delay in most sales processes from short seller report still impacted Q2
- Issued revised FY-24 guidance due to H1 performance, assumes return to growth while de-risking the second half of the year

Agenda

CEO introduction

Operational and financial update

Appendix

CEO introduction

- Joined Temenos May 1st, 2024, recently relocated to Zurich
- Previously CRO of VMware, based in the US for last 4 years
- Led strategic planning, business operations, go-to-market strategy, and management of VMware's revenue globally
- Drove VMware's transformation to SaaS and subscription
- Prior to VMware was EMEA President Business Objects and held roles at IBM and Sun Microsystems



Jean-Pierre Brulard
CEO

First 90 days...a listening and learning tour

50+ Clients

100+ Employees

20+ Partners
(SIs & Strategic Partners)

Temenos Community Forum
1,400+ attendees; clients & partners

Initial impressions



**Large and growing
market**



**Strength of customer
relationships**



**Very committed
people**



**Breadth of
functionality**



Innovation

Customer success



101 go-lives
in Q2-24
Up from 62 go-lives in Q1-24

BIL goes live on Temenos core, payments and wealth



**Scalability to
on-board
high-volume
clients**



**Agility to
regulatory &
commercial
challenges**



**Operational
efficiency**

Launching our next generation SaaS for banking

Temenos Enterprise Services



Retail
Enterprise
Service



**Business &
Corporate**
Enterprise service



Wealth
Enterprise
Service



Temenos SaaS Foundation



Customer Empowerment



Productized Platform & Operations



Automated Processes



Hyperscaler Management



Senior leadership strengthened through promotions and new hires

Promotions



William Moroney
Chief Revenue Officer



Rodrigo Silva
President Americas

New hires



Isabelle Guis
Chief Marketing Officer



Monty Bhatia
EVP Global Alliances & Partner Ecosystem

Priorities for H2 2024



Culture &
Leadership



Product &
Technology



Strategy &
Financial Plan



Immediate investment in go-to-market in the US and Western Europe



Capital Markets Day
London and virtual, November 12, 2024

Agenda

CEO introduction

Operational and financial update

Appendix

Q2-24 Non-IFRS financial highlights

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

- ARR of USD 742.4m, up 12%
- SaaS ACV of USD 9.4m
- SaaS revenue up 8% in Q2-24
- Total software licensing flat in Q2-24
- Maintenance growth of 11% in Q2-24
- Total revenue growth of 5% in Q2-24
- EBIT up 7% in Q2-24
- Q2-24 EBIT margin of 36.4%, up 1% pt
- EPS (reported) up 8% in Q2-24

Cash flow

- Q2-24 operating cash flow of USD 96.7m, up 7% y-o-y;
- Q2-24 operating cash conversion of 121% of IFRS EBITDA
- Q2-24 free cash flow of USD 72.8m, up 16% y-o-y
- DSOs at 133 days, up 9 days y-o-y, down 3 days q-o-q

Debt, leverage and capital allocation

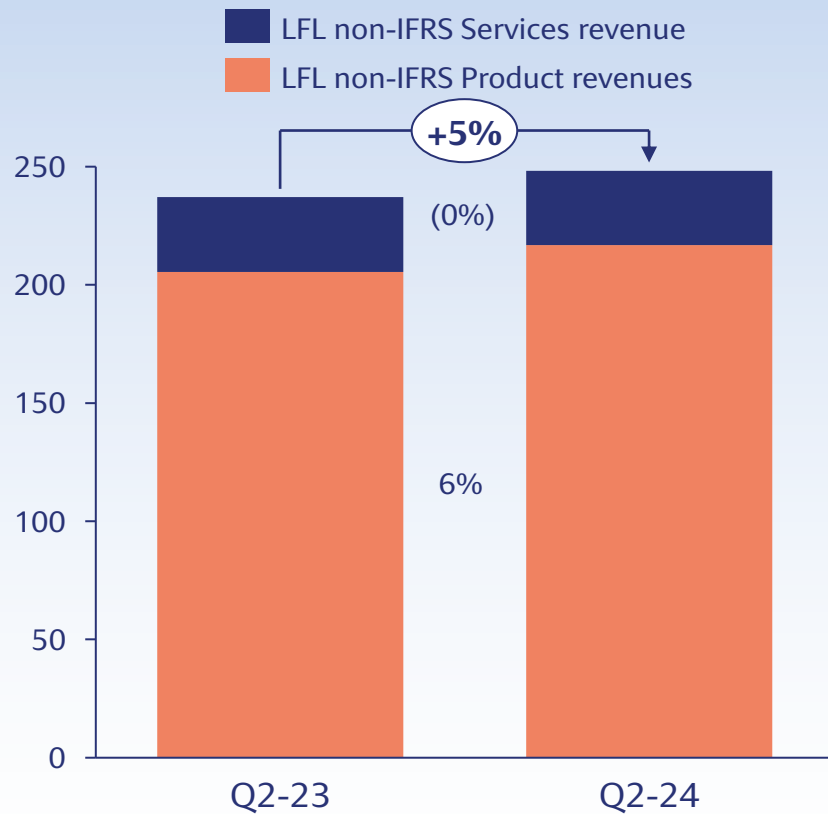
- CHF 200m share buyback commenced in June 2024 which will last until December 30, 2024 at the latest
- Net debt¹ of USD 563m as of 30 June 2024; leverage at 1.4x at quarter end, flat from 1.4x at Q1-24

ARR and non-IFRS income statement – operating

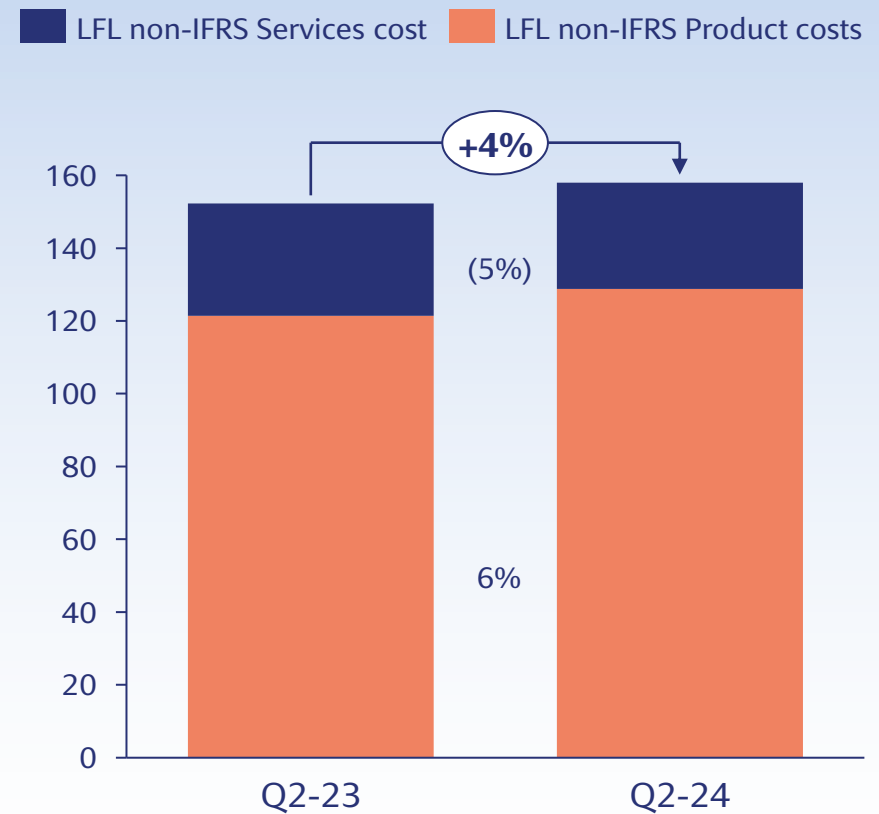
ARR (USDm)	Q2-24	Q2-23	Y-o-Y reported	Y-o-Y c.c.				
ARR	742.4	666.8	11%	12%				
Income statement (USDm)	Q2-24	Q2-23	Y-o-Y reported	Y-o-Y c.c.	LTM Q2-24	LTM Q2-23	Y-o-Y reported	Y-o-Y c.c.
Subscription	39.2	35.6	10%	10%	150.3	133.9	12%	11%
Term Licence	8.5	17.0	(50%)	(49%)	67.1	94.8	(29%)	(29%)
SaaS	54.2	50.2	8%	8%	218.1	185.7	17%	17%
Total software licensing	101.9	102.8	(1%)	(0%)	435.4	414.4	5%	5%
Maintenance	115.0	104.4	10%	11%	444.6	409.3	9%	9%
Services	31.5	31.7	(1%)	(0%)	133.0	132.7	0%	(1%)
Total revenue	248.4	239.0	4%	5%	1,013.0	956.4	6%	6%
Operating costs	158.0	154.3	2%	4%	688.5	669.7	3%	3%
EBIT	90.4	84.7	7%	7%	324.4	286.7	13%	12%
Margin	36.4%	35.4%	1% pt	1% pt	32.0%	30.0%	2% pts	2% pts
EBITDA	111.9	106.2	5%	5%	410.3	374.6	10%	9%
Margin	45.0%	44.4%	1% pt		40.5%	39.2%	1% pt	

Like-for-like revenues and costs

- Q2-24 LFL non-IFRS revenues up 5%
- Q2-24 LFL non-IFRS product revenues up 6%



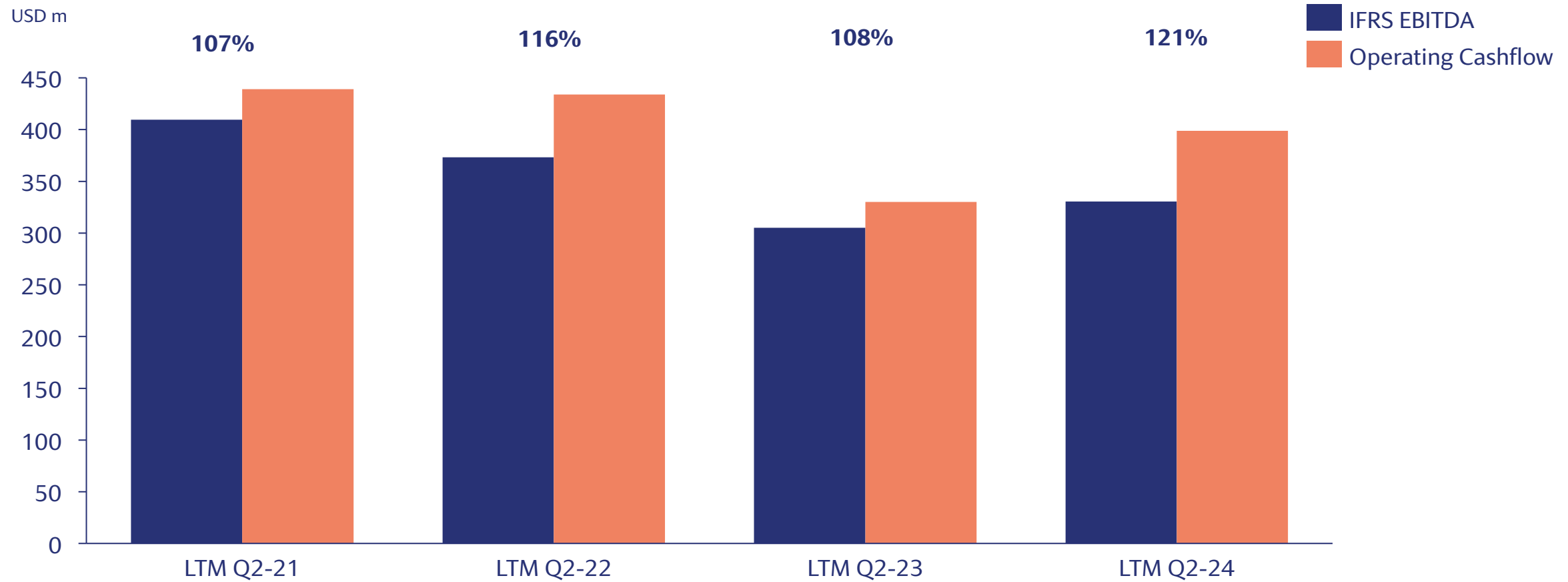
- Q2-24 LFL non-IFRS costs up 4%
- Q2-24 LFL non-IFRS product costs up 6%



Non-IFRS income statement – non-operating

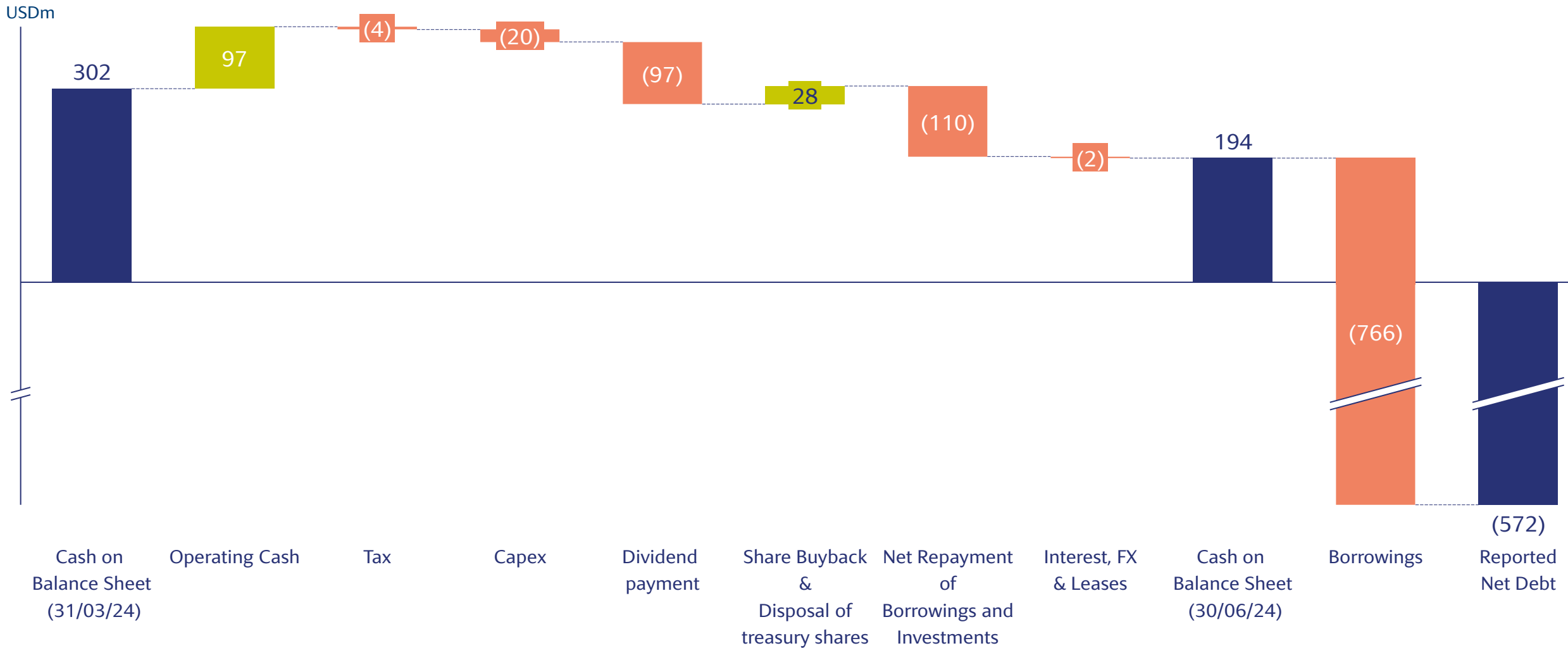
In USDm, except EPS	Q2-24	Q2-23	Y-o-Y reported	LTM Q2-24	LTM Q2-23	Y-o-Y reported
EBIT	90.4	84.7	7%	324.4	286.7	13%
Net finance charge	(4.2)	(6.3)	(33%)	(18.4)	(24.4)	(25%)
FX gain / (loss)	0.9	0.5	75%	(1.1)	1.7	(166%)
Tax	(17.4)	(16.2)	7%	(62.6)	(52.4)	20%
Net profit	69.8	62.7	11%	242.3	211.6	15%
EPS (USD)	0.94	0.87	8%	3.32	2.94	13%

IFRS cash conversion



Cash conversion well above 100% target

Group liquidity



Leverage at 1.4x at end of Q2-24

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

- Q2-24 progress showing increasingly unlikely to catch up all sales campaigns by year-end
- Issued revised FY-24 guidance due to H1 performance, assumes return to growth while de-risking the second half of the year

	Revised FY-24 guidance	Original FY-24 guidance	FY-23 base (USD, c.c.)
ARR	About 13% growth	About 15% growth	726m
Total software licensing	3-6% growth	7-10% growth	443m
EBIT	7-9% growth	7-9% growth	311m
EPS	6-8% growth	6-8% growth	3.19*
Free cash flow	At least 16% growth	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

Agenda

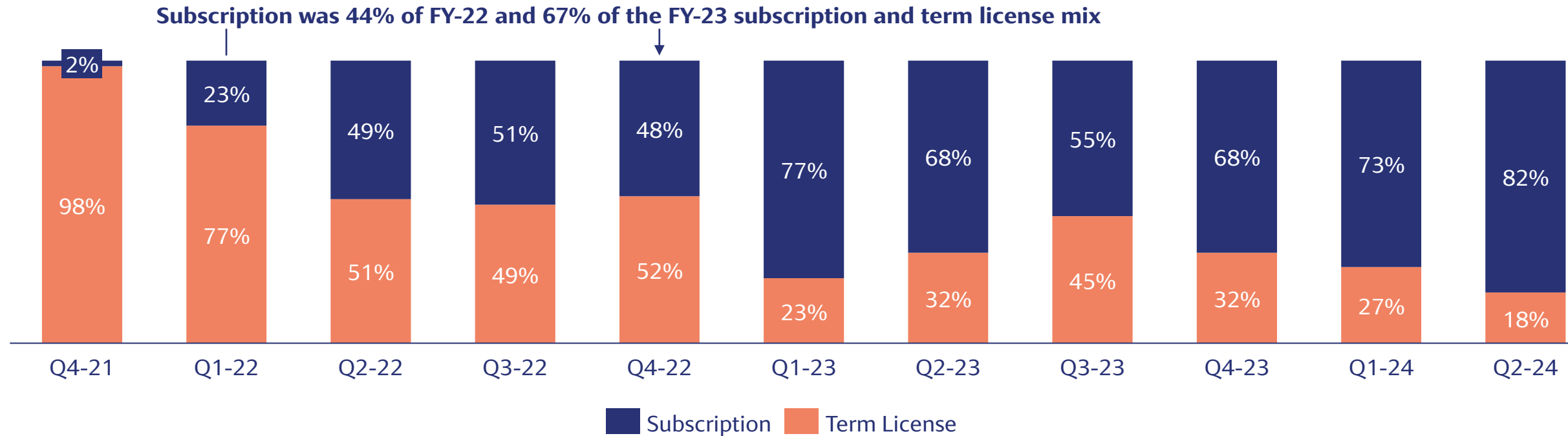
CEO introduction

Operational and financial update

Appendix

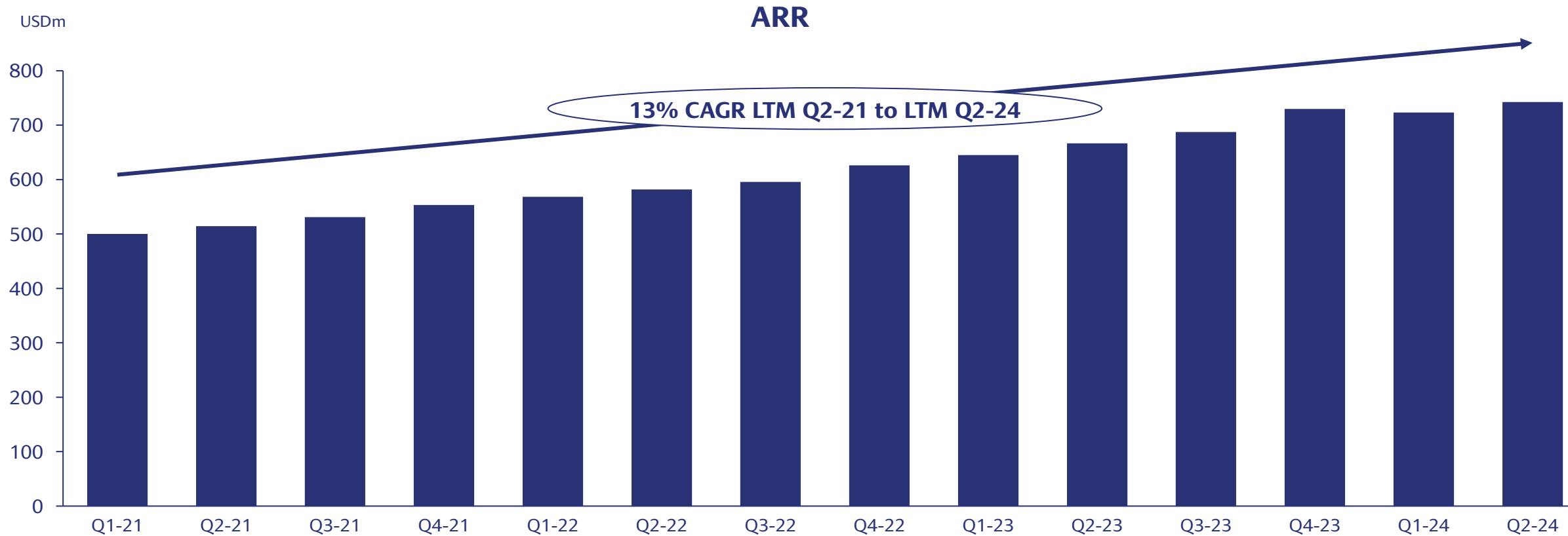
Subscription transition substantially complete

Subscription and term license mix



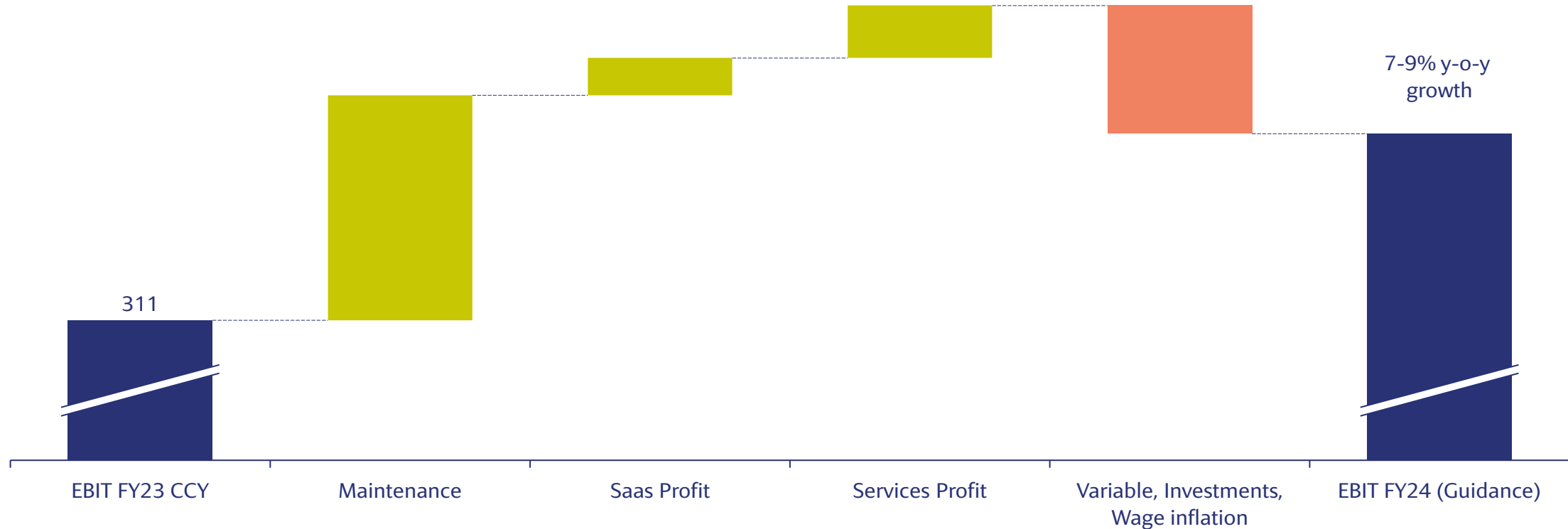
Subscription represented 82% of Q2-24 subscription and term license mix

Strong ARR growth trajectory, up 12% in Q2-24



ARR growth driven by subscription, SaaS and maintenance

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



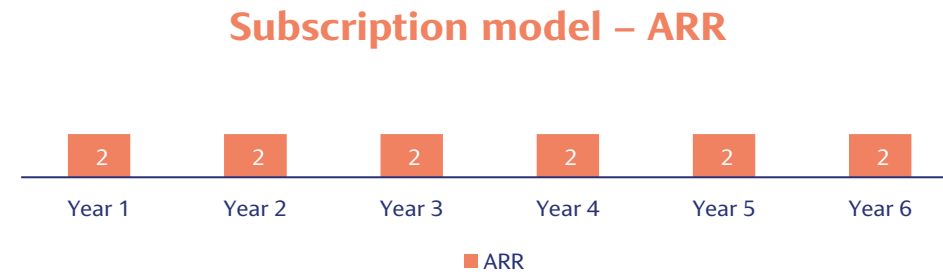
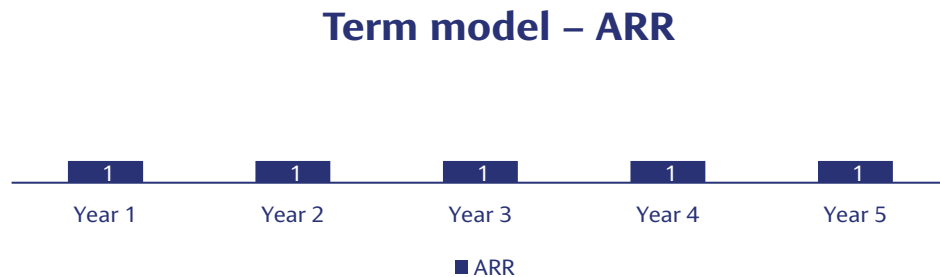
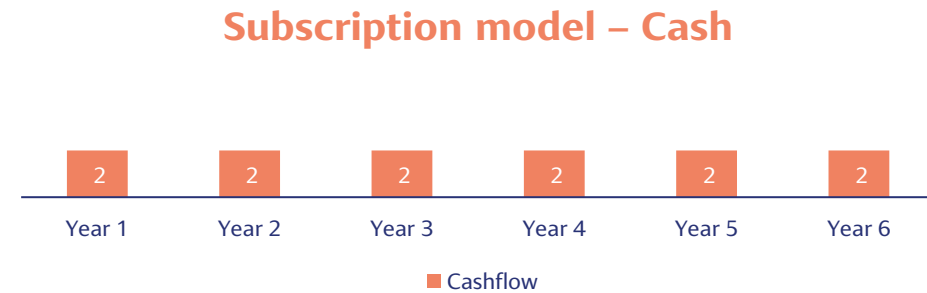
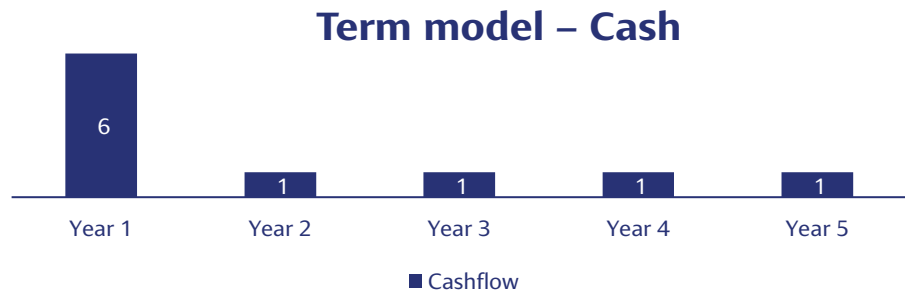
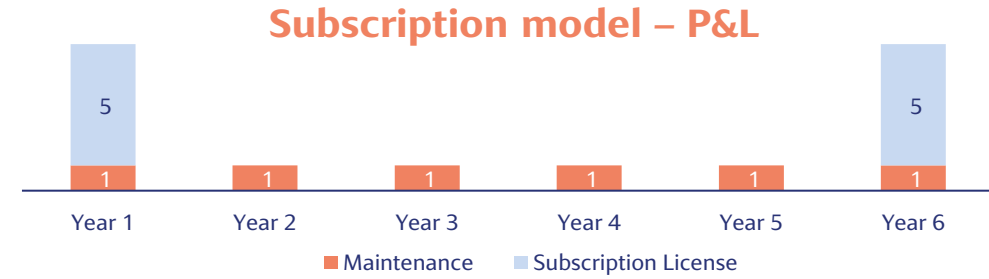
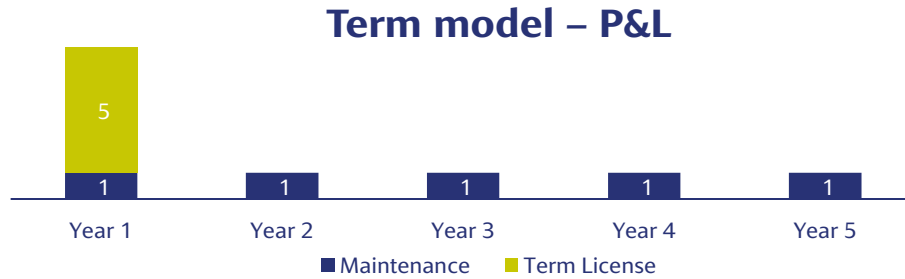
- Visibility on maintenance and SaaS driving FY-24 EBIT growth
- Prior year headwinds on services business overcome, contributing to margin expansion in FY-24
- Sustained commitment to investment in Cloud, S&M and R&D combined with wage inflation

FCF evolution 2023 to 2024

Estimated movements for illustrative purposes only



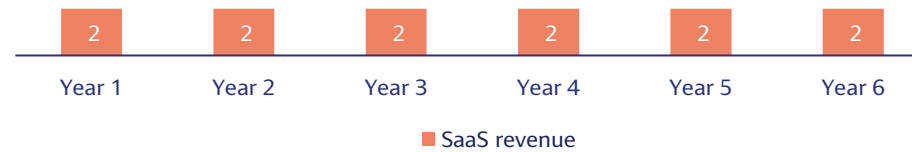
Impact of subscription transition on P&L, cashflow and ARR



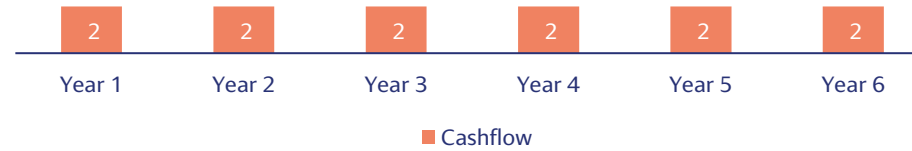
Note: Based on our standard 5 year term contract and based on IFRS15 standards, assumes no uplift in value from move to subscription

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

SaaS model – P&L



SaaS model – Cash



SaaS model – ARR



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 0.89

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	9.4		

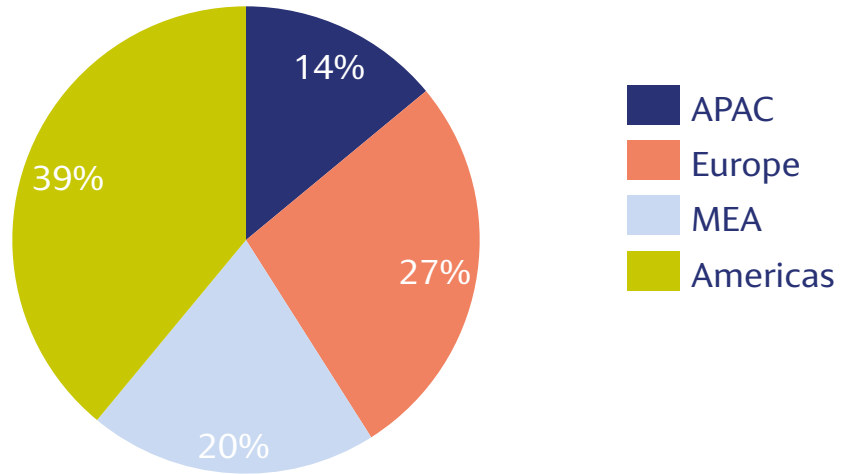
Quarterly ARR, FCF

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	Q2-24
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	742.4

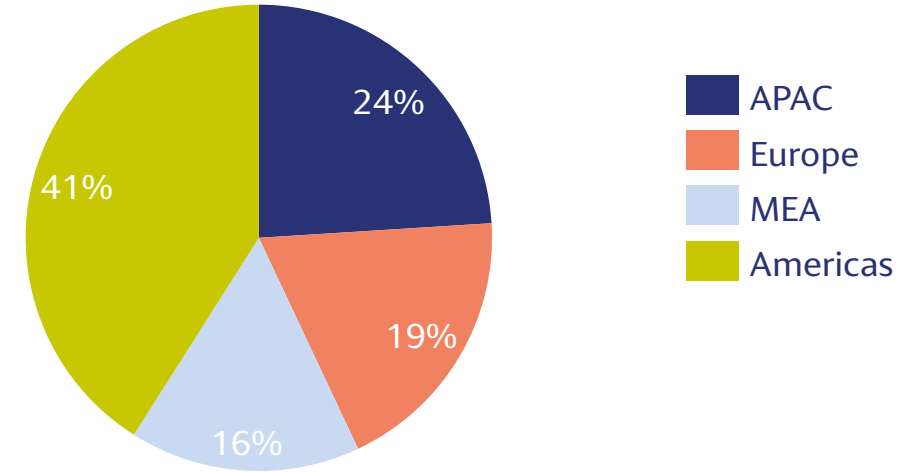
FCF, USD m	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24
FCF	35.7	69.7	33.9	157.7	45.5	86.5	40.3	185.6	32.3	49.9	4.8	105.9	38.7	62.7	27.6	113.6	48.8	72.8

Total software licensing revenue breakdown by geography

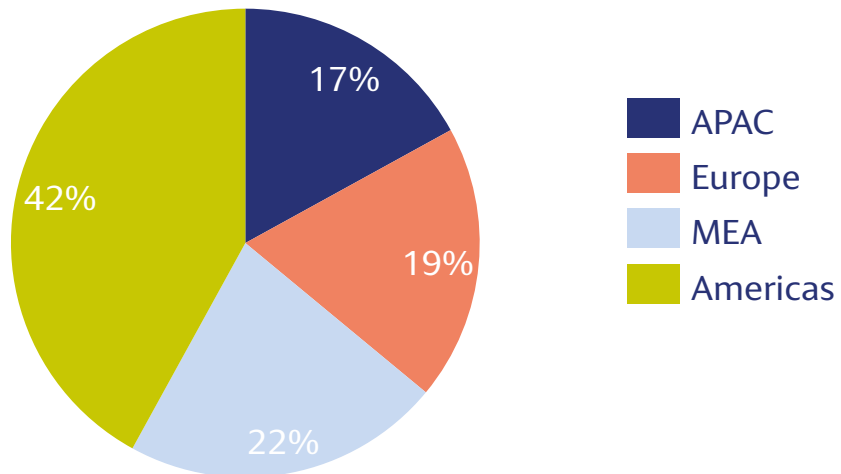
Q2-23



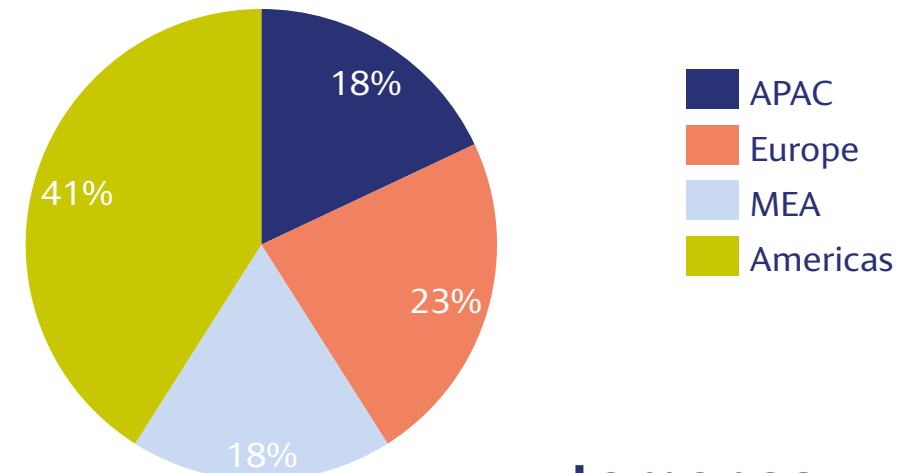
Q2-24



LTM Q2-23

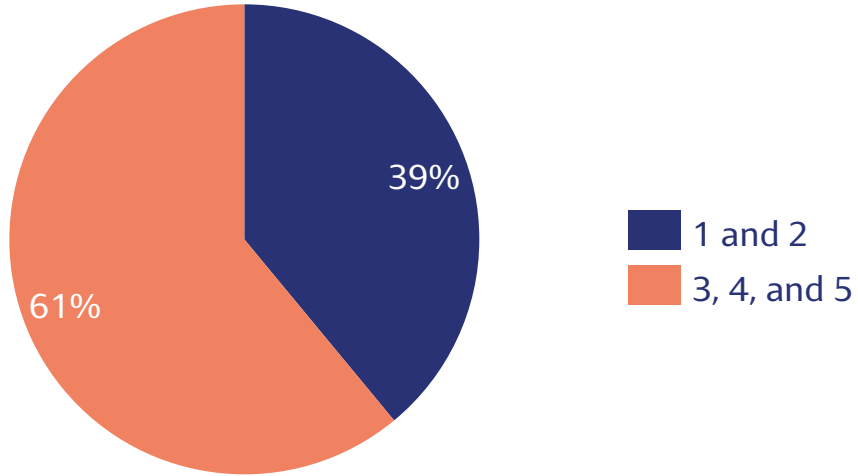


LTM Q2-24

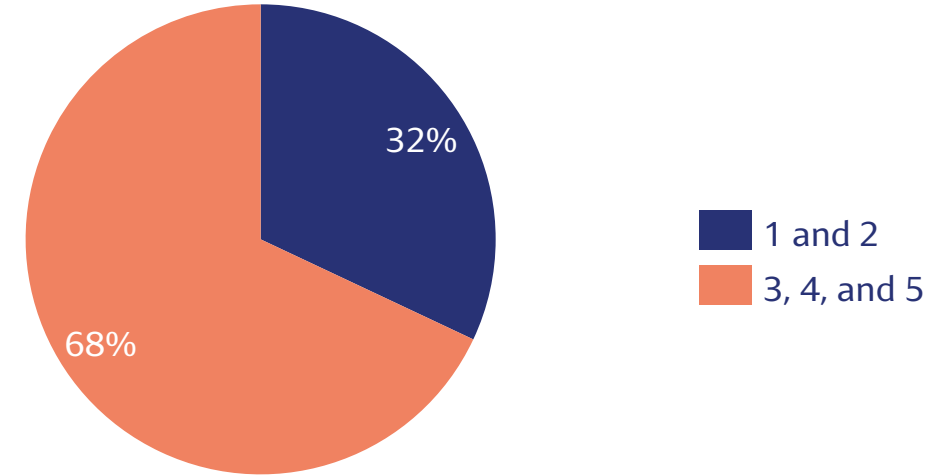


Total software licensing revenue breakdown by customer tier

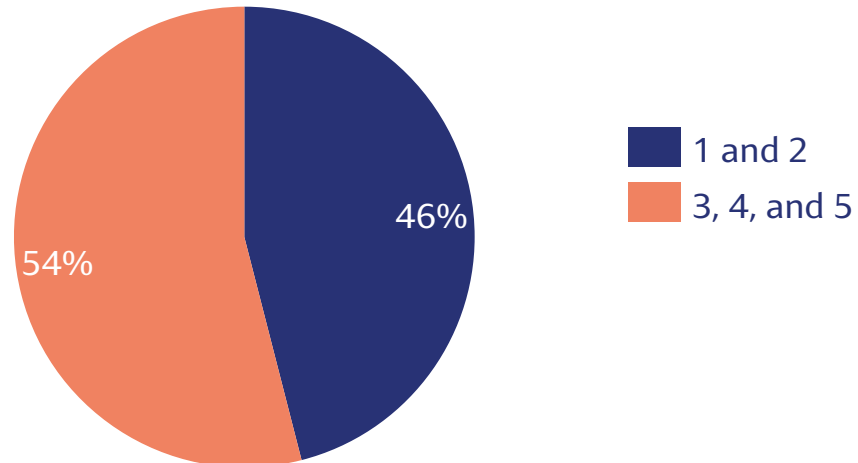
Q2-23



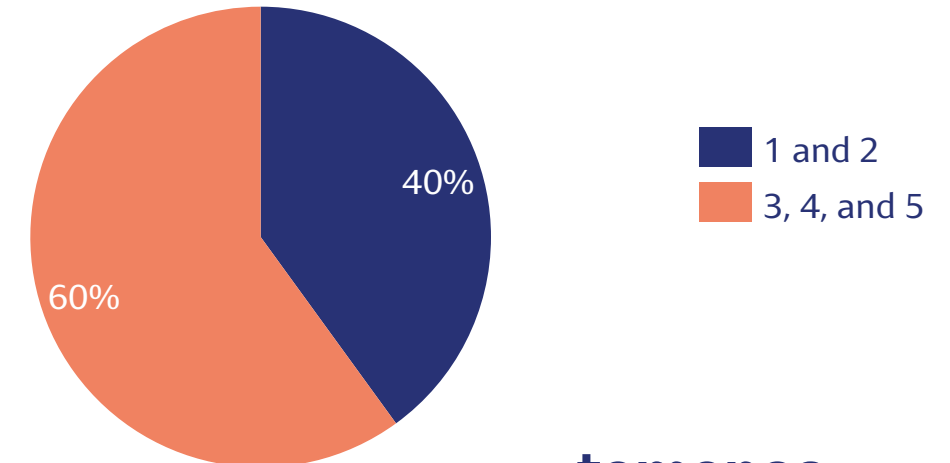
Q2-24



LTM Q2-23

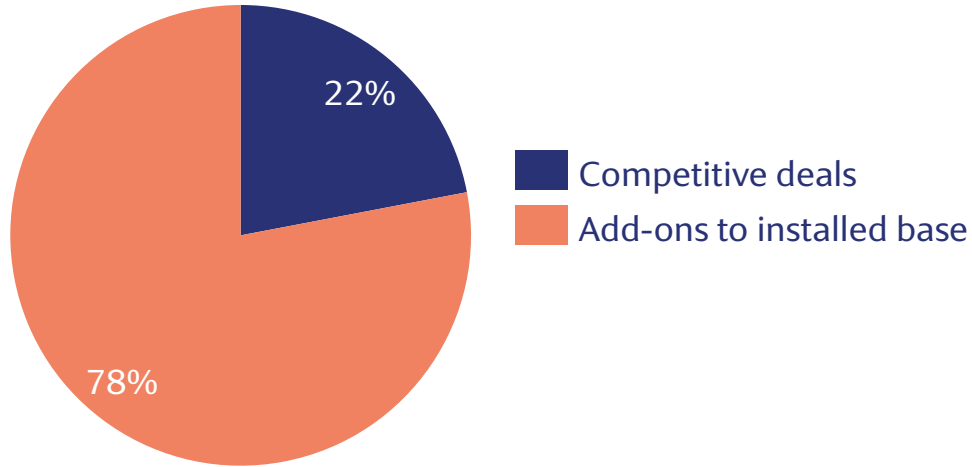


LTM Q2-24

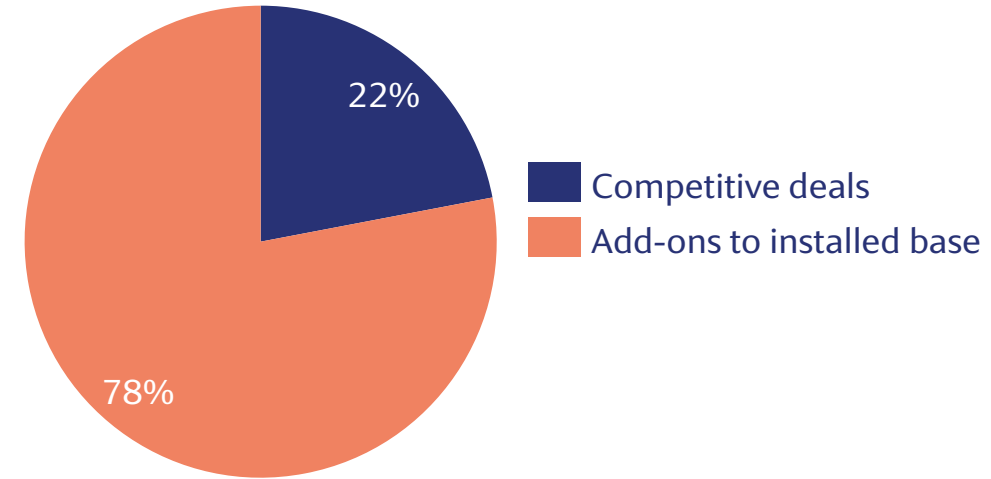


Software licensing revenue breakdown by competitive deals/ add-ons to installed base

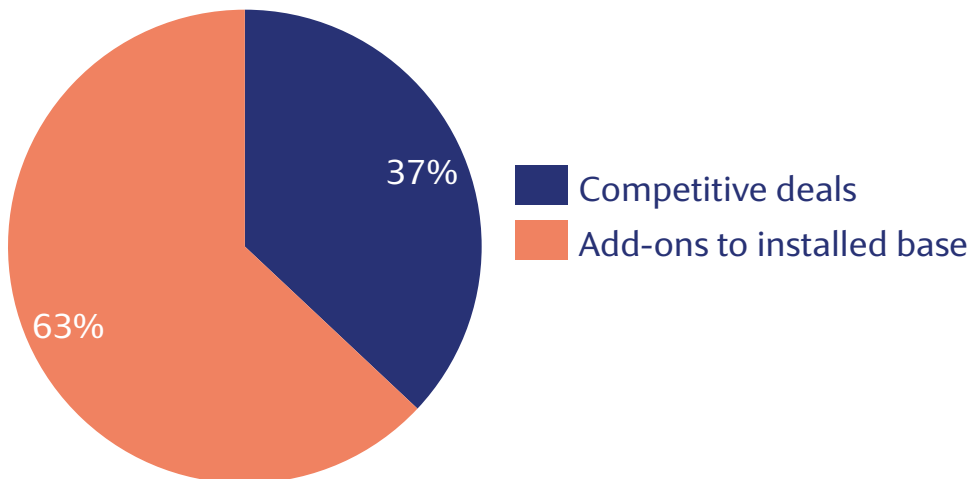
Q2-23



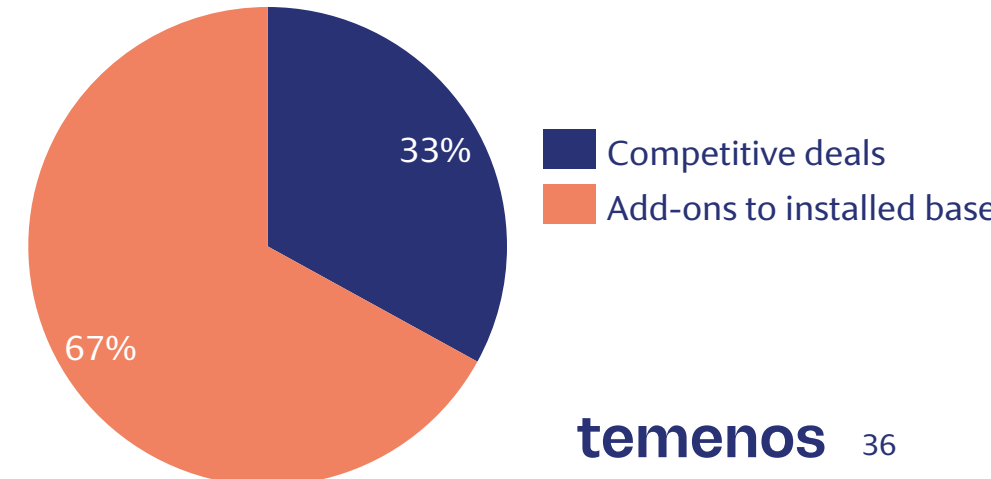
Q2-24



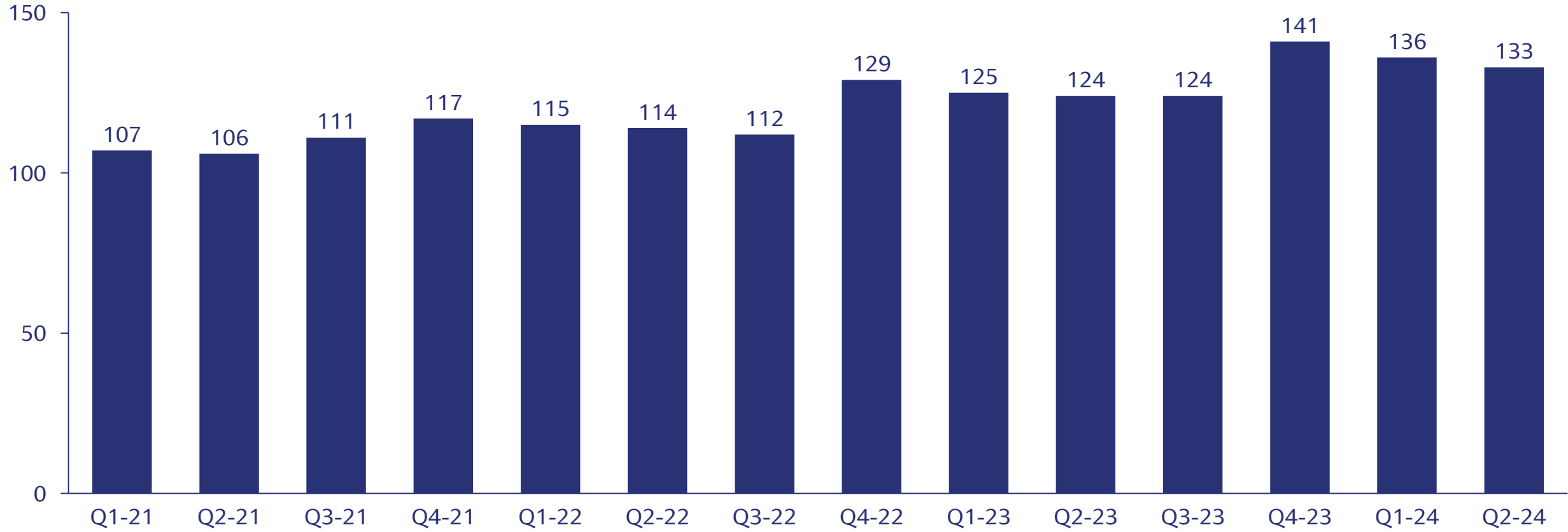
LTM Q2-23



LTM Q2-24



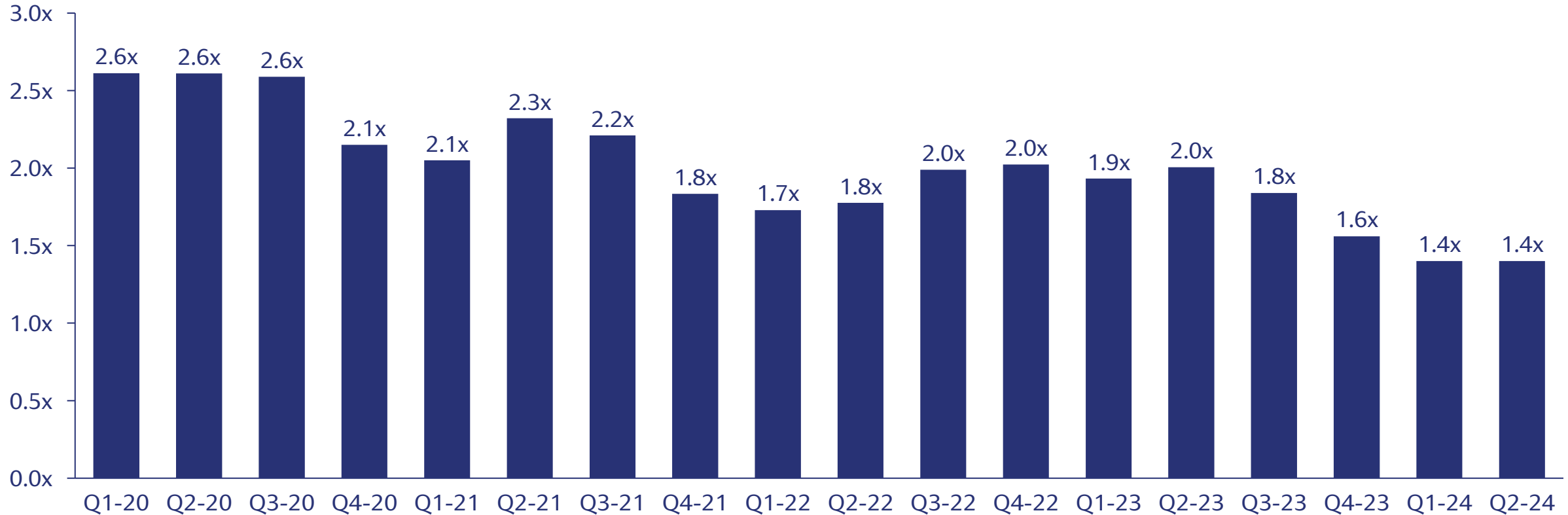
DSOs



DSOs at 133 at Q2-24

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)	(17.1)			
Amortisation	14.8	14.3			
Net cap' dev'	(4.6)	(2.7)			

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 25m

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 July 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 30 June			3 Months Ending 30 June		
	2024		2024	2023		2023
	IFRS	Non-IFRS adj.	Non-IFRS	IFRS	Non-IFRS adj.	Non-IFRS
Subscription	39.2		39.2	35.6		35.6
Term Licence	8.5		8.5	17.0		17.0
SaaS	54.2		54.2	50.2		50.2
Total Software Licensing	101.9		101.9	102.8		102.8
Maintenance	115.0		115.0	104.4		104.4
Services	31.5		31.5	31.7		31.7
Total Revenue	248.4		248.4	239.0		239.0
Total Operating Costs	(195.8)	37.8	(158.0)	(183.9)	29.6	(154.3)
Restructuring/M&A costs	(14.8)	14.8	-	(4.3)	4.3	-
Amort of Acq'd Intang.	(10.6)	10.6	-	(11.1)	11.1	-
Share-based payments	(12.5)	12.5	-	(14.3)	14.3	-
Operating Profit	52.6	37.8	90.4	55.0	29.6	84.7
Operating Margin	21%		36%	23%		35%
Financing Costs	(4.9)	1.6	(3.3)	(5.7)	-	(5.7)
Taxation	(10.6)	(6.8)	(17.4)	(11.0)	(5.2)	(16.2)
Net Earnings	37.1	32.7	69.8	38.3	24.4	62.7
EPS (USD per Share)	0.50	0.44	0.94	0.53	0.34	0.87

Net earnings reconciliation IFRS to non-IFRS

In USDm, except EPS	Q2-24	Q2-23
IFRS net earnings	37.1	38.3
Share-based payments	12.5	14.3
Amortisation of acquired intangibles	10.6	11.1
Restructuring / M&A related costs	14.8	4.3
Fair value change on financial instruments	1.6	-
Taxation	(6.8)	(5.2)
Net earnings for non-IFRS EPS	69.8	62.7
No. of dilutive shares (m shares)	73.6	72.3
Non-IFRS diluted EPS (USD)	0.94	0.87

Non-IFRS definitions

Non-IFRS adjustments

Share-based payment charges

Adjustment made for share-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