

temenos

temenos

Financial Results and Business Update

Jean-Pierre Brulard, CEO
Takis Spiliopoulos, CFO

23 October 2024

Quarter ended, 30 September 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 October 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 marketplace 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.

© Temenos AG 2024

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.

Q3-24 highlights

- Continued customer engagement in Q3-24 after sales cycles already normalized in Q2-24
- Sales environment was stable across regions globally
- New product and technology leadership with hiring of Barb Morgan as new CPTO
- Sales execution issues in MEA led to Q3-24 total software licensing of USD 96.4m, slightly lower than consensus
- Q3-24 ARR of USD 761m, up 9% y-o-y c.c.
- Free cash flow down 21%; Q3-24 free cash flow grew 26% excluding payments related to independent investigation and is expected to grow at least 12% for the full year
- Share buyback of CHF 200m completed in September, equal to 4.3% of registered share capital
- Issued Q4-24 and revised FY-24 guidance taking conservative view on Q4-24 pipeline; FY-24 EBIT and EPS guidance unchanged

Agenda

CEO update

Operational and financial update

Appendix

Customer success



61 go-lives
in Q3-24

Across all products

224 go-lives in first
three quarters

Across all products

US regional bank, MidWest One Bank, goes live on Temenos digital onboarding



**Streamline
customer
onboarding
process**



**Enhance customer
acquisition and
retention**



**Delivered as
SaaS on AWS**

Kuwait's Boubyan Bank selects Temenos for core migration



Migrating to Temenos core banking for retail, corporate and private banking



Enhancing business agility and operational efficiency



Fully compliant with Shari'ah requirements and processes

Temenos is recognized as the market leader



Temenos ranked **#1 in Core Banking**
IBS Intelligence sales league tables
for
19th consecutive year



Temenos named a **Leader** in
Digital Core Banking Platforms **across**
all three regions; North America,
EMEA and APC

New product and technology leadership



Barb Morgan
**Chief Product and
Technology Officer**

- 25 years leading global product development organisations, in particular banking and financial services expertise
- Joined from the London Stock Exchange Group, where Barb was Group Head of Product for Data and Analytics
- Previously Chief Technology Development Officer at Fidelity National Information Services Inc. (FIS) where she led global payments and banking product engineering
- Strong background in integrating AI technologies, building high performance teams and launching transformative products

Focused priorities



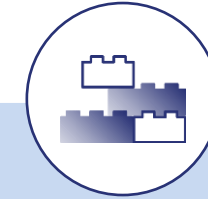
Culture & Leadership

- Accountability
- Talent attraction
- Lean and fit organization



Product & Technology

- Simplification & rationalization
- Innovation



Strategy

- Drivers of growth
- Operational plan
- Execution



Go-to-market

- Operational excellence
- Sales capacity
- Territory coverage

Agenda

CEO update

Operational and financial update

Appendix

Q3-24 Non-IFRS financial highlights

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

- ARR of USD 760.9m, up 9%
- SaaS ACV of USD 9.4m
- SaaS revenue up 5% in Q3-24
- Total software licensing flat y-o-y in Q3-24
- Maintenance growth of 10% in Q3-24
- Total revenue growth of 4% in Q3-24
- EBIT up 19% in Q3-24
- Q3-24 EBIT margin of 28.9%, up 4% pts
- EPS (reported) up 25% in Q3-24

Cash flow

- Q3-24 operating cash flow of USD 51.9m, down 6% y-o-y;
- Q3-24 operating cash conversion of 115% of IFRS EBITDA
- Free cash flow of USD 21.8m, down 21%; free cash flow expected to grow at least 12% in FY-24
- DSOs at 134 days, up 10 days y-o-y, up 1 day q-o-q

Debt, leverage and capital allocation

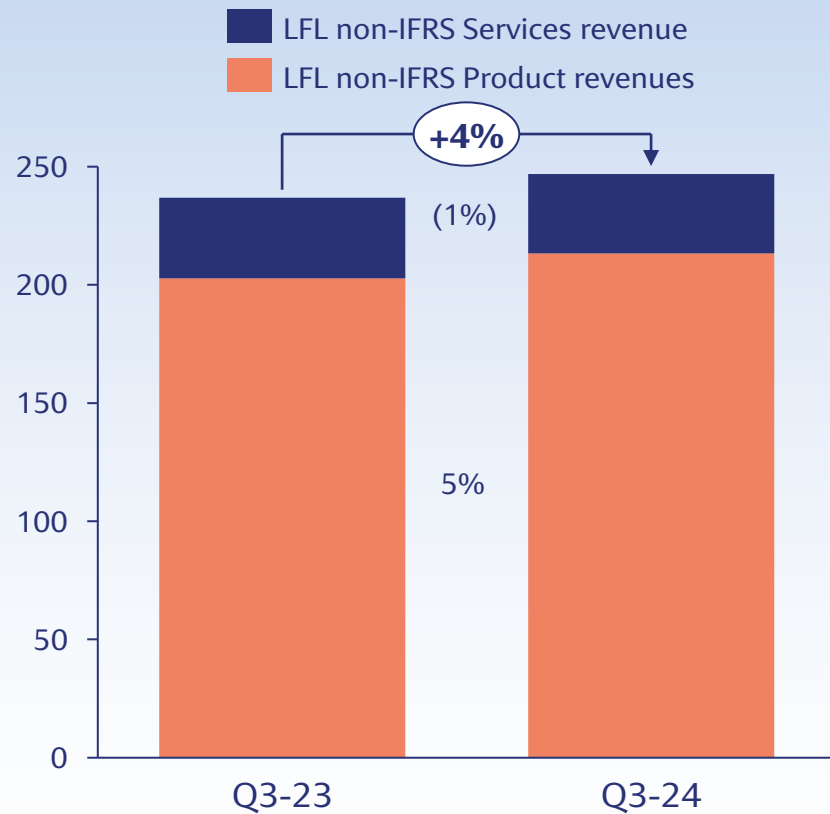
- Net debt¹ of USD 775m as of 30 September 2024; leverage at 1.8x at quarter end, up from 1.4x at Q2-24
- Share buyback of CHF 200m concluded in September, with a total of 3,263,937 registered shares repurchased, equal to 4.3% of registered share capital

ARR and non-IFRS income statement – operating

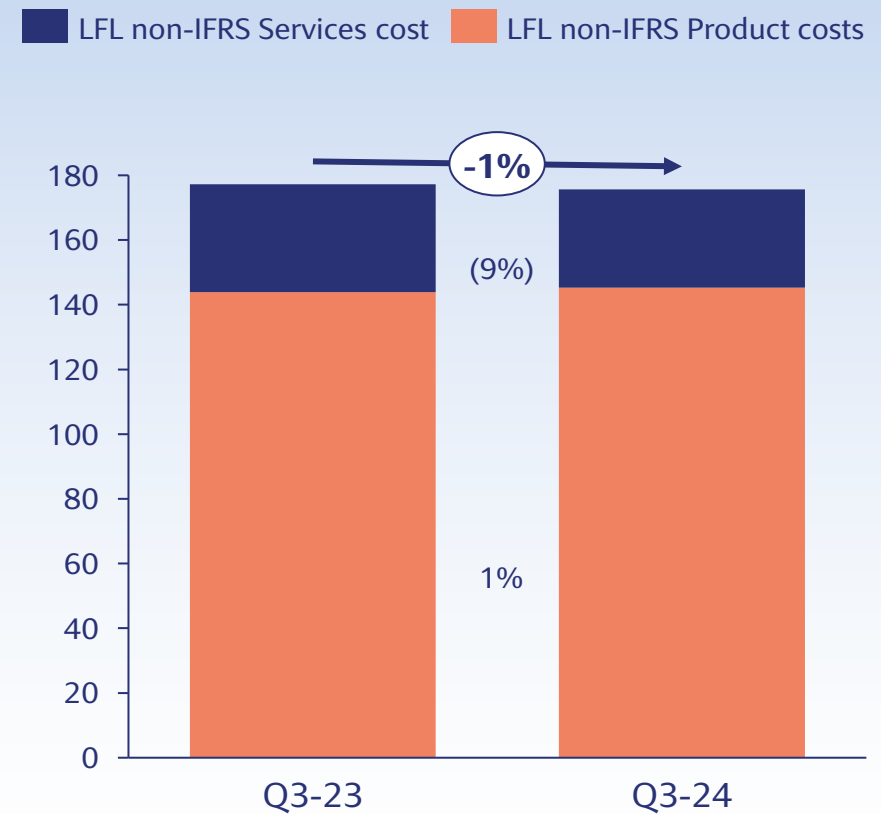
ARR (USDm)	Q3-24	Q3-23	Y-o-Y reported	Y-o-Y c.c.				
ARR	760.9	687.5	11%	9%				
Income statement (USDm)	Q3-24	Q3-23	Y-o-Y reported	Y-o-Y c.c.	LTM Q3-24	LTM Q3-23	Y-o-Y reported	Y-o-Y c.c.
Subscription	28.2	23.7	19%	17%	154.8	140.4	10%	9%
Term License	12.8	19.3	(34%)	(35%)	60.5	97.5	(38%)	(37%)
SaaS	55.4	52.7	5%	5%	220.8	195.9	13%	13%
Total software licensing	96.4	95.7	1%	(0%)	436.2	433.7	1%	0%
Maintenance	116.9	107.3	9%	10%	454.2	416.4	9%	10%
Services	33.6	33.8	(0)%	(1%)	132.8	130.1	2%	1%
Total revenue	246.9	236.7	4%	4%	1,023.2	980.2	4%	4%
Operating costs	175.6	176.9	(1)%	(1%)	687.2	674.6	2%	2%
EBIT	71.3	59.8	19%	19%	336.0	305.6	10%	9%
Margin	28.9%	25.2%	4% pts	4% pts	32.8%	31.2%	2% pts	1% pts
EBITDA	94.0	81.1	16%	16%	423.2	392.1	8%	7%
Margin	38.1%	34.3%	4% pt		41.4%	40.0%	1% pt	

Like-for-like revenues and costs

- Q3-24 LFL non-IFRS revenues up 4%
- Q3-24 LFL non-IFRS product revenues up 5%



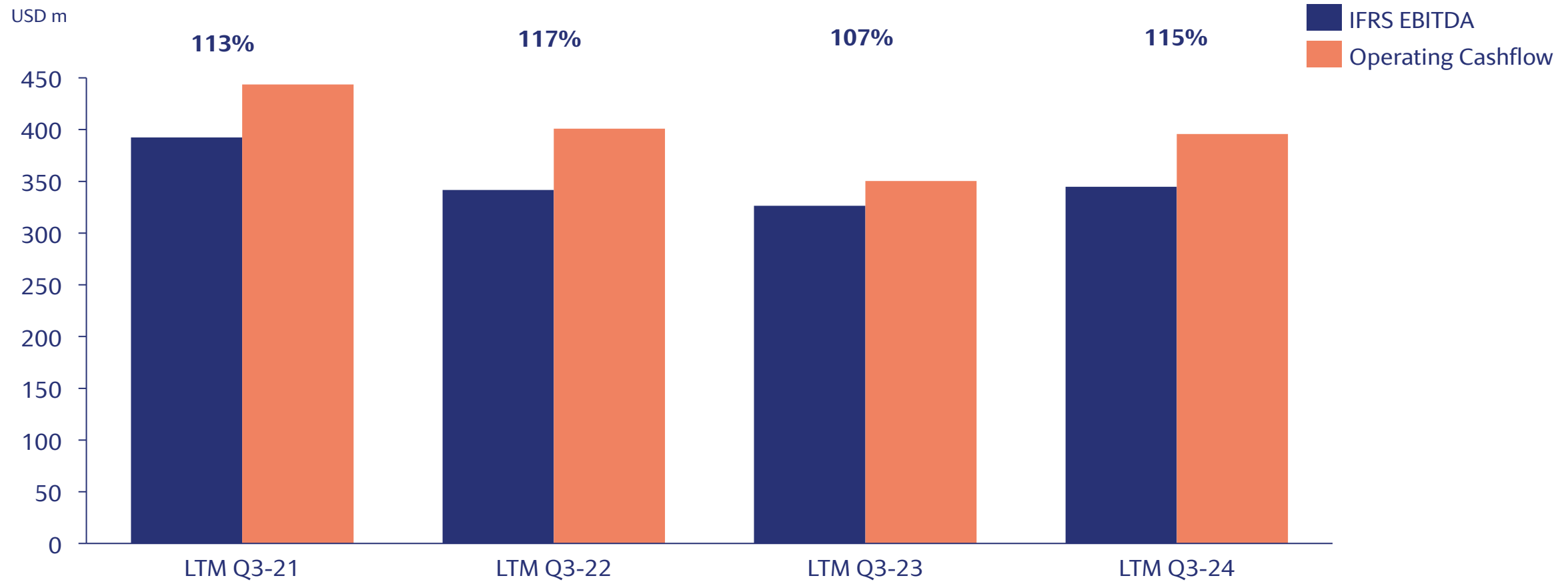
- Q3-24 LFL non-IFRS costs down 1%
- Q3-24 LFL non-IFRS product costs up 1%



Non-IFRS income statement – non-operating

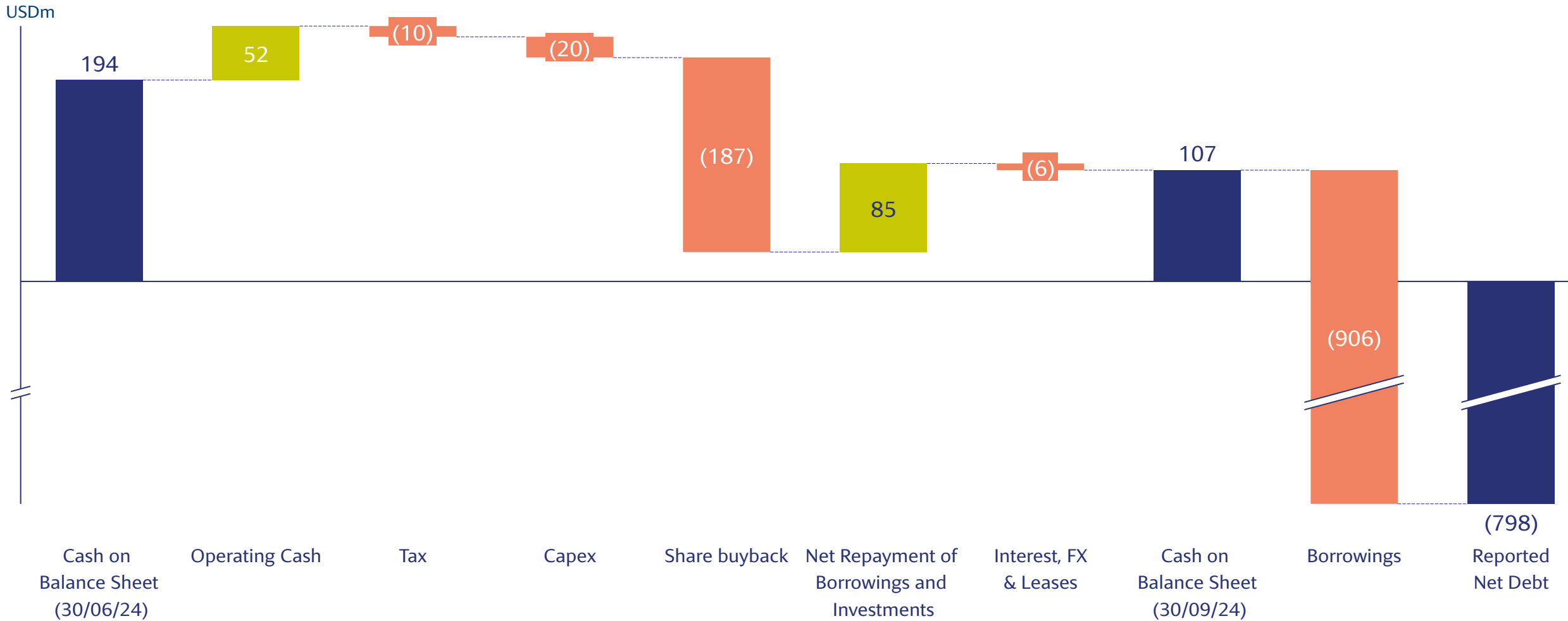
In USDm, except EPS	Q3-24	Q3-23	Y-o-Y reported	LTM Q3-24	LTM Q3-23	Y-o-Y reported
EBIT	71.3	59.8	19%	336.0	305.6	10%
Net finance charge	(5.4)	(5.0)	8%	(18.8)	(23.3)	(19%)
FX gain / (loss)	4.6	0.7	575%	2.8	3.2	(12%)
Tax	(16.0)	(11.5)	39%	(67.1)	(57.5)	17%
Net profit	54.5	43.9	24%	252.9	228.1	11%
EPS (USD)	0.76	0.61	25%	3.46	3.16	9%

IFRS cash conversion



Cash conversion well above 100% target

Group liquidity



Leverage at 1.8x at end of Q3-24

Q4-24 and revised FY-24 guidance (non-IFRS, c.c.)

	Q4-24 guidance		Q4-23 base (USD, c.c.)
Total software licensing	About 5% growth		156m
	Revised FY-24 guidance	Previous FY-24 guidance	FY-23 base (USD, c.c.)
ARR	11-12% growth	About 13% growth	733m
Total software licensing	Flattish to FY-23	3-6% growth	446m
EBIT	7-9% growth	7-9% growth	312m
EPS	6-8% growth	6-8% growth	3.19*
Free cash flow	At least 12% growth*	At least 16% growth	243m*

* 5% pts headwind on FY-24 free cash flow from payments related to the independent investigation. 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 update

Operational and financial update

Appendix

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 1.09

GBP to USD exchange rate of 1.30; and

USD to CHF exchange rate of 0.88

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	9.4	

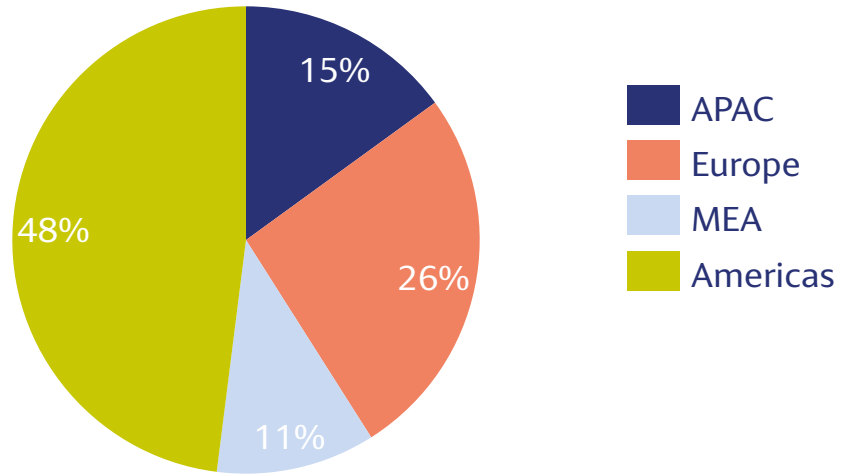
Quarterly ARR, FCF

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	Q3-24
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	760.9

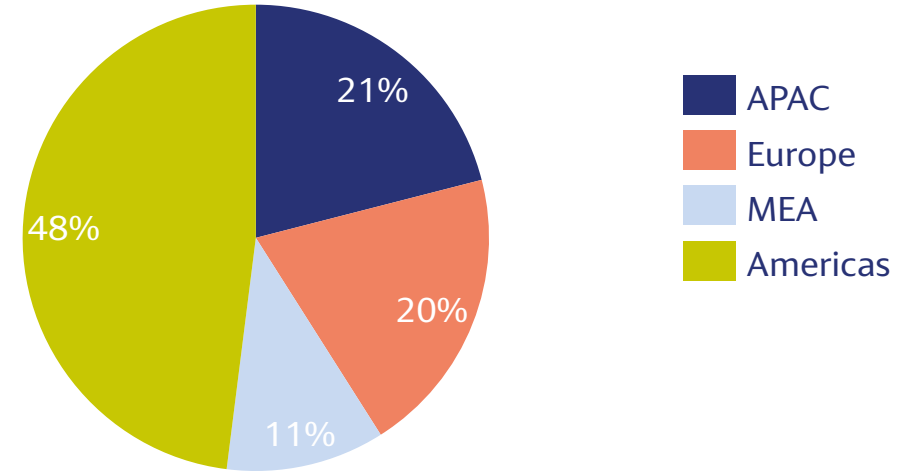
FCF, USD m	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	Q1-22	Q2-22	Q3-22	Q4-22	Q1-23	Q2-23	Q3-23	Q4-23	Q1-24	Q2-24	Q3-24
FCF	35.7	69.7	33.9	157.7	45.5	86.5	40.3	185.6	32.3	49.9	4.8	105.9	38.7	62.7	27.6	113.6	48.8	72.8	21.8

Total software licensing revenue breakdown by geography

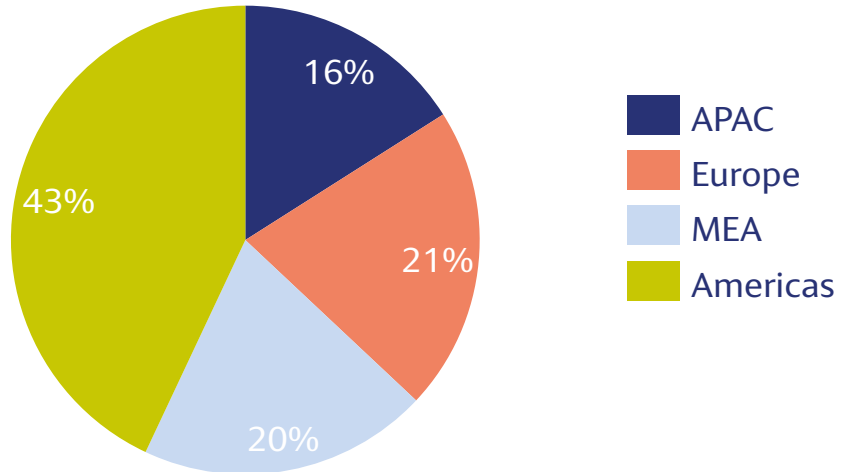
Q3-23



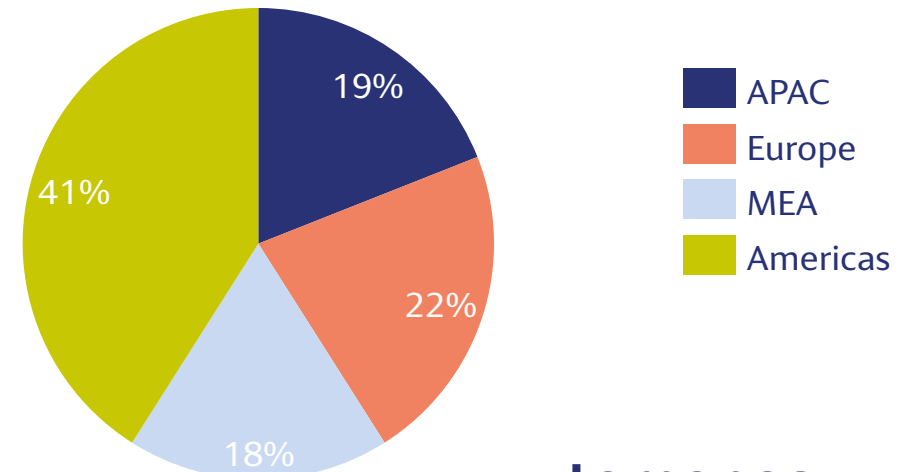
Q3-24



LTM Q3-23

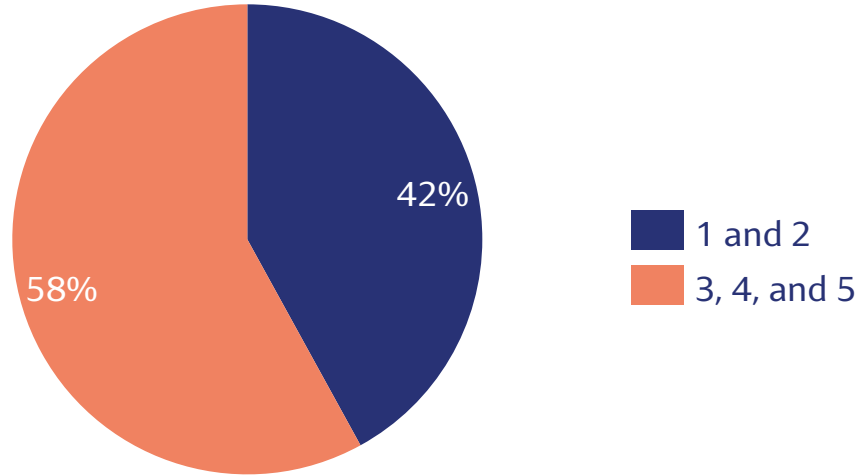


LTM Q3-24

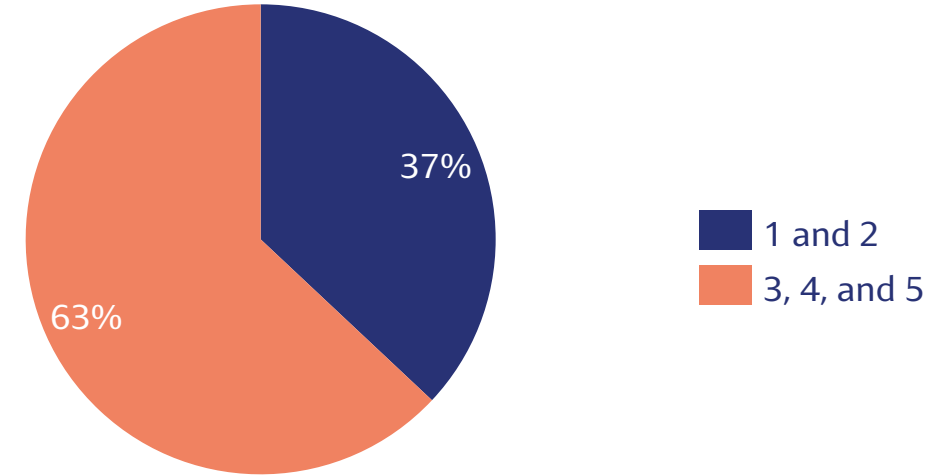


Total software licensing revenue breakdown by customer tier

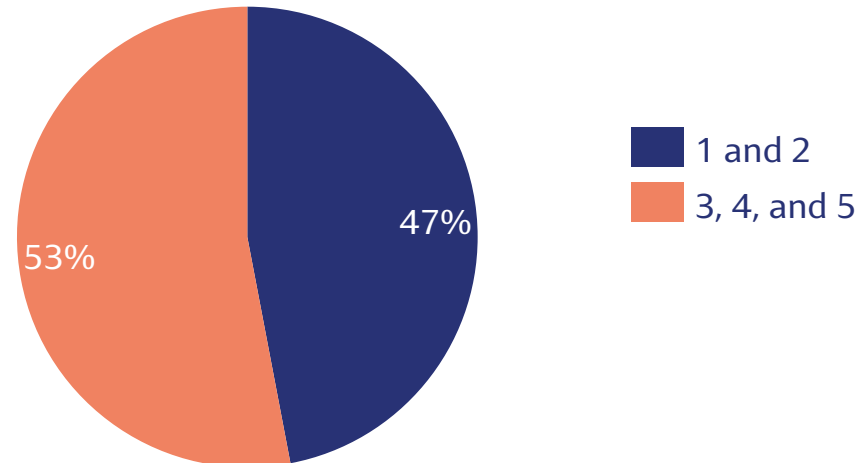
Q3-23



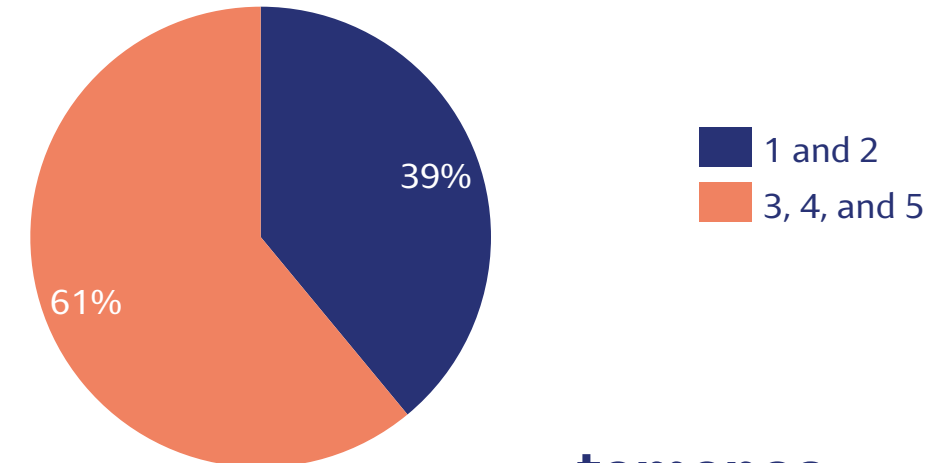
Q3-24



LTM Q3-23

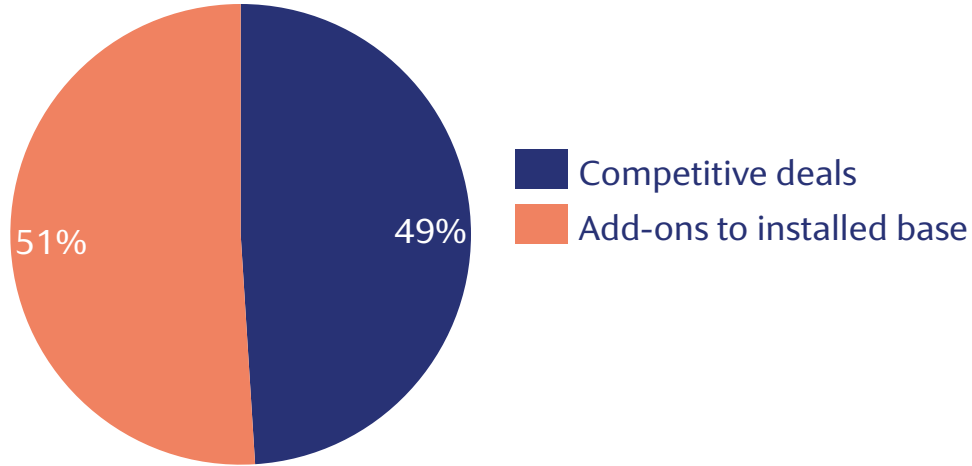


LTM Q3-24

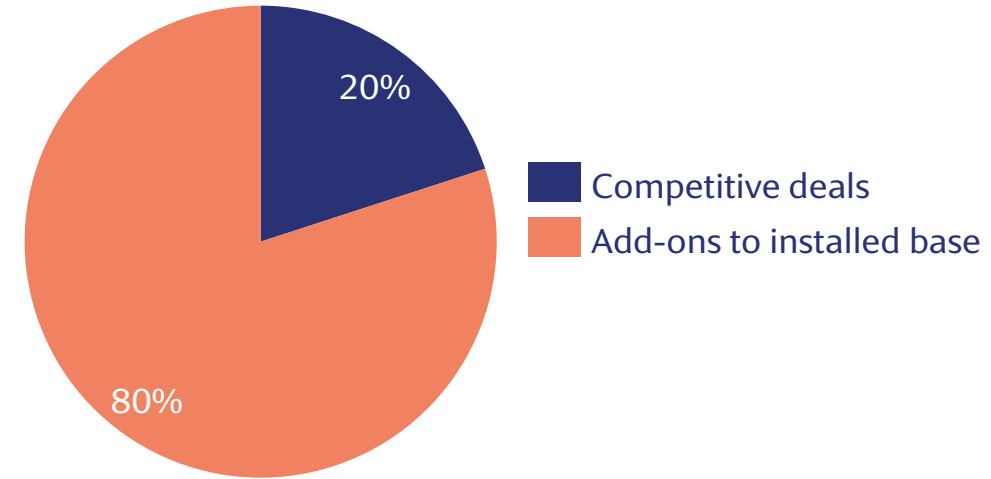


Software licensing revenue breakdown by competitive deals/ add-ons to installed base

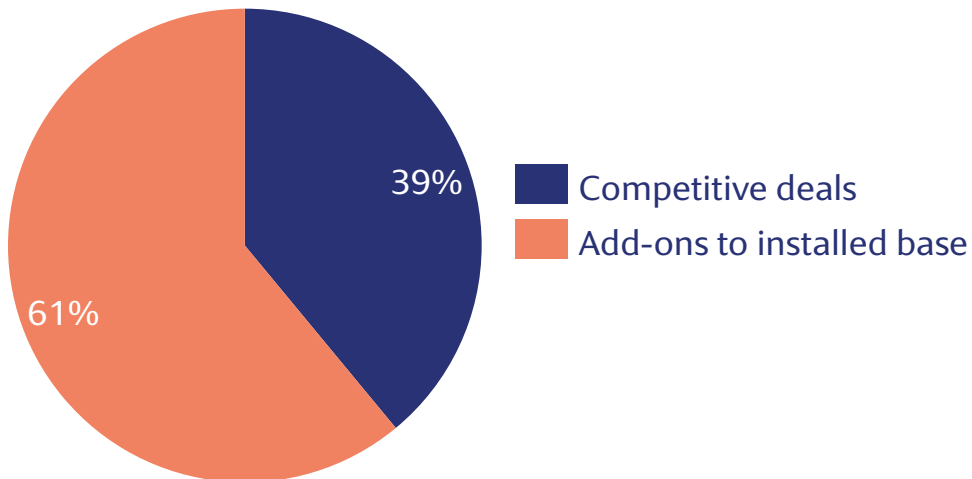
Q3-23



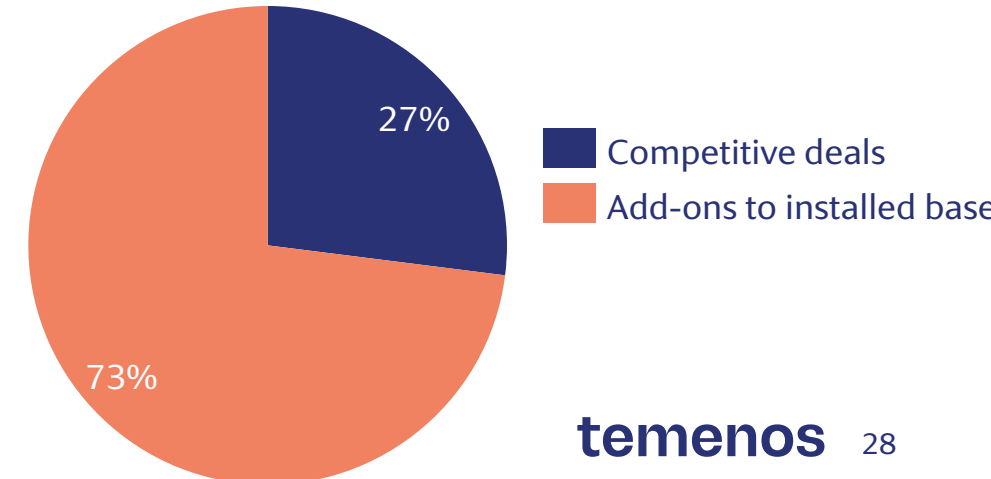
Q3-24



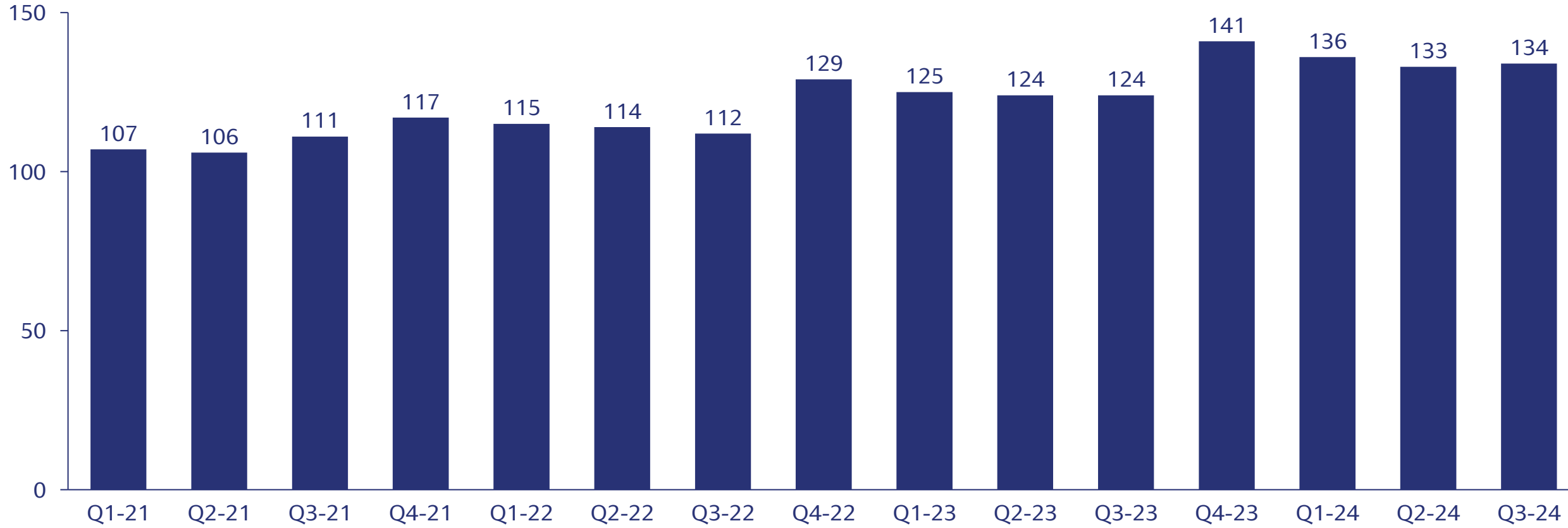
LTM Q23-23



LTM Q3-24



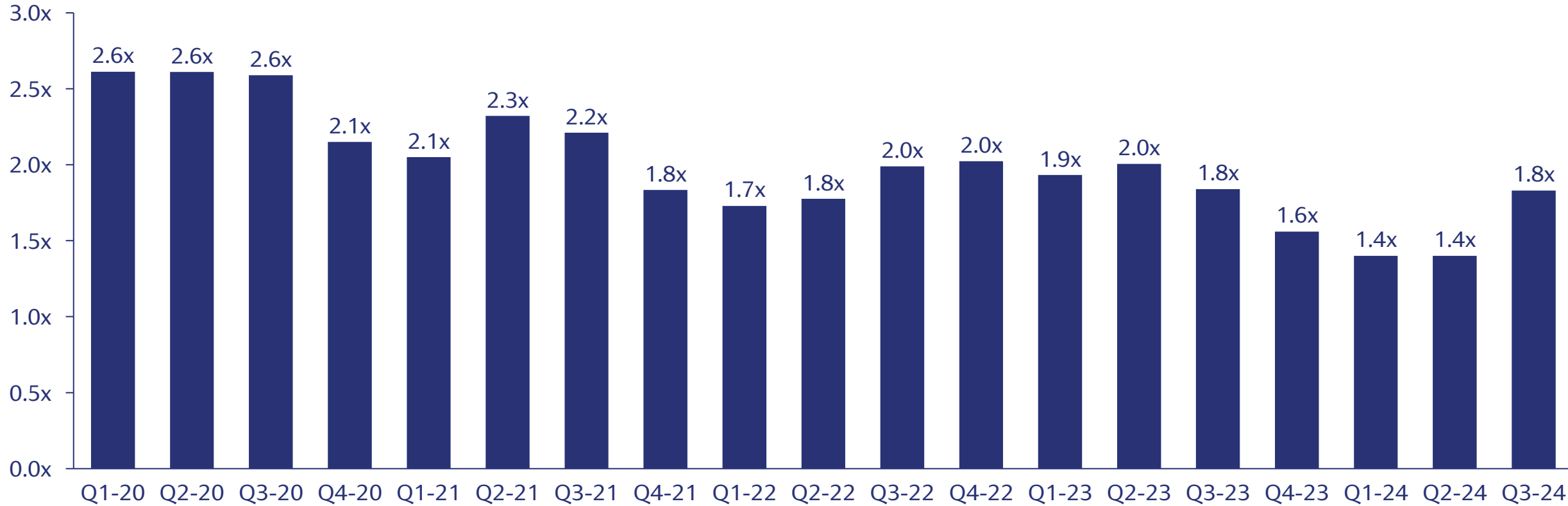
DSOs



DSOs at 134 at Q3-24

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)	(17.4)		
Amortisation	14.8	14.3	16.1		
Net cap' dev'	(4.6)	(2.7)	(1.3)		

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 32m

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 October 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 September			3 Months Ending 30 September		
	2024		2024	2023		2023
	IFRS	Non-IFRS adj.	Non-IFRS	IFRS	Non-IFRS adj.	Non-IFRS
Subscription	28.2		28.2	23.7		23.7
Term License	12.8		12.8	19.3		19.3
SaaS	55.4		55.4	52.7		52.7
Total Software Licensing	96.4		96.4	95.7		95.7
Maintenance	116.9		116.9	107.3		107.3
Services	33.6		33.6	33.8		33.8
Total Revenue	246.9		246.9	236.7		236.7
Total Operating Costs	(200.8)	25.1	(175.6)	(203.8)	26.9	(176.9)
Restructuring/M&A costs	(3.9)	3.9	-	(4.1)	4.1	-
Amort of Acq'd Intang.	(10.5)	10.5	-	(11.0)	11.0	-
Share-based payments	(10.7)	10.7	-	(11.8)	11.8	-
Operating Profit	46.2	25.1	71.3	32.9	26.9	59.8
Operating Margin	19%		29%	14%		25%
Finance costs	(5.0)	4.2	(0.8)	(4.3)	-	(4.3)
Taxation	(10.3)	(5.7)	(16.0)	(6.7)	(4.8)	(11.5)
Net Earnings	30.8	23.6	54.5	21.9	22.1	43.9
EPS (USD per Share)	0.43	0.33	0.76	0.30	0.31	0.61

Net earnings reconciliation IFRS to non-IFRS

In USDm, except EPS	Q3-24	Q3-23
IFRS net earnings	30.8	21.9
Share-based payments	10.7	11.8
Amortisation of acquired intangibles	10.5	11.0
Restructuring / M&A related costs	3.9	4.1
Fair value adjustment on financial instruments	4.2	-
Taxation	(5.7)	(4.8)
Net earnings for non-IFRS EPS	54.5	43.9
No. of dilutive shares (m shares)	72.1	72.4
Non-IFRS diluted EPS (USD)	0.76	0.61

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

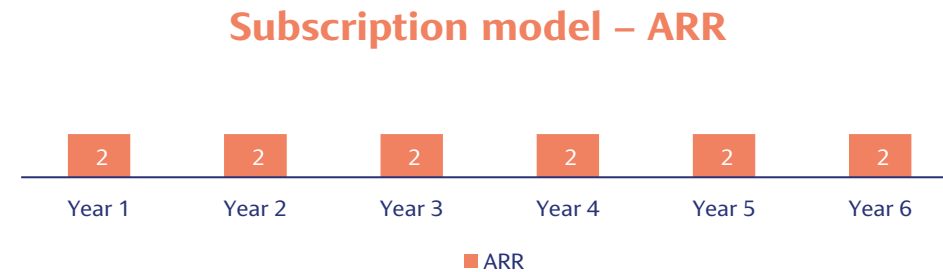
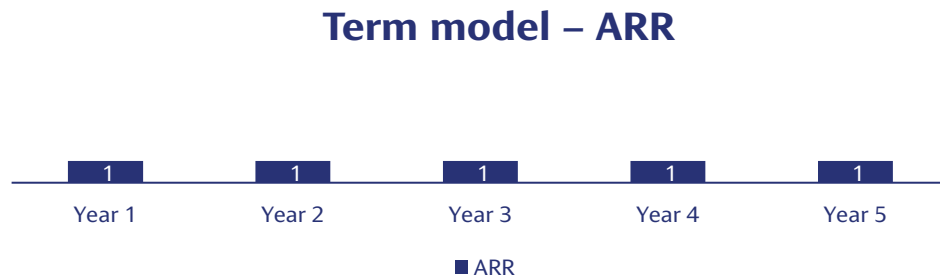
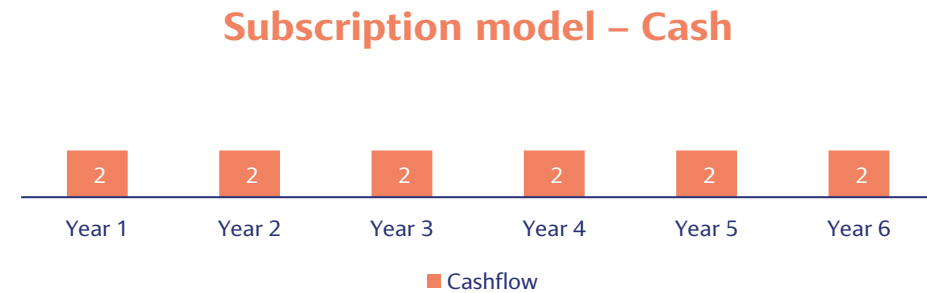
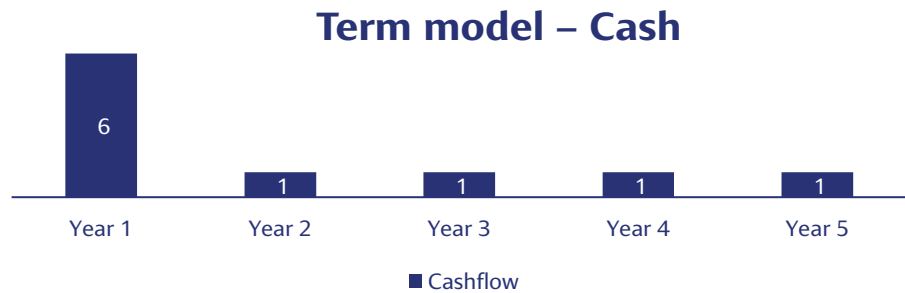
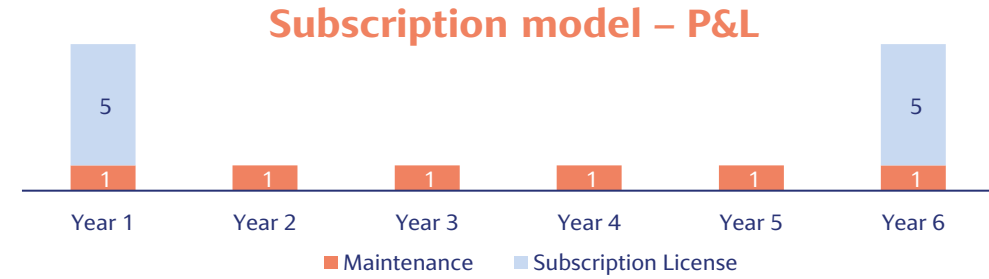
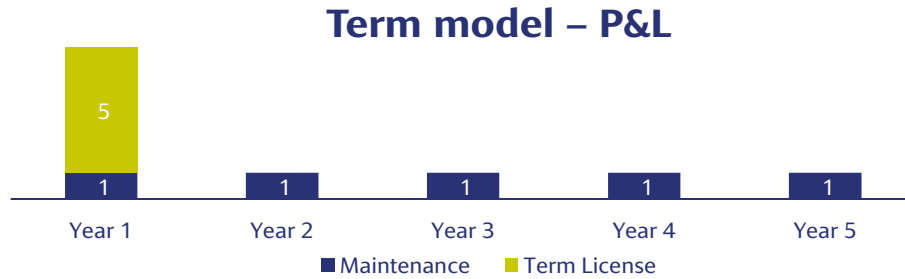
Software-as-a-Service Revenue (SaaS)



Software-as-a-Service revenues booked in a period

Disclosure: quarterly reporting, annual reporting

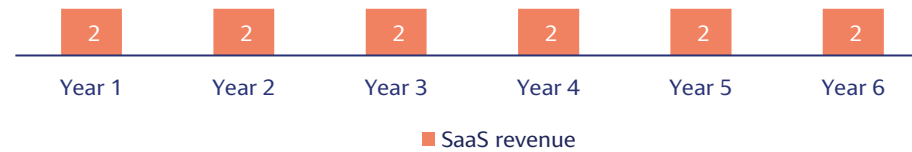
Impact of subscription transition on P&L, cashflow and ARR



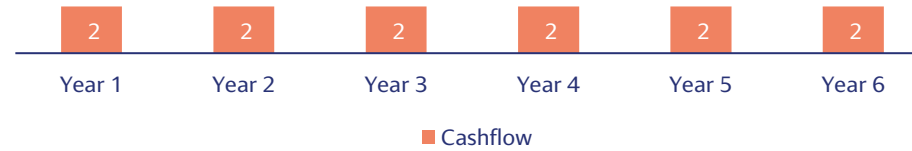
Note: Based on our standard 5 year term contract and based on IFRS15 standards, assumes no uplift in value from move to subscription

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

SaaS model – P&L



SaaS model – Cash



SaaS model – ARR



Thank you

temenos