

FOR IMMEDIATE RELEASE
October 14, 2021

Ad hoc announcement pursuant to Article 53 of the SIX Listing Rules

Temenos announces continued strong Q3-21 momentum with License growth of 20%, SaaS revenue growth of 30% and Bookings growth of 19%

- SaaS revenue growth of 30%
- Total Bookings growth of 19%
- Total Software Licensing growth of 23%
- FCF growth of 19%
- Re-confirmed FY-21 guidance

GENEVA, Switzerland, October 14, 2021 –Temenos AG (SIX: TEMN), the banking software company, today reports its third quarter 2021 results.

USDm, except EPS	Non-IFRS				IFRS			
	Q3-21	Q3-20	Change	CC*	Q3-21	Q3-20	Change	CC*
Software licensing	63.5	52.6	21%	20%	63.5	52.6	21%	20%
SaaS & subscription	31.3	23.9	31%	30%	31.3	19.8	58%	56%
Total software licensing	94.8	76.5	24%	23%	94.8	72.4	31%	30%
Maintenance	98.6	96.6	2%	3%	98.6	96.6	2%	3%
Services	38.2	40.4	-6%	-5%	38.2	40.4	-6%	-5%
Total revenues	231.6	213.5	8%	9%	231.6	209.4	11%	11%
EBIT	86.0	83.0	4%	7%	40.8	55.9	-27%	-24%
EBIT margin	37.2%	38.9%	-2% pts	-1% pt	17.6%	26.7%	-9% pts	-8% pts
EPS (USD)	0.92	0.89	3%		0.39	0.56	-30%	

The definition of non-IFRS adjustments is below and a full reconciliation of IFRS to non-IFRS results can be found in Appendix II.

* Constant currency (c.c.) adjusts prior year for movements in currencies

Q3 2021 highlights

- Continued strong momentum in the third quarter
- License and SaaS both performed strongly, with SaaS revenue accelerating to 30% and licenses up 20%
- Total Bookings grew 19% in Q3-21 on the back of strong demand across client tiers
- US continued to be the largest contributor to total software licensing in the quarter
- Signings in the US included clients across both SaaS and license
- Sequential improvement in Europe sales, in particular for new SaaS deals
- Acceleration in Europe sales expected in Q4-21 across both license and SaaS
- Two partnerships announced with Banking-as-a-Service providers Mbanq and Vodeno to enter the BaaS market
- Deal signed with Green Dot in the US to build and power the digital bank and fintech's cloud-based processing platform
- Activity with Tier 1 and 2 banks is increasing, contributing 43% of sales in the quarter

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- Strong sales to the installed base in the quarter
- 18 new client wins in the quarter across license and SaaS
- Investing in our people and talent to ensure we are well positioned for future growth
- 12 implementation go-lives in the quarter
- EBIT growth continued to drive operating and free cash flow generation
- Re-confirmed FY 2021 guidance

Q3 2021 financial summary (non-IFRS)

- Total Bookings growth of 19% c.c. in Q3-21
- SaaS Annual Contract Value (ACV) of USD 10.7m in Q3-21
- Annual Recurring Revenue growth of 9% c.c. in Q3-21
- Non-IFRS SaaS & subscription revenue growth of 30% c.c. in Q3-21
- Non-IFRS total software licensing revenues up 23% c.c. in Q3-21
- Non-IFRS total revenue up 9% c.c. in Q3-21
- Non-IFRS EBIT growth of 7% c.c. in Q3-21
- Q3-21 non-IFRS EBIT margin of 37.2%, down 1% points c.c.
- Operating Cash Flow growth of 7% and Free Cash Flow growth of 19% in Q3-21
- Leverage at 2.2x, expected to be at 2.0x by year end
- DSOs at 111 days, flat year-on-year

Commenting on the results, **Temenos CEO Max Chuard said:**

“The business momentum continued in the third quarter, with the sales environment improving across regions and strong levels of demand across products. The US continued its trajectory from H1-21 and remains the largest contributor to total software licensing, with good levels of demand, both for SaaS and on-premise. Europe also saw a sequential improvement, and was the second largest contributor to SaaS ACV in the quarter. Our ACV in Q3-21 was largely driven by new signings, and overall we see strong demand for SaaS and cloud across our client base and expect this to continue. We also saw strong demand for licenses, which grew 20% year-on-year, and activity levels with Tier 1 and 2 accounts continues to increase.

We announced two partnerships with Banking-as-a-Service providers in the quarter to enter the BaaS market in the US and Europe. Mbanq offers services to Credit Unions in the US, an estimated USD 3.6bn market, and Vodeno is targeting the European BaaS market, estimated at over USD 3bn annually. We also signed a key deal with Green Dot in the US to power its direct digital bank and banking platform services, competing against some of the largest vendors in the US market. We believe that the demand for BaaS will only increase going forward as financial institutions look to accelerate their digital transformation journeys, and fintechs and e-commerce platforms look to embed banking services such as credit, payments, lending and accounts into their ecosystems. This is an exciting and accelerating trend and I am delighted that our technology is at the forefront of this evolving market.

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I am confident in the outlook for the balance of the year given the momentum in the business. We had strong growth in Total Bookings in Q3-21 and are ahead of 2019 year-to-date. We have built significant backlog which gives us good visibility into 2022.”

Commenting on the results, **Temenos CFO Takis Spiliopoulos said:**

“We saw good growth this quarter across both license and SaaS, with several quarters of strong ACV growth reflecting in the P&L. SaaS revenue accelerated to 30% in the quarter as previously indicated and is now starting to better reflect our strong ACV growth from previous quarters. Licenses also grew a very healthy 20% as the business environment continues to normalise. In terms of new bookings, we generated USD 10.7m of SaaS ACV in the quarter and USD153m of Total Bookings, an increase of 19% on last year and adding further to our backlog. ARR grew 9%, driven by both SaaS and 3% growth in maintenance. We expect maintenance to accelerate to mid-to-high single digit growth in the fourth quarter. We also expect further sequential improvement in SaaS revenue of USD 3m in the fourth quarter.

Total revenue grew 9% in the quarter and non-IFRS EBIT grew 7%, delivering a non-IFRS EBIT margin of 37.2%, down 2% point reported.

Our cash generation remains strong, with an operating cash inflow of USD 68m in Q3-21, up 7%, and USD 40m of Free Cash Flow, up 19%. DSOs ended the quarter at 111 days, flat year-on-year, and debt leverage was at 2.2x. We expect our leverage to be at around 2.0x by year end, in line with FY20.

We have reconfirmed our FY-21 guidance, with SaaS ACV expected growth to 50-60%, ARR growth of 10-15%, non-IFRS total software licensing growth of 14% to 18%, and non-IFRS total revenue growth of between 8% and 10%. We are guiding for a 2021 non-IFRS EBIT growth of 12-14%, implying an EBIT margin of 37.1%.”

Revenue

IFRS revenue was USD 231.6m for the quarter, an increase of 11% vs. Q3-20.

Non-IFRS revenue was USD 231.6m for the quarter, an increase of 8% vs. Q3-20.

IFRS total software licensing revenue for the quarter was USD 94.8m, an increase of 31% vs. Q3-20.

Non-IFRS total software licensing revenue was USD 94.8m for the quarter, an increase of 24% vs. Q3-20.

EBIT

IFRS EBIT was USD 40.8m for the quarter, a decrease of 27% vs. Q3-20.

Non-IFRS EBIT was USD 86.0m for the quarter, an increase of 4% vs. Q3-20.

Non-IFRS EBIT margin was 37.2%, down 2% point vs. Q3-20.

Earnings per share (EPS)

IFRS EPS was USD 0.39 for the quarter, a decrease of 30% vs. Q3-20.

Non-IFRS EPS was USD 0.92 for the quarter, an increase of 3% vs. Q3-20.

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Cash flow

IFRS operating cash was an inflow of USD 68m in Q3-21 compared to USD 63m in Q3-20, an increase of 7% and representing an LTM conversion of 113% of IFRS EBITDA into operating cash.

USD 40m of Free Cash Flow was generated in the quarter, an increase of 19% vs. Q3-20.

2021 non-IFRS guidance

ARR was included as a new guidance metric for 2021. ARR is Annual Recurring Revenue committed at the end of the period for both SaaS and Maintenance. It includes New Customers, up-sell/cross-sell, and attrition. It only includes the recurring element of the contract and exclude variable elements.

The guidance for 2021 is non-IFRS and in constant currencies.

- SaaS ACV growth of 50-60%
- ARR growth of 10-15%
- Total software licensing growth of 14-18%
- Total revenue growth of 8-10%
- EBIT growth of +12-14% (USD 360-367m), implying 37.1% margin
- 100%+ conversion of EBITDA into operating cash flow
- Expected FY 2021 tax rate of 16% to 18%
- DSOs to be below 105 days by year end

Non-IFRS EBIT is adjusted for share-based payments and related social charges costs going forward. For comparison purposes, the FY-20 EBIT adjustments exclude USD 11m of costs. Estimated FY-21 IFRS2 costs are c.USD 50m of which USD 20-25m is the original plan for the year and USD 26m is related to the introduction of a new one-off LTIP programme extended across an increased number of employees to align a broader segment of the middle and upper management with the overall company performance, and alignment of outstanding years of existing LTIP programmes with new metrics introduced in 2021, as voted on at the May 2021 AGM. The total share-based payment cost in Q3-21 was USD 26.2m.

Currency assumptions for 2021 guidance

In preparing the 2021 guidance, the Company has assumed the following:

- EUR to USD exchange rate of 1.17;
- GBP to USD exchange rate of 1.37; and
- USD to CHF exchange rate of 0.92

Conference call and webcast

At 18.30 CET / 17.30 GMT / 12.30 EST, today, October 14, 2021, Max Chuard, CEO, and Takis Spiliopoulos, CFO, will host a webcast to present the results and offer an update on the business outlook. The webcast can be accessed through the following link:

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[Q3 2021 webcast link](#)

Please use the webcast in the first instance if at all possible to avoid delays in joining the call. For those who cannot access the webcast, the following dial-in details can be used as an alternative. Please dial-in 15 minutes before the call commences.

Switzerland / Europe: + 41 (0) 58 310 50 00

United Kingdom: + 44 (0) 207 107 06 13

United States: + 1 (1) 631 570 56 13

Non-IFRS financial information

Readers are cautioned that the supplemental non-IFRS information presented in this press release is subject to inherent limitations. It is 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 financial information may not be comparable to similarly titled non-IFRS measures used by other companies. The Company's non-IFRS figures exclude share-based payments and related social charges costs, any deferred revenue write-down resulting from acquisitions, discontinued activities that do not qualify as such under IFRS, acquisition related charges such as financing costs, advisory fees and integration costs, charges as a result of the amortisation of acquired intangibles, costs incurred in connection with a restructuring plan implemented and controlled by management, and adjustments made to reflect the associated tax charge relating to the above items.

Note: share-based payments and related social charges costs are considered as non-IFRS adjustments from FY21.

Below are the accounting elements not included in the 2021 non-IFRS guidance.

- FY 2021 estimated share-based payments and related social charges charges of USD 50m
- FY 2021 estimated amortisation of acquired intangibles of USD 50m
- FY 2021 estimated restructuring costs of USD 10-12m

Restructuring costs include realizing R&D, operational and infrastructure efficiencies. These estimates do not include impact of any further acquisitions or restructuring programs commenced after October 14, 2021. The above figures are estimates only and may deviate from expected amounts.

Other definitions

SaaS ACV is Annual Contract Value which is the annual value of incremental business taken in-year. This includes new customers, up-sell and cross-sell. It only includes the recurring element of the contract and excludes variable elements.

Total Bookings includes fair value of license contract value, committed maintenance contract value on license, and SaaS committed contract value. All must be committed and evidenced by duly signed agreements.

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About Temenos

Temenos AG (SIX: TEMN) is the world's leader in banking software. Over 3,000 banks across the globe, including 41 of the top 50 banks, rely on Temenos to process both the daily transactions and client interactions of more than 500 million banking customers. Temenos offers cloud-native, cloud-agnostic and AI-driven front office, core banking, payments and fund administration software enabling banks to deliver frictionless, omnichannel customer experiences and gain operational excellence.

Temenos software is proven to enable its top-performing clients to achieve cost-income ratios of 26.8%, half the industry average, and returns on equity of 29%, three times the industry average. These clients also invest 51% of their IT budget on growth and innovation versus maintenance, which is double the industry average, proving the banks' IT investment is adding tangible value to their business.
For more information please visit www.temenos.com.

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TEMENOS
THE BANKING SOFTWARE COMPANY

TEMENOS AG

All amounts are expressed in thousands of US dollars
except earnings per share

	Three months to 30 September 2021	Three months to 30 September 2020	Twelve months to 30 September 2021	Twelve months to 30 September 2020
Revenues				
Software licensing	63,491	52,559	288,961	283,336
SaaS & subscription	31,309	19,814	115,291	76,111
Total software licensing	94,800	72,373	404,252	359,447
Maintenance	98,622	96,591	389,745	383,303
Services	38,159	40,397	160,062	171,784
Total revenues	231,581	209,361	954,059	914,534
Operating expenses				
Sales and marketing	(54,601)	(38,387)	(209,266)	(176,966)
Services	(36,121)	(36,870)	(141,985)	(158,809)
Software development and maintenance	(69,045)	(64,535)	(266,821)	(291,921)
General and administrative	(30,984)	(13,659)	(88,015)	(82,128)
Total operating expenses	(190,751)	(153,451)	(706,087)	(709,824)
Operating profit	40,830	55,910	247,972	204,710
Other expenses				
Net interest expenses	(5,874)	(7,432)	(23,634)	(30,398)
Borrowing facility expenses	(649)	(677)	(2,410)	(2,488)
Foreign exchange gain / (loss)	632	441	(1,042)	2,716
Total other expenses	(5,891)	(7,668)	(27,086)	(30,170)
Profit before taxation	34,939	48,242	220,886	174,540
Taxation	(6,678)	(7,261)	(36,457)	(25,337)
Profit for the period	28,261	40,981	184,429	149,203
Earnings per share (in US\$):				
basic	0.40	0.57	2.56	2.08
diluted	0.39	0.56	2.54	2.04

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TEMENOS AG

All amounts are expressed in thousands of US dollars

	30 September 2021	30 June 2021	31 December 2020	30th September 2020
Assets				
Current assets				
Cash and cash equivalents	85,463	87,582	110,195	113,388
Trade receivables	275,154	267,834	268,968	277,961
Other receivables	69,545	65,653	67,135	47,209
Total current assets	430,162	421,069	446,298	438,558
Non-current assets				
Property, plant and equipment	59,220	63,202	62,930	66,198
Intangible assets	1,608,442	1,634,019	1,667,704	1,646,373
Trade receivables	15,831	4,216	4,802	6,641
Other long term assets	25,221	25,578	5,484	27,162
Deferred tax assets	29,945	28,745	28,473	24,298
Total non-current assets	1,738,659	1,755,760	1,769,393	1,770,672
Total assets	2,168,821	2,176,829	2,215,691	2,209,230
Liabilities and equity				
Current liabilities				
Trade and other payables	187,844	182,021	149,926	178,492
Deferred revenues (Contract liabilities)	317,735	344,422	356,787	280,423
Income tax liabilities	89,561	79,889	75,780	75,095
Borrowings	211,299	210,414	21,518	24,560
Total current liabilities	806,439	816,746	604,011	558,570
Non-current liabilities				
Borrowings	846,846	886,132	956,338	1,089,472
Deferred tax liabilities	96,869	99,679	107,231	90,825
Trade and other payables	924	846	12,613	12,295
Retirement benefit obligations	13,056	13,284	12,093	12,228
Total non-current liabilities	957,695	999,941	1,088,275	1,204,820
Total liabilities	1,764,134	1,816,687	1,692,286	1,763,390
Shareholders' equity				
Share capital	252,100	251,371	249,535	249,527
Treasury shares	(464,778)	(459,077)	(264,608)	(264,608)
Share premium and capital reserves	(228,856)	(252,505)	(259,823)	(260,016)
Fair value and other reserves	(156,871)	(154,478)	(179,851)	(172,058)
Retained earnings	1,003,092	974,831	978,152	892,995
Total shareholders' equity	404,687	360,142	523,405	445,840
Total equity	404,687	360,142	523,405	445,840
Total liabilities and equity	2,168,821	2,176,829	2,215,691	2,209,230

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All amounts are expressed in thousands of US dollars

	Three months to 30 September 2021	Three months to 30 September 2020	Twelve months to 30 September 2021	Twelve months to 30 September 2020
Cash flows from operating activities				
Profit before taxation	34,939	48,242	220,886	174,540
<u>Adjustments:</u>				
Depreciation and amortisation	34,830	36,872	144,514	150,638
Other non-cash and non-operating items	31,706	8,844	59,598	47,614
<u>Changes in working capital:</u>				
Trade and other receivables	(25,850)	(2,216)	(18,144)	26,930
Trade and other payables, and retirement benefit obligations	15,138	(8,090)	2,533	(38,028)
Deferred revenues (Contract liabilities)	(22,723)	(20,269)	34,304	37,009
<i>Cash generated from operations</i>	68,040	63,383	443,691	398,703
Income taxes paid	(3,351)	(5,675)	(20,777)	(17,362)
Net cash generated from operating activities	64,689	57,708	422,914	381,341
Cash flows from investing activities				
Purchase of property, plant and equipment	(2,882)	(2,189)	(8,705)	(8,281)
Disposal of property, plant and equipment	-	-	67	-
Purchase of intangible assets	(567)	(866)	(3,363)	(2,952)
Capitalised development costs	(20,919)	(20,782)	(80,852)	(77,472)
Acquisitions of subsidiary, net of cash acquired (includes escrow earn out (deposit) /repayment)	-	(3,062)	(1,920)	24,098
Acquisition of long term loan instruments	-	-	(13,900)	(6,000)
Disposal of investment in equity	-	-	14,052	-
Investment in and settlement of financial instruments	(2,020)	(2,764)	(6,876)	(3,047)
Interest received	168	56	780	812
Net cash used in from investing activities	(26,220)	(29,607)	(100,717)	(72,842)
Cash flows from financing activities				
Dividend paid	-	-	(71,427)	(63,355)
Acquisition of treasury shares	(5,701)	-	(200,171)	-
Proceeds from borrowings	25,001	20,000	347,942	188,322
Repayments of borrowings	(53,150)	(50,013)	(384,233)	(573,026)
Proceeds from issuance of bonds	-	-	-	219,043
Payment of lease liabilities	(3,704)	(5,148)	(17,369)	(20,116)
Interest paid	(1,149)	(1,850)	(19,963)	(23,026)
Payment of other financing costs	(1,199)	(1,324)	(3,589)	(4,069)
Net cash used in from financing activities	(39,902)	(38,335)	(348,810)	(276,227)
Effect of exchange rate changes	(686)	2,378	(1,312)	4,405
Net (decrease) / increase in cash and cash equivalents in the period	(2,119)	(7,856)	(27,925)	36,677
Cash and cash equivalents at the beginning of the period	87,582	121,244	113,388	76,711
Cash and cash equivalents at the end of the period	85,463	113,388	85,463	113,388

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Appendix II – reconciliation of IFRS to non-IFRS Q3 2021 Income Statement

Readers are cautioned that the supplemental non-IFRS information presented in this press release is subject to inherent limitations. It is 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 financial information may not be comparable to similarly titled non-IFRS measures used by other companies.

To compensate for these limitations, the supplemental non-IFRS financial information should not be read in isolation, but only in conjunction with the Company's consolidated financial statements prepared in accordance with IFRS.

IFRS - Non- IFRS Reconciliation Thousands of US Dollars	3 Months Ending 30 September						Change		3 months Ending 30 September (As reported)		
	2021		2021	2020		2020	IFRS	Non-IFRS	2020		2020
	IFRS	Non-IFRS adjustments	Non-IFRS	IFRS	Non-IFRS adjustment (Revised definitions) *	Non-IFRS			IFRS	Non-IFRS adjustment (Prior definition)	Non-IFRS
Software licensing	63,491		63,491	52,559		52,559	21%	21%	52,559		52,559
SaaS & subscription	31,309	-	31,309	19,814	4,125	23,939	58%	31%	19,814	4,125	23,939
Total Software Licensing	94,800	-	94,800	72,373	4,125	76,498	31%	24%	72,373	4,125	76,498
Maintenance	98,622		98,622	96,591		96,591	2%	2%	96,591		96,591
Services	38,159		38,159	40,397		40,397	(6%)	(6%)	40,397		40,397
Total Revenue	231,581	-	231,581	209,361	4,125	213,486	11%	8%	209,361	4,125	213,486
Total Operating Expenses	(190,751)	45,207	(145,544)	(153,451)	23,003	(130,448)	24%	12%	(153,451)	23,432	(130,019)
Restructuring	(5,180)	5,180	-	(7,659)	7,659	-	(32%)		(7,659)	7,659	-
Acquisition related costs	(1,400)	1,400	-	-	-	-			-	-	-
Amort of Acquired Intangibles	(12,394)	12,394	-	(15,773)	15,773	-	(21%)		(15,773)	15,773	-
Share based payment	(26,233)	26,233	-	429	(429)	-	(6212%)		-	-	-
Operating Profit	40,830	45,207	86,037	55,910	27,128	83,038	(27%)	4%	55,910	27,557	83,467
Operating Margin	18%		37%	27%		39%	-9.1% pts	-1.7% pts	27%		39%
Financing Costs	(5,891)	-	(5,891)	(7,668)	-	(7,668)	(23%)	(23%)	(7,668)	-	(7,668)
Taxation	(6,678)	(7,128)	(13,806)	(7,261)	(2,725)	(9,986)	(8%)	38%	(7,261)	(2,785)	(10,046)
Net Earnings	28,261	38,079	66,340	40,981	24,403	65,384	(31%)	1%	40,981	24,772	65,753
EPS (USD per Share)	0.39	0.53	0.92	0.56	0.33	0.89	(30%)	3%	0.56	0.34	0.90

* share-based payments including related social charges costs and associated tax impact have been adjusted in line with the new non-IFRS definition adopted as of 1st January 2021 for comparability purpose with current year