



A SIGNIFICANT YEAR OF GROWTH

“We delivered an excellent set of results in for the full year 2019, and our investment in product, strategic acquisitions and people has laid the foundation for a strong 2020 and beyond.”

- Strong sales momentum across geographies, double-digit growth in Temenos Transact and very strong demand for Temenos Infinity.
- Surging growth in demand for SaaS with signings across regions for both Temenos Transact and Temenos Infinity.
- Transformational separation of manufacturing and distribution by making Temenos Transact and Temenos Infinity standalone products that can be integrated through APIs.
- Significant investment in technology, including the roll out of our Microservices architecture that allows tier 1 and 2 banks to continuously renovate and harness cloud-based banking in the front and back office.
- Leadership in cloud, through our strategic partnership with Google and our benchmarking of 50,000 transactions per second on AWS, on distributed database NuoDB in which we are a strategic investor.
- Embedded Explainable AI across our products to enable our clients to make faster, accurate and explainable decisions using AI across their front and back office.
- Completed the integration of the Kony organization, driving pipeline growth globally including in the US and especially across Temenos Transact and Temenos Infinity.

Introduction

As I reflect on my first year as CEO, I am delighted by Temenos' excellent performance in 2019. We made significant progress on strategic initiatives and delivered an excellent set of results for the full year. We performed well across all of our KPIs, both operational and financial, and made some major steps in the evolution of our products and technology.

Our robust business model and winning strategy continue to deliver strong returns for our shareholders. As a vendor focused on the banking industry, we use our deep domain expertise to understand our clients, the environment they operate in, the competitive pressures they face and the demands of their customers. This knowledge drives our product roadmaps, building software that can deliver significant operational and financial benefit to our clients. Our Temenos Value Benchmark demonstrates the tangible benefits this brings across our customer base.

Temenos remains at the forefront of innovation in our sector. We do this by building packaged, upgradeable software and combining this with a relentless focus on Research and Development. We also continue to expand our global community across clients, Partners, developers and, ultimately, the banks' customers who use Temenos software every day to manage their finances.

Our addressable market is expanding, with overall bank IT spend growing at around 4% p.a. and, within this, spend on third party packaged software growing at 8%. This shows that banks are recognizing the need to embrace change and rethink their business models. On top of existing cost and regulatory pressure, demands for digital services are increasing. Meanwhile Open Banking is increasing competition to meet these demands. That competition is no longer peer banks. It is now big tech, fintech, neo banks and other new entrants, all attempting to disintermediate the banks, gain customers and take market share.

We maintained our very high win rates in this addressable market through 2019, continuing to take market share even as we face a broader range of competitors. These competitors included both new entrants in the core banking market and specialist vendors in areas outside of core banking such as front office. We continue to sell a significant portion of our licenses to tier 1 and tier 2 banks, with these institutions contributing 43% of total software licensing in 2019. In particular, 2019 saw a massive acceleration in the demand for SaaS and cloud, across all client tiers. We were also particularly pleased with the traction built in the front office market with Temenos Infinity.

I am very pleased that our continued progress is receiving external recognition. IBS Intelligence Sales League Table has ranked us the number 1 core banking vendor for the last 14 years as well as the number 1 best-selling solution for digital banking and channels, payments, and risk and compliance. Not only that, the progress we have made on ESG performance now sees Temenos included in three different sustainability indices: FTSE4Good, Dow Jones Sustainability Index and the Swiss Sustainability Index.

We are focused on operating sustainably and responsibly. This is a key pillar of our culture and the foundation on which we conduct our business. It is a personal focus of mine and the passion with which our people embrace this responsibility makes me proud to be a Temenosian.

There is a massive market opportunity in front of us, and we continue to invest in our business to make sure we capture it. In particular, we focused in 2019 on Sales and Marketing and R&D. We grew our sales force both organically and through acquisitions, and we continued to hire some exceptional graduate talent for the Temenos Sales Academy. On R&D, we again invested significantly more than 20% of revenue into product development, with a focus on Temenos Infinity, Explainable AI and our cloud and SaaS capabilities. And in a key evolution of our products, we announced the roll-out of our cloud-native Microservices architecture for Temenos Transact and Temenos Infinity in January 2020.

Sales – strong demand across products, geographies and tiers

Our growth in 2019 was broad based. We had double digit growth in demand for Temenos Transact, as banks continued to pursue end to end transformation. Meanwhile, sales for Temenos Infinity grew multiple times faster on the back of the integration of the Kony product.

Our SaaS business performed exceptionally well in 2019. It took Temenos 19 years to achieve approximately USD 100 million of license bookings, while we are forecasting to achieve the same milestone in less than four years with ACV bookings. This is a tectonic shift in growth acceleration, never witnessed before in the history of Temenos. At the end of 2019, ACV bookings growth was already outpacing license bookings growth by a factor of more than 4x. ACV bookings growth is set to further expand its relative growth multiple, and at the same time we are expecting sustained strong growth in license bookings in 2020.

From a geographical perspective, we had strong growth across a number of regions. We have transformed our presence in the US through the acquisition of Kony – expanding our headcount by c. 50%. The integration of Kony and Avoka has dramatically accelerated our R&D roadmap, helping us to build a market leading digital front office platform that can address the needs of US financial institutions. This allows them to address their clients' needs with hyper-personalized products and services.

Sales – strong demand across products, geographies and tiers continued

Europe remained a major contributor to group revenue, with 39% of total software licensing from the region. We continue to see a strong pipeline of activity in the region, both in existing and new clients. Asia Pacific saw strong growth in 2019 – in particular in Australia – and contributed 21% of total software licensing in the year.

We also had a strong year of sales into our installed bases, who contributed 69% of total software licensing in the year.





Our three year plan – update on strategic initiatives

The very good progress we made on our strategic initiatives in 2019 was outlined in our Capital Markets Day in February 2020 and is summarized below:

Enhancing our award-winning products: We have separated Temenos Infinity and Temenos Transact, to enable banks to implement them independently or integrated through APIs. In January 2020, we announced the roll out of cloud-native Microservices for both Temenos Infinity and Temenos Transact.

Geographic market development: In terms of geographic expansion, we have transformed our presence in the US market through the acquisition of Kony. We have brought local market expertise in digital and SaaS to Temenos, and have seen significant traction for both Temenos Transact and Temenos Infinity in our pipeline.

Investing in Sales and Marketing, Cloud/SaaS and new talent and people: We have made massive investments in SaaS and cloud. Today, we have more than 1,000 clients using our SaaS services, with over 50 core banking customers in the cloud. We have demonstrated the scalability of our solutions with our AWS benchmark at 50,000 transactions per second. We also announced our global partnership with Google Cloud to become the first global banking software provider to run on Google Cloud's Anthos. This enables our clients to run hybrid models combining on-premise and cloud deployment. And we have continued to invest in our people, both in terms of new hires as well as development, investing in both training and career development to ensure we attract and retain the best talent in the market.

An expanding ecosystem: Temenos benefits from the ecosystem we have built around the business that helps drive our growth in the long term. Today we have 8,000 people in the company, and over 3,000 clients globally using our software. We continue to expand our implementation Partner ecosystem to support these clients. Partners offer us scale, local expertise and implementation capabilities and we are expanding these. Last year, with our 6,500 strong implementation consultant Partners, Temenos had a go-live almost every day of the year. We have also expanded our community of developers building applications on top of our software through our APIs. Today there are 12,000 members of our developer community building new innovations which our banking customers can harness. Finally, and most importantly, there are half a billion end customers using Temenos software every day for their day to day banking.

Using M&A to accelerate organic growth: We made three strategic acquisitions in 2019. In September we completed the acquisition of Kony, the number one US digital banking SaaS player. In July we announced the acquisition of Logical Glue, which gave us an industry leading, patented, Explainable AI product with multiple use cases. This enables clients to use AI across their front and back office whilst being able to understand and explain the decision making process. Lastly, in February we announced the acquisition of hTrunk, which provides big data and analytics solutions to the banking industry.

Delivering customer success: A total of 330 banks went live on our software in 2019. We have seen our Partner strategy continuing to mature, within an increasing number of third party consultants being trained by Temenos. Partners are involved in the majority of our implementations. Our Services organization continues to focus on the quality control and governance of all our projects.

Product Innovation

With the launch of Temenos Infinity and Temenos Transact at the start of 2019, we have the leading products for the new era of banking – both for distribution and manufacturing. These products are available for independent deployment or tightly integrated for the bank that requires a full software stack. Temenos Transact provides an optimized solution for manufacturing providing scale, agility and efficiency. Temenos Infinity focuses on the customer experience, enabling the customer to provide a service that is smart, personal, proactive and contextual.

Temenos is the only banking software company that has the winning combination of the most advanced cloud-native, cloud-agnostic technology, the richest, broadest banking functionality, and the highest investment of revenues into Research and Development in our industry.

In January 2020, we announced a key evolution of our products, with the industry-first rollout of Banking Distribution Services in Temenos Infinity. These are a set of API-driven, cloud-native Microservices, giving banks the freedom to transform faster. They help banks to create hyper-personalized experiences, driven by Explainable AI, for all financial and non-financial products. Banks are excited because these Microservices can be deployed one-by-one, in any sequence, across single channel, multichannel or omnichannel – depending on the bank's strategy. They now have the ability to deploy Temenos Infinity before, after or during a core transformation project. This makes deployment faster and reduces the cost of operation. It helps banks take personalized products to market quickly and ultimately adopt new business models.

We also announced the rollout of Temenos Transact Microservices. Larger banks can now renovate their core banking applications component by component without compromising their end goal of a full system transformation to a cloud-agnostic, cloud-native architecture. Temenos Transact Microservices can deliver enterprise-wide capabilities such as pricing on top of legacy infrastructures as a first step toward creating value for the bank. These can be integrated through APIs in any sequence with any legacy infrastructure, quickly and safely, helping banks to unlock the power of digital transformation.

Final Remarks

It is a privilege to lead Temenos and I am delighted with our excellent 2019. Temenos will grasp the opportunities ahead through our winning combination of the most advanced technology with the richest functionality, as well as continuous and unparalleled investment in our business. And all the while, we will act as a sustainable and responsible company. Thank you for your support. I look forward to what we can achieve in the year ahead.

Max Chuard

Chief Executive Officer



Our operating highlights

93

93 new customers in 2019

68%

Annual Contract Value of SaaS
grew 68% in 2019

43%

Tier 1 and 2 banks contributed 43%
of total software licensing revenue

For financial highlights turn to page 007

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