



ANOTHER YEAR OF **GROWTH** & **SUCCESS**

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It is with great pleasure that we present our Annual Report for 2019 to our shareholders.

Only a handful of software companies have ever reached USD 1 billion in revenues and Temenos has the pride to be amongst this elite group. The relentless march of technology and innovation, which brings so many options to all of us as consumers in our daily lives, ensures that only the best can keep pace with this change and even fewer have an opportunity to lead. Temenos is one of them. More importantly, our growth continues to be strong and profitable as we continue to gain market share in our target markets, which bodes well for the future. Our increased size allows us to invest more meaningfully in our products and allows us to compete more effectively and therefore grow faster. Application software companies that make it to USD 1 billion in revenues with their growth intact usually accelerate significantly and continue to become the giants of their target markets; the bigger they become, the faster they grow.

The trillion dollar opportunity

We would not have been able to do this unless we delivered outstanding value to our clients over the years. We have been running a value benchmark program with our clients for a number of years that came to maturity during 2019 and has provided insights into why our clients are more profitable and with higher returns on equity than their peers. Through in-depth strategic analysis we are able to correlate financial performance of banks to the use and maturity of software processes across the banking value chain and we estimate that there is at least an annual USD 1 trillion opportunity to be captured by banks through the use of modern software. This is truly an exceptional finding which puts the Temenos opportunity into perspective.

Thoughts on our performance in 2019

In 2019, we had another outstanding year with record growth in our revenues and profitability and the successful development of our business and strategic objectives.

2019 was characterized by three very exciting trends:

Digital banking

Banks' efforts to offer their clients digital personalized customer experiences underpinned by analytics and Artificial Intelligence (AI), and thus provide access to both financial and non-financial products, are gaining traction and are becoming mainstream. Today the spend on digital is larger than the spend on core software and is also growing faster.

Our efforts in digital banking accelerated with the acquisition of three companies during 2019.

The acquisition of Kony has allowed Temenos to enrich our digital offering to our clients while also strengthening our US presence. Our Infinity product, into which we have integrated Kony, is revolutionizing the distribution piece of the banking value chain by allowing banks to deliver omni-channel, personalized customer experiences and better engagement to all touchpoints, underpinned by our AI technology. Infinity offers our customers the choice to pursue transformation at their pace, before, during or after a core modernization project, working in front of multiple core systems if necessary for a time.

During 2019 we also acquired Logical Glue, a leader in Explainable AI (XAI). During the year we have embedded AI in our products to allow banks to offer personalized customer experiences to their clients. The use of XAI is gaining traction in all areas of technology, and banking and financial services is no different. We are seeing a trend where the next phase of digital transformation within banks will be powered by AI technologies. Being a regulated industry though, it is not enough just to offer your clients the results of an intelligent algorithm, which has the disadvantage of being a black box. Banks need to be able to explain to their customers why, for example, their credit card application has been approved or declined without bias and, if so, how they can resolve the issues that led to them being declined. This needs to be done in real-time and in plain language that all can understand. Logical Glue has a unique, patented fuzzy logic-based approach that provides the explanation and also the interaction with AI algorithms to be able to achieve exactly this outcome.

The other acquisition was in the area of data management with the acquisition of hTrunk at the beginning of 2019. The acquisition has allowed us to offer the Enterprise-wide data lake capabilities required in order to intelligently use structured and unstructured data at scale to power our AI models. This, along with the AI platform, has rounded off our offering in the digital space and we experienced outstanding growth in digital on the back of this.

Core banking software

Investment in core banking software continues to grow at a very robust pace in the banking industry and Temenos continues to outpace the market with significant double digit growth. Banks are increasingly realizing that without a modern, efficient core engine that can help them manage their products, price them for the customer of one, and provide the data to power their analytics, they will not be competitive and their efforts in digital will be undermined. In 2019 we made the significant step of enhancing our Microservices architecture in order to provide our clients with more options on how to go about their modernization efforts, implementing fewer banking capabilities at a time, thereby minimizing implementation risk.

Cloud and Software as a Service

Cloud and Software as a Service (SaaS) is gaining significant traction in financial services in both mature and emerging markets as banks appreciate the efficiencies that can be achieved through cloud deployment and regulators are convinced about the security and availability of cloud networks. Temenos has been a leader in offering our products on the cloud with our first deployments taking place as early as 2011, giving us the credibility to lead the market in this respect. We are very excited by the spectacular growth we see in this segment. Let me just say that in four years of growth in our cloud and SaaS business we have achieved an equivalent size business that took us 19 years to grow under the traditional on-premise model.

Values and sense of purpose

Business models are changing globally while at the same time our roles as business leaders have been transforming. With digital technology minimizing the distance between businesses and their stakeholders and new generations questioning the 'traditional' ways, businesses must revisit their purpose, rethink how they deliver value to their stakeholders, shifting from mass production to personalization, and — more than ever — operate with responsibility, integrity, transparency and the highest ethical standards.

At Temenos, we have the ethical responsibility to consider the expectations of all our stakeholders, along with our corporate purpose, our company's strengths, the opportunities and trends in the global marketplace, and our personal aspirations and values as leaders and get a clear understanding of what will generate value to all those associated with us.

We are proud of our dynamic and sustainable presence in the banking industry for over 25 years, as an enabler for the transformation and re-invention of banks. As a global company with 68 offices in 40 countries, we want to keep on doing what we know best in a way that takes care of the world around us both globally and locally. We are proud of our efforts so far, and they have been recognized by our inclusion in the 2019 Dow Jones Sustainability World Index (DJSI), ranking in the top 10% of the largest global companies listed, as well as our inclusion in the FTSE4Good Index Series.

Maintaining the trust of our stakeholders and remaining accountable to them is critical to us. It took us more than 25 years to build Temenos as we know it today and we have done so with a strong sense of purpose, guided by our Temenos culture and values. We believe that this is our true competitive advantage. We call this Temenosity and we celebrate Temenosity as the cornerstone of our success. Our business is about building trust and strong relationships, with all our stakeholders, our clients, our Partners, our shareholders and between us Temenosians. Responsibility is in our culture. Our passion for innovation and for seeing things differently will ensure that we continue to develop winning products for our clients. Our determination, energy, enthusiasm, resolve, integrity, commitment, people focus and never-give-up attitude will ensure we remain the leading banking software company and overcome any challenges that may lie ahead of us, like we have done in the past.

Influencing the way banking is carried out for the 21st century continues to be our end goal, one that guides our daily endeavors. With more than 3,000 banking clients in over 150 countries worldwide, we are well on our way to doing so.



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Executive Chairman

