

23rd February 2016

TMT

Temenos Group

Price CHF47.20

New banking facility of USD500m

Fair Value CHF53 (+12%)

BUY

Bloomberg	TEMN SW
Reuters	TEMN.SW
12-month High / Low (CHF)	52.0 / 29.3
Market Cap (CHF)	3,144
Avg. 6m daily volume (000)	232.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.7%	-0.6%	41.1%	-9.1%
Softw.& Comp.				
SVS	-1.9%	-5.8%	9.0%	-5.8%
DJ Stoxx 600	-1.9%	-13.1%	-8.2%	-9.3%

	2015	2016e	2017e	2018e
P/E	29.9x	21.7x	18.6x	16.1x
Div yield (%)	1.0%	1.1%	1.2%	1.3%

ANALYSIS

- **Yesterday evening Temenos announced the refinancing of its existing banking facilities.** Management has taken advantage of current market conditions to lock in low-cost long term financing through a new banking facility of USD500m, consisting of a 5-year revolving credit facility which expires in 2021 - the existing one of USD350m (USD100m term loan + USD250m revolving facility) was due to expire in 2017. The facility, which was arranged by a syndicate of at least eight banks on "highly attractive terms", will be used for general corporate purposes including ongoing working capital requirements and future growth opportunities.
- **Increasing financial flexibility for potential acquisitions.** We understand the existing facility was refinanced at "very competitive rates". It strengthens Temenos' financial flexibility in order to be well positioned to fund future growth – including acquisition opportunities as long as they meet stringent financial criteria. Temenos ended 2015 with leverage of 1.3x EBITDA despite the acquisition of Multifonds for USD235m, thanks to USD227m of operating cash flow, and we estimate it may increase it to 2x.

VALUATION

- Temenos' shares are trading on 2016e and 2017e EV/EBITDA multiples of 16.7x and 14.0x
- Net debt on 31st December 2015 was USD267.2m (net gearing: 71%).

NEXT CATALYSTS

Q1 2016 results on 19th April after markets close.

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BUY ratings 63,4%

NEUTRAL ratings 28,4%

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