

INDEPENDENT RESEARCH
UPDATE

13th October 2016

TMT

Bloomberg	TEMN SW
Reuters	TEMN.SW
12-month High / Low (CHF)	67.6 / 41.4
Market capitalisation (CHFm)	4,679
Enterprise Value (BG estimates CHFm)	4,792
Avg. 6m daily volume ('000 shares)	210.0
Free Float	83.9%
3y EPS CAGR	19.0%
Gearing (12/15)	71%
Dividend yield (12/16e)	0.73%

YE December	12/15	12/16e	12/17e	12/18e
Revenue (US\$m)	542.50	620.47	684.12	757.29
EBITA US\$m)	166.9	204.2	231.7	263.3
Op.Margin (%)	30.8	32.9	33.9	34.8
Diluted EPS (US\$)	1.82	2.29	2.65	3.06
EV/Sales	9.2x	7.8x	6.8x	5.9x
EV/EBITDA	23.6x	19.2x	16.6x	14.0x
EV/EBITA	30.0x	23.7x	20.2x	16.9x
P/E	37.5x	29.8x	25.7x	22.2x
ROCE	23.9	31.6	39.6	51.6



Temenos Group

Success breeds success

Fair Value CHF77 vs. CHF71 (price CHF67.25)

BUY


We are reiterating our Buy recommendation and have increased our DCF-derived Fair Value to CHF77 (vs. CHF71) after taking into account a more favourable scenario for margins. We estimate that Temenos' high valuation is justified by annual EPS growth of almost 20% driven for years by a wave of IT modernisation at banks. In our view, the share is a growth stock *par excellence*.

■ **Market growing by 8% a year.** Faced with the boom in digital, the "client experience" trend and "uberisation" of the industry by the emergence of new rivals (fintech companies), banks are gradually starting to modernise their IT systems. These strategic plans are spread over four/five years on average, often implying the replacement of the core banking system by a vendor's software platform.

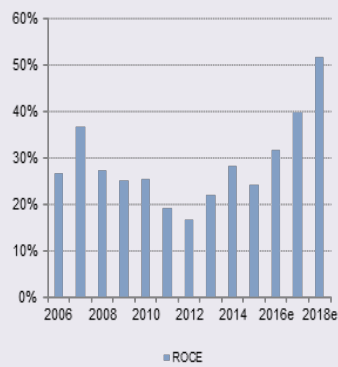
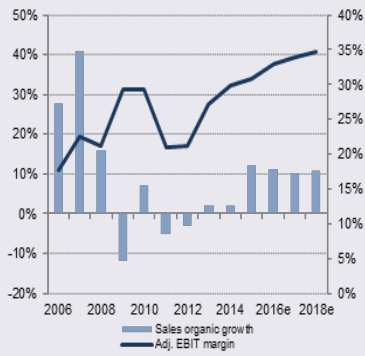
■ **A spiral of success.** Since 2015, Temenos has restored double-digit organic growth, driven by business with tier 1 and tier 2 banks, in a logical follow-up to good architectural choices and partnerships to integrate and extend the product offer, carried out over the past 5/10 years. We believe this growth is sustainable thanks to Temenos' rising ability to win business contracts worth at least USD5m (Nordea, Standard Chartered, Bank of Ireland...).

■ **Potential upgrade to guidance.** Following the signing with the Bank of Ireland, we expect Temenos to increase its 2016 estimates (sales up 7.5-11% IFl, non-IFRS EBIT margin of 30%). Beyond 2016, we estimate that profitability should benefit from the improvement in the services margin and a double-digit increase in software licencing sales.

■ **A high but justified valuation.** The Temenos share is trading on 2016 and 2017e EV/EBIT multiples of 23.7x and 20.2x. This demanding valuation is justified in our view since we forecast average EPS growth of almost 20% a year, and this is likely to be upgraded.

	Analyst:	Sector Analyst Team:
	Gregory Ramirez	Richard-Maxime Beaudoux
	33(0) 1 56 68 75 91	Thomas Coudry
	gramirez@bryangarnier.com	Dorian Terral

Temenos Group



Company description

Founded in 1993, and listed on SIX Swiss Exchange since June 2001, Temenos Group is one of the largest global vendors of banking software platforms. Its Temenos T24 platform addresses retail, universal, private, wholesale, retail and Islamic banks. Its functional coverage is centred on Core Banking (withdrawals, deposits, settlements, credits...), distribution channels (branch, call centre, mobile, web), customer relationship management, general support, payments, reporting, fund administration, and risk & compliance management. In 2015 the group generated 56% of its total licensing revenues in Europe, 17% in America, 15% in Asia-Pacific, and 12% in Middle East & Africa.

Income Statement (USDm)	2013	2014	2015	2016e	2017e	2018e
Revenues	468	469	543	620	684	757
Change (%)	3.9%	0.2%	15.7%	14.4%	10.3%	10.7%
fl change (%)	2.0%	2.0%	12.0%	11.0%	10.3%	10.7%
Adjusted EBITDA	164	182	212	253	283	316
Depreciation & amortisation	(36.7)	(41.9)	(45.2)	(49.0)	(51.0)	(53.0)
Adjusted EBIT	127	140	167	204	232	263
EBIT	93.5	118	96.8	152	182	214
Change (%)	94.3%	26.4%	-18.1%	56.7%	20.1%	17.4%
Financial results	(11.1)	(11.9)	(18.7)	(16.7)	(13.0)	(10.0)
Pre-Tax profits	82.4	106	78.1	135	169	204
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(14.2)	(14.7)	(11.7)	(21.6)	(28.8)	(34.6)
Profits from associates	0.0	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	68.2	91.6	66.3	113	140	169
Restated net profit	93.8	108	121	159	184	213
Change (%)	60.3%	15.2%	12.0%	31.5%	15.8%	15.6%
Cash Flow Statement (USDm)						
Operating cash flows	152	171	189	208	235	266
Change in working capital	9.7	10.9	27.1	42.2	34.2	35.6
Capex, net	(50.3)	(51.4)	(55.4)	(54.2)	(55.0)	(54.0)
Financial investments, net	(6.2)	1.5	1.9	(3.6)	0.0	0.0
Acquisitions, net	(12.4)	0.04	(298)	(0.96)	(1.7)	(1.7)
Dividends	(20.4)	(26.6)	(28.6)	(31.7)	0.0	0.0
Other	(20.6)	91.5	168	(6.7)	(44.1)	(9.3)
Net debt	97.4	99.5	267	114	(54.6)	(291)
Free Cash flow	111	131	161	196	214	248
Balance Sheet (US\$m)						
Tangible fixed assets	12.9	14.1	15.6	11.0	6.8	2.2
Intangibles assets & goodwill	475	438	738	714	689	662
Investments	0.0	0.0	0.0	3.6	3.6	3.6
Deferred tax assets	24.8	23.9	17.3	17.3	17.3	17.3
Current assets	291	257	265	270	275	284
Cash & equivalents	116	193	193	346	515	752
Total assets	920	926	1,229	1,363	1,508	1,721
Shareholders' equity	408	342	375	457	563	732
Provisions	4.1	6.4	7.9	11.9	11.9	11.9
Deferred tax liabilities	2.8	1.1	23.2	23.2	23.2	23.2
L & ST Debt	213	292	460	460	460	460
Current liabilities	292	284	362	410	449	494
Total Liabilities	920	926	1,229	1,363	1,508	1,721
Capital employed	506	442	642	571	508	441
Financial Ratios						
Operating margin	27.12	29.84	30.77	32.92	33.87	34.77
Tax rate	17.23	13.83	15.03	16.00	17.00	17.00
Net margin	14.58	19.55	12.23	18.27	20.52	22.34
ROE (after tax)	16.71	26.79	17.68	24.78	24.94	23.10
ROCE (after tax)	22.01	28.04	23.93	31.63	39.58	51.57
Gearing	23.87	29.09	71.20	24.93	(9.70)	(39.78)
Pay out ratio	36.95	30.51	45.19	30.67	27.25	24.67
Number of shares, diluted	72.69	70.04	66.65	69.57	69.57	69.57
Data per Share (USD)						
EPS	0.95	1.31	1.00	1.63	2.02	2.43
Restated EPS	1.29	1.54	1.82	2.29	2.65	3.06
% change	61.1%	19.5%	17.7%	26.0%	15.8%	15.6%
EPS bef. GDW	1.29	1.54	1.82	2.29	2.65	3.06
BVPS	5.61	4.88	5.63	6.57	8.09	10.52
Operating cash flows	2.09	2.44	2.84	2.99	3.38	3.82
FCF	1.53	1.86	2.41	2.82	3.08	3.56
Net dividend	0.35	0.40	0.45	0.50	0.55	0.60

Source: Company Data; Bryan, Garnier & Co ests.

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1. Investment Case

Why the interest now?



The reason for writing now

Despite an outstanding stockmarket performance over four years, we consider that Temenos still offers a unique growth stock profile in the IT sector in Europe. We expect further double-digit sales growth and an improvement in profitability, as well as a CAGR in EPS of almost 20% over 2015-18e, underpinned by multi-year digital transformation programmes for banks.

Cheap or Expensive?



Valuation

The share is trading on demanding multiples with 2016 and 2017 EV/EBIT at 23.7x and 20.2x 2017e, although these are justified by earnings growth prospects. Our Fair Value of CHF77 is obtained via a 10-year DCF calculation highlighting medium-term sales growth of 11% a year, and adjusted EBIT margin (before stock-options) of 37%.

When will I start making money?



Catalysts

Q3 2016 earnings on 19th October 2016. For Q3 2016, we are forecasting sales up 3%, given demanding comparison with the year-earlier period prompted by the Nordea contract, and non-IFRS EBIT margin of 31% (+1.7 points). We are not ruling out the prospect of management increasing its 2016 guidance (cc sales growth of 7.5-11% and non-IFRS EBIT margin of around 30% lfl), given the Bank of Ireland deal announced in early October.

What's the value added?



Difference from consensus

Our forecast for non-IFRS EBIT margin (30.6%) is higher than that of the consensus (30%, in line with lfl guidance), given that we estimate that the weak GBP relative to the USD could have a positive impact of 1.1 points on the margin. Temenos generates 8% of sales and 20% of operating expenses in GBP.

Could I lose money?



Risks to our investment case

1) Execution risk: sales performances below forecasts, especially for major banks and/or slip-up in operating costs, **2) Forex:** high exposure to fluctuations in the GBP (8% of sales and 20% of operating expenses) and the EUR (31% of sales and 20% of operating costs), **3) a deterioration in the economic backdrop** that could have a negative impact on the situation at banks.

2. Growth status

2.1. DCF model: CHF77 per share

Our CHF77 Fair Value obtained via DCF calculation includes an adjusted EBIT margin of 37% over the medium term

Fig. 1: DCF assumptions

Risk-free rate	1,6%
Equity risk premium	7,0%
Beta	1,2
Return expected on equity	10,0%
Stock price (CHF)	67,25
Number of shares (m)	69,54
Market capitalisation (CHFm)	4 677
Net debt on 31/12/2016e (CHFm)	113
Entreprise value (CHFm)	4 789
Interest rate on debt	1,7%
Tax rate	17,0%
Sales growth rate to perpetuity	2,5%
WACC	9,8%

Source: Company Data; Bryan, Garnier & Co ests.

Fig. 2: Discounted FCF

in USDm (FYE 31/12)	2015	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e
Sales	543	620	684	757	841	933	1 036	1 150	1 276	1 416	1 572	1 745
% chg	15,7%	14,4%	10,3%	10,7%	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%	11,0%
Operating profit	167	204	232	263	311	345	383	425	472	524	582	646
as a % of sales	30,8%	32,9%	33,9%	34,8%	37,0%	37,0%	37,0%	37,0%	37,0%	37,0%	37,0%	37,0%
Theoretical tax rate	15,0%	16,0%	17,0%	17,0%	17,0%	17,0%	17,0%	17,0%	17,0%	17,0%	17,0%	17,0%
Theoretical tax	25	33	39	45	53	59	65	72	80	89	99	110
NOPAT	142	172	192	219	258	287	318	353	392	435	483	536
Depreciation	45	49	51	53	59	65	72	80	89	99	110	122
as a % of sales	8,3%	7,9%	7,5%	7,0%	7,0%	7,0%	7,0%	7,0%	7,0%	7,0%	7,0%	7,0%
Capex	55	54	55	54	59	65	72	80	89	99	110	122
as a % of sales	10,2%	8,7%	8,0%	7,1%	7,0%	7,0%	7,0%	7,0%	7,0%	7,0%	7,0%	7,0%
WCR	-97	-140	-174	-209	-235	-261	-290	-322	-357	-397	-440	-489
as a % of sales	-18%	-22%	-25%	-28%	-28%	-28%	-28%	-28%	-28%	-28%	-28%	-28%
Change in WCR	-27	-42	-34	-36	-26	-26	-29	-32	-35	-39	-44	-48
Free cash flows	159	209	222	253	284	312	347	385	427	474	526	584
Discounted free cash flows	159	205	199	207	211	212	214	216	219	221	223	226
Sum of discounted FCF	2 127											
Terminal value	3 140											
Enterprise value	5 267											
Fair value of associates	0											
Fair value of financial assets	4											
Provisions	12											
Fair value minority interests	0											
Dilution (s/o, warrants, conv bds)	226											
NPV of tax credits	17											
Net debt on 31/12/2016e	114											
Equity value	5 388											
Diluted nbr of shares (m)	69,6											
Valuation per share (USD)	77											
CHF/USD	1,012											
Valuation per share (CHF)	77											

Source: Company Data; Bryan, Garnier & Co ests.

Our DCF valuation puts the share price at CHF77, or 14% above the current price, based on a risk-free rate of 1.6%, an equity risk premium of 7% and a beta of 1.2.

Fig. 3: Sensitivity analysis - EBIT margin and WACC (EUR)

		EBIT margin				
		31.0%	34.0%	37.0%	40.0%	43.0%
WACC	9.0%	76	82	87	93	99
	9.5%	70	75	80	86	91
	9.8%	66	71	77	82	87
	10.5%	60	64	69	74	78
	11.0%	56	60	64	69	73

Source: Bryan, Garnier & Co. ests.

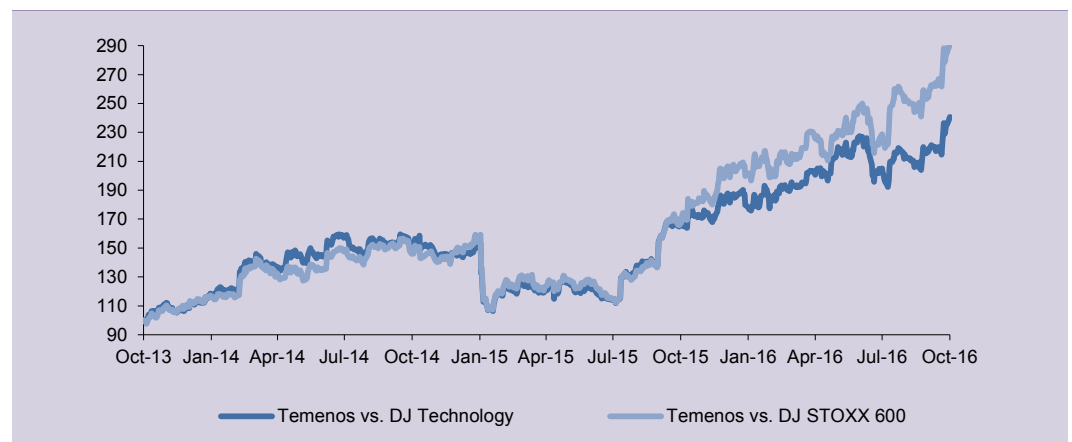
Our change in Fair Value from CHF71 to CHF77 is justified by:

- 1) A positive impact to our adjusted EPS estimates (+3%) given the upward revision to our EBIT estimate (+CHF2).
- 2) A revision to our medium-term EBIT margin scenario before stock-option costs from 36% to 37% (from 34% to 35% when translated into non-IFRS EBIT margin after stock option costs as published by Temenos) (+CHF2);
- 3) A revision to the CHF/USD fx rate (1.01 vs. 1.02) (+CHF1);
- 4) An adjustment of our WCR/sales ratio assumption: 28% vs. 25% (+CHF1).

2.2. Analysis of share performance

After increases of 41% in 2014 and 46% in 2015, the Temenos share has climbed 29% since the start of 2016. This corresponds to an outperformance by the DJ EuroSTOXX of 37% in 2014, 39% in 2015 and 36% since the start of 2016.

Fig. 4: Temenos vs. DJ Technology and DJ EuroSTOXX indices



Source: Thomson Reuters.

An impressive stockmarket performance since 2012...

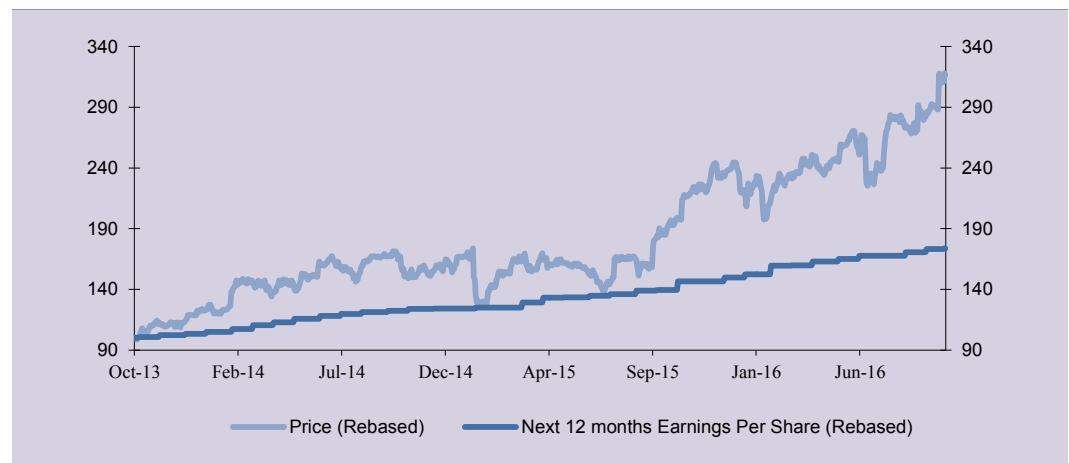
... stemming from a return to growth, then an acceleration in growth and an immunity to discretionary IT spending cuts

The Temenos share has had an outstanding performance (+550% since 12th July 2012) since the nomination of David Arnott as CEO, following an 18-month plunge (-74% between the peak of CHF39.6 on 29th December 2010 and a trough of CHF10.3 on 12th July 2012) due to disappointing figures, the euro crisis and the failed merger with rival Misys. Catalysts behind this rally were: 1) the return to organic growth and spectacular margin widening as of 2013, 2) successful acquisitions (multi-fund especially), 3) an acceleration in growth following the announcement in September 2015 of the largest deal to overhaul a core banking system ever signed by Temenos (Nordea); 4) Temenos' immunity to cuts in discretionary IT spending by banks given the strategic nature of the digital transformation, in which Temenos is involved.

With an increase of 31% in euro terms over the past six months, the Temenos share ranks among the leading pack of main European vendors in terms of stockmarket performance (Nemetschek +31%, SimCorp +30%, Micro Focus +24%, SAP +19%, Aveva +14%, Software AG +11%, Dassault Systèmes +8%, Sage +5%, Fidessa -10%). This compares with the US in euro terms, at +48% for VMware, +44% for Symantec, +28% for Autodesk, +20% for Adobe, +19% for Workday, +11% for CA Technologies, +9% for Red Hat, +9% for Microsoft, +8% for Intuit, +7% for IBM, +1% for Salesforce.com, -3% for Oracle, and -7% for Check Point Software. **We explain this outperformance by the group's higher organic growth compared with players in the sector, the positive spiral in signing up large-sized deals** (Nordea, Standard Chartered Bank, Bank of Ireland...), **and higher-than-expected earnings over two quarters in a row.**

In addition, we estimate that growth in the Temenos share price reflects consensus EPS growth momentum, although we are not ruling out further upward revisions by the consensus if positive momentum extends to beyond Q3 2016. As shown in Fig. 5, over the past three years, the share price has gained 216% whereas the consensus 12m forward EPS has leapt 74% over the period.

Fig. 5: EPS momentum and change in share price over three years (base 100)



Source: Thomson Reuters.

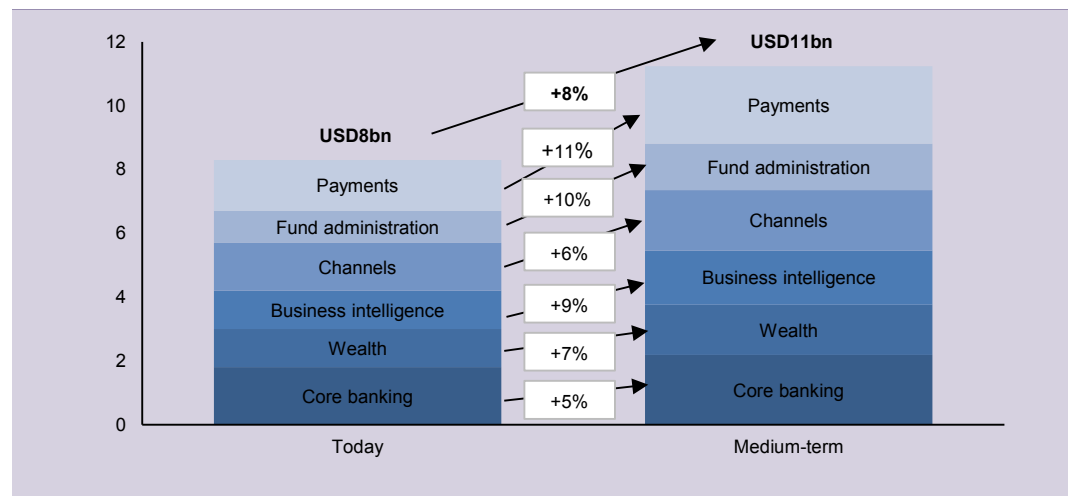
3. Market catalysts intact

3.1. Market growing by 8% a year

In a market growing by 8% a year, core banking is growing by 5%, whereas payments and fund administration are enjoying double-digit growth

Temenos's market of core banking systems¹ and the segments added over the past 10 years (private banking, payments, distribution channels, risk management, fund administration etc.) is continuing the rally in place since end-2014. Fig. 6 below shows Temenos' market forecasts, based on research carried out by Gartner, IDC and Celent. These figures concern a medium-term time frame of four/five years.

Fig. 6: Global spending on bank software - share of vendors (USDbn)



Source: Company Data; Gartner; IDC; Celent.

78% of the banking software market still needs to be conquered by vendors

Out of all of the bank spending on software, estimated at USD37bn, only USD8bn (22%) stems from third-party vendors. This means 78% of the market still needs conquering by these groups. Again according to Temenos, spending on third-party vendor software should grow by 8% a year on average to reach USD11bn within four/five years. Within this share of third-party vendor, core banking software should rise by 5% a year. Payments and fund administration should be the most buoyant segments, with growth rates expected to run at respectively 11% and 10%, followed by business intelligence (+9%), wealth management (+7%), and distribution channels (+6%).

3.1.1. Low ROE at banks making modernisation necessary

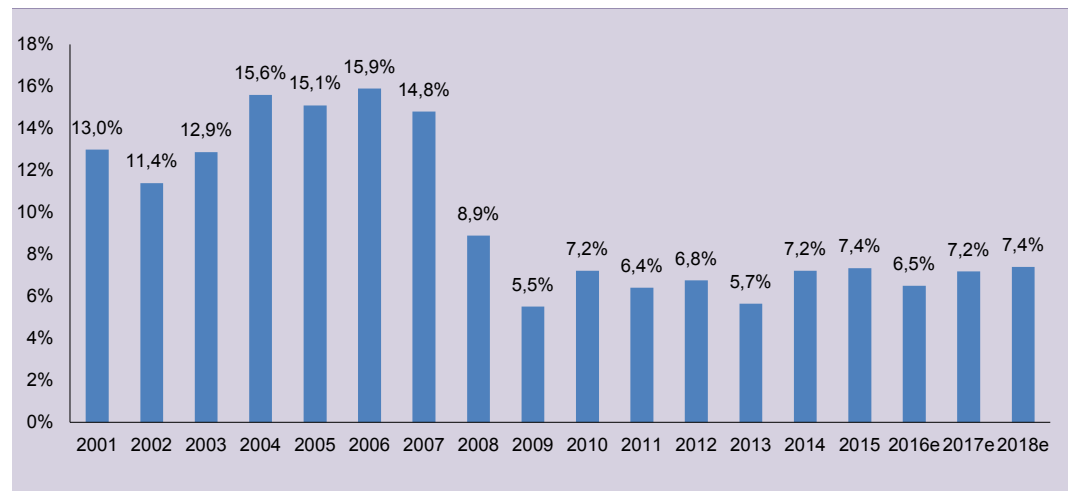
Banks still suffering from ROEs below 10%

Having strengthened their equity under the impetus of new regulations, banks are now far from the crises of 2008-09 and 2011-12 and have budgets to start modernising their often-

¹ A core banking systems covers all of the software that manage the services provided by a bank to its customers in their branches, over the internet, by telephone or via mobile applications: withdrawals, deposits, payments, loans and financing etc.

ageing IT systems. However, as indicated in Fig. 7 below, **they continue to suffer from generally low ROE levels** (under 10% since 2008), and remain faced with a set of factors that suggest that the current situation is here to stay²: high operating costs, investments in compliancy with banking regulations, an increasingly disputed competitive backdrop and increasingly demanding and volatile customers. In addition to these factors come very low, if not negative, interest rates in certain countries. Efforts made to comply with regulations in each country where a bank is present also multiply the cost and time needed, not to mention transnational and European regulations. McKinsey estimates that the implementation of Basel III by 2019 will have an average negative impact of three/four points on ROE³. Meanwhile Basel IV is currently being drawn up...

Fig. 7: Change in average ROE at European banks (1998-2018e)



Source: Thomson Reuters.

3.1.2. The road towards the digital bank

Banks facing the boom in digital

The use of mobile handsets is now a widespread trend for accessing banking services and the number of interactions via mobile (consulting accounts, transfers, sharing information etc.) has rocketed over the past five years, **whereas interactions in bank branches are less frequent.** These interactions are a mine of information that banks need to exploit more widely in order to improve existing services, develop new products and innovate. **With the new technologies based on digital, customers are changing their way of interacting with their bank.** They are becoming used to self-service, no waiting and the administrative simplicity that online or mobile banking services provide them, while becoming increasingly demanding in terms of quality of service. This trend is especially high among younger people: a study recently published by Capgemini⁴ shows that 48% of

² What the Boston Consulting Group called *The “New New Normal” in Retail Banking* in a report published in August 2012.

³ McKinsey (2010), “*Basel III and European banking: Its impact, how banks might respond, and the challenges of implementation*”. McKinsey Working paper on Risk, Number 26.

⁴ Capgemini, *World Retail Banking Report 2016*.

customers in the Y generation (born in the 1990s) were satisfied with their bank, compared with 63% of customers in the X generation (born as of the 1970s).

This requires investment

In order to switch from a services and products offering to a customer experience offering (helping the customer to reach their financial targets, benefit from real-time offers and the best rates possible or accessing consulting services, paying with the least amount of restrictions, interacting with a community of users, or rewarding their loyalty to the bank), **banks needs to integrate fintech companies, social networks, geolocation, better management of transaction data and contextual data** (for example: "I post on Facebook that I want to buy a new car, and the bank automatically offers me a suitable loan"). **This therefore involves investment in ad-hoc technologies.**

FinTechs are "uberising" banks in that they use technological innovation to offer financial services to bank customers

3.1.3. Banks in an "uberised" industry

Banks are facing new players that are changing the rules of the game in the industry: fintech companies. These are start-up companies that use new technologies to deliver financial services that are apparently more efficient and cheaper than banks. They frequently offer their services outside the regulatory framework imposed on banks, which has not stopped widening in recent years. **There are a multitude of these companies:** 1) mobile payment and e-wallet services, currently the most represented in fintechs (Apple Pay, Google Wallet, Square, Venmo...); 2) banks natively on mobile and internet with or without a banking licence (Fidor Bank, Tandem Bank, Number26 etc.); 3) platforms taking part in the transfer of money abroad (TransferWise, Currency Cloud etc.); 4) participative financing platforms (crowdfunding and crowdlending) (LendingClub, OnDeck, Funding Circle etc.); 5) fully automated online investment and portfolio management services (Betterment, Nutmeg, Wealthfront...); 6) B2B transaction platforms often based on the blockchain technology⁵ (Ripple, Traxpay, Ethereum...).

No Fintech has managed to secure a high market share, but all fintechs put pressure on bank prices. Banks need to react.

Fintechs often benefit from more flexible regulations than those to which banks are subject when their businesses do not enter the application scope for banking law, the high prices practiced by banks and bad customer experiences in banking services. Admittedly no fintech has managed to secure a high market share, but collectively they place bank prices under pressure and banks need to react. Indeed, fintechs are currently more capable than banks of analysing the behaviour of their clients in order to offer them better targeted services and develop new products while offering a better customer experience. Banks often shoulder a hefty IT legacy and a siloed organisation preventing them from acting quickly.

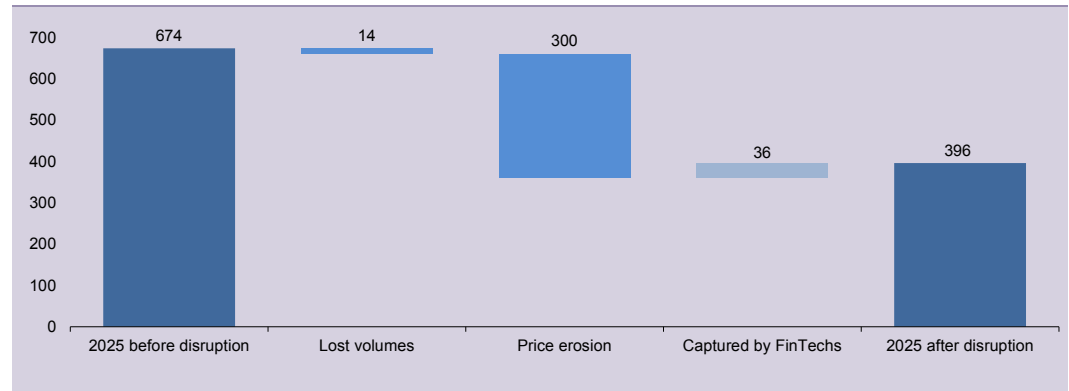
A study carried out by McKinsey⁶ suggests that by 2015, fintech companies could threaten 10-40% of retail banking revenues and 20-60% of their profits. The segment most at risk is consumer credit, especially in terms of price pressure (impact of -45% in the worst case) - with the

⁵ Blockchain is a store and information transmission technology that is transparent, secure (encrypted) and works with no central control body.

⁶ McKinsey, "The Fight for the Customer: McKinsey global banking annual review 2015".

impact in terms of lost clients simply anecdotal (-2%). In contrast, the market share captured by fintech companies is only set to stand at 5% in 2025 since they are set to remain a niche market.

Fig. 8: Disruption impact caused by fintech companies on consumer credit (USDbn)



Source: McKinsey.

Banks have every interest in integrating fintech companies into their ecosystems, which requires modernising their IT systems

The previously quoted study by Capgemini states that 65% of banks see fintech companies as partners and just 28% genuine rivals, since they understand their complementary natures (innovation for fintechs, financial solidity, customer bases and relations with governing bodies for banks). Banks have the choice between developing activities equivalent to those of fintechs (incubation), signing partnerships with fintech companies (collaboration) or of acquiring them. Whatever the case, banks need to be ready to welcome these fintechs by developing an ecosystem, and hence integrating their systems into those of the latter. At present, the most efficient way of doing this is via an App Store and application programming interfaces (API), which also require a renovation of bank IT systems.

3.2. Gradual transformation of core banking systems

Modernisation of the core banking system is a necessary condition for reducing costs and recovering market share

Banks are simplifying their IT architecture, processes, organisation, product and services catalogues in order to reduce costs, free up innovative capacity, improve and extend the services and recover market share. Status quo leads to a lack of flexibility in their IT systems and core banking given the tangle of thousands of software developed internally or bought from third-party vendors and using languages, architectures, data and logic models that are very different from each other and little integrated. This causes huge maintenance costs with Celent⁷ estimating that banks still spend 79% of their IT costs on maintenance vs. just 21% on development. In this context, the digital transformation of a bank takes place in three stages: 1) simplifying the IT architecture (infrastructure, applications); 2) buying the new software platform, 3) renovating core banking gradually in order to limit risks. The platform needs to be flexible and configurable in order to renovate each item in a small space of time. Under the framework of gradual renovation, installation cycles for a new solution are multiplied: typically CRM takes between six months and two

⁷ Celent, "IT Spending in Banking: A Global Perspective", 2015.

years, the front-office between one and three years and the core banking system between two and five years.

There are several ways of modernising the core banking system, depending on the size of the bank and the level of complexity of the IT system

Renovation can take several forms: unifying the front-office but holding onto several back-offices in order to show a single bank to customers; unifying the back-office but maintaining several front-offices to meet specific local needs of clients, business by business deployment, or migration of all the traditional activities to the online bank. It also consists of using embedded analytical tools to undertake real-time marketing campaigns, better personalise the service, start loyalty programmes or face the boom in customer interactions. The more global the bank is, the more complicated its IT is, the more risky the transformation is and the less it is likely to be inclined to entrust its transformation to a medium-sized vendor, preferring a modernisation of its internal applications for core banking and turning to specialised vendors for peripheral areas (payments, wealth management etc.).

Fig. 9: Six reasons to renovate the core banking system: case of Nordea (2015)

Cost source	Impact of renovation of core banking on IT and businesses
Application services	Streamlining of application landscape and reduction in maintenance costs. Better stability and usability of systems, reduction in number of technical incidents. Cancellation of software licence costs for applications scrapped.
IT development	Handling of core developments by Temenos = reduction in cost of specifics. Standardisation and simplification of scenarios and integration processes.
Infrastructure	Scrapping of handsets dedicated to use of former applications. Reduction in storage space and treatment power.
Staff	Reduction in volume of IT services given the decline in business headcount. Reduction in IT workload = more agile IT teams. Reduction in technical staff resources to redeploy them in the businesses. Reduction in workload at business level, reduction in management layers.
Efficiency	More handling of bank operations as time goes by. Increased automation of processes. Digitalisation of processes in relation with customers (self-service).
Quality	Improvement in decision making tools to make them faster and with fewer errors (granting of loans). Centralisation of development and maintenance of banking products. Consolidation of data sources and improvement in quality of data = standardisation.

Source: Nordea.

Numerous projects to overhaul core banking are emerging

Numerous tier 1 and tier 2 banks⁸ have core banking systems that are 20-30 year's old, with IT teams responsible for maintaining the system. Extremely high maintenance costs prevent these banks from investing in the modernisation of the system. Consequently, the solution for modernisation consists of investing in a standard solution. Fig. 10 below shows the projects made public in the overhaul of the core banking system of tier 1 and tier 2 banks with third-party vendors.

⁸ The segmentation of banks by size (or "third party") according to Gartner is the following: tier 1 includes 20-25 global banks each generating 50,000 transactions a day, tier 2 including around 200 banks of international or national scope each generating around 30,000 transactions a day, tier 3 - Temenos' historical segment - includes around 1,000 national or regional banks, and tier 4 representing all the small regional banks.

This table does not include the projects carried out with internal solutions such as those at the Crédit Agricole (convergence of IT systems at 39 regional branches in 2009-2014), Société Générale (2009-2012), BBVA, or Santander (internal solution Partenon).

Fig. 10: Overhaul of core banking system for tier 1 and tier 2 banks

Bank	Deployment	Vendor chosen
Bank of Ireland	2016-2021	Temenos UniversalSuite
BB&T	2016-	SAP for Banking
Bausparkasse Schwäbisch Hall	2015-	SAP for Banking
Indian Overseas Bank (IOB)	2015-2016	Infosys Finacle
Nordea	2015-2019	Temenos T24
Macquarie Bank	2015-	SAP for Banking
DNB	2015-2020	Infosys Finacle
Fubon Bank	2015-	Infosys Finacle
Bank Leumi	2015-	Temenos T24
La Banque Postale	2014-2020	Sopra Banking Platform
Suncorp Bank	2011-2016	Oracle Banking Platform/Flexcube/CRM
BBVA Compass	2011-	Accenture Alnova
Standard Bank of South Africa	2010-2016	SAP for Banking (domestic), Infosys Finacle (international)
Deutsche Bank	2009-2012	SAP for Banking (domestic), TCS Bancs (international)
Commonwealth Bank of Australia (CBA)	2008-2013	SAP for Banking
National Australia Bank (NAB)	2008-2016	Oracle Banking Platform/Flexcube
Nationwide Building Society	2008-2012	SAP for Banking

Source: Company Data; IBS Intelligence; Banking Technology.

The majority of major banks have nevertheless still not called on a third-party software provider to renovate their front or back offices, or have only done so for certain parts of their businesses

Specialised magazines recently reviewed new projects to overhaul core banking systems: AIB in Ireland⁹, SG in France¹⁰ (Temenos and Sopra Banking Software were apparently studied), and Nedbank in South Africa¹¹ (Oracle, TCS, Infosys and SAP are thought to have been preselected according to *Banking Technology*). This shows that sizeable business opportunities exist for Temenos. **The majority of very large European banks** (HSBC, BNP Paribas, Crédit Agricole, Barclays, Société Générale, Santander, BBVA, Lloyds, ING, BPCE...) **have not yet decided to call on a third-party vendor for their entire front or back offices, or have only done so for certain parts of their activities.** While the complex structure of their core banking system could cause them to hesitate to take the step given the size of the project, we estimate that the rising number of vendor references with this type of bank should gradually provide a convincing argument to choose them.

3.3. Brexit does not seem to be affecting Temenos

⁹ “AIB looks to modernise digital banking tech”, Banking Technology, 23rd September 2016.

¹⁰ “Société Générale a step closer to new core system”, IBS Intelligence, 2nd December 2014.

¹¹ “Nedbank step closer to new core banking system decision”, Banking Technology, 23rd May 2016.

Modernisation of bank IT systems in view of digital transformation, is part of a strategic and non-discretionary approach

IT players have sent negative signs since the start of year concerning banks. Indeed, since H1 2016 earnings publications at end-July, Capgemini considers that H2 could be affected by a decline in discretionary IT spending in Q4. In addition, Infosys announced that it was affected by the aborted decision by the Royal Bank of Scotland (RBS) to spin off and list Williams & Glyn, with 3,000 staff reallocated to other contracts due to uncertainty caused by low interest rates and Brexit. That said, **Temenos seems little exposed to Brexit at the moment.**

- Modernisation of bank IT systems from in view of digital transformation is part of a strategic and non-discretionary approach. The gradual modernisation of banking IT systems is a truly fundamental trend.
- Temenos' sales exposure to the UK stood at just 8% in 2015, primarily with local clients (Metro Bank, Bank of England, Lloyds Bank). Eventual projects for global banks to relocate their European offices given the end to the European passport do not really concern Temenos in our view. The group admittedly has clients like JPMorgan¹² but this group signed up in 2008 and deployed Temenos T24 in numerous countries over several years (Spain, the Philippines, United Arab Emirates, the UK, Vietnam, India, Australia...) - with the UK being part of the project.
- JPMorgan, Citi and Crédit Suisse are fund administration client, the legacy from the acquisition of Multifonds in March 2015, although this represents a tiny percentage of Temenos' sales since here again, the software was deployed in numerous countries (bearing in mind that Multifonds represents around 10% of Temenos' sales).
- The case of RBS with Williams & Glyn seems to be an isolated case for which extrapolation is not relevant. In any event, RBS has to sell off Williams & Glyn in order to meet European Commission requirements. Consequently, at one point or another, the overhaul of IT systems will go ahead, with or without Infosys.

¹² "JPMorgan commits USD30m to implement central platform for global services" (22/04/2008): Firm's Investment will Support Treasury Management and Liquidity Services Around the World.

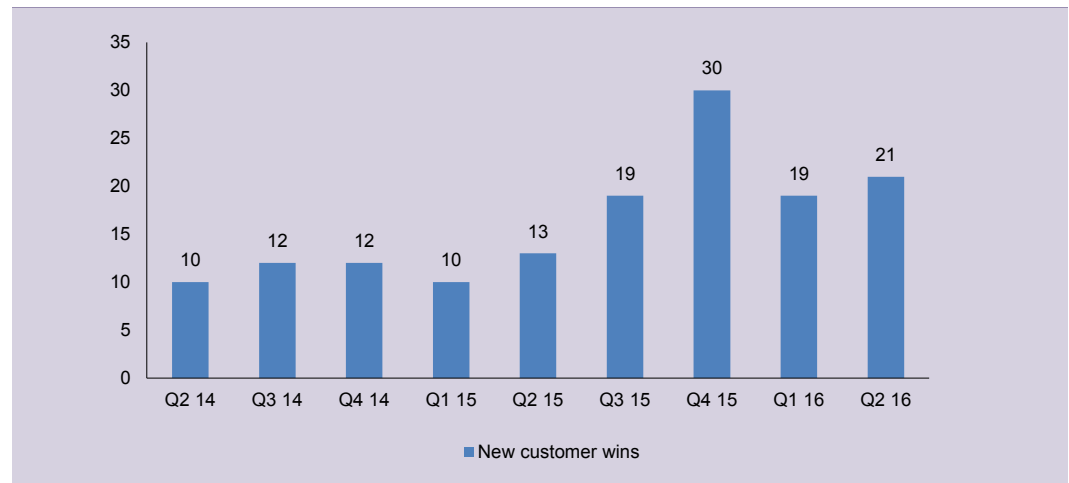
4. A virtuous circle

4.1. The recipe for success

Temenos has at least doubled the number of deals signed per quarter in two years

As indicated in Fig. 11, the number of deals signed by Temenos has increased considerably on a quarterly basis. After signing around 10 new deals a quarter in 2014, the group is now capable of signing around 20 or even 30, if Q4 2015 is anything to go by.

Fig. 11: New business won by quarter (2014-2016)



Source: Company Data; Bryan, Garnier & Co ests.

The recipe for success for conquering tier 1 and tier 2 banks: an adapted sales organisation, investments in R&D upstream of the cycle, the creation of an ecosystem of partners and extension of the offer to beyond the core banking system

We estimate that a large share of the healthy commercial momentum enjoyed by Temenos lies in its ability to conquer the promising but difficult-to-penetrate segment of tier 1 and tier 2 banks. Apart from an adapted sales organisation, this ability stems from R&D investments made upstream of the cycle in order to personalise the architecture of the T24 platform to the needs of major banks, the creation since 2009 of an ecosystem of partners that are increasingly implied in pre-sales/installation of T24 in clients, and the extension of the offer to beyond the core system via acquisitions and internal developments.

In the specific case of wealth banking, Temenos is currently winning almost 100% of the deals it bids for. The group's managers explain this outstanding success by the following factors: 1) the fact that it has adapted the architecture for its offer based on software components, thereby enabling clients to buy just the components they need instead of the entire suite, 2) a rapid return on investment under the framework of a gradual renovation, 3) 90% of components are pre-set, bearing in mind that the 10% remaining corresponds to features specific to the client, the country or the market, 4) the offer is focused on digital, 5) the offer is installed in more than 30 countries, 6) Temenos covers the retail, mass affluent and private segments.

4.1.1. The architecture produced has been ready for five years

The T24 platform's architecture has been adapted to the needs of major banks

In the past, modular architecture on Temenos' T24 architecture was above all adapted to regional or local banks (tier 3 to tier 5). Development of a library of standard deployment models adapted to each type of business or country (model banks) was a key factor for penetrating this type of client since the time needed to integrate the software was reduced to six-12 months, from 12-18 months with classic approaches, thanks to a massive simplification efforts.

Architecture in the form of re-usable components and based on standard market technologies

Nevertheless, **this modular approach proved to be less well suited to the needs of global or international banks** (tier 1 and tier 2) given that these players have a hefty legacy of custom-made applications dating back 20-30 years. **To remedy this, as of 2009, Temenos adapted the architecture for T24 to create a form of re-usable software components** allowing its clients to choose the functionalities they require and to integrate them into their existing applications. **The first version of T24 in the component form was launched in 2011 and above all targeted retail banks. In May 2012, Temenos made its architecture totally flexible, based on market standard technologies** (Oracle, Microsoft, IBM, HP), in order to enable banks to replace their ageing applications little-by-little. **This architecture was designed as a means of rapidly integrating products that would stem from Temenos' future acquisitions without having to make massive changes to the T24 platform.** In all, this architecture: 1) dissociates the conception phase and the deployment phase in order to rapidly develop new products, 2) enables memorisation of the data base in order to accelerate response times, 3) enables standard integration with other applications or any type of media without having to re-write the IT code in order to adapt it.

The ecosystem of partners in place as of 2009 generates 15-20% of licence sales on our estimates

4.1.2. Ecosystem of partners underway

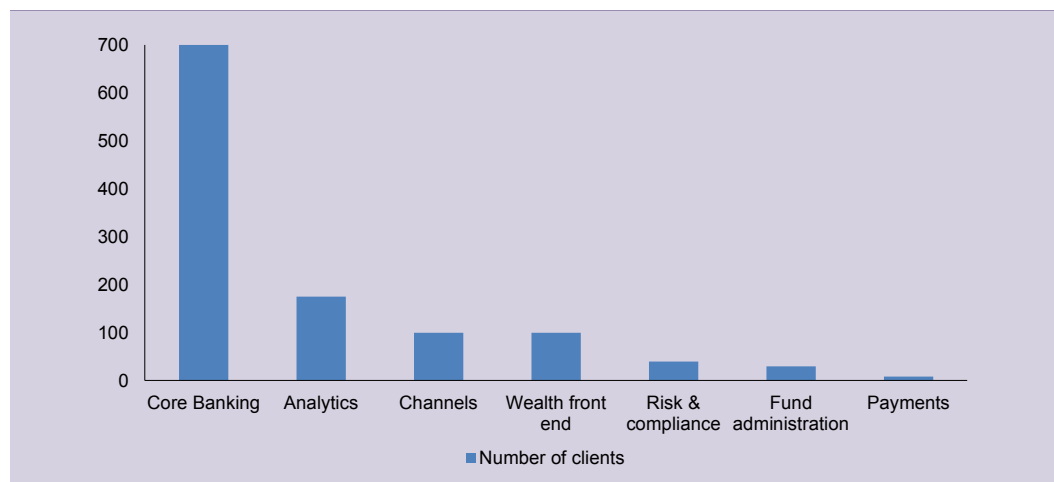
In 2009, Temenos launched a policy of strategic partnerships with IT services companies and consulting players that was vital for its success with tier 1 and tier 2 banks. The vendor managed to build an ecosystem of partners on a global scale (with Cognizant, Accenture, Deloitte and Capgemini), and also regional and local. **These partners, which represented barely 2% of Temenos' licence sales in 2009 now account for 15-20% on our estimates.** Although Temenos no longer communicates the share of software licencing sales generated via partners, these are now implied to varying degrees in the majority of the deals signed. A number of groups such as Cognizant are above all set to handle installation and integration, others like Accenture and Deloitte are also set to intervene upstream of the business at the same time as Temenos.

Temenos has multiplied by five its addressable market thanks to the acquisition of vendors in fields adjacent to the core banking system

4.1.3. Extension of the product range

Temenos has multiplied its addressable market by five via acquisitions and partnerships and this has also been a key factor in its growth ramp-up. Until 2008, Temenos' offer was based solely on the core banking system. The publisher now has more than 700 clients in the field, which remains the basis of the offer and Temenos' installed base. As of 2008, the offer was extended to business intelligence and analytics with the acquisition of Lydian, then Primisyn, and wealth banking with the acquisition of Financial Objects in the UK and above all, Odyssey in Luxembourg. This continued as of 2009 in risk management and compliance, with the acquisition of Viveo in France and in Belgium, then of TriNovus and Akcelerant in the US, as of 2010 in distribution channels with the acquisitions of FE-Mobile and Edge IPK, and finally, as of 2013 in payments under the framework of a co-development with ABN Amro. On our estimates, on the basis of information communicated by Temenos, the group has around 180 clients in analytics and BI, around 100 clients each in distribution channels and wealth management, several dozen clients each in risk management and compliance and fund administration and a few clients in payments.

Fig. 12: Temenos – No. of clients by product



Source: Company Data; Bryan, Garnier & Co ests.

Fig. 13: Extension of Temenos product offering

Market segment	Year	Acquisition/development	Détails lors de l'acquisition
Fund administration	2015	Acquisition of Multifonds	30 clients
Payments	2012	Partnership with ABN Amro	Co-development
Channels	2010	Acquisition of FE-Mobile	Mobile platform
	2012	Acquisition of Edge IPK	User experience platform
Risk & compliance	2009	Acquisition of Viveo	Solution AML developed in Belgium
	2013	Acquisition of TriNovus	Solutions compliance in SaaS mode in the US
	2015	Acquisition of Akcelerant	Risk management Solutions in the US
Analytics/BI	2008	Acquisition of Lydian Associates	Clients in the UK, Microsoft technology
	2011	Acquisition of Primisyn	15 clients in Canada, Microsoft technology
Wealth management	2008	Acquisition of Financial Objects	UK and Scandinavia
	2010	Acquisition of Odyssey Group	110 clients

Source: Company Data; Bryan, Garnier & Co ests.

Via these acquisitions or internal developments, Temenos can win market share from specialised players in the segments concerned

These acquisitions or developments have enabled Temenos to sign up attractive deals in the fields underlying the core banking system. In wealth management, the two main deals over the past two years were Julius Baer and Standard Chartered Bank, enabling Temenos to win significant market share from specialists in the segment such as Avaloq and ERI Bancaire. As such, in payments, Temenos has been deploying its software since 2012 with ABN Amro, now rivalling specialists such as Fundtech and Clear2Pay.

4.2. Double-digit growth is sustainable

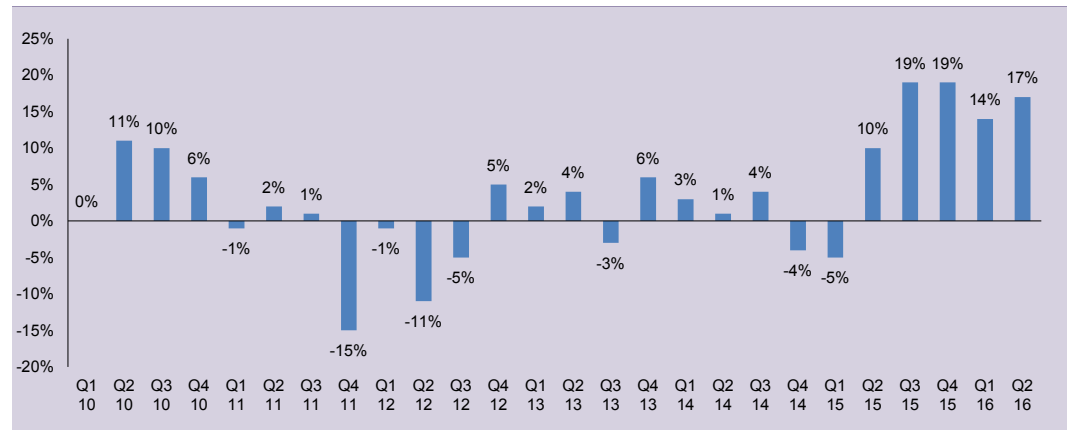
4.2.1. The top-end of 2016 guidance could be exceeded in our view

After a difficult period between 2011 and 2012, affected by the PIIGS crisis, concerns for banks, hesitations in terms of sales reorganisation, the failed merger with Misys and two changes in CEO (retirement of Andreas Andreades in 2011 followed by the departure of Guy Dubois in 2012), **Temenos restored organic growth** to a modest pace of around 5%, not that different from levels at major European vendors such as SAP and Dassault Systèmes over the period ranging from end-2012 to early 2015. **As of Q2 2015, this growth accelerated to a double-digit pace thanks to an**

Acceleration in organic growth since Q2 2015.

upward spiral of signing up large deals (i.e. above USD5m). Since it signed the largest contract in its history (i.e. Nordea in Q3 2015), the group now reports quarterly growth of 14-19% every quarter.

Fig. 14: Quarterly organic sales growth (%) (2010-2016)



Source: Company Data.

We estimate that the Nordea deal signed in September 2015 generated USD10-15m in licences in 2015 and should generate at least USD25-30m over four/five years.

In 2015, the group signed with Julius Baer in wealth management, and especially with Nordea, which for Temenos is a benchmark that is currently unique in its type in Europe, for all retail banking activities in northern countries. We estimate that Nordea contributed around USD10-15m to 2016 sales, especially in licences (est. USD10m, solely in Q3), whereas Accenture handles deployment and change management for a project set to last four/five years. The platform for credit, deposits and transactions is implemented using a joint architecture for all of the northern countries, which is ultimately set to reduce the number of IT systems. As the migration unfolds, Temenos is to sell additional licences that should therefore be booked to sales until 2018-19 in our view. Given the lack of figures communicated, **it is impossible to calculate the combined amount of licence sales that Temenos could generate with Nordea, but assuming additional business of at least USD5bn a year, we estimate it at at least USD25-30m over 2015-2019.**

In H1 2016, double-digit organic growth continued, Brexit triggered no wait-and-see attitudes and did not threaten the banking renovation

In Q1 2016, organic growth stood at 14%, of which +18% in overall licences (including SaaS and ASP), +8% in maintenance and an unusual +24% in services bearing in mind that the Temenos' teams were massively solicited for the delivery of projects during the quarter (26 vs. just four in Q1 2015) - requiring increased use of outsourcing to face a peak in business. Over the period, all regions contributed to this high growth: Europe in a context of digital transformation and streamlining of costs, the Middle East and Africa, the US and Asia, especially in view of wealth management.

Standard Chartered Bank, with a planned deployment in around 30 countries, is a major deal for Temenos in wealth management

Organic growth seen in Q2 2016 (+17%, including +24.9% in overall licences, +6.5% in maintenance and +25.4% in services in view of 24 project deliveries vs. just 13 in Q2 2015), was all the better in that Q2 2015 was already healthy (+10%). This growth was driven by developed countries as in other recent quarters (Europe in all segments, the US and Asia whereas the Middle East and Africa were weaker than in 2015), and was not based on a small number of deals, but on excellent overall sales execution. **Note that despite the vote in favour of Brexit, all the deals due to be signed by the end of Q2 were indeed signed, with no delays or change in scope.** The quarter saw key signings with:

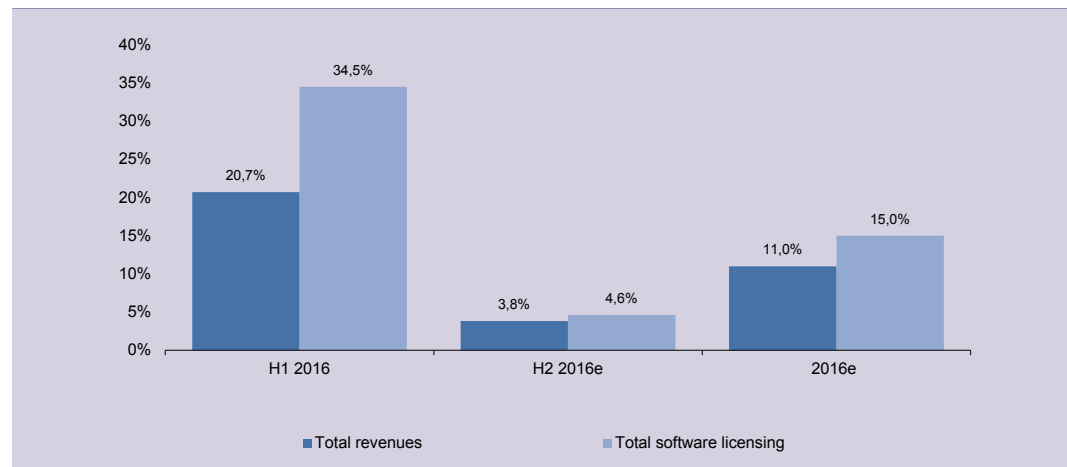
- **Standard Chartered Bank**, for deployment of WealthSuite over several years in more than 30 countries. This is a tier 1 deal that replaces various proprietary and external solutions implemented in the past by Standard Chartered that could open the door to other contracts in the same category. Indeed, Temenos had admittedly won all of the sizeable deals in wealth banking over the past three years, but no tier 1 bank before Standard Chartered had taken the step to overhaul its core system. Standard Chartered is now a reference for Temenos, and the deployment of T24 at this client will probably be watched closely by other tier 1 banks with a view to their digital transformation.
- **Banque Internationale in Luxembourg (BIL)**, which has launched the overhaul of all of its businesses and operations (wealth management, retail banking, company banking services) via Temenos with the aim of reducing risks and transforming its customer services. BIL replaces a proprietary solution, bearing in mind that the bank had initially chosen Swiss vendor Avaloq in 2014 before the project aborted in Luxembourg (but not in Switzerland).
- **Bank of Montréal Asia Pacific** in wealth management, based in Hong Kong, which chose Temenos' front-to-back platform for the flexibility that its products provide and to reduce its IT costs. The Temenos platform is due to replace a previous solution, given that Bank of Montréal was already a Temenos client for certain segments.
- **Laurentian Bank of Canada**, a retail banking deal won over SAP. This is key for ensuring Temenos' credibility in North America. Deloitte is Temenos' partner for the installation, integration and change process.

In addition, **the acquisition of wealth manager BSI (Avaloq client) by EFG (a long-standing Temenos client) should provide additional revenues for Temenos.** In March 2016, EFG announced that CHF100m out of the CHF185M in cost synergies planned for the merger would stem from the migration to the Temenos' core banking platform T24, that would be finalised between now and the end of 2017.

A record level of visibility on 2016 sales, and natural caution in implied guidance for H2 2016

At end-July, management saw no slowdown in client decision-making cycles and its main prospects had confirmed their IT investment budgets for the current year. According to Temenos, the commercial portfolio at the end of July was filled irrespective of the region, market segment and account size, and management considered it had record visibility on 2016 sales enabling it to remain confident in delivering the top-end of its guidance (+7.5-11% lfl, or USD593-612m), especially since the Standard Chartered Bank deal was not part of the range. This guidance implies total licence sales up 10-15%cc to USD233-244m. The BIL and Standard Chartered Bank deals should start to produce sales in Q3 2016. However, the top-end of the 2016 sales guidance range (+11% lfl with +15% lfl in overall licences), based on lfl growth of 20.7% in H1 (o/w +34.5% in total licences), implies +3.8% lfl in H2 (including +4.6% for total licences). For Q3 2016, management is forecasting low single-digit growth in total licence sales given the disadvantageous comparison with the year-earlier period caused by Nordea.

Fig. 15: Implied lfl assumptions for the top-end of 2016 guidance



Source: Company Data; Bryan, Garnier & Co ests.

We are convinced that the Bank of Ireland deal announced in early October could prompt Temenos to upgrade its 2016 guidance

In addition, on 3rd October 2016, Temenos announced that the Bank of Ireland had chosen Temenos UniversalSuite, its front-to-back solution for the universal bank. According to management, this is a significant transaction for which Temenos is set to provide more details in coming weeks or during the Q3 2016 results publication on 19th October 2016. Named the Omega Project, the Bank of Ireland's near EUR500m investment programme is set to span five years. Since the transaction is classified as being "sizeable", **we understand that the deal could include at least USD5m in licence sales in 2016 or even USD10m.** Consequently, although we do not know whether this deal will be booked to Q3 or Q4, its signing **prompts us to believe that management could well revise its 2016 guidance upwards by at least USD5m for sales.**

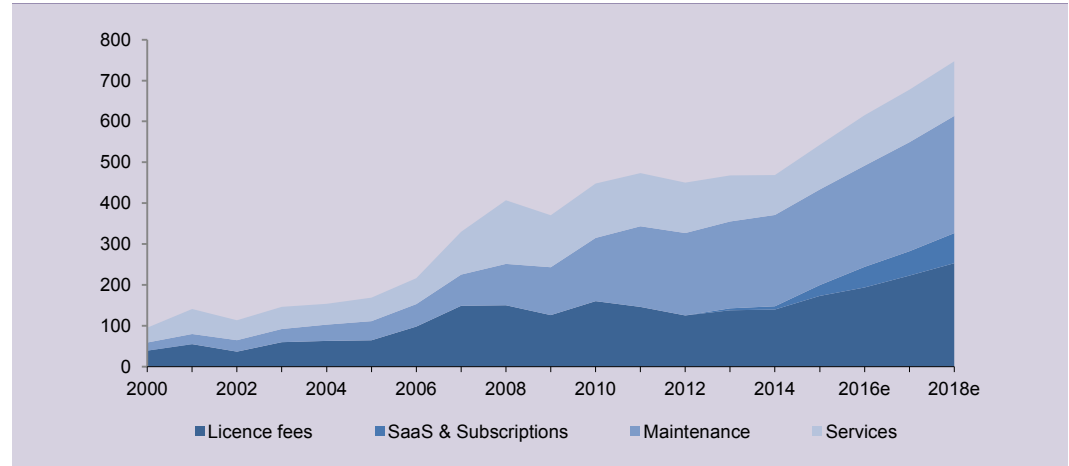
In view of this deal with Bank of Ireland, we are now forecasting non-IFRS sales for 2016 of USD621.3m (USD620.5m in IFRS), up 12% lfl, including USD249m in total non-IFRS licensing sales (248.3 in IFRS). We have considered that Bank of Ireland is booked under Q4 sales. Our growth forecasts for non-IFRS lfl sales for Q3 and Q4 are respectively 2.9% (of which +1.3% for total licensing sales) and 6.6% (of which +11.6% for total licensing sales).

4.2.2. Heading for sustainable double-digit sales?

Licences should remain the group's growth driver

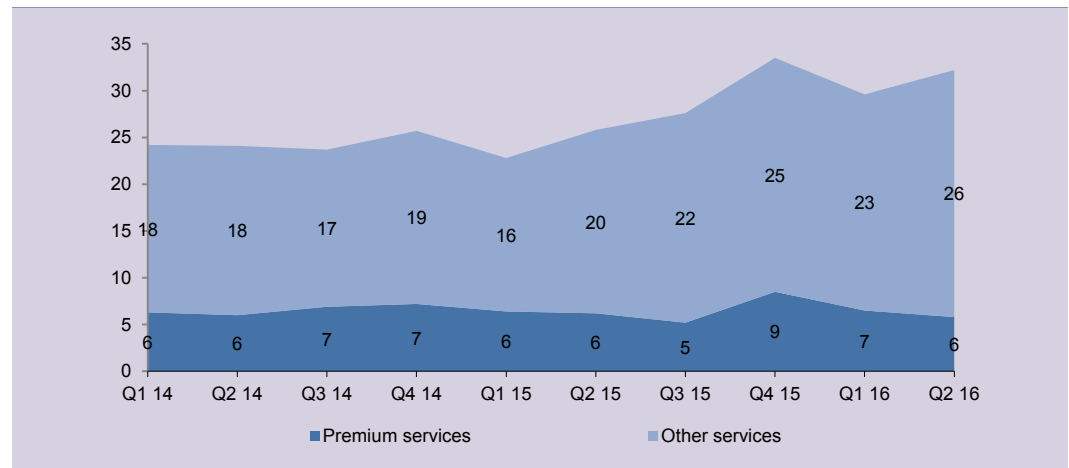
Since February 2016, Temenos has been targeting medium-term non-IFRS sales growth of 10% a year, including total licensing sales (licences, SaaS and subscriptions) at +15%. Previously, sales growth was expected to total 5-10% a year lfl. **Temenos is now looking to stabilise its services sales at around 20% of total sales,** after strengthening its high value-added services over several years and outsourcing an increasing share of installation and integration services to partners. If overall sales rises by 10% a year, this implies that services sales should rise at pace of close to 10% over coming years. Meanwhile maintenance, which is theoretically billed at 21% of the initial price of the licence and for which annual growth stands at around 6-8%, should account for 38% of 2018 sales in our view, compared with a peak of 48% in 2014 and just 18% in 2001. In contrast, **all recurring revenues (maintenance, SaaS, subscriptions) should in our view remain at 48% of sales in 2018 as in 2015,** thanks to the surge in SaaS and subscriptions.

Fig. 16: Change in revenues by nature (USDm) (2000-2018e)



Source: Company Data; Bryan, Garnier & Co ests.

Fig. 17: Services sales by quarter (USDm) – "premium" services vs. others



Source: Company Data; Bryan, Garnier & Co ests.

We consider that, barring a macro-economic shock, a double-digit organic growth scenario is credible until at least 2018, in view of the following factors:

4.2.2.1. Licence renewals

10-year licence renewals represent 10-15% of total licence sales

The wave of 10-year licence renewals, started in 2013 and gained momentum in 2015, given that T24 licence sales became significant as of 2005. **These renewals represented around USD5m in 2013 and less than 10% of total licence sales in 2014 (i.e. est. USD14m) and according to management should represent between 10% and 15% of total licence sales.** Consequently, for 2016, we estimate licence renewals at USD30m (vs. USD20m for 2015) and expect them to grow in absolute value terms until 2017-18, followed by a stabilisation in 2018-19 in view of the 1% lfl decline

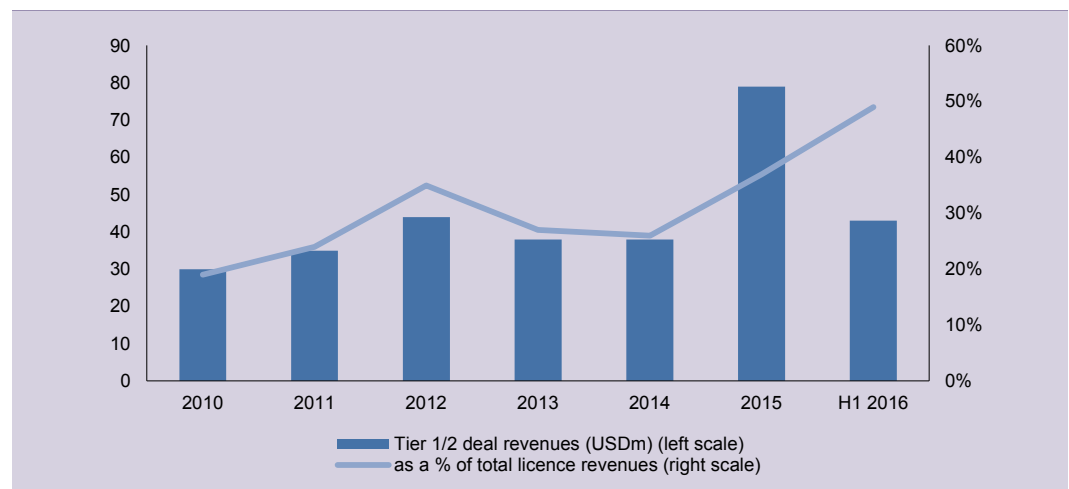
Tier 1 and tier 2 banks represent a rising share of total software licencing sales

seen in licence sales in 2008 and 2009¹³. In our view, renewals should pick up in 2020 since licence sales stood at 19% lfl in 2020.

4.2.2.2. Further penetration at major banks

In 10 years, Temenos has multiplied by four (including a doubling over the past three years) **its total software licencing sales with tier 1 and tier 2 banks and expects to multiply them by a further 1.5-2x over the medium term.** This business is crucial in that each year deals of this type provide an average of USD3-5m in new licence sales per year. As shown in Fig. 18, Temenos has considerably increased its share of sales with banks from less than 19% of total licence sales in 2010 to 49% in H1 2016, with a very clear acceleration since early 2015.

Fig. 18: Total licence sales with tier 1 and tier 2 banks (USDm) (2010-2016)



Source: Company Data; Bryan, Garnier & Co ests.

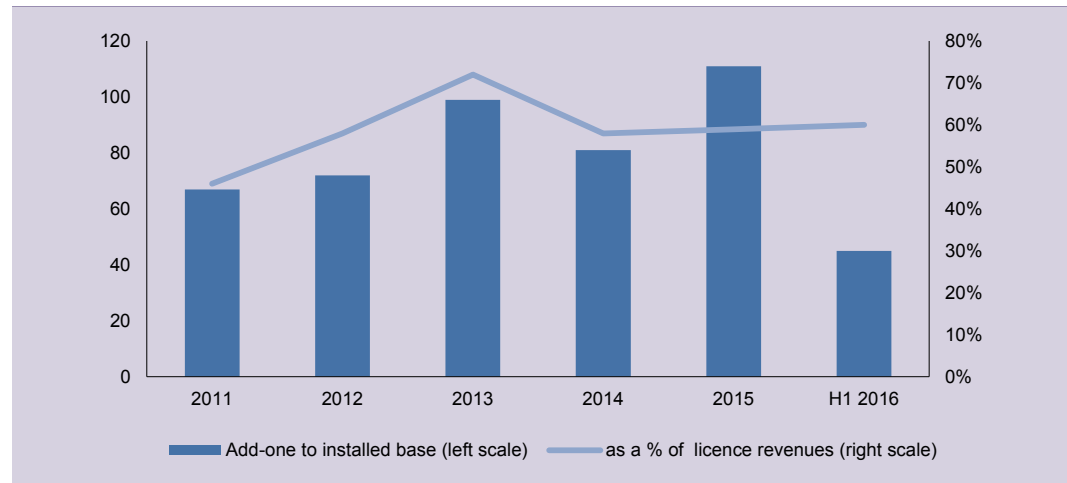
15-20% in annual growth expected in the installed base

4.2.2.3. Growth in client numbers within the installed base

Temenos has an installed base of 1,500 clients, and derives 60% of sales from this installed base. A share of these clients stemming from acquisitions by Temenos continues to focus on older software versions or older software, or only have one or two pieces of Temenos software. **Potential for new deployments and more seats, users and sites exists** as these banks expand and transform. Temenos is forecasting growth in installed base sales of 15-20% a year over the medium term on the back of multi-product penetration, gradual renovations, and licence renewals.

¹³ In 2009, licence sales were down 13% lfl but just 1% lfl excluding the halt to the partnership in the US with Metavante, which was bought by FIS.

Fig. 19: Add-on sales in the installed base (USDm) (2011-2016)



Source: Company Data; Bryan, Garnier & Co ests.

4.2.2.4. SaaS and subscriptions

SaaS and subscriptions now represent almost 20% of total licence sales

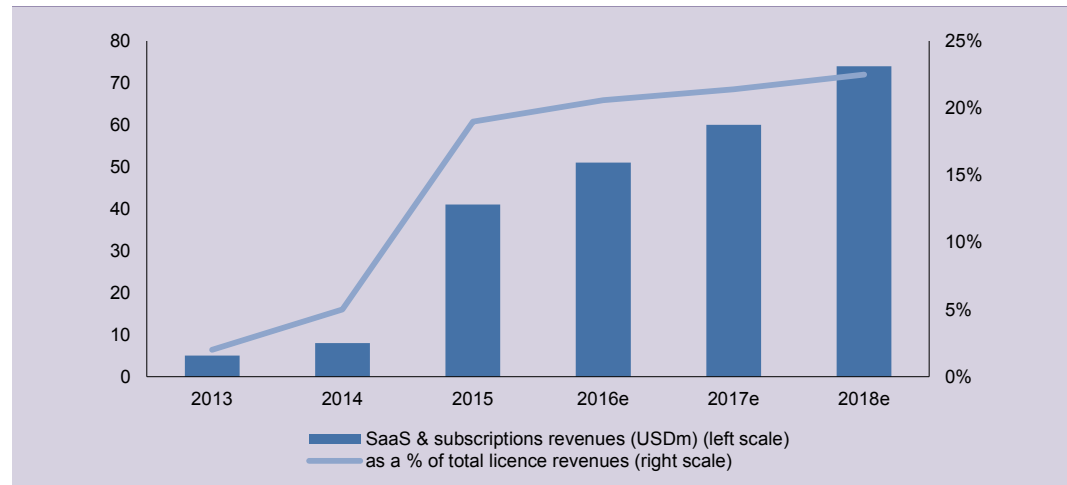
Banking software in SaaS mode are destined for two categories of clients: 1) small banks as a low-cost option, especially for start-ups, although Temenos is not looking for this type of business apart from in microfinance, 2) larger sized banks facing structural problems, for example compliance with a law or a regulatory requirement, that needs to be resolved rapidly (six weeks for example). **This business line did not exist prior to the acquisition of TriNovus in 2013**, although Temenos had already signed SaaS deals in microfinance on the Microsoft Azure platform.

We expect an acceleration in SaaS and subscriptions sales growth as of 2018

Only accounting for 1% of sales in 2013 (3% of total licence sales), **the share of SaaS and subscriptions rose to 2% (5% of total licence sales) in 2014 and thanks to the acquisitions of Multifonds and Akcelerant, to 7% (19% of total licence sales) in 2015** - bearing in mind that Multifonds sells more subscriptions (ASP) and not SaaS. Over the medium term, **according to Temenos, SaaS and subscriptions should represent more than 20% of total licence sales with average growth of around 20% a year.** In non-IFRS terms, we expect growth in SaaS/subscriptions sales of 16% in 2017 and 24% in 2018, and these sales should represent 21% of total licence sales in 2016 and 2017, and then 22% in 2018.

Note that **Temenos is not convinced that banking-as-a-service will take off by 2020** given security issues for sensitive data (bank operations, client accounts) and regulations, but it has the SaaS technology on T24 and is prepared for the day that regulated banks decided to take the plunge. One deal has been signed for Azure with a regulated bank.

Fig. 20: Non-IFRS sales in SaaS and subscriptions (2013-2018e)



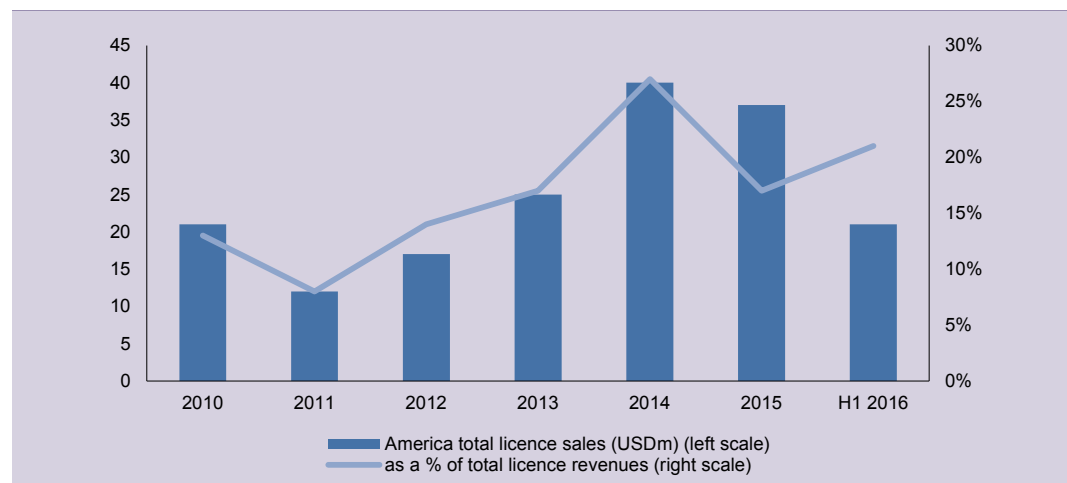
Source: Company Data; Bryan, Garnier & Co ests.

4.2.2.5. A methodical attack on the US market

In the US, banks are becoming frustrated by the slow technological changes in services provided by US players

The US, which Temenos estimates accounts for 40% of its addressable market, is dominated by major players (FIS, Fiserv, Jack Henry, F+H), whose revenue model is above all based on transaction processing. US banks are becoming very frustrated with the technology offered by already established players in digitalisation, real-time and the integration of certain technologies and functionalities. The increase in Temenos' commercial presence in the US therefore offers an opportunity for banks to think of accelerating the modernisation of their IT. As indicated in Fig. 21, the Americas region, including the US, Canada, the Caribbean, and Latin American countries accounted for 21% of total licence sales in H1 2016. **Temenos' medium-term aim is to increase North America to 35% on average to reach more than 25% of total licencing sales.**

Fig. 21: Total licence sales in the Americas region (USDm) (2010-2016)



Source: Company Data; Bryan, Garnier & Co ests.

Temenos has built its American bases on local banks and credit unions

At the time of the acquisition of TriNovus in 2013, Temenos hoped that the unit bought, which only represented 2% of pro-forma sales and worked with 850 financial institutions in the US, primarily local banks (community banks), would account for 5-10% of sales (i.e. an estimated USD30-60m)

Please see the section headed "Important information" on the back page of this report.

within three years by targeting US credit unions based on the success enjoyed by the group in Canada. The acquisition in early 2015 of Akcelerant, an SaaS player providing solutions in debt recovery, account and credit opening and profitability analysis with 400 credit unions and 130 banks with access to top managers, has shaken up growth with the expansion towards medium-sized credit unions and banks, development of new products and cross-sales with other Temenos products.

Now equipped with a distribution network, a local team and adapted products, Temenos is in working order to sign tier 1 and 2 references in the US

In the US, Temenos estimates it has a good distribution network, with a US team, products suited to the US market, active partners and a very healthy pipeline. Management is convinced that in 2016-17, the group should win 10-15 large-sized deals, and each tier 1 or tier 2 bank deployed on T24 provides a reference that enhances Temenos' credibility with banks of this size. Meanwhile local banks and credit unions are a good springboard for Temenos in the US and Canada but are too small to change dimension in the region.

Temenos and its rivals (SAP, Infosys, TCS...) are beginning to sign their first deals to modernise the core systems of tier 1 banks in the US

The first installation of T24 at a bank in the US top 20 (part replacement of core banking system) **was completed in Q2 2016**¹⁴. As such, in June 2016, Temenos signed Commerce Bank, the no. 37 US bank, to T24, in competition with Fiserv. With two projects with installed tier 1 and tier 2 banks by the end of 2016, 25 attractive Temenos references, numerous marketing actions rolled out by the end of the summer, particularly with Accenture and Deloitte, and a fully functioning commercial organisation, we believe Temenos has strong chances of enjoying a clear improvement in North America in 2017. Meanwhile, Temenos' rivals are mostly at their first major deal for renovation of the core banking system: at the start of the year, SAP signed BB&T (Branch Banking & Trust: Sheffield Financial...) to SAP for banking, Infosys installed Finacle at Discover Financial for several years (project completed in 2014 after extensive customisation works) and TCS signed Zions Bancorp to Bancs in 2014, although the five/seven-year project is not yet complete.

¹⁴ The *Banking Technology* review suggests this could be Ally Financial. Banking Technology, "Tier 1 US bank live with Temenos core and payments software", 2nd September 2016.

5. Control of costs and cash flow

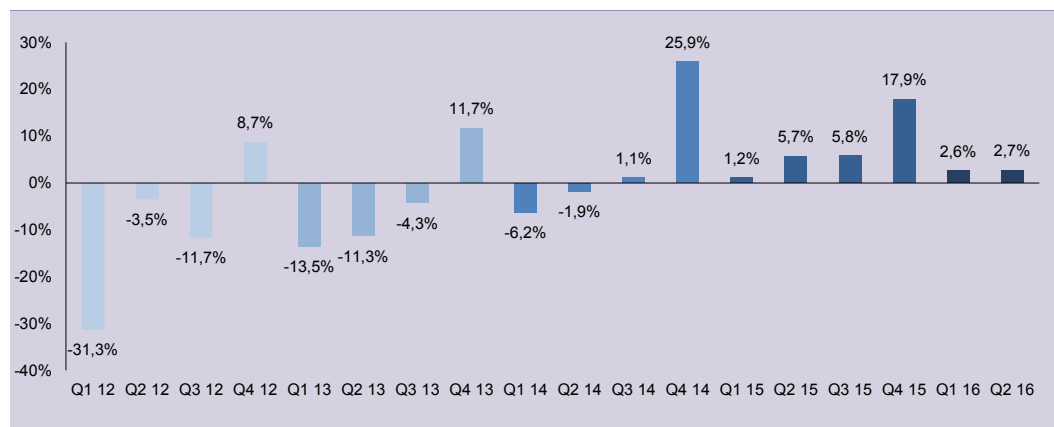
Over the medium-term, management expects growth in non-IFRS EBIT margin (after stock-option costs) of 1-1.5 points a year, and we estimate that Temenos could reach 35% over the medium term (vs. 2016 guidance for around 30%) given the potential for improvement in gross margin of services and operating leverage for R&D costs and general and administrative costs, whereas we expect further robust efforts in sales and marketing costs. In addition, management is forecasting average EPS growth of 15% a year, with an ongoing low tax rate (17-18%). Finally, **Temenos is maintaining its operating cash flow above 100% of EBITDA.**

5.1. Gross margin in services picking up

The hike in gross margin in services has paused for breath in recent quarters due to increased pre-sales spending

The stabilisation, followed by the decline in gross margin in services noted in recent quarters after the permanent recovery noted since end-2012, was due to an acceleration in pre-sales investments and in certain cases, project accompaniment services under the framework of software installation at clients, with the prospect of a go-live, with use of outsourcing. The pre-sales stage is all the more crucial for signing up deals in that major banks are extremely demanding and require teams of 5/10 people for running the project (project managers, technical experts etc.). Since projects traditionally start in H2, this investment becomes profitable over the second half of the year, and therefore prompts a high margin in Q4. 2016 should follow suit, according to management.

Fig. 22: Gross margin in services by quarter (non-IFRS) (2012-2016)

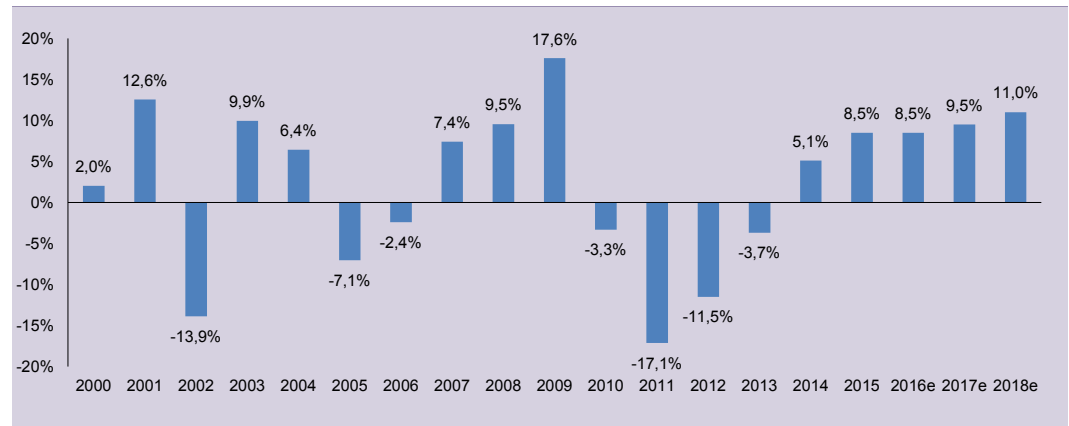


Source: Company Data; Bryan, Garnier & Co ests.

We estimate that a double-digit gross margin is possible for 2018 if no project slip-ups are noted

At 8.5% in 2015 (+3.4 points), slightly higher than the initial target of around 5%, the gross services margin should remain stable in 2016 in view of rising resources for projects, but should continue to grow beyond 2016, given that a rising share of installation and integration services should be entrusted to partners. **We estimate that a double-digit gross margin is feasible by 2018**, as long as additional investment costs for new projects are absorbed by the teams already in place, on condition that the utilisation rate is right, that outsourcing is under control and there are no project slip-ups, whereas we expect a decline in the share of standard services in sales, which should be more entrusted to integrator partners.

Fig. 23: Gross margin in services (non-IFRS) (2000-2018e)



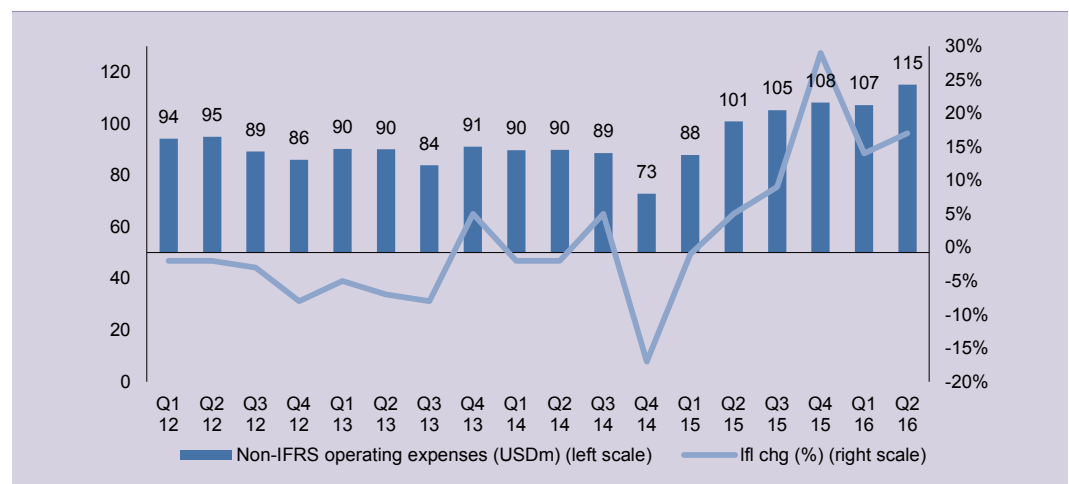
Source: Company Data; Bryan, Garnier & Co ests.

5.2. Operating costs under control

A faster increase in operating costs, but which remain under control

Since mid-2014, Temenos' non-IFRS operating expenses have begun to rise at a double-digit pace close to that in organic sales growth since mid-2015. This stage follows a phase of reduction and cost optimisation over 2012-2013 given the repositioning of services towards more value added, the rising use of offshore services, increased sales productivity and the unlocking of synergies with companies acquired. Fig. 24 below shows an artificial plunge in lfl non-IFRS operating expenses in Q2 2014 and a similarly artificial recovery in Q4 2015: with Q4 2014 bloated by a provision write-backs on sales commissions (-81% in variable costs) given unreachd annual sales targets, with USD15m in sales delayed, primarily in Asia Pacific with a delay in start-up following the roll-out of a new management team. Adjusted for the plunge in variable costs, fixed costs rose 5% in Q4 2014.

Fig. 24: Non-IFRS operating costs by quarter (2012-2016)

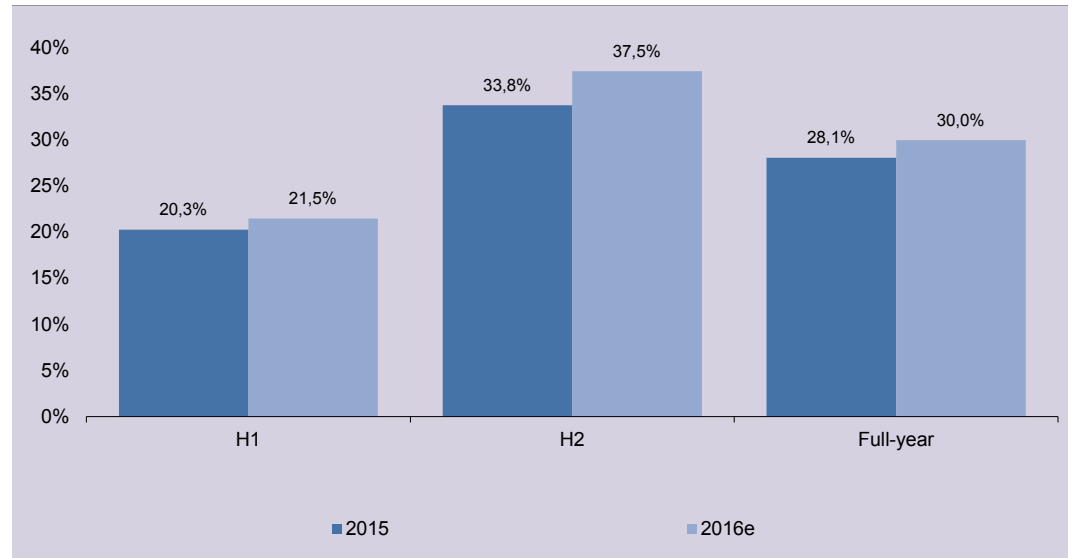


Source: Company Data; Bryan, Garnier & Co ests.

For 2016, at the beginning of the year, management was forecasting non-IFRS operating costs in the mid-range of guidance, up 7% lfl to USD422m, including USD52m in variable costs (vs. USD62m in 2015 and USD33m in 2014). Based on an increase of 15-16% lfl in H1, we estimate that in this case, non-IFRS operating costs would be more or less stable lfl in H2

2016 (i.e. -2%/-1%) at around USD200m. Even if Temenos is now forecasting the top-end of the range, assuming USD427m in non-IFRS operating costs (est. +8% lfl) their amount would not be much different with a stable level lfl in H2 also (+1-2%). For H2 2016, this implies non-IFRS EBIT margin of 37.5-38%, an increase of 3.5-4 points compared with the 33.8% reported in H2 2015.

Fig. 25: Non-IFRS EBIT margin by half-year period (2015-2016e)

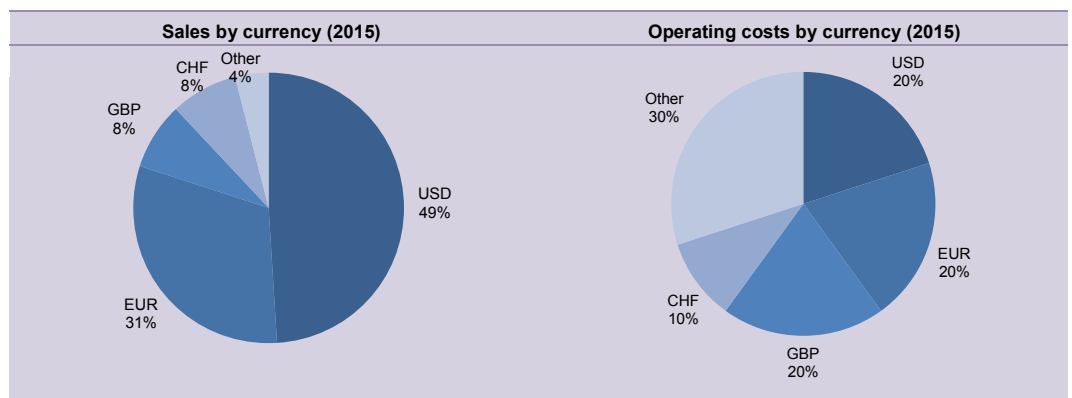


Source: Company Data; Bryan, Garnier & Co ests.

A positive forex effect on margins

All other factors remaining equal elsewhere, we estimate that given fluctuations in exchange rates, Temenos benefits from a favourable currency effect on EBIT margin and neutral on EBIT, which we estimate at respectively 3% and 1.1 points for 2016 at current exchange rates despite a negative impact of 1% on sales. In particular, as indicated in Fig. 26, on the basis of 2015 sales, Temenos generates 8% of sales and 20% of operating expenses in GBP, a currency that has lost 17% of its value relative to the USD in early 2016, thereby generating a positive impact on EBIT.

Fig. 26: Breakdown of sales and operating expenses by currency



Source: Company Data; Bryan, Garnier & Co ests.

We estimate that non-IFRS EBIT margin in 2016 should exceed current guidance for 30%

Beyond 2016, the main source of improvement in profitability is gross margin

In our view, this justifies management's caution in its forecast to reach the top-end of 2016 guidance for non-IFRS EBIT. We calculate that in view of currency changes, non-IFRS EBIT margin in Q1 and Q2 2016 was positively affected by 1.1 points, otherwise it would only have risen by 0.4 points. Consequently, if we assume an average USD/GBP exchange rate of 0.73 for 2016 (vs. 0.65 for 2015 and 0.77 in guidance), **for 2016, we obtain a non-IFRS EBIT margin of 30.6%, up 2.5 points relative to 2015, including +1.4 points lfl.**

Beyond 2016, we have applied a growth scenario of 1-1.1 points of margin a year, at the low-end of the company's medium-term guidance (1-1.5 points). We estimate that the main source of leverage for an improvement in non-IFRS EBIT margin would be an improvement in gross margin, thanks to Temenos' ongoing focus on high value-added services and a better control of utilisation and outsourcing rates. A secondary source of leverage to margin growth is lower growth in R&D costs relative to sales, whereas we believe Temenos is set to step up its sales and marketing efforts.

Fig. 27: Our non-IFRS earnings forecasts (after stock-option costs)

Temenos (USDm)	2015	2016e	2017e	2018e
Non-IFRS revenues	559.0	621.3	684.1	757.3
o/w Total software licensing	214.0	249.0	285.2	33.1
<i>Incl. Software licensing</i>	<i>173.4</i>	<i>197.8</i>	<i>225.6</i>	<i>259.5</i>
<i>Incl. SaaS & subscriptions</i>	<i>40.6</i>	<i>51.2</i>	<i>59.6</i>	<i>73.6</i>
o/w Maintenance	235.4	247.6	266.8	286.8
o/w Services	109.6	124.7	132.2	137.4
Non-IFRS operating costs	(402.0)	(431.1)	(467.4)	(508.9)
% of revenues	71.9%	69.4%	68.3%	67.2%
Non-IFRS operating profit	157.0	190.2	216.7	248.3
Non-IFRS operating margin (%)	28.1%	30.6%	31.7%	32.8%

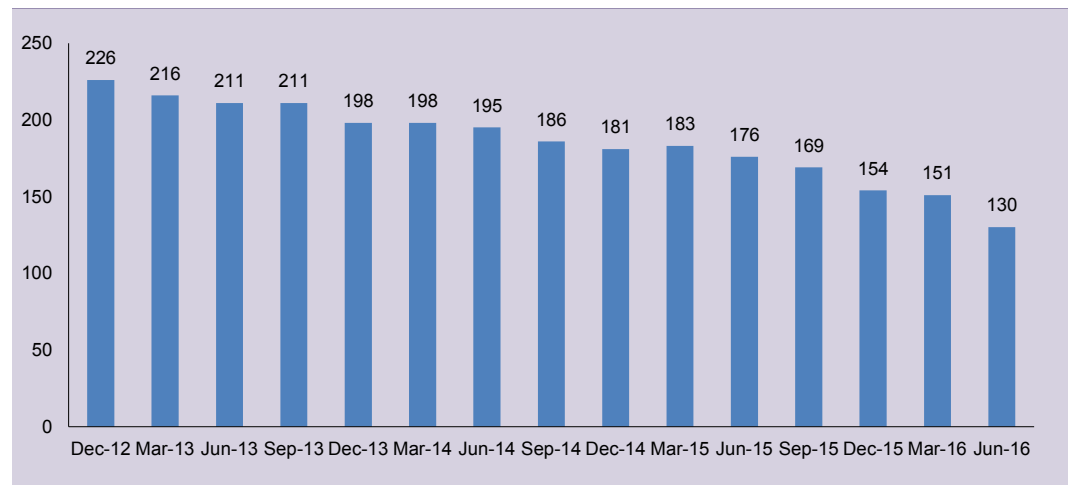
Source: Company Data; Bryan, Garnier & Co ests.

5.3. Still high cash conversion

At end-June 2016 Temenos had already reached its medium-term target for DSO

The conversion rate of IFRS EBITDA IFRS into operating cash flow is forecast at more than 100%. **Over 2012-15, Temenos considerably reduced the average days of sales outstanding (DSO), way beyond initial forecasts.** Indeed, each year, management targets a reduction of 10-15 days, and the actual decline was 28 days in 2013, 18 days in 2014 and 26 days in 2015 (to 154 days), given the rising share of licence sales booked on signing, and a rising share of services sales booked on progress. **2016 guidance is still for 10-15 days, but on 30th June 2016, the reduction already stood at 24 days (to 130 days).** **The medium-term target (120-130 days) is therefore close with no change in models with partners. Management considers that Temenos can sustain current DSO levels on a lasting basis** given that the vendor is constantly improving the booking of licence sales on signing, and is also benefiting from the wave to end installation projects.

Fig. 28: Average no of days of sales outstanding (DSOs) (2013-2016)

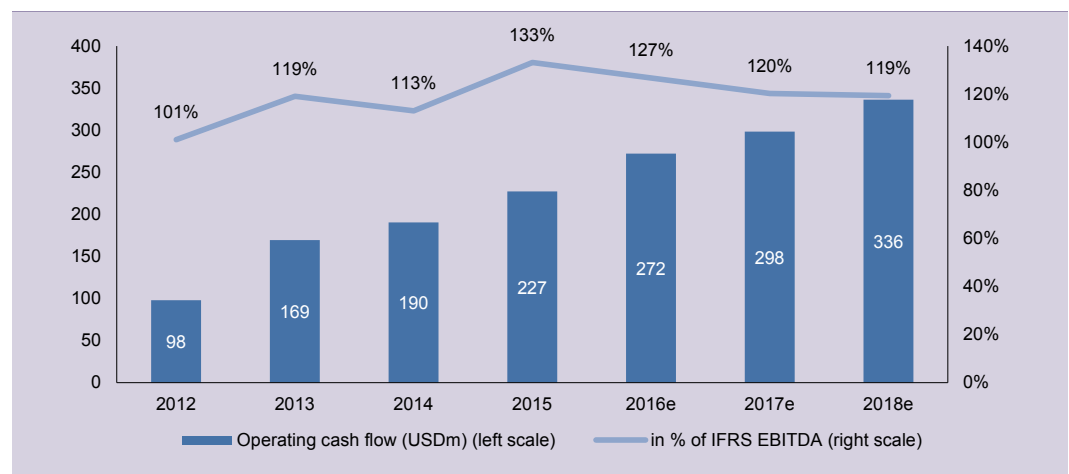


Source: Company Data.

We estimate that DSO could still fall

We are cautiously forecasting that DSO can fall by 16 days in 2016, 10 days in 2017 and nine days in 2018, given the ongoing improvement in the booking of licence sales and better project management bearing in mind that over time, it will be increasingly difficult to reduce DSO by 10-15 days a year. On our forecasts shown in Fig. 29, this would result in an operating cash flow ratio of 127% in 2016, 120% in 2017 and 119% in 2018, still well above the target of 100% of IFRS EBITDA.

Fig. 29: Our operating cash flow forecasts (2012-2018e)



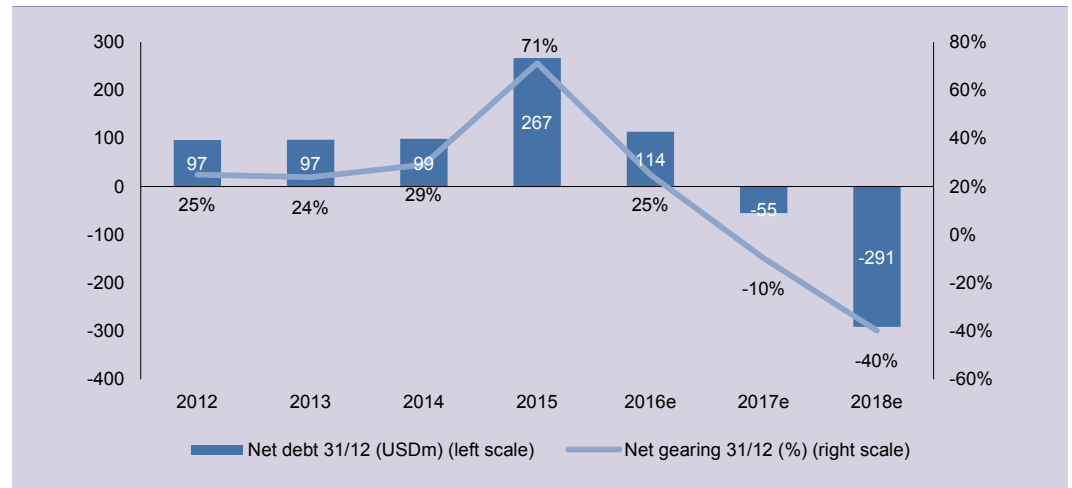
Source: Company Data; Bryan, Garnier & Co ests.

Temenos has the means to pay down debt rapidly, thanks to high operating cash flow, thereby offering the possibility of continuing acquisitions or share buybacks

Given these factors, as shown in Fig. 30, we estimate that Temenos should be able to rapidly pay down debt, excluding acquisitions. For end-2016, we estimate that net debt could be slashed by more than USD150m with net gearing at 25% (vs. 71% at end-2015). For end-2017, all other factors remaining equal elsewhere, we estimate that Temenos should have paid down debt entirely. However, since acquisitions are an integral part of its strategy, Temenos is likely to make acquisitions, thereby invalidating our above forecasts. The vendor had USD350m in credit lines maturing in March 2017 and has carried out three bond issues (CHF100m at 2.75% maturing in July 2017, CHF100m at 2% maturing in January 2019, and CHF175m at 2% maturing in June 2022) particularly for this type of

operation. In addition, in the event that the cash pile is not used extensively for acquisitions, we believe Temenos would not hesitate to launch share buyback programmes (USD113m in 2011, USD54m in 2013, and USD120m in 2015).

Fig. 30: Our net debt forecasts, excluding acquisitions (2012-2018e)



Source: Company Data; Bryan, Garnier & Co ests.

6. Accounts

6.1. Income statement

USDm (FYE 31/12)	2012	2013	2014	2015	2016e	2017e	2018e	CAGR 15-18e
Net revenue	450,2	467,8	468,7	542,5	620,5	684,1	757,3	11,8%
% change	-4,9%	3,9%	0,2%	15,7%	14,4%	10,3%	10,7%	
Gross Margin	307,7	348,9	375,6	441,0	504,5	562,8	632,9	
% of revenue	68,3%	74,6%	80,1%	81,3%	81,3%	82,3%	83,6%	
Research & Development	(85,2)	(84,4)	(98,4)	(131,9)	(142,7)	(157,3)	(174,2)	
% of revenue	18,9%	18,0%	21,0%	24,3%	23,0%	23,0%	23,0%	
Sales & Marketing	(85,2)	(98,3)	(92,2)	(100,9)	(111,1)	(122,5)	(138,6)	
% of revenue	18,9%	21,0%	19,7%	18,6%	17,9%	17,9%	18,3%	
General & Administrative	(42,4)	(39,4)	(45,0)	(41,3)	(46,5)	(51,3)	(56,8)	
% of revenue	9,4%	8,4%	9,6%	7,6%	7,5%	7,5%	7,5%	
Amortisation	(34,3)	(36,7)	(41,9)	(45,2)	(49,0)	(51,0)	(53,0)	
Net operating provisions	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
Adjusted EBIT	94,9	126,9	139,9	166,9	204,2	231,7	263,3	16,4%
% of revenue	21,1%	27,1%	29,8%	30,8%	32,9%	33,9%	34,8%	
Net restructuring charge	(18,7)	(6,7)	(1,9)	(9,5)	(4,0)	0,0	0,0	
Capital gains or losses	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
Goodwill amortisation	(13,2)	(12,3)	(7,6)	(29,3)	(34,6)	(34,6)	(34,6)	
Stock-based compensation	(9,4)	(14,1)	(12,1)	(26,4)	(14,0)	(15,0)	(15,0)	
Other exceptional gains (losses)	(5,5)	(0,3)	0,0	(5,0)	0,0	0,0	0,0	
EBIT	48,1	93,5	118,2	96,8	151,6	182,1	213,7	30,2%
% of revenue	10,7%	20,0%	25,2%	17,8%	24,4%	26,6%	28,2%	
Cost of net debt	(7,8)	(8,9)	(11,2)	(17,5)	(16,0)	(13,0)	(10,0)	
Other financial gains (losses)	(3,5)	(2,2)	(0,7)	(1,2)	(0,7)	0,0	0,0	
Profit before tax	36,8	82,4	106,3	78,1	134,9	169,1	203,8	37,7%
Income taxes	(12,6)	(14,2)	(14,7)	(11,7)	(21,6)	(28,8)	(34,6)	
Tax rate	34,3%	17,2%	13,8%	15,0%	16,0%	17,0%	17,0%	
Consolidated net profit	24,2	68,2	91,6	66,3	113,4	140,4	169,1	36,6%
% of revenue	4,9%	13,4%	17,9%	11,3%	17,0%	19,3%	21,1%	
Profit from associates	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
Minority interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
Attributable net profit	24,2	68,2	91,6	66,3	113,4	140,4	169,1	36,6%
Average no. of shares - basic (m)	72,0	72,0	69,9	66,6	69,5	69,5	69,5	
Average no. of shares - diluted (m)	73,1	72,7	70,0	66,6	69,6	69,6	69,6	
Basic EPS (USD)	0,34	0,95	1,31	1,00	1,63	2,02	2,43	34,7%
% change	-185,5%	182,4%	38,4%	-24,0%	63,7%	23,8%	20,5%	
Adjusted EPS (USD)	0,80	1,29	1,54	1,82	2,29	2,65	3,06	19,0%
% change	39,8%	61,1%	19,5%	17,7%	26,0%	15,8%	15,6%	

Source: Company Data; Bryan, Garnier & Co ests.

6.2. Balance sheet

USDm (FYE 31/12)	2012	2013	2014	2015	2016e	2017e	2018e
Goodwill	313,8	341,3	309,0	462,5	428,9	396,0	363,1
Intangible fixed assets	122,3	134,0	128,8	275,5	285,3	293,5	299,1
Tangible fixed assets	13,8	12,9	14,1	15,6	11,0	6,8	2,2
Fixed assets and goodwill	449,9	488,2	451,9	753,6	725,2	696,3	664,4
Investments	0,0	0,0	0,0	0,0	3,6	3,6	3,6
Deferred tax assets	30,3	24,8	23,9	17,3	17,3	17,3	17,3
Inventories	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Accounts receivables	279,1	253,5	230,7	235,7	237,5	239,4	244,7
Other short term assets	25,5	37,8	26,8	29,1	33,0	36,1	39,7
Current assets	304,6	291,2	257,5	264,8	270,4	275,5	284,4
Cash & cash equivalents	117,7	115,6	192,6	193,3	346,4	515,1	751,7
TOTAL ASSETS	902,6	919,9	925,8	1 229,0	1 362,9	1 507,7	1 721,3
Shareholders' equity	386,8	408,2	342,0	375,3	457,4	563,0	732,1
Minority interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Consolidated equity	386,8	408,2	342,0	375,3	457,4	563,0	732,1
Long-term provisions	4,1	4,1	6,4	7,9	11,9	11,9	11,9
Deferred tax liabilities	6,3	2,8	1,1	23,2	23,2	23,2	23,2
Convertible bonds	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Long-term debt	203,6	201,5	279,2	445,4	445,4	445,4	445,4
Short-term debt	10,7	11,6	12,9	15,0	15,0	15,0	15,0
Debt	214,4	213,1	292,1	460,5	460,5	460,5	460,5
Accounts payable and accrued	120,9	104,2	88,4	122,5	138,7	151,9	167,0
Deferred revenues	156,7	171,8	179,9	213,1	241,3	264,3	290,5
Salary and income tax payable	13,5	15,8	16,0	26,5	30,1	32,9	36,2
Other liabilities	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Current liabilities	291,1	291,8	284,3	362,1	410,0	449,2	493,7
TOTAL LIABILITIES	902,6	919,9	925,8	1 229,0	1 362,9	1 507,7	1 721,3

Source: Company Data; Bryan, Garnier & Co ests.

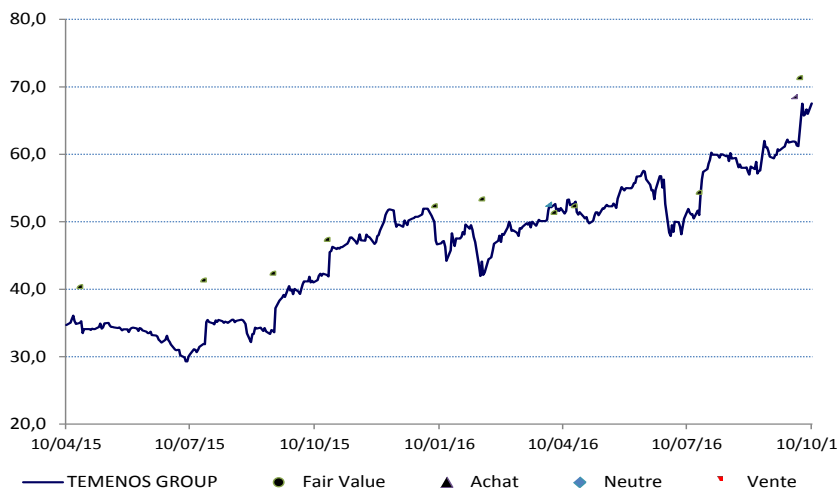
6.3. Cash flow statement

USDm (FYE 31/12)	2012	2013	2014	2015	2016e	2017e	2018e
Operating cash flow	94,6	151,8	171,0	189,2	208,1	235,3	266,0
Change in WCR	(7,6)	9,7	10,9	27,1	42,2	34,2	35,6
Capital expenditure	(51,5)	(50,3)	(53,4)	(55,4)	(54,2)	(55,0)	(54,0)
Disposals in fixed assets	0,0	0,0	2,0	0,0	0,0	0,0	0,0
Net capex	(51,5)	(50,3)	(51,4)	(55,4)	(54,2)	(55,0)	(54,0)
Free cash flow	35,5	111,1	130,5	160,9	196,1	214,4	247,7
Investments	(10,1)	(6,4)	(2,0)	0,0	(3,6)	0,0	0,0
Disposals in investments	0,3	0,2	3,5	1,9	0,0	0,0	0,0
Acquisitions (goodwill)	(16,7)	(12,4)	0,0	(297,7)	(1,0)	(1,7)	(1,7)
Cash flow after investing activity	8,9	92,6	132,0	(134,9)	191,6	212,7	246,0
Dividends paid	0,0	(20,4)	(26,6)	(28,6)	(31,7)	0,0	0,0
Issuance of shares	0,0	(53,6)	(119,9)	0,0	0,0	0,0	0,0
Cap. Incr. for minority interests	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Incr. cash bef. loan repayments	8,9	18,5	(14,5)	(163,5)	159,9	212,7	246,0
Repayment of loans	(46,2)	(20,6)	91,5	167,9	(6,7)	(44,1)	(9,3)
Net increase in cash	(37,2)	(2,1)	77,0	4,4	153,2	168,6	236,7

Source: Company Data; Bryan, Garnier & Co ests.

Price Chart and Rating History

Temenos Group



Ratings

Date	Ratings	Price
03/10/2016	BUY	CHF61,2
05/04/2016	NEUTRAL	CHF52,65
11/02/2015	BUY	CHF30,1
13/01/2015	SELL	CHF36,9
06/03/2014	NEUTRAL	CHF31,2
04/02/2013	BUY	CHF18,1

Target Price

Date	Target price
03/10/2016	CHF71
21/07/2016	CHF54
20/04/2016	CHF52
05/04/2016	CHF51
12/02/2016	CHF53
08/01/2016	CHF52
21/10/2015	CHF47
11/09/2015	CHF42
22/07/2015	CHF41
22/04/2015	CHF40
24/03/2015	CHF42
04/03/2015	CHF39
11/02/2015	CHF34
26/01/2015	CHF29
16/01/2015	Under review
13/01/2015	CHF33
18/11/2014	CHF36
29/07/2014	CHF35
17/06/2014	CHF33
19/02/2014	CHF32
10/01/2014	CHF31
21/05/2013	CHF28
25/03/2013	CHF26
04/02/2013	CHF24
14/01/2013	CHF16

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Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
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Distribution of stock ratings

BUY ratings 57,4%

NEUTRAL ratings 31%

SELL ratings 11,6%

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BRYAN, GARNIER & CO

London	Paris	New York	Munich
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member	
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