

2nd November 2016

TMT

## Temenos Group

Price CHF62.25

### Launch of a CHF99m share buy-back programme

Fair Value CHF77 (+24%)

BUY

Bloomberg	TEMN SW
Reuters	TEMN.SW
12-month High / Low (CHF)	68.2 / 42.0
Market Cap (CHFm)	4,331
Avg. 6m daily volume (000)	210.8

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.7%	3.8%	25.1%	19.8%
Softw.& Comp.				
SVS	-6.0%	-2.1%	7.4%	1.8%
DJ Stoxx 600	-2.2%	-1.3%	-1.8%	-8.3%
	2015	2016e	2017e	2018e
P/E	35.0x	27.2x	23.9x	20.6x
Div yield (%)	0.7%	0.8%	0.9%	0.9%

### ANALYSIS

- **This morning Temenos announced the launch of a new share buyback programme**, starting from 3rd November 2016. It has received approval from the Swiss takeover authorities to purchase up to 1.6m of its shares for a maximum amount of CHF99m (c. USD100m). This maximum amount of shares is equivalent to 2.4% of the company's share capital. The shares will be purchased between 3rd November 2016 and no later than 29th December 2017, and are intended to be used to cover future employee stock ownership plans and/or for potential acquisitions.
- **Still financial flexibility.** Temenos' last share buy-back programmes were implemented in 2013 (USD54m, 3% of the share capital at CHF23.4/share) and 2014 (USD120m, 4.7% at CHF34.1/share), and both led to share cancellation. This one is no surprise as management pre-announced it for Q3 2016 results on 19th October. As of 30th September 2016, Temenos had leverage of 1.2x EBITDA and we estimate that this would have been at 0.4x as of end 2016 before share buy-backs, and at 0.8x after share buy-backs - which offers financial flexibility for acquisitions.

### VALUATION

- Temenos' shares are trading at est. 21.6x 2016 and 18.6x 2017 EV/EBIT multiples.
- Net debt on 30th September 2016 was USD273.1m (net gearing: 67%).

### NEXT CATALYSTS

FY16 results on 14th February 2017 after markets close.

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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