

Non-executive Directors of the Board
Temenos AG (“**Temenos**”)
2 Rue de l’Ecole de Chimie
1205 Genève

London, 8 November 2022

Dear Non-executive Directors of Temenos,

In our letter to the leadership of Temenos dated 6 October 2022, we made you aware of a number of areas of substantial concern regarding the path our company is on. We asked that Temenos provide clarity to ensure investors that it is on the right path towards achieving its ambitious goals.

A few weeks prior to our letter, we had addressed these issues with Max Chuard and had been told that all was basically fine and on track: 2022 guidance would be easily achievable while the leadership turnover in the US had finally been resolved. You can imagine that we were shocked by Temenos’ stark earnings warning of 13 October 2022 where management reduced its 2022 total software licensing revenue guidance by 15% and adjusted EBIT by a whopping 32%¹. The President role for the Americas was exchanged a fifth time in three years and the Chief Revenue Officer fired as explanation for the mess. Apparently, your CEO lied in our face or - equally unacceptable - was still clueless about the direction of the business in mid-September.

Considering the revenue stickiness of Temenos’ business model and the overly optimistic communication by the company throughout the first nine months of 2022, the earnings warning further atomised its reputation amongst market participants. We have since met with your Executive Chairman, Andreas Andreades, who also denies any fundamental problems. Andreas told us that the strategy and direction of the company were fine, and that current under-performance was simply driven by longer decision-making cycles of clients.

With a share price decline of -53% this year and -72% between the peak in May 2019 and the day of the Q3 2022 earnings warning², this uninspired and delusional approach of hoping for “something” later triggered our decision to write to you. Now is your last chance to bring the ship in order and on course. We demand that you immediately launch a **comprehensive strategic review** for Temenos. Amongst other points, this strategic review must address the following points:

- **Leadership:** Max Chuard is far out of his depth in a CEO role and should be terminated with immediate effect. Andreas Andreades should resign from Temenos. His role as de facto decision-maker makes it hard for Temenos to attract and retain world-class management talent. His track record managing Temenos through the challenges of its next growth phase is poor. After years of filling their pockets unashamedly, these individuals had their shot, blatantly misfired and must go. They hang around Temenos’ tainted capital market reputation like vultures and should not be given the benefit of the doubt after such a long period of failure.
- **Strategy:** Market place, strategic intent, business design and innovation focus need to be clearly analysed and stated. So far, Temenos has been too superficial and baselessly optimistic in its communication on these crucial areas. We deem a successful transition to subscription and SaaS as well as further forceful growth in the large North American market as the two key areas for the strategy.
- **Execution:** We have highlighted many challenges that are related to low quality execution at Temenos. It appears that the organisation has not matured after its initial successes and subsequent growth phase. People and skills,

¹ References to the old guidance refer to mid-point of the guidance range.

² Factset as per 8-Nov-2022.

brand critical tasks, the formal organisation as well as climate and culture need to be reviewed. We have previously highlighted the extremely high attrition in some of your businesses (e.g. North America) as well as on the management level as risks to steady and reliable progress at Temenos. Importantly, we hear from many clients that while Temenos promises big, the implementation and product delivery lag such promises.

- **Credible business plan:** The management team, you and shareholders urgently need to have a basis to work off. Any plan must be well substantiated, credible, and realistic. The sooner the company can deliver this, ideally before February 2023, the better.
- **Public market vs. private market:** Considering the significant challenges ahead, we demand that you thoroughly consider potential take-private or strategic sale options for Temenos. Following the Q3 earnings warning, we feel it could be a long journey for Temenos to again attain a credible equity market reputation. You must form an educated view on this issue and weigh alternatives.

Temenos used to be a success story. Yet, the past three years have destroyed a lot of goodwill and investors want to see change and a sustainable plan. We urge you to now act decisively and swiftly in creating the leadership basis and process that can deliver such plan.

Sincerely,



Klaus Umek
Managing Partner



Till Hufnagel
Partner