

Directors of the Board of Temenos, Jean-Pierre Brulard (CEO), Takis Spiliopoulos (CFO)
Temenos AG (“Temenos”)
2 Rue de l’Ecole de Chimie
1205 Genève

London, 20 May 2024

Dear Ladies and Gentlemen,

Since the attack by Hindenburg Research (“**Hindenburg**”) which we had attributed to them having had another bad Valentine’s Day – you have, by means of a very comprehensive independent investigation (“**Investigation**”), proven that Temenos is a normal and clean business. You have finally ended the leadership vacuum by bringing Jean-Pierre on board and managing Andreas Andreades out. With Laurie Readhead and Michael Gorriz, you have added two very strong independent directors to the board of directors.

Petrus Advisers had publicly stated early on that the Hindenburg allegations were hearsay and likely unfounded and baseless, given our intensive due diligence of the company. During the past two years, we had independently conducted numerous expert and client interviews. We also sought confirmation that Temenos had made very good progress in improving its software products and implementation processes. We believe that substantial improvement potential exists in Temenos’ go-to-market approach and welcome Jean-Pierre’s joining considering his strong track record in software sales.

The Hindenburg attack was able to temporarily derail your equity story. Following a mixed set of Q1 earnings figures, the share price declined from levels of c. CHF 75 following the release of the Investigation to CHF 56.7¹. A slightly more challenging Q1 was to be expected as new clients certainly waited out the release of the Investigation. With a positive view on your addressable market opportunity and your technology and implementation offering, we believe Temenos now needs to focus on execution to make sure the company stays on course to achieve its 2024 and mid-term targets. A wave of software license renewals starting in H2 2024 should underpin your ability to meet those targets. At Petrus Advisers we have consequently increased our investment to more than 3% of the company.

The Temenos share has become very cheap: At 18.3x P/E (2024) and 5.6% FCF yield (2024)², Temenos is trading at discount levels of c. 40% compared to its 10-year historical average³. Considering Temenos’ very strong balance sheet with expected 2024 leverage of 1.2x declining to 0.6x by 2025⁴, and a mid-term plan which does not hinge on sizeable M&A, we believe it is intelligent and imperative for Temenos to invest in its own stock.

We therefore demand that you launch a share buy-back of at least CHF 250 million to be executed and finalised in 2024.

Sincerely,



Klaus Umek
Managing Partner



Till Hufnagel
Partner

¹ Bloomberg per 17 May 2024.

² Based on company guidance for 2024.

³ 39% discount to L10Y median NTM P/E and 35% discount to L10Y median NTM FCF yield. 17% and 25% discounts for 20Y multiples, respectively. Bloomberg/Factset per 17 May 2024.

⁴ Refers to net debt/EBITDA Bloomberg consensus per 17 May 2024.