

Temenos

DOLAT CAPITAL

CMP: CHF 16.5

Not Rated

BSE Sensex	18,145
NSE Nifty	5,505

Scrip Details

Market Cap	CHF 1.1bn
52 week High/Low	CHF 37 / 12
Bloomberg Code	TMNSF US
Reuters Code	TMNSF.PK

Peer Comparison

Valuation (x)	PE (1 yr forward)
OFSS	14.1
Temenos	14.5
Misys	15.7

* 12 Months forward

Source : Bloomberg

1CHF = 0.9USD

Temenos Q4 CY11 results disappoints; strong outlook on license growth

Result below estimates: The Q4 CY11 results of Temenos were below estimates. Revenue degrew 15% YoY at USD 127mn – managing to meet lower end of full year guidance of 5-14%. Licence revenues were down 33% over the previous year at USD 41.1mn on an exceptional base of 61mn in Q4CY10. Maintenance revenue remained robust and grew 5% YoY to USD 49.9mn (27% for CY11). EBIT declined 35% YoY, however margins stood at 28% inline in the guided range of 18-26%.

Strong Client adds: It added 9 new customers in the quarter (40 in CY11), and is sitting on record funnel for CY12. However; the average size of the deals are getting smaller owing to larger business coming from Tier 3-5 banks (also higher revenue share in APAC region).

Guidance & Outlook: The company did not guided on revenue growth in view of its ongoing merger negotiations with Misys but guided a license revenue growth of 10-15%; indicating sustained traction in new license sales. It also guided an improvement in EBIT margin by 100-150bps.

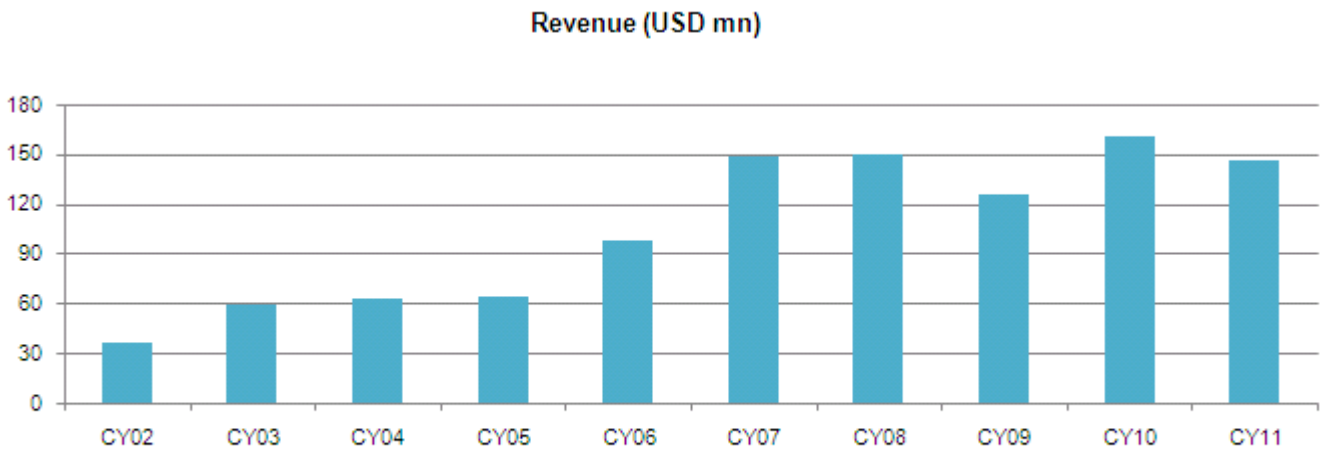
View: We remain positive on the segment (core banking products) and expect all major players to maintain systemic growth of 18-20% on licence revenues. We also believe that emergence of opportunities in markets like China and LATAM could be major potential driver for new licence sales growth in coming period. We maintain our **Buy** rating on OFSS with a target price of ₹ 2,560 (valued at 17x of its FY13E earnings).

Q4FY11 Result

Particulars (USD mn)	Q4CY11	Q3CY11	Q-O-Q (%)	Q4CY10	Y-O-Y (%)	CY11	CY10	Y-O-Y (%)
Licenses	41.1	37.7	9	60.9	(33)	146.0	160.1	(9)
Maintenance	49.9	49.6	1	47.7	5	197.3	154.8	27
Services	36.0	33.6	7	41.2	(13)	130.1	133.1	(2)
Total Revenues	127.0	120.9	5	149.8	(15)	473.4	448	6
Total Operating Cost	91.8	97.1	(5)	96.0	(4)	385.8	314.2	23
Adj. EBIT	35.2	23.8	48	53.8	(35)	87.7	113.7	(23)
Margins (%)	27.7	19.7		35.9		19	25	
Adj. EBITDA	41.2	31.5	31	60.1	(31)	116.8	138.7	(16)
Margins (%)	32.4	26.1		40.1		25	31	
Net Finance Charge*	2.5	2.4	4	6.1	(59)	8.6	6.9	25
FX (Loss/Gain)	2.7	1.3		2.1		4.0	1.1	
Tax	9.0	2.3		0.0		11.3	0.5	
Adj. Net Profit	20.9	17.8	17	49.8	(58)	61.4	107.4	(43)
Adj. EPS	0.3	0.26	15	0.68	(56)	0.87	1.47	(41)

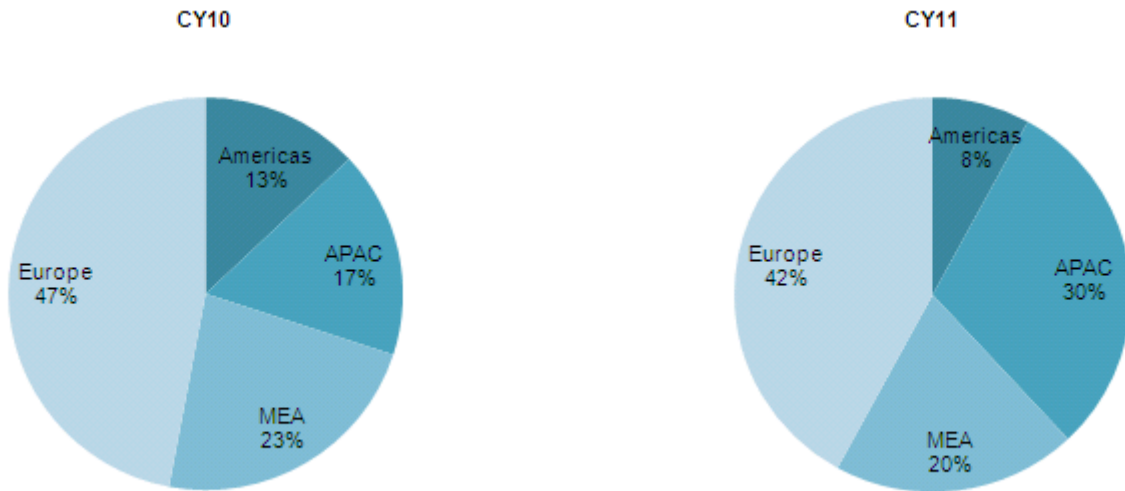
Source : Company, Dolat Research

License Revenue Trend



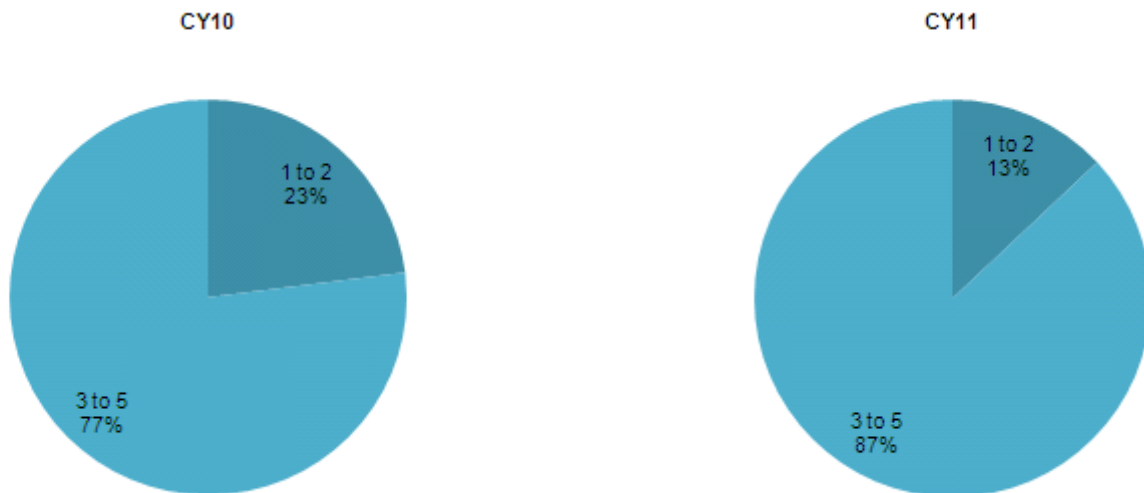
Source : Company, Dolat Research

Geographical Break up (License Revenue)



Source : Company, Dolat Research

License Revenue Break up - Tier Wise



Source : Company, Dolat Research



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BUY	Upside above 20%
ACCUMULATE	Upside above 5% and up to 20%
REDUCE	Upside up to 5%
SELL	Negative Returns

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