



ACI Worldwide, Inc. Reports Financial Results for the Quarter Ended March 31, 2020

May 7, 2020

Q1 HIGHLIGHTS

- Revenue of \$291 million, up 42% from Q1 last year
- Recurring revenue was 84% of total revenue, up from 80% in Q1 last year
- Adjusted EBITDA of \$38 million with net adjusted margin increasing to 19% from 5% in Q1 last year
- Cash flow from operations of \$58 million, up 36% from Q1 last year
- Net loss of \$24 million was consistent with Q1 last year

NAPLES, Fla.--(BUSINESS WIRE)--May 7, 2020-- ACI Worldwide (NASDAQ: ACIW), a leading global provider of real-time electronic payment solutions and software, today announced financial results for the quarter ended March 31, 2020.

"I am pleased to report a solid start to the year. While the COVID-19 pandemic had limited impact on our first quarter results, we continue to assess the ongoing impact. Our top priorities are ensuring the health and safety of our employees as well as providing continuous customer support during this challenging time," commented Odilon Almeida, President and CEO, ACI Worldwide. "While there are challenges and uncertainties around the duration and severity of the outbreak, digital payments are more critical than ever, and the long-term growth drivers in our business and industry remain strong. We are fortunate to have ample liquidity and a resilient business model with a large contractual backlog, substantial recurring revenue and a very stable customer base of large banks, financial intermediaries, billers and merchants with a strong presence in eCommerce payments. During this period, we are focused on maximizing profitability and cash while positioning the company to emerge even stronger. Despite any near-term headwinds, I am confident in ACI's ability to serve our customers and the opportunity to create significant shareholder value through growth acceleration in the medium and long-term. We are building a nimble, agile, fit-for-growth structure and a customer-centric global sales process to better position the company for continuous profitable growth. R&D-focused investment on differentiating innovation coupled with strategic M&A will further accelerate the company's growth and value creation for our shareholders."

Q1 2020 FINANCIAL SUMMARY

New bookings in the quarter were \$120 million, up 72% compared to Q1 last year.

Revenue in the quarter was \$291 million, up 42% compared to Q1 2019 driven primarily by the acquisition of Speedpay. Recurring revenue was 84% of total revenue in Q1 2020 compared to 80% of total revenue in Q1 last year.

Net loss in the quarter of \$24 million was consistent with Q1 last year. Adjusted EBITDA in the quarter was \$38 million, up 371% compared to Q1 last year.

Revenue from ACI's On Demand segment was \$193 million, up 76% from Q1 last year. On Demand segment net adjusted EBITDA margin improved to 22% compared to 0% last year. On Demand segment net adjusted EBITDA margins are adjusted for pass through interchange revenue of \$89 million and \$45 million, for Q1 2020 and Q1 2019, respectively.

Revenue from ACI's On Premise segment was \$99 million, up 3% from Q1 last year. On Premise segment adjusted EBITDA margin was 31% in Q1 2020 versus 29% in Q1 2019.

ACI ended Q1 2020 with a 12-month backlog of \$1.1 billion and a 60-month backlog of \$5.7 billion.

Cash flows from operating activities in the quarter were \$58 million, up 36% from Q1 2019. ACI ended the quarter with \$119 million in cash on hand and \$270 million available on our credit facility. The company paid down \$19 million in debt and repurchased one million shares in the quarter.

GUIDANCE

While a significant portion of our revenues are recurring and we are optimistic about our pipeline of deals, the duration and severity of the outbreak of COVID-19 has caused uncertainty regarding the timing of signing and realizing revenue from new business. As previously announced, we have suspended guidance regarding our financial outlook for the full year 2020. We have taken actions and continue to evaluate additional options to reduce expenses and minimize the impact of COVID-19.

CONFERENCE CALL TO DISCUSS FINANCIAL RESULTS

Management will host a conference call at 8:30 am ET today to discuss these results. Interested persons may access a real-time audio broadcast of the teleconference at <http://investor.aciworldwide.com> or use the following numbers for dial-in participation: US/Canada: (866) 914-7436, international: +1 (817) 385-9117. Please provide your name, the conference name ACI Worldwide, Inc. and conference code 4462434. There will be a replay of the call available for two weeks on (855) 859-2056 for US/Canada callers and +1 (404) 537-3406 for international participants

About ACI Worldwide

ACI Worldwide, the Universal Payments (UP) company, powers electronic payments for more than 6,000 organizations around the world. More than 1,000 of the largest financial institutions and intermediaries, as well as thousands of global merchants, rely on ACI to execute \$14 trillion each day in payments and securities. In addition, myriad organizations utilize our electronic bill presentment and payment services. Through our comprehensive

suite of software solutions delivered on customers' premises or through ACI's private cloud, we provide real-time, immediate payments capabilities and enable the industry's most complete omni-channel payments experience. To learn more about ACI, please visit www.aciworldwide.com. You can also find us on Twitter @ACI_Worldwide.

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To supplement our financial results presented on a GAAP basis, we use the non-GAAP measures indicated in the tables, which exclude significant transaction-related expenses, as well as other significant non-cash expenses such as depreciation, amortization and stock-based compensation, that we believe are helpful in understanding our past financial performance and our future results. The presentation of these non-GAAP financial measures should be considered in addition to our GAAP results and are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. Management generally compensates for limitations in the use of non-GAAP financial measures by relying on comparable GAAP financial measures and providing investors with a reconciliation of non-GAAP financial measures only in addition to and in conjunction with results presented in accordance with GAAP.

We believe that these non-GAAP financial measures reflect an additional way to view aspects of our operations that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business. Certain non-GAAP measures include:

- Adjusted EBITDA: net income (loss) plus income tax expense (benefit), net interest income (expense), net other income (expense), depreciation, amortization and stock-based compensation, as well as significant transaction-related expenses. Adjusted EBITDA should be considered in addition to, rather than as a substitute for, net income (loss).
- Net Adjusted EBITDA Margin: Adjusted EBITDA divided by revenue net of pass through interchange revenue. Net Adjusted EBITDA Margin should be considered in addition to, rather than as a substitute for, net income (loss).

ACI is also presenting adjusted operating free cash flow, which is defined as net cash provided by operating activities and net after-tax payments associated with significant transaction-related expenses, less capital expenditures. Adjusted operating free cash flow is considered a non-GAAP financial measure as defined by SEC Regulation G. We utilize this non-GAAP financial measure, and believe it is useful to investors, as an indicator of cash flow available for debt repayment and other investing activities, such as capital investments and acquisitions. We utilize adjusted operating free cash flow as a further indicator of operating performance and for planning investment activities. Adjusted operating free cash flow should be considered in addition to, rather than as a substitute for, net cash provided by operating activities. A limitation of adjusted operating free cash flow is that it does not represent the total increase or decrease in the cash balance for the period. This measure also does not exclude mandatory debt service obligations and, therefore, does not represent the residual cash flow available for discretionary expenditures. We believe that adjusted operating free cash flow is useful to investors to provide disclosures of our operating results on the same basis as that used by our management.

ACI backlog includes estimates for SaaS and PaaS, license, maintenance, and services revenue specified in executed contracts but excluded from contracted revenue that will be recognized in future periods, as well as revenue from assumed contract renewals to the extent that we believe recognition of the related revenue will occur within the corresponding backlog period. We have historically included assumed renewals in backlog estimates based upon automatic renewal provisions in the executed contract and our historic experience with customer renewal rates.

Backlog is considered a non-GAAP financial measure as defined by SEC Regulation G. Our 60-month backlog estimates are derived using the following key assumptions:

- License arrangements are assumed to renew at the end of their committed term or under the renewal option stated in the contract at a rate consistent with historical experience. If the license arrangement includes extended payment terms, the renewal estimate is adjusted for the effects of a significant financing component.
- Maintenance fees are assumed to exist for the duration of the license term for those contracts in which the committed maintenance term is less than the committed license term.
- SaaS and PaaS arrangements are assumed to renew at the end of their committed term at a rate consistent with our historical experiences.
- Foreign currency exchange rates are assumed to remain constant over the 60-month backlog period for those contracts stated in currencies other than the U.S. dollar.
- Our pricing policies and practices are assumed to remain constant over the 60-month backlog period.

Estimates of future financial results require substantial judgment and are based on several assumptions, as described above. These assumptions may turn out to be inaccurate or wrong for reasons outside of management's control. For example, our customers may attempt to renegotiate or terminate their contracts for many reasons, including mergers, changes in their financial condition, or general changes in economic conditions (e.g. economic declines resulting from COVID-19) in the customer's industry or geographic location. We may also experience delays in the development or delivery of products or services specified in customer contracts, which may cause the actual renewal rates and amounts to differ from historical experiences. Changes in foreign currency exchange rates may also impact the amount of revenue recognized in future periods. Accordingly, there can be no assurance that amounts included in backlog estimates will generate the specified revenues or that the actual revenues will be generated within the corresponding 60-month period. Additionally, because certain components of Committed Backlog and all of Renewal Backlog estimates are operating metrics, the estimates are not required to be subject to the same level of internal review or controls as contracted but not recognized Committed Backlog.

Backlog estimates should be considered in addition to, rather than as a substitute for, reported revenue and contracted but not recognized revenue (including deferred revenue).

FORWARD LOOKING STATEMENTS

This press release contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. Generally, forward-looking statements do not relate strictly to historical or current facts and may include words or phrases such as “believes,” “will,” “expects,” “anticipates,” “intends,” and words and phrases of similar impact. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements in this press release include, but are not limited to, statements regarding: (i) the impact of COVID-19 on our results, (ii) the long-term growth drivers in our business and industry, (iii) our liquidity and resilient business model with a large contractual backlog, substantial recurring revenue and a very stable customer base of large banks, financial intermediaries, billers and merchants, (iv) our confidence in ACI’s ability to serve our customers and the opportunity to create significant shareholder value through growth acceleration in the medium and long-term, (v) our R&D-focused investment on differentiating innovation coupled with strategic M&A to further accelerate the company’s growth, and (vi) our optimism about our pipeline of deals.

All of the foregoing forward-looking statements are expressly qualified by the risk factors discussed in our filings with the Securities and Exchange Commission. Such factors include, but are not limited to, increased competition, the success of our Universal Payments strategy, demand for our products, consolidations and failures in the financial services industry, customer reluctance to switch to a new vendor, failure to obtain renewals of customer contracts or to obtain such renewals on favorable terms, delay or cancellation of customer projects or inaccurate project completion estimates, the complexity of our products and services and the risk that they may contain hidden defects or be subjected to security breaches or viruses, compliance of our products with applicable legislation, governmental regulations and industry standards, our compliance with privacy regulations, our ability to protect customer information from security breaches or attacks, our ability to adequately defend our intellectual property, exposure to credit or operating risks arising from certain payment funding methods, business interruptions or failure of our information technology and communication systems, our offshore software development activities, risks from operating internationally, including fluctuations in currency exchange rates, exposure to unknown tax liabilities, adverse changes in the global economy, worldwide events outside of our control, failure to attract and retain key personnel, litigation, future acquisitions, strategic partnerships and investments, integration of and achieving benefits from the Speedpay acquisition, impairment of our goodwill or intangible assets, restrictions and other financial covenants in our debt agreements, our existing levels of debt, replacement of LIBOR benchmark interest rate, the accuracy of management’s backlog estimates, exposure to unknown tax liabilities, the cyclical nature of our revenue and earnings and the accuracy of forecasts due to the concentration of revenue-generating activity during the final weeks of each quarter, volatility in our stock price, and the COVID-19 pandemic. For a detailed discussion of these risk factors, parties that are relying on the forward-looking statements should review our filings with the Securities and Exchange Commission, including our most recently filed Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q.

ACI WORLDWIDE, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited and in thousands, except share and per share amounts)

| | March 31, 2020 | December 31, 2019 |
|--------------------------------|-------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 119,124 | \$ 121,398 |
| Receivables, net of allowances | 305,647 | 359,197 |
| Settlement assets | 317,156 | 391,039 |
| Prepaid expenses | 32,047 | 24,542 |
| Other current assets | 32,472 | 24,200 |
| Total current assets | 806,446 | 920,376 |
| Noncurrent assets | | |
| Accrued receivables, net | 198,554 | 213,041 |
| Property and equipment, net | 67,893 | 70,380 |

| | | |
|-------------------------------------|---------------------|---------------------|
| Operating lease right-of-use assets | 53,490 | 57,382 |
| Software, net | 225,171 | 234,517 |
| Goodwill | 1,280,226 | 1,280,525 |
| Intangible assets, net | 344,156 | 356,969 |
| Deferred income taxes, net | 63,795 | 51,611 |
| Other noncurrent assets | 70,168 | 72,733 |
| TOTAL ASSETS | \$ 3,109,899 | \$ 3,257,534 |

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities

| | | |
|-----------------------------------|----------------|----------------|
| Accounts payable | \$ 32,166 | \$ 37,010 |
| Settlement liabilities | 297,936 | 368,719 |
| Employee compensation | 35,035 | 29,318 |
| Current portion of long-term debt | 34,177 | 34,148 |
| Deferred revenue | 90,660 | 65,784 |
| Other current liabilities | 66,382 | 76,971 |
| Total current liabilities | 556,356 | 611,950 |

Noncurrent liabilities

| | | |
|------------------------------|------------------|------------------|
| Deferred revenue | 46,104 | 53,155 |
| Long-term debt | 1,321,452 | 1,339,007 |
| Deferred income taxes, net | 31,959 | 32,053 |
| Operating lease liabilities | 43,053 | 46,766 |
| Other noncurrent liabilities | 43,177 | 44,635 |
| Total liabilities | 2,042,101 | 2,127,566 |

Commitments and contingencies

Stockholders' equity

| | | |
|-----------------|-----|-----|
| Preferred stock | — | — |
| Common stock | 702 | 702 |

| | | |
|---|---------------------|---------------------|
| Additional paid-in capital | 656,723 | 667,658 |
| Retained earnings | 906,403 | 930,830 |
| Treasury stock | (398,278) | (377,639) |
| Accumulated other comprehensive loss | (97,752) | (91,583) |
| Total stockholders' equity | 1,067,798 | 1,129,968 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 3,109,899 | \$ 3,257,534 |

ACI WORLDWIDE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited and in thousands, except per share amounts)

| | Three Months Ended March 31, | |
|---|-------------------------------------|-----------------|
| | 2020 | 2019 |
| Revenues | | |
| Software as a service and platform as a service | \$ 192,950 | \$ 108,557 |
| License | 28,129 | 21,078 |
| Maintenance | 53,280 | 55,111 |
| Services | 17,126 | 21,109 |
| Total revenues | 291,485 | 205,855 |
| Operating expenses | | |
| Cost of revenue (1) | 165,837 | 114,941 |
| Research and development | 39,024 | 36,194 |
| Selling and marketing | 30,083 | 29,430 |
| General and administrative | 35,926 | 31,517 |
| Depreciation and amortization | 31,898 | 21,866 |
| Total operating expenses | 302,768 | 233,948 |
| Operating loss | (11,283) | (28,093) |
| Other income (expense) | | |
| Interest expense | (17,171) | (11,614) |
| Interest income | 2,900 | 3,033 |

| | | |
|---|--------------------|--------------------|
| Other, net | (9,758) | (1,912) |
| Total other income (expense) | (24,029) | (10,493) |
| Loss before income taxes | (35,312) | (38,586) |
| Income tax benefit | (10,885) | (12,623) |
| Net loss | \$ (24,427) | \$ (25,963) |
| Loss per common share | | |
| Basic | \$ (0.21) | \$ (0.22) |
| Diluted | \$ (0.21) | \$ (0.22) |
| Weighted average common shares outstanding | | |
| Basic | 116,006 | 116,090 |
| Diluted | 116,006 | 116,090 |

(1) The cost of revenue excludes charges for depreciation but includes amortization of purchased and developed software for resale.

ACI WORLDWIDE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in thousands)

| | Three Months Ended March 31, | |
|--|-------------------------------------|-------------|
| | 2020 | 2019 |
| Cash flows from operating activities: | | |
| Net loss | \$ (24,427) | \$ (25,963) |
| Adjustments to reconcile net loss to net cash flows from operating activities: | | |
| Depreciation | 5,825 | 5,901 |
| Amortization | 27,997 | 18,951 |
| Amortization of operating lease right-of-use assets | 3,556 | 3,383 |
| Amortization of deferred debt issuance costs | 1,212 | 753 |
| Deferred income taxes | (10,413) | (17,414) |
| Stock-based compensation expense | 6,950 | 6,585 |
| Other | 650 | 574 |
| Changes in operating assets and liabilities, net of impact of acquisitions: | | |

| | | |
|--|------------|------------|
| Receivables | 48,699 | 94,549 |
| Accounts payable | (6,087) | (10,297) |
| Accrued employee compensation | 6,985 | (8,598) |
| Current income taxes | (5,361) | (1,041) |
| Deferred revenue | 22,495 | (4,127) |
| Other current and noncurrent assets and liabilities | (20,581) | (20,829) |
| Net cash flows from operating activities | 57,500 | 42,427 |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (3,597) | (5,250) |
| Purchases of software and distribution rights | (6,541) | (4,578) |
| Net cash flows from investing activities | (10,138) | (9,828) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock | 947 | 831 |
| Proceeds from exercises of stock options | 400 | 4,857 |
| Repurchase of stock-based compensation awards for tax withholdings | (10,973) | (2,624) |
| Repurchases of common stock | (28,881) | (631) |
| Proceeds from revolving credit facility | 30,000 | — |
| Repayment of revolving credit facility | (39,000) | — |
| Repayment of term portion of credit agreement | (9,737) | (5,937) |
| Payments on or proceeds from other debt, net | (3,593) | (1,857) |
| Net cash flows from financing activities | (60,837) | (5,361) |
| Effect of exchange rate fluctuations on cash | 11,201 | 433 |
| Net increase (decrease) in cash and cash equivalents | (2,274) | 27,671 |
| Cash and cash equivalents, beginning of period | 121,398 | 148,502 |
| Cash and cash equivalents, end of period | \$ 119,124 | \$ 176,173 |

Adjusted EBITDA (millions)

Three Months Ended March 31,

2020

2019

| | | |
|--|----------------|---------------|
| Net loss | \$ (24.4) | \$ (26.0) |
| Plus: | | |
| Income tax benefit | (10.9) | (12.6) |
| Net interest expense | 14.3 | 8.6 |
| Net other expense | 9.8 | 1.9 |
| Depreciation expense | 5.8 | 5.9 |
| Amortization expense | 28.0 | 19.0 |
| Non-cash stock-based compensation expense | 7.0 | 6.6 |
| Adjusted EBITDA before significant transaction-related expenses | \$ 29.6 | \$ 3.4 |
| Significant transaction-related expenses | 8.5 | 4.7 |
| Adjusted EBITDA | \$ 38.1 | \$ 8.1 |

Segment Information (millions) Three Months Ended March 31,

| | 2020 | 2019 |
|----------------|-------------|-------------|
| Revenue | | |
| ACI On Demand | \$ 193.0 | \$ 109.9 |
| ACI On Premise | 98.5 | 96.0 |
| Total | \$ 291.5 | \$ 205.9 |

Segment Adjusted EBITDA

| | | |
|----------------|---------|----------|
| ACI On Demand | \$ 23.1 | \$ (0.3) |
| ACI On Premise | \$ 30.9 | \$ 28.3 |

Reconciliation of Adjusted Operating Free Cash Flow (millions)

Three Months Ended March 31,

| | 2020 | 2019 |
|---|----------------|----------------|
| Net cash flows from operating activities | \$ 57.5 | \$ 42.4 |
| Net after-tax payments associated with significant transaction-related expenses | 4.0 | 2.8 |
| Less: capital expenditures | (10.1) | (9.8) |
| Adjusted Operating Free Cash Flow | \$ 51.4 | \$ 35.4 |

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