UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2022

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 0-25346

ACI WORLDWIDE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**47-0772104**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2811 Ponce de Leon Blvd PH 1 Coral Gables, Florida	**33134**
(Address of principal executive offices)	**(Zip code)**

(305) 894-2200

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of the Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 2, 2022, there were 114,786,563 shares of the registrant's common stock outstanding.

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.005 par value	**ACIW**	**Nasdaq Global Select Market**

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2022	December 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	$ 114,754	$ 122,059
Receivables, net of allowances of $2,980 and $2,861, respectively	310,778	320,405
Settlement assets	531,804	452,396
Prepaid expenses	33,465	24,698
Other current assets	18,926	17,876
Total current assets	1,009,727	937,434
Noncurrent assets		
Accrued receivables, net	276,731	276,164
Property and equipment, net	60,770	63,050
Operating lease right-of-use assets	47,161	47,825
Software, net	146,952	157,782
Goodwill	1,280,226	1,280,226
Intangible assets, net	273,527	283,004
Deferred income taxes, net	51,243	50,778
Other noncurrent assets	64,108	62,478
TOTAL ASSETS	$ 3,210,445	$ 3,158,741
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 38,929	$ 41,312
Settlement liabilities	531,148	451,575
Employee compensation	32,316	51,379
Current portion of long-term debt	50,778	45,870
Deferred revenue	92,518	84,425
Other current liabilities	67,923	79,594
Total current liabilities	813,612	754,155
Noncurrent liabilities		
Deferred revenue	27,790	25,925
Long-term debt	1,036,380	1,019,872
Deferred income taxes, net	32,519	36,122
Operating lease liabilities	41,718	43,346
Other noncurrent liabilities	33,759	34,544
Total liabilities	1,985,778	1,913,964
Commitments and contingencies		
Stockholders' equity		
Preferred stock; $0.01 par value; 5,000,000 shares authorized; no shares issued at March 31, 2022, and December 31, 2021	—	—
Common stock; $0.005 par value; 280,000,000 shares authorized; 140,525,055 shares issued at March 31, 2022, and December 31, 2021	702	702
Additional paid-in capital	685,354	688,313
Retained earnings	1,146,771	1,131,281
Treasury stock, at cost, 25,439,428 and 24,795,009 shares at March 31, 2022, and December 31, 2021, respectively	(506,513)	(475,972)
Accumulated other comprehensive loss	(101,647)	(99,547)
Total stockholders' equity	1,224,667	1,244,777
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 3,210,445	$ 3,158,741

The accompanying notes are an integral part of the condensed consolidated financial statements.

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

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Revenues		
Software as a service and platform as a service	$ 194,562	$ 195,746
License	60,285	21,202
Maintenance	51,418	52,363
Services	16,815	15,875
Total revenues	323,080	285,186
Operating expenses		
Cost of revenue (1)	166,286	159,485
Research and development	37,807	34,514
Selling and marketing	34,608	28,138
General and administrative	25,875	27,775
Depreciation and amortization	30,838	31,584
Total operating expenses	295,414	281,496
Operating income	27,666	3,690
Other income (expense)		
Interest expense	(10,894)	(11,475)
Interest income	3,159	2,854
Other, net	2,250	(1,382)
Total other income (expense)	(5,485)	(10,003)
Income (loss) before income taxes	22,181	(6,313)
Income tax expense (benefit)	6,691	(4,368)
Net income (loss)	$ 15,490	$ (1,945)
Income (loss) per common share		
Basic	$ 0.13	$ (0.02)
Diluted	$ 0.13	$ (0.02)
Weighted average common shares outstanding		
Basic	115,287	117,491
Diluted	116,098	117,491

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

The accompanying notes are an integral part of the condensed consolidated financial statements.

ACI WORLDWIDE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited and in thousands)

	Three Months Ended March 31,	
	2022	2021
Net income (loss)	$ 15,490	$ (1,945)
Other comprehensive loss:		
Foreign currency translation adjustments	(2,100)	(3,116)
Total other comprehensive loss	(2,100)	(3,116)
Comprehensive income (loss)	$ 13,390	$ (5,061)

The accompanying notes are an integral part of the condensed consolidated financial statements.

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

	Three Months Ended March 31, 2022					
	Common Stock	**Additional Paid-in Capital**	**Retained Earnings**	**Treasury Stock**	**Accumulated Other Comprehensive Loss**	**Total**
Balance as of December 31, 2021	$ 702	$ 688,313	$ 1,131,281	$ (475,972)	$ (99,547)	$ 1,244,777
Net income	—	—	15,490	—	—	15,490
Other comprehensive loss	—	—	—	—	(2,100)	(2,100)
Stock-based compensation	—	7,958	—	—	—	7,958
Shares issued and forfeited, net, under stock plans	—	(10,917)	—	12,856	—	1,939
Repurchase of 1,131,248 shares of common stock	—	—	—	(37,860)	—	(37,860)
Repurchase of stock-based compensation awards for tax withholdings	—	—	—	(5,537)	—	(5,537)
Balance as of March 31, 2022	$ 702	$ 685,354	$ 1,146,771	$ (506,513)	$ (101,647)	$ 1,224,667

	Three Months Ended March 31, 2021					
	Common Stock	**Additional Paid-in Capital**	**Retained Earnings**	**Treasury Stock**	**Accumulated Other Comprehensive Loss**	**Total**
Balance as of December 31, 2020	$ 702	$ 682,431	$ 1,003,490	$ (387,581)	$ (92,445)	$ 1,206,597
Net loss	—	—	(1,945)	—	—	(1,945)
Other comprehensive loss	—	—	—	—	(3,116)	(3,116)
Stock-based compensation	—	6,703	—	—	—	6,703
Shares issued and forfeited, net, under stock plans	—	(19,116)	—	22,800	—	3,684
Repurchase of stock-based compensation awards for tax withholdings	—	—	—	(14,206)	—	(14,206)
Balance as of March 31, 2021	$ 702	$ 670,018	$ 1,001,545	$ (378,987)	$ (95,561)	$ 1,197,717

The accompanying notes are an integral part of the condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net income (loss)	$ 15,490	$ (1,945)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation	4,981	5,416
Amortization	26,508	28,167
Amortization of operating lease right-of-use assets	2,716	2,345
Amortization of deferred debt issuance costs	1,153	1,182
Deferred income taxes	(3,367)	(6,078)
Stock-based compensation expense	7,958	6,703
Other	601	(106)
Changes in operating assets and liabilities:		
Receivables	9,660	76,135
Accounts payable	(2,748)	(2,808)
Accrued employee compensation	(19,138)	(12,725)
Deferred revenue	9,949	8,152
Other current and noncurrent assets and liabilities	(24,889)	(34,681)
Net cash flows from operating activities	28,874	69,757
Cash flows from investing activities:		
Purchases of property and equipment	(2,280)	(4,346)
Purchases of software and distribution rights	(6,207)	(8,053)
Net cash flows from investing activities	(8,487)	(12,399)
Cash flows from financing activities:		
Proceeds from issuance of common stock	906	1,052
Proceeds from exercises of stock options	1,022	2,799
Repurchase of stock-based compensation awards for tax withholdings	(5,537)	(14,206)
Repurchases of common stock	(37,860)	—
Proceeds from revolving credit facility	40,000	—
Repayment of revolving credit facility	(10,000)	(15,000)
Repayment of term portion of credit agreement	(9,738)	(9,738)
Payments on or proceeds from other debt, net	(4,186)	(3,600)
Net decrease in settlement assets and liabilities	(605)	(71,264)
Net cash flows from financing activities	(25,998)	(109,957)
Effect of exchange rate fluctuations on cash	(2,464)	(41)
Net decrease in cash and cash equivalents	(8,075)	(52,640)
Cash and cash equivalents, including settlement deposits, beginning of period	184,142	265,382
Cash and cash equivalents, including settlement deposits, end of period	$ 176,067	$ 212,742
Reconciliation of cash and cash equivalents to the Consolidated Balance Sheets		
Cash and cash equivalents	$ 114,754	$ 184,364
Settlement deposits	61,313	28,378
Total cash and cash equivalents, including settlement deposits	$ 176,067	$ 212,742
Supplemental cash flow information		
Income taxes paid	$ 8,418	$ 10,713
Interest paid	$ 15,492	$ 15,954

The accompanying notes are an integral part of the condensed consolidated financial statements.

ACI WORLDWIDE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Condensed Consolidated Financial Statements

The unaudited condensed consolidated financial statements include the accounts of ACI Worldwide, Inc. and its wholly-owned subsidiaries (collectively, the "Company"). All intercompany balances and transactions have been eliminated. The condensed consolidated financial statements as of March 31, 2022, and for the three months ended March 31, 2022 and 2021, are unaudited and reflect all adjustments of a normal recurring nature, which are, in the opinion of management, necessary for a fair presentation, in all material respects, of the financial position and operating results for the interim periods. The condensed consolidated balance sheet as of December 31, 2021, is derived from the audited financial statements.

The condensed consolidated financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2021, filed on February 24, 2022. Results for the three months ended March 31, 2022, are not necessarily indicative of results that may be attained in the future.

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are affected by management's application of accounting policies, as well as uncertainty in the current economic environment due to COVID-19. Actual results could differ from those estimates.

Revision of Prior Period Financial Statements

As of December 31, 2021, the Company revised the previously reported consolidated statements of cash flows to include settlement deposits in total cash and cash equivalents and settlement receivables and settlement liabilities net activity in cash flows from financing activities, both of which were previously included in cash flows from operating activities. This immaterial revision did not have an effect on its previously reported consolidated balance sheets, statements of operations, statements of comprehensive income, or statements of stockholders' equity.

A summary of the revisions to the previously reported balances are presented in the table below for comparative purposes (in thousands):

	Three Months Ended March 31, 2021		
	As reported	**Revision adjustment**	**As revised**
Cash flows from operating activities:			
Other current and noncurrent assets and liabilities	$ (34,315)	$ (366)	$ (34,681)
Net cash flows from operating activities	70,123	(366)	69,757
Cash flows from financing activities:			
Net decrease in settlement assets and liabilities	$ —	$ (71,264)	$ (71,264)
Net cash flows from financing activities	(38,693)	(71,264)	(109,957)
Net increase (decrease) in cash and cash equivalents	$ 18,990	$ (71,630)	$ (52,640)
Cash and cash equivalents, including settlement deposits, beginning of period	165,374	100,008	265,382
Cash and cash equivalents, including settlement deposits, end of period	184,364	28,378	212,742

Other Current Liabilities

The components of other current liabilities are included in the following table (in thousands):

	March 31, 2022	December 31, 2021
Operating lease liabilities	$ 12,226	$ 11,518
Vendor financed licenses	9,729	12,521
Accrued interest	3,020	8,776
Royalties payable	2,331	4,102
Other	40,617	42,677
Total other current liabilities	$ 67,923	$ 79,594

Settlement Assets and Liabilities

Individuals and businesses settle their obligations to the Company's various Biller clients using credit or debit cards or via automated clearing house ("ACH") payments. The Company creates a receivable for the amount due from the credit or debit card processor and an offsetting payable to the client. Upon confirmation that the funds have been received, the Company settles the obligation to the client. Due to timing, in some instances, the Company may (1) receive the funds into bank accounts controlled by and in the Company's name that are not disbursed to its clients by the end of the day, resulting in a settlement deposit on the Company's books and (2) disburse funds to its clients in advance of receiving funds from the credit or debit card processor, resulting in a net settlement receivable position.

Off Balance Sheet Settlement Accounts

The Company also enters into agreements with certain Biller clients to process payment funds on their behalf. When an ACH or automated teller machine network payment transaction is processed, a transaction is initiated to withdraw funds from the designated source account and deposit them into a settlement account, which is a trust account maintained for the benefit of the Company's clients. A simultaneous transaction is initiated to transfer funds from the settlement account to the intended destination account. These "back to back" transactions are designed to settle at the same time, usually overnight, such that the Company receives the funds from the source at the same time as it sends the funds to their destination. However, due to the transactions being with various financial institutions there may be timing differences that result in float balances. These funds are maintained in accounts for the benefit of the client, which is separate from the Company's corporate assets. As the Company does not take ownership of the funds, these settlement accounts are not included in the Company's balance sheet. The Company is entitled to interest earned on the fund balances. The collection of interest on these settlement accounts is considered in the Company's determination of its fee structure for clients and represents a portion of the payment for services performed by the Company. The amount of settlement funds as of March 31, 2022, and December 31, 2021, was $198.1 million and $272.8 million, respectively.

Fair Value

The fair value of the Company's Credit Agreement approximates the carrying value due to the floating interest rate (Level 2 of the fair value hierarchy). The Company measures the fair value of its Senior Notes based on Level 2 inputs, which include quoted market prices and interest rate spreads of similar securities. The fair value of the Company's 5.750% Senior Notes due 2026 ("2026 Notes") was $411.5 million and $419.0 million as of March 31, 2022, and December 31, 2021, respectively.

The fair values of cash and cash equivalents approximate the carrying values due to the short period of time to maturity (Level 2 of the fair value hierarchy).

Goodwill

In accordance with the Accounting Standards Codification ("ASC") 350, *Intangibles – Goodwill and Other*, the Company assesses goodwill for impairment annually during the fourth quarter of its fiscal year using October 1 balances or when there is evidence that events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company evaluates goodwill at the reporting unit level and has identified its operating segments, Banks, Merchants, and Billers, as the reporting units. As of March 31, 2022, the Company's goodwill balance of $1.3 billion was allocated $725.9 million to Banks, $137.3 million to Merchants, and $417.0 million to Billers.

Recoverability of goodwill is measured using a discounted cash flow model incorporating discount rates commensurate with the risks involved. Use of a discounted cash flow model is common practice in impairment testing in the absence of available transactional market evidence to determine the fair value. The calculated fair value was substantially in excess of the current carrying value for all reporting units based upon the October 1, 2021, annual impairment test and there have been no indications of impairment in the subsequent periods.

Equity Method Investment

In July 2019, the Company invested $18.3 million for a 30% non-controlling financial interest in a payment technology and services company in India. The Company accounted for this investment using the equity method in accordance with ASC 323, *Investments - Equity Method and Joint Ventures*. The Company records its share of earnings and losses in the investment on a one-quarter lag basis. Accordingly, the Company recorded an investment of $18.9 million and $19.3 million, which is included in other noncurrent assets in the condensed consolidated balance sheet as of March 31, 2022, and December 31, 2021, respectively.

2. Revenue

In accordance with ASC 606, *Revenue From Contracts With Customers*, revenue is recognized upon transfer of control of promised products and/or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products and services. Revenue is recognized net of any taxes collected from customers and subsequently remitted to governmental authorities. See Note 9, *Segment Information,* for additional information, including disaggregation of revenue based on primary solution category.

Total receivables represent amounts billed and amounts earned that are to be billed in the future (i.e., accrued receivables). Included in accrued receivables are services, software as a service ("SaaS"), and platform as a service ("PaaS") revenues earned in the current period but billed in the following period, and amounts due under multi-year software license arrangements with extended payment terms for which the Company has an unconditional right to invoice and receive payment subsequent to invoicing.

Total receivables, net is comprised of the following (in thousands):

	March 31, 2022	December 31, 2021
Billed receivables	$ 152,027	$ 162,479
Allowance for doubtful accounts	(2,980)	(2,861)
Billed receivables, net	149,047	159,618
Current accrued receivables, net	161,731	160,787
Long-term accrued receivables, net	276,731	276,164
Total accrued receivables, net	438,462	436,951
Total receivables, net	$ 587,509	$ 596,569

One customer accounted for 13.8% of the Company's consolidated receivables balance as of March 31, 2022 and December 31, 2021.

Deferred revenue includes amounts due or received from customers for software licenses, maintenance, services, and/or SaaS and PaaS services in advance of recording the related revenue.

Changes in deferred revenue were as follows (in thousands):

Balance, December 31, 2021	$	110,350
Deferral of revenue		38,201
Recognition of deferred revenue		(28,109)
Foreign currency translation		(133)
Balance, March 31, 2022	$	120,308

Revenue allocated to remaining performance obligations represents contracted revenue that will be recognized in future periods, which is comprised of deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. This does not include:

- Revenue that will be recognized in future periods from capacity overages that are accounted for as a usage-based royalty.
- SaaS and PaaS revenue from variable consideration that will be recognized in accordance with the 'right to invoice' practical expedient or meets the allocation objective.

Revenue allocated to remaining performance obligations was $788.8 million as of March 31, 2022, of which the Company expects to recognize approximately 45% over the next 12 months and the remainder thereafter.

During the three months ended March 31, 2022 and 2021, revenue recognized by the Company from performance obligations satisfied in previous periods was not significant.

3. Debt

As of March 31, 2022, the Company had $30.0 million, $668.4 million, and $400.0 million outstanding under its Revolving Credit Facility, Term Loans, and Senior Notes, respectively, with up to $468.5 million of unused borrowings under the Revolving Credit Facility portion of the Credit Agreement, as amended, and up to $1.5 million of unused borrowings under the Letter of Credit agreement. The amount of unused borrowings actually available varies in accordance with the terms of the agreement.

Credit Agreement

On April 5, 2019, the Company and its wholly-owned subsidiaries, ACI Worldwide Corp. and ACI Payments, Inc. entered into the Second Amended and Restated Credit Agreement (the "Credit Agreement") with the lenders, and Bank of America, N.A., as administrative agent for the lenders, to amend and restate the Company's existing agreement, as amended, dated February 24, 2017.

The Credit Agreement consists of (a) a five-year $500.0 million senior secured revolving credit facility (the "Revolving Credit Facility"), which includes sublimits for (1) the issuance of standby letters of credit and (2) swingline loans, (b) a five-year $279.0 million senior secured term loan facility (the "Initial Term Loan") and (c) a five-year $500.0 million Delayed Draw Term Loan (together with the Initial Term Loan, the "Term Loans", and together with the Initial Term Loan and the Revolving Credit Facility, the "Credit Facility"). The Credit Agreement also allows the Company to request optional incremental term loans and increases in the revolving commitment. The Credit Facility will mature on April 5, 2024.

At the Company's option, borrowings under the Credit Facility bear interest at an annual rate equal to, either (a) a base rate determined by reference to the highest of (1) the annual interest rate publicly announced by the administrative agent as its Prime Rate, (2) the federal funds effective rate plus 1/2 of 1%, or (3) a London Interbank Offered Rate ("LIBOR") rate determined by reference to the costs of funds for U.S. dollar deposits for a one-month interest period, adjusted for certain additional costs, plus 1% or (b) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant to such borrowings, adjusted for certain additional costs, plus an applicable margin. Based on the calculation of the applicable consolidated total leverage ratio, the applicable margin for borrowings under the Credit Facility is between 0.25% to 1.25% with respect to base rate borrowings and between 1.25% and 2.25% with respect to LIBOR rate borrowings. Interest is due and payable monthly. The interest rate in effect for the Credit Facility as of March 31, 2022, was 2.20%.

The Company is also required to pay (a) a commitment fee related to the unutilized commitments under the Revolving Credit Facility, payable quarterly in arrears, (b) letter of credit fees on the maximum amount available to be drawn under all outstanding letters of credit in an amount equal to the applicable margin on LIBOR rate borrowings under the Revolving Credit Facility on an annual basis, payable quarterly in arrears, and (c) customary fronting fees for the issuance of letters of credit fees and agency fees.

Expected Discontinuation of LIBOR

The administrator of LIBOR announced it would cease publication of the U.S. dollar LIBOR settings immediately following the LIBOR publication on June 30, 2023. The Alternative Reference Rates Committee has proposed the Secured Overnight Financing Rate ("SOFR") as its recommended alternative to LIBOR, and the first publication of SOFR rates was released in April 2018.

The Company is evaluating the potential impact of the transition from LIBOR as an interest rate benchmark to other potential alternative reference rates, including SOFR. The Company's Credit Agreement is currently indexed to U.S dollar LIBOR and the maturity date of the Credit Agreement extends beyond June 30, 2023. The Credit Agreement contemplates the discontinuation of LIBOR and provides options for the Company in such an event. The Company will continue to actively assess the related opportunities and risks involved in this transition.

Senior Notes

On August 21, 2018, the Company completed a $400.0 million offering of the 2026 Notes at an issue price of 100% of the principal amount in a private placement for resale to qualified institutional buyers. The 2026 Notes bear interest at an annual rate of 5.750%, payable semi-annually in arrears on February 15 and August 15 of each year. The 2026 Notes will mature on August 15, 2026.

Maturities on debt outstanding as of March 31, 2022, are as follows (in thousands):

Fiscal Year Ending December 31,		
Remainder of 2022	$	40,694
2023		69,906
2024		587,823
2025		—
2026		400,000
Thereafter		—
Total	$	1,098,423

As of March 31, 2022, and at all times during the period, the Company was in compliance with its financial debt covenants.

Total debt is comprised of the following (in thousands):

		March 31, 2022		**December 31, 2021**
Term loans	$	668,423	$	678,160
Revolving credit facility		30,000		—
5.750% Senior notes, due August 2026		400,000		400,000
Debt issuance costs		(11,265)		(12,418)
Total debt		1,087,158		1,065,742
Less: current portion of term loans		55,300		50,431
Less: current portion of debt issuance costs		(4,522)		(4,561)
Total long-term debt	$	1,036,380	$	1,019,872

Overdraft Facility

In 2019, the Company and ACI Payments, Inc. entered in to an uncommitted overdraft facility with Bank of America, N.A. The overdraft facility bears interest at the federal funds effective rate plus 2.250% based on the Company's average outstanding balance and the frequency in which overdrafts occur. The overdraft facility acts as a secured loan under the terms of the Credit Agreement to provide an additional funding mechanism for timing differences that can occur in the bill payment settlement process. Amounts outstanding on the overdraft facility are included in other current liabilities in the condensed consolidated balance sheet. As of March 31, 2022, there was $75.0 million available and no amount outstanding on the overdraft facility. As of December 31, 2021, there was no amount outstanding on the overdraft facility.

Other

The Company finances certain multi-year license agreements for internal-use software. Upon execution, these arrangements have been treated as a non-cash investing and financing activity for purposes of the condensed consolidated statements of cash flows. As of March 31, 2022, $2.3 million was outstanding on these agreements, all of which is included in other current liabilities in the condensed consolidated balance sheet. As of December 31, 2021, $2.9 million was outstanding on these agreements, all of which is included in other current liabilities in the condensed consolidated balance sheet.

4. Software and Other Intangible Assets

The carrying amount and accumulated amortization of the Company's software assets subject to amortization at each balance sheet date are as follows (in thousands):

	March 31, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Balance	Gross Carrying Amount	Accumulated Amortization	Net Balance
Software for internal use	$ 443,487	$ (296,535)	$ 146,952	$ 440,242	$ (283,109)	$ 157,133
Software for resale	126,934	(126,934)	—	127,904	(127,255)	649
Total software	$ 570,421	$ (423,469)	$ 146,952	$ 568,146	$ (410,364)	$ 157,782

Amortization of software for internal use is computed using the straight-line method over an estimated useful life of generally three to eight years. Software for internal use amortization expense recorded during the three months ended March 31, 2022 and 2021, totaled $16.7 million and $16.9 million, respectively. These software amortization expense amounts are reflected in depreciation and amortization in the condensed consolidated statements of operations.

Amortization of software for resale is computed using the greater of (a) the ratio of current gross revenues to the total of current and future gross revenues expected to be derived from the software or (b) the straight-line method over the remaining estimated useful life of generally five to ten years. Software for resale amortization expense recorded during the three months ended March 31, 2022 and 2021, totaled $0.7 million and $2.0 million, respectively. These software amortization expense amounts are reflected in cost of revenue in the condensed consolidated statements of operations.

The carrying amount and accumulated amortization of the Company's other intangible assets subject to amortization at each balance sheet date are as follows (in thousands):

	March 31, 2022			December 31, 2021		
	Gross Carrying Amount	Accumulated Amortization	Net Balance	Gross Carrying Amount	Accumulated Amortization	Net Balance
Customer relationships	$ 507,264	$ (238,384)	$ 268,880	$ 507,962	$ (230,152)	$ 277,810
Trademarks and trade names	23,701	(19,054)	4,647	23,839	(18,645)	5,194
Total other intangible assets	$ 530,965	$ (257,438)	$ 273,527	$ 531,801	$ (248,797)	$ 283,004

Other intangible assets amortization expense recorded during both the three months ended March 31, 2022 and 2021, totaled $9.2 million and $9.3 million, respectively.

Based on capitalized intangible assets as of March 31, 2022, estimated amortization expense amounts in future fiscal years are as follows (in thousands):

Fiscal Year Ending December 31,	Software Amortization	Other Intangible Assets Amortization
Remainder of 2022	$ 46,543	$ 27,385
2023	44,509	36,231
2024	27,692	31,754
2025	20,353	23,232
2026	7,801	23,232
Thereafter	54	131,693
Total	$ 146,952	$ 273,527

5. Stock-Based Compensation Plans

Employee Stock Purchase Plan

Shares issued under the 2017 Employee Stock Purchase Plan during the three months ended March 31, 2022 and 2021, totaled 31,406 and 27,117, respectively.

Stock Options

A summary of stock option activity is as follows:

	Number of Shares	Weighted Average Exercise Price ($)	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value of In-the-Money Options ($)
Outstanding as of December 31, 2021	1,640,319	$ 18.42		
Exercised	(57,083)	17.91		
Outstanding as of March 31, 2022	1,583,236	$ 18.44	3.12	$ 20,657,176
Exercisable as of March 31, 2022	1,583,236	$ 18.44	3.12	$ 20,657,176

The total intrinsic value of stock options exercised during the three months ended March 31, 2022 and 2021, was $0.9 million and $3.1 million, respectively. There were no stock options granted during the three months ended March 31, 2022 or 2021.

Total Shareholder Return Awards

A summary of nonvested total shareholder return awards ("TSRs") is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested as of December 31, 2021	1,154,721	$ 40.10
Granted	520,020	42.99
Vested	(212,210)	45.86
Forfeited	(7,114)	43.22
Change in payout rate	(114,355)	45.92
Nonvested as of March 31, 2022	1,341,062	$ 39.79

During the three months ended March 31, 2022, a total of 212,210 TSRs awards granted in fiscal 2019 vested and achieved a payout rate of 65% based on the Company's total shareholder return as compared to a group of peer companies over a three-year performance period. The Company withheld 47,612 of those shares to pay the employees’ portion of the minimum payroll withholding taxes.

The fair value of TSRs granted during the three months ended March 31, 2022 and 2021, were estimated on the date of grant using the Monte Carlo simulation model, acceptable under ASC 718, *Compensation - Stock Compensation*, using the following weighted average assumptions:

	Three Months Ended March 31,	
	2022	2021
Expected life (years)	3.1	2.8
Risk-free interest rate	1.5 %	0.3 %
Expected volatility	40.0 %	41.2 %
Expected dividend yield	—	—

Restricted Share Units

A summary of nonvested restricted share unit awards ("RSUs") is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested as of December 31, 2021	946,151	$ 33.57
Granted	756,517	31.69
Vested	(356,079)	31.72
Forfeited	(9,364)	33.38
Nonvested as of March 31, 2022	1,337,225	$ 33.00

During the three months ended March 31, 2022, a total of 356,079 RSUs vested. The Company withheld 122,337 of those shares to pay the employees’ portion of the minimum payroll withholding taxes.

As of March 31, 2022, there were unrecognized compensation costs of $39.6 million and $36.1 million related to nonvested RSUs and TSRs, respectively, which the Company expects to recognize over weighted average periods of 2.4 years.

The Company recorded stock-based compensation expense recognized under ASC 718 for the three months ended March 31, 2022 and 2021, of $8.0 million and $6.7 million, respectively, with corresponding tax benefits of $1.1 million and $1.0 million, respectively.

6. Common Stock and Treasury Stock

In 2005, the board approved a stock repurchase program authorizing the Company, as market and business conditions warrant, to acquire its common stock and periodically authorize additional funds for the program. In December 2021, the board approved the repurchase of the Company's common stock of up to $250.0 million, in place of the remaining purchase amounts previously authorized.

The Company repurchased 1,131,248 shares for $37.9 million during the three months ended March 31, 2022. Under the program to date, the Company has repurchased 50,488,743 shares for approximately $757.6 million. As of March 31, 2022, the maximum remaining amount authorized for purchase under the stock repurchase program was $178.4 million.

7. Earnings (Loss) Per Share

Basic earnings (loss) per share is computed in accordance with ASC 260, *Earnings Per Share*, based on weighted average outstanding common shares. Diluted earnings (loss) per share is computed based on basic weighted average outstanding common shares adjusted for the dilutive effect of stock options, RSUs, and certain contingently issuable shares for which performance targets have been achieved.

The following table reconciles the weighted average share amounts used to compute both basic and diluted earnings (loss) per share (in thousands):

	Three Months Ended March 31,	
	2022	**2021**
Weighted average shares outstanding:		
Basic weighted average shares outstanding	115,287	117,491
Add: Dilutive effect of stock options and RSUs	811	—
Diluted weighted average shares outstanding	116,098	117,491

The diluted earnings (loss) per share computation excludes 1.8 million and 4.5 million options to purchase shares, RSUs, and contingently issuable shares during the three months ended March 31, 2022 and 2021, respectively, as their effect would be anti-dilutive.

Common stock outstanding as of March 31, 2022, and December 31, 2021, was 115,085,627 and 115,730,046, respectively.

8. Other, Net

Other, net is primarily comprised of foreign currency transaction gains and losses. Other, net was $2.3 million of income and $1.4 million of expense for the three months ended March 31, 2022 and 2021, respectively.

9. Segment Information

The Company reports financial performance based on its operating segments, Banks, Merchants, and Billers, and analyzes Segment Adjusted EBITDA as a measure of segment profitability.

The Company’s Chief Executive Officer is also the chief operating decision maker ("CODM"). The CODM, together with other senior management personnel, focus their review on consolidated financial information and the allocation of resources based on operating results, including revenues and Segment Adjusted EBITDA, for each segment, separate from Corporate operations. No operating segments have been aggregated to form the reportable segments.

Banks. ACI provides payment solutions to large and mid-size banks globally for retail banking, real time, digital, and other payment services. These solutions transform banks’ complex payment environments to speed time to market, reduce costs, and deliver a consistent experience to customers across channels while enabling them to prevent and rapidly react to fraudulent activity. In addition, they enable banks to meet the requirements of different real-time payments schemes and to quickly create differentiated products to meet consumer, business, and merchant demands.

Merchants. ACI’s support of merchants globally includes Tier 1 and Tier 2 merchants, online-only merchants and the payment service providers, independent selling organizations, value-added resellers, and acquirers who service them. These customers operate in a variety of verticals, including general merchandise, grocery, hospitality, dining, transportation, and others. The Company's solutions provide merchants with a secure, omni-channel payments platform that gives them independence from third-party payment providers. They also offer secure solutions to online-only merchants that provide consumers with a convenient and seamless way to shop.

Billers. Within the billers segment, ACI provides electronic bill presentment and payment (“EBPP”) services to companies operating in the consumer finance, insurance, healthcare, higher education, utility, government, and mortgage categories. The solutions enable these customers to support a wide range of payment options and provide a convenient consumer payments experience that drives consumer loyalty and increases revenue.

Revenue is attributed to the reportable segments based upon the customer. Expenses are attributed to the reportable segments in one of three methods: (1) direct costs of the segment, (2) labor costs that can be attributed based upon time tracking for individual projects, or (3) costs that are allocated. Allocated costs are generally marketing and sales related activities.

Segment Adjusted EBITDA is the measure reported to the CODM for purposes of making decisions on allocating resources and assessing the performance of the Company's segments, and, therefore, Segment Adjusted EBITDA is presented in conformity with ASC 280, *Segment Reporting.* Segment Adjusted EBITDA is defined as earnings (loss) from operations before interest, income tax expense (benefit), depreciation and amortization ("EBITDA") adjusted to exclude net other income (expense).

Corporate and unallocated expenses includes global facilities and information technology costs and long-term product roadmap expenses in addition to corporate overhead costs that are not allocated to reportable segments. The overhead costs relate to human resources, finance, legal, accounting, and merger and acquisition activity. These costs along with depreciation and amortization and stock-based compensation are not considered when management evaluates segment performance.

The following is selected financial data for the Company's reportable segments for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2022	**2021**
Revenue		
Banks	$ 132,198	$ 95,917
Merchants	41,002	38,670
Billers	149,880	150,599
Total revenue	$ 323,080	$ 285,186
Segment Adjusted EBITDA		
Banks	$ 64,714	$ 37,195
Merchants	14,713	14,725
Billers	26,357	34,021
Depreciation and amortization	(31,489)	(33,583)
Stock-based compensation expense	(7,958)	(6,703)
Corporate and unallocated expenses	(38,671)	(41,965)
Interest, net	(7,735)	(8,621)
Other, net	2,250	(1,382)
Income (loss) before income taxes	$ 22,181	$ (6,313)

Assets are not allocated to segments, and the Company's CODM does not evaluate operating segments using discrete asset information.

The following is revenue by primary solution category for the Company's reportable segments for the periods indicated (in thousands):

	Three Months Ended March 31, 2022			
	Banks	Merchants	Billers	Total
Primary Solution Categories				
Bill Payments	$ —	$ —	$ 149,880	$ 149,880
Digital Business Banking	13,488	—	—	13,488
Merchant Payments	—	41,002	—	41,002
Fraud Management	7,777	—	—	7,777
Real-Time Payments	21,927	—	—	21,927
Issuing and Acquiring	89,006	—	—	89,006
Total	$ 132,198	$ 41,002	$ 149,880	$ 323,080

	Three Months Ended March 31, 2021			
	Banks	Merchants	Billers	Total
Primary Solution Categories				
Bill Payments	$ —	$ —	$ 150,599	$ 150,599
Digital Business Banking	15,092	—	—	15,092
Merchant Payments	—	38,670	—	38,670
Fraud Management	6,224	—	—	6,224
Real-Time Payments	13,185	—	—	13,185
Issuing and Acquiring	61,416	—	—	61,416
Total	$ 95,917	$ 38,670	$ 150,599	$ 285,186

	Three Months Ended March 31,	
	2022	2021
Banks		
Software as a service and platform as a service	$ 13,952	$ 14,278
License	54,439	18,018
Maintenance	47,343	48,031
Services	16,464	15,590
Total	$ 132,198	$ 95,917
Merchants		
Software as a service and platform as a service	$ 30,767	$ 31,043
License	5,846	3,090
Maintenance	4,038	4,252
Services	351	285
Total	$ 41,002	$ 38,670
Billers		
Software as a service and platform as a service	$ 149,843	$ 150,425
License	—	94
Maintenance	37	80
Services	—	—
Total	$ 149,880	$ 150,599

The following is the Company's revenue by geographic location for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2022	2021
Revenue		
United States	$ 199,315	$ 191,977
Other	123,765	93,209
Total	$ 323,080	$ 285,186

The following is the Company's long-lived assets by geographic location for the periods indicated (in thousands):

	March 31, 2022	December 31, 2021
Long-lived Assets		
United States	$ 1,401,232	$ 1,425,391
Other	748,243	745,138
Total	$ 2,149,475	$ 2,170,529

No single customer accounted for more than 10% of the Company's consolidated revenues during the three months ended March 31, 2022 and 2021. No other country outside the United States accounted for more than 10% of the Company's consolidated revenues during the three months ended March 31, 2022 and 2021.

10. Income Taxes

For the three months ended March 31, 2022, the Company's effective tax rate was 30%. The Company's foreign entities reported profits of $30.9 million for the three months ended March 31, 2022.

For the three months ended March 31, 2021, the Company's effective tax rate was 69%. The Company reported a tax benefit on overall pretax loss, with foreign entities reporting losses of $0.6 million. The effective tax rate for the three months ended March 31, 2021, was positively impacted by excess tax benefits on stock-based compensation.

The Company's effective tax rate could fluctuate on a quarterly basis due to the occurrence of significant and unusual or infrequent items, such as vesting of stock-based compensation or foreign currency gains and losses. The Company's effective tax rate could also fluctuate due to changes in the valuation of its deferred tax assets or liabilities, or by changes in tax laws, regulations, accounting principles, or interpretations thereof. In addition, the Company is occasionally subject to examination of its income tax returns by tax authorities in the jurisdictions it operates. The Company regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of its provision for income taxes.

As of March 31, 2022, and December 31, 2021, the amount of unrecognized tax benefits for uncertain tax positions was $24.3 million and $24.5 million, respectively, excluding related liabilities for interest and penalties of $1.1 million as of March 31, 2022, and December 31, 2021.

The Company believes it is reasonably possible that the total amount of unrecognized tax benefits will decrease within the next 12 months by approximately $5.8 million, due to the settlement of various audits and the expiration of statutes of limitation.

11. Commitments and Contingencies

Legal Proceedings

In April 2021, ACH files associated with one of the Company's mortgage servicing customers were inadvertently transmitted to a processing bank during a test of its ACH file production system. Reversal ACH files were promptly issued, restoring affected accounts. The Company has been contacted by the U.S. Consumer Finance Protection Bureau and various state consumer protection and regulatory agencies about this incident and is cooperating in their investigations, which could result in fines or penalties that could be material and injunctive remedies that could be burdensome and costly to implement.

In addition, the Company has been named as a defendant in seven class action lawsuits filed in various federal courts purportedly on behalf of consumers whose mortgage accounts were affected. The complaints vary, but generally allege violations of federal and state consumer protection and other laws and claim that the Company is obligated to pay statutory and other damages. The Company intends to vigorously defend these cases. Defending such cases could be time-consuming and costly, and failure to successfully defend the Company in any or all of these cases could have a material effect.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This report 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, as amended.

Forward-looking statements in this report include, but are not limited to, statements regarding future operations, business strategy, business environment, key trends, and, in each case, statements related to expected financial and other benefits. Many of these factors will be important in determining our actual future results. Any or all of the forward-looking statements in this report may turn out to be incorrect. They may be based on inaccurate assumptions or may not account for known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially from those expressed or implied in any forward-looking statements, and our business, financial condition and results of operations could be materially and adversely affected. In addition, we disclaim any obligation to update any forward-looking statements after the date of this report, except as required by law.

All forward-looking statements in this report are expressly qualified by the risk factors discussed in our filings with the Securities and Exchange Commission ("SEC"). The cautionary statements in this report expressly qualify all of our forward-looking statements. Factors that could cause actual results to differ from those expressed or implied in the forward-looking statements include, but are not limited to, those discussed in our Risk Factors in Part 1, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, and in Part 2, Item 1A of this Form 10-Q.

The following discussion should be read together with our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, and with our financial statements and related notes contained in this Form 10-Q. Results for the three months ended March 31, 2022, are not necessarily indicative of results that may be attained in the future.

COVID-19 Pandemic

The COVID-19 pandemic has resulted in authorities implementing numerous measures to try to contain the virus. These measures may remain in place for a significant period of time, or may be reinstituted after being temporarily lifted, and could adversely affect our business, operations and financial condition as well as the business, operations and financial conditions of our customers and business partners. The spread of the virus has also caused us to modify our business practices (including employee work locations and cancellation of physical participation in meetings) in ways that may be detrimental to our business (including working remotely and its attendant cybersecurity risks). We may take further actions as may be required by government authorities or that we determine are in the best interests of our employees and customers. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus or otherwise be satisfactory to government authorities.

We created a dedicated Crisis Management Team to oversee and execute our business continuity plans and a variety of measures designed to ensure the ongoing availability of our products, solutions and services for our customers, while taking health and safety measures for our employees, including telecommuting, travel restrictions, social distancing policies, and stepped-up facility cleaning practices.

We believe we have sufficient liquidity to continue business operations during this volatile and uncertain period. We have $583.3 million of available liquidity as of March 31, 2022, consisting of cash on hand and availability under our revolving credit facility.

The effect of COVID-19 and related events could have an ongoing negative effect on our stock price, business prospects, financial condition, and results of operations. More specifically, for those customers under consumption-based contracts, continued declines in transaction volumes could negatively impact our financial position, results of operations, and cash flows.

For the reasons discussed above, we cannot reasonably estimate with any degree of certainty the future impact COVID-19 may have on our results of operations, financial position, and liquidity. Notwithstanding any actions by national, state, and local governments to mitigate the impact of COVID-19 or by us to address the adverse impacts of COVID-19, there can be no assurance that any of the foregoing activities will be successful in mitigating or preventing significant adverse effects on the Company.

Overview

ACI Worldwide powers digital payments for more than 6,000 organizations around the world. More than 1,000 of the largest banks 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, through the public cloud or through ACI's private cloud, we provide real-time, immediate payments capabilities and enable the industry's most complete omni-channel payments experience.

Our products are sold and supported directly and through distribution networks covering three geographic regions – the Americas; Europe, Middle East, and Africa ("EMEA"); and Asia Pacific. Each region has a globally coordinated sales force, supplemented with local independent reseller and/or distributor networks. Our products and solutions are used globally by banks and intermediaries, merchants, and billers, such as third-party electronic payment processors, payment associations, switch interchanges, and a wide range of transaction-generating endpoints, including ATMs, merchant point-of-sale ("POS") terminals, bank branches, mobile phones, tablets, corporations, and internet commerce sites. Accordingly, our business and operating results are influenced by trends such as information technology spending levels, the growth rate of digital payments, mandated regulatory changes, and changes in the number and type of customers in the financial services industry, as well as economic growth and purchasing habits. Our products are marketed under the ACI Worldwide brand.

We derive a majority of our revenues from domestic operations and believe we have large opportunities for growth in international markets, as well as continued expansion domestically in the United States. Refining our global infrastructure is a critical component of driving our growth. We also continue to maintain centers of expertise in Timisoara, Romania and Pune and Bangalore in India, as well as key operational centers such as in Cape Town, South Africa and in multiple locations in the United States.

Key trends that currently impact our strategies and operations include:

Increasing digital payment transaction volumes. The adoption of digital payments continues to accelerate, propelled by the digitization of cash, financial inclusion efforts of countries throughout the world, the Internet of Things, rapid growth of eCommerce, proliferation of cryptocurrencies, and the adoption of real-time payments. COVID-19 has further accelerated this growth as more people, governments, and businesses have embraced digital payments—a change likely to continue once the pandemic is over. We leverage the growth in transaction volumes through the licensing of new systems to customers whose older systems cannot handle increased volume, through the sale of capacity upgrades to existing customers, and through the scalability of our platform-based solutions.

Adoption of real-time payments. Expectations from both consumers and businesses, are continuing to drive the payments world to more real-time delivery. This is bolstered by the new data-rich ISO 20022 messaging format, which promises to deliver greater value to banks and their customers. We are seeing global players with existing schemes working to expand capacity in anticipation of volume growth (further driven by COVID-19) and new payment types. Mature markets, including India, the United Kingdom, Australia, Malaysia, Singapore, Thailand, and the Nordics (P27), continue to accelerate innovation, especially in terms of overlay services and cross-border connectivity. The United States is driving real-time payments adoption through Zelle, TCH Real-Time Payments, and the planned FedNow service, while Brazil's PIX was launched in November 2020. ACI's broad software portfolio, experience, and strategic partnerships with Mastercard, Microsoft, and Mindgate Solutions continue to position us as a leader in real-time payments, helping to drive seamless connectivity, increased security, and end-to-end modernization for organizations throughout the world.

Adoption of cloud technology. To leverage lower-cost computing technologies, accelerate time to market, accelerate innovation, and ensure scalability and resiliency, banks and intermediaries, merchants, and billers are seeking to transition their systems to make use of cloud technology. Our investments and partnerships, as demonstrated by our product enablement and initial optimization onto Microsoft Azure, enable us to leverage the hybrid cloud technology benefits of automation and rapid deployment and delivery, while preserving the ACI fundamentals of resiliency and scalability, to deliver cloud capabilities now and in the future. Market sizing data from Ovum (now Omdia) indicates that spend on SaaS and PaaS payment systems is growing faster than spend on installed applications.

Digital payments fraud and compliance. The rise in digital payment transaction volumes and payment types has subsequently led to an increase in online fraud in many guises and across all channels. Driven in part by COVID-19, we have seen an increase in phishing and friendly fraud, as well as remote banking fraud and authorized push payment scams. Real-time payments bring a new level of urgency, as money cannot easily be retrieved once it has been sent. Banks, intermediaries, merchants, and billers must find faster, smarter, more accurate and increasingly automated ways to secure customers and meet regulatory pressures. We continue to see opportunity to offer our fraud detection solutions with advanced machine learning capabilities to help customers manage the growing levels of digital payments fraud and compliance activity.

Omni-commerce. Shoppers are increasingly browsing, buying, and returning items across channels, including in-store, online, and mobile. COVID-19 has accelerated this trend, leading to an increase in contactless payments, click and collect, and curbside collection. Merchants from all industries, including grocers, fuel and convenience stores, are being tasked with delivering seamless experiences that include pay-in-aisle, kiosks, mobile app payments, QR code payments, eCommerce, traditional and mobile POS, buy online pickup in-store (BOPIS) and buy online return in-store (BORIS). We believe there is significant opportunity to provide merchants with the tools to deliver a seamless, secure, personalized experience that creates loyalty and satisfaction, and drives conversion rates while protecting consumer data and preventing fraud.

Request for Payment (RfP). Markets across the world are introducing an innovative payments service called Request for Payment (RfP). This technology is known by different names in different markets: Collect payments in India, Request 2 Pay in Europe, Request To Pay (RTP) in the United Kingdom, or Request for Payment (RfP) in the United States. RfP offers secure messaging between consumers and billers or merchants, wherein a biller or merchant can request a payment from a consumer through the use of a trusted app, most likely a banking app. RfP is primarily being implemented on top of real-time payments, which are continuing to grow and flourish as countries around the world develop and launch their real-time schemes as noted above. ACI is in a unique position to deliver this overlay service given our real-time payments software, our relationships with banks, merchants and billers, and global real-time connectivity.

Several other factors related to our business may have a significant impact on our operating results from year to year. For example, the accounting rules governing the timing of revenue recognition are complex, and it can be difficult to estimate when we will recognize revenue generated by a given transaction. Factors such as creditworthiness of the customer and timing of transfer of control or acceptance of our products may cause revenues related to sales generated in one period to be deferred and recognized in later periods. For arrangements in which services revenue is deferred, related direct and incremental costs may also be deferred. Additionally, while the majority of our contracts are denominated in the U.S. dollar, a substantial portion of our sales are made, and some of our expenses are incurred, in the local currency of countries other than the United States. Fluctuations in currency exchange rates in a given period may result in the recognition of gains or losses for that period.

We continue to seek ways to grow through organic sources, partnerships, alliances, and acquisitions. We continually look for potential acquisitions designed to improve our solutions' breadth or provide access to new markets. As part of our acquisition strategy, we seek acquisition candidates that are strategic, capable of being integrated into our operating environment, and accretive to our financial performance.

Backlog

Backlog is comprised of:

- Committed Backlog, which includes (1) contracted revenue that will be recognized in future periods (contracted but not recognized) from software license fees, maintenance fees, service fees, and SaaS and PaaS fees specified in executed contracts (including estimates of variable consideration if required under ASC 606, *Revenue From Contracts With Customers*) and included in the transaction price for those contracts, which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods and (2) estimated future revenues from software license fees, maintenance fees, services fees, and SaaS and PaaS fees specified in executed contracts.
- Renewal Backlog, which includes estimated future revenues from assumed contract renewals to the extent 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.

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.

In computing our 60-month backlog estimate, the following items are specifically not taken into account:

- Anticipated increases in transaction, account, or processing volumes by our customers.
- Optional annual uplifts or inflationary increases in recurring fees.
- Services engagements, other than SaaS and PaaS arrangements, are not assumed to renew over the 60-month backlog period.
- The potential impact of consolidation activity within our markets and/or customers.

We review our customer renewal experience on an annual basis. The impact of this review and subsequent updates may result in a revision to the renewal assumptions used in computing the 60-month backlog estimates. In the event a significant revision to renewal assumptions is determined to be necessary, prior periods will be adjusted for comparability purposes.

The following table sets forth our 60-month backlog estimate, by reportable segment, as of March 31, 2022, and December 31, 2021 (in millions). Dollar amounts reflect foreign currency exchange rates as of each period end. This is a non-GAAP financial measure being presented to provide comparability across accounting periods. We believe this measure provides useful information to investors and others in understanding and evaluating our financial performance.

	March 31, 2022	December 31, 2021
Banks	$ 2,282	$ 2,272
Merchants	772	754
Billers	3,128	3,084
Total	$ 6,182	$ 6,110

	March 31, 2022	December 31, 2021
Committed	$ 2,038	$ 2,095
Renewal	4,144	4,015
Total	$ 6,182	$ 6,110

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.

RESULTS OF OPERATIONS

The following table presents the condensed consolidated statements of operations, as well as the percentage relationship to total revenues for items included in our condensed consolidated statements of operations (in thousands):

Three Month Period Ended March 31, 2022 Compared to the Three Month Period Ended March 31, 2021

	Three Months Ended March 31,					
	2022				2021	
	Amount	% of Total Revenue	$ Change vs 2021	% Change vs 2021	Amount	% of Total Revenue
Revenues:						
Software as a service and platform as a service	$ 194,562	60 %	$ (1,184)	(1)%	$ 195,746	69 %
License	60,285	19 %	39,083	184 %	21,202	7 %
Maintenance	51,418	16 %	(945)	(2)%	52,363	18 %
Services	16,815	5 %	940	6 %	15,875	6 %
Total revenues	323,080	100 %	37,894	13 %	285,186	100 %
Operating expenses:						
Cost of revenue	166,286	51 %	6,801	4 %	159,485	56 %
Research and development	37,807	12 %	3,293	10 %	34,514	12 %
Selling and marketing	34,608	11 %	6,470	23 %	28,138	10 %
General and administrative	25,875	8 %	(1,900)	(7)%	27,775	10 %
Depreciation and amortization	30,838	10 %	(746)	(2)%	31,584	11 %
Total operating expenses	295,414	92 %	13,918	5 %	281,496	99 %
Operating income	27,666	8 %	23,976	650 %	3,690	1 %
Other income (expense):						
Interest expense	(10,894)	(3)%	581	(5)%	(11,475)	(4)%
Interest income	3,159	1 %	305	11 %	2,854	1 %
Other, net	2,250	1 %	3,632	263 %	(1,382)	— %
Total other income (expense)	(5,485)	(1)%	4,518	(45)%	(10,003)	(3)%
Income (loss) before income taxes	22,181	7 %	28,494	451 %	(6,313)	(2)%
Income tax expense (benefit)	6,691	2 %	11,059	253 %	(4,368)	(2)%
Net income (loss)	$ 15,490	5 %	$ 17,435	896 %	$ (1,945)	— %

Revenues

Total revenue for the three months ended March 31, 2022, increased $37.9 million, or 13%, as compared to the same period in 2021.

- The impact of foreign currencies weakening against the U.S. dollar resulted in a $2.0 million decrease in total revenue during the three months ended March 31, 2022, as compared to the same period in 2021.
- Adjusted for the impact of foreign currency, total revenue for the three months ended March 31, 2022, increased $39.9 million, or 14%, as compared to the same period in 2021.

Software as a Service (“SaaS”) and Platform as a Service (“PaaS”) Revenue

The Company’s SaaS arrangements allow customers to use certain software solutions (without taking possession of the software) in a single-tenant cloud environment on a subscription basis. The Company’s PaaS arrangements allow customers to use certain software solutions (without taking possession of the software) in a multi-tenant cloud environment on a subscription or consumption basis. Included in SaaS and PaaS revenue are fees paid by our customers for use of our Biller solutions. Biller-related fees may be paid by our clients or directly by their customers and may be a percentage of the underlying transaction amount, a fixed fee per executed transaction, or a monthly fee for each customer enrolled. SaaS and PaaS costs include payment card interchange fees, the amounts payable to banks and payment card processing fees, which are included in cost of revenue in the condensed consolidated statements of operations. All fees from SaaS and PaaS arrangements that do not qualify for treatment as a distinct performance obligation, which includes set-up fees, implementation or customization services, and product support services, are included in SaaS and PaaS revenue.

SaaS and PaaS revenue decreased $1.2 million, or 1%, during the three months ended March 31, 2022, as compared to the same period in 2021.

- The impact of foreign currencies weakening against the U.S. dollar resulted in a $0.8 million decrease in SaaS and PaaS revenue during the three months ended March 31, 2022, as compared to the same period in 2021.
- Adjusted for the impact of foreign currency, SaaS and PaaS revenue for the three months ended March 31, 2022, decreased $0.4 million as compared to the same period in 2021.

License Revenue

Customers purchase the right to license ACI software under multi-year, time-based software license arrangements that vary in length but are generally five years. Under these arrangements the software is installed at the customer’s location (i.e. on-premise). Within these agreements are specified capacity limits typically based on customer transaction volume. ACI employs measurement tools that monitor the number of transactions processed by customers and if contractually specified limits are exceeded, additional fees are charged for the overage. Capacity overages may occur at varying times throughout the term of the agreement depending on the product, the size of the customer, and the significance of customer transaction volume growth. Depending on specific circumstances, multiple overages or no overages may occur during the term of the agreement.

Included in license revenue are license and capacity fees that are payable at the inception of the agreement or annually (initial license fees). License revenue also includes license and capacity fees payable quarterly or monthly due to negotiated customer payment terms (monthly license fees). The Company recognizes revenue in advance of billings for software license arrangements with extended payment terms and adjusts for the effects of the financing component, if significant.

License revenue increased $39.1 million, or 184%, during the three months ended March 31, 2022, as compared to the same period in 2021.

- The increase was primarily driven by the timing and relative size of license and capacity events during the three months ended March 31, 2022, as compared to the same period in 2021.

Maintenance Revenue

Maintenance revenue includes standard and premium maintenance and any post contract support fees received from customers for the provision of product support services.

Maintenance revenue decreased $0.9 million, or 2%, during the three months ended March 31, 2022, as compared to the same period in 2021.

- The impact of foreign currencies weakening against the U.S. dollar resulted in a $0.8 million decrease in maintenance revenue during the three months ended March 31, 2022, as compared to the same period in 2021.
- Adjusted for the impact of foreign currency, maintenance revenue for the three months ended March 31, 2022, remained flat compared to the same period in 2021.

Services Revenue

Services revenue includes fees earned through implementation services and other professional services. Implementation services include product installations, product configurations, and custom software modifications (“CSMs”). Other professional services include business consultancy, technical consultancy, on-site support services, CSMs, product education, and testing services. These services include new customer implementations as well as existing customer migrations to new products or new releases of existing products.

Services revenue increased $0.9 million, or 6%, during the three months ended March 31, 2022, as compared to the same period in 2021.

Operating Expenses

Total operating expenses for the three months ended March 31, 2022, increased $13.9 million, or 5%, as compared to the same period in 2021.

- Total operating expenses for the three months ended March 31, 2022, included $0.5 million of significant transaction-related expenses during the period compared to $1.2 million for the same period in 2021.
- The impact of foreign currencies weakening against the U.S. dollar resulted in a $2.4 million decrease in total operating expenses during the three months ended March 31, 2022, compared to the same period in 2021.
- Adjusted for the impact of significant transaction-related expenses and foreign currency, total operating expenses for the three months ended March 31, 2022, increased $17.0 million, or 6%, compared to the same period in 2021.

Cost of Revenue

Cost of revenue includes costs to provide SaaS and PaaS services, third-party royalties, amortization of purchased and developed software for resale, the costs of maintaining our software products, as well as the costs required to deliver, install, and support software at customer sites. SaaS and PaaS service costs include payment card interchange fees, amounts payable to banks, and payment card processing fees. Maintenance costs include the efforts associated with providing the customer with upgrades, 24-hour help desk, post go-live (remote) support, and production-type support for software that was previously installed at a customer location. Service costs include human resource costs and other incidental costs such as travel and training required for both pre go-live and post go-live support. Such efforts include project management, delivery, product customization and implementation, installation support, consulting, configuration, and on-site support.

Cost of revenue increased $6.8 million, or 4%, during the three months ended March 31, 2022, compared to the same period in 2021.

- The impact of foreign currencies weakening against the U.S. dollar resulted in a $0.9 million decrease in cost of revenue during the three months ended March 31, 2022, as compared to the same period in 2021.
- Adjusted for the impact of foreign currency, cost of revenue increased $7.7 million, or 5%, for the three months ended March 31, 2022, as compared to the same period in 2021.
- The increase was primarily due to higher personnel and related expenses and payment card interchange and processing fees of $3.1 million and $5.9 million, respectively, partially offset by a decrease in depreciation and amortization expense of $1.3 million.

Research and Development

Research and development (“R&D”) expenses are primarily human resource costs related to the creation of new products, improvements made to existing products as well as compatibility with new operating system releases and generations of hardware.

R&D expense increased $3.3 million, or 10%, during the three months ended March 31, 2022, as compared to the same period in 2021.

- Total R&D expenses for the three months ended March 31, 2021, included $0.4 million of significant transaction-related expenses.
- The impact of foreign currencies weakening against the U.S. dollar resulted in a $0.6 million decrease in R&D expense during the three months ended March 31, 2022, as compared to the same period in 2021.
- Adjusted for the impact of significant transaction-related expenses and foreign currency, R&D expense increased $4.3 million, or 13%, for the three months ended March 31, 2022, as compared to the same period in 2021.
- The increase was primarily due to higher personnel and related expenses and professional fees of $2.1 million and $2.2 million, respectively.

Selling and Marketing

Selling and marketing includes both the costs related to selling our products to current and prospective customers as well as the costs related to promoting the Company, its products and the research efforts required to measure customers' future needs and satisfaction levels. Selling costs are primarily the human resource and travel costs related to the effort expended to license our products and services to current and potential clients within defined territories and/or industries as well as the management of the overall relationship with customer accounts. Selling costs also include the costs associated with assisting distributors in their efforts to sell our products and services in their respective local markets. Marketing costs include costs incurred to promote the Company and its products, perform or acquire market research to help the Company better understand impending changes in customer demand for and of our products, and the costs associated with measuring customers' opinions toward the Company, our products and personnel.

Selling and marketing expense increased $6.5 million, or 23%, during the three months ended March 31, 2022, as compared to the same period in 2021.

- The impact of foreign currencies weakening against the U.S. dollar resulted in a $0.4 million decrease in selling and marketing expense during the three months ended March 31, 2022, as compared to the same period in 2021.
- Adjusted for the impact of foreign currency, selling and marketing expense increased $6.9 million, or 25%, for the three months ended March 31, 2022, as compared to the same period in 2021.
- The increase was primarily due to higher personnel and related expenses.

General and Administrative

General and administrative expenses are primarily human resource costs including executive salaries and benefits, personnel administration costs, and the costs of corporate support functions such as legal, administrative, human resources, and finance and accounting.

General and administrative expense decreased $1.9 million, or 7%, during the three months ended March 31, 2022, as compared to the same period in 2021.

- General and administrative expenses for the three months ended March 31, 2022, included $0.5 million of significant transaction-related expenses compared to $0.8 million in the same period in 2021.
- The impact of foreign currencies weakening against the U.S. dollar resulted in a $0.3 million decrease in general and administrative expense during the three months ended March 31, 2022, as compared to the same period in 2021.
- Adjusted for the impact of significant transaction-related expenses and foreign currency, general and administrative expense decreased $1.3 million, or 5%, for the three months ended March 31, 2022, as compared to the same period in 2021.
- The decrease is primarily due to a decrease in professional fees of $3.3 million, partially offset by an increase in personnel and related expenses of $2.0 million.

Depreciation and Amortization

Depreciation and amortization decreased $0.7 million, or 2%, during the three months ended March 31, 2022, as compared to the same period in 2021.

Other Income and Expense

Interest expense for the three months ended March 31, 2022, decreased $0.6 million, or 5%, as compared to the same period in 2021, primarily due to lower comparative debt balances.

Interest income includes the portion of software license fees paid by customers under extended payment terms that is attributed to the significant financing component. Interest income for the three months ended March 31, 2022, increased $0.3 million, or 11%, as compared to the same period in 2021.

Other, net is primarily comprised of foreign currency transaction gains and losses. Other, net was $2.3 million of income and $1.4 million of expense for the three months ended March 31, 2022 and 2021, respectively.

Income Taxes

See Note 10, *Income Taxes,* to our unaudited condensed consolidated financial statements in Part I of this Form 10-Q for additional information.

Segment Results

See Note 9, *Segment Information*, to our unaudited condensed consolidated financial statements in Part I of this Form 10-Q for additional information regarding segments.

The following is selected financial data for our reportable segments for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2022	2021
Revenue		
Banks	$ 132,198	$ 95,917
Merchants	41,002	38,670
Billers	149,880	150,599
Total revenue	$ 323,080	$ 285,186
Segment Adjusted EBITDA		
Banks	$ 64,714	$ 37,195
Merchants	14,713	14,725
Billers	26,357	34,021
Depreciation and amortization	(31,489)	(33,583)
Stock-based compensation expense	(7,958)	(6,703)
Corporate and unallocated expenses	(38,671)	(41,965)
Interest, net	(7,735)	(8,621)
Other, net	2,250	(1,382)
Income (loss) before income taxes	$ 22,181	$ (6,313)

Banks Segment Adjusted EBITDA increased $27.5 million for the three months ended March 31, 2022, compared to the same period in 2021, due to a $36.3 million increase in revenue primarily related to an increase in license revenues, partially offset by a $8.8 million increase in cash operating expense.

Merchants Segment Adjusted EBITDA remained flat for the three months ended March 31, 2022, compared to the same period in 2021.

Billers Segment Adjusted EBITDA decreased $7.7 million for the three months ended March 31, 2022, compared to the same period in 2021, due to a $7.0 million increase in cash operating expense primarily for payment card interchange and other processing fees.

Liquidity and Capital Resources

General

Our primary liquidity needs are: (i) to fund normal operating expenses; (ii) to meet the interest and principal requirements of our outstanding indebtedness; and (iii) to fund acquisitions, capital expenditures, and lease payments. We believe these needs will be satisfied using cash flow generated by our operations, our cash and cash equivalents, and available borrowings under our revolving credit facility over the next 12 months and beyond.

Our cash requirements in the future may be financed through additional equity or debt financings. However, the disruption in the capital markets caused by the COVID-19 pandemic could make any new financing more challenging, and there can be no assurance that such financings will be obtained on commercially reasonable terms, or at all. We believe our liquidity will allow us to manage the anticipated impact of COVID-19 on our business operations for the foreseeable future, which could include reductions in revenue and delays in payments from customers and partners. We are compliant with our debt covenants and do not anticipate an inability to service our debt. As the challenges posed by COVID-19 on our business and the economy as a whole evolve rapidly, we will continue to evaluate our liquidity and financial position in light of future developments, particularly those relating to COVID-19.

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. As of March 31, 2022, we had $114.8 million of cash and cash equivalents, of which $42.1 million was held by our foreign subsidiaries. If these funds were needed for our operations in the U.S., we may potentially be required to accrue and pay foreign and U.S. state income taxes to repatriate these funds. As of March 31, 2022, only the earnings in our Indian foreign subsidiaries are indefinitely reinvested. The earnings of all other foreign entities are no longer indefinitely reinvested. We are also permanently reinvested for outside book/tax basis difference related to foreign subsidiaries. These outside basis differences could reverse through sales of the foreign subsidiaries, as well as various other events, none of which are considered probable as of March 31, 2022.

Available Liquidity

The following table sets forth our available liquidity for the dates indicated (in thousands):

	March 31, 2022	December 31, 2021
Cash and cash equivalents	$ 114,754	$ 122,059
Availability under revolving credit facility	468,500	498,500
Total liquidity	$ 583,254	$ 620,559

The decrease in total liquidity is primarily attributable to $8.5 million of payments to purchase property and equipment and software and distribution rights, $9.7 million of repayments on the Term Loans, and $37.9 million for stock repurchases, partially offset by positive operating cash flows of $28.9 million.

The Company and ACI Payments, Inc., a wholly owned subsidiary, maintain a $75.0 million uncommitted overdraft facility with Bank of America, N.A. The overdraft facility acts as a secured loan under the terms of the Credit Agreement to provide an additional funding mechanism for timing differences that can occur in the bill payment settlement process. As of March 31, 2022, the full $75.0 million was available.

Stock Repurchase Program

Our board approved a stock repurchase program authorizing the Company, as market and business conditions warrant, to acquire its common stock and periodically authorizes additional funds for the program. In December 2021, the board approved the repurchase of the Company's common stock of up to $250.0 million in place of the remaining purchase amounts previously authorized.

We repurchased 1,131,248 shares for $37.9 million under the program during the three months ended March 31, 2022. Under the program to date, we have repurchased 50,488,743 shares for approximately $757.6 million. As of March 31, 2022, the maximum remaining amount authorized for purchase under the stock repurchase program was approximately $178.4 million. See Note 6, *Common Stock and Treasury Stock,* to our unaudited condensed consolidated financial statements in Part I of this Form 10-Q for additional information.

Cash Flows

The following table sets forth summarized cash flow data for the periods indicated (in thousands):

	Three Months Ended March 31,	
	2022	2021
Net cash provided by (used by):		
Operating activities	$ 28,874	$ 69,757
Investing activities	(8,487)	(12,399)
Financing activities	(25,998)	(109,957)

Cash Flows from Operating Activities

The primary source of operating cash flows is cash collections from our customers for purchase and renewal of licensed software products and various services including software and platform as a service, maintenance, and other professional services. Our primary uses of operating cash flows includes employee expenditures, taxes, interest payments, and leased facilities.

Cash flows provided by operating activities were $40.9 million lower for the three months ended March 31, 2022, compared to the same period in 2021, primarily due to timing of cash receipts on accounts receivable. Our current policy is to use our operating cash flow primarily for funding capital expenditures, lease payments, debt repayments, stock repurchases, and acquisitions.

Cash Flows from Investing Activities

The changes in cash flows from investing activities primarily relate to the timing of our purchases and investments in capital and other assets, including strategic acquisitions, that support our growth.

During the first three months of 2022, we used cash of $8.5 million to purchase software, property, and equipment, as compared to $12.4 million during the same period in 2021.

Cash Flows from Financing Activities

The changes in cash flows from financing activities primarily relate to borrowings and repayments related to our debt instruments and other debt, stock repurchases, and net proceeds related to employee stock programs.

During the first three months of 2022, we received net proceeds of $30.0 million on the Revolving Credit Facility and repaid $9.7 million on the Term Loans. In addition, we used $5.5 million for the repurchase of stock-based compensation awards for tax withholdings. We also received proceeds of $1.9 million from the exercise of stock options and the issuance of common stock under our 2017 Employee Stock Purchase Plan, as amended. During the first three months of 2021, we repaid $15.0 million on the Revolving Credit Facility and $9.7 million on the Initial Term Loan. In addition, we used $14.2 million for the repurchase of stock-based compensation awards for tax withholdings and $71.3 million for settlement assets and liabilities due to processing timing. We also received proceeds of $3.9 million from the exercise of stock options and the issuance of common stock under our 2017 Employee Stock Purchase Plan, as amended.

Contractual Obligations and Commercial Commitments

For the three months ended March 31, 2022, there have been no material changes to the contractual obligations and commercial commitments disclosed in Item 7 of our Form 10-K for the fiscal year ended December 31, 2021.

Critical Accounting Estimates

The preparation of the condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and other assumptions we believe to be proper and reasonable under the circumstances. We continually evaluate the appropriateness of estimates and assumptions used in the preparation of our condensed consolidated financial statements. Actual results could differ from those estimates.

The accounting policies that reflect our more significant estimates, judgments, and assumptions, and that we believe are the most critical to aid in fully understanding and evaluating our reported financial results, include the following:

- Revenue Recognition
- Intangible Assets and Goodwill
- Business Combinations
- Stock-Based Compensation
- Accounting for Income Taxes

During the three months ended March 31, 2022, there were no significant changes to our critical accounting policies and estimates. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for our fiscal year ended December 31, 2021, for a more complete discussion of our critical accounting policies and estimates.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Excluding the impact of changes in interest rates and the uncertainty in the global financial markets, there have been no material changes to our market risk for the three months ended March 31, 2022. We conduct business in all parts of the world and are thereby exposed to market risks related to fluctuations in foreign currency exchange rates. The U.S. dollar is the single largest currency in which our revenue contracts are denominated. Any decline in the value of foreign currencies against the U.S. dollar results in our products and services being more expensive to a potential foreign customer. In those instances where our goods and services have already been sold, receivables may be more difficult to collect. Additionally, in jurisdictions where the revenue contracts are denominated in U.S. dollars and operating expenses are incurred in the local currency, any decline in the value of the U.S. dollar will have an unfavorable impact to operating margins. At times, we enter into revenue contracts that are denominated in the country's local currency, primarily in Australia, Canada, the United Kingdom, other European countries, Brazil, India, and Singapore. This practice serves as a natural hedge to finance the local currency expenses incurred in those locations. We have not entered into any foreign currency hedging transactions. We do not purchase or hold any derivative financial instruments for speculation or arbitrage.

The primary objective of our cash investment policy is to preserve principal without significantly increasing risk. If we maintained similar cash investments for a period of one year based on our cash investments and interest rates on these investments at March 31, 2022, a hypothetical ten percent increase or decrease in effective interest rates would increase or decrease interest income by less than $0.1 million annually.

We had approximately $1.1 billion of debt outstanding as of March 31, 2022, with $698.4 million outstanding under our Credit Facility and $400.0 million in 2026 Notes. Our Credit Facility has a floating rate, which was 2.20% as of March 31, 2022. Our 2026 Notes are fixed-rate long-term debt obligations with a 5.750% interest rate. A hypothetical ten percent increase or decrease in effective interest rates would increase or decrease interest expense related to the Credit Facility by approximately $1.5 million.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded our disclosure controls and procedures are effective as of March 31, 2022.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) during the quarter ended March 31, 2022, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 11, *Commitments and Contingencies*, to our unaudited condensed consolidated financial statements in Part I of this Form 10-Q for additional information regarding legal proceedings.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Item 1A of our Form 10-K for the fiscal year ended December 31, 2021, other than as described below. Additional risks and uncertainties, including risks and uncertainties not presently known to us, or that we currently deem immaterial, could also have an adverse effect on our business, financial condition and/or results of operations.

Recent events in eastern Europe present challenges and risks to us, and no assurances can be given that current or future developments would not have a material adverse effect on our business, results of operations and financial condition.

The crisis in eastern Europe continues to be a challenge to global companies, including us. We have an office with 67 employees in Russia and a customer in Russia. The U.S. and other global governments have placed restrictions on how companies may transact with, and provide services or solutions to, parties in these regions, particularly Russia, Belarus and restricted areas in Ukraine. Because of these restrictions, we have augmented the services and solutions we provide to our customer in Russia and the manner in which we support our employees in Russia. These decisions, which are in line with the approach of other companies in our industry, help us comply with our obligations under the various requirements in the U.S. and around the world. While it is difficult to estimate the impact on our business and financial position of our augmented operations with respect to businesses in Russia, Belarus and the restricted areas in Ukraine and the current or future sanctions, such changes could have adverse impacts on us in future periods. In addition, no assurances can be given that additional developments in the impacted regions, and responses thereto from the U.S. and other global governments, would not have a material adverse effect on our business, results of operations and financial condition.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table provides information regarding our repurchases of common stock during the three months ended March 31, 2022:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
January 1, 2022 through January 31, 2022	448,011	$ 33.84	448,011	$ 201,146,000
February 1, 2022 through February 28, 2022	481,536 (1)	32.43	434,552	186,489,000
March 1, 2022 through March 31, 2022	371,650 (1)	32.33	248,685	178,448,000
Total	1,301,197	$ 32.89	1,131,248	

(1) Pursuant to our 2016 and 2020 Equity and Performance Incentive Plan, we granted TSRs and RSUs. Under each arrangement, shares are issued without direct cost to the employee. During the three months ended March 31, 2022, 568,289 shares of TSRs and RSUs vested. We withheld 169,949 of those shares to pay the employees' portion of the applicable minimum payroll withholding.

In 2005, our board approved a stock repurchase program authorizing us, as market and business conditions warrant, to acquire our common stock and periodically authorize additional funds for the program, with the intention of using existing cash and cash equivalents to fund these repurchases. In December 2021, the board approved the repurchase of the Company's common stock of up to $250.0 million, in place of the remaining purchase amounts previously authorized. As of March 31, 2022, the maximum remaining amount authorized for purchase under the stock repurchase program was approximately $178.4 million.

There is no guarantee as to the exact number of shares we will repurchase. Repurchased shares are returned to the status of authorized but unissued shares of common stock. In March 2005, our board approved a plan under Rule 10b5-1 of the Securities Exchange Act of 1934 to facilitate the repurchase of shares of common stock under the existing stock repurchase program. Under our Rule 10b5-1 plan, we have delegated authority over the timing and amount of repurchases to an independent broker who does not have access to inside information about the Company. Rule 10b5-1 allows us, through the independent broker, to purchase shares at times when we ordinarily would not be in the market because of self-imposed trading blackout periods, such as the time immediately preceding the end of the fiscal quarter through a period of three business days following our quarterly earnings release.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

The following lists exhibits filed as part of this quarterly report on Form 10-Q:

Exhibit No.		Description
3.01	(1)	ACI Worldwide, Inc. Restated Certificate of Incorporation
3.02	(2)	ACI Worldwide, Inc. Amended and Restated Bylaws of the Company
4.01	(3)	Form of Common Stock Certificate (P)
10.01	(4)*	Form of Severance Compensation Agreement (Renewal) between the Company and certain officers, including executive officers
31.01		Certification of Principal Executive Officer pursuant to SEC Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.02		Certification of Principal Financial Officer pursuant to SEC Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.01	**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.02	**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS		XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH		XBRL Taxonomy Extension Schema
101.CAL		XBRL Taxonomy Extension Calculation Linkbase
101.LAB		XBRL Taxonomy Extension Label Linkbase
101.PRE		XBRL Taxonomy Extension Presentation Linkbase
101.DEF		XBRL Taxonomy Extension Definition Linkbase
104		Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Denotes exhibit that constitutes a management contract, or compensatory plan or arrangement.

** This certification is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference.

(P) Paper Exhibit
(1) Incorporated herein by reference to Exhibit 3.1 to the registrant's current report on Form 8-K filed August 17, 2017.
(2) Incorporated herein by reference to Exhibit 3.1 to the registrant's current report on Form 8-K filed April 1, 2022.
(3) Incorporated herein by reference to Exhibit 4.01 to the registrant's Registration Statement No. 33-88292 on Form S-1.
(4) Incorporated herein by reference to Exhibit 10.01 to the registrant's current report on Form 8-K filed April 19, 2022.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ACI WORLDWIDE, INC.
(Registrant)

Date: May 5, 2022	By:	/s/ SCOTT W. BEHRENS
		Scott W. Behrens
		Executive Vice President, Chief Financial Officer and Chief Accounting Officer (Principal Financial Officer)

Exhibit 31.01

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Odilon Almeida, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ACI Worldwide, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2022

/s/ ODILON ALMEIDA

Odilon Almeida
President, Chief Executive Officer, and Director
(Principal Executive Officer)

Exhibit 31.02

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Scott W. Behrens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ACI Worldwide, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 5, 2022

/s/ SCOTT W. BEHRENS

Scott W. Behrens
Executive Vice President, Chief Financial Officer, and Chief Accounting Officer
(Principal Financial Officer)

Exhibit 32.01

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of ACI Worldwide, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Odilon Almeida, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2022

/s/ ODILON ALMEIDA

Odilon Almeida
President, Chief Executive Officer, and Director
(Principal Executive Officer)

Exhibit 32.02

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of ACI Worldwide, Inc. (the “Company”) on Form 10-Q for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Scott W. Behrens, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 5, 2022

/s/ SCOTT W. BEHRENS

Scott W. Behrens
Executive Vice President, Chief Financial Officer, and Chief Accounting Officer
(Principal Financial Officer)