

ACI Worldwide, Inc. Reports Financial Results for the Quarter Ended March 31, 2014

HIGHLIGHTS

- SNET bookings of \$122 million, up 59% from Q1 last year
- Recurring revenue up 57% from last year, to \$186 million, or 84% of total revenue
- Non-GAAP operating income of \$7 million, up 78% from Q1 last year
- Adjusted EBITDA of \$32 million, up 46% from Q1 last year
- Repurchased 1.2 million shares in the quarter, \$138 million remaining on authorization
- Full year 2014 financial guidance reiterated

NAPLES, Fla.--(BUSINESS WIRE)-- [ACI Worldwide](#) (NASDAQ: ACIW), a leading international provider of [electronic payment and banking systems](#), today announced financial results for the period ended March 31, 2014. Management will host a conference call at 8:30 am ET to discuss these results as well as 2014 guidance. Interested persons may access a real-time audio broadcast of the teleconference at www.aciworldwide.com/investors or use the following numbers for dial-in participation: US/Canada: (866) 914-7436, International/Local: +1 (817) 385-9117. Please provide your name, the conference name ACI Worldwide, Inc. and conference code 25558357. There will be a replay available for two weeks on (855) 859-2056 for US/Canada Dial-In and +1 (404) 537- 3406 for International/Local Dial-In participants.

"ACI started 2014 strong with results that position us well to achieve our full year expectations," commented Phil Heasley, President and CEO, ACI Worldwide. "Net new bookings were particularly robust as we are clearly seeing interest in our Universal Payments-enabled solutions."

FINANCIAL SUMMARY

Financial Results for Q1

Revenue in Q1 was \$221 million, an increase of \$59 million, or 37%, above the prior year quarter. The acquisition of Official Payments and incremental revenue from Online Resources contributed \$33 million and \$29 million, respectively, to the increase in revenue compared to the prior year quarter.

New sales bookings, net of term extensions (SNET) increased 59% compared to the prior year quarter. Our 12-month backlog increased by \$13 million from last quarter to \$883 million, while our 60-month backlog increased by \$49 million from last quarter to \$3.91 billion.

Operating income was \$0.3 million for the quarter, versus a loss of \$4 million in the prior year quarter. Adjusted EBITDA of \$32 million grew 46%, or \$10 million above last year's \$22 million. Net EBITDA margin in Q1 2014 represented 16% versus 14% margin last year, after adjusting for \$28 million and \$1 million of pass through interchange in Q1 2014 and Q1 2013, respectively.

Q1 GAAP net loss was \$6 million, or (\$0.15) per diluted share, versus a net loss of \$2 million, or (\$0.05) per diluted share in Q1 2013. The variance was primarily driven by increased interest expense and foreign currency fluctuations.

We ended the first quarter with \$59 million in cash on hand. Operating free cash flow (OFCF) for the quarter was \$15 million, down from \$34 million in Q1 of last year. The quarter ended with a debt balance of \$779 million. We repurchased 1.2 million shares of our stock in the quarter for approximately \$70 million and have approximately \$138 million remaining on our current authorization.

Reiterating Guidance

We continue to expect to generate non-GAAP revenue in a range of \$1.06 to \$1.08 billion for the full year and now forecast non-GAAP revenue of \$240 to \$250 million in the second quarter. Adjusted EBITDA expectations remain in a range of \$290 to \$300 million. This guidance excludes \$13 to \$15 million of one-time integration-related expenses and includes \$2 million for the deferred revenue adjustments. Lastly, our full year 2014 net new sales bookings growth is expected to be in the upper single

digit range.

About ACI Worldwide

ACI Worldwide, the [Universal Payments](#) company, powers electronic payments and banking for more than 5,000 financial institutions, retailers, billers and processors around the world. ACI software processes \$13 trillion in payments and securities transactions for more than 250 of the leading global retailers, and 21 of the world's 25 largest banks. Through our comprehensive suite of software products and hosted services, we deliver a broad range of solutions for payment processing; card and merchant management; [online banking](#); mobile, branch and voice banking; [fraud detection](#); trade finance; and [electronic bill presentment](#) and payment. To learn more about ACI, please visit www.aciworldwide.com. You can also find us on Twitter @ACI_Worldwide.

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

	March 31,	December
	2014	31,
	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	\$ 58,936	\$ 95,059
Receivables, net of allowances of \$4,149 and \$4,459, respectively	203,600	203,575
Deferred income taxes, net	71,051	47,593
Recoverable income taxes	2,927	2,258
Prepaid expenses	24,458	22,549
Other current assets	50,956	65,328
Total current assets	411,928	436,362
Property and equipment, net	55,988	57,347
Software, net	193,130	191,468
Goodwill	665,406	669,217
Intangible assets, net	232,053	237,693
Deferred income taxes, net	39,541	48,852
Other noncurrent assets	41,956	40,912
TOTAL ASSETS	\$1,640,002	\$ 1,681,851
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 41,882	\$ 43,658
Employee compensation	32,294	35,623
Current portion of long-term debt	53,227	47,313
Deferred revenue	149,972	122,045
Income taxes payable	4,121	1,192
Deferred income taxes, net	940	753
Other current liabilities	70,818	95,016
Total current liabilities	353,254	345,600
Noncurrent liabilities		
Deferred revenue	45,259	45,656
Long-term debt	725,285	708,070
Deferred income taxes, net	10,208	11,000
Other noncurrent liabilities	27,396	27,831
Total liabilities	1,161,402	1,138,157

Commitments and contingencies

Stockholders' equity

Preferred stock; \$0.01 par value; 5,000,000 shares authorized; no shares issued and outstanding at March 31, 2014 and December 31, 2013	-	-
Common stock; \$0.005 par value; 140,000,000 shares authorized; 46,606,796 shares issued at March 31, 2014 and December 31, 2013	232	232
Additional paid-in capital	544,720	543,163
Retained earnings	258,080	263,855
Treasury stock, at cost, 8,680,947 and 7,751,807 shares at March 31, 2014 and December 31, 2013, respectively	(304,018)	(240,241)
Accumulated other comprehensive loss	(20,414)	(23,315)
Total stockholders' equity	<u>478,600</u>	<u>543,694</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$1,640,002</u>	<u>\$ 1,681,851</u>

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

For the Three Months Ended
March 31,

2014 2013

Revenues

License	\$ 35,702	\$ 41,356
Maintenance	62,499	58,634
Services	22,588	23,929
Hosting	100,684	38,078
Total revenues	<u>221,473</u>	<u>161,997</u>

Operating expenses

Cost of license (1)	5,736	5,918
Cost of maintenance, services and hosting (1)	107,887	61,871
Research and development	37,456	37,149
Selling and marketing	27,909	25,074
General and administrative	25,116	25,037
Depreciation and amortization	17,078	10,957
Total operating expenses	<u>221,182</u>	<u>166,006</u>

Operating income (loss)

291 (4,009)

Other income (expense)

Interest expense	(9,175)	(3,897)
Interest income	199	131
Other, net	(1,057)	3,165
Total other income (expense)	<u>(10,033)</u>	<u>(601)</u>

Loss before income taxes

	(9,742)	(4,610)
Income tax benefit	(3,967)	(2,444)
Net loss	<u>\$ (5,775)</u>	<u>\$ (2,166)</u>

Loss per common share

Basic	\$ (0.15)	\$ (0.05)
Diluted	\$ (0.15)	\$ (0.05)

Weighted average common shares outstanding

Basic	38,411	39,465
Diluted	38,411	39,465

(1) The cost of software license fees excludes charges for depreciation but includes amortization of purchased and developed software for resale. The cost of maintenance, services and hosting fees excludes charges for depreciation.

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

	For the Three Months Ended	
	March 31,	
	2014	2013
Cash flows from operating activities:		
Net loss	\$ (5,775)	\$ (2,166)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation	5,324	3,764
Amortization	15,282	10,422
Amortization of deferred debt issuance costs	1,348	960
Deferred income taxes	(11,277)	(6,096)
Stock-based compensation expense	4,772	3,950
Excess tax benefit of stock options exercised	(4,070)	(1,308)
Other	(63)	559
Changes in operating assets and liabilities, net of impact of acquisitions:		
Receivables	(3,123)	30,671
Accounts payable	(1,480)	(9,215)
Accrued employee compensation	(3,580)	(12,281)
Current income taxes	6,166	4,278
Deferred revenue	26,896	15,938
Other current and noncurrent assets and liabilities	(15,163)	(4,549)
Net cash flows from operating activities	15,257	34,927
Cash flows from investing activities:		
Purchases of property and equipment	(4,228)	(6,241)
Purchases of software and distribution rights	(3,580)	(2,764)
Acquisition of businesses, net of cash acquired	-	(264,202)
Net cash flows from investing activities	(7,808)	(273,207)
Cash flows from financing activities:		
Proceeds from issuance of common stock	652	475
Proceeds from exercises of stock options	2,887	3,864
Excess tax benefit of stock options exercised	4,070	1,308
Repurchases of common stock	(70,000)	-
Repurchase of restricted stock and performance shares for tax withholdings	(4,503)	(5,520)
Proceeds from term portion of credit agreement	-	300,000
Proceeds from revolving credit facility	40,000	-
Repayment of revolving credit facility	(8,000)	-
Repayment of term portion of credit agreement	(8,871)	(3,750)
Payments on other debt and capital leases	(382)	(8,338)
Payment for debt issuance costs	(163)	(9,272)
Net cash flows from financing activities	(44,310)	278,767
Effect of exchange rate fluctuations on cash	738	(4,332)
Net increase (decrease) in cash and cash equivalents	(36,123)	36,155
Cash and cash equivalents, beginning of period	95,059	76,329
Cash and cash equivalents, end of period	\$ 58,936	\$ 112,484

ACI Worldwide, Inc.
Reconciliation of Selected GAAP Measures to Non-GAAP Measures (1)
(unaudited and in thousands, except per share data)

Selected Non-GAAP Financial Data	FOR THE THREE MONTHS ENDED March 31,							
	2014 GAAP	Adj	2014 Non-GAAP	2013 GAAP	Adj	2013 Non-GAAP	\$ Diff	% Diff
Total revenues (2)	\$221,473	\$ 587	\$ 222,060	\$161,997	\$ 1,134	\$ 163,131	\$58,929	36%
Total expenses (3)	221,182	(5,739)	215,443	166,006	(6,597)	159,409	56,034	35%
Operating income (loss)	291	6,326	6,617	(4,009)	7,731	3,722	2,895	78%
Income (Loss) before income taxes	(9,742)	6,326	(3,416)	(4,610)	7,731	3,121	(6,537)	-209%
Income tax expense (benefit) (4)	(3,967)	2,214	(1,753)	(2,444)	2,706	262	(2,015)	-769%
Net income (loss)	<u>\$ (5,775)</u>	<u>\$ 4,112</u>	<u>\$ (1,663)</u>	<u>\$ (2,166)</u>	<u>\$ 5,025</u>	<u>\$ 2,859</u>	<u>\$ (4,522)</u>	<u>-158%</u>
Depreciation	5,324	-	5,324	3,764	-	3,764	1,560	41%
Amortization - acquisition related intangibles	6,538	-	6,538	3,842	-	3,842	2,696	70%
Amortization - acquisition related software	5,107	-	5,107	2,993	-	2,993	2,114	71%
Amortization - other	3,637	-	3,637	3,587	-	3,587	50	1%
Stock-based compensation (5)	4,772	-	4,772	3,950	-	3,950	822	21%
Adjusted EBITDA	<u>\$ 25,669</u>	<u>\$ 6,326</u>	<u>\$ 31,995</u>	<u>\$ 14,127</u>	<u>\$ 7,731</u>	<u>\$ 21,858</u>	<u>\$10,137</u>	<u>46%</u>
Earnings per share information								
Weighted average shares outstanding								
Basic	38,411	38,411	38,411	39,465	39,582	39,582		
Diluted	38,411	38,411	38,411	39,465	40,255	40,255		
Earnings per share								
Basic	\$ (0.15)	\$ 0.11	\$ (0.04)	\$ (0.05)	\$ 0.13	\$ 0.07	\$ (0.12)	-160%
Diluted	\$ (0.15)	\$ 0.11	\$ (0.04)	\$ (0.05)	\$ 0.12	\$ 0.07	\$ (0.11)	-161%

(1) This presentation includes non-GAAP measures. Our non-GAAP measures are not meant to be considered in isolation or as a substitute for comparable GAAP measures, and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP.

(2) Adjustment for ORCC deferred revenue that would have been recognized in the normal course of business but was not recognized due to GAAP purchase accounting requirements.

(3) Expense for significant transaction related transactions, including, \$2.0 million for employee related actions, \$2.0 million for data center moves and \$1.7 million for professional and other fees in 2014 and \$1.9 million for employee related actions, \$2.5 million for ORCC acquisition fees and \$2.2 million for other professional fees in 2013.

(4) Adjustments tax effected at 35%.

Reconciliation of Operating Free Cash Flow (millions)	Quarter Ended	
	March 31, 2014	2013

Net cash provided (used) by operating activities	\$ 15.3	\$ 34.9
Payments associated with acquired opening balance sheet liabilities	4.1	-
Net after-tax payments associated with employee-related actions (4)	1.2	1.5
Net after-tax payments associated with lease terminations (4)	0.4	0.1
Net after-tax payments associated with significant transaction related expenses (4)	1.8	4.9
Net after-tax payments associated with IBM IT Outsourcing Termination (4)	-	1.9
Less capital expenditures	(7.8)	(9.0)
Operating Free Cash Flow	<u>\$ 15.0</u>	<u>\$ 34.3</u>

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