



# ACI WORLDWIDE (ACIW)

SPRING 2017



# Private Securities Litigation Reform Act of 1995 Safe Harbor For Forward-Looking Statements

This presentation contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. A discussion of these forward-looking statements and risk factors that may affect them is set forth at the end of this presentation. The Company assumes no obligation to update any forward-looking statement in this presentation, except as required by law.

# ACI Worldwide – Any-to-Any Payments Software

*Founded in 1975, ACI is a leading provider of real-time, electronic payment solutions for financial institutions, intermediaries, merchants and billers worldwide through our suite of software solutions delivered on customers' premises and through ACI's private cloud.*



2016  
Revenue\*  
**\$990  
Million**

2016  
60-Month  
Backlog\*  
**\$4  
Billion**

2016  
Adjusted  
EBITDA\*  
**\$241  
Million**

*\*2016 figures exclude contribution from CFS*

# Attractive Investment Themes



High quality products and services drive **leading market position** and large installed user base of **5,000+ customers**



Long-term, blue-chip, geographically diverse customer base with **low customer concentration** and **strong renewal rates**



**Large contractual backlog** provides earnings visibility. **Scalable, fixed-cost model.**



**Universal Payments (UP)** software solutions **drive innovation** across the payments ecosystem



**Subscription-based software** contracts drive **recurring revenue**. Software delivered On-Premise or via ACI's private cloud



On-Premise software very high margin. Cloud delivery will see **improving profitability** with scale



Management team has an established track record of **operational excellence** and significant **industry experience**

# ACI's UP<sup>®</sup> Solutions Span the Payments Ecosystem



CONSUMER  
PAYMENTS



IMMEDIATE  
PAYMENTS



CASH  
MANAGEMENT



RETAILERS  
& BILLERS

UP RETAIL  
PAYMENTS™

UP IMMEDIATE  
PAYMENTS™

UP TRANSACTION  
BANKING™

UP MERCHANT  
PAYMENTS™  
UP eCOMMERCE  
PAYMENTS™  
UP BILL PAYMENT™

UP PAYMENTS RISK MANAGEMENT™

UNIVERSAL PAYMENTS



# ACI's UP<sup>®</sup> Solutions Span the Payments Ecosystem

*Unmatched payments industry breadth*

## UP RETAIL PAYMENTS

Integrates ACI's UP BASE24-eps and UP Framework products, enabling financial institutions to accept and effectively and securely switch payment transactions at scale. Real-time "switching" software sold directly to FIs, retailers and processors; solutions authenticate, authorize, acquire, clear and settle electronic and eCommerce payments. Sold as subscription license or SaaS hosted.

## UP TRANSACTION BANKING

Meets the complete channel and payment needs of a financial institution's business customers, including digital banking, wire transfer processing, supply chain finance, SEPA processing, SWIFT MX or MT, and fraud detection.

## UP IMMEDIATE PAYMENTS

Enables financial institutions to connect to country-level, real-time payment schemes and to create differentiated products for consumers, businesses and merchants.

## UP BILL PAYMENT

Enables direct billers to present bills and collect payments from consumers electronically through a single, integrated platform that powers the entire bill payments operation.

## UP MERCHANT PAYMENTS

Supports omni-channel or online-only payment environments through a direct-to-merchant solution, integrating ACI's Postilion, ACI PAY.ON Payments Gateway and ACI ReD Shield strategic products and deployed in ACI's private cloud.

## UP eCOMMERCE PAYMENTS

Provides white-labeled, cloud-based solution to companies offering payment services to merchant customers, delivering global payments transaction processing capabilities while detecting and managing domestic and cross-border payments fraud across all payment types.

## UP PAYMENTS RISK MANAGEMENT

Comprehensive fraud prevention and detection solution designed for both financial institutions and merchants. Uses predictive analytics and expertly defined rules to help customers successfully identify and mitigate fraud across multiple channels in real time.



# ACI Has Global Reach and Scale

**AMERICAS**  
4,600+ customers

**EMEA**  
400+ customers

**ASIAPACIFIC**  
200+ customers

300+ global retailers  
3,600+ Tier 1 and 2 billers

~180 processors, plus  
central infrastructures, switches  
and networks

18 of the top 20 and  
67 of the top 100 banks globally

**4,100+ employees support 5,000+ customers in more than 80 countries**  
**2016 revenue geographic mix: 64% Americas, 26% EMEA and 10% Asia/Pacific**

# Diverse Customer Base

- No single customer represents more than 3% of consolidated revenue
- On average, customers use 3 ACI products or less, representing a large cross sell opportunity



## FY 2016 Top 10 Customers by Revenue

Customer 1	2.4%
Customer 2	2.1%
Customer 3	1.9%
Customer 4	1.6%
Customer 5	1.4%
Customer 6	1.1%
Customer 7	1.0%
Customer 8	1.0%
Customer 9	0.9%
Customer 10	0.9%
<b>Total</b>	<b>14.3%</b>

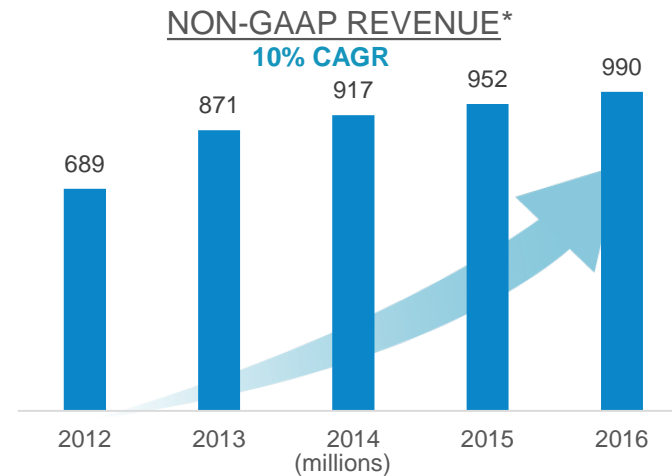
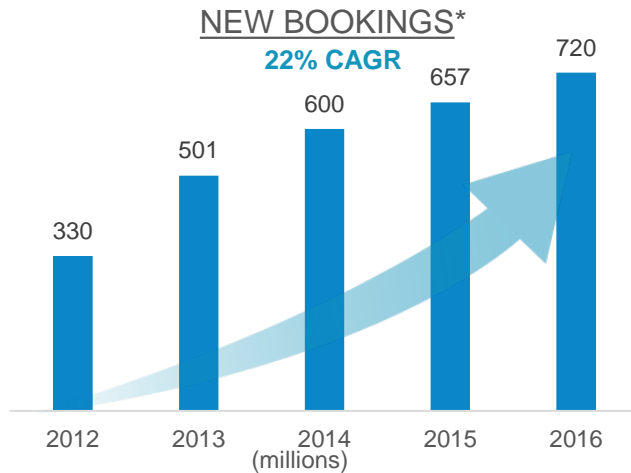


# Financial Review

# Bookings Growth Leads to Large Backlog

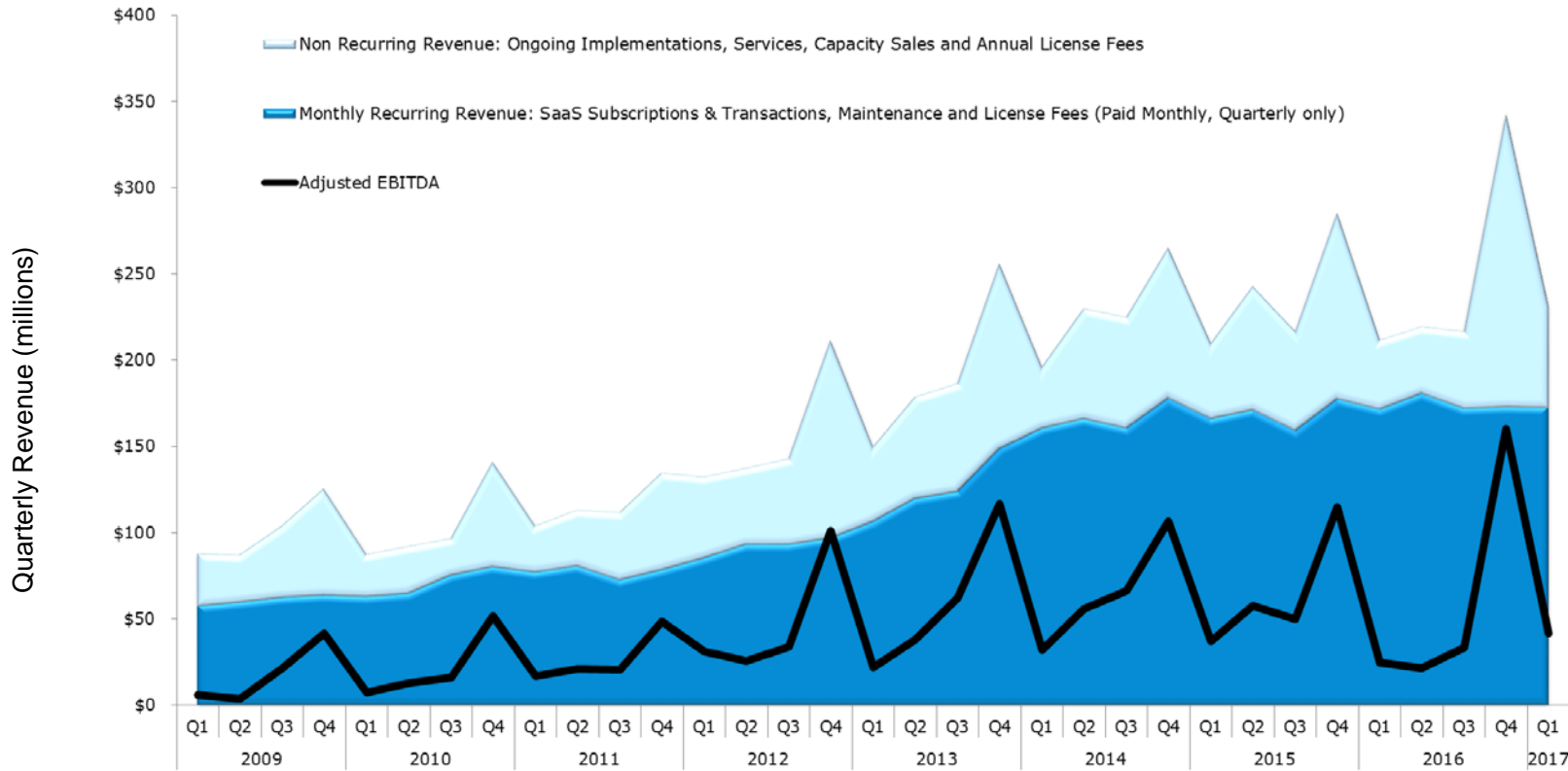
*Provides revenue and earnings visibility*

- Renewal rates across ACI products in the mid-high 90%<sup>s</sup>
- >95% of our contracts are transaction-based



\*Represents 2014-2016 results adjusted for the divestiture of the CFS business.

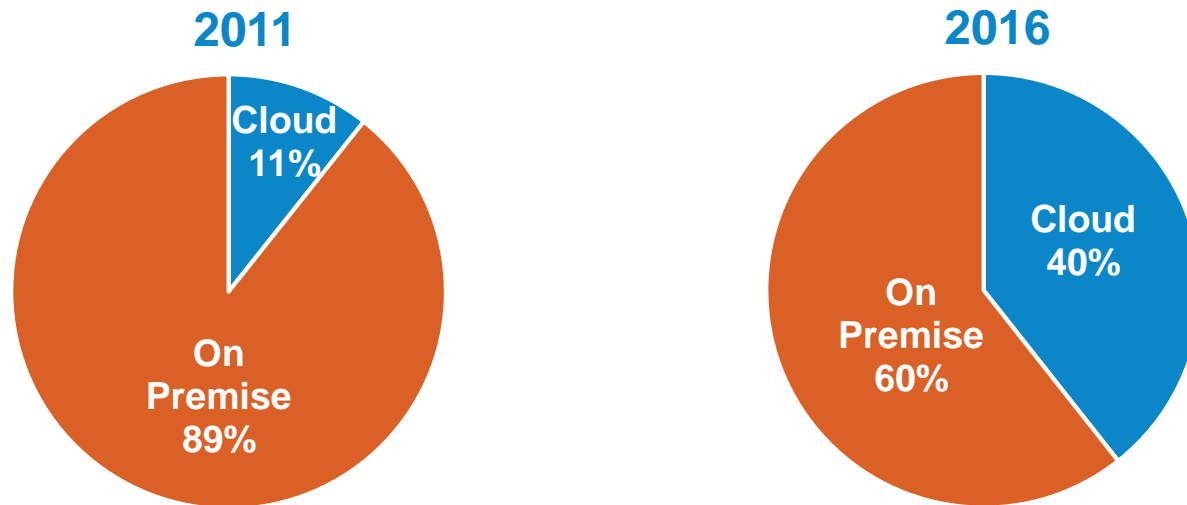
# Fixed Costs Provide Leverage in Model



- Monthly recurring revenue predictable and growing, now >70% of total revenue
- Non-recurring revenue is strongest in Q4
- EBITDA margin spikes follow revenue

# ACI Shift Towards the Cloud

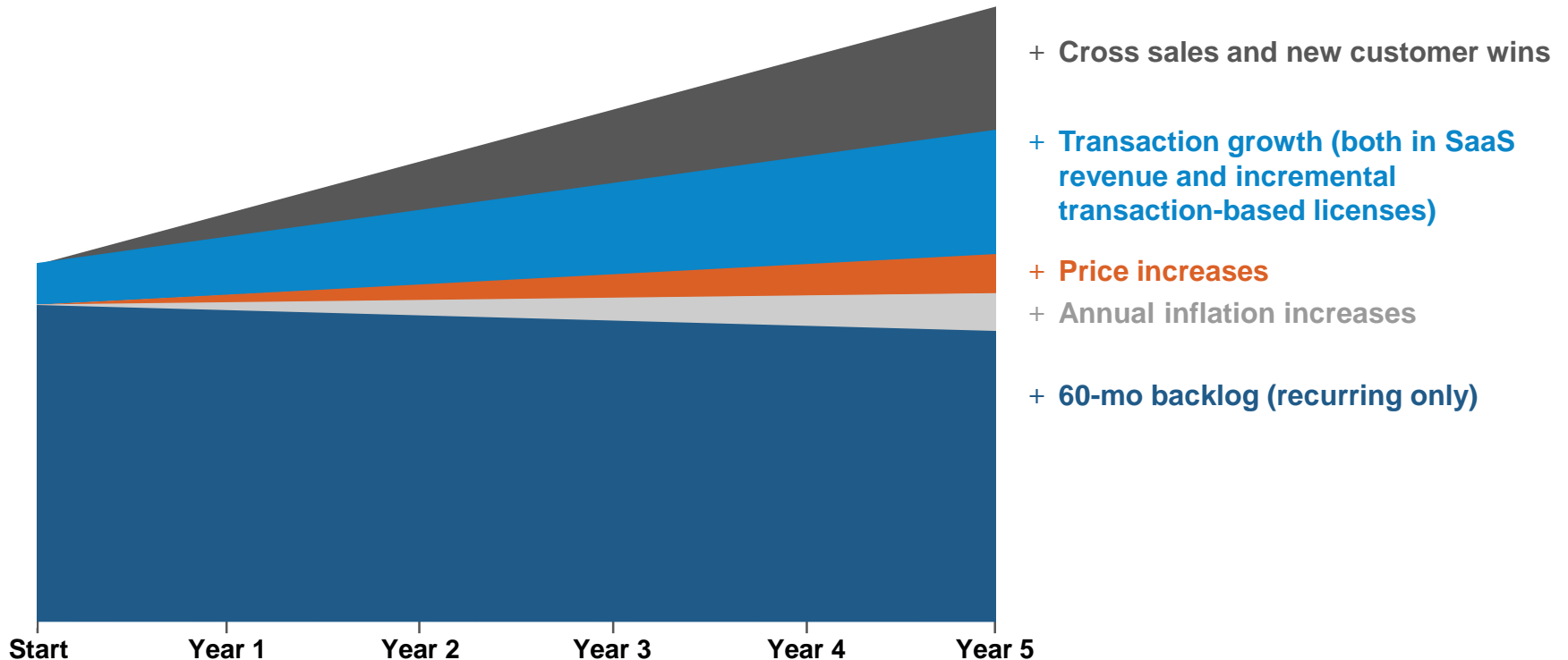
*Overall monthly recurring revenues now over 70%*



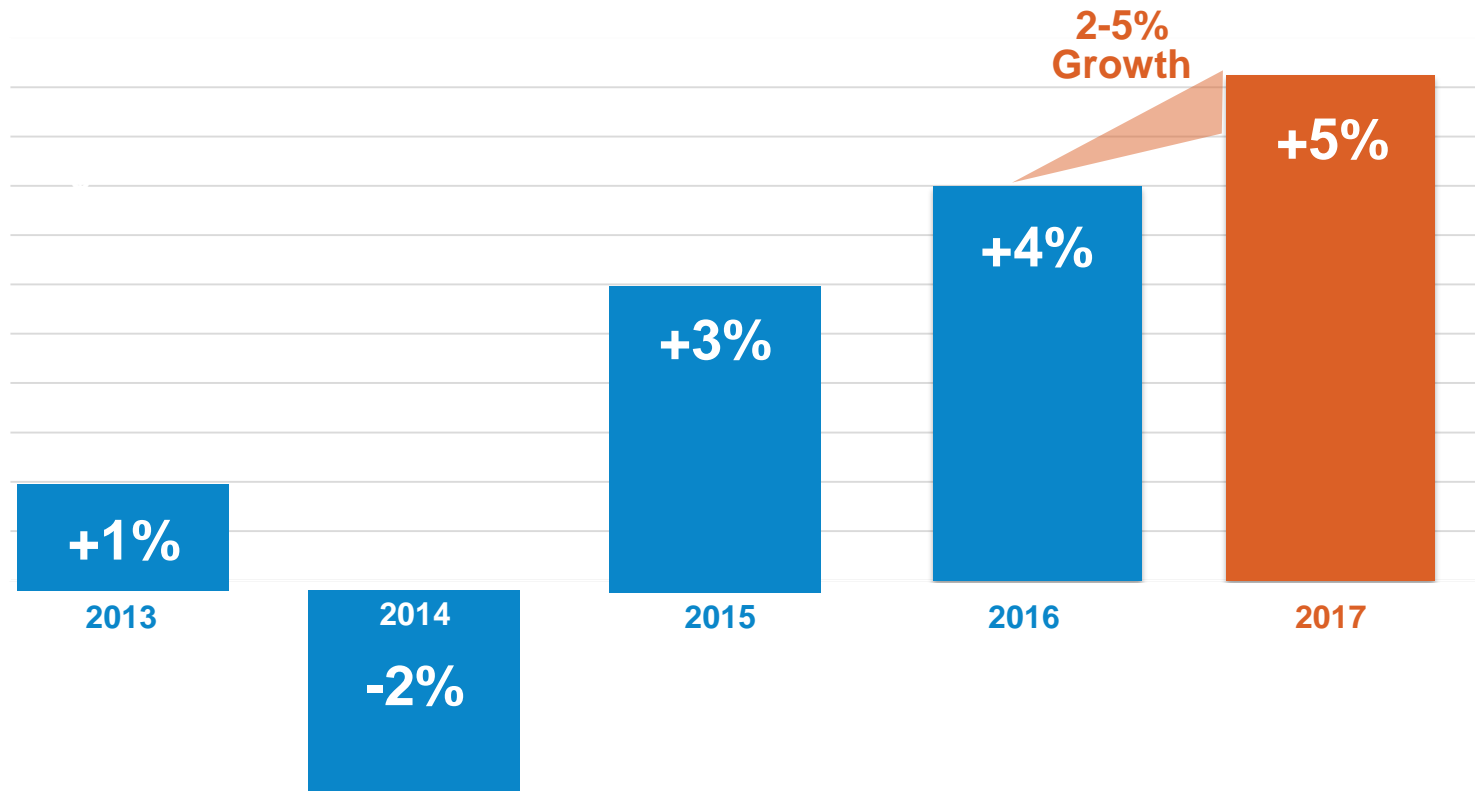
- Faster growth in ACI's cloud business
- Merchant retailer and particular focus on eCommerce
- Traditional on-premise customers converting to cloud
- Cash management

# Backlog is Foundation, Cross Sales Add Growth

- Existing customer base and low customer attrition provide baseline for future revenue
- Competitive positioning and high R&D spending provides pricing power
- Electronic payment growth of mid-high single digits
- Cross sales typically account for 2/3 of net new business



# Organic Growth Increasing



# 2017 Guidance

2017 Non-GAAP Guidance		
	Low	High
Revenue	1,000	1,025
Adjusted EBITDA	250	255
\$s in millions		
Foreign currency rates as of 12/31/16		

- **Guidance**

- New bookings growth expected to be in the upper single digits
- Revenue and Adjusted EBITDA phasing by quarter consistent with seasonal history
- Guidance excludes approximately \$14 million in one-time integration related expenses for PAY.ON, the CFS divestiture and data center and facilities consolidation.
- Q2 revenue expected to be \$225 to \$230 million

# Financial Summary – Five-year Targets

- **Organic revenue growth**  
Mid-to-upper single digits
- **Adjusted EBITDA margin**  
100 bps expansion per year
- **Operating free cash flow**  
Track adjusted EBITDA growth
- **New bookings growth**  
High single digits





# Questions?



## The Advantage

- Leading market position
- High retention and renewal rates
- Significant recurring revenue
- Scalable, fixed-cost model with improving margin
- Low cash investment required

# Notable Awards and Rankings: 2016-2017

- Top honors at the annual Merchant Payments Ecosystem Awards, winning the 'International Award' for its UP eCommerce Payments solution
- Recognized at the PayFORUM awards with top honors in the 'Cross-border Payments' category
- International Award for UP eCommerce Payments, Merchant Payments Ecosystem Awards
- ACI Worldwide named Official Service Provider for pan-European Instant Credit Transfer Scheme by EBA Clearing
- ACI's UP eCommerce Payments solution was recognized in the "Best Online Payments Solution (Merchant)" category at the 2016 FStech Payments Awards
- No. 18, international list of financial technology companies in the IDC Financial Insights 2016 FinTech Rankings
- No. 16, Cloud Top 500 Applications Vendors, Apps Run the World
- Best Payments Flexibility, Open Architecture and Large Customer Base for Universal Online Banker™ in Aite Group's 2016 Cash Management Vendor Evaluation
- Judges' Choice at the 2016 CNP Awards for PAY.ON eCommerce Payments Gateway™
- Technical vendor accreditation, Faster Payments Scheme Ltd (FPSL)
- 2016 PayFORUM Award for Excellence for UP Framework™ for Immediate Payments

# Non-GAAP Financial Measures

To supplement our financial results presented on a GAAP basis, we use the non-GAAP measures indicated in the tables, which exclude certain business combination accounting entries, significant transaction related expenses, as well as other significant non-cash expenses such as depreciation, amortization, and non-cash compensation, that we believe are helpful in understanding our past financial performance and our future results. The presentation of these non-GAAP financial measures should be considered in addition to our GAAP results and are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. Management generally compensates for limitations in the use of non-GAAP financial measures by relying on comparable GAAP financial measures and providing investors with a reconciliation of non-GAAP financial measures only in addition to and in conjunction with results presented in accordance with GAAP. We believe that these non-GAAP financial measures reflect an additional way to view aspects of our operations that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business. Certain non-GAAP measures include:

- Non-GAAP revenue: revenue plus deferred revenue that would have been recognized in the normal course of business if not for GAAP purchase accounting requirements. Non-GAAP revenue should be considered in addition to, rather than as a substitute for, revenue.

<b>Non-GAAP Revenue (millions)</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Revenue	\$ 667	\$ 865	\$1,016	\$ 1,046	\$1,006
Less CFS revenue	-	-	(101)	(95)	(16)
Deferred revenue fair value adjustment	22	6	2	1	-
<b>Non-GAAP revenue</b>	<b>\$ 689</b>	<b>\$ 871</b>	<b>\$ 917</b>	<b>\$ 952</b>	<b>\$ 990</b>

- Adjusted EBITDA: net income plus income tax expense (benefit), net interest income (expense), net other income (expense), depreciation, amortization, and non-cash compensation, as well as significant transaction related expenses and legal judgment. Adjusted EBITDA should be considered in addition to, rather than as a substitute for, net income (loss).

# Non-GAAP Financial Measures

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

ACI also includes backlog estimates, which include all license, maintenance, and services (including SaaS and Platform) specified in executed contracts, as well as revenues from assumed contract renewals to the extent that we believe recognition of the related revenue will occur within the corresponding backlog period. We have historically included assumed renewals in backlog estimates based upon automatic renewal provisions in the executed contract and our historic experience with customer renewal rates.

# Non-GAAP Financial Measures

Backlog is considered a non-GAAP financial measure as defined by SEC Regulation G. Our 60-month backlog estimate represents expected revenues from existing customers using the following key assumptions:

- 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.
- License, facilities management, and software hosting arrangements are assumed to renew at the end of their committed term at a rate consistent with our historical experiences.
- Non-recurring license arrangements are assumed to renew as recurring revenue streams.
- Foreign currency exchange rates are assumed to remain constant over the 60-month backlog period for those contracts stated in currencies other than the U.S. dollar.
- Our pricing policies and practices are assumed to remain constant over the 60-month backlog period.

Estimates of future financial results are inherently unreliable. Our backlog estimates require substantial judgment and are based on a number of assumptions as described above. These assumptions may turn out to be inaccurate or wrong, including, but not limited to, reasons outside of management's control. For example, our customers may attempt to renegotiate or terminate their contracts for a number of reasons, including mergers, changes in their financial condition, or general changes in economic conditions in the customer's industry or geographic location, or we may 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 actually recognized in future periods. Accordingly, there can be no assurance that contracts included in backlog estimates will actually generate the specified revenues or that the actual revenues will be generated within the corresponding 60-month period.

Backlog should be considered in addition to, rather than as a substitute for, reported revenue and deferred revenue.

# Forward-Looking Statements

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

Forward-looking statements in this presentation include, but are not limited to, statements regarding:

- (i) Expectations regarding 2017 financial guidance related to revenue and adjusted EBITDA;
- (ii) Expectations regarding full year new sales growth;
- (iii) Expectations regarding Q2 2017 revenue; and
- (iv) Expectations regarding five year targets, including future increases in organic revenue, adjusted EBITDA margin, operating free cash flow, and sales net of term extension.