



# ACI Worldwide (ACIW)

**INVESTOR DECK**

**Spring 2021**

# 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.

# Agenda

- **ACI Worldwide® Company Overview**

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- **Investment Highlights**

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- **ACI Worldwide Financial Overview**

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- **Appendix**

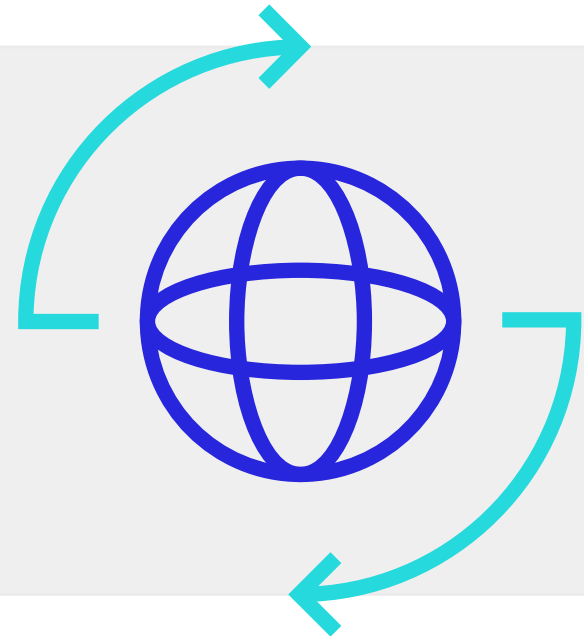
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# ACI Delivers Mission-Critical Payment Solutions

ACI Worldwide is a global **software** company that provides mission-critical **real-time payment solutions** to corporations.

Customers use our proven, scalable and secure solutions to process and manage **digital payments**, enable **omni-commerce payments**, present and process **bill payments**, and manage **fraud and risk**.

We combine our global footprint with local presence to drive the **real-time digital transformation** of payments and commerce.



# ACI Addresses the Payment Needs of Banks, Merchants and Billers

## WHO WE SERVE



### PROCESS AND MANAGE DIGITAL PAYMENTS

- Banks
- Processors
- Central Infrastructures
- Networks
- Acquirers
- Merchant Processors



### ENABLE OMNI-COMMERCE PAYMENTS

- Merchants



### PRESENT AND PROCESS BILL PAYMENTS

- Billers



### MANAGE FRAUD AND RISK

- Banks
- Processors
- Central Infrastructures
- Networks
- Acquirers
- Billers
- Merchants
- Merchant Processors

# Our Solutions Span the Payments Ecosystem



## PROCESS AND MANAGE DIGITAL PAYMENTS

- Support for any payment type, with multi-bank, multi-currency and 24x7 payment processing capabilities using our **Enterprise Payments Platform**
- **Real-time payment capabilities**, including low-value and high-value real-time payments
- **Consumer payment solutions** for issuers and acquirers, ranging from core payment engines to back-office support
- **Digital business banking** with advanced cash management capabilities in a multi-tenant, cloud-based platform



## ENABLE OMNI-COMMERCE PAYMENTS

- Real-time, secure any-to-any payment capabilities for merchants in both **card-present** and **card-not-present** environments globally



## PRESENT AND PROCESS BILL PAYMENTS

- **Bill presentment and payment** options giving consumers a wide range of payment options



## MANAGE FRAUD AND RISK

- Powerful big data engine and analytics delivering robust **fraud prevention and detection** capabilities for banks, processors, acquirers and merchants

# ACI by the Numbers

Americas

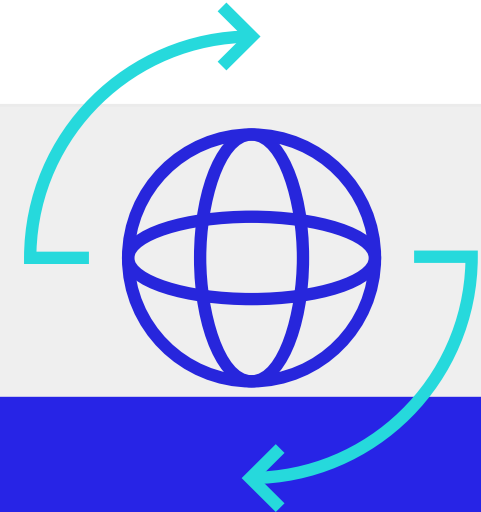
**5,300+**  
customers

EMEA

**~450**  
customers

Asia/Pacific

**~250**  
customers



Support **19 of the top 20** banks worldwide



Prevent fraud for **1,500+** banks, intermediaries and merchants



Support **thousands of** billers



Serve **80,000+** merchants directly and through payment service providers

**45+**  
years  
in payments

**6,000+**  
global  
organizations  
rely on ACI

**\$359M**  
FY 2020  
Adjusted EBITDA

**\$1.29B**  
2020  
revenue

# ACI Key Strengths & Differentiators

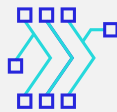


## Software-led Solutions



ACI provides mission-critical, software-led real-time payment solutions. With a 45+ year history, we combine proven experience with innovation to deliver scalable, secure and compliant software solutions in a highly regulated market.

## Brand



With the broadest real-time experience of any payments provider, ACI is trusted by Tier 1 organizations around the world. More customers are aware of and prefer the ACI brand for real-time payment solutions than any other provider.

## Global reach



Serving customers in 80+ countries, we combine our global footprint with local presence to drive the real-time digital transformation of payments and commerce.

## Cloud-readiness



ACI's cloud-ready solutions give customers the flexibility to run our solutions in the public cloud, private cloud or hybrid models.

## Expertise



Our global team of experts, located in more than 30 countries, are thought leaders and innovators across the payments value chain.



# ACI's Three-Pillar Strategy

## FIT FOR GROWTH



We are organized and operating with a strong focus on growth by:

- Adopting a simpler, flatter and more agile organizational structure
- Building a powerful, best-in-class sales engine
- Fewer layers between business leaders and customers

## FOCUSED ON GROWTH



We are focusing investments on the biggest growth opportunities and continuing to accelerate the digital transformation of payments by:

- Increasing investment in Real-Time Payments, Global Merchants and Emerging Markets
- Protecting and growing our Issuing, Acquiring and Bill Payment businesses

## STEP-CHANGE VALUE CREATION



We continue to build on our successful history of mergers and acquisitions by:

- Driving inorganic value creation through acquisitions and divestitures aligned with our areas of focus and overall strategy

# Investment Highlights

# Investment Highlights

1

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

2

**Subscription software** model and **large contractual backlog** provides revenue and earnings visibility

3

**New Annual Recurring Revenue (ARR)** from bookings and **transaction growth** from existing customers drives accelerating **recurring revenue**

4

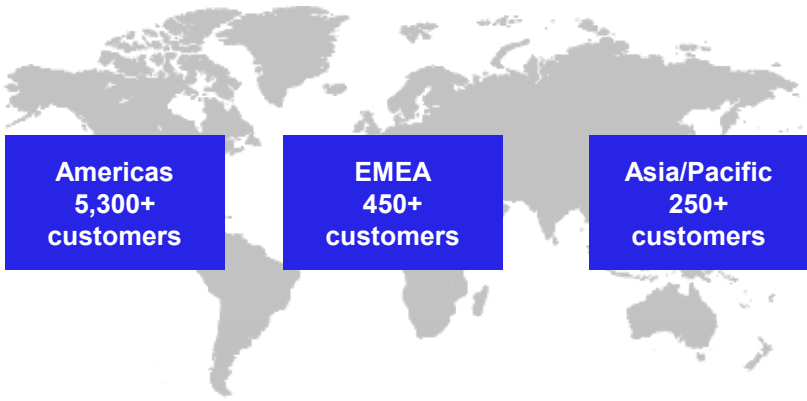
**High-margin software** will deliver “Rule of 40”



# 1

# Long-Term, Blue-Chip, Geographically Diverse Customer Base with Low Customer Concentration and Strong Renewal Rates

## ACI Has Global Reach & Scale



300+ global merchants 3,000+ billers	~180 processors, plus central infrastructures, switches and networks	19 of the top 20 and 60+ of the top 100 banks globally <sup>(1)</sup>
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~4,000 employees support over 6,000 customers in more than 80 countries

## Diverse Customer Base

No single customer represents more than 3% of consolidated revenue



## FY 2020 top 10 Customers by Revenue

Customer 1	2.9%
Customer 2	2.8%
Customer 3	2.1%
Customer 4	1.7%
Customer 5	1.6%
Customer 6	1.4%
Customer 7	1.2%
Customer 8	1.2%
Customer 9	1.1%
Customer 10	1.1%
<b>Total</b>	<b>17.1%</b>

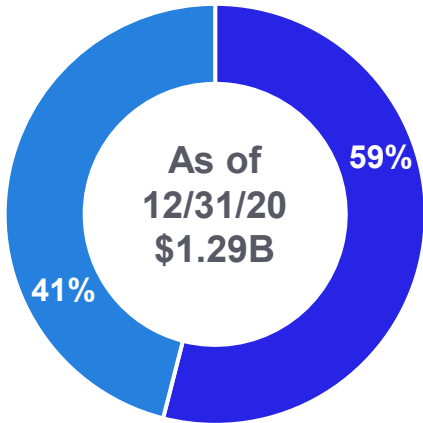
(1) As measured by asset size.

# 2

## Subscription Software Model Provides Long-Term Visibility

### 2020 Revenue by Deployment Model

■ On Premise    ■ On Demand



### On Demand

**SaaS and PaaS** contracts involve software solutions delivered through the cloud via our global data centers. Transaction-based contracts with 3–5-year terms. Revenue is recognized ratably.

### On Premise

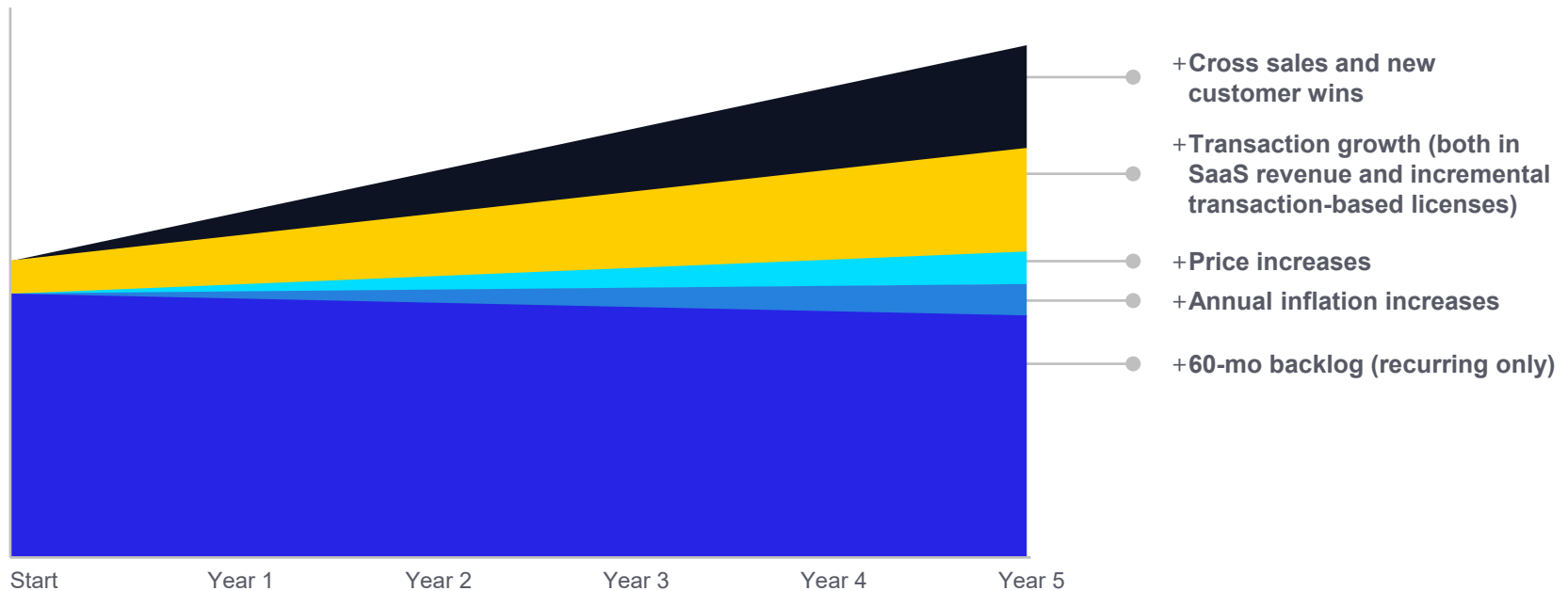
**License** contracts are traditional software arrangements where software is installed and operated on the customer premise or in the public cloud. Contracts are typically 5-year term. Revenue is disproportionately recognized up front.

# 2

## Large Contractual Backlog Provides Visibility

**Backlog is the Foundation of Revenue, Cross Sales and Growth**

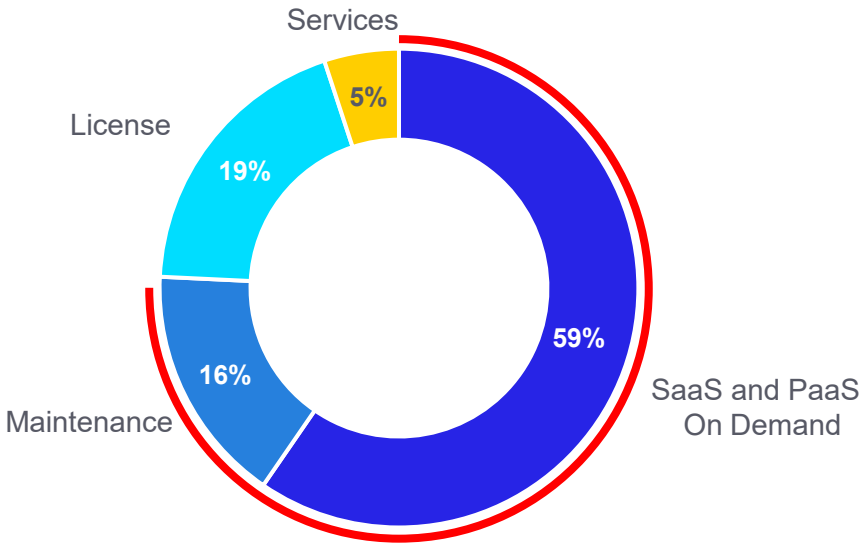
- Existing customer base and low customer attrition provide baseline for future revenue
- Competitive positioning and high R&D spending provides pricing power
- Electronic payments growth of mid-high single digits



# 3

# Annual Recurring Revenue Growth

## Revenue Breakdown by Type



**High-Quality, Recurring Revenue** Made Up  
Approximately **76% of Total** FY  
2020<sup>(1)</sup>

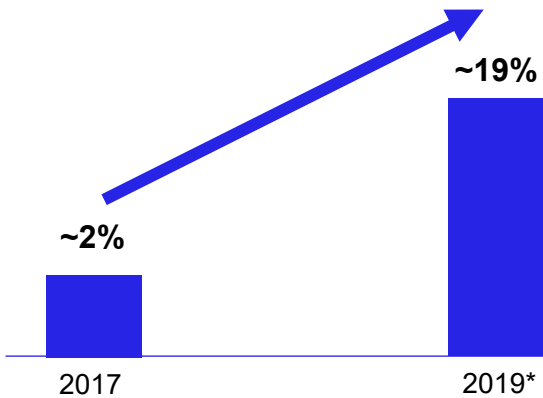
(1) Recurring revenue defined as SaaS, PaaS and maintenance fees

# 4

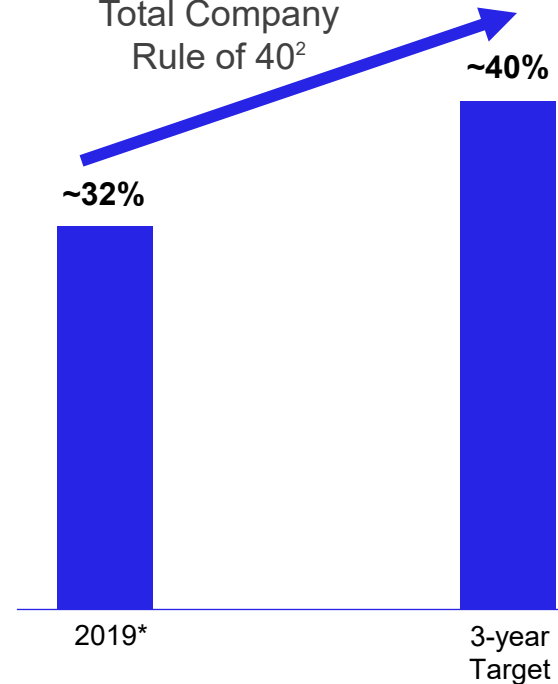
## Rule of 40

We will balance growth and profitability in creating long-term shareholder value

ACI On Demand Segment  
Rule of 40<sup>1</sup>



Total Company  
Rule of 40<sup>2</sup>



<sup>1</sup>Rule of 40 equals AOD segment revenue growth + AOD segment net adj. EBITDA margin, which excludes pass through interchange revenue and corporate overhead

\*Represents full year 2019 and is pro forma and inclusive of Speedpay acquisition

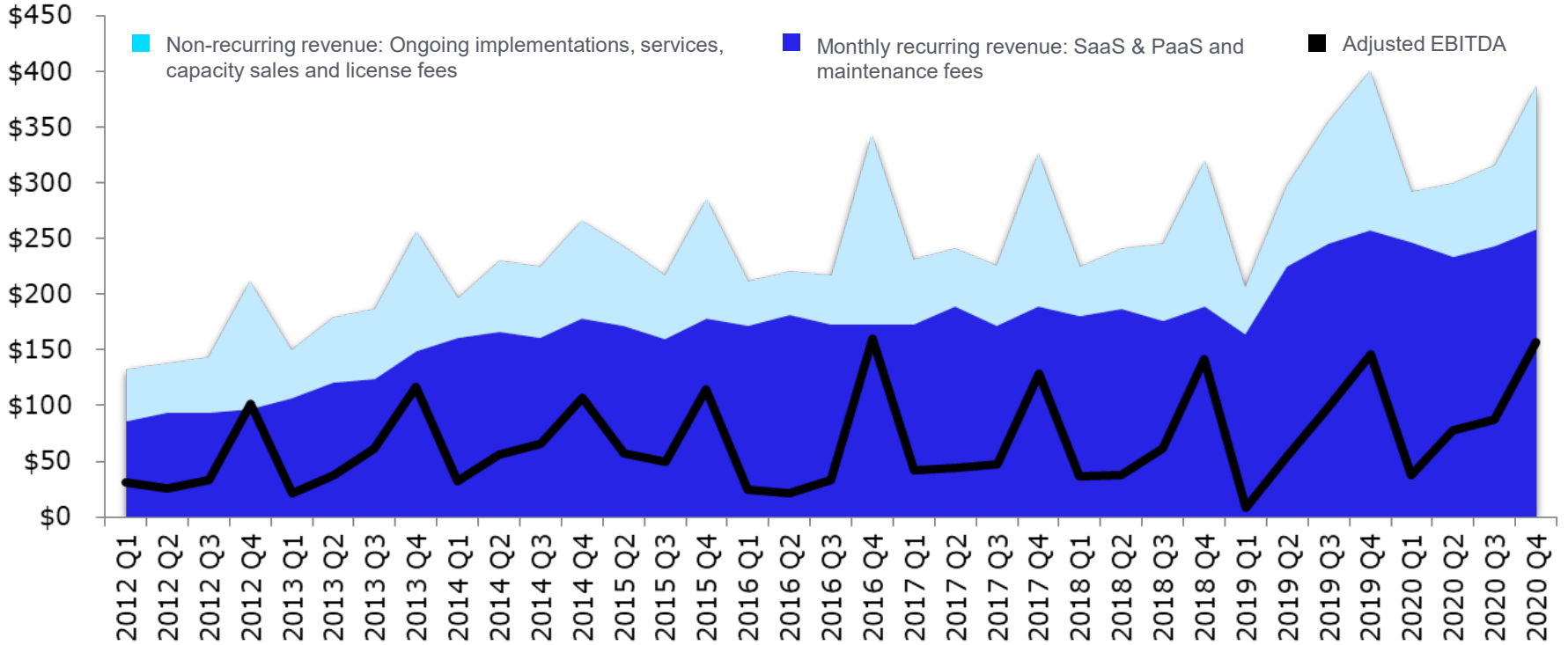
<sup>2</sup>Rule of 40 equals total company organic revenue growth + net adj. EBITDA margin, which excludes pass through interchange revenue



# 4

## High-Margin Software and Cloud Delivery Will See Improving Profitability with Scale

### Fixed Costs Provide Leverage in Model



**Recurring revenue now ~76% of total revenue**

**Non-recurring revenue is strongest in Q4**

**Adjusted EBITDA spikes follow revenue**

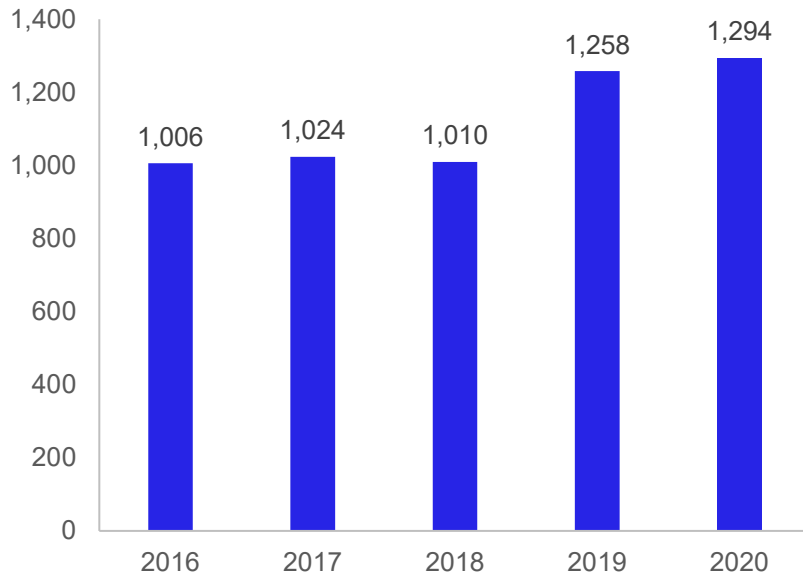
Note: Adjusted EBITDA is a non-GAAP measure. See the Appendix for additional information.

# ACI Worldwide Financial Summary

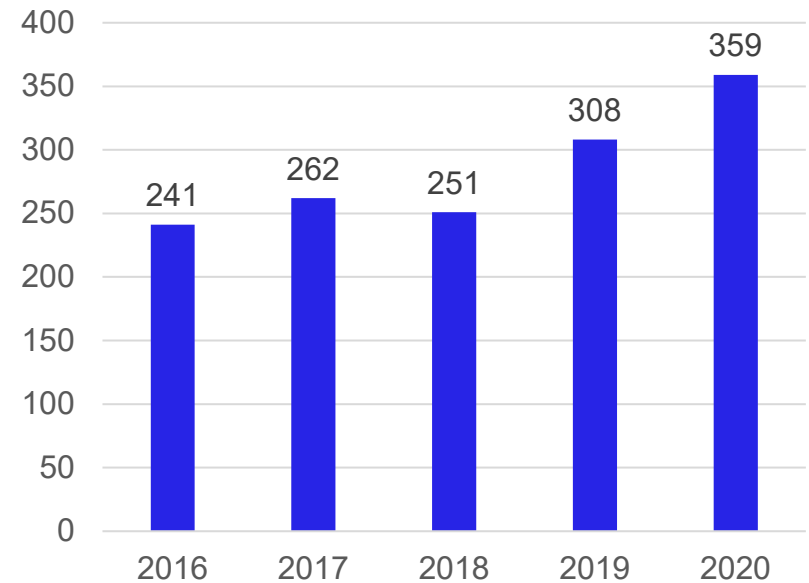
# Historical Financial Summary

*Transaction-based business model provides revenue and earnings visibility*

## Revenue



## ADJ. EBITDA



Low margin services revenue has declined from 9% of total revenue in 2016 to 5% in 2020

FY 2020 revenue breakdown is 64% U.S. and 36% international.

Strong cash flows provide financial flexibility.

(1) Note: Dollars in millions. Adjusted EBITDA is a non-GAAP measure. See the Appendix for additional information.

# Long-Term Financial Outlook

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## **Recurring revenue**

Mid to high-single-digit recurring revenue growth

## **Organic revenue**

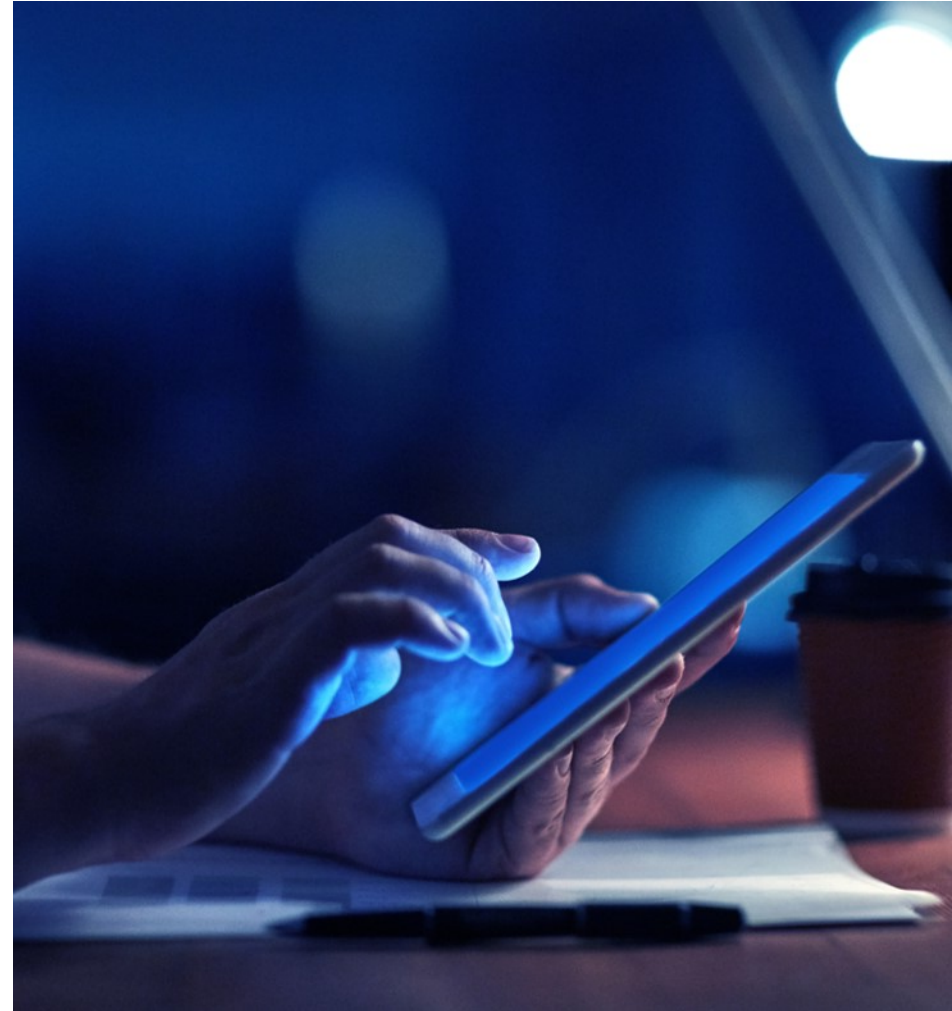
Mid-single-digit organic revenue growth

## **EBITDA margin**

Gradually improve adjusted EBITDA margin

## **Target leverage ratio**

2.5x EBITDA



# Appendix

# New Segment Historic Information

## Segment Financial Data (thousands)

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020	Q1 2021
<b>Segment Revenue</b>						
Biller	\$ 153,869	\$ 137,210	\$ 149,464	\$ 145,939	\$ 586,482	\$ 150,599
Merchants	31,795	37,313	40,461	39,375	148,945	38,670
Banks	105,821	125,387	125,959	201,730	558,896	95,917
<b>Total Revenue</b>	<b>\$ 291,485</b>	<b>\$ 299,910</b>	<b>\$ 315,883</b>	<b>\$ 387,044</b>	<b>\$ 1,294,322</b>	<b>\$ 285,186</b>
<b>Segment adjusted EBITDA</b>						
Biller	\$ 30,234	\$ 34,305	\$ 33,874	\$ 36,730	\$ 135,144	\$ 34,021
Merchants	6,418	12,838	18,653	15,076	52,986	14,725
Banks	42,436	68,385	71,967	149,055	331,843	37,195
Corporate and other	(41,110)	(37,759)	(37,501)	(44,306)	(160,676)	(40,802)
<b>Total adjusted EBITDA</b>	<b>\$ 37,978</b>	<b>\$ 77,769</b>	<b>\$ 86,993</b>	<b>\$ 156,555</b>	<b>\$ 359,296</b>	<b>\$ 45,139</b>
Interchange	\$ 88,783	\$ 74,802	\$ 88,179	\$ 82,581	\$ 334,345	\$ 87,301

# Non-Functional Requirements

*Differentiate ACI's services, solutions and offerings*

## Capacity

2,000 TPS

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## Availability

99.999% uptime

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## Scalability

Best-in-class operating cost



## Serviceability

Automated deployment  
and upgrade

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## Globality

Support for industry-leading  
number of endpoints to enable  
connectivity

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## Security

Highly sophisticated protection  
from data breaches and  
unauthorized transactions

# Non-GAAP Financial Measures

To supplement our financial results presented on a GAAP basis, we use non-GAAP measures, including in this presentation, that we believe are helpful in understanding our past financial performance and our future results. The non-GAAP measures in this presentation include pro forma adjustments for our Speedpay acquisition as well as excluding the effects of significant transactions such as the gain on sale of CFS assets, a legal judgment, and significant transaction expenses, and significant non-cash expenses such as stock-based compensation, depreciation, and amortization. The presentation of these non-GAAP financial measures should be considered in addition to our GAAP results and are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. Management generally compensates for limitations in the use of non-GAAP financial measures by relying on comparable GAAP financial measures and providing investors with a reconciliation of non-GAAP financial measures only in addition to and in conjunction with results presented in accordance with GAAP. We believe that these non-GAAP financial measures reflect an additional way to view aspects of our operations that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business. Certain non-GAAP measures include:

- Adjusted EBITDA: net income (loss) plus income tax expense (benefit), net interest income (expense), net other income (expense), depreciation, amortization, and non-cash compensation, as well as significant transaction related expenses. Adjusted EBITDA should be considered in addition to, rather than as a substitute for, net income (loss).
- Net Adjusted EBITDA Margin: Adjusted EBITDA divided by revenue net of pass through interchange revenue. Net Adjusted EBITDA Margin should be considered in addition to, rather than as a substitute for, net income (loss).
- Adjusted Revenue: total revenue plus the Speedpay pro forma adjustment. Adjusted Revenue should be considered in addition to, rather than as a substitute for, total revenue.
- Adjusted ACI On Demand Interchange: total interchange expense plus the Speedpay pro forma adjustment. Adjusted ACI On Demand Interchange should be considered in addition to, rather than as a substitute for, interchange.



# Non-GAAP Financial Measures

Adjusted EBITDA (millions)	For the Years Ended December 31,				
	2016	2017	2018	2019	2020
<b>Net income</b>	\$ 130	\$ 5	\$ 69	\$ 67	\$ 73
Plus:					
Income tax expense	56	38	23	5	26
Net interest expense	39	38	30	52	45
Net other (income) expense	(4)	3	4	(1)	1
Depreciation expense	23	25	24	24	25
Amortization expense	81	77	74	99	115
Non-cash stock-based compensation expense	43	14	20	37	29
<b>Adjusted EBITDA before significant transaction-related expenses</b>	368	200	244	283	314
Gain on sale of CFS assets	(152)	-	-	-	-
Legal judgment	-	47	-	-	-
Significant transaction-related expenses	25	15	7	25	45
<b>Adjusted EBITDA</b>	241	262	251	308	359
Speedpay proforma adjustment	-	-	96	31	-
<b>Adjusted EBITDA including Speedpay pro forma adjustment</b>	\$ 241	\$ 262	\$ 347	\$ 339	\$ 359

# Non-GAAP Financial Measures

Historic Segment Information (millions)	For the Years Ended December 31,			
	2016	2017	2018	2019
<b>Revenue</b>				
ACI On Demand	\$ 399.0	\$ 425.6	\$ 433.0	\$ 679.0
Speedpay proforma adjustment	-	-	351.9	124.7
Total adjusted ACI On Demand	\$ 399.0	\$ 425.6	\$ 784.9	\$ 803.7
ACI On Premise	591.3	598.6	576.8	579.3
Corporate and other	15.4	-	-	-
<b>Total adjusted revenue</b>	<b>\$ 1,005.7</b>	<b>\$ 1,024.2</b>	<b>\$ 1,361.7</b>	<b>\$ 1,383.0</b>
<b>Interchange</b>				
ACI On Demand	\$ 143.7	\$ 163.4	\$ 170.2	\$ 321.5
Speedpay proforma adjustment	-	-	184.0	71.1
<b>Total adjusted ACI On Demand interchange</b>	<b>\$ 143.7</b>	<b>\$ 163.4</b>	<b>\$ 354.2</b>	<b>\$ 392.6</b>
<b>Net Revenue</b>				
ACI On Demand	\$ 255.3	\$ 262.2	\$ 430.7	\$ 411.1
ACI On Premise	591.3	598.6	576.8	579.3
<b>Total</b>	<b>\$ 846.6</b>	<b>\$ 860.8</b>	<b>\$ 1,007.5</b>	<b>\$ 990.4</b>
<b>Segment Adjusted EBITDA</b>				
ACI On Demand	\$ (2.6)	\$ (1.8)	\$ 12.0	\$ 66.5
Speedpay proforma adjustment	-	-	95.7	30.5
Total adjusted ACI On Demand	\$ (2.6)	\$ (1.8)	\$ 107.7	\$ 97.0
ACI On Premise	\$ 312.2	\$ 347.1	\$ 323.9	\$ 321.3
<b>Segment Net Adjusted EBITDA Margin</b>				
ACI On Demand	-1%	-1%	25%	24%
ACI On Premise	53%	58%	56%	55%

# Non-GAAP Financial Measures

ACI also includes backlog estimates, which include all license, maintenance, and services revenue (including SaaS and PaaS) 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.

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:

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

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

# 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 our low customer concentration, strong renewal rates, large contractual backlog, revenue and earnings visibility, accelerating recurring revenue and the attainment of the Rule of 40, as well as our long-term financial outlook, including recurring revenue growth, revenue growth, EBITDA margin improvement and target leverage ratio.

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