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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended September 30, 2023

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

Or  
For the transition period from to  
Commission File Number 0-25346

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**ACI WORLDWIDE, INC.**

(Exact name of registrant as specified in its charter)

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Delaware

(State or other jurisdiction of incorporation or organization)

2811 Ponce de Leon Blvd PH 1 Coral Gables, Florida

(Address of principal executive offices)

47-0772104

(I.R.S. Employer Identification No.)

33134

(Zip code)

(305) 894-2200

(Registrant's telephone number, including area code)

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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	<input checked="" type="checkbox"/>			Accelerated filer	<input type="checkbox"/>		
Non-accelerated filer	<input type="checkbox"/>			Smaller reporting company	<input type="checkbox"/>		
				Emerging growth company	<input type="checkbox"/>		

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 October 31, 2023, there were 108,722,535 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)

	September 30, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 139,520	\$ 124,981
Receivables, net of allowances of \$4,900 and \$3,779, respectively	370,766	403,781
Settlement assets	649,494	540,667
Prepaid expenses	32,176	28,010
Other current assets	34,754	17,366
<b>Total current assets</b>	<u>1,226,710</u>	<u>1,114,805</u>
<b>Noncurrent assets</b>		
Accrued receivables, net	279,303	297,818
Property and equipment, net	41,098	52,499
Operating lease right-of-use assets	33,609	40,031
Software, net	105,324	129,109
Goodwill	1,226,026	1,226,026
Intangible assets, net	203,137	228,698
Deferred income taxes, net	75,448	53,738
Other noncurrent assets	64,173	67,171
<b>TOTAL ASSETS</b>	<u>\$ 3,254,828</u>	<u>\$ 3,209,895</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 40,951	\$ 47,997
Settlement liabilities	648,956	539,087
Employee compensation	42,025	45,289
Current portion of long-term debt	74,350	65,521
Deferred revenue	61,438	58,303
Other current liabilities	77,910	102,645
<b>Total current liabilities</b>	<u>945,630</u>	<u>858,842</u>
<b>Noncurrent liabilities</b>		
Deferred revenue	23,107	23,233
Long-term debt	987,221	1,024,351
Deferred income taxes, net	33,687	40,371
Operating lease liabilities	28,657	33,910
Other noncurrent liabilities	25,491	36,001
<b>Total liabilities</b>	<u>2,043,793</u>	<u>2,016,708</u>
Commitments and contingencies		
<b>Stockholders' equity</b>		
Preferred stock; \$0.01 par value; 5,000,000 shares authorized; no shares issued at September 30, 2023, and December 31, 2022	—	—
Common stock; \$0.005 par value; 280,000,000 shares authorized; 140,525,055 shares issued at September 30, 2023, and December 31, 2022	702	702
Additional paid-in capital	708,506	702,458
Retained earnings	1,272,351	1,273,458
Treasury stock, at cost, 31,802,520 and 32,456,227 shares at September 30, 2023, and December 31, 2022, respectively	(653,162)	(665,771)
Accumulated other comprehensive loss	(117,362)	(117,660)
<b>Total stockholders' equity</b>	<u>1,211,035</u>	<u>1,193,187</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 3,254,828</u>	<u>\$ 3,209,895</u>

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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Revenues</b>				
Software as a service and platform as a service	\$ 211,369	\$ 195,540	\$ 625,975	\$ 597,080
License	79,679	43,661	142,681	168,260
Maintenance	51,942	49,163	153,436	151,143
Services	20,025	18,227	53,924	53,613
<b>Total revenues</b>	<b>363,015</b>	<b>306,591</b>	<b>976,016</b>	<b>970,096</b>
<b>Operating expenses</b>				
Cost of revenue (1)	177,625	171,753	537,522	517,372
Research and development	33,739	35,899	106,122	114,348
Selling and marketing	29,442	32,794	98,166	102,793
General and administrative	29,821	30,516	92,675	84,753
Depreciation and amortization	30,464	32,140	93,439	95,218
<b>Total operating expenses</b>	<b>301,091</b>	<b>303,102</b>	<b>927,924</b>	<b>914,484</b>
<b>Operating income</b>	<b>61,924</b>	<b>3,489</b>	<b>48,092</b>	<b>55,612</b>
<b>Other income (expense)</b>				
Interest expense	(19,840)	(14,336)	(58,641)	(37,014)
Interest income	3,495	2,995	10,458	9,205
Other, net	1,084	41,545	(6,403)	45,801
<b>Total other income (expense)</b>	<b>(15,261)</b>	<b>30,204</b>	<b>(54,586)</b>	<b>17,992</b>
<b>Income (loss) before income taxes</b>	<b>46,663</b>	<b>33,693</b>	<b>(6,494)</b>	<b>73,604</b>
Income tax expense (benefit)	8,752	10,576	(5,387)	21,655
<b>Net income (loss)</b>	<b>\$ 37,911</b>	<b>\$ 23,117</b>	<b>\$ (1,107)</b>	<b>\$ 51,949</b>
<b>Income (loss) per common share</b>				
Basic	\$ 0.35	\$ 0.20	\$ (0.01)	\$ 0.45
Diluted	\$ 0.35	\$ 0.20	\$ (0.01)	\$ 0.45
<b>Weighted average common shares outstanding</b>				
Basic	108,667	113,812	108,428	114,584
Diluted	108,933	114,348	108,428	115,211

(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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Net income (loss)</b>	\$ 37,911	\$ 23,117	\$ (1,107)	\$ 51,949
<b>Other comprehensive income (loss):</b>				
Foreign currency translation adjustments	(6,310)	(13,459)	298	(28,179)
<b>Total other comprehensive income (loss)</b>	(6,310)	(13,459)	298	(28,179)
<b>Comprehensive income (loss)</b>	<u>\$ 31,601</u>	<u>\$ 9,658</u>	<u>\$ (809)</u>	<u>\$ 23,770</u>

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 September 30, 2023						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
<b>Balance as of June 30, 2023</b>	\$ 702	\$ 704,096	\$ 1,234,440	\$ (655,660)	\$ (111,052)	\$ 1,172,526
Net income	—	—	37,911	—	—	37,911
Other comprehensive loss	—	—	—	—	(6,310)	(6,310)
Stock-based compensation	—	6,822	—	—	—	6,822
Shares issued and forfeited, net, under stock plans	—	(2,412)	—	3,381	—	969
Repurchase of stock-based compensation awards for tax withholdings	—	—	—	(883)	—	(883)
<b>Balance as of September 30, 2023</b>	\$ 702	\$ 708,506	\$ 1,272,351	\$ (653,162)	\$ (117,362)	\$ 1,211,035

Three Months Ended September 30, 2022						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
<b>Balance as of June 30, 2022</b>	\$ 702	\$ 690,574	\$ 1,160,113	\$ (528,758)	\$ (114,267)	\$ 1,208,364
Net income	—	—	23,117	—	—	23,117
Other comprehensive loss	—	—	—	—	(13,459)	(13,459)
Stock-based compensation	—	7,126	—	—	—	7,126
Shares issued and forfeited, net, under stock plans	—	63	—	1,250	—	1,313
Repurchase of 1,154,825 shares of common stock	—	—	—	(28,227)	—	(28,227)
Repurchase of stock-based compensation awards for tax withholdings	—	—	—	(18)	—	(18)
<b>Balance as of September 30, 2022</b>	\$ 702	\$ 697,763	\$ 1,183,230	\$ (555,753)	\$ (127,726)	\$ 1,198,216

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)

Nine Months Ended September 30, 2023						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
<b>Balance as of December 31, 2022</b>	\$ 702	\$ 702,458	\$ 1,273,458	\$ (665,771)	\$ (117,660)	\$ 1,193,187
Net loss	—	—	(1,107)	—	—	(1,107)
Other comprehensive income	—	—	—	—	298	298
Stock-based compensation	—	17,537	—	—	—	17,537
Shares issued and forfeited, net, under stock plans	—	(11,489)	—	16,812	—	5,323
Repurchase of stock-based compensation awards for tax withholdings	—	—	—	(4,203)	—	(4,203)
<b>Balance as of September 30, 2023</b>	<u>\$ 702</u>	<u>\$ 708,506</u>	<u>\$ 1,272,351</u>	<u>\$ (653,162)</u>	<u>\$ (117,362)</u>	<u>\$ 1,211,035</u>

Nine Months Ended September 30, 2022						
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
<b>Balance as of December 31, 2021</b>	\$ 702	\$ 688,313	\$ 1,131,281	\$ (475,972)	\$ (99,547)	\$ 1,244,777
Net income	—	—	51,949	—	—	51,949
Other comprehensive loss	—	—	—	—	(28,179)	(28,179)
Stock-based compensation	—	21,884	—	—	—	21,884
Shares issued and forfeited, net, under stock plans	—	(12,434)	—	16,973	—	4,539
Repurchase of 3,210,313 shares of common stock	—	—	—	(90,934)	—	(90,934)
Repurchase of stock-based compensation awards for tax withholdings	—	—	—	(5,820)	—	(5,820)
<b>Balance as of September 30, 2022</b>	<u>\$ 702</u>	<u>\$ 697,763</u>	<u>\$ 1,183,230</u>	<u>\$ (555,753)</u>	<u>\$ (127,726)</u>	<u>\$ 1,198,216</u>

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)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net income (loss)	\$ (1,107)	\$ 51,949
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation	18,722	17,052
Amortization	74,716	78,817
Amortization of operating lease right-of-use assets	9,190	8,296
Amortization of deferred debt issuance costs	3,415	3,435
Deferred income taxes	(25,207)	(9,059)
Stock-based compensation expense	17,537	21,884
Gain on divestiture	—	(38,452)
Other	2,168	2,483
Changes in operating assets and liabilities:		
Receivables	42,012	5,767
Accounts payable	(7,198)	(3,047)
Accrued employee compensation	(2,879)	(3,872)
Deferred revenue	4,404	(6,367)
Other current and noncurrent assets and liabilities	(52,999)	(26,920)
Net cash flows from operating activities	82,774	101,966
Cash flows from investing activities:		
Purchases of property and equipment	(7,956)	(8,123)
Purchases of software and distribution rights	(22,571)	(18,394)
Proceeds from divestiture	—	100,139
Net cash flows from investing activities	(30,527)	73,622
Cash flows from financing activities:		
Proceeds from issuance of common stock	2,122	2,801
Proceeds from exercises of stock options	3,132	1,792
Repurchase of stock-based compensation awards for tax withholdings	(4,203)	(5,820)
Repurchases of common stock	—	(90,934)
Proceeds from revolving credit facility	75,000	85,000
Repayment of revolving credit facility	(51,000)	(75,000)
Repayment of term portion of credit agreement	(53,556)	(70,825)
Payments on or proceeds from other debt, net	(12,473)	(10,106)
Payments for debt issuance costs	(2,160)	—
Net increase (decrease) in settlement assets and liabilities	(4,635)	20,084
Net cash flows from financing activities	(47,773)	(143,008)
Effect of exchange rate fluctuations on cash	4,388	(60)
Net increase in cash and cash equivalents	8,862	32,520
Cash and cash equivalents, including settlement deposits, beginning of period	214,672	184,142
Cash and cash equivalents, including settlement deposits, end of period	\$ 223,534	\$ 216,662
Reconciliation of cash and cash equivalents to the Consolidated Balance Sheets		
Cash and cash equivalents	\$ 139,520	\$ 134,799
Settlement deposits	84,014	81,863
Total cash and cash equivalents, including settlement deposits	\$ 223,534	\$ 216,662
Supplemental cash flow information		
Income taxes paid	\$ 43,915	\$ 24,987
Interest paid	\$ 60,597	\$ 39,217

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 September 30, 2023, and for the three and nine months ended September 30, 2023 and 2022, 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, 2022, 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, 2022, filed on March 1, 2023. Results for the three and nine months ended September 30, 2023, 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. Actual results could differ from those estimates.

*Other Current Liabilities*

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Operating lease liabilities	\$ 9,659	\$ 11,218
Vendor financed licenses	8,378	13,525
Accrued interest	3,498	9,067
Royalties payable	2,536	3,726
Other	53,839	65,109
Total other current liabilities	<u>\$ 77,910</u>	<u>\$ 102,645</u>

*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 September 30, 2023, and December 31, 2022, was \$278.4 million and \$328.7 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 \$388.0 million and \$390.0 million as of September 30, 2023, and December 31, 2022, 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 September 30, 2023, the Company's goodwill balance of \$1.2 billion was allocated \$671.7 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, 2022, 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 \$18.3 million and \$17.9 million, which is included in other noncurrent assets in the condensed consolidated balance sheet as of September 30, 2023, and December 31, 2022, 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 10, *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):

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Billed receivables	\$ 177,512	\$ 218,611
Allowance for doubtful accounts	(4,900)	(3,779)
Billed receivables, net	172,612	214,832
Current accrued receivables, net	198,154	188,949
Long-term accrued receivables, net	279,303	297,818
Total accrued receivables, net	477,457	486,767
<b>Total receivables, net</b>	<b>\$ 650,069</b>	<b>\$ 701,599</b>

No customer accounted for more than 10% of the Company's consolidated receivables balance as of September 30, 2023. One customer accounted for 10.1% of the Company's consolidated receivables balance as of December 31, 2022.

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, 2022	\$ 81,536
Deferral of revenue	87,130
Recognition of deferred revenue	(83,066)
Foreign currency translation	(1,055)
<b>Balance, September 30, 2023</b>	<b>\$ 84,545</b>

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 \$627.6 million as of September 30, 2023, of which the Company expects to recognize approximately 41% over the next 12 months and the remainder thereafter.

During the three and nine months ended September 30, 2023, revenue recognized by the Company from performance obligations satisfied in previous periods was \$23.3 million and \$43.7 million, respectively.

### 3. Divestiture

#### ***Corporate Online Banking Solutions***

On June 7, 2022, the Company announced a definitive agreement to divest its corporate online banking solutions related assets and liabilities to One Equity Partners ("OEP") for \$100.0 million, including a net working capital adjustment. The sale included employees and customer contracts as well as technology assets and intellectual property and closed on September 1, 2022.

The Company recognized a gain of \$38.5 million on the sale during the three and nine months ended September 30, 2022. During the nine months ended September 30, 2023, the Company recognized a loss for the final post-closing adjustment pursuant to the definitive agreement of \$0.5 million.

The Company and OEP have also entered into a Transition Services Agreement ("TSA"), whereby the Company will continue to perform certain functions on OEP's behalf during a migration period not expected to exceed 18 months. The TSA is meant to reimburse the Company for direct costs in order to provide such functions, which are no longer generating revenue for the Company.

#### 4. Debt

As of September 30, 2023, the Company had \$129.0 million, \$539.2 million, and \$400.0 million outstanding under its Revolving Credit Facility, Term Loans, and Senior Notes, respectively, with up to \$368.2 million of unused borrowings under the Revolving Credit Facility portion of the Credit Agreement, as amended, and up to \$2.8 million of unused borrowings under the Letter of Credit agreements. 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.

On May 5, 2022, the Company and Bank of America entered into the LIBOR Transition Amendment (the "Amendment") that replaced the LIBOR reference rate with the Secured Overnight Financing Rate ("SOFR") reference rate. No other terms or conditions of the Credit Agreement were changed as a result of the Amendment.

On April 28, 2023, the Company and Bank of America entered into the 2023 Extension Amendment to extend the term of the Credit Facility one year to April 5, 2025. All other terms remained the same.

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.

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) SOFR 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 SOFR 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 SOFR rate borrowings. Interest is due and payable monthly. The interest rate in effect for the Credit Facility as of September 30, 2023, was 7.42%.

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 SOFR 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.

##### *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 September 30, 2023, are as follows (in thousands):

**Fiscal Year Ending December 31,**

Remainder of 2023	\$	19,475
2024		77,900
2025		570,798
2026		400,000
2027		—
Thereafter		—
Total	\$	<u>1,068,173</u>

As of September 30, 2023, 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):

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Term loans	\$ 539,173	\$ 592,729
Revolving credit facility	129,000	105,000
5.750% Senior notes, due August 2026	400,000	400,000
Debt issuance costs	(6,602)	(7,857)
Total debt	<u>1,061,571</u>	<u>1,089,872</u>
Less: current portion of term loans	77,900	69,906
Less: current portion of debt issuance costs	(3,550)	(4,385)
Total long-term debt	<u>\$ 987,221</u>	<u>\$ 1,024,351</u>

*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 September 30, 2023, there was \$75.0 million available and no amount outstanding on the overdraft facility. As of December 31, 2022, 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 September 30, 2023, \$3.6 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, 2022, \$9.3 million was outstanding on these agreements, of which \$5.8 million and \$3.5 million is included in other current liabilities and other noncurrent liabilities, respectively.

## 5. 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):

	September 30, 2023			December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Balance	Gross Carrying Amount	Accumulated Amortization	Net Balance
Software for internal use	\$456,840	\$ (351,516)	\$105,324	\$454,171	\$ (325,062)	\$129,109

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 September 30, 2023 and 2022, totaled \$16.3 million and \$17.3 million, respectively. Software for internal use amortization expense recorded during the nine months ended September 30, 2023 and 2022, totaled \$49.3 million and \$51.1 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 was 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 nine months ended September 30, 2022 totaled \$0.7 million. Software for resale was fully amortized during the first quarter of 2022 and, therefore, there was no amortization expense recorded during the three months ended September 30, 2022, or the three and nine months ended September 30, 2023. The software amortization expense amount was 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):

	September 30, 2023			December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Balance	Gross Carrying Amount	Accumulated Amortization	Net Balance
Customer relationships	\$ 444,046	\$ (242,276)	\$ 201,770	\$ 444,749	\$ (219,057)	\$ 225,692
Trademarks and trade names	21,667	(20,300)	1,367	21,678	(18,672)	3,006
Total other intangible assets	\$ 465,713	\$ (262,576)	\$ 203,137	\$ 466,427	\$ (237,729)	\$ 228,698

Other intangible assets amortization expense recorded during the three months ended September 30, 2023 and 2022, totaled \$8.5 million and \$8.8 million, respectively. Other intangible assets amortization expense recorded during the nine months ended September 30, 2023 and 2022, totaled \$25.4 million and \$27.1 million, respectively.

Based on capitalized intangible assets as of September 30, 2023, 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 2023	\$ 14,853	\$ 8,423
2024	44,330	29,311
2025	30,212	20,916
2026	12,752	20,916
2027	2,063	20,652
Thereafter	1,114	102,919
Total	\$ 105,324	\$ 203,137

## 6. Stock-Based Compensation Plans

### Employee Stock Purchase Plan

Shares issued under the 2017 Employee Stock Purchase Plan during the nine months ended September 30, 2023 and 2022, totaled 101,565 and 108,149, 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, 2022	1,221,219	\$ 19.00		
Exercised	(164,092)	19.09		
Expired	(4,614)	19.63		
Outstanding as of September 30, 2023	1,052,513	\$ 18.98	1.90	\$ 8,419,789
Exercisable as of September 30, 2023	1,052,513	\$ 18.98	1.90	\$ 8,419,789

The total intrinsic value of stock options exercised during the nine months ended September 30, 2023 and 2022, was \$0.9 million and \$1.1 million, respectively. There were no stock options granted during the nine months ended September 30, 2023 or 2022.

### Performance Share Awards

During the nine months ended September 30, 2023, pursuant to the Company's 2020 Equity and Incentive Compensation Plan, the Company granted performance share awards with a total shareholder return multiplier. These performance awards are earned based upon achievement, over a specified period that must not be less than one year and is typically a three-year performance period, of performance goals related to (i) net revenue growth and (ii) net adjusted EBITDA margin over the performance period as determined by the Company with a TSR multiplier up to plus or minus 20%. Up to 200% of the performance shares could be earned upon achievement of the performance goals, including the multiplier. On a quarterly basis, management evaluates the probability that the threshold performance goals will be achieved, if at all, and the anticipated level of attainment to determine the amount of compensation expense to record in the consolidated financial statements.

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, 2022	1,011,881	\$ 39.21
Granted	233,404	26.94
Forfeited	(135,452)	40.06
Change in payout rate	(427,685)	30.01
Nonvested as of September 30, 2023	682,148	\$ 40.62

In the first quarter of 2023, the TSRs granted in 2020 were earned by the employees. However, the performance goals were not met and no shares were issued.

The fair value of TSRs granted during the nine months ended September 30, 2023 and 2022, 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:

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
Expected life (years)	2.9	3.1
Risk-free interest rate	3.6 %	1.5 %
Expected volatility	37.1 %	40.0 %
Expected dividend yield	—	—

#### *Restricted Share Units*

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

	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Nonvested as of December 31, 2022	1,184,024	\$ 30.73
Granted	1,457,471	24.75
Vested	(553,490)	29.04
Forfeited	(433,528)	28.34
Nonvested as of September 30, 2023	1,654,477	\$ 26.66

During the nine months ended September 30, 2023, a total of 553,490 RSUs vested. The Company withheld 165,440 of those shares to pay the employees' portion of the minimum payroll withholding taxes.

As of September 30, 2023, there were unrecognized compensation costs of \$36.4 million and \$10.0 million related to nonvested RSUs and TSRs, respectively, which the Company expects to recognize over weighted average periods of 2.3 years and 1.8 years, respectively.

The Company recorded stock-based compensation expense recognized under ASC 718 for the three months ended September 30, 2023 and 2022, of \$6.8 million and \$7.1 million, respectively, with corresponding tax benefits of \$1.2 million and \$1.0 million, respectively. The Company recorded stock-based compensation expense recognized under ASC 718 for the nine months ended September 30, 2023 and 2022, of \$17.5 million and \$21.9 million, respectively, with corresponding tax benefits of \$3.2 million and \$3.0 million, respectively.

#### **7. 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. On February 24, 2023, the board approved the repurchase of the Company's common stock of up to \$200.0 million, in place of the remaining purchase amounts previously authorized.

The Company did not repurchase any shares under the program during the nine months ended September 30, 2023. Under the program to date, the Company has repurchased 57,981,733 shares for approximately \$926.2 million. As of September 30, 2023, the maximum remaining amount authorized for purchase under the stock repurchase program was \$200.0 million.



## 8. 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 per share (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Weighted average shares outstanding:				
Basic weighted average shares outstanding	108,667	113,812	108,428	114,584
Add: Dilutive effect of stock options and RSUs	266	536	—	627
Diluted weighted average shares outstanding	108,933	114,348	108,428	115,211

The diluted earnings (loss) per share computation excludes 2.0 million options to purchase shares, RSUs, and contingently issuable shares during both the three months ended September 30, 2023 and 2022, as their effect would be anti-dilutive. The diluted earnings (loss) per share computation excludes 3.2 million and 2.0 million options to purchase shares, RSUs, and contingently issuable shares during the nine months ended September 30, 2023 and 2022, respectively, as their effect would be anti-dilutive.

Common stock outstanding as of September 30, 2023, and December 31, 2022, was 108,722,535 and 108,068,828, respectively.

## 9. Other, Net

Other, net is primarily comprised of foreign currency transaction gains and losses and, for the three and nine months ended September 30, 2022, the \$38.5 million gain on the divestiture. Other, net was \$1.1 million and \$41.5 million of income for the three months ended September 30, 2023 and 2022, respectively. Other, net was \$6.4 million of expense and \$45.8 million of income for the nine months ended September 30, 2023 and 2022, respectively.

## 10. 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue				
Banks	\$ 155,684	\$ 117,439	\$ 361,231	\$ 391,583
Merchants	36,267	35,609	107,556	113,145
Billers	171,064	153,543	507,229	465,368
Total revenue	\$ 363,015	\$ 306,591	\$ 976,016	\$ 970,096
Segment Adjusted EBITDA				
Banks	\$ 91,010	\$ 49,793	\$ 167,313	\$ 184,667
Merchants	10,296	9,781	26,751	32,243
Billers	39,186	26,348	100,056	81,029
Depreciation and amortization	(30,463)	(32,140)	(93,438)	(95,869)
Stock-based compensation expense	(6,822)	(7,126)	(17,537)	(21,884)
Corporate and unallocated expenses	(41,283)	(43,167)	(135,053)	(124,574)
Interest, net	(16,345)	(11,341)	(48,183)	(27,809)
Other, net	1,084	41,545	(6,403)	45,801
Income (loss) before income taxes	\$ 46,663	\$ 33,693	\$ (6,494)	\$ 73,604

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):

<b>Three Months Ended September 30, 2023</b>				
	<b>Banks</b>	<b>Merchants</b>	<b>Billers</b>	<b>Total</b>
<b>Primary Solution Categories</b>				
Bill Payments	\$ —	\$ —	\$ 171,064	\$ 171,064
Digital Business Banking	702	—	—	702
Merchant Payments	—	36,267	—	36,267
Fraud Management	16,543	—	—	16,543
Real-Time Payments	26,374	—	—	26,374
Issuing and Acquiring	112,065	—	—	112,065
Total	<u>\$ 155,684</u>	<u>\$ 36,267</u>	<u>\$ 171,064</u>	<u>\$ 363,015</u>

<b>Three Months Ended September 30, 2022</b>				
	<b>Banks</b>	<b>Merchants</b>	<b>Billers</b>	<b>Total</b>
<b>Primary Solution Categories</b>				
Bill Payments	\$ —	\$ —	\$ 153,543	\$ 153,543
Digital Business Banking	9,001	—	—	9,001
Merchant Payments	—	35,609	—	35,609
Fraud Management	14,840	—	—	14,840
Real-Time Payments	24,904	—	—	24,904
Issuing and Acquiring	68,694	—	—	68,694
Total	<u>\$ 117,439</u>	<u>\$ 35,609</u>	<u>\$ 153,543</u>	<u>\$ 306,591</u>

<b>Nine Months Ended September 30, 2023</b>				
	<b>Banks</b>	<b>Merchants</b>	<b>Billers</b>	<b>Total</b>
<b>Primary Solution Categories</b>				
Bill Payments	\$ —	\$ —	\$ 507,229	\$ 507,229
Digital Business Banking	2,293	—	—	2,293
Merchant Payments	—	107,556	—	107,556
Fraud Management	38,051	—	—	38,051
Real-Time Payments	72,271	—	—	72,271
Issuing and Acquiring	248,616	—	—	248,616
Total	<u>\$ 361,231</u>	<u>\$ 107,556</u>	<u>\$ 507,229</u>	<u>\$ 976,016</u>

<b>Nine Months Ended September 30, 2022</b>				
	<b>Banks</b>	<b>Merchants</b>	<b>Billers</b>	<b>Total</b>
<b>Primary Solution Categories</b>				
Bill Payments	\$ —	\$ —	\$ 465,368	\$ 465,368
Digital Business Banking	34,586	—	—	34,586
Merchant Payments	—	113,145	—	113,145
Fraud Management	30,169	—	—	30,169
Real-Time Payments	71,043	—	—	71,043
Issuing and Acquiring	255,785	—	—	255,785
Total	<u>\$ 391,583</u>	<u>\$ 113,145</u>	<u>\$ 465,368</u>	<u>\$ 970,096</u>

As discussed in Note 3, *Divestiture*, the Company divested its corporate online banking solution assets, which were included in the Digital Business Banking solution category.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Banks</b>				
Software as a service and platform as a service	\$ 10,167	\$ 12,394	\$ 29,158	\$ 40,331
License	77,779	42,188	136,980	159,569
Maintenance	48,084	44,896	142,050	138,983
Services	19,654	17,961	53,043	52,700
Total	<u>\$ 155,684</u>	<u>\$ 117,439</u>	<u>\$ 361,231</u>	<u>\$ 391,583</u>
<b>Merchants</b>				
Software as a service and platform as a service	\$ 30,162	\$ 29,626	\$ 89,660	\$ 91,451
License	1,900	1,473	5,701	8,691
Maintenance	3,834	4,244	11,314	12,090
Services	371	266	881	913
Total	<u>\$ 36,267</u>	<u>\$ 35,609</u>	<u>\$ 107,556</u>	<u>\$ 113,145</u>
<b>Billers</b>				
Software as a service and platform as a service	\$ 171,040	\$ 153,520	\$ 507,157	\$ 465,298
License	—	—	—	—
Maintenance	24	23	72	70
Services	—	—	—	—
Total	<u>\$ 171,064</u>	<u>\$ 153,543</u>	<u>\$ 507,229</u>	<u>\$ 465,368</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Revenue</b>				
United States	\$ 226,911	\$ 195,571	\$ 633,379	\$ 604,345
Other	136,104	111,020	342,637	365,751
Total	<u>\$ 363,015</u>	<u>\$ 306,591</u>	<u>\$ 976,016</u>	<u>\$ 970,096</u>

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

	September 30,	
	2023	December 31, 2022
<b>Long-lived Assets</b>		
United States	\$ 1,218,402	\$ 1,286,505
Other	734,268	754,847
Total	<u>\$ 1,952,670</u>	<u>\$ 2,041,352</u>

No single customer accounted for more than 10% of the Company's consolidated revenues during the three and nine months ended September 30, 2023 and 2022. No other country outside the United States accounted for more than 10% of the Company's consolidated revenues during the nine months ended September 30, 2023 and 2022.

## 11. Income Taxes

For the three and nine months ended September 30, 2023, the Company's effective tax rate was 19% and 83%, respectively. The Company reported a tax charge on pretax income for the three months ended September 30, 2023 and a tax benefit on pretax loss for the nine months ended September 30, 2023, with foreign entities recognizing earnings of \$47.9 million and \$64.9 million, respectively.

For the three and nine months ended September 30, 2022, the Company's effective tax rate was 31% and 29%, respectively. The Company reported tax expense on pretax income for both the three and nine months ended September 30, 2022, with foreign entities recognizing earnings of \$28.7 million and \$87.0 million, respectively.

On July 21, 2023, the Internal Revenue Service issued Notice 2023-55 providing guidance to taxpayers in determining whether a foreign tax is eligible for a U.S. foreign tax credit for tax years 2022 and 2023 effectively delaying the application of an unfavorable foreign tax credit regulation until 2024. As a result of this guidance, the Company recorded a tax benefit of \$6.0 million during the three months ended September 30, 2023.

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 September 30, 2023, and December 31, 2022, the amount of unrecognized tax benefits for uncertain tax positions was \$22.7 million and \$26.4 million, respectively, excluding related liabilities for interest and penalties of \$0.6 million.

The Company believes it is reasonably possible that the total amount of unrecognized tax benefits will decrease within the next 12 months by approximately \$4.6 million, due to the settlement of various audits and the expiration of statutes of limitation.

## 12. Commitments and Contingencies

### *Legal Proceedings*

In April 2021, ACH files associated with one of the Company's mortgage servicing customers were inadvertently transmitted into the ACH network during a test of the Company's payment processing system. The Company took immediate corrective action and issued reversing ACH files, restoring affected accounts.

The Company was named as a defendant in seven class action lawsuits filed in various federal courts purportedly on behalf of consumers whose mortgage accounts were affected by the inadvertent ACH file transmission. The Company settled these lawsuits by establishing a \$5.0 million fund out of which payments will be made to class members and for attorneys' fees and administrative costs. The \$5.0 million was funded from insurance. Additional funds totaling \$1.5 million could be required to be established under certain circumstances.

The inadvertent ACH file transmission also gave rise to investigations by the U.S. Consumer Financial Protection Bureau (the "CFPB") and state attorneys general in all 50 states, the District of Columbia, and certain U.S. territories as well as money transmission regulators in most of those jurisdictions. The Company settled the CFPB investigation for \$25.0 million plus various undertakings. Payment was made to the CFPB and funds received from the insurance carriers during the three months ended September 30, 2023. Subsequent to September 30, 2023, the Company settled with the state money transmission regulators and attorneys general for a total of \$20.0 million plus various undertakings. Funds for the state and money transmission regulator settlements were previously received from the insurance carriers and deposited into an escrow account. The Company believes that the CFPB and state undertakings will not adversely affect it.

The Company's customer commenced an action for damages as a result of this event. The customer action remains pending and the Company presently intends to vigorously defend it. The Company expects that insurance will fund payments and costs associated with the defense of the customer action, and other claims that may be asserted against it, subject to the policy limits and other terms of the applicable policies.

Funds received from or expected to be received from insurance carriers are generally subject to the respective carriers' reservation of rights.

The Company is from time to time subject to other claims, litigation and investigations. While the Company believes that none of the currently pending matters is reasonably likely to have material adverse effect on it, there can be no assurance with respect thereto or future matters.

## 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, 2022, 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, 2022, and with our financial statements and related notes contained in this Form 10-Q. Results for the three and nine months ended September 30, 2023, are not necessarily indicative of results that may be attained in the future.

### Global Economy and Inflation

Since 2022, the global economy has experienced high inflation, increased interest rates, and pressures on gross domestic product. While we believe our business is resilient and can generally weather unusually high levels of inflation, inflationary pressures have had some impact on our financial performance. Specifically, inflation has impacted our interchange costs associated with the Biller segment.

### 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 and the adoption of real-time payments. COVID-19 further accelerated this growth as more people, governments, and businesses embraced digital payments - a change likely to continue. 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 is delivering greater value to banks and their customers. We are seeing global players with existing schemes working to expand capacity in anticipation of volume growth and new payment types. Mature markets, including India, the United Kingdom, Australia, Malaysia, Singapore, Thailand, and the Nordics, 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. We are seeing success with real-time payments in the Middle East as well, as they have started to renovate their payment systems from legacy payment types to the modern digital and real-time world. 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.** ACI has recognized the industry's technical inflection point in the transition from traditional on-premise infrastructure to the public cloud, and we are supporting our customers' cloud strategies. Public and private cloud technology innovations allow the financial services ecosystem to accelerate innovation and ensure scalability and resiliency while improving operating economics over time. As banks and intermediaries, merchants, and billers seek 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 those cloud technology benefits today and for the future while preserving ACI's fundamental base of performance, resiliency, and scalability.

**Payments intelligence, fraud, and compliance.** The accelerated adoption of real-time payments increases the urgency for industry-wide collaboration against fraud. As the threat of scams becomes a greater concern for emitting and receiving institutions, consumers are challenged with increased friction to prevent account take-over and criminals successfully persuading consumers to push transactions themselves, inadvertently, to mule accounts they have full control of, created with fake or synthetic identity, or simply "borrowed" with or without consent of the legit account holders. Regulators are beginning to litigate between consumers and financial institutions on the losses, and between emitting and receiving banks on the accountability for reimbursement. Banks and intermediaries, merchants, and billers are pursuing solutions to mitigate their risks while improving their customer experience, protecting their margins, and securing their revenue streams, especially with their new products and offerings. We continue to see opportunity for our advanced machine learning and network intelligence capabilities to stop criminals and enable frictionless legitimate business.

**Omni-commerce.** Shoppers are increasingly browsing, buying, and returning items across channels, including in-store, online, and mobile. COVID-19 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.

### **Divestiture**

On September 1, 2022, we sold our corporate online banking solutions related assets and liabilities to One Equity Partners ("OEP") for \$100.0 million, including a net working capital adjustment. The sale included employees and customer contracts as well as technology assets and intellectual property.

The Company recognized a gain of \$38.5 million on the sale during the three and nine months ended September 30, 2022. During the nine months ended September 30, 2023, the Company recognized a loss for the final post-closing adjustment pursuant to the definitive agreement of \$0.5 million.

The Company and OEP have also entered into a Transition Services Agreement ("TSA"), whereby the Company will continue to perform certain functions on OEP's behalf during a migration period not expected to exceed 18 months. The TSA is meant to reimburse the Company for direct costs in order to provide such functions, which are no longer generating revenue for the Company.

### **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 September 30, 2023, June 30, 2023, March 31, 2023, and December 31, 2022 (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.

	<b>September 30, 2023</b>	<b>June 30, 2023</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Banks	\$ 2,173	\$ 2,207	\$ 2,154	\$ 2,095
Merchants	778	810	821	810
Billers	3,484	3,396	3,395	3,390
Total	<u>\$ 6,435</u>	<u>\$ 6,413</u>	<u>\$ 6,370</u>	<u>\$ 6,295</u>

  

	<b>September 30, 2023</b>	<b>June 30, 2023</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Committed	\$ 2,147	\$ 2,192	\$ 2,266	\$ 2,338
Renewal	4,288	4,221	4,104	3,957
Total	<u>\$ 6,435</u>	<u>\$ 6,413</u>	<u>\$ 6,370</u>	<u>\$ 6,295</u>

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 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 September 30, 2023 Compared to the Three Month Period Ended September 30, 2022

	Three Months Ended September 30,				2022	
	2023		2023		2022	
	Amount	% of Total Revenue	\$ Change vs 2022	% Change vs 2022	Amount	% of Total Revenue
<b>Revenues:</b>						
Software as a service and platform as a service	\$ 211,369	58 %	\$ 15,829	8 %	\$ 195,540	64 %
License	79,679	22 %	36,018	82 %	43,661	14 %
Maintenance	51,942	14 %	2,779	6 %	49,163	16 %
Services	20,025	6 %	1,798	10 %	18,227	6 %
Total revenues	363,015	100 %	56,424	18 %	306,591	100 %
<b>Operating expenses:</b>						
Cost of revenue	177,625	49 %	5,872	3 %	171,753	56 %
Research and development	33,739	9 %	(2,160)	(6)%	35,899	12 %
Selling and marketing	29,442	8 %	(3,352)	(10)%	32,794	11 %
General and administrative	29,821	8 %	(695)	(2)%	30,516	10 %
Depreciation and amortization	30,464	8 %	(1,676)	(5)%	32,140	10 %
Total operating expenses	301,091	82 %	(2,011)	(1)%	303,102	99 %
Operating income	61,924	18 %	58,435	1,675 %	3,489	1 %
<b>Other income (expense):</b>						
Interest expense	(19,840)	(5)%	(5,504)	38 %	(14,336)	(5)%
Interest income	3,495	1 %	500	17 %	2,995	1 %
Other, net	1,084	— %	(40,461)	(97)%	41,545	14 %
Total other income (expense)	(15,261)	(4)%	(45,465)	(151)%	30,204	10 %
Income before income taxes	46,663	14 %	12,970	38 %	33,693	11 %
Income tax expense	8,752	2 %	(1,824)	(17)%	10,576	3 %
Net income	\$ 37,911	12 %	\$ 14,794	64 %	\$ 23,117	8 %

### Revenues

Total revenue for the three months ended September 30, 2023, increased \$56.4 million, or 18%, as compared to the same period in 2022.

- The divestiture resulted in a \$8.5 million decrease in total revenue for the three months ended September 30, 2023.
- The impact of foreign currencies strengthening against the U.S. dollar resulted in a \$1.3 million increase in total revenue during the three months ended September 30, 2023, as compared to the same period in 2022.
- Adjusted for the impact of the divestiture and foreign currency, total revenue for the three months ended September 30, 2023, increased \$63.6 million, or 21%, as compared to the same period in 2022.

### *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 increased \$15.8 million, or 8%, during the three months ended September 30, 2023, as compared to the same period in 2022.

- The divestiture resulted in a \$4.5 million decrease in SaaS and PaaS revenue for the three months ended September 30, 2023.
- The impact of certain foreign currencies strengthening against the U.S. dollar resulted in a \$0.9 million increase in SaaS and PaaS revenue during the three months ended September 30, 2023, as compared to the same period in 2022.
- Adjusted for the impact of the divestiture and foreign currency, SaaS and PaaS revenue for the three months ended September 30, 2023, increased \$19.4 million, or 10%, as compared to the same period in 2022.
- The increase was primarily driven by higher transaction volumes during the three months ended September 30, 2023, as compared to the same period in 2022, as well as new customer go-lives since September 30, 2022.

### *License Revenue*

Customers purchase the right to use 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 \$36.0 million, or 82%, during the three months ended September 30, 2023, as compared to the same period in 2022.

- The impact of certain foreign currencies strengthening against the U.S. dollar resulted in a \$0.3 million increase in license revenue during the three months ended September 30, 2023, as compared to the same period in 2022.
- Adjusted for the impact of foreign currency, license revenue for the three months ended September 30, 2023, increased \$35.7 million, or 81%, as compared to the same period in 2022.
- The increase was driven by license renewal timing as well as the relative size of new license and capacity events during the three months ended September 30, 2023, as compared to the same period in 2022.

### *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 increased \$2.8 million, or 6%, during the three months ended September 30, 2023, as compared to the same period in 2022.

- The divestiture resulted in a \$1.6 million decrease in maintenance revenue for the three months ended September 30, 2023.
- The impact of foreign currencies strengthening against the U.S. dollar resulted in a \$0.2 million increase in maintenance revenue during the three months ended September 30, 2023, as compared to the same period in 2022.

- Adjusted for the impact of the divestiture and foreign currency, maintenance revenue for the three months ended September 30, 2023, increased \$4.2 million or 9%, as compared to the same period in 2022.
- The increase was primarily driven by annual inflationary increases in product support fees subsequent to September 30, 2022.

#### *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 \$1.8 million, or 10%, during the three months ended September 30, 2023, as compared to the same period in 2022.

- The divestiture resulted in a \$2.4 million decrease in services revenue for the three months ended September 30, 2023.
- Adjusted for the impact of the divestiture, services revenue for the three months ended September 30, 2023, increased \$4.2 million or 27%, as compared to the same period in 2022.
- The increase was primarily driven by the timing and magnitude of project-related work during the three months ended September 30, 2023, as compared to the same period in 2022.

#### **Operating Expenses**

Total operating expenses for the three months ended September 30, 2023, decreased \$2.0 million, or 1%, as compared to the same period in 2022.

- During the three months ended September 30, 2023, there was a \$4.4 million reduction in operating expenses related to the divestiture.
- Total operating expenses for the three months ended September 30, 2023, included \$3.8 million for cost reduction strategies and \$0.4 million of European data center migration expenses during the period, compared to \$1.2 million of divestiture transaction-related expenses and \$1.7 million of European data center migration expenses for the same period in 2022.
- The impact of foreign currencies strengthening against the U.S. dollar resulted in a \$1.1 million increase in total operating expenses during the three months ended September 30, 2023, as compared to the same period in 2022.
- Adjusted for the impact of the divestiture, significant transaction-related expenses, and foreign currency, total operating expenses for the three months ended September 30, 2023, decreased \$0.1 million, as compared to the same period in 2022.

#### *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 \$5.9 million, or 3%, during the three months ended September 30, 2023, as compared to the same period in 2022.

- During the three months ended September 30, 2023, there was a \$4.1 million reduction in cost of revenue related to the divestiture.
- The impact of foreign currencies strengthening against the U.S. dollar resulted in a \$0.2 million increase in cost of revenue during the three months ended September 30, 2023, as compared to the same period in 2022.
- Adjusted for the impact of the divestiture and foreign currency, cost of revenue increased \$9.8 million, or 6%, for the three months ended September 30, 2023, as compared to the same period in 2022.
- The increase was primarily due to higher payment card interchange and processing fees, cloud computing fees, and personnel and related expenses of \$4.3 million, \$3.8 million, and \$1.7 million, respectively.

### *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 decreased \$2.2 million, or 6%, during the three months ended September 30, 2023, as compared to the same period in 2022.

- During the three months ended September 30, 2023, there was a \$0.3 million reduction in R&D expense related to the divestiture.
- Adjusted for the impact of the divestiture, R&D expense decreased \$1.9 million, or 5%, for the three months ended September 30, 2023, as compared to the same period in 2022.
- The decrease was primarily due to lower professional fees.

### *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 decreased \$3.4 million, or 10%, during the three months ended September 30, 2023, as compared to the same period in 2022.

- The impact of foreign currencies strengthening against the U.S. dollar resulted in a \$0.4 million increase in selling and marketing expense during the three months ended September 30, 2023, as compared to the same period in 2022.
- Adjusted for the impact of foreign currency, selling and marketing expense decreased \$3.8 million, or 11%, for the three months ended September 30, 2023, as compared to the same period in 2022.
- The decrease was primarily due to lower personnel and related expenses, advertising and professional fees, and travel and entertainment expenses of \$2.4 million, \$1.0 million, and \$0.5 million, respectively.

### *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 \$0.7 million, or 2%, during the three months ended September 30, 2023, as compared to the same period in 2022.

- General and administrative expenses for the three months ended September 30, 2023, included \$3.8 million for cost reduction strategies and \$0.4 million of European data center migration expenses during the period, compared to \$1.2 million of divestiture transaction-related expenses and \$1.7 million of European data center migration expenses in the same period in 2022.
- The impact of foreign currencies strengthening against the U.S. dollar resulted in a \$0.2 million increase in general and administrative expense during the three months ended September 30, 2023, as compared to the same period in 2022.
- Adjusted for the impact of significant transaction-related expenses and foreign currency, general and administrative expense decreased \$2.3 million, or 8%, for the three months ended September 30, 2023, as compared to the same period in 2022.
- The decrease was primarily due to lower professional and other legal fees.

### *Depreciation and Amortization*

Depreciation and amortization decreased \$1.7 million, or 5%, during the three months ended September 30, 2023, as compared to the same period in 2022.

***Other Income and Expense***

Interest expense for the three months ended September 30, 2023, increased \$5.5 million, or 38%, as compared to the same period in 2022, primarily due to higher interest rates.

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 September 30, 2023, increased \$0.5 million, or 17%, as compared to the same period in 2022.

Other, net is primarily comprised of foreign currency transaction gains and losses. During the three months ended September 30, 2022, other, net also included a \$38.5 million gain from the divestiture. Other, net was \$1.1 million and \$41.5 million of income for the three months ended September 30, 2023 and 2022, respectively.

***Income Taxes***

See Note 11, *Income Taxes*, to our unaudited condensed consolidated financial statements in Part I of this Form 10-Q for additional information.

## 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):

### Nine Month Period Ended September 30, 2023 Compared to the Nine Month Period Ended September 30, 2022

	Nine Months Ended September 30,					
	2023			2022		
	Amount	% of Total Revenue	\$ Change vs 2022	% Change vs 2022	Amount	% of Total Revenue
<b>Revenues:</b>						
Software as a service and platform as a service	\$ 625,975	64 %	\$ 28,895	5 %	\$ 597,080	62 %
License	142,681	14 %	(25,579)	(15)%	168,260	16 %
Maintenance	153,436	16 %	2,293	2 %	151,143	16 %
Services	53,924	6 %	311	1 %	53,613	6 %
Total revenues	<u>976,016</u>	<u>100 %</u>	<u>5,920</u>	<u>1 %</u>	<u>970,096</u>	<u>100 %</u>
<b>Operating expenses:</b>						
Cost of revenue	537,522	55 %	20,150	4 %	517,372	53 %
Research and development	106,122	11 %	(8,226)	(7)%	114,348	12 %
Selling and marketing	98,166	10 %	(4,627)	(5)%	102,793	11 %
General and administrative	92,675	9 %	7,922	9 %	84,753	9 %
Depreciation and amortization	93,439	10 %	(1,779)	(2)%	95,218	10 %
Total operating expenses	<u>927,924</u>	<u>95 %</u>	<u>13,440</u>	<u>1 %</u>	<u>914,484</u>	<u>95 %</u>
Operating income	48,092	5 %	(7,520)	(14)%	55,612	5 %
<b>Other income (expense):</b>						
Interest expense	(58,641)	(6)%	(21,627)	58 %	(37,014)	(4)%
Interest income	10,458	1 %	1,253	14 %	9,205	1 %
Other, net	(6,403)	(1)%	(52,204)	(114)%	45,801	5 %
Total other income (expense)	<u>(54,586)</u>	<u>(6)%</u>	<u>(72,578)</u>	<u>(403)%</u>	<u>17,992</u>	<u>2 %</u>
Income (loss) before income taxes	(6,494)	(1)%	(80,098)	(109)%	73,604	7 %
Income tax expense (benefit)	(5,387)	(1)%	(27,042)	(125)%	21,655	2 %
Net income (loss)	<u>\$ (1,107)</u>	<u>— %</u>	<u>\$ (53,056)</u>	<u>(102)%</u>	<u>\$ 51,949</u>	<u>5 %</u>

### Revenues

Total revenue for the nine months ended September 30, 2023, increased \$5.9 million, or 1%, as compared to the same period in 2022.

- The divestiture resulted in a \$32.0 million decrease in total revenue for the nine months ended September 30, 2023.
- The impact of certain foreign currencies weakening against the U.S. dollar resulted in a \$4.1 million decrease in total revenue during the nine months ended September 30, 2023, as compared to the same period in 2022.
- Adjusted for the impact of the divestiture and foreign currency, total revenue for the nine months ended September 30, 2023, increased \$42.0 million, or 4%, as compared to the same period in 2022.



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

SaaS and PaaS revenue increased \$28.9 million, or 5%, during the nine months ended September 30, 2023, as compared to the same period in 2022.

- The divestiture resulted in a \$18.1 million decrease in SaaS and PaaS revenue for the nine months ended September 30, 2023.
- The impact of certain foreign currencies weakening against the U.S. dollar resulted in \$0.2 million decrease in SaaS and PaaS revenue during the nine months ended September 30, 2023, as compared to the same period in 2022.
- Adjusted for the impact of the divestiture and foreign currency, SaaS and PaaS revenue for the nine months ended September 30, 2023, increased \$47.2 million, or 8%, as compared to the same period in 2022.
- The increase was primarily driven by higher transaction volumes during the nine months ended September 30, 2023, as compared to the same period in 2022, as well as new customer go-lives since September 30, 2022.

### *License Revenue*

License revenue decreased \$25.6 million, or 15%, during the nine months ended September 30, 2023, as compared to the same period in 2022.

- The impact of certain foreign currencies weakening against the U.S. dollar resulted in a \$1.2 million decrease in license revenue during the nine months ended September 30, 2023, as compared to the same period in 2022.
- Adjusted for the impact of foreign currency, license revenue for the nine months ended September 30, 2023, decreased \$24.4 million, or 15%, as compared to the same period in 2022.
- The decrease was driven by license renewal timing as well as the relative size of new license agreements during the nine months ended September 30, 2023, as compared to the same period in 2022.

### *Maintenance Revenue*

Maintenance revenue increased \$2.3 million, or 2% during the nine months ended September 30, 2023, as compared to the same period in 2022.

- The divestiture resulted in a \$7.4 million decrease in maintenance revenue for the nine months ended September 30, 2023.
- The impact of certain foreign currencies weakening against the U.S. dollar resulted in a \$2.0 million decrease in maintenance revenue during the nine months ended September 30, 2023, as compared to the same period in 2022.
- Adjusted for the impact of the divestiture and foreign currency, maintenance revenue for the nine months ended September 30, 2023, increased \$11.7 million, or 8%, as compared to the same period in 2022.
- The increase was primarily driven by annual inflationary increases in product support fees subsequent to September 30, 2022.

### *Services Revenue*

Services revenue increased \$0.3 million, or 1%, during the nine months ended September 30, 2023, as compared to the same period in 2022.

- The divestiture resulted in a \$6.4 million decrease in services revenue for the nine months ended September 30, 2023.
- The impact of certain foreign currencies weakening against the U.S. dollar resulted in a \$0.8 million decrease in services revenue during the nine months ended September 30, 2023, as compared to the same period in 2022.
- Adjusted for the impact of the divestiture and foreign currency, services revenue for the nine months ended September 30, 2023, increased \$7.5 million, or 16%, as compared to the same period in 2022.
- The increase was primarily driven by the timing and magnitude of project-related work during the nine months ended September 30, 2023, as compared to the same period in 2022.

### ***Operating Expenses***

Total operating expenses for the nine months ended September 30, 2023, increased \$13.4 million, or 1%, as compared to the same period in 2022.

- During the nine months ended September 30, 2023, there was a \$18.2 million reduction in operating expenses related to the divestiture.
- Total operating expenses for the nine months ended September 30, 2023, included \$19.7 million for cost reduction strategies, \$2.6 million of significant transaction-related expenses, \$1.8 million for CEO transition, and \$2.6 million of European data center migration expenses during the period, compared to \$3.4 million of European data center migration expenses and \$2.6 million of divestiture transaction-related expenses for the same period in 2022.
- The impact of certain foreign currencies weakening against the U.S. dollar resulted in a \$4.3 million decrease in total operating expenses for the nine months ended September 30, 2023, as compared to the same period in 2022.
- Adjusted for the impact of the divestiture, significant transaction-related expenses, and foreign currency, total operating expenses for the nine months ended September 30, 2023, increased \$15.2 million, or 2%, as compared to the same period in 2022.

### ***Cost of Revenue***

Cost of revenue increased \$20.2 million, or 4%, during the nine months ended September 30, 2023, as compared to the same period in 2022.

- During the nine months ended September 30, 2023, there was a \$16.8 million reduction in cost of revenue related to the divestiture.
- The impact of certain foreign currencies weakening against the U.S. dollar resulted in a \$2.3 million decrease in cost of revenue during the nine months ended September 30, 2023, as compared to the same period in 2022.
- Adjusted for the impact of the divestiture and foreign currency, cost of revenue increased \$39.3 million, or 8%, for the nine months ended September 30, 2023, as compared to the same period in 2022.
- The increase was primarily due to higher payment card interchange and processing fees, personnel and related expenses, and cloud computing fees of \$19.6 million, \$11.6 million, and \$8.7 million, respectively.

### ***Research and Development***

R&D expense decreased \$8.2 million, or 7%, during the nine months ended September 30, 2023, as compared to the same period in 2022.

- During the nine months ended September 30, 2023, there was a \$1.3 million reduction in R&D expenses related to the divestiture.
- The impact of certain foreign currencies weakening against the U.S. dollar resulted in a \$1.0 million decrease in R&D expense during the nine months ended September 30, 2023, as compared to the same period in 2022.
- Adjusted for the impact of the divestiture and foreign currency, R&D expense decreased \$5.9 million, or 5%, for the nine months ended September 30, 2023, as compared to the same period in 2022.
- The decrease was primarily due to lower professional fees and personnel and related expenses of \$4.9 million and \$1.0 million, respectively.

### ***Selling and Marketing***

Selling and marketing expense decreased \$4.6 million, or 5%, during the nine months ended September 30, 2023, as compared to the same period in 2022.

- The impact of certain foreign currencies weakening against the U.S. dollar resulted in a \$0.4 million decrease in selling and marketing expense for the nine months ended September 30, 2023, as compared to the same period in 2022.
- Adjusted for the impact of foreign currency, selling and marketing expense decreased \$4.2 million, or 4%, for the nine months ended September 30, 2023, as compared to the same period in 2022.
- The decrease was primarily due to lower personnel and related expenses.

### *General and Administrative*

General and administrative expense increased \$7.9 million, or 9%, during the nine months ended September 30, 2023, as compared to the same period in 2022.

- General and administrative expenses for the nine months ended September 30, 2023, included \$19.7 million for cost reduction strategies, \$2.6 million of significant transaction-related expenses, \$1.8 million for CEO transition, and \$2.6 million of European data center migration expenses during the period, compared to \$3.4 million of European data center migration expenses and \$2.6 million of divestiture transaction-related expenses during the same period in 2022.
- The impact of certain foreign currencies weakening against the U.S. dollar resulted in a \$0.5 million decrease in general and administrative expenses during the nine months ended September 30, 2023, as compared to the same period in 2022.
- Adjusted for the impact of significant transaction-related expenses and foreign currency, general and administrative expense decreased \$12.3 million, or 16%, for the nine months ended September 30, 2023, as compared to the same period in 2022.
- The decrease was primarily due to lower personnel and related expenses and professional and other legal fees of \$9.2 million and \$3.1 million, respectively.

### *Depreciation and Amortization*

Depreciation and amortization decreased \$1.8 million, or 2%, during the nine months ended September 30, 2023, as compared to the same period in 2022.

### *Other Income and Expense*

Interest expense for the nine months ended September 30, 2023, increased \$21.6 million, or 58%, as compared to the same period in 2022, primarily due to higher interest rates.

Interest income for the nine months ended September 30, 2023, increased \$1.3 million, or 14%, as compared to the same period in 2022.

Other, net is primarily comprised of foreign currency transaction gains and losses. During the nine months ended September 30, 2022, other, net also included a \$38.5 million gain from the divestiture. Other, net was \$6.4 million of expense and \$45.8 million of income for the nine months ended September 30, 2023 and 2022, respectively.

### *Income Taxes*

See Note 11, *Income Taxes*, to our unaudited condensed consolidated financial statements in Part I of this Form 10-Q for additional information.

### *Segment Results*

See Note 10, *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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Revenue</b>				
Banks	\$ 155,684	\$ 117,439	\$ 361,231	\$ 391,583
Merchants	36,267	35,609	107,556	113,145
Billers	171,064	\$ 153,543	507,229	465,368
<b>Total revenue</b>	<b>\$ 363,015</b>	<b>\$ 306,591</b>	<b>\$ 976,016</b>	<b>\$ 970,096</b>
<b>Segment Adjusted EBITDA</b>				
Banks	\$ 91,010	\$ 49,793	\$ 167,313	\$ 184,667
Merchants	10,296	9,781	26,751	32,243
Billers	39,186	26,348	100,056	81,029
Depreciation and amortization	(30,463)	(32,140)	(93,438)	(95,869)
Stock-based compensation expense	(6,822)	(7,126)	(17,537)	(21,884)
Corporate and unallocated expenses	(41,283)	(43,167)	(135,053)	(124,574)
Interest, net	(16,345)	(11,341)	(48,183)	(27,809)
Other, net	1,084	41,545	(6,403)	45,801
<b>Income (loss) before income taxes</b>	<b>\$ 46,663</b>	<b>\$ 33,693</b>	<b>\$ (6,494)</b>	<b>\$ 73,604</b>

Banks Segment Adjusted EBITDA decreased \$4.1 million for the three months ended September 30, 2023 due to the divestiture. Excluding the divestiture, Banks Segment Adjusted EBITDA increased \$45.3 million for the three months ended September 30, 2023, compared to the same period in 2022, due to a \$46.7 million increase in revenue primarily related to a increase in license revenues, partially offset by a \$1.4 million increase in cash operating expense.

Merchants Segment Adjusted EBITDA increased \$0.5 million for the three months ended September 30, 2023, compared to the same period in 2022, due to a \$0.7 million increase in revenue, partially offset by a \$0.2 million increase in cash operating expense.

Billers Segment Adjusted EBITDA increased \$12.8 million for the three months ended September 30, 2023, compared to the same period in 2022, due to a \$17.5 million increase in revenue, partially offset by a \$4.7 million increase in cash operating expense, primarily for payment card interchange and other processing fees.

Banks Segment Adjusted EBITDA decreased \$14.0 million for the nine months ended September 30, 2023 due to the divestiture. Excluding the divestiture, Banks Segment Adjusted EBITDA decreased \$3.4 million for the nine months ended September 30, 2023, compared to the same period in 2022, due to a \$5.1 million increase in cash operating expense, partially offset by a \$1.7 million increase in revenue.

Merchants Segment Adjusted EBITDA decreased \$5.5 million for the nine months ended September 30, 2023, compared to the same period in 2022, due to a \$5.6 million decrease in revenue.

Billers Segment Adjusted EBITDA increased \$19.0 million for the nine months ended September 30, 2023, compared to the same period in 2022, due to a \$41.9 million increase in revenue, partially offset by a \$22.9 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.

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. As of September 30, 2023, we had \$139.5 million of cash and cash equivalents, of which \$40.1 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 September 30, 2023, 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 September 30, 2023.

### Available Liquidity

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

	<b>September 30, 2023</b>	<b>December 31, 2022</b>
Cash and cash equivalents	\$ 139,520	\$ 124,981
Availability under revolving credit facility	368,200	393,500
<b>Total liquidity</b>	<b>\$ 507,720</b>	<b>\$ 518,481</b>

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 September 30, 2023, 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. On February 24, 2023, the board approved the repurchase of the Company's common stock of up to \$200.0 million in place of the remaining purchase amounts previously authorized.

We did not repurchase any shares under the program during the nine months ended September 30, 2023. Under the program to date, we have repurchased 57,981,733 shares for approximately \$926.2 million. As of September 30, 2023, the maximum remaining amount authorized for purchase under the stock repurchase program was approximately \$200.0 million. See Note 7, *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):

	<b>Nine Months Ended September 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Net cash provided by (used by):</b>		
Operating activities	\$ 82,774	\$ 101,966
Investing activities	(30,527)	73,622
Financing activities	(47,773)	(143,008)

### *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 \$19.2 million lower for the nine months ended September 30, 2023, compared to the same period in 2022. Our operating cash flows for the current year decreased primarily due to \$18.9 million more in income tax payments, which are based upon higher pre-tax income in the previous year, \$21.4 million more in interest payments due to increase in interest rates, and the net loss for the nine months ended September 30, 2023, compared to net income for the same period in 2022, partially offset by \$36.2 million more in customer receipt collections on higher prior year-end receivable balances.

Our cash flow from operating activities can fluctuate from period to period due to several factors, including: the timing of billings, which are typically higher in the third and fourth quarters in conjunction with sales timing and are variable based upon license renewal timing; collections, which will lag the quarters with higher billings; the timing and amounts of interest due to interest rate fluctuations and semi-annual Senior Notes interest payments; income tax and other payments; and our operating results.

### *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 nine months of 2023, we used cash of \$30.5 million to purchase software, property, and equipment, as compared to \$26.5 million during the same period in 2022. During the first nine months of 2022, we received net proceeds of \$100.1 million from the divestiture.

### *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 nine months of 2023, we repaid \$53.6 million on the Term Loans, \$12.5 million of other debt payments, and \$2.2 million of debt issuance costs. In addition, we used \$4.2 million for the repurchase of stock-based compensation awards for tax withholdings, and \$4.6 million for settlement assets and liabilities due to processing timing. We received net proceeds of \$24.0 million on the Revolving Credit Facility, and proceeds of \$5.3 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 nine months of 2022, we used the proceeds from the divestiture to partially fund repayments of \$70.8 million on the Term Loans and \$10.1 million of other debt payments. In addition, we used \$90.9 million to repurchase common stock and \$5.8 million for the repurchase of stock-based compensation awards for tax withholdings. We received net proceeds of \$10.0 million on the Revolving Credit Facility, proceeds of \$4.6 million from the exercise of stock options and the issuance of common stock under our 2017 Employee Stock Purchase Plan, as amended, and \$20.1 million from settlement assets and liabilities due to processing timing.

### **Contractual Obligations and Commercial Commitments**

For the nine months ended September 30, 2023, 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, 2022.

### **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 nine months ended September 30, 2023, 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, 2022, 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, inflationary pressures, and the uncertainty in the global financial markets, there have been no material changes to our market risk for the nine months ended September 30, 2023. 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 September 30, 2023, a hypothetical ten percent increase or decrease in effective interest rates would increase or decrease interest income by \$0.1 million annually.

We had approximately \$1.1 billion of debt outstanding as of September 30, 2023, with \$668.2 million outstanding under our Credit Facility and \$400.0 million in 2026 Notes. Our Credit Facility has a floating rate, which was 7.42% as of September 30, 2023. 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 \$5.0 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 September 30, 2023.

#### *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 September 30, 2023, 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 12, *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, 2022, 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.

***We are involved in investigations, lawsuits and other proceedings that are expensive, time-consuming and could seriously harm to our business.***

We are involved in lawsuits, including class-action lawsuits, and government investigations relating to the conduct of our business. For example, in April 2021, ACH files associated with one of our mortgage servicing customers were inadvertently transmitted into the ACH network during a test of our payment processing system. We took immediate corrective action and issued reversing ACH files, restoring affected accounts. Private plaintiffs initiated seven class action lawsuits, the Consumer Financial Protection Bureau, state regulators and state attorneys general initiated investigations and our customer commenced an action for damages as a result of this event. We have settled the class action lawsuits and the investigations by federal and state regulatory authorities and state attorneys general arising out of the event. The customer action remains pending and we presently intend to vigorously defend it. We expect that insurance will fund substantially all of the payments and costs associated with these settlements, including lawyers' fees as well as the defense of the customer action, and any other claims that may be asserted against it or that it may assert arising from the event, subject to the retained limits and other terms of the applicable policies. See Legal Proceedings in Note 12, *Commitments and Contingencies*, to our Notes to Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q for a discussion of these matters.

Damage claims in lawsuits, and fines and penalties imposed by governmental agencies, can be substantial, and injunctive or other remedies imposed by governmental agencies can be costly to implement. Any litigation may result in an onerous or unfavorable judgment that might not be reversed on appeal, or we may decide to settle lawsuits or resolve government investigations on adverse terms. Any such negative outcomes could result in the payment of substantial monetary damages or penalties that are not funded by insurance or require changes to our products or business practices that materially affect us. Even where the ultimate outcome of any such litigation or regulatory proceeding may be favorable, defending against claims and responding to regulatory proceedings is costly and can impose a significant burden on us.

The existence of lawsuits and investigations, and any adverse outcome, may create negative publicity for the Company and undermine our goodwill with customers. Competitors may use these lawsuits and investigations against us in the marketplace, making it difficult for us to attract new customers and retain our existing customers.

***We are subject to consent orders and other compliance agreements (the "Consent Orders and Compliance Agreements") entered into in connection with the settlement of state and federal regulators' investigations. Failure to comply with the Consent Orders and Compliance Agreements could result in further, and more significant, enforcement actions against us.***

We are required to conduct our operations in compliance with the Consent Orders and Compliance Agreements. While we have complied with the Consent Orders and Compliance Agreements, and have implemented processes by which we believe we will maintain compliance with the Consent Orders and Compliance Agreements going forward, we cannot be certain that we will maintain compliance with the Consent Orders and Compliance Agreements in all instances. In the event that we are deemed to be non-compliant with the terms of the Consent Orders and/or Compliance Agreements, the state and/or federal regulators have the authority to subject us to additional, and potentially more significant, corrective actions and could seek to initiate further enforcement actions against us, including seeking civil money penalties. Any failure by us to comply with the terms of the Consent Orders and Compliance Agreements or additional actions could adversely affect our business, financial condition and results of operations. In addition, our competitors may not be subject to similar actions, which could limit our ability to compete effectively.



**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 September 30, 2023:

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Program</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program</b>
July 1, 2023 through July 31, 2023	—	\$ —	—	\$ 200,000,000
August 1, 2023 through August 31, 2023	37,479 (1)	23.53	—	200,000,000
September 1, 2023 through September 30, 2023	63 (1)	22.14	—	200,000,000
Total	37,542	\$ 23.53	—	

(1) Pursuant to our 2016 and 2020 Equity and Performance Incentive Plan, we granted RSUs. Under each arrangement, shares are issued without direct cost to the employee. During the three months ended September 30, 2023, 114,948 shares of RSUs vested. We withheld 37,542 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. On February 24, 2023, the board approved the repurchase of the Company's common stock of up to \$200.0 million, in place of the remaining purchase amounts previously authorized. As of September 30, 2023, the maximum remaining amount authorized for purchase under the stock repurchase program was approximately \$200.0 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**

***Rule 10b5-1 Plans***

None of the Company's directors or officers adopted, modified, or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the three months ended September 30, 2023.

***Submission of Matters to a Vote of Security Holders***

As previously reported in the original Form 8-K, at the Annual Meeting a non-binding, advisory vote was taken on the frequency of future advisory votes regarding the compensation of our named executive officers. Among the options presented to stockholders (every year, every two years or every three years), the greatest number of votes were cast in favor of holding such an advisory vote every year, which was also the frequency recommended to the stockholders by the Company's board of directors. In light of these results and consistent with the previous recommendation and determination of the Company's board of directors, we will continue to hold a non-binding advisory vote on executive compensation every year until the next required vote on the frequency of stockholder votes on executive compensation.

**ITEM 6. EXHIBITS**

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

<b>Exhibit No.</b>	<b>Description</b>
3.01	(1) <a href="#">ACI Worldwide, Inc. Restated Certificate of Incorporation</a>
3.02	(2) <a href="#">ACI Worldwide, Inc. Amended and Restated Bylaws of the Company</a>
4.01	(3) Form of Common Stock Certificate (P)
10.01	(4)* <a href="#">Form of Severance Agreement between ACI Worldwide, Inc. and Thomas Warsop</a>
10.02	(5)* <a href="#">Form of Change In Control Employment Agreement between ACI Worldwide, Inc. and Thomas Warsop</a>
10.03	(6)* <a href="#">ACI Worldwide, Inc. 2020 Equity and Incentive Compensation Plan, as amended and restated effective June 1, 2023</a>
10.04	(7) <a href="#">Extension Agreement, dated as of April 28, 2023, among ACI Worldwide, Inc., ACI Worldwide Corp., ACI Payments, Inc. and Bank of America, N.A., as administrative agent for the lenders</a>
10.05	(8)* <a href="#">Form of Director Restricted Share Unit Award Agreement for the Company's 2020 Equity and Incentive Compensation Plan</a>
10.06	(9)* <a href="#">Form of Restricted Share Unit Award Agreement for the Company's 2020 Equity and Incentive Compensation Plan</a>
10.07	(10)* <a href="#">Form of Performance Share Award Agreement for the Company's 2020 Equity and Incentive Compensation Plan</a>
31.01	<a href="#">Certification of Principal Executive Officer pursuant to SEC Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.02	<a href="#">Certification of Principal Financial Officer pursuant to SEC Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.01	** <a href="#">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</a>
32.02	** <a href="#">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</a>
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 10.1 to the registrant's current report on Form 8-K filed May 31, 2023.
- (5) Incorporated herein by reference to Exhibit 10.2 to the registrant's current report on Form 8-K filed May 31, 2023.
- (6) Incorporated herein by reference to Appendix B to the registrant's Proxy Statement filed April 18, 2023.
- (7) Incorporated herein by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed May 4, 2023.
- (8) Incorporated herein by reference to Exhibit 10.05 to the registrant's quarterly report on Form 10-Q for the period ended June 30, 2023.
- (9) Incorporated herein by reference to Exhibit 10.06 to the registrant's quarterly report on Form 10-Q for the period ended June 30, 2023.
- (10) Incorporated herein by reference to Exhibit 10.07 to the registrant's quarterly report on Form 10-Q for the period ended June 30, 2023.



**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, Thomas Warsop, 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: November 2, 2023

/s/ THOMAS W. WARSOP, III

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Thomas W. Warsop, III  
*President, Chief Executive Officer, and Director*  
*(Principal Executive Officer)*

**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: November 2, 2023

/s/ SCOTT W. BEHRENS

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

**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 September 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas Warsop, 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: November 2, 2023

/s/ THOMAS W. WARSOP, III

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Thomas W. Warsop, III  
*President, Chief Executive Officer, and Director*  
*(Principal Executive Officer)*



**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 September 30, 2023, 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: November 2, 2023

/s/ SCOTT W. BEHRENS

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