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

# FORM 8-K

**CURRENT REPORT**
**Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): November 7, 2019

**Commission File Number 0-25346**

# ACI WORLDWIDE, INC.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware** | **47-0772104** |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |
| **3520 Kraft Rd, Suite 300 Naples, Florida** | **34105** |
| **(Address of Principal Executive Offices)** | **(Zip Code)** |

**(239) 403-4660**
**(Registrant's telephone number, including area code)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities 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** |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

**Item 2.02. Results of Operation and Financial Condition**.

On November 7, 2019, ACI Worldwide, Inc. ("the Company") issued a press release announcing its financial results for the three months and year ended September 30, 2019. A copy of this press release is attached hereto as Exhibit 99.1.

The foregoing information (including the exhibits hereto) is being furnished under "Item 2.02- Results of Operations and Financial Condition" and "Item 7.01 – Regulation FD Disclosure." Such information (including the exhibits hereto) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

The filing of this report and the furnishing of this information pursuant to Items 2.02 and 7.01 do not mean that such information is material or that disclosure of such information is required.

**Item 7.01. Regulation FD Disclosure.**

See "Item 2.02 – Results of Operation and Financial Condition" above.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

| | |
|---|---|
| 99.1 | Press Release dated November 7, 2019 |
| 99.2 | Investor presentation materials dated November 7, 2019 |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

**SIGNATURE**

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

ACI WORLDWIDE, INC.
(Registrant)

| | | |
|---|---|---|
| Date: November 7, 2019 | By: | /s/ SCOTT W. BEHRENS |
| | | Scott W. Behrens |
| | | *Senior Executive Vice President, Chief Financial Officer and Chief Accounting Officer* |
| | | *(Principal Financial Officer)* |

Exhibit 99.1

**ACI Worldwide, Inc. Reports Financial Results for the Quarter Ended September 30, 2019**

**Q3 HIGHLIGHTS**

- Revenue up 45%
- Net income up 109%
- Adjusted EBITDA up 66%
- Repurchased 1.2 million shares for $35 million

**NAPLES, FLA — November 7, 2019 —** ACI Worldwide (NASDAQ: ACIW), a leading global provider of real-time electronic payment and banking solutions, today announced financial results for the quarter ended September 30, 2019.

"We are pleased with our results in Q3. ACI revenue increased 45%, or 9% excluding the Speedpay contribution, and exceeded the high end of our guidance range. Also importantly, we signed one of the large contracts that was delayed due to a capital markets transaction. Not only did this customer re-commit to ACI, but the contract is a major expansion in the relationship. Our On Demand segment continues to see strong margin improvement, with net adjusted EBITDA margin in Q3 of 20% compared to 5% last year," commented Phil Heasley, President and CEO, ACI Worldwide. "The integration and contribution of Speedpay is on track and we remain well positioned in the electronic payments industry."

**Q3 2019 FINANCIAL SUMMARY**

In Q3 2019, revenue was $355 million, up 45% from $246 million in Q3 2018. Adjusting for the Speedpay contribution, Q3 revenue grew 9% from last year. Recurring revenue increased 55% in the quarter to $246 million, or 69% of total revenue, from $159 million, or 65% of total revenue last year.

Net income in the quarter was $32 million, up $17 million from last year. Adjusted EBITDA in Q3 was $99 million, up 66% from Q3 2018, or up 39% excluding the Speedpay contribution.

In Q3 2019, revenue from ACI's On Demand segment was $193 million, up 85% from $105 million last year. On Demand segment net adjusted EBITDA margin improved to 20% from 5% last year. On Demand segment net adjusted EBITDA margins are adjusted for pass through interchange revenue of $99 million and $39 million, for Q3 2019 and Q3 2018, respectively.

ACI's On Premise segment revenue was $162 million, up 15% from $141 million last year. On Premise segment adjusted EBITDA margin was 61% in Q3 2019 versus 55% in Q3 2018.

ACI ended Q3 2019 with a 12-month backlog of $1.1 billion and a 60-month backlog of $5.7 billion. After adjusting for foreign currency fluctuations, our 12-month backlog decreased $37 million and our 60-month backlog increased $21 million from Q2 2019.

Cash flows from operating activities in Q3 2019 were $32 million, versus $29 million in Q3 2018. ACI ended Q3 2019 with $122 million in cash on hand and a debt balance of $1.4 billion. The company repurchased 1.2 million shares for $35 million, or an average price of $29.05 per share and has $141 million remaining on its share repurchase authorization.

**GUIDANCE**

We continue to expect 2019 total revenue to be between $1.315 billion and $1.345 billion and adjusted EBITDA to be in a range of $360 million to $380 million. This excludes between $30 million and $35 million in significant transaction related expenses.

We continue to expect our 2020 adjusted EBITDA to be in a range of $425 million to $445 million.

**CONFERENCE CALL TO DISCUSS FINANCIAL RESULTS AND OUTLOOK**

Management will host a conference call at 8:30 am ET today to discuss these results as well as 2019 and 2020 guidance. Interested persons may access a real-time audio broadcast of the teleconference at http://investor.aciworldwide.com/ or use the following numbers for dial-in participation: US/Canada: (866) 914-7436, international: +1 (817) 385-9117. Please provide your name, the conference name ACI Worldwide, Inc. and conference code 8599063. There will be a replay of the call available for two weeks on (855) 859-2056 for US/Canada callers and +1 (404) 537-3406 for international participants

**About ACI Worldwide**

ACI Worldwide, the Universal Payments (UP) company, powers electronic payments for more than 5,100 organizations around the world. More than 1,000 of the largest financial institutions 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 or through ACI's private cloud, we provide real-time, immediate payments capabilities and enable the industry's most complete omni-channel payments experience. To learn more about ACI, please visit www.aciworldwide.com. You can also find us on Twitter @ACI_Worldwide.

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For more information contact:

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ACI Worldwide
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To supplement our financial results presented on a GAAP basis, we use the non-GAAP measures indicated in the tables, which exclude significant transaction-related expenses, as well as other significant non-cash expenses such as depreciation, amortization and stock-based compensation, that we believe are helpful in understanding our past financial performance and our future results. The presentation of these non-GAAP financial measures should be considered in addition to our GAAP results and are not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. Management generally compensates for limitations in the use of non-GAAP financial measures by relying on comparable GAAP financial measures and providing investors with a reconciliation of non-GAAP financial measures only in addition to and in conjunction with results presented in accordance with GAAP.

We believe that these non-GAAP financial measures reflect an additional way to view aspects of our operations that, when viewed with our GAAP results, provide a more complete understanding of factors and trends affecting our business. Certain non-GAAP measures include:

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

- Net Adjusted EBITDA Margin: Adjusted EBITDA divided by revenue net of pass through interchange revenue. Net Adjusted EBITDA Margin should be considered in addition to, rather than as a substitute for, net income.

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

ACI backlog includes estimates for SaaS and PaaS, license, maintenance, and services revenue specified in executed contracts but excluded from contracted revenue that will be recognized in future periods, as well as revenue from assumed contract renewals to the extent that we believe recognition of the related revenue will occur within the corresponding backlog period. We have historically included assumed renewals in backlog estimates based upon automatic renewal provisions in the executed contract and our historic experience with customer renewal rates.

Backlog is considered a non-GAAP financial measure as defined by SEC Regulation G. Our 60-month backlog 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.

Estimates of future financial results are inherently unreliable. Our backlog estimates require substantial judgment and are based on a number of assumptions as described above. These assumptions may turn out to be inaccurate or wrong, including, but not limited to, reasons outside of management’s control. For example, our customers may attempt to renegotiate or terminate their contracts for a number of reasons, including mergers, changes in their financial condition, or general changes in economic conditions in the customer’s industry or geographic location, or we may experience delays in the development or delivery of products or services specified in customer contracts which may cause the actual renewal rates and amounts to differ from historical experiences. Changes in foreign currency exchange rates may also impact the amount of revenue actually recognized in future periods. Accordingly, there can be no assurance that contracts included in backlog estimates will actually generate the specified revenue or that the actual revenue will be generated within the corresponding 60-month period.

Backlog estimates should be considered in addition to, rather than as a substitute for, reported revenue and contracted but not recognized revenue (including deferred revenue).

**FORWARD LOOKING STATEMENTS**

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

Forward-looking statements in this press release include, but are not limited to, statements regarding: (i) expectations regarding Speedpay integration and contribution; (ii) expectations regarding our positioning in the electronic payments industry; (iii) expectations regarding revenue and adjusted EBITDA in 2019; and (iv) expectations regarding our 2020 adjusted EBITDA target.

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

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

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 121,581 | $ 148,502 |
| Receivables, net of allowances | 325,333 | 348,182 |
| Settlement assets | 498,101 | 32,256 |
| Prepaid expenses | 28,160 | 23,277 |
| Other current assets | 31,715 | 14,260 |
| **Total current assets** | 1,004,890 | 566,477 |
| **Noncurrent assets** | | |
| Accrued receivables, net | 190,326 | 189,010 |
| Property and equipment, net | 72,747 | 72,729 |
| Operating lease right-of-use assets | 60,280 | — |
| Software, net | 235,936 | 137,228 |
| Goodwill | 1,278,265 | 909,691 |
| Intangible assets, net | 363,346 | 168,127 |
| Deferred income taxes, net | 62,970 | 27,048 |
| Other noncurrent assets | 71,996 | 52,145 |
| **TOTAL ASSETS** | $ 3,340,756 | $ 2,122,455 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Accounts payable | $ 36,002 | $ 39,602 |
| Settlement liabilities | 477,064 | 31,605 |
| Employee compensation | 41,285 | 38,115 |
| Current portion of long-term debt | 34,119 | 20,767 |
| Deferred revenue | 76,731 | 104,843 |
| Other current liabilities | 69,679 | 61,688 |
| **Total current liabilities** | 734,880 | 296,620 |
| **Noncurrent liabilities** | | |
| Deferred revenue | 60,490 | 51,292 |
| Long-term debt | 1,373,555 | 650,989 |
| Deferred income taxes, net | 24,407 | 31,715 |
| Operating lease liabilities | 48,281 | — |
| Other noncurrent liabilities | 40,206 | 43,608 |
| **Total liabilities** | 2,281,819 | 1,074,224 |
| Commitments and contingencies | | |
| **Stockholders' equity** | | |
| Preferred stock | — | — |
| Common stock | 702 | 702 |
| Additional paid-in capital | 660,653 | 632,235 |
| Retained earnings | 875,344 | 863,768 |
| Treasury stock | (383,126) | (355,857) |
| Accumulated other comprehensive loss | (94,636) | (92,617) |
| **Total stockholders' equity** | 1,058,937 | 1,048,231 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | $ 3,340,756 | $ 2,122,455 |

**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, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Revenues** | | | | |
| Software as a service and platform as a service | $ 192,952 | $ 104,519 | $ 474,008 | $ 322,399 |
| License | 92,058 | 68,964 | 165,677 | 142,565 |
| Maintenance | 52,638 | 54,373 | 159,671 | 166,080 |
| Services | 17,253 | 17,669 | 59,018 | 58,786 |
| **Total revenues** | 354,901 | 245,525 | 858,374 | 689,830 |
| **Operating expenses** | | | | |
| Cost of revenue (1) | 174,168 | 102,473 | 444,349 | 326,070 |
| Research and development | 36,543 | 36,008 | 111,972 | 110,661 |
| Selling and marketing | 30,417 | 28,252 | 92,809 | 93,305 |
| General and administrative | 27,286 | 29,537 | 108,122 | 87,023 |
| Depreciation and amortization | 31,169 | 20,896 | 79,779 | 63,274 |
| **Total operating expenses** | 299,583 | 217,166 | 837,031 | 680,333 |
| **Operating income** | 55,318 | 28,359 | 21,343 | 9,497 |
| **Other income (expense)** | | | | |
| Interest expense | (18,987) | (12,573) | (45,924) | (31,655) |
| Interest income | 2,988 | 2,763 | 9,018 | 8,249 |
| Other, net | (2,369) | (1,304) | (2,879) | (3,036) |
| **Total other income (expense)** | (18,368) | (11,114) | (39,785) | (26,442) |
| **Income (loss) before income taxes** | 36,950 | 17,245 | (18,442) | (16,945) |
| Income tax expense (benefit) | 5,136 | 2,012 | (30,018) | 1,824 |
| **Net income (loss)** | $ 31,814 | $ 15,233 | $ 11,576 | $ (18,769) |
| **Income (loss) per common share** | | | | |
| Basic | $ 0.27 | $ 0.13 | $ 0.10 | $ (0.16) |
| Diluted | $ 0.27 | $ 0.13 | $ 0.10 | $ (0.16) |
| **Weighted average common shares outstanding** | | | | |
| Basic | 116,169 | 115,889 | 116,337 | 115,615 |
| Diluted | 118,307 | 117,492 | 118,460 | 115,615 |

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

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Cash flows from operating activities: | | | | |
| Net income (loss) | $ 31,814 | $ 15,233 | $ 11,576 | $ (18,769) |
| Adjustments to reconcile net income (loss) to net cash flows from operating activities: | | | | |
| Depreciation | 6,085 | 6,021 | 17,916 | 17,896 |
| Amortization | 27,828 | 17,524 | 70,627 | 54,993 |
| Amortization of operating lease right-of-use assets | 3,848 | — | 10,877 | — |
| Amortization of deferred debt issuance costs | 1,226 | 2,436 | 2,909 | 3,881 |
| Deferred income taxes | 2,008 | (4,095) | (39,323) | (7,139) |
| Stock-based compensation expense | 9,371 | 6,575 | 30,328 | 20,642 |
| Other | 898 | 1,680 | 2,431 | 1,432 |
| Changes in operating assets and liabilities, net of impact of acquisitions: | | | | |
| Receivables | (53,906) | (9,246) | 34,690 | 58,443 |
| Accounts payable | (9,708) | (559) | (8,414) | (4,217) |
| Accrued employee compensation | 2,903 | 5,897 | 1,740 | 92 |
| Current income taxes | (2,902) | (3,186) | (8,536) | (10,429) |
| Deferred revenue | 246 | (10,189) | (17,735) | (47) |
| Other current and noncurrent assets and liabilities | 12,362 | 1,260 | (20,148) | (16,316) |
| Net cash flows from operating activities | 32,073 | 29,351 | 88,938 | 100,462 |
| Cash flows from investing activities: | | | | |
| Purchases of property and equipment | (8,824) | (5,326) | (18,739) | (16,434) |
| Purchases of software and distribution rights | (7,265) | (5,100) | (18,565) | (21,876) |
| Acquisition of businesses, net of cash acquired | 1,278 | — | (757,268) | — |
| Other | (18,474) | — | (18,474) | (1,467) |
| Net cash flows from investing activities | (33,285) | (10,426) | (813,046) | (39,777) |
| Cash flows from financing activities: | | | | |
| Proceeds from issuance of common stock | 909 | 762 | 2,662 | 2,326 |
| Proceeds from exercises of stock options | 861 | 3,499 | 6,677 | 18,405 |
| Repurchase of restricted share awards and restricted share units for tax withholdings | (13) | — | (2,822) | (2,588) |
| Repurchases of common stock | (34,986) | — | (35,617) | (54,527) |
| Proceeds from senior notes | — | 400,000 | — | 400,000 |
| Redemption of senior notes | — | (300,000) | — | (300,000) |
| Proceeds from revolving credit facility | 30,000 | 24,000 | 280,000 | 109,000 |
| Repayment of revolving credit facility | — | (27,000) | (15,000) | (111,000) |
| Proceeds from term portion of credit agreement | — | — | 500,000 | — |
| Repayment of term portion of credit agreement | (9,738) | (94,957) | (19,162) | (105,332) |
| Payments for debt issuance costs | — | (7,253) | (12,830) | (7,253) |
| Payments on other debt | (5,989) | (782) | (8,209) | (2,332) |
| Net cash flows from financing activities | (18,956) | (1,731) | 695,699 | (53,301) |
| Effect of exchange rate fluctuations on cash | 2,353 | 115 | 1,488 | (752) |
| Net increase (decrease) in cash and cash equivalents | (17,815) | 17,309 | (26,921) | 6,632 |
| Cash and cash equivalents, beginning of period | 139,396 | 59,033 | 148,502 | 69,710 |
| Cash and cash equivalents, end of period | $ 121,581 | $ 76,342 | $ 121,581 | $ 76,342 |

| **Adjusted EBITDA (millions)** | Three Months Ended September 30, | |
|---|---|---|
| | **2019** | **2018** |
| **Net income** | $ 31.8 | $ 15.2 |
| Plus: | | |
| Income tax expense | 5.1 | 2.0 |
| Net interest expense | 16.0 | 9.8 |
| Net other expense | 2.4 | 1.3 |
| Depreciation expense | 6.1 | 6.0 |
| Amortization expense | 27.8 | 17.5 |
| Non-cash stock-based compensation expense | 9.3 | 6.6 |
| **Adjusted EBITDA before significant transaction-related expenses** | $ 98.5 | $ 58.4 |
| Significant transaction-related expenses | 0.9 | 1.5 |
| **Adjusted EBITDA** | $ 99.4 | $ 59.9 |

| **Segment Information (millions)** | Three Months Ended September 30, | |
|---|---|---|
| | **2019** | **2018** |
| **Revenue** | | |
| ACI On Premise | $ 161.9 | $ 141.0 |
| ACI On Demand | 193.0 | 104.5 |
| Total | $ 354.9 | $ 245.5 |
| **Segment Adjusted EBITDA** | | |
| ACI On Premise | $ 99.6 | $ 77.8 |
| ACI On Demand | 18.6 | 3.3 |

| **Reconciliation of Adjusted Operating Free Cash Flow (millions)** | Three Months Ended September 30, | |
|---|---|---|
| | **2019** | **2018** |
| Net cash flows from operating activities | $ 32.1 | $ 29.4 |
| Net after-tax payments associated with significant transaction-related expenses | 2.8 | 1.1 |
| Less: capital expenditures | (16.1) | (10.4) |
| **Adjusted Operating Free Cash Flow** | $ 18.8 | $ 20.1 |

Exhibi

UNIVERSAL PAYMENTS.

# ACI WORLDWIDE

November 7, 2019

Q3 2019 QUARTERLY
EARNINGS PRESENTATION

ANY PAYMENT,
**EVERY POSSIBILIT**

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

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

ACI UNIVERSAL PAYMENTS.

# Quarter in Review

Phil Heasley
Chief Executive Officer

# Quarterly Review

- New bookings up 12%
- Q3 revenue grew 45%
- Adjusted EBITDA grew 66%
- ACI On Demand margin improvement continues
- Repurchased 1.2 million shares

# Financial Review

Scott Behrens
Chief Financial Officer

# Key Takeaways from the Quarter

- New Bookings
  - New bookings were $140 million, up 12% from Q3 2018
- Backlog*
  - 12-month backlog of $1.1 billion, down $37 million from Q2 2019
  - 60-month backlog of $5.7 billion, up $21 million from Q2 2019
- Revenue and Adjusted EBITDA
  - On Demand revenue increased 85% from Q3 2018
    - On Demand net adjusted EBITDA margin improved to 20% versus 5% in Q3 2018
  - On Premise revenue increased 15% from Q3 2018
    - On Premise adjusted EBITDA margin improved to 61% versus 55% in Q3 2018
- Debt and Liquidity
  - Cash flow from operating activities was $32 million, versus $29 million in Q3 2018
  - Adjusted operating free cash flow was $19 million, versus $20 million in Q3 2018
  - Ended Q3 with $122 million in cash and $1.4 billion in debt
  - Repurchased 1.2 million shares for $35 million ($29.05 per share)
    - $141 million remaining on share repurchase authorization



*Adjusted for fx

# 2019 Guidance

| | 2019 Guidance | |
|---|---|---|
| | Low | High |
| Revenue | 1,315 | 1,345 |
| Adjusted EBITDA | 360 | 380 |

$'s in millions

- 2019 adjusted operating free cash flow expected to be in the range of $190 million to $200 million
- 2019 guidance excludes between $30 million and $35 million in one-time significant transaction-related expenses
- 2020 adjusted EBITDA targeted to be in the range of $425 million to $445 million

# Appendix

# Recurring Revenue

| Recurring Revenue (millions) | Three Months Ended September 30, 2019 | 2018 |
|---|---|---|
| SaaS and PaaS fees | $ 193.0 | $ 104.5 |
| Maintenance fees | 52.6 | 54.4 |
| Recurring Revenue | $ 245.6 | $ 158.9 |

# Historic Bookings By Quarter

| Quarter-End | Total Bookings | Bookings Mix by Category: New Accounts / New Applications | Add-on Business inc. Capacity Upgrades & Services | Term Extension |
|---|---|---|---|---|
| 3/31/2017 | $184,492 | $20,759 | $68,044 | $95,689 |
| | | 11% | 37% | 52% |
| 6/30/2017 | $206,094 | $53,521 | $83,363 | $69,209 |
| | | 26% | 40% | 34% |
| 9/30/2017 | $213,366 | $74,978 | $67,818 | $70,570 |
| | | 35% | 32% | 33% |
| 12/31/2017 | $488,900 | $92,364 | $157,857 | $238,678 |
| | | 19% | 32% | 49% |
| 3/31/2018 | $265,809 | $142,112 | $72,800 | $50,897 |
| | | 53% | 27% | 19% |
| 6/30/2018 | $197,616 | $44,783 | $82,528 | $70,306 |
| | | 23% | 42% | 36% |
| 9/30/2018 | $292,470 | $76,716 | $47,600 | $168,155 |
| | | 26% | 16% | 57% |
| 12/31/2018 | $506,103 | $129,021 | $161,917 | $215,164 |
| | | 25% | 32% | 43% |
| 3/31/2019 | $111,735 | $29,552 | $40,246 | $41,937 |
| | | 26% | 36% | 38% |
| 6/30/2019 | $300,656 | $65,428 | $63,244 | $171,984 |
| | | 22% | 21% | 57% |
| 9/30/2019 | $222,225 | $62,977 | $76,696 | $82,552 |
| | | 28% | 35% | 37% |

| | Total Bookings | New Accounts / New Applications | Add-on Business inc. Capacity Upgrades & Services | Term Extension |
|---|---|---|---|---|
| Sep YTD 19 | $634,616 | $157,957 | $180,186 | $296,473 |
| Sep YTD 18 | $755,895 | $263,610 | $202,927 | $289,357 |
| Variance | $(121,279) | $(105,653) | $(22,742) | $7,116 |

ACI UNIVERSAL PAYMENTS.

# Adjusted EBITDA and Segmented Data

| Adjusted EBITDA (millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 |
|---|---|---|
| Net income | $ 31.8 | $ 15.2 |
| Plus: | | |
| Income tax expense | 5.1 | 2.0 |
| Net interest expense | 16.0 | 9.8 |
| Net other expense | 2.4 | 1.3 |
| Depreciation expense | 6.1 | 6.0 |
| Amortization expense | 27.8 | 17.5 |
| Non-cash stock-based compensation expense | 9.3 | 6.6 |
| Adjusted EBITDA before significant transaction-related expenses | $ 98.5 | $ 58.4 |
| Significant transaction-related expenses | 0.9 | 1.5 |
| Adjusted EBITDA | $ 99.4 | $ 59.9 |

| Segment Information (millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 |
|---|---|---|
| Revenue | | |
| ACI On Premise | $ 161.9 | $ 141.0 |
| ACI On Demand | 193.0 | 104.5 |
| Total Revenue | $ 354.9 | $ 245.5 |
| | | |
| Segment Adjusted EBITDA | | |
| ACI On Premise | 99.6 | 77.8 |
| ACI On Demand | 18.6 | 3.3 |

ACI UNIVERSAL PAYMENTS.

# Adjusted Operating Free Cash Flow and 60-Month Backlog

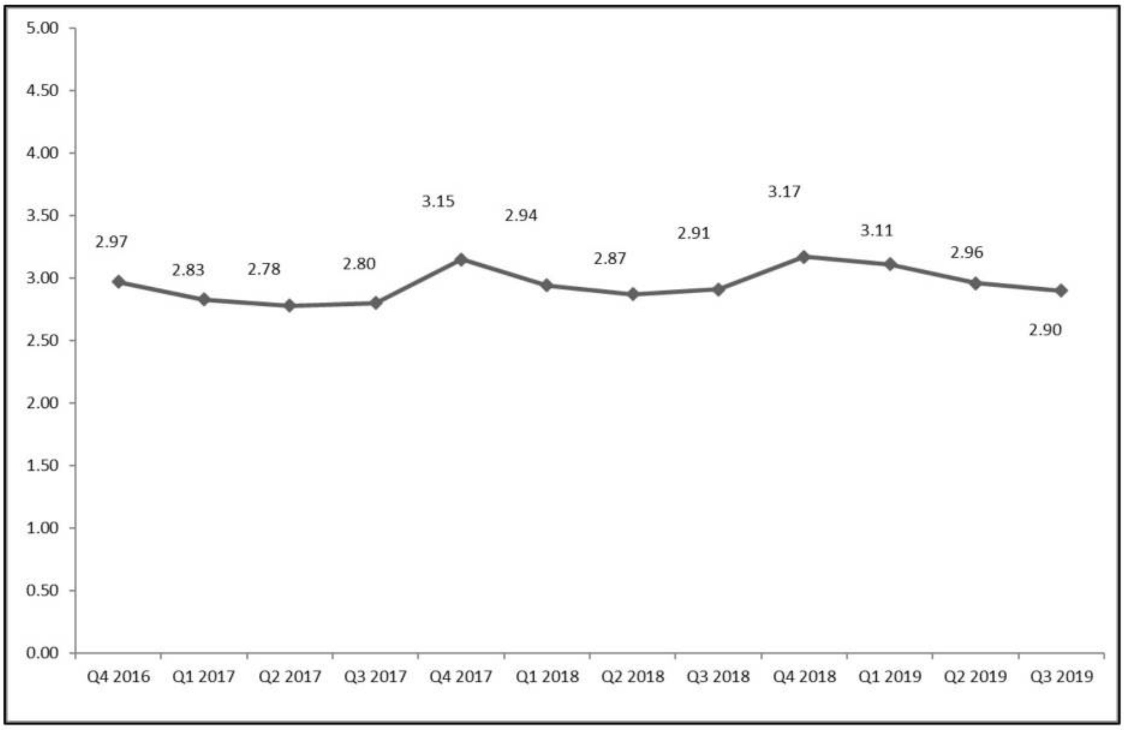
| Reconciliation of Adjusted Operating Free Cash Flow (millions) | Three Months Ended September 30, 2019 | Three Months Ended September 30, 2018 |
|---|---|---|
| Net cash flows from operating activities | $ 32.1 | $ 29.4 |
| Net after-tax payments associated with significant transaction-related expenses | 2.8 | 1.1 |
| Less: capital expenditures | (16.1) | (10.4) |
| Adjusted Operating Free Cash Flow | $ 18.8 | $ 20.1 |

| Backlog 60-Month (millions) | Three Months Ended September 30, 2019 | June 30, 2019 | March 31, 2019 | December 31, 2018 |
|---|---|---|---|---|
| ACI On Premise | $ 1,925 | $ 1,880 | $ 1,861 | $ 1,875 |
| ACI On Demand | 3,756 | 3,813 | 2,290 | 2,299 |
| Backlog 60-Month | $ 5,681 | $ 5,693 | $ 4,151 | $ 4,174 |

# EPS Impact of Non-Cash and Significant Transaction-Related It

| EPS impact of non-cash and significant transaction-related items (millions) | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | EPS Impact | $ in Millions (Net of Tax) | EPS Impact | $ in Millions (Net of Tax) |
| GAAP net income | $ 0.27 | $ 31.8 | $ 0.13 | $ 15.2 |
| Adjusted for: | | | | |
| Significant transaction-related expenses | 0.01 | 0.7 | 0.01 | 1.2 |
| Amortization of acquisition-related intangibles | 0.06 | 7.2 | 0.03 | 3.7 |
| Amortization of acquisition-related software | 0.07 | 8.4 | 0.05 | 5.4 |
| Non-cash stock-based compensation | 0.06 | 7.1 | 0.04 | 5.2 |
| Total adjustments | $ 0.20 | $ 23.4 | $ 0.13 | $ 15.5 |
| Diluted EPS adjusted for non-cash and significant transaction-related items | $ 0.47 | $ 55.2 | $ 0.26 | $ 30.7 |

# Contract Duration Metric




- Represents dollar average remaining contract life (in years) for term license software contracts
- Excludes perpetual contracts (primarily acquired software contracts)
- Excludes all On Demand contracts as both cash and revenue are ratable over the contract term

ACI UNIVERSAL PAYMENTS.

# Non-GAAP Financial Measures

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

- Adjusted EBITDA: net income (loss) plus income tax expense (benefit), net interest income (expense), net other inco (expense), depreciation, amortization, and non-cash compensation, as well as significant transaction related expens Adjusted EBITDA should be considered in addition to, rather than as a substitute for, net income (loss).
- Net Adjusted EBITDA Margin: Adjusted EBITDA divided by revenue net of pass through interchange revenue. Adjusted EBITDA Margin should be considered in addition to, rather than as a substitute for, net income (loss).

# Non-GAAP Financial Measures

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

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

# Non-GAAP Financial Measures

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

- Maintenance fees are assumed to exist for the duration of the license term for those contracts in which the commit
maintenance term is less than the committed license term.
- License, facilities management, and SaaS and platform arrangements are assumed to renew at the end of t
committed term at a rate consistent with our historical experiences.
- Non-recurring license arrangements are assumed to renew as recurring revenue streams.
- Foreign currency exchange rates are assumed to remain constant over the 60-month backlog period for those contra
stated in currencies other than the U.S. dollar.
- Our pricing policies and practices are assumed to remain constant over the 60-month backlog period.

Estimates of future financial results are inherently unreliable. Our backlog estimates require substantial judgment and
based on a number of assumptions as described above. These assumptions may turn out to be inaccurate or wro
including, but not limited to, reasons outside of management's control. For example, our customers may attemp
renegotiate or terminate their contracts for a number of reasons, including mergers, changes in their financial condition
general changes in economic conditions in the customer's industry or geographic location, or we may experience delay
the development or delivery of products or services specified in customer contracts which may cause the actual rene
rates and amounts to differ from historical experiences. Changes in foreign currency exchange rates may also impact
amount of revenue actually recognized in future periods. Accordingly, there can be no assurance that contracts include
backlog estimates will actually generate the specified revenues or that the actual revenues will be generated within
corresponding 60-month period.

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

# Forward-Looking Statements

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

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

- 2019 financial guidance related to revenue and adjusted EBITDA;
- Expectations regarding adjusted operating free cash flow in 2019; and
- Expectations regarding 2020 adjusted EBITDA target.

# Forward-Looking Statements

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