

ACI Worldwide, Inc. Reports Financial Results for the Quarter Ended September 30, 2016

QUARTER HIGHLIGHTS

- | Net new bookings grew 9%, adjusted for CFS divestiture
- | 60-month backlog up \$42 million sequentially, adjusted for FX
- | Recurring revenue grew 8% to nearly 80% of total revenue, adjusted for CFS
- | SaaS revenue grew 13%, adjusted for CFS
- | Timing drives reduction in 2016 guidance

NAPLES, Fla.--(BUSINESS WIRE)-- [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, 2016.

"ACI is seeing growing interest in our Universal Payments solution and significant momentum in our SaaS and platform delivery. With success booking net new customers, our new bookings in Q3 grew 9% and our SaaS-specific bookings grew 24%. Also in the quarter we went live with our new state-of-the-art data center in Europe and signed an important partnership with VocaLink," commented Phil Heasley, President and CEO, ACI Worldwide. "With our renewal business, we believe our plan to bundle Universal Payments has the potential to double our large customer average contract size with compelling value to both customers and ACI. However, it has caused our renewal negotiations to take longer than they have in the past and is impacting our forecast. This is simply a timing issue and we are making the conscious decision to realize economic value to ACI and our long-term shareholders. Overall, I believe our positioning is as exciting as it ever has been."

Q3 FINANCIAL SUMMARY

Net new bookings grew 9% compared to Q3 2015, bolstered by SaaS-specific bookings that grew 24%. These numbers are adjusted for the Community Financial Services (CFS) divestiture.

Excluding the impact of foreign currency movements, our 12-month backlog declined \$2 million to \$850 million and our 60-month backlog grew \$42 million to \$4 billion during the quarter.

GAAP revenue of \$217 million decreased 9% from last year and was below our guidance given the timing of certain renewals. After adjusting for the CFS divestiture and foreign currency fluctuations, revenue grew 2%. Recurring revenue increased \$13 million, or 8%, and SaaS-based revenue grew \$13 million, or 13%, compared to Q3 2015, after adjusting for CFS. This growth was offset by a decline in non-recurring license revenue.

Q3 2016 adjusted EBITDA was \$35 million down from \$46 million in the prior year period, excluding CFS contribution and related costs. The decline in adjusted EBITDA was primarily due to timing of non-recurring license revenue compared to Q3 last year. Net adjusted EBITDA margin in Q3 2016 was 18%, versus 24% in Q3 2015, after adjusting for pass through interchange fees of \$31 million and \$27 million in Q3 2016 and Q3 2015, respectively.

ACI ended Q3 2016 with \$51 million in cash on hand, roughly flat with Q2, and a debt balance of \$753 million, a decrease of \$186 million from a debt balance of \$939 million at year end 2015. Excluding the impact of our previously announced one-time capital investments in our European data center and cyber security, operating free cash flow (OFCF) for the quarter was negative \$1 million.

UPDATING GUIDANCE

We are updating our full-year 2016 guidance expectations given the delayed timing of certain larger renewals. We now expect to generate revenue from ongoing operations in a range of \$960 million to \$990 million in 2016, down from a range of \$990 million to \$1.02 billion, which represents up to 4% organic growth after adjusting for the PAY.ON acquisition and foreign currency fluctuations. Adjusted EBITDA in 2016 is now expected to be in a range of \$235 million to \$245 million, down from a range of \$265 million to \$275 million. These ranges exclude the partial quarter contribution from the recently divested CFS operations of \$15 million in revenue and \$1 million in adjusted EBITDA in Q1 2016 and exclude \$7 million of CFS-related indirect overhead costs and approximately \$18 million in one-time integration related expenses for PAY.ON, the

CFS divestiture, data center and facilities consolidation, and bill payment platform rationalization. We continue to expect full-year 2016 net new bookings to grow in the upper single digit range.

CONFERENCE CALL TO DISCUSS FINANCIAL RESULTS AND OUTLOOK

Management will host a conference call at 8:30 am ET to discuss these results as well as 2016 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 3269222. 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 and [SaaS-based solutions](#), we deliver 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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To supplement our financial results presented on a GAAP basis, we use the non-GAAP measures indicated in the tables, which exclude certain business combination accounting entries related to the acquisition of Online Resources Corporation, and 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:

- 1 Non-GAAP revenue: revenue plus deferred revenue that would have been recognized in the normal course of business by Online Resources if not for GAAP purchase accounting requirements. Non-GAAP revenue should be considered in addition to, rather than as a substitute for, revenue.
- 1 Non-GAAP operating income: operating income plus deferred revenue that would have been recognized in the normal course of business by Online Resources if not for GAAP purchase accounting requirements and significant transaction-related expenses. Non-GAAP operating income should be considered in addition to, rather than as a substitute for, operating income.
- 1 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 deferred revenue that would have been recognized in the normal course of business by Online Resources if not for GAAP purchase accounting requirements and significant transaction-related expenses. Adjusted EBITDA should be considered in addition to, rather than as a substitute for, operating income.

ACI is also presenting operating free cash flow, which is defined as net cash provided by operating activities, net after-tax payments associated with employee-related actions and facility closures, net after-tax payments associated with significant transaction-related expenses, and less capital expenditures plus European data center and cybersecurity capital expenditures. 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 operating free cash flow as a further indicator of operating performance and for planning investing activities. 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 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 operating free cash flow is useful to investors to provide disclosures of our operating results on the same basis as that used by our management.

ACI also includes backlog estimates, which include all license, maintenance, and services specified in executed contracts,

as well as revenues from assumed contract renewals to the extent that we believe recognition of the related revenue will occur within the corresponding backlog period. We have historically included assumed renewals in backlog estimates based upon automatic renewal provisions in the executed contract and our historic experience with customer renewal rates.

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

- 1 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.
- 1 License, facilities management, and software hosting arrangements are assumed to renew at the end of their committed term at a rate consistent with our historical experiences.
- 1 Non-recurring license arrangements are assumed to renew as recurring revenue streams.
- 1 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.
- 1 Our pricing policies and practices are assumed to remain constant over the 60-month backlog period.

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

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

Forward-Looking Statements

This 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 growing interest in our Universal Payments solution and significant momentum in our SaaS and platform delivery options; (ii) expectations that our plan to bundle Universal Payments has the potential to double our large customer average contract size with compelling value to both customers and ACI; (iii) expectations regarding decisions to realize economic value to ACI; (iv) belief that our positioning is as exciting as it has ever been; and (v) expectations regarding revenue, adjusted EBITDA, and net new bookings in 2016.

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 credit facility, 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, our strategy to migrate customers to our next generation products, ratable or deferred recognition of certain revenue associated with customer migrations and the maturity of certain of our 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, risks related to the expected benefits to be achieved in the transaction with PAY.ON, 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, the protection of our intellectual property in intellectual property litigation, 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, our pending appeal of the \$43 million judgement, plus \$2.7 million of attorney fees and costs awarded against us in the BHMI litigation, 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)

	<u>September 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 50,912	\$ 102,239
Receivables, net of allowances of \$3,829 and \$5,045, respectively	159,409	219,116
Recoverable income taxes	5,318	12,048
Prepaid expenses	28,825	27,461
Other current assets	18,304	21,637
Total current assets	<u>262,768</u>	<u>382,501</u>
Noncurrent assets		
Property and equipment, net	78,894	60,630
Software, net	188,743	237,941
Goodwill	915,857	913,261
Intangible assets, net	212,393	256,925
Deferred income taxes, net	99,365	90,872
Other noncurrent assets	44,166	33,658
TOTAL ASSETS	<u>\$ 1,802,186</u>	<u>\$ 1,975,788</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 38,124	\$ 55,420
Employee compensation	48,647	31,213
Current portion of long-term debt	90,270	89,710
Deferred revenue	116,990	128,559
Income taxes payable	3,113	4,734
Other current liabilities	55,079	75,225
Total current liabilities	<u>352,223</u>	<u>384,861</u>
Noncurrent liabilities		
Deferred revenue	40,720	42,081
Long-term debt	652,387	834,449
Deferred income taxes, net	24,055	28,067
Other noncurrent liabilities	38,039	31,930
Total liabilities	<u>1,107,424</u>	<u>1,321,388</u>
Commitments and contingencies		
Stockholders' equity		
Preferred stock	-	-
Common stock	702	702
Additional paid-in capital	590,009	561,379
Retained earnings	479,040	416,851
Treasury stock	(298,526)	(252,956)
Accumulated other comprehensive loss	(76,463)	(71,576)

Total stockholders' equity	694,762	654,400
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 1,802,186</u>	<u>\$ 1,975,788</u>

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

For the Three Months Ended
September 30,
2016 **2015**

Revenues

License	\$ 43,256	\$ 50,237
Maintenance	57,741	59,262
Services	19,809	25,842
Hosting	96,169	103,360
Total revenues	<u>216,975</u>	<u>238,701</u>

Operating expenses

Cost of license (1)	5,253	5,387
Cost of maintenance, services and hosting (1)	95,014	104,272
Research and development	42,210	36,123
Selling and marketing	29,874	28,451
General and administrative	31,390	20,284
Gain on sale of CFS assets	489	-
Depreciation and amortization	22,098	20,298
Total operating expenses	<u>226,328</u>	<u>214,815</u>

Operating income (loss)

<u>(9,353)</u>	<u>23,886</u>
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Other income (expense)

Interest expense	(9,838)	(9,728)
Interest income	145	94
Other	2,794	4,314
Total other income (expense)	<u>(6,899)</u>	<u>(5,320)</u>

Income (loss) before income taxes

(16,252)	18,566
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Income tax expense (benefit)

(6,426)	3,786
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Net income (loss)

<u>\$ (9,826)</u>	<u>\$ 14,780</u>
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Earnings (loss) per common share

Basic	\$ (0.08)	\$ 0.13
Diluted	\$ (0.08)	\$ 0.12

Weighted average common shares outstanding

Basic	116,118	117,922
Diluted	116,118	119,304

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

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

	For the Three Months Ended September 30,	
	2016	2015
Cash flows from operating activities:		
Net income (loss)	\$ (9,826)	\$ 14,780
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
Depreciation	5,547	5,331
Amortization	19,436	18,324
Amortization of deferred debt issuance costs	1,372	1,542
Deferred income taxes	(5,139)	7,734
Stock-based compensation expense	10,793	759
Gain on sale of CFS assets	489	-
Other	355	1,011
Changes in operating assets and liabilities, net of impact of acquisitions and divestiture:		
Receivables	5,459	34,977
Accounts payable	(12,651)	1,575
Accrued employee compensation	6,314	(99)
Current income taxes	(4,790)	(4,445)
Deferred revenue	(5,256)	(7,466)
Other current and noncurrent assets and liabilities	(4,816)	(4,520)
Net cash flows from operating activities	<u>7,287</u>	<u>69,503</u>
Cash flows from investing activities:		
Purchases of property and equipment	(13,701)	(6,138)
Purchases of software and distribution rights	(6,827)	(3,521)
Proceeds from sale of CFS assets	(519)	-
Net cash flows from investing activities	<u>(21,047)</u>	<u>(9,659)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock	863	774
Proceeds from exercises of stock options	763	920
Repurchase of restricted stock and performance shares for tax withholdings	(1,529)	(506)
Proceeds from revolving credit facility	52,000	47,000
Repayment of revolving credit facility	(10,000)	(47,000)
Repayment of term portion of credit agreement	(23,824)	(23,824)
Payments on other debt	(3,328)	(1,665)
Payments for debt issuance costs	(370)	-
Net cash flows from financing activities	<u>14,575</u>	<u>(24,301)</u>
Effect of exchange rate fluctuations on cash	<u>(2,366)</u>	<u>(5,083)</u>
Net increase (decrease) in cash and cash equivalents	(1,551)	30,460
Cash and cash equivalents, beginning of period	52,463	50,397
Cash and cash equivalents, end of period	<u>\$ 50,912</u>	<u>\$ 80,857</u>

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

	FOR THE THREE MONTHS ENDED September 30,							
	2016		2016	2015		2015		
Selected Non-GAAP Financial Data	GAAP	Adj	Non-GAAP	GAAP	Adj	Non-GAAP	\$ Diff	% Diff
<hr/>								

Total revenues (2)	\$216,975	\$ -	\$ 216,975	\$238,701	\$ 177	\$ 238,878	\$(21,903)	-9%
Total expenses (3)	226,328	(6,868)	219,460	214,815	(1,520)	\$ 213,295	6,165	3%
Operating income (loss)	(9,353)	6,868	(2,485)	23,886	1,697	\$ 25,583	(28,068)	-110%
Income (loss) before income taxes	(16,252)	6,868	(9,384)	18,566	1,697	\$ 20,263	(29,647)	-146%
Income tax expense (benefit) (4)	(6,426)	2,217	(4,209)	3,786	594	\$ 4,380	(8,589)	-196%
Net income (loss)	<u>\$ (9,826)</u>	<u>\$ 4,651</u>	<u>\$ (5,175)</u>	<u>\$ 14,780</u>	<u>\$ 1,103</u>	<u>\$ 15,883</u>	<u>\$(21,058)</u>	<u>-133%</u>

Depreciation	5,547	-	5,547	5,331	-	5,331	216	4%
Amortization - acquisition related intangibles	5,248	-	5,248	5,601	-	5,601	(353)	-6%
Amortization - acquisition related software	6,857	-	6,857	5,940	-	5,940	917	15%
Amortization - other	7,331	-	7,331	6,783	-	6,783	548	8%
Stock-based compensation	10,793	-	10,793	759	-	759	10,034	1322%

Adjusted EBITDA	<u>\$ 26,423</u>	<u>\$ 6,868</u>	<u>\$ 33,291</u>	<u>\$ 48,300</u>	<u>\$ 1,697</u>	<u>\$ 49,997</u>	<u>\$(16,706)</u>	<u>-33%</u>
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Earnings per share information

Weighted average shares outstanding

Basic	116,118	116,118	116,118	117,922	117,922	117,922
Diluted	116,118	116,118	116,118	119,304	119,304	119,304

Earnings per share

Basic	\$ (0.08)	\$ 0.04	\$ (0.04)	\$ 0.13	\$ 0.01	\$ 0.13	\$ (0.17)	-130%
Diluted	\$ (0.08)	\$ 0.04	\$ (0.04)	\$ 0.12	\$ 0.01	\$ 0.13	\$ (0.17)	-130%

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

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

(3) Adjustment in 2016 include facility closure expenses of \$2.9 million, employee related expenses of \$1.5 million, and \$1.9 million for professional and other fees as well as a \$0.5 million reduction in the gain recognized on the sale of CFS assets. In 2015, we had adjustments for significant transaction related expenses, including, \$0.9 million for employee related actions and \$0.6 million for professional and other fees.

(4) Tax effect of revenue and significant transaction related adjustments.

Reconciliation of Operating Free Cash Flow (millions)	Quarter Ended	
	September 30, 2016	2015
Net cash provided by operating activities	\$ 7.3	\$ 69.5
Net after-tax payments associated with employee-related actions	0.8	1.0
Net after-tax payments associated with facility closures	0.2	-
Net after-tax payments associated with significant transaction related expenses	2.6	0.4
Less capital expenditures	(20.5)	(9.7)
Plus capital expenditures for European datacenter and cyber security	8.5	-
Operating Free Cash Flow	<u>\$ (1.1)</u>	<u>\$ 61.2</u>

Reconciliation excluding CFS impact (millions)	Quarter Ended	
	2016	2015
Total non-GAAP revenue	\$217.0	\$238.9
CFS product revenue	-	(23.3)
Total non-GAAP revenue excluding CFS	\$217.0	\$215.6
Total adjusted EBITDA	\$ 33.3	\$ 50.0
CFS adjusted EBITDA	-	(3.6)
Retained indirect costs during TSA period	1.8	-
Total adjusted EBITDA excluding CFS impact	\$ 35.1	\$ 46.4

Monthly Recurring Revenue (millions)	Quarter Ended	
	2016	2015
Monthly software license fees	\$ 18.2	\$ 18.4
Maintenance fees	57.7	59.3
Processing services	96.2	103.4
Monthly Recurring Revenue	172.1	181.1
CFS contribution	-	22.0
Monthly Recurring Revenue	\$ 172.1	\$ 159.1

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