UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K/A

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

Date of Report (Date of earliest event reported): May 9, 2019

ACI WORLDWIDE, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	0-25346	47-0772104
(State or other jurisdiction of Incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification Number)

3520 Kraft Rd, Suite 300
Naples, FL 34105
(Address of principal executive offices, including zip code)

(239) 403-4600
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

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:

☐ 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 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**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 under the Securities Act (17 CFR 230.405) or Rule 12b-2 under the Exchange Act (17 CFR 240.12b-2).

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. ☐

Introductory Note

On May 9, 2019, ACI Worldwide, Inc. (“ACI”) filed a Current Report on Form 8-K (the “Original Form 8-K”) to report the completion of the acquisition of E Commerce Group Products, Inc. (“ECG”), a subsidiary of The Western Union Company (“Western Union”), along with ECG’s subsidiary, Speedpay, Inc. (collectively referred to as “Speedpay”). This Form 8-K/A amends the Original Form 8-K and is being filed to provide the historical audited and unaudited financial statements of Speedpay and the unaudited condensed combined pro forma financial statements required by Item 9.01 of Form 8-K that were excluded from the Original Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The audited combined balance sheets of Speedpay as of December 31, 2018 and 2017, the audited combined statements of comprehensive income, changes in net parent company investment, and cash flows for each of the three years in the period ended December 31, 2018, the related notes thereto, and the related independent auditors’ report of Ernst & Young LLP are filed in this Form 8-K/A as Exhibit 99.1.

The combined balance sheets of Speedpay as of March 31, 2019 (unaudited) and December 31, 2018, the unaudited combined statements of comprehensive income, changes in net parent company investment, and cash flows for the three months ended March 31, 2019 and 2018, and the related notes thereto are filed in this Form 8-K/A as Exhibit 99.2.

The consent of Ernst & Young LLP, Speedpay’s independent auditor, is filed in this Form 8-K/A as Exhibit 23.1.

(b) Pro Forma Financial Information.

The unaudited condensed combined pro forma financial statements of ACI for the year ended December 31, 2018 and as of and for the three months ended March 31, 2019, and the notes related thereto are filed as Exhibit 99.3 to this report.

(d) Exhibits

Exhibit 23.1	Consent of Ernst & Young LLP.
Exhibit 99.1	Audited combined balance sheets of Speedpay as of December 31, 2018 and 2017, and audited combined statements of comprehensive income, changes in net parent company investment, and cash flows for each of the three years ended December 31, 2018, the notes related thereto, and the related independent auditors’ report of Ernst & Young LLP.
Exhibit 99.2	Combined balance sheets of Speedpay as of March 31, 2019 (unaudited) and December 31, 2018, the unaudited combined statements of comprehensive income, changes in net parent company investment, and cash flows for the three months ended March 31, 2019 and 2018, and the related notes thereto.
Exhibit 99.3	Unaudited condensed combined pro forma financial statements of ACI for the year ended December 31, 2018, and as of and for the three months ended March 31, 2019, and the notes related thereto.

SIGNATURES

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 hereunto duly authorized.

	ACI WORLDWIDE, INC. (Registrant)	
Date: July 19, 2019	By:	/s/ SCOTT W. BEHRENS
	Name:	Scott W. Behrens
	Title:	Senior Executive Vice President, Chief Financial Officer and Chief Accounting Officer

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the following Registration Statements:

- Registration Statement (Form S-8 No. 333-123263)
- Registration Statement (Form S-8 No. 333-146794)
- Registration Statement (Form S-8 No. 333-182584)
- Registration Statement (Form S-8 No. 333-212948)
- Registration Statement (Form S-8 No. 333-169293)
- Registration Statement (Form S-8 No. 333-219608)

of our report dated March 15, 2019, with respect to the combined financial statements of E Commerce Group Products Inc. appearing in this current report on Form 8-K/A of ACI Worldwide, Inc. dated July 19, 2019.

/s/ Ernst & Young LLP

Denver, Colorado
July 19, 2019

E Commerce Group Products Inc.
(dba Speedpay)

COMBINED FINANCIAL STATEMENTS

As of December 31, 2018 and 2017 and for the three years in the period
ended December 31, 2018
with Report of Independent Auditors

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Report of Independent Auditors

Management of The Western Union Company

We have audited the accompanying combined financial statements of E Commerce Group Products Inc., which comprise the combined balance sheets as of December 31, 2018 and 2017, and the related combined statements of comprehensive income, changes in net parent company investment, and cash flows for each of the three years in the period ended December 31, 2018, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of E Commerce Group Products Inc. at December 31, 2018 and 2017, and the combined results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

We draw attention to note 1 of the combined financial statements, which describes the basis of presentation used in preparing these financial statements. Our opinion is not modified with respect to this matter.

/s/ Ernst & Young LLP
Denver, Colorado
March 15, 2019

E Commerce Group Products Inc. (dba Speedpay)
Combined Balance Sheets
(In thousand USD)

	December 31, 2018	December 31, 2017
Assets:		
Current Assets		
Cash and equivalents	$131,840	$ 91,195
Settlement assets	440,973	617,638
Other current assets	15,020	18,573
Total current assets	587,833	727,406
Property and equipment, net	415	641
Goodwill	102,153	102,153
Developed software and other intangible assets, net	10,250	8,380
Other assets	2,100	2,697
Total Assets	$702,751	$841,277
Liabilities and Net Parent Company Investment:		
Current Liabilities:		
Settlement obligations	$440,973	$617,638
Accounts payable and accrued liabilities	15,109	17,412
Total current liabilities	456,082	635,050
Long term liabilities	3,372	3,307
Commitments and contingencies (Note 4)		
Net parent company investment	243,297	202,920
Total Liabilities and Parent Company Investment	$702,751	$841,277

See Notes to the Combined Financial Statements.

E Commerce Group Products Inc. (dba Speedpay)
Combined Statements of Comprehensive Income
(In thousand USD)

	Year ended December 31, 2018	2017	2016
Net revenue	$351,949	$368,315	$322,594
Expenses:			
Cost of sales	235,598	229,336	192,355
Selling, general and administrative	23,529	25,410	20,113
Total expenses	259,127	254,746	212,468
Profit before income taxes	92,822	113,569	110,126
Provision for income taxes	23,008	41,738	38,767
Net income	$ 69,814	$ 71,831	$ 71,359
Comprehensive income	$ 69,814	$ 71,831	$ 71,359

See Notes to the Combined Financial Statements.

E Commerce Group Products Inc. (dba Speedpay)
Combined Statements of Changes in Net Parent Company Investment
(In thousand USD)

Balance at December 31, 2015	$ 165,380
Comprehensive income	71,359
Net transfers to the Parent	(57,965)
Balance at December 31, 2016	178,774
Comprehensive income	71,831
Net transfers to the Parent	(47,685)
Balance at December 31, 2017	202,920
Comprehensive income	69,814
Net transfers to the Parent	(29,437)
Balance at December 31, 2018	$ 243,297

See Notes to the Combined Financial Statements.

E Commerce Group Products Inc. (dba Speedpay)
Combined Statements of Cash Flows
(In thousand USD)

	Year ended December 31, 2018	2017	2016
Cash Flows from Operating Activities			
Net income	$ 69,814	$ 71,831	$ 71,359
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	2,843	2,639	2,022
Other noncash items, net	2,469	2,949	2,690
Increase/(decrease) in cash resulting from changes in:			
Other current assets	3,628	(4,304)	(2,796)
Other assets	—	(3,292)	—
Accounts payable and accrued liabilities	(2,687)	1,799	2,056
Long term liabilities	140	(2,210)	1,839
Net cash provided by operating activities	76,207	69,412	77,170
Cash Flows from Investing Activities			
Purchase of property and equipment	(301)	(227)	(506)
Capitalization of developed software and other	(4,885)	(4,597)	(3,833)
Net cash used in investing activities	(5,186)	(4,824)	(4,339)
Cash Flows from Financing Activities			
Net transfers to the Parent	(30,376)	(48,504)	(58,470)
Net cash used in financing activities	(30,376)	(48,504)	(58,470)
Net change in cash and cash equivalents	40,645	16,084	14,361
Cash and cash equivalents at beginning of year	91,195	75,111	60,750
Cash and cash equivalents at end of year	$131,840	$ 91,195	$ 75,111
Accrued capitalized software development and other intangible assets	$ 1,084	$ 554	$ 390
Noncash stock compensation contributed by the Parent	939	819	505

See Notes to the Combined Financial Statements.

1. Business and Basis of Presentation

Description of the Business

The Combined Financial Statements reflect the business of E Commerce Group Products Inc. and its wholly-owned subsidiary Speedpay, Inc. (the “Company”), as operated by The Western Union Company (“TWUC” or the “Parent”). The Company is a wholly-owned subsidiary of TWUC, a publicly traded company listed on the New York Stock Exchange. The Company operates as a single operating segment under the Speedpay brand name and facilitates electronic bill payments in the United States from consumers to businesses and other organizations including utilities, auto finance companies, financial service providers, government agencies and other businesses (“Billers”). Various aspects of the Company’s business are subject to United States federal, state, and local regulation.

Basis of Presentation

The Combined Financial Statements of the Company reflect the Combined Balance Sheets as of December 31, 2018 and 2017, and the Combined Statements of Comprehensive Income, Combined Statements of Changes in Net Parent Company Investment, and Combined Statements of Cash Flows for each of the three years ended December 31, 2018 (the “Financial Statements”). These Financial Statements have been derived from the accounting records of TWUC using its historical financial information and are presented in conformity with generally accepted accounting principles in the United States of America (“GAAP”). The Financial Statements may not be indicative of the financial condition or results of operations of the Company going forward.

The Financial Statements reflect the historical revenues and expenses, cash flows, and the historical basis of assets and liabilities as if the Company’s underlying operations had been combined for all periods presented. To the extent that an asset, liability, revenue or direct expense is identifiable and directly associated with the Company and has been managed by TWUC as part of the Company, it has been reflected in the accompanying Financial Statements.

The Company conducts business through its operating entities and shared service affiliates (“Affiliates”) under the common control of TWUC. The Company also cooperates with one of its licensed Affiliates to provide money transmission services, as applicable. The Financial Statements reflect the assets and liabilities, primarily settlement assets and liabilities, held by these Affiliates as well as any direct revenue or expenses of the Company, including expenses incurred by these shared service centers which are directly attributable to the Company’s revenue producing activities. The Financial Statements also include certain allocated direct expenses (including certain expenses related to call centers and information technology) which are primarily attributable to the Company’s business. Management believes these allocated direct expenses are reasonable and appropriate.

As part of the Parent, the Company is dependent upon the Parent for all of its working capital and financing requirements as the Parent uses a centralized approach to cash management and financing of its operations. Financial transactions relating to the Company are accounted for through the Net parent company investment account. Accordingly, none of the Parent’s cash and equivalents or debt at the corporate level have been assigned to the Company in the Financial Statements. Net parent company investment represents the Parent’s interest in the recorded net assets of the Company. All significant transactions between the Company and the Parent have been included in the accompanying Combined Financial Statements. Transactions with the Parent are reflected in the accompanying Combined Statements of Changes in Net Parent Company Investment as “Net transfers to the Parent” and in the accompanying Combined Balance Sheets within “Net parent company investment.”

The Financial Statements also include an allocation for certain corporate and shared service functions historically provided by the Parent, including, but not limited to, executive oversight, accounting, treasury, tax, legal, human resources, procurement, information technology, and other shared services. An allocation for shared facilities has also been included in the Financial Statements. These expenses have been allocated based on a pro rata basis of combined headcount or revenue. For the years ended December 31, 2018, 2017, and 2016, the Financial Statements include corporate and shared service expense allocations of $8,014, $8,770 and $7,235, respectively, reflected in “Selling, general and administrative” expenses. Intercompany transactions between the Company and the Parent have been included in these Combined Financial Statements and are reflected as settled at the time the transaction is recorded. The total net effect of the settlement of these intercompany transactions is reflected in the Combined Statements of Cash Flows as a financing activity and in the Combined Statements of Changes in Net Parent Company Investment in “Net transfers to the Parent”.

Management believes the assumptions underlying the Financial Statements, including the assumptions regarding the allocation of general corporate expenses from the Parent, are reasonable. Nevertheless, the Financial Statements may not include all of the actual expenses that would have been incurred had it operated as a standalone company during the periods presented and may not reflect the results of operations, financial position and cash flows had it operated as a standalone company during the periods presented. Actual costs that would have been incurred if it had operated as a standalone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure.

The Company’s employees participate in various benefit plans and stock-based compensation plans which are maintained by TWUC. The costs of these plans attributable to the Company’s employees of $1,472, $1,356, and $1,039 for the years ended December 31, 2018, 2017, and 2016, respectively, are included in “Selling, general and administrative” expenses in the Financial Statements.

Accounting Pronouncements Not Yet Adopted

In February 2016, the Financial Accounting Standards Board issued a new accounting pronouncement that requires lessees to record assets and liabilities on the balance sheet for lease-related rights and obligations and disclose key information about certain leasing arrangements. This new standard establishes a right-of-use (“ROU”) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as financing or operating, with classification affecting the pattern of expense recognition in the statement of operations. The Company will adopt the new standard, including the related amendments, effective January 1, 2020 using the modified retrospective approach, applying the provisions of the new standard on its effective date. Management does not expect the adoption of the new standard to have a material impact on the Company’s financial position, results of operations, and related disclosures.

In June 2016, the Financial Accounting Standards Board issued a new accounting pronouncement regarding credit losses for financial instruments. The new standard requires entities to measure expected credit losses for certain financial assets held at the reporting date using a current expected credit loss model, which is based on historical experience, adjusted for current conditions and reasonable and supportable forecasts. The Company is required to adopt the new standard on January 1, 2022. Management is currently evaluating the potential impact that the adoption of this standard will have on the Company’s financial position, results of operations, and related disclosures.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Principles of Consolidation

The Company consolidates financial results when it has a controlling financial interest in a subsidiary via voting rights or when it has both the power to direct the activities of an entity that most significantly impact the entity’s economic performance and the ability to absorb losses or the right to receive benefits of the entity that could potentially be significant to the entity. All significant intercompany accounts and transactions between the business comprising the Company have been eliminated in the accompanying Financial Statements.

(In thousand USD)

Cash and Equivalents

Highly liquid investments with maturities of three months or less at the date of purchase (that are readily convertible to cash), are considered to be cash equivalents and are stated at cost, which approximates fair value.

The Company maintains cash and equivalents balances with a few financial institutions. The Company limits the concentration of its cash and cash equivalents with any one institution; however, such balances often exceed United States federal deposit insurance limits. The Company regularly reviews investment concentrations and credit worthiness of these institutions.

Settlement Assets and Obligations

Settlement assets consist of cash and receivables from credit card processors. Settlement obligations represent amounts to be paid to Billers including utility companies, auto finance companies, mortgage servicers, financial service providers, government agencies and others.

	December 31,	
	2018	**2017**
Settlement assets:		
Cash and equivalents	$221,120	$416,489
Receivables from credit card processors	219,853	201,149
Total settlement assets	$440,973	$617,638
Settlement obligations:		
Payables to Billers	$440,973	$617,638

Other Current Assets

Other current assets mainly include amounts related to receivables from Billers of $14,810 and $18,483 at December 31, 2018 and 2017, respectively, as well as prepaid assets.

Severance and Other Related Expenses

The Company records severance-related expenses once they are both probable and estimable in accordance with the provisions of the applicable accounting guidance for severance provided under an ongoing benefit arrangement. One-time, involuntary termination benefit arrangements and other costs are generally recognized when the liability is incurred. The Company also evaluates impairment issues associated with restructuring and other activities when the carrying amount of the related assets may not be fully recoverable, in accordance with the appropriate accounting guidance. Severance costs were $35, $1,925 and $200 for the years ended December 31, 2018, 2017 and 2016, respectively. Accrued severance costs at December 31, 2018 and 2017 were $0 and $668, respectively.

(In thousand USD)

Fair Value Measurements

Carrying amounts for many of the Company's financial instruments, including cash and equivalents, settlement assets, and settlement obligations approximate fair value due to their short maturities. No recurring or non-recurring fair value adjustments were recorded during the years ended December 31, 2018, 2017, or 2016.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the lesser of the estimated life of the related assets (generally three to ten years for equipment and furniture and fixtures) or the lease term (in the case of leasehold improvements). Maintenance and repairs, which do not extend the useful lives of the respective assets, are charged to expense as incurred.

Property and equipment consisted of the following:

	December 31,	
	2018	2017
Equipment	$ 16,102	$ 15,799
Leasehold improvements	1,631	1,631
Furniture and fixtures	212	212
Total Property and Equipment, gross	17,945	17,642
Less Accumulated Depreciation	(17,530)	(17,001)
Property and Equipment, net	$ 415	$ 641

Amounts charged to expense for depreciation of property and equipment were $527, $669, and $751 during the years ended December 31, 2018, 2017, and 2016, respectively.

Goodwill

Goodwill represents the excess of purchase price over the fair value of tangible and other intangible assets acquired, less liabilities assumed arising from business combinations. An impairment assessment of goodwill is conducted annually during the fourth quarter. This assessment of goodwill is performed more frequently if events or changes in circumstances indicate that the carrying value of the goodwill may not be recoverable. Goodwill was established when the Company was purchased in June 2002. The Company has not recorded any goodwill impairment since acquisition.

Developed software and other intangible assets

The Company purchases and develops software that is used in providing services and in performing administrative functions. Internal and external software development costs incurred that are directly related to the chosen design and development and testing phases of the software are capitalized once the Company has completed all planning and analysis activities. Any other software development related costs are expensed as incurred. Capitalization of costs ceases when the product is available for general use. Software development costs and purchased software are generally amortized over a term of three years.

Other intangible assets primarily consist of contract costs (primarily amounts paid to Billers in connection with establishing and renewing long-term contracts), acquired contracts, trademarks, and software. Other intangible assets are amortized on a straight-line basis over the length of the contract or benefit periods. Included in the Combined Statements of Comprehensive Income is amortization expense of $2,316, $1,970, and $1,271 for the years ended December 31, 2018, 2017, and 2016, respectively.

The Company capitalizes initial payments for new and renewed Biller contracts to the extent recoverable through future operations. The Company's policy is to obtain termination fees in the event of early termination of the contract. These initial payments are amortized as a reduction to revenue over the length of the related contract on a straight-line basis. Included in the Combined Statements of Comprehensive Income as a reduction of "Net revenue" and in the Combined Statements of Cash Flows as "Other noncash items, net" is $1,083, $1,010, and $421 for the years ended December 31, 2018, 2017, and 2016, respectively.

In connection with the Parent's acquisition of the Company, acquired contracts including customer and contractual relationships and a trademark were recorded.

(In thousand USD)

The following table provides the components of developed software and other intangible assets:

	Weighted Average Amortization Period (in years)	December 31, 2018 Initial Cost	December 31, 2018 Net of Accumulated Amortization	December 31, 2017 Initial Cost	December 31, 2017 Net of Accumulated Amortization
Computer software acquired	3	$ 3,028	$ —	$ 3,028	$ —
Capitalized Contract Costs	3.6	3,800	1,586	3,400	1,969
Acquired contracts	9	13,930	—	13,930	—
Developed software	3	13,750	7,797	9,181	5,442
Acquired trademarks	25	2,320	867	2,320	969
Developed software and other intangibles assets		$ 36,828	$ 10,250	$ 31,859	$ 8,380

The estimated future aggregate amortization expense for existing other intangible assets as of December 31, 2018 is expected to be $4,147 in 2019, $3,032 in 2020, $2,001 in 2021, $549 in 2022, $164 in 2023 and $357 thereafter.

Other Intangible assets are reviewed for impairment on an annual basis or whenever events indicate that their carrying amounts may not be recoverable. In such reviews, estimated undiscounted cashflows associated with these assets or operations are compared with their carrying values to determine if a write-down to fair value (normally measured by the present value technique) is required. No impairments were recognized during the years ended December 31, 2018, 2017, or 2016.

Revenue Recognition

The Company's revenues are primarily derived from facilitating payments from consumers to pay their bills. Revenues are recorded at the time a transaction is initiated. The Company's three largest Billers represented the following percentages of Net Revenue:

	Years ended 2018	Years ended 2017	Years ended 2016
Largest	13%	14%	9%
Second largest	11%	11%	9%
Third largest	10%	7%	5%

On January 1, 2018, the Company adopted Accounting Standards Update 2014-09, *Revenue Recognition from Contracts with Customers* ("ASU 2014-09"), as amended, using the modified retrospective approach. This standard provides guidance on recognizing revenue, including a five-step model to determine when revenue recognition is appropriate. The adoption of ASU 2014-09 did not have a material impact on the Company's Financial Statements. See Note 3.

Advertising Costs

Advertising costs are charged to operating expenses as incurred. Advertising costs for the years ended December 31, 2018, 2017, and 2016 were $2,443, $2,368, and $738, respectively.

Income Taxes

The Company accounts for income taxes under the liability method, which requires that deferred tax assets and liabilities be determined based on the expected future income tax consequences of events that have been recognized in the Financial Statements. Deferred tax assets and liabilities are recognized based on temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the temporary differences are expected to reverse.

The Company's provision for income taxes has been computed as if the Company were a separate tax-paying entity for all relevant jurisdictions for all periods presented.

The Company's taxable income is included in the United States federal consolidated income tax return of TWUC and in certain state income tax returns which are filed on a combined or unitary basis with TWUC and/or TWUC affiliates. All United States federal and certain state income taxes payable are remitted to TWUC. The Company files its own separate tax returns in a number of state and local jurisdictions.

The Company recognizes the tax benefits from uncertain tax positions only when it is more likely than not, based on the technical merits of the position, the tax position will be sustained upon examination, including the resolution of any related appeals or litigation. The tax benefits recognized in the Financial Statements from such a position are measured as the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution.

3. Revenue

On January 1, 2018 ("Transition Date"), the Company adopted ASU 2014-09, as amended, regarding revenue from contracts with customers using the modified retrospective transition method, which was applied to all active contracts with customers at the Transition Date. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of the new accounting standard did not have a material impact on the Financial Statements. In accordance with the modified retrospective approach, the comparative 2017 information has not been restated and continues to be reported under the accounting standards in effect for that period. The adoption of the new revenue standard did not impact the Company's revenues and does not impact its revenues on an ongoing basis.

(In thousand USD)

For all transactions, Billers agree to terms and conditions upon signing a contract with the Company to provide services on the Biller's behalf. The biller's customers engage the Company to perform one integrated service — initiate the collection of funds from the consumer and process the bill payment transaction on behalf of the biller, thereby providing the Billers real-time or near real-time information regarding their customers' payments and simplifying the Billers' collection efforts. All of the Company's revenues from bill payment services are generated from contracts to process transactions at any time during the duration of the contract, as further described below. The transaction price on bill payment services is contractual and typically a fixed amount per-transaction. Certain biller agreements may include per-transaction or fixed periodic rebates, which the Company records as a reduction to revenue. The Company has determined that revenue is recognized at the initiation and transmission to the Biller of the bill payment transaction.

The Company recognizes revenue from two primary business models. In the convenience fee model, the Company is responsible for collecting and distributing all funds associated with processing the transaction. Under the convenience fee model, the Company recognizes a contract asset for rebate advances to Billers and a contract liability for rebates owed at the end of the period. In the transaction fee model, the Biller is invoiced for a fee for each transaction processed by the Company and is responsible for the cost associated with processing the transaction (e.g., credit card merchant fees, ACH processing fees, ATM processing fees). Other revenue consists of per transaction fees for ancillary services that are provided to the Billers. Revenue is made up of the following components:

	Year ended December 31,		
	2018	**2017**	**2016**
Convenience fees, gross	$307,357	$319,553	$297,983
Rebates	(32,924)	(34,123)	(39,777)
Convenience fees, net	$274,433	$285,430	$258,206
Transaction fees	71,327	77,304	57,510
Other revenue	6,189	5,581	6,878
Net Revenue	$351,949	$368,315	$322,594

(In thousand USD)

Contractual assets recorded in “Developed software and other intangible assets, net” and contractual liability balances recorded in “Accounts payable and accrued liabilities” were as follows:

	December 31,	
	2018	**2017**
Contract assets	$1,586	$1,969
Contract liability	2,670	3,081

4. Commitments and Contingencies

Operating Lease Commitments

The Company leases certain real properties for use as data centers and administrative and sales offices, and also leases automobiles and office equipment. Minimum rent payments under operating leases, including any periods of free rent, are recognized on a straight-line basis over the term of the lease. To the extent that a lease is associated with the operations of the Company, an allocation of the rent expense and other facilities related costs is reflected in the accompanying Financial Statements. Total rent expense under operating leases for those leases directly attributable to the Company’s operations was $1,054, $943 and $1,004 during the years ended December 31, 2018, 2017, and 2016, respectively.

As of December 31, 2018, the minimum aggregate rental commitments is expected to be $1,047, $865, $910, $531, and $0 for the years ended December 31, 2019, 2020, 2021, 2022, and 2023 and thereafter, respectively.

Legal Matters

The Company is subject from time to time to certain claims and litigation that could result in losses, including damages, fines and/or civil penalties, which could be significant, and in some cases, criminal charges. The Company records an accrual for these contingencies to the extent that a loss is both probable and reasonably estimable. If some amount within a range of loss appears to be a better estimate than any other amount within the range, that amount is accrued. When no amount within a range of loss appears to be a better estimate than any other amount, the lowest amount in the range is accrued.

In January 2017, the Parent entered into (1) a Deferred Prosecution Agreement (the “DPA”) with the United States Department of Justice and various United States Attorney’s offices; (2) a Stipulated Order for Permanent Injunction and Final Judgment (the “Consent Order”) with the United States Federal Trade Commission (“FTC”) resolving claims by the FTC alleging unfair acts and practices under the Federal Trade Commission Act and for violations of the FTC Telemarketing Sales Rule; and (3) a Consent to the Assessment of Civil Money Penalty with the Financial Crimes Enforcement Network (“FinCEN”) of the United States Department of Treasury (the “FinCEN Agreement”), to resolve the respective investigations of those agencies.

(In thousand USD)

Additionally, from January through April 2017 the Parent entered into certain compliance assurances with the attorneys general of all U.S. states and the District of Columbia named therein to resolve related investigations by the state attorneys general. The agreements with the state attorneys general are collectively referred to herein as the “State AG Agreement.” The DPA, Consent Order, FinCEN Agreement, and State AG Agreement are collectively referred to herein as the “Joint Settlement Agreements.”

The Joint Settlement Agreements require, among other things, the Parent (and its affiliates) to adopt certain new or enhanced practices with respect to its compliance program, including consumer reimbursement, agent due diligence, agent training, monitoring, reporting, and record-keeping, to the extent relevant under the terms of the Joint Settlement Agreements. Any failure on the part of the Parent or its affiliates to adhere to the obligations of the Joint Settlement Agreements, to the extent the terms thereof apply to the Company, could potentially have a material adverse effect on the Company’s business, financial condition, results of operations, or cash flows.

In addition to the matters described above, the Company is a party to a variety of other legal matters that arise in the normal course of business.

The outcomes of legal actions are unpredictable and subject to significant uncertainties, and it is inherently difficult to determine whether any loss is probable or even possible. It is also inherently difficult to estimate the amount of any loss and there may be matters for which a loss is probable or reasonably possible but not currently estimable. Accordingly, actual losses may be in excess of the established liability or the range of reasonably possible loss.

5. Income Taxes

The Company’s pre-tax income was generated in the United States. The provision for income taxes was as follows:

	Year Ended December 31,		
	2018	2017	2016
Federal	$20,154	$39,570	$35,489
State and local	2,854	2,168	3,278
	$23,008	$41,738	$38,767

(In thousand USD)

The Company's effective tax rates differed from statutory rates as follows:

	Year ended December 31,		
	2018	2017	2016
Federal statutory rate	21.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	2.3%	2.2%	0.6%
Other	1.5%	(0.4)%	(0.4)%
	24.8%	36.8%	35.2%

The Company's provision for income taxes consisted of the following components:

	Year ended December 31,		
	2018	2017	2016
Current:			
Federal	$18,485	$40,672	$36,632
State and local	2,683	2,286	3,332
Total Current Taxes	$21,168	$42,958	$39,964
Deferred:			
Federal	$ 1,668	$ (1,102)	$ (1,143)
State and local	172	(118)	(54)
Total Deferred Taxes	1,840	(1,220)	(1,197)
	$23,008	$41,738	$38,767

(In thousand USD)

Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the book and tax bases of the Company's assets and liabilities. Net deferred tax assets are recorded in Other Assets in the Combined Balance Sheets. The following table outlines the principal components of deferred tax items:

	December 31, 2018	December 31, 2017
Deferred tax assets related to:		
Employee related costs	$ 698	$ 955
Depreciation and other	305	377
	1,003	1,332
Deferred tax liabilities related to:		
Intangibles	(2,225)	(736)
Net deferred tax assets (liabilities)	$(1,222)	$ 596

Uncertain Tax Positions

The Company has established a contingency reserve for a known tax exposure. As of December 31, 2018 and 2017, the total amount of tax contingency reserves was $1,646 and $2,805, respectively, including accrued interest and penalties. The Company's tax reserves reflect management's judgment as to the resolution of the issues involved if subject to judicial review or other settlement. While the Company believes its reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be resolved at a financial cost that does not exceed its related reserve. With respect to these reserves, the Company's income tax expense would include (i) any changes in tax reserves arising from material changes during the period in the facts and circumstances (i.e., new information) surrounding a tax issue and (ii) any difference from the Company's tax position as recorded in the Financial Statements and the final resolution of a tax issue during the period. Such resolution could materially increase or decrease income tax expense in the Company's Financial Statements in future periods and could impact operating cash flows.

(In thousand USD)

Unrecognized tax benefits represent the aggregate tax effect of differences between tax return positions and the amounts otherwise recognized in the Company's Financial Statements, and are reflected in "Net Parent Company Investment" in the Combined Balance Sheets. A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, is as follows:

	December 31, 2018	December 31, 2017
Balance at beginning of year	$ 2,613	$ 4,573
Decrease related to current period tax position	—	(664)
Decrease due to lapse of applicable statute of limitations	(1,163)	(1,296)
Balance at end of period	$ 1,450	$ 2,613

As described in Note 2, the Company is included in certain of the consolidated income tax returns of the TWUC and/or TWUC affiliates. The United States federal income tax returns of TWUC, which includes the Company, since 2015 are eligible to be examined.

6. Subsequent Events

The Company has evaluated subsequent events through March 15, 2019, the date these Financial Statements were available to be issued.

On February 28, 2019, the Parent entered into a definitive agreement to sell the business to ACI Worldwide for $750 million in an all cash transaction. The transaction is expected to close by the end of the second quarter of 2019, subject to customary closing conditions and regulatory approvals.

The Company's assets and liabilities were classified as held-for-sale within the Parent's consolidated financial statements as of March 1, 2019, and depreciation and amortization of substantially all of the Company's assets was ceased as of that date.

Exhibit 99.2

E Commerce Group Products Inc.
(dba Speedpay)

COMBINED FINANCIAL STATEMENTS

As of March 31, 2019 and December 31, 2018 and for the three months ended March 31, 2019 and 2018

Table of Contents

E Commerce Group Products Inc. (dba Speedpay)
Combined Balance Sheets
(In thousand USD)

	March 31, 2019	December 31, 2018
Assets:		
Current Assets		
Cash and equivalents	$ 41,016	$ 131,840
Settlement assets	705,668	440,973
Other current assets	16,701	15,020
Total current assets	763,385	587,833
Property and equipment, net	331	415
Goodwill	102,153	102,153
Developed software and other intangible assets, net	9,590	10,250
Other Assets	2,100	2,100
Total Assets	$ 877,559	$ 702,751
Liabilities and Net Parent Company Investment:		
Current Liabilities:		
Settlement obligations	$ 705,668	$ 440,973
Accounts payable and accrued liabilities	15,192	15,109
Total current liabilities	720,860	456,082
Long term liabilities	3,583	3,372
Commitments and contingencies (Note 3)	—	—
Net Parent Company Investment	153,116	243,297
Total Liabilities and Parent Company Investment	$ 877,559	$ 702,751

See Notes to the Combined Financial Statements.

E Commerce Group Products Inc. (dba Speedpay)
Combined Statements of Changes in Comprehensive Income
(In thousand USD)

	Three Months ended March 31, 2019	Three Months ended March 31, 2018
Net revenue	$ 88,204	$ 94,974
Expenses:		
Cost of sales	63,975	61,939
Selling, general and administrative	5,866	6,228
Total expenses	69,841	68,167
Profit before income taxes	18,363	26,807
Provision for income taxes	4,487	6,327
Net income	$ 13,876	$ 20,480
Comprehensive income	$ 13,876	$ 20,480

See Notes to the Combined Financial Statements.

E Commerce Group Products Inc. (dba Speedpay)
Combined Statements of Changes in Net Parent Company Investment
(In thousand USD)

Balance at December 31, 2018	$ 243,297
Comprehensive income	13,876
Net transfers to the Parent	(104,057)
Balance at March 31, 2019	$ 153,116
Balance at December 31, 2017	$ 202,920
Comprehensive income	20,480
Net transfers to the Parent	(28,030)
Balance at March 31, 2018	$ 195,370

See Notes to the Combined Financial Statements.

E Commerce Group Products Inc. (dba Speedpay)
Combined Statements of Cash Flows
(In thousand USD)

	Three Months ended March 31, 2019	Three Months ended March 31, 2018
Cash Flows from Operating Activities		
Net income	$ 13,876	$ 20,480
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	655	794
Other noncash items, net	404	524
Increase/(decrease) in cash resulting from changes in:		
Other current assets	(1,681)	(659)
Other assets	—	(316)
Accounts payable and accrued liabilities	783	(2,016)
Long term liabilities	211	(51)
Net cash provided by operating activities	14,248	18,756
Cash Flows from Investing Activities		
Purchase of property and equipment	—	(104)
Capitalization of developed software and other	(800)	(1,908)
Net cash used in investing activities	(800)	(2,012)
Cash Flows from Financing Activities		
Net transfers to Parent	(104,272)	(28,284)
Net cash used in financing activities	(104,272)	(28,284)
Net change in cash and cash equivalents	(90,824)	(11,540)
Cash and cash equivalents at beginning of year	131,840	91,195
Cash and cash equivalents at end of period	$ 41,016	$ 79,655
Noncash capitalization of developed software	$ —	$ 196
Noncash stock compensation contributed by Parent	215	254

See Notes to the Combined Financial Statements.

1. Business and Basis of Presentation

Description of the Business

The accompanying combined balance sheets as of March 31, 2019 and December 31, 2018, and the related combined statements of comprehensive income, changes in net parent company investment and cash flows for the three months ended March 31, 2019 and 2018 (collectively the "Combined Financial Statements") reflect the business of E Commerce Group Products Inc. and its wholly owned subsidiary Speedpay, Inc. (the "Company"), as operated by The Western Union Company ("TWUC" or the "Parent"). The Company is a wholly owned subsidiary of TWUC, a publicly traded company listed on the New York Stock Exchange. The Company operates under the Speedpay brand name and facilitates electronic bill payments in the United States from consumers to businesses and other organizations including utilities, auto finance companies, financial service providers, government agencies and other businesses ("Billers"). Various aspects of the Company's business are subject to United States federal, state, and local regulation.

Basis of Presentation

The accompanying interim combined financial statements as of and for the three-month periods ended March 31, 2019 and 2018 are unaudited and were prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). In compliance with GAAP, certain information and footnote disclosures normally included in annual combined financial statements have been condensed or omitted.

Results of operations and cash flows for the interim periods are not necessarily indicative of the results that may be expected for the entire year.

In the opinion of management, these interim combined financial statements include all the normal recurring adjustments necessary to fairly present the Company's condensed combined results of operations, financial position and cash flows as of March 31, 2019 and for all periods presented. These interim combined financial statements should be read in conjunction with the Company's combined financial statements as of and for the year ended December 31, 2018.

The Combined Financial Statements include an allocation for certain corporate and shared service functions historically provided by the Parent, including, but not limited to, executive oversight, accounting, treasury, tax, legal, human resources, procurement, information technology, and other shared services. An allocation for shared facilities has also been included in the Combined Financial Statements. These expenses have been allocated based on a pro rata basis of combined headcount or revenue. For the periods ended March 31, 2019 and 2018, the Combined Financial Statements include corporate and shared service expense allocations of $2,198 and $2,064, respectively, reflected in "Selling, general and administrative" expenses. Intercompany transactions between the Company and Parent have been included in these Combined Financial Statements and are reflected as settled at the time the transaction is recorded. The total net effect of the settlement of these intercompany transactions is reflected in the Combined Statements of Cash Flows as a financing activity and in the Combined Statements of Changes in Net Parent Company Investment in "Net transfers to Parent".

Accounting Pronouncements Not Yet Adopted

In February 2016, the Financial Accounting Standards Board issued a new accounting pronouncement that requires lessees to record assets and liabilities on the balance sheet for lease-related rights and obligations and disclose key information about certain leasing arrangements. This new standard establishes a right-of-use (“ROU”) model that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as financing or operating, with classification affecting the pattern of expense recognition in the statement of operations. The Company will adopt the new standard, including the related amendments, effective January 1, 2020 using the modified retrospective approach, applying the provisions of the new standard on its effective date. Management does not expect the adoption of the new standard to have a material impact on the Company’s financial position, results of operations, and related disclosures.

In June 2016, the Financial Accounting Standards Board issued a new accounting pronouncement regarding credit losses for financial instruments. The new standard requires entities to measure expected credit losses for certain financial assets held at the reporting date using a current expected credit loss model, which is based on historical experience, adjusted for current conditions and reasonable and supportable forecasts. The Company is required to adopt the new standard on January 1, 2022. Management is currently evaluating the potential impact that the adoption of this standard will have on the Company’s financial position, results of operations, and related disclosures.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Principles of Consolidation

The Company consolidates financial results when it has a controlling financial interest in a subsidiary via voting rights or when it has both the power to direct the activities of an entity that most significantly impact the entity’s economic performance and the ability to absorb losses or the right to receive benefits of the entity that could potentially be significant to the entity. All significant intercompany accounts and transactions between the business comprising the Company have been eliminated in the accompanying Financial Statements.

(In thousand USD)

Settlement Assets and Obligations

Settlement assets consist of cash and receivables from credit card processors. Settlement obligations represent amounts to be paid to Billers including utility companies, auto finance companies, mortgage servicers, financial service providers, government agencies and others.

	March 31, 2019	December 31, 2018
Settlement assets:		
Cash and equivalents	$ 544,591	$ 221,120
Receivables from credit card processors	161,077	219,853
Total settlement assets	$ 705,668	$ 440,973
Settlement obligations:		
Payables to Billers	$ 705,668	$ 440,973

2. Revenue

On January 1, 2018, the Company adopted Accounting Standards Update 2014-09, *Revenue Recognition from Contracts with Customers* ("ASU 2014-09"), as amended, using the modified retrospective approach. This standard provides guidance on recognizing revenue, including a five-step model to determine when revenue recognition is appropriate. The adoption of ASU 2014-09 did not have a material impact on the Company's Combined Financial Statements.

The Company's revenues are primarily derived from facilitating payments from consumers to pay their bills. Revenues are recorded at the time a transaction is initiated. The Company's three largest Billers as a percentage of Net Revenue represented:

	Three months ended March 31,	
	2019	2018
Largest	11%	8%
Second largest	11%	11%
Third largest	10%	13%

(In thousand USD)

The Company recognizes revenue from two primary business models. In the convenience fee model, the Company is responsible for collecting and distributing all funds associated with processing the transaction. Under the convenience fee model, the Company recognizes a contract asset for rebate advances to Billers and a contract liability for rebates owed at the end of the period. In the transaction fee model, the Biller is invoiced for a fee for each transaction processed by the Company and is responsible for the cost associated with processing the transaction (e.g., credit card merchant fees, ACH processing fees, ATM processing fees). Other revenue consists of per transaction fees for ancillary services that are provided to the Billers. Revenue is made up of the following components:

	Three months ended March 31, 2019	2018
Convenience fees, gross	$ 77,616	$ 82,136
Rebates	(8,384)	(8,342)
Convenience fees, net	69,232	73,794
Transaction fees	17,221	19,102
Other revenue	1,751	2,078
Net Revenue	$ 88,204	$ 94,974

Contractual assets recorded in “Developed software and other intangible assets, net” and contractual liability balances recorded in “Accounts payable and accrued liabilities” were as follows:

	March 31, 2019	December 31, 2018
Contract Assets	$ 1,498	$ 1,586
Contract Liability	2,891	2,670

3. Commitments and Contingencies

Legal Matters

The Company is subject from time to time to certain claims and litigation that could result in losses, including damages, fines and/or civil penalties, which could be significant, and in some cases, criminal charges. The Company records an accrual for these contingencies to the extent that a loss is both probable and reasonably estimable. If some amount within a range of loss appears to be a better estimate than any other amount within the range, that amount is accrued. When no amount within a range of loss appears to be a better estimate than any other amount, the lowest amount in the range is accrued.

In January 2017, the Parent entered into (1) a Deferred Prosecution Agreement (the “DPA”) with the United States Department of Justice and various United States Attorney’s offices; (2) a Stipulated Order for Permanent Injunction and Final Judgment (the “Consent Order”) with the

United States Federal Trade Commission (“FTC”) resolving claims by the FTC alleging unfair acts and practices under the Federal Trade Commission Act and for violations of the FTC Telemarketing Sales Rule; and (3) a Consent to the Assessment of Civil Money Penalty with the Financial Crimes Enforcement Network (“FinCEN”) of the United States Department of Treasury (the “FinCEN Agreement”), to resolve the respective investigations of those agencies. Additionally, from January through April 2017 the Parent entered into certain compliance assurances with the attorneys general of all U.S. states and the District of Columbia named therein to resolve related investigations by the state attorneys general. The agreements with the state attorneys general are collectively referred to herein as the “State AG Agreement.” The DPA, Consent Order, FinCEN Agreement, and State AG Agreement are collectively referred to herein as the “Joint Settlement Agreements.”

The Joint Settlement Agreements require, among other things, the Parent (and its affiliates) to adopt certain new or enhanced practices with respect to its compliance program, including consumer reimbursement, agent due diligence, agent training, monitoring, reporting, and record-keeping, to the extent relevant under the terms of the Joint Settlement Agreements. Any failure on the part of the Parent or its affiliates to adhere to the obligations of the Joint Settlement Agreements, to the extent the terms thereof apply to the Company, could potentially have a material adverse effect on the Company’s business, financial condition, results of operations, or cash flows.

In addition to the matters described above, the Company is a party to a variety of other legal matters that arise in the normal course of business.

The outcomes of legal actions are unpredictable and subject to significant uncertainties, and it is inherently difficult to determine whether any loss is probable or even possible. It is also inherently difficult to estimate the amount of any loss and there may be matters for which a loss is probable or reasonably possible but not currently estimable. Accordingly, actual losses may be in excess of the established liability or the range of reasonably possible loss.

4. Income Taxes

The Company’s pre-tax income was generated in the United States. The Company’s provision for income taxes for the three months ended March 31, 2019 and 2018 is based on the estimated annual effective tax rate. The Company’s effective tax rates on pre-tax income were 24.4% and 23.6% for the three months ended March 31, 2019 and 2018, respectively.

Uncertain Tax Positions

The Company has established a contingency reserve for a known tax exposure. As of March 31, 2019 and December 31, 2018, the total amount of tax contingency reserves was $1,681 and $1,646, including accrued interest and penalties. The Company’s tax reserves reflect management’s judgment as to the resolution of the issues involved if subject to judicial review or other settlement. While the Company believes its reserves are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be resolved at a financial cost that does not exceed its related reserve. With respect to these reserves, the Company’s income tax expense would include (i) any changes in tax reserves arising from material changes during the period in the facts and circumstances (i.e., new information) surrounding a tax issue and (ii) any difference from the Company’s tax position as recorded in the Combined Financial Statements and the final resolution of a tax issue during the period. Such resolution could materially increase or decrease income tax expense in the Company’s Combined Financial Statements in future periods and could impact operating cash flows.

5. Subsequent Events

The Company has evaluated subsequent events through April 26, 2019, the date these Combined Financial Statements were available to be issued.

UNAUDITED CONDENSED COMBINED PRO FORMA FINANCIAL INFORMATION

The following unaudited condensed combined pro forma financial information and related notes present the historical condensed combined financial information of ACI Worldwide, Inc. (“ACI”) and E Commerce Group Products, Inc. (“ECG”), a subsidiary of The Western Union Company (“Western Union”), along with ECG’s subsidiary, Speedpay, Inc. (collectively referred to as “Speedpay”) after giving effect to ACI’s acquisition of Speedpay that was completed on May 9, 2019 (the “Acquisition Date”). The unaudited condensed combined pro forma financial information gives effect to ACI’s acquisition of Speedpay based on the assumptions, reclassifications and adjustments described in the accompanying notes to the unaudited condensed combined pro forma financial information.

The unaudited condensed combined pro forma balance sheet as of March 31, 2019, is presented as if the acquisition of Speedpay had been completed on March 31, 2019. The unaudited condensed combined pro forma statements of operations for the three months ended March 31, 2019 and the year ended December 31, 2018, are presented as if the acquisition had been completed on January 1, 2018.

The unaudited condensed combined pro forma financial statements, or the “pro forma financial statements,” were derived from and should be read in conjunction with:

- the consolidated financial statements of ACI as of and for the year ended December 31, 2018, and the related notes included in the ACI Form 10-K, filed March 1, 2019, which is incorporated by reference in this Form 8-K/A;
- the condensed consolidated financial statements of ACI as of and for the three months ended March 31, 2019, and the related notes included in the ACI Form 10-Q, filed May 9, 2019, which is incorporated by reference in this Form 8-K/A;
- the audited combined financial statements of Speedpay as of and for the year ended December 31, 2018, and the related notes, which is filed as Exhibit 99.1 of this Form 8-K/A;
- the unaudited combined financial statements of Speedpay as of and for the three months ended March 31, 2019, and the related notes, which is filed as Exhibit 99.2 of this Form 8-K/A.

The historical financial information is adjusted in the pro forma financial statements to give effect to pro forma events that are (1) directly attributable to the acquisition, (2) factually supportable, and (3) based on information that is reasonably available to ACI as disclosed in Note 4. The pro forma financial statements should be read in conjunction with the accompanying notes to the pro forma financial statements.

The pro forma financial statements have been presented for informational purposes only. The pro forma financial statements are not necessarily indicative of what the combined company’s financial position or results of operations would have been had the transaction been completed as of the dates indicated. In addition, the pro forma financial statements do not purport to project the future financial position or operating results of the combined company. There were no material transactions between ACI and Speedpay during the periods presented in the pro forma financial statements that would need to be eliminated.

The pro forma financial statements have been prepared using the acquisition method of accounting under generally accepted accounting principles in the United States (“U.S. GAAP”). Acquisition accounting is dependent upon certain valuations and other studies that have not yet been completed. The determination and preliminary allocation of the purchase consideration used in the pro forma financial statements are based upon preliminary estimates, which are subject to change during the measurement period (up to one year from the Acquisition Date) as ACI finalizes the valuation.

The pro forma financial statements do not reflect any cost savings or other synergies that the combined company may achieve because of the transaction, the costs to integrate the operations of ACI and Speedpay, or the costs necessary to achieve these cost savings and other synergies. The effects of the foregoing items could, individually or in the aggregate, materially impact the pro forma financial statements.

The following table presents unaudited condensed combined pro forma balance sheet data as of March 31, 2019 (in thousands), as if the acquisition of Speedpay has been completed on March 31, 2019:

Unaudited Pro Forma
Condensed Combined Balance Sheet
March 31, 2019

	ACI Worldwide, Inc. (Note 2)	Speedpay (Note 2)	Pro Forma Adjustments (Note 4)		Pro Forma Combined
ASSETS					
Current assets					
Cash and cash equivalents	$ 176,173	$ —	$ (29,360)	(a)(b)	$ 146,813
Receivables, net of allowances	265,750	16,188	—		281,938
Settlement assets	24,391	746,684	—		771,075
Prepaid expenses	31,464	513	—		31,977
Other current assets	16,439	—	—		16,439
Total current assets	514,217	763,385	(29,360)		1,248,242
Noncurrent assets					
Accrued receivables, net	177,407	—	—		177,407
Property and equipment, net	70,909	331	—		71,240
Operating lease right-of-use assets	60,978	—	—		60,978
Software, net	130,812	7,243	106,357	(c)(d)	244,412
Goodwill	909,691	102,153	278,313	(c)(e)	1,290,157
Intangible assets, net	162,845	850	218,550	(c)(f)	382,245
Deferred income taxes, net	38,408	—	—	0	38,408
Other noncurrent assets	48,875	3,597	—		52,472
TOTAL ASSETS	$ 2,114,142	$877,559	$ 573,860		$3,565,561
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities					
Accounts payable	$ 28,046	$ 9,452	$ —		$ 37,498
Settlement liabilities	23,552	705,668	—		729,220
Employee compensation	29,570	2,972	—		32,542
Current portion of long-term debt	20,788	—	7,233	(g)(h)	28,021
Deferred revenue	91,369	—	—		91,369
Other current liabilities	67,052	2,768	—		69,820
Total current liabilities	260,377	720,860	7,233		988,470
Noncurrent liabilities					
Deferred revenue	60,853	—	—		60,853
Long-term debt	645,784	—	729,937	(g)(h)	1,375,721
Deferred income taxes, net	24,705	—	—		24,705
Operating lease liabilities	50,636	—	—		50,636
Other noncurrent liabilities	39,203	3,583	—		42,786
Total liabilities	1,081,558	724,443	737,170		2,543,171
Stockholders' equity					
Preferred stock	—	—	—		—
Common stock	702	—	—		702
Additional paid-in capital	636,960	104,370	(104,370)	(i)	636,960
Retained earnings	837,805	48,746	(58,940)	(b)(i)	827,611
Treasury stock	(351,587)	—	—		(351,587)
Accumulated other comprehensive loss	(91,296)	—	—		(91,296)
Total stockholders' equity	1,032,584	153,116	(163,310)		1,022,390
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,114,142	$877,559	$ 573,860		$3,565,561

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements, which are an integral part of these statements.

The following table sets forth unaudited condensed combined pro forma statements of operations for the three months ended March 31, 2019, and the year ended December 31, 2018 (in thousands, except share and per share data) giving effect to the acquisition of Speedpay as if such acquisition had occurred at January 1, 2018:

Unaudited Pro Forma
Condensed Combined Statement of Operations
Three Months Ended March 31, 2019

	ACI Worldwide, Inc.	Speedpay (Note 2)	Pro Forma Adjustments (Note 4)		Pro Forma Combined
Revenues:					
Software as a service and platform as a service	$ 108,557	$88,204	$ —		$196,761
License	21,078	—	—		21,078
Maintenance	55,111	—	—		55,111
Services	21,109	—	—		21,109
Total revenues	205,855	88,204	—		294,059
Expenses:					
Cost of revenue (1)	114,941	63,975	—		178,916
Research and development	36,194	—	—		36,194
Selling, general and administrative	60,947	5,211	(4,571)	(j)	61,587
Depreciation and amortization	21,866	655	7,506	(k)(l)	30,027
Total expenses	233,948	69,841	2,935		306,724
Operating income (loss)	(28,093)	18,363	(2,935)		(12,665)
Other income (expense):					
Interest expense	(11,614)	—	(9,179)	(m)	(20,793)
Interest income	3,033	—	—		3,033
Other, net	(1,912)	—	—		(1,912)
Total other income (expense)	(10,493)	—	(9,179)		(19,672)
Income (loss) before income taxes	(38,586)	18,363	(12,114)		(32,337)
Income tax expense (benefit)	(12,623)	4,487	(2,956)	(n)	(11,092)
Net income (loss)	$ (25,963)	$13,876	$ (9,158)		$ (21,245)
Loss per share					
Basic	$ (0.22)				$ (0.18)
Diluted	$ (0.22)				$ (0.18)
Weighted average shares outstanding					
Basic	116,090				116,090
Diluted	116,090				116,090

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

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements, which are an integral part of these statements.

Unaudited Pro Forma Condensed Combined
Statement of Operations
Year Ended December 31, 2018

	ACI Worldwide, Inc.	Speedpay (Note 2)	Pro Forma Adjustments (Note 4)		Pro Forma Combined
Revenues:					
Software as a service and platform as a service	$ 433,025	$351,949	$ —		$ 784,974
License	280,556	—	—		280,556
Maintenance	219,145	—	—		219,145
Services	77,054	—	—		77,054
Total revenues	1,009,780	351,949	—		1,361,729
Expenses:					
Cost of revenues (1)	430,351	235,598	—		665,949
Research and development	143,630	—	—		143,630
Selling, general and administrative	225,303	20,686	—		245,989
Depreciation and amortization	84,585	2,843	29,993	(k)(l)	117,421
Total expenses	883,869	259,127	29,993		1,172,989
Operating income (loss)	125,911	92,822	(29,993)		188,740
Other income (expense):					
Interest expense	(41,530)	—	(36,551)	(m)	(78,081)
Interest income	11,142	—	—		11,142
Other, net	(3,724)	—	—		(3,724)
Total other income (expense)	(34,112)	—	(36,551)		(70,663)
Income (loss) before income taxes	91,799	92,822	(66,544)		118,077
Income tax expense (benefit)	22,878	23,008	(16,237)	(n)	29,649
Net income (loss)	$ 68,921	$ 69,814	$ (50,307)		$ 88,428
Earnings per share					
Basic	$ 0.59				$ 0.76
Diluted	$ 0.59				$ 0.75
Weighted average shares outstanding					
Basic	116,057				116,057
Diluted	117,632				117,632

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

See accompanying Notes to Unaudited Pro Forma Condensed Combined Financial Statements, which are an integral part of these statements.

Notes to the Unaudited Pro Forma Condensed Combined Financial Statements

1. Description of Transaction

On May 9, 2019, ACI Worldwide, Inc. (the “Company” or “ACI”) completed the acquisition of E Commerce Group Products, Inc. (“ECG”), a subsidiary of The Western Union Company, along with ECG’s bill pay solution subsidiary, Speedpay, Inc. (collectively referred to as “Speedpay”), for $750.0 million in cash, subject to working capital adjustments. The combination of the Company and Speedpay will serve more than 4,000 customers across the U.S., bringing expanded reach in existing and complementary market segments, such as consumer finance, insurance, healthcare, higher education, utilities, government, and mortgage. The acquisition of Speedpay will increase the scale of the Company’s On Demand platform business and allow the acceleration of platform innovation.

The Company used $500.0 million of new senior secured term loan financing arranged through Bank of America, National Association, as administrative agent, in addition to drawing $250.0 million on the available revolving credit facility to fund the acquisition.

2. Basis of Presentation

The pro forma financial statements were prepared using the acquisition method of accounting in accordance with Financial Accounting Standards Board’s Accounting Standards Codification (“ASC”) 805, *Business Combinations,* and use the fair value concepts defined in ASC 820, *Fair Value Measurements and Disclosures*. Certain reclassifications have been made to the historical financial statements of Speedpay to conform with ACI’s presentation, as detailed in the following tables:

	Balance Sheet March 31, 2019 (unaudited and in thousands)		
	Historical Speedpay	Reclassification	Reclassified Speedpay
ASSETS			
Current assets			
Cash and cash equivalents	$ 41,016	$ (41,016)	$ —
Receivables, net of allowances	—	16,188	16,188
Settlement assets	705,668	41,016	746,684
Prepaid expenses	—	513	513
Other current assets	16,701	(16,701)	—
Total current assets	763,385	—	763,385
Noncurrent assets			
Property and equipment, net	331	—	331
Software, net	—	7,243	7,243
Goodwill	102,153	—	102,153
Developed software and other intangible assets, net	9,590	(9,590)	—
Intangible assets, net	—	850	850
Other noncurrent assets	2,100	1,497	3,597
TOTAL ASSETS	$877,559	$ —	$ 877,559
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable	$ —	$ 9,452	$ 9,452
Accounts payable and accrued liabilities	15,192	(15,192)	—
Settlement liabilities	705,668	—	705,668
Employee compensation	—	2,972	2,972
Other current liabilities	—	2,768	2,768
Total current liabilities	720,860	—	720,860
Noncurrent liabilities			
Other noncurrent liabilities	3,583	—	3,583
Total liabilities	724,443	—	724,443
Stockholders' equity			
Net parent company investment	153,116	(153,116)	—
Additional paid-in capital	—	104,370	104,370
Retained earnings	—	48,746	48,746
Total stockholders' equity	153,116	—	153,116
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$877,559	$ —	$ 877,559

	Statement of Income Three Months Ended March 31, 2019 (unaudited and in thousands)		
	Historical Speedpay	Reclassification	Reclassified Speedpay
Revenues			
Software as a service and platform as a service	$ —	$ 88,204	$ 88,204
Net revenue	88,204	(88,204)	—
Total revenues	88,204	—	88,204
Operating expenses			
Cost of revenue	63,975	—	63,975
Selling, general, and administrative	5,866	(655)	5,211
Depreciation and amortization	—	655	655
Total operating expenses	69,841	—	69,841
Operating income	18,363	—	18,363
Income before income taxes	18,363	—	18,363
Income tax expense	4,487	—	4,487
Net income	$ 13,876	$ —	$ 13,876

	Statement of Income Year Ended December 31, 2018 (unaudited and in thousands)		
	Historical Speedpay	Reclassification	Reclassified Speedpay
Revenues			
Software as a service and platform as a service	$ —	$ 351,949	$ 351,949
Net revenue	351,949	(351,949)	—
Total revenues	351,949	—	351,949
Operating expenses			
Cost of revenue	235,598	—	235,598
Selling, general, and administrative	23,529	(2,843)	20,686
Depreciation and amortization	—	2,843	2,843
Total operating expenses	259,127	—	259,127
Operating income	92,822	—	92,822
Income before income taxes	92,822	—	92,822
Income tax expense	23,008	—	23,008
Net income	$ 69,814	$ —	$ 69,814

Certain reclassifications have been made to ACI's historic March 31, 2019, condensed balance sheet, disclosed as part of the pro forma unaudited condensed combined balance sheet, to conform with disclosure requirements of Regulation S-X, section 210.5-02, as detailed in the following tables:

	Balance Sheet March 31, 2019 (unaudited and in thousands)		
	Historical ACI Worldwide, Inc.	Reclassification	Reclassified ACI Worldwide, Inc.
Current assets			
Settlement assets	$ —	$ 24,391	$ 24,391
Other current assets	40,830	(24,391)	16,439
Current liabilities			
Settlement liabilities	$ —	$ 23,552	$ 23,552
Other current liabilities	90,604	(23,552)	67,052

Further review of Speedpay's accounting policies could identify additional differences between the accounting policies of the two companies that, when conformed, could have a material impact on the financial statements of ACI as a combined company. At this time, ACI is not aware of any differences that would have a material impact on the financial statements of ACI as a combined company.

ASC 805 requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the consummation of the combination. In addition, ASC 805 establishes that the consideration transferred be measured at the consummation of the combination at the then-current market price.

ASC 820 defines the term "fair value" and sets forth the valuation requirements for any asset or liability measured at fair value, expands related disclosure requirements, and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. Fair value is defined in ASC 820 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." This is an exit price concept for the valuation of the asset or liability. In addition, market participants are assumed to be buyers and sellers in the principal (or the most advantageous) market for the asset or liability. Fair value measurements for an asset assume the highest and best use by these market participants. As a result of these standards, ACI may be required to record assets that are not intended to be used or sold and/or to value assets at fair value measures that do not reflect ACI's intended use of those assets. Many of these fair value measurements can be highly subjective, and it is also possible that other persons applying reasonable judgment to the same facts and circumstances could develop and support a range of alternative estimated amounts.

3. Consideration Transferred

Total cash consideration of $755.3 million was paid to Western Union for Speedpay, including an initial working capital adjustment of $5.3 million pursuant to the definitive transaction agreement. Under the terms of the definitive transaction agreement, ACI and Western Union will agree on the final working capital adjustment on or before 90 days following the close date.

The Company incurred approximately $4.6 million in transaction related expenses during the three months ended March 31, 2019, which consist primarily of consulting and legal fees that have been included in the unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2019. The Company incurred approximately $11.0 million in transaction related expenses during the three months ended June 30, 2019, including fees to the investment bank, legal, and other professional fees that have been included in the retained earnings adjustment in the unaudited pro forma condensed combined balance sheet for the period ended March 31, 2019. The $11.0 million has not been included in the unaudited pro forma condensed combined statement of operations.

4. Pro Forma Adjustments

Adjustments included in the column under the heading "Pro Forma Adjustments" represent the following:

(a) To adjust the cash balance as follows (in thousands):

Cash received from senior secured term loan	$ 500,000
Cash received from revolving credit facility	250,000
Payment to The Western Union Company	(755,335)
Payment of debt issuance costs	(12,999)
Other	(11,026)
Net cash on hand used	$ (29,360)

(b) To adjust the cash and cash equivalents balance for certain nonrecurring transaction costs directly related to the acquisition of $11.0 million as a retained earnings adjustment.

(c) A fair value adjustment to net assets acquired of $111.2 million, primarily to eliminate Speedpay's existing goodwill, software, and intangible assets.

The pro forma balance sheet adjustments reflect the effect of the acquisition, assuming the acquisition occurred on March 31, 2019.

(in thousands)	
Net assets acquired	$ 153,116
Fair value adjustments to net assets acquired	(111,247)
Goodwill	380,466
Software	113,600
Other intangible assets	219,400
Total	$ 755,335

The amounts above are considered preliminary. The allocation of the purchase price is based upon certain external valuations and other analyses that have not been completed as of the date of this filing, including, but not limited to, working capital, certain tax matters, and intangible assets. Critical estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from customer relationships and acquired developed technologies; brand awareness and market position, and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Accordingly, the purchase price allocations are preliminary and are subject to future adjustments during the maximum one-year measurement period. Differences between these preliminary estimates and the final acquisition accounting may occur, and these differences could have a material impact on the pro forma financial statements and the combined company's future results of operations and financial position.

The Company believes that if there were to be any substantial changes in the purchase price allocation it would be to software or other identifiable intangibles assets. The Company is unable to quantify the effect of potential adjustments until the valuation is finalized. The table below illustrates the effect of a 10% increase or decrease in software and other identifiable intangible assets on the pro forma financial statements (in thousands):

	Estimated Pro Forma Value	**Effect of 10% Increase**	**Effect of 10% Decrease**
Software	113,600	124,960	102,240
Other indentifiable intangible assets	219,400	241,340	197,460

Amortization expense for the above intangible assets is estimated at $32.3 million annually. A 10% decrease or increase in the intangibles value would decrease or increase, respectively, that estimate by $3.2 million annually.

(d) To adjust acquired software as follows (in thousands):

Eliminate existing software balance	$ (7,243)
Add: acquired software balance	113,600
Total	$106,357

(e) To adjust goodwill as follows (in thousands):

Eliminate existing goodwill	$ (102,153)
Add: preliminary estimate of goodwill for acquisition of Speedpay	380,466
Total	$ 278,313

(f) To adjust acquired intangibles as follows (in thousands):

Eliminate existing intangibles balance	$ (850)
Add: trade names	10,900
Add: customer relationships	208,500
Total	$218,550

(g) To adjust for current and noncurrent debt issuance costs of $1.8 million and $11.1 million, respectively, resulting from the Second Amended and Restated Credit Agreement (the "Amended Credit Agreement") used to finance the transaction.

(h) To adjust for the current and long-term portions of the Amended Credit Agreement used to finance the transaction of $9.0 million and $741.0 million, respectively.

(i) To eliminate Speedpay's equity accounts.

(j) To eliminate nonrecurring, one-time transaction expenses directly related to the acquisition of $4.6 million recognized by ACI during the three months ended March 31, 2019.

(k) To adjust amortization expense of acquired software as follows (in thousand):

	Three Months Ended March 31, 2019	Year Ended December 31, 2018
Eliminate amortization for Speedpay's existing software	$ (554)	$ (2,214)
Add: amortization on acquired software	4,057	16,229
Total	$ 3,503	$ 14,015

(l) To adjust amortization expense on acquired intangibles as follows (in thousands):

	Three Months Ended March 31, 2019	Year Ended December 31, 2019
Eliminate amortization for Speedpay's existing intangibles	$ (17)	$ (102)
Add: amortization on acquired intangibles	4,020	16,080
Total	$ 4,003	$ 15,978

(m) To adjust interest expense as follows (in thousands):

	Three Months Ended March 31, 2019	Year Ended December 31, 2018
Estimated interest expense on incremental term loan	$ 5,815	$ 23,262
Estimated interest expense on revolving credit facility	2,914	11,654
Estimated amortization of incremental debt issuance costs	450	1,635
Total	$ 9,179	$ 36,551

For purposes of calculating the pro forma interest expense, ACI used the June 30, 2019, interest rates of 4.65% related to the additional $500.0 million term loan and 4.66% related to the $250.0 million draw on the revolving credit facility for the three months ended March 31, 2019, and the year ended December 31, 2018. A 1/8% increase or decrease in interest rates would result in a change in interest expense of approximately $0.2 million for the three months ended March 31, 2019, and approximately $0.9 million for year ended December 31, 2018.

(n) Reflects the income tax benefit of the adjustments described above at ACI’s domestic statutory tax rate of 24.4%.