



# ACI WORLDWIDE

Q1 2020 QUARTERLY  
EARNINGS PRESENTATION

May 7, 2020

ANY PAYMENT,  
**EVERY POSSIBILITY.®**

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

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

# Quarter in Review

*Odilon Almeida*  
*President and Chief Executive Officer*

# Solid Q1 Results

**\$291M**

Total Revenue

+42%



Q1 2020

Q1 2019

**\$38M**

Adjusted EBITDA

+371%



Q1 2020

Q1 2019

**\$58M**

Cash Flow From Operations

+36%



Q1 2020

Q1 2019

# Resilient Business Model During the COVID-19 Crisis



Nearly 75% of annual revenues are recurring

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Large contractual backlog of \$5.7 billion

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\$119 million in cash and \$270 million available on credit facility

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High retention rates

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High quality customer base

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Significant eCommerce presence

# Significant Opportunity for Medium and Long-Term Value Creation

## Growth Strategy



Drive **organic growth** through a nimble and agile structure, focused on growth, with operational discipline and a strong sales culture



Focus **R&D on differentiating innovation**, such as fast-growing real-time payments



Provide **step-change value creation** through M&A

# Financial Review

*Scott Behrens*  
*Chief Financial Officer*

# Key Takeaways from the Quarter

## New Bookings

- New bookings were \$120 million, up 72% from Q1 2019
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## Backlog

- 12-month backlog of \$1.1 billion
  - 60-month backlog of \$5.7 billion
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## Revenue and Adjusted EBITDA

- Revenue up 42% from Q1 2019
  - ACI On Demand revenue increased 76% from Q1 2019
  - ACI On Premise revenue increased 3% from Q1 2019
- Adjusted EBITDA up 371% from Q1 2019
  - ACI On Demand net adjusted EBITDA margin improved to 22% versus 0% in Q1 2019
  - ACI On Premise adjusted EBITDA margin improved to 31% versus 29% in Q1 2019

# Key Takeaways from the Quarter

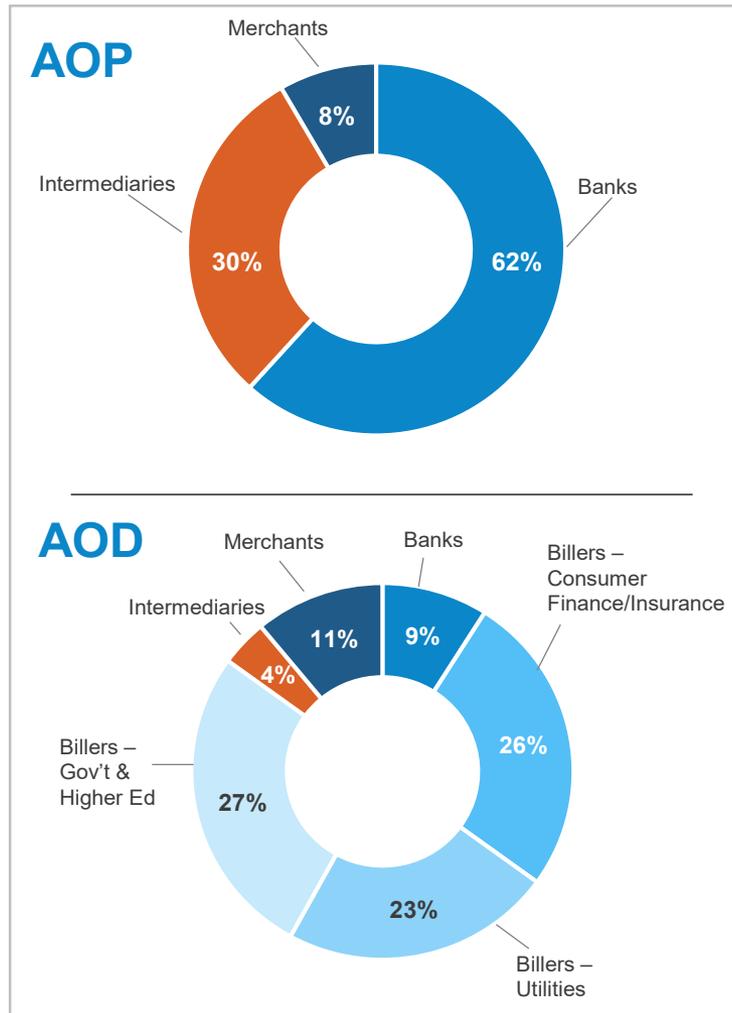
## Debt and Liquidity

- Cash flow from operating activities was \$58 million, up 36% compared to Q1 2019
  - Ended Q1 with \$119 million in cash and \$270 million of available credit facility
  - Paid down \$19 million in debt and repurchased one million shares
  - Debt balance of \$1.4 billion
    - Represents net debt leverage of 3.6x
    - Maximum net debt leverage 4.75x
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## 2020 Guidance

- While a significant portion of our revenues are recurring, the duration and severity of the outbreak of COVID-19 is expected to impact our financial outlook for the full year 2020; therefore, we are suspending full year guidance.
- We have taken actions and continue to evaluate additional options to reduce expenses and minimize the impact of COVID-19.

# Resilient Business Model and Customer Mix



## ACI On Premise - 46% of revenue\*

- Term software subscription model
- No SMBs
- Large global banks and financial intermediaries
- Large omni-channel and eCommerce merchants

## ACI On Demand - 54% of revenue\*

- Transaction-based software subscription model
- Limited SMB exposure
- Large global banks
- Large eCommerce merchants and PSPs
- Tier 1 and 2 billers

# Appendix

# Supplemental Financial Data

	Three Months Ended March 31,	
	2020	2019
<b>Bookings by Type (millions)</b>		
New Account & New Application	\$ 65.9	\$ 29.6
Add-on	54.4	40.2
Term Extensions	154.3	41.9
<b>Total Bookings</b>	<b>\$ 274.6</b>	<b>\$ 111.7</b>

	Three Months Ended	
	March 31, 2020	December 31, 2019
<b>Backlog 60-Month (millions)</b>		
ACI On Demand	\$ 3,781	\$ 3,855
ACI On Premise	1,933	1,977
<b>Backlog 60-Month</b>	<b>\$ 5,714</b>	<b>\$ 5,832</b>

	Three Months Ended March 31,	
	2020	2019
<b>Recurring Revenue (millions)</b>		
SaaS and PaaS fees	\$ 193.0	\$ 108.6
Maintenance fees	53.3	55.1
<b>Recurring Revenue</b>	<b>\$ 246.3</b>	<b>\$ 163.7</b>

# Supplemental Financial Data

Adjusted EBITDA (millions)	Three Months Ended March 31,	
	2020	2019
<b>Net loss</b>	\$ (24.4)	\$ (26.0)
Plus:		
Income tax benefit	(10.9)	(12.6)
Net interest expense	14.3	8.6
Net other expense	9.8	1.9
Depreciation expense	5.8	5.9
Amortization expense	28.0	19.0
Non-cash stock-based compensation expense	7.0	6.6
<b>Adjusted EBITDA before significant transaction-related expenses</b>	<b>\$ 29.6</b>	<b>\$ 3.4</b>
Significant transaction-related expenses	8.5	4.7
<b>Adjusted EBITDA</b>	<b>\$ 38.1</b>	<b>\$ 8.1</b>

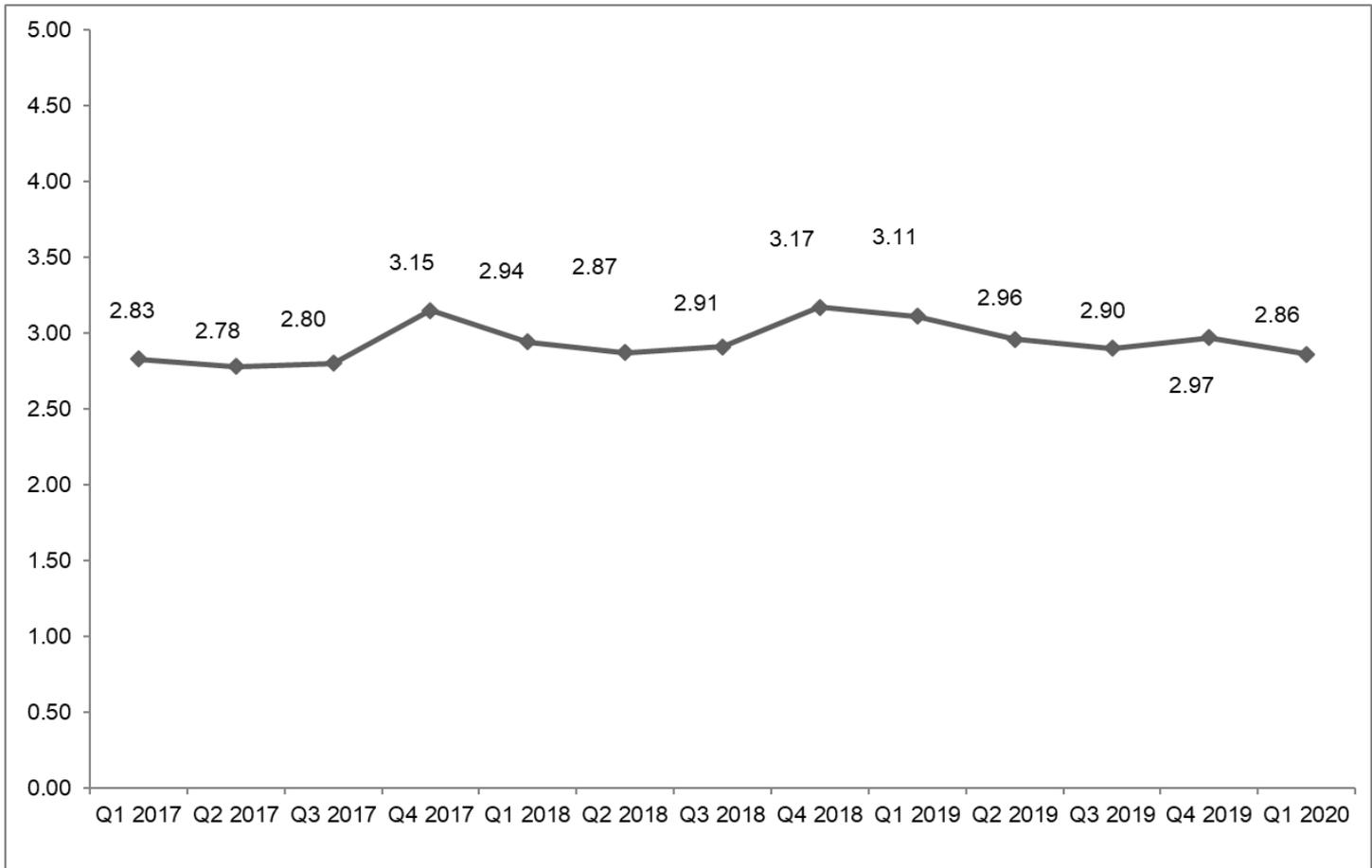
Segment Information (millions)	Three Months Ended March 31,	
	2020	2019
<b>Revenue</b>		
ACI On Demand	\$ 193.0	\$ 109.9
ACI On Premise	98.5	96.0
<b>Total Revenue</b>	<b>\$ 291.5</b>	<b>\$ 205.9</b>
<b>Segment Adjusted EBITDA</b>		
ACI On Demand	\$ 23.1	\$ (0.3)
ACI On Premise	\$ 30.9	\$ 28.3

# Supplemental Financial Data

EPS impact of non-cash and significant transaction-related items (millions)	Three Months Ended March 31,			
	2020		2019	
	EPS Impact	\$ in Millions (Net of Tax)	EPS Impact	\$ in Millions (Net of Tax)
GAAP net loss	\$ (0.21)	\$ (24.4)	\$ (0.22)	\$ (26.0)
Adjusted for:				
Significant transaction-related expenses	0.06	6.8	0.03	3.6
Amortization of acquisition-related intangibles	0.06	7.1	0.04	4.4
Amortization of acquisition-related software	0.07	8.0	0.05	5.7
Non-cash stock-based compensation	0.05	5.3	0.04	5.2
<b>Total adjustments</b>	<b>\$ 0.24</b>	<b>\$ 27.2</b>	<b>\$ 0.16</b>	<b>\$ 18.9</b>
<b>Diluted EPS adjusted for non-cash and significant transaction-related items</b>	<b>\$ 0.03</b>	<b>\$ 2.8</b>	<b>\$ (0.06)</b>	<b>\$ (7.1)</b>

Reconciliation of Adjusted Operating Free Cash Flow (millions)	Three Months Ended March 31,	
	2020	2019
Net cash flows from operating activities	\$ 57.5	\$ 42.4
Net after-tax payments associated with significant transaction-related expenses	4.0	2.8
Less: capital expenditures	(10.1)	(9.8)
<b>Adjusted Operating Free Cash Flow</b>	<b>\$ 51.4</b>	<b>\$ 35.4</b>

# Contract Duration Metric



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

# Non-GAAP Financial Measures

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

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

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

# Non-GAAP Financial Measures

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

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

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

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

# Forward-Looking Statements

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

Forward-looking statements in this presentation include, but are not limited to, statements regarding our resilient business model, including high retention rates, large contractual backlog, liquidity, retention rates, high quality customer base and significant e-commerce presence.

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