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## News Release

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**FOR IMMEDIATE RELEASE**

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### **TRANSACTION SYSTEMS ARCHITECTS REPORTS FIRST QUARTER RESULTS**

#### **First Quarter 2000 Summary:**

- **Software license fee revenue down significantly, primarily due to Y2K-related issues.**
- **Pro forma EPS (diluted) \$.02 compared to \$.31 first quarter 1999.**
- **Backlog of \$204.2 million compared to \$198.9 million at the end of first quarter 1999.**
- **Recurring revenue and services revenue up sequentially from fourth quarter 1999.**
- **The Company repurchased 500,300 shares during the first quarter, under its stock buy-back program.**

#### **Financial Summary (unaudited)**

(in thousands)

| <b><u>Revenue by Channel</u></b> | <b>Three Months Ended<br/>December 31</b> |                    | <b><u>Percent<br/>Change</u></b> |
|----------------------------------|---|--------------------|----------------------------------|
|                                  | <b><u>2000</u></b>                        | <b><u>1999</u></b> |                                  |
| Americas                         | 39,688                                    | 51,336             | -23%                             |
| Europe/Middle East/ Africa       | 20,222                                    | 27,709             | -27%                             |
| Asia Pacific                     | <u>7,207</u>                              | <u>7,025</u>       | 3%                               |
| TOTAL                            | 67,117                                    | 86,070             |                                  |

**(Omaha, Neb.)**--Transaction Systems Architects, Inc. (Nasdaq:TSAI), a leading global provider of enterprise e-payments and e-commerce software, announced today a decline in revenues and profits for the first quarter of fiscal 2000, mainly attributable to a decline in software license fees.

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Much of this decline stemmed from the lockdown of mission-critical systems environments in anticipation of the crossover to Y2K.

Pro forma net income totaled \$576 thousand or \$.02 per diluted share for the quarter ended December 31, 1999, compared to \$9.8 million or \$.31 per diluted share in the first quarter a year ago. The pro forma operating loss for the quarter was \$100 thousand, compared to operating income of \$15.0 million in the quarter ending December 31, 1998.

First quarter revenues declined 22% to \$67.1 million compared to the first quarter a year ago, mainly due to a decline in software license fees of 24%, to \$35.3 million. Of the \$35.3 million in software license fees, \$14.7 million were monthly fees which are recurring. The non-recurring license fees consisted of \$5.0 million of guaranteed term license fees and \$15.6 million of paid up front license fees.

The net loss for the quarter was \$1.4 million, or \$.04 per diluted share, compared to net income of \$9.4 million, or \$.30 per diluted share for the first quarter of fiscal 1999. The operating loss was \$3.3 million for the quarter, compared to an operating income of \$15 million for the same quarter last year. Actual results for the quarter include \$3.2 million of software and goodwill amortization resulting from the acquisitions of SDM International, Inc. and Insession, Inc.

The company completed the first quarter of fiscal 2000 with \$204.2 million in backlog, consisting of \$62.4 million in non-recurring revenue and \$141.8 million in recurring revenue. Total backlog increased \$5.3 million compared to December 31, 1998. The recurring revenue portion of backlog increased \$10.6 million compared to December 31, 1998. Non-recurring license fees backlog decreased by \$8.0 million, while non-recurring services increased by \$2.7 million as compared to December 31, 1998. Non-recurring revenues are composed of fees specified in software and services contracts the company expects to recognize in the next 12 months. Recurring revenues include all monthly license fees, maintenance fees and facilities management fees that the company expects to recognize over the next 12 months.

Cash flow used in support of operating activities was \$8.0 million for the first quarter of fiscal year 2000, mainly a reflection of lower than expected software license fees in the quarter. The combined cash and cash equivalents balance, as of December 31, 1999 was \$44 million. This cash balance is net of an outlay of \$13.3 million during the first quarter, used to purchase 500,300 shares of stock under the company's existing buyback authorization.

“While we are disappointed with the results of our first quarter, we feel strongly that it is primarily the result of an event we won't face again,” said David C. Russell chief executive officer and president of Transaction Systems Architects. “Our multi-year investment to ensure that our customers effectively address the Millenium cutover resulted in an extremely smooth transition, which we believe will allow us to quickly get back to ‘business as usual’. Our position in the market continues to expand, and we expect great success from key initiatives underway to address the exploding e-commerce and e-payments marketplace. Our confidence, in part, stems from the fact that our backlog remains strong, and positions us for success during the balance of 2000.”

Transaction Systems Architects' software facilitates electronic payments by providing consumers and companies access to their money. Its products are used to process transactions involving credit cards, debit cards, smart cards, and home banking services, checks, wire transfers as well as automated clearing and settlement. Transaction Systems' solutions are used on more than 3,550 product systems in 79 countries on six continents

This release contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. The potential risks that could affect TSA's financial results are included in its SEC reports, including its Form 10-K (Exhibit 99.01) for the fiscal year ended September 30, 1999.

## **FINANCIAL HIGHLIGHTS FOLLOW**

**TRANSACTION SYSTEMS ARCHITECTS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(unaudited and in thousands)

|   | December 31,<br><u>1999</u> | September 30,<br><u>1999</u> |
|---|-----------------------------|------------------------------|
| <b>ASSETS</b>                               |                             |                              |
| Current assets:                             |                             |                              |
| Cash and cash equivalents                   | \$ 43,995                   | \$ 70,482                    |
| Marketable securities                       | 13,144                      | 8,456                        |
| Billed receivables, net                     | 55,516                      | 50,619                       |
| Accrued receivables                         | 41,126                      | 41,880                       |
| Deferred income taxes                       | 1,228                       | 1,164                        |
| Other                                       | <u>9,297</u>                | <u>7,215</u>                 |
| Total current assets                        | 164,306                     | 179,816                      |
| Property and equipment, net                 | 19,734                      | 20,754                       |
| Software, net                               | 24,666                      | 25,835                       |
| Intangible assets, net                      | 59,417                      | 61,612                       |
| Long-term accrued receivables               | 30,049                      | 26,850                       |
| Investments and notes receivable            | 3,989                       | 3,569                        |
| Deferred income taxes                       | 1,487                       | 97                           |
| Other                                       | <u>3,992</u>                | <u>4,785</u>                 |
| Total assets                                | \$ <u>307,640</u>           | \$ <u>323,318</u>            |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                             |                              |
| Current liabilities:                        |                             |                              |
| Current portion of long-term debt           | \$ 931                      | \$ 501                       |
| Accounts payable                            | 6,868                       | 8,030                        |
| Accrued employee compensation               | 4,632                       | 7,192                        |
| Accrued liabilities                         | 15,830                      | 18,287                       |
| Income taxes                                | 4,733                       | 8,521                        |
| Deferred revenue                            | <u>58,743</u>               | <u>54,627</u>                |
| Total current liabilities                   | 91,737                      | 97,158                       |
| Long-term debt                              | <u>918</u>                  | <u>991</u>                   |
| Total liabilities                           | 92,655                      | 98,149                       |
| Stockholders' equity:                       |                             |                              |
| Class A Common Stock                        | 163                         | 163                          |
| Additional paid-in capital                  | 162,608                     | 161,630                      |
| Retained earnings                           | 81,539                      | 82,922                       |
| Treasury stock, at cost                     | (27,593)                    | (14,250)                     |
| Accumulated other comprehensive income      | <u>(1,732)</u>              | <u>(5,296)</u>               |
| Total stockholders' equity                  | 214,985                     | 225,169                      |
| Total liabilities and stockholders' equity  | \$ <u>307,640</u>           | \$ <u>323,318</u>            |

**TRANSACTION SYSTEMS ARCHITECTS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(unaudited and in thousands, except per share amounts)

|   | <u>Three Months Ended December 31,</u> |                 |
|---|--|-----------------|
|   | <u>1999</u>                            | <u>1998</u>     |
| Revenues:   |  |                 |
| Software license fees                                 | \$ 35,253                              | \$ 46,077       |
| Maintenance fees                                      | 16,685                                 | 15,567          |
| Services  | 15,073                                 | 23,295          |
| Hardware, net   | <u>106</u>                             | <u>1,131</u>    |
| Total revenues  | <u>67,117</u>                          | <u>86,070</u>   |
| Expenses:   |  |                 |
| Cost of software license fees                         | 10,825                                 | 11,822          |
| Cost of maintenance and services                      | 16,792                                 | 20,293          |
| Research and development                              | 8,460                                  | 8,198           |
| Selling and marketing                                 | 17,561                                 | 15,978          |
| General and administrative:                           |  |                 |
| General and administrative costs                      | 14,638                                 | 14,368          |
| Amortization of goodwill and<br>purchased intangibles | <u>2,177</u>                           | <u>445</u>      |
| Total expenses  | <u>70,453</u>                          | <u>71,104</u>   |
| Operating income                                      | <u>(3,336)</u>                         | <u>14,966</u>   |
| Other income (expense):                               |  |                 |
| Interest income                                       | 947                                    | 703             |
| Interest expense                                      | (63)                                   | (111)           |
| Transaction related expenses                          | -                                      | (653)           |
| Other   | <u>183</u>                             | <u>197</u>      |
| Total other   | <u>1,067</u>                           | <u>136</u>      |
| Income before income taxes                            | (2,269)                                | 15,102          |
| Provision for income taxes                            | <u>886</u>                             | <u>(5,732)</u>  |
| Net income  | <u>\$ (1,383)</u>                      | <u>\$ 9,370</u> |
| Earnings Per Share Data:                              |  |                 |
| Basic:  |  |                 |
| Net income  | <u>\$ (0.04)</u>                       | <u>\$ 0.30</u>  |
| Average shares outstanding                            | <u>32,039</u>                          | <u>30,938</u>   |
| Diluted:  |  |                 |
| Net income  | <u>\$ (0.04)</u>                       | <u>\$ 0.30</u>  |
| Average shares outstanding                            | <u>32,556</u>                          | <u>31,727</u>   |