



TRANSACTION SYSTEMS ARCHITECTS INC
224 SOUTH 108 AVENUE
OMAHA, NEBRASKA 68154
402.334.5101
FAX 402.390.8077

News Release

For more information contact:
LeRoy D. Peterson
Director, Investor Relations
402.390.7909

FOR IMMEDIATE RELEASE

TRANSACTION SYSTEMS ARCHITECTS REPORTS FIRST QUARTER RESULTS

Good Progress in a Historically Difficult Quarter—Core Business Stronger Than Anticipated

Highlights:

- Revenue up 11 percent over Q1 fiscal 2000 in historically slow quarter, pro forma EPS exceeded guidance for quarter
- Consumer e-payments business revenue up 22 percent
- Thirteen new consumer e-payment customers, across multiple geographic regions and multiple industry segments, including a top 500 bank and a top 10 US supermarket chain
- MessagingDirect acquisition concluded; integration and marketing efforts underway
- Expecting \$75-80 million in revenue for Q2, and pro forma EPS of \$.04-.08 per share

(OMAHA, Neb.—January 18, 2001)—Transaction Systems Architects, Inc. (Nasdaq: TSAI), a leading global provider of enterprise e-payments and e-commerce software, announced today that its revenue for the first quarter of fiscal 2001 increased 11 percent over revenue for the first quarter of fiscal 2000. In addition, revenue for its ACI Worldwide consumer e-payments business unit increased 22 percent from the same quarter last year, with particular strength noted in North America. Pro forma earnings per share were better than expected.

“We’re pleased with our overall results in Q1,” said William E. Fisher, Chairman and CEO. “In what is historically a relatively difficult quarter for the Company, we were able to meet most of our key objectives, and in fact, we exceeded our expectations on several fronts. First, our consumer e-payments business, now consolidated under the ACI Worldwide name, performed better than we expected for the quarter, with revenue up 22 percent over a year ago. Second, ACI Worldwide added thirteen new customers during the quarter, in several industries and

regions. Included in that list are a top 500 bank and a top 10 U.S. supermarket chain, both of which selected our flagship BASE24 product to run their electronic payments businesses. Third, we saw improved strength in the North American market, a key market for us, and one that had been slower to return to historical spending levels. And fourth, we are seeing excellent prospects in the U.S. retail industry, with key wins in the quarter and a strong pipeline for the remainder of the year. We are building a leadership position in that industry similar to the way we did in the financial services industry over the years, as we help retailers to more efficiently manage their increasing e-payment transaction volumes.

“Our upgrade business overall was solid, and we received several significant long-term commitments from major customers. Our efforts to consolidate our consumer e-payments business into a single focused unit are making good progress, and it showed in the form of good expense management in the quarter. We continued our commitment to invest in new products and technologies, and feel we are well positioned to address the emerging e-payment needs of our customers. We have made great progress with strategic accounts like First Data Corporation, where we have three different systems in place, and at Citicorp, where our BASE24 product is deployed acquiring e-payments from five European countries and is processing in excess of five million e-payment transactions per month. And, finally, in early January we closed the acquisition of MessagingDirect, whose secure document delivery technology, we believe, will be a real winner for us in the Electronic Bill Presentment & Payment/Electronic Statement Presentation markets in the coming years.”

Revenue for the first quarter of fiscal 2001 was \$75 million, an 11 percent increase over the first quarter of fiscal 2000. Software license fees for the quarter were \$42.5 million, an increase of 20 percent from the prior year. Software license fees for the quarter for ACI Worldwide, the consumer e-payments unit, were \$33.5 million, an increase of 38 percent from the same quarter last year.

Pro forma net income totaled \$264 thousand, or \$.01 per diluted share, for the quarter ended December 31, 2000, compared to \$866 thousand, or \$.03 per diluted share, for the quarter ended December 31, 1999. Pro forma operating loss for the quarter was \$45 thousand, compared to a pro forma operating income of \$353 thousand in the quarter ending December 31, 1999.

Pro forma results are computed by excluding acquisition-related charges (amortization of goodwill and software) and non-recurring items. The pro forma results of operations are computed using an effective tax rate of 39 percent. Pro forma results for the quarter exclude \$3.9 million (\$2.5 million after tax) of software and goodwill amortization from the acquisitions of SDM International, Inc.; Insession Inc.; Hospital Health Plan Corporation and Workpoint Systems, Inc., as well as \$14.3 million in one-time, noncash adjustments, as discussed below.

Net loss for the quarter was \$14.4 million, or \$.45 per diluted share, compared to a net loss of \$1.4 million, or \$.04 per diluted share, for the first quarter of fiscal 2000. Included in the computation of net loss for the first quarter of fiscal 2001 is an \$8.1 million loss on impairment of marketable securities for the Company's investment in Digital Courier Technologies, Inc., a \$4.3 million loss on impairment of equity investments in two start-up companies and \$1.9 million in expense for costs associated with the Company's planned IPO of Insession Technologies, Inc.

"We continually evaluate the carrying value of our investments," said Dwight Hanson, CFO. "This quarter, after considering current market conditions for technology companies and specific information regarding the companies in which we have ownership interest, we reached the conclusion that the decline in market values were other than temporary and, in accordance with FASB and SEC guidelines, we adjusted our cost basis down for three of our investments. In addition, due to unfavorable market conditions in the fourth quarter of fiscal 2000, we postponed our planned IPO of Insession Technologies, Inc. Due to the delay in proceeding with this transaction and the continuing uncertainty in market conditions, we expensed \$1.9 million of costs associated with the planned IPO."

The Company completed the first quarter of fiscal 2001 with \$184 million in backlog, consisting of \$48 million in non-recurring revenue and \$136 million in recurring revenue. This compares to the backlog of \$196 million at the end of the fourth quarter of 2000. 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. "Our backlog, while still strong, was impacted by two specific items," said Hanson. "First, we

have an ongoing services contract for a smart card deployment project in Holland which has contractually expired and is in the process of being renewed. Once renewed, that services revenue will come back into the backlog. In addition, we moved a large corporate banking project out of our twelve-month backlog. We made this adjustment based on a review of customer project plans. Again, this is a timing issue, and we would expect that revenue to re-enter the backlog as the project progresses.”

Cash used by operating activities was approximately \$8 million for the first quarter of fiscal year 2001. The combined cash and cash equivalents balance, as of December 31, 2001 was \$20.6 million.

“TSA’s leadership position continues to grow in the consumer e-payments market,” added Fisher. “We are winning in the face of significant competition from traditional and new competitors. Electronic payment transaction volumes continue to grow nicely, led by the dynamic growth of debit POS in the U.S. Our solutions portfolio positions us better than anyone else in the market to deliver the broadest range of e-payment processing software, from traditional channels like ATM and POS, to newer channels like the Web, wireless and chip-based applications. We have refocused our sales and marketing efforts to put strategic emphasis on 1) ensuring that our existing customers appreciate the full depth of our solutions portfolio and 2) establishing focused solutions-specific sales staff for our newer products, into new and existing accounts. In addition, we continue to focus on winning market share in our traditional areas, and have efforts targeted at newer markets for the company such as Spain and Italy. Finally, we continue to develop our new relationship with IBM, and are starting to see tangible results from partnership.

“Our divestiture activities continue for our businesses that are not in the consumer e-payments arena,” said Fisher. “The recent weakness in the capital markets have slowed our progress somewhat, but we continue to see strategic interest in our electronic business infrastructure, corporate banking e-payments and health payments systems businesses. Our goal remains to unlock the inherent value in these businesses, and to ensure that we achieve the right valuation for these assets.

“As we look forward, we are optimistic for the balance of fiscal 2001, but cautiously so,” continued Fisher. “We were at the low end of our revenue expectations for Q1, but our pro forma EPS was better than expected. There are indications that technology spending in the U.S. banking industry could be a bit soft for the balance of the year, and we must acknowledge that risk. We continue to be prudent in our headcount management, our primary cost driver, until we see signs that the market is clearly on a strong spending path. Our short-term headcount increases will be focused specifically in R&D, customer support and sales, but we will be very conservative in growing headcount in all other areas of the company. We expect revenue for the second quarter to be between \$75 and \$80 million, and pro forma EPS of \$.04 to \$.08 per share. In addition, we are reducing our fiscal 2001 guidance to \$320 to \$340 million in revenue, with pro forma EPS of \$.50 to \$.65.

“A day does not go by without news of a new e-payment technology or capability—debit at the point-of-sale, wireless commerce, B2C e-commerce on the Web, electronic bill presentment, smart cards and more,” added Fisher. “The payments that occur in these expanding areas are often processed by TSA software, and we believe that will be the case even more in the future. We continue to invest in people, products, technology and our ability to get to strategic markets, to ensure our leadership position. We remain committed to our mission to be the leading global provider of e-payments software, and are confident in our prospects for success.”

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. TSA's solutions are used on more than 3,700 product systems in 80 countries on six continents.

TSA will hold a teleconference at 5:00 p.m. EST, January 18, 2001, to discuss first-quarter financial results. TSA will open the conference call to the general public by broadcasting the call live over the Internet. Interested persons may access a real-time audio broadcast of the teleconference at: http://www.tsainc.com/ir/ircalendar/detail.asp?calenderofevents_id=65 or <http://acc.activate.net/teleconferenceregister/genesys> To access the web cast, enter the conference name (894033), viewer pass code (894033) and the date (01/18/2001) along with

your registration information. The web cast will be archived for 7 days after the teleconference at the same web address listed above.

The statements in this report regarding projected results are preliminary and “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, this report contains other forward-looking statements including statements regarding the Company's or third parties' expectations, predictions, views, opportunities, plans, strategies, beliefs, and statements of similar effect. The forward-looking statements in this report are subject to a variety of risks and uncertainties. Actual results could differ materially. Factors that could cause actual results to differ include but are not limited to the following.

The Y2K lock-down has interrupted TSA's normal sales cycle and therefore is likely to have a negative impact on the Company's revenues and net income beyond fiscal 2000. TSA also believes customer demand for system upgrades and enhancements will be slow to return to normal growth levels, as many of the Company's customers upgraded and enhanced their systems prior to the Year 2000. There can be no assurance that TSA's growth rates will return to historical levels.

The acquisition of MessagingDirect is subject to numerous risks, including the following: (i) MessagingDirect is in a highly competitive industry, (ii) MessagingDirect does not have a significant market presence, significant revenues, or widespread acceptance or prolonged use of its products, (iii) MessagingDirect has not been profitable, (iv) the electronic statement presentation and electronic bill presentment and payment markets may not achieve the predicted growth rates, (v) MessagingDirect's products, personnel, and operations may be difficult to combine with those of TSA, the products may not be accepted by TSA's customer base, and there will be significant integration costs of combining the businesses, (vi) the acquisition will have a dilutive effect on earnings per share and amortization of intangible assets will have an adverse effect on earnings.

TSA is subject to risks of conducting international operations including: difficulties in staffing and management, reliance on independent distributors, fluctuations in foreign currency exchange rates, compliance with foreign regulatory requirements, variability of foreign economic conditions, and changing restrictions imposed by U.S. export laws.

TSA will continue to derive a substantial majority of its total revenues from licensing its BASE24 family of software products and providing services and maintenance related to those products. Any reduction in demand for, or increase in competition with respect to, BASE24 products would have a material adverse effect on TSA's financial condition and results of operations.

TSA's business is concentrated in the banking industry, making it susceptible to a downturn in that industry.

Fluctuations in quarterly operating results may result in volatility in TSA's stock price. No assurance can be given that operating results will not vary. TSA's stock price may also be volatile, in part due to external factors such as announcements by third parties or competitors, inherent volatility in the high-technology sector and changing market conditions in the industry.

For a detailed discussion of these and other risk factors, interested parties should review the Company's filings with the Securities and Exchange Commission, including Exhibit 99.01 to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2000.

FINANCIAL HIGHLIGHTS FOLLOW

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

	December 31, 2000	September 30, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,581	\$ 23,400
Marketable securities	1,857	8,106
Billed receivables, net	65,645	63,556
Accrued receivables	55,591	51,659
Prepaid income taxes	3,087	2,710
Deferred income taxes	16,932	11,208
Other	9,588	13,134
Total current assets	173,281	173,773
Property and equipment, net	18,499	19,614
Software, net	26,250	26,757
Intangible assets, net	62,943	65,254
Long-term accrued receivables	33,313	27,018
Investments and notes receivable	2,635	6,146
Note receivable from executive officer	2,750	2,000
Deferred income taxes	2,149	2,958
Other	6,129	6,632
Total assets	\$ 327,949	\$ 330,152

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Current portion of long-term debt	\$ 29,035	\$ 18,396
Accounts payable	11,306	16,023
Accrued employee compensation	6,747	7,472
Accrued liabilities	22,280	20,003
Deferred revenue	44,938	43,373
Total current liabilities	114,306	105,267
Long-term debt	477	532
Long-term deferred revenue	14,218	13,993
Total liabilities	129,001	119,792
Stockholders' equity:		
Class A Common Stock	166	165
Additional paid-in capital	171,542	170,946
Retained earnings	70,682	85,033
Treasury stock, at cost	(35,258)	(35,258)
Accumulated other comprehensive income	(8,184)	(10,526)
Total stockholders' equity	198,948	210,360
Total liabilities and stockholders' equity	\$ 327,949	\$ 330,152

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

	Three Months Ended December 31,	
	2000	1999
Revenues:		
Software license fees	\$ 42,467	\$ 35,253
Maintenance fees	15,965	16,685
Services	16,121	15,179
Hardware, net	83	-
Total revenues	74,636	67,117
Expenses:		
Cost of software license fees	11,591	10,825
Cost of maintenance and services	18,711	16,792
Research and development	10,069	8,460
Selling and marketing	19,695	17,561
General and administrative costs	16,127	14,638
Amortization of goodwill and purchased intangibles	2,367	2,177
Total expenses	78,560	70,453
Operating income (loss)	(3,924)	(3,336)
Other income (expense):		
Interest income	824	947
Interest expense	(619)	(63)
Other	273	183
Non-recurring items	(14,311)	-
Total other	(13,833)	1,067
Income (loss) before income taxes	(17,757)	(2,269)
Income tax benefit	3,405	886
Net income (loss)	\$ (14,352)	\$ (1,383)
Earnings per share information:		
Weighted average shares outstanding:		
Basic	31,654	32,039
Diluted	31,654	32,039
Earnings per share:		
Basic	\$ (0.45)	\$ (0.04)
Diluted	\$ (0.45)	\$ (0.04)