



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 Fiscal 2002 First Quarter Results

##### Highlights —

- **Hired new CEO, financial services industry veteran Gregory Derkacht**
- **Revenue of \$65.3 million**
- **Pro forma diluted earnings per share of \$.03**
- **Thirteen core customers added by ACI Worldwide**
- **Operating cash flow of \$14.2 million; cash balance increased to \$36.8 million**

(OMAHA, Neb. January 29, 2002) Transaction Systems Architects, Inc. (Nasdaq: TSAI), a leading global provider of enterprise e-payments and e-commerce software, announced today that revenue for the first quarter of fiscal 2002 was \$65.3 million. Pro forma earnings per diluted share were \$.03. Operating cash flow was \$14.2 million and the cash balance for the company was \$36.8 million.

As we indicated earlier this month, the quarter was challenging, said Larry Fendley, interim COO. The overall IT market remains soft, particularly in the financial services sector. Where we do see opportunity, sales cycles have lengthened. Our results this quarter reflect excellent work by the team in managing costs in this difficult environment, and our cash flow once again was strong. In part, this is due to the fact that we have reduced our quarterly expense run rate by over \$10 million in the past year. We continue to win in competitive situations, and we added thirteen core customers in the ACI Worldwide business unit.

We announced during the quarter previously-signed contracts with both TSYS and Global Payments Inc., added Fendley. Adding new customers of this scale to our customer list further validates our superior positioning at the high end of the market. As e-payments continue to take hold around the world, we are as well-positioned as ever to benefit from that secular trend. In addition, we recently signed our first customer, First of Omaha Merchant Processing, for our

new IBM-based ACI Enterprise Payment System. Finally, our reduced expense run rate positions us to drive higher earnings once IT market expenditure levels return to more normalized levels.

Our IntraNet and Insession Technologies business units performed well in the quarter, said Fendley. IntraNet signed five large U.S. financial institutions which will migrate to its new IBM-based high value transfer product, and is continuing to gain traction in Western Europe with customers like Fortis Bank N.V., announced earlier in the quarter. IntraNet's revenue was up over 50 percent from the prior year first quarter and 19 percent sequentially. Insession was able to meet our expectations for the quarter, despite a difficult selling environment for e-infrastructure products.

The Company completed the first quarter of fiscal 2002 with \$175 million in backlog, consisting of \$45 million in non-recurring revenue and \$130 million in recurring revenue. Recurring revenues include all monthly license fees, maintenance fees and facilities management fees that the Company expects to recognize over the next 12 months. Non-recurring revenues are composed of all other fees, including initial license fees, specified in software and services contracts the Company expects to recognize in the next 12 months.

The Company incurred a net loss during the first quarter of fiscal 2002 in the amount of \$28.5 million, or \$.81 per share. Loss from continuing operations for the quarter was \$2.8 million, or \$.08 per share. Pro forma results from continuing operations are computed by excluding acquisition-related software amortization of \$2.5 million, and a \$2.9 million loss on impairment of marketable securities for the Company's investment in Nestor, Inc.

First quarter net loss and earnings per share reflect the Company's decision to adopt new accounting rules relating to the amortization of goodwill and other intangibles. As a result of adopting the new accounting rules, goodwill in the amount of \$25.7 million, net of tax, resulting from the acquisition of MessagingDirect, Ltd. has been written off and reflected as a cumulative effect of accounting change during the first quarter. Pro forma results also exclude the effect of adopting these new accounting rules. Under the new accounting rules, goodwill will continue to be recognized as an asset, but will not be amortized as previously required.

Our first quarter results reflect the adoption of the new goodwill valuation accounting rules. The new rules require us to re-evaluate the amount we paid for acquisitions and make a determination regarding the recorded book value of goodwill and whether it is still justified. As a result, we had independent appraisals performed on each of the Company's reporting units that

contain goodwill. From these appraisals, we determined that a write-down of \$25.7 million was needed to reflect the reduced value of the goodwill created when we purchased MessagingDirect, Ltd., said Dwight Hanson, CFO. The primary drivers of this determination are the overall softness in discretionary IT spending and slower than expected adoption of secure document delivery technology.

In addition to adopting the new goodwill accounting rules, we recorded a write-down in the carrying value of our investment in Nestor, Inc. This was based on our view that the decline in market value for this investment was other than temporary, and as a result, under accounting rules we were required to adjust our cost basis down, said Hanson.

For the second quarter, we expect revenue to be in the range of \$66 to \$70 million and pro forma EPS of \$.04 to \$.10, said Hanson. In addition, we are updating our fiscal 2002 guidance to \$270 to \$290 million in revenue with pro forma EPS of \$.33 to \$.49. This guidance for the second quarter and the full year reflects our view of the impact of the ongoing reduction in IT spending levels that we have seen in the marketplace.

I am excited by the opportunity to join TSA as its chief executive officer, said Gregory Derkacht. TSA is the leader in its space. Even with that leadership position, TSA is not immune to softness in enterprise e-payment software spending. Our goal is to ensure that we maximize the cash and earnings potential of the core business, and prepare ourselves for the eventual market turn. The Company has proven that when the largest financial institutions, retailers and e-payment processors need new e-payment software, we are the vendor of choice. In part, our new Enterprise Payment System on the IBM mainframe will help us solidify our position as we encounter more opportunities on that platform. We are excited that we have now licensed that product to our first customer. With this initiative and others, we are positioning TSA to expand its market leadership in the growing e-payments sector over the long term.

### **About Transaction Systems Architects**

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, secure electronic commerce, mobile commerce, smart cards, secure electronic document delivery and payment, checks, high-value money transfers, bulk payment clearing and settlement, and enterprise e-infrastructure. Transaction Systems

Architects' solutions are used on more than 3,500 product systems in 81 countries on six continents.

### **Forward-Looking Statements**

This report contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. Generally, forward-looking statements include words or phrases such as management anticipates, the Company believes, the Company anticipates, the Company expects, the Company plans, the Company will, and words and phrases of similar impact, and include but are not limited to statements regarding future operations, business strategy and business environment. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially. Factors that could cause actual results to differ include, but are not limited to, the following:

- ¥ The Company will continue to derive a majority of its total revenue from international operations and is subject to risks of conducting international operations including: difficulties in staffing and management, reliance on independent distributors, longer payment cycles, volatilities of foreign currency exchange rates, compliance with foreign regulatory requirements, variability of foreign economic conditions, and changing restrictions imposed by U.S. export laws.
- ¥ The Company will continue to derive a substantial majority of its total revenue 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 the Company's financial condition and results of operations.
- ¥ The Company will continue to derive a substantial portion of its revenues from licensing of software products that operate on Compaq computers. Any reduction in demand for these computers or in Compaq's ability to deliver products on a timely basis could have a material adverse effect on the Company's financial condition and results of operations. Compaq has announced that it is planning to consolidate its high-end performance enterprise servers on the Intel Corp. Itanium microprocessor by 2004. Also, Compaq is contemplating a merger with Hewlett-Packard Co. The Company has not determined whether the consolidation of the high-end servers, if it occurs as announced, or the merger, if consummated, would materially affect the Company's business, financial position or results of operation.
- ¥ The Company's business is concentrated in the banking industry, making it susceptible to a downturn in that industry. Further, banks are continuing to consolidate, decreasing the overall number of potential buyers of TSA's products and services.
- ¥ New accounting standards, or additional interpretations or guidance regarding existing standards, could be issued in the future, which could lead to unanticipated changes in the Company's current financial accounting policies. These changes could affect the timing of revenue or expense recognition and cause fluctuations in operating results.
- ¥ Fluctuations in quarterly operating results may result in volatility in the Company's stock price. No assurance can be given that operating results will not vary. The Company'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.
- ¥ The Company has expanded and may seek to continue to expand its operations through the acquisition of additional businesses. Acquisitions involve many risks that could have a material adverse effect on the Company's business, financial condition and results of operations. Management's negotiations of potential acquisitions and the integration of acquired businesses or technologies could divert their time and resources. Further, the Company may not be able to properly integrate acquired businesses or technology with its existing operations, train and motivate personnel from the acquired business, or combine potentially different corporate cultures.

For a detailed discussion of these and other risk factors, interested parties should review the Company's filings with the Securities and Exchange Commission.

### **FINANCIAL HIGHLIGHTS FOLLOW**

**TRANSACTION SYSTEMS ARCHITECTS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

(unaudited and in thousands)

|   | <u>December 31,</u><br><u>2001</u> | <u>September 30,</u><br><u>2001</u> |
|---|------------------------------------|-------------------------------------|
| <b>ASSETS</b>                               |                                    |                                     |
| Current assets:                             |                                    |                                     |
| Cash and cash equivalents                   | \$ 36,753                          | \$ 32,252                           |
| Marketable securities                       | 2,100                              | 2,650                               |
| Billed receivables, net                     | 50,973                             | 50,277                              |
| Accrued receivables                         | 44,970                             | 50,932                              |
| Prepaid income taxes                        | 2,185                              | 1,911                               |
| Deferred income taxes                       | 9,399                              | 8,700                               |
| Other                                       | <u>9,456</u>                       | <u>10,990</u>                       |
| Total current assets                        | 155,836                            | 157,712                             |
| Property and equipment, net                 | 15,089                             | 14,580                              |
| Software, net                               | 24,527                             | 27,954                              |
| Goodwill, net                               | 49,944                             | 82,327                              |
| Long-term accrued receivables               | 19,895                             | 24,916                              |
| Investments and notes receivable            | 1,259                              | 1,309                               |
| Deferred income taxes                       | 20,632                             | 13,627                              |
| Other                                       | <u>4,549</u>                       | <u>5,028</u>                        |
| Total assets                                | <u><u>\$ 291,731</u></u>           | <u><u>\$ 327,453</u></u>            |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> |                                    |                                     |
| Current liabilities:                        |                                    |                                     |
| Current portion of long-term debt           | \$ 5,655                           | \$ 12,559                           |
| Accounts payable                            | 9,919                              | 13,542                              |
| Accrued employee compensation               | 7,792                              | 9,030                               |
| Accrued liabilities                         | 23,795                             | 23,369                              |
| Deferred revenue                            | <u>40,154</u>                      | <u>35,857</u>                       |
| Total current liabilities                   | 87,315                             | 94,357                              |
| Long-term debt                              | 1,409                              | 761                                 |
| Long-term deferred revenue                  | 9,666                              | 12,610                              |
| Other                                       | <u>1,016</u>                       | <u>1,057</u>                        |
| Total liabilities                           | <u>99,406</u>                      | <u>108,785</u>                      |
| Stockholders' equity:                       |                                    |                                     |
| Class A Common Stock                        | 184                                | 184                                 |
| Additional paid-in capital                  | 222,832                            | 222,501                             |
| Retained earnings                           | 13,512                             | 42,016                              |
| Treasury stock, at cost                     | (35,258)                           | (35,258)                            |
| Accumulated other comprehensive income      | <u>(8,945)</u>                     | <u>(10,775)</u>                     |
| Total stockholders' equity                  | <u>192,325</u>                     | <u>218,668</u>                      |
| Total liabilities and stockholders' equity  | <u><u>\$ 291,731</u></u>           | <u><u>\$ 327,453</u></u>            |

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**TRANSACTION SYSTEMS ARCHITECTS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(unaudited and in thousands, except per share amounts)

|   | Three Months Ended December 31, |             |
|---|---------------------------------|-------------|
|   | 2001                            | 2000        |
| Revenues:   |                                 |             |
| Software license fees   | \$ 34,321                       | \$ 42,467   |
| Maintenance fees  | 19,478                          | 15,965      |
| Services  | 11,511                          | 16,204      |
| Total revenues  | 65,310                          | 74,636      |
| Expenses:   |                                 |             |
| Cost of software license fees   | 10,995                          | 11,591      |
| Cost of maintenance and services  | 15,768                          | 18,711      |
| Research and development  | 9,049                           | 10,069      |
| Selling and marketing   | 16,622                          | 19,695      |
| General and administrative  | 13,637                          | 16,127      |
| Amortization of goodwill  | -                               | 2,367       |
| Total expenses  | 66,071                          | 78,560      |
| Operating loss  | (761)                           | (3,924)     |
| Other income (expense):   |                                 |             |
| Interest income, net  | 920                             | 205         |
| Other   | (4,006)                         | (14,038)    |
| Total other income (expense)  | (3,086)                         | (13,833)    |
| Loss before income taxes  | (3,847)                         | (17,757)    |
| Income tax benefit  | 1,047                           | 3,405       |
| Loss from continuing operations before cumulative effect of accounting change | (2,800)                         | (14,352)    |
| Cumulative effect of accounting change  | (25,704)                        | -           |
| Net loss  | \$ (28,504)                     | \$ (14,352) |
| Earnings per share information:   |                                 |             |
| Weighted average shares outstanding   | 35,255                          | 31,654      |
| Basic and diluted earnings per share:   |                                 |             |
| Continuing operations   | \$ (0.08)                       | \$ (0.45)   |
| Cumulative effect of accounting change  | (0.73)                          | -           |
| Net loss  | \$ (0.81)                       | \$ (0.45)   |

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**TRANSACTION SYSTEMS ARCHITECTS, INC.**  
**Reconciliation of Actual Results to Pro Forma Results**  
**For the Quarterly Period Ended December 31, 2001**  
(unaudited and in thousands, except per share amounts)

|  | Three Months Ended December 31, 2001 |                           |           |
|--|--------------------------------------|---------------------------|-----------|
|  | As<br>Reported                       | Amortization<br>and Other | Pro Forma |
| Revenues:  |                                      |                           |           |
| Software license fees  | \$ 34,321                            | \$ -                      | \$ 34,321 |
| Maintenance fees   | 19,478                               | -                         | 19,478    |
| Services   | 11,511                               | -                         | 11,511    |
| Total revenues   | 65,310                               | -                         | 65,310    |
| Expenses:  |                                      |                           |           |
| Cost of software license fees  | 10,995                               | (2,453)                   | 8,542     |
| Cost of maintenance and services   | 15,768                               | -                         | 15,768    |
| Research and development   | 9,049                                | -                         | 9,049     |
| Selling and marketing  | 16,622                               | -                         | 16,622    |
| General and administrative   | 13,637                               | -                         | 13,637    |
| Total expenses   | 66,071                               | (2,453)                   | 63,618    |
| Operating income (loss)  | (761)                                | 2,453                     | 1,692     |
| Other income (expense):  |                                      |                           |           |
| Interest income, net   | 920                                  | -                         | 920       |
| Other  | (4,006)                              | 2,900                     | (1,106)   |
| Total other income (expense)   | (3,086)                              | 2,900                     | (186)     |
| Income (loss) before income taxes  | (3,847)                              | 5,353                     | 1,506     |
| Income tax benefit (provision)   | 1,047                                | (1,649)                   | (602)     |
| Income (loss) from continuing operations before cumulative effect of accounting change | (2,800)                              | 3,704                     | 904       |
| Cumulative effect of accounting change   | (25,704)                             | 25,704                    | -         |
| Net income (loss)  | \$ (28,504)                          | \$ 29,408                 | \$ 904    |
| Earnings per share information:  |                                      |                           |           |
| Weighted average shares outstanding:   |                                      |                           |           |
| Basic  | 35,255                               |                           | 35,255    |
| Diluted  | 35,255                               |                           | 35,461    |
| Basic and diluted earnings per share:  |                                      |                           |           |
| Continuing operations  | \$ (0.08)                            |                           | \$ 0.03   |
| Cumulative effect of accounting change   | (0.73)                               |                           | -         |
| Net income (loss)  | \$ (0.81)                            |                           | \$ 0.03   |

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