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News Release

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FOR IMMEDIATE RELEASE

TRANSACTION SYSTEMS ARCHITECTS REPORTS FOURTH QUARTER RESULTS

Third Consecutive Quarter of Improving Revenue, as Momentum Returns to Consumer E-payments Business

Fourth Quarter 2000 Summary:

- **Consumer e-payments revenue up 4 percent sequentially from Q3, and up 27 percent from Q1**
- **R&D spending up 12 percent year over year as new e-payment initiatives gain traction**
- **Acquisition of MessagingDirect to fuel growth in ESP/EBPP market for TSA**
- **Backlog up sequentially to \$196 million**

(OMAHA, Neb.—October 26, 2000)— 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 fourth quarter of fiscal 2000 increased 4 percent sequentially over revenue for the third quarter of fiscal 2000, the third consecutive quarter of revenue growth. In addition, revenue in its consumer e-payments software business increased 4 percent from the prior quarter, and is up significantly over the course of fiscal 2000.

“Fiscal 2000 was a difficult year for TSA,” said William E. Fisher, chairman and CEO of Transaction Systems Architects. “We did a wonderful job making sure our customers were able to flawlessly manage the transition to the long-awaited millennium cutover. Our financials took a hit based on the dynamics surrounding this once-in-a-lifetime event. However, after a tough start, the momentum is back in our business. Our core business, while certainly not at the levels

we enjoyed in fiscal 1999, is up more than 27 percent from the first quarter of 2000. We are working with more customers in more solutions areas than ever before, and have some exciting prospects ahead of us. We continue to have a very high customer retention rate in our traditional e-payments business, which provides an excellent platform with which to build recurring revenues and create cross-selling opportunities. Our new initiatives in areas like mobile commerce, secure B2C e-payments, Internet banking and chip-based applications are setting us up to win in the new e-payments world as well. With our acquisition of MessagingDirect, we believe that we have found an excellent way to penetrate an exciting emerging market, the Electronic Statement Presentation (ESP) and Electronic Bill Presentment and Payment (EBPP) market.”

Revenue for the quarter was \$82.2 million, a 4 percent increase over the prior quarter. License fees were up 3 percent sequentially, and services revenue was up over 6 percent from the prior quarter.

Pro forma net income totaled \$3.4 million or \$.11 per diluted share for the quarter ended September 30, 2000, compared to \$14.4 million or \$.44 per diluted share in the fourth quarter a year ago. Pro forma operating income for the quarter was \$5.1 million, compared to \$22.9 million in the quarter ending September 30, 1999.

Pro forma results are computed by excluding acquisition-related charges (amortization of goodwill and software). The pro forma results of operations are computed using an effective tax rate of approximately 39 percent. Pro forma results for the quarter and year, respectively, exclude \$3.9 million (\$2.5 million after tax), and \$14.4 million (\$8.9 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. and related activities.

Net income for the quarter was \$928 thousand, or \$.03 per diluted share, compared to net income of \$12.5 million, or \$.38 per diluted share for the fourth fiscal quarter of 1999. Operating income was \$1.2 million for the quarter, compared to an operating income of \$19.7 million for the same quarter last year.

Revenue for fiscal 2000 was \$304 million, compared to \$355 million in the prior year. Recurring revenue was \$132 million in fiscal 2000, compared to \$126 million in fiscal 1999. Pro forma net income for the full year ended September 30, 2000 was \$11.0 million, or \$.34 per diluted share, compared to \$50.0 million, or \$1.54 per share in fiscal 1999. Pro forma operating income in fiscal 2000 was \$16.2 million compared to \$78.3 million in the prior year.

Net income for the year ended September 30, 2000, was \$2.1 million, or \$.07 per diluted share, compared to \$44.6 million, or \$1.38 per diluted share in the prior year.

The Company completed the fourth quarter of fiscal 2000 with \$196 million in backlog, consisting of \$55 million in non-recurring revenue and \$141 million in recurring revenue. This compares to the backlog of \$204 million at the end of the fourth quarter of 1999, and \$195 million at the end of the third quarter of fiscal 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.

Cash used by operating activities was approximately \$4 million for the fourth quarter of fiscal year 2000. The combined cash and cash equivalents balance, as of September 30, 2000, was \$25.6 million.

“We announced significant initiatives and contracts in several new areas this quarter, including e-commerce and mobile commerce,” said Fisher. “We’re excited about projects at leading companies like Movilpago in Spain, a major mobile commerce rollout, Deutsche Bank Italy, a secure e-commerce initiative, and Mondex Venezuela, where we are involved in a countrywide e-purse implementation. In addition, we announced a major new relationship with IBM that will open up new markets for the Company as we jointly market our IBM-centric solutions around the world. In the solutions arena, our new e24-POD (Personal Online Data) solution won a “Best of Show” award at the annual IDG World Internet Commerce Expo. Each of these is evidence that TSA is building a footprint in the new e-payments world that will pay dividends down the road.

“Revenue from the ‘new’ e-payments world represents about 10 percent of our core consumer payments business today,” added Fisher. “Our plans indicate that, at a nice growth trajectory, they can represent more than double that portion of our revenue in the next couple of years. We are committed to investing and winning in these new arenas, leveraging our unique technologies, core competencies and global presence.

“Finally, we continue to pursue appropriate divestitures of the three business units that are not focused on consumer e-payments,” said Fisher. “While we were disappointed that the planned initial public offering of our Insession Technologies unit was postponed, we are working hard to find a suitable alternative for that business. In addition, we have active efforts underway to find appropriate divestitures of our Corporate Banking and Health Payment Systems units. Our primary business strategy remains one of focus on the consumer e-payments software business, where we have been and will continue to be the leader. The opportunities for TSA are expanding, and we are excited about the prospects these opportunities will offer the Company.

“Our software licensing has always had seasonality in it, linked to the business environment for large financial institutions,” said Fisher. “Even though we were disappointed in our financial results for fiscal 2000, our backlog remains strong and gives us comfort in our prospects for the coming year, especially as some of our new initiatives gain traction. Seasonality will return in our financial results as an outcropping of last year’s lack of overall demand and its affect on the timing of our backlog. Recognizing this, we are anticipating \$75 million to \$80 million in revenue for the quarter ending December 31, 2000, and EPS of between (\$.05) and breakeven.

“For the year ending September 30, 2001, we expect the momentum in our business to drive our financials in the core business to historical levels,” added Fisher. “We are focusing to make sure it is a year our shareholders have come to expect. Continued growth in our core business, our recently announced acquisition of MessagingDirect and sound cost management processes will help us succeed. Based on that, we are raising our revenue forecast for fiscal 2001 to between \$345 million and \$370 million, an increase of between 13 percent and 22 percent over fiscal 2000. We are leaving our pro forma EPS expectations the same, at between \$.55 and \$.70, which reflects an improvement to our previously forecasted EPS, offset by the expected dilution

of the MessagingDirect acquisition. We continue to believe in our business model, and are committed to making it work for our shareholders.”

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 3,700 product systems in 79 countries on six continents.

TSA will hold a teleconference at 5:00 p.m. eastern daylight time, October 26, 2000, to discuss fourth-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 www.tsainc.com or at <http://confs01.activate.net/teleconferenceregister/genesys>. To access the web cast, enter the conference name (815260), date (10/26/00), and viewer pass code (815260) along with your registration information. The web cast will be archived for seven days after the teleconference at the same web address listed above.

The statements in this press release regarding projected results are preliminary and “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, this press release contains other forward-looking statements including statements regarding the Company's or 3rd parties' expectations, predictions, views, opportunities, plans, beliefs, and statements of similar effect. The forward-looking statements in this press release 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:

That 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.

That the Company'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 the Company's stock price. No assurance can be given that operating results will not vary.

The Company's stock price may be volatile, in part due to external factors such as announcements by 3rd 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, 1999 and in the subsequent quarterly reports on Form 10-Q. The Company's objectives and expectations, predictions, beliefs, plans, and strategies relating to the acquisition of MessagingDirect

are subject to numerous additional factors and risks, including the following: (i) the acquisition is subject to a number of conditions to closing which may not be satisfied, (ii) MessagingDirect is in a highly competitive industry and the Company and MessagingDirect may not be successful against more established competitors, (iii) MessagingDirect is a relatively new company and does not have a significant market presence, revenues, or widespread acceptance of its products, (iv) MessagingDirect's products have not yet been tested by significant and prolonged use in the marketplace, (v) MessagingDirect has not been profitable to date and may not become profitable, (vi) with rapid developments in technology and of competitive products and technologies, MessagingDirect's products may become obsolete before achieving significant revenues and the entire ESP and EBPP markets may not achieve the predicted growth rates, (vii) the Company will incur significant expenses and devote significant management time and other resources in assimilating and integrating MessagingDirect which could have a material adverse effect on the Company's operations and financial results, (viii) MessagingDirect's products, personnel, and operations may be difficult to combine with those of the Company, (ix) issuance of the Company's shares in the acquisition will have a dilutive impact on earnings per share, and amortization and other acquisition-related expenses will have an adverse effect on earnings, and (x) the Company may incur undisclosed liabilities with respect to MessagingDirect.

The strategies and synergies that are the objects of the acquisition depend on numerous factors including acceptance of MessagingDirect's products by the Company's existing customer base and the rapid growth of the ESP and EBPP markets for MessagingDirect's products. There can be no assurance that these factors will materialize, that the Company will implement any aspect of the strategies, or that if implemented the strategies will be successful or the synergies achieved.

FINANCIAL HIGHLIGHTS FOLLOW

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

	<u>September 30,</u> 2000	<u>September 30,</u> 1999
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 25,579	\$ 70,482
Marketable securities	8,106	8,456
Billed receivables, net	63,556	50,619
Accrued receivables	51,659	41,880
Prepaid income taxes	2,710	-
Deferred income taxes	11,208	1,164
Other	<u>13,134</u>	<u>7,215</u>
Total current assets	175,952	179,816
Property and equipment, net	19,614	20,754
Software, net	26,757	25,835
Intangible assets, net	65,254	61,612
Long-term accrued receivables	27,018	26,850
Investments and notes receivable	8,146	3,569
Deferred income taxes	2,958	97
Other	<u>6,632</u>	<u>4,785</u>
Total assets	\$ <u><u>332,331</u></u>	\$ <u><u>323,318</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 18,396	\$ 501
Accounts payable	18,202	8,030
Accrued employee compensation	7,472	7,192
Accrued liabilities	20,003	18,287
Income taxes	-	8,521
Deferred revenue	<u>43,373</u>	<u>43,144</u>
Total current liabilities	107,446	85,675
Long-term debt	532	991
Long-term deferred revenue	<u>13,993</u>	<u>11,483</u>
Total liabilities	<u>121,971</u>	<u>98,149</u>
Stockholders' equity:		
Class A Common Stock	165	163
Additional paid-in capital	170,946	161,630
Retained earnings	85,034	82,922
Treasury stock, at cost	(35,258)	(14,250)
Accumulated other comprehensive income	<u>(10,527)</u>	<u>(5,296)</u>
Total stockholders' equity	<u>210,360</u>	<u>225,169</u>
Total liabilities and stockholders' equity	\$ <u><u>332,331</u></u>	\$ <u><u>323,318</u></u>

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TRANSACTION SYSTEMS ARCHITECTS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited and in thousands, except per share amounts)

	Three Months Ended September 30,		Year Ended September 30,	
	2000	1999	2000	1999
Revenues:				
Software license fees	\$ 48,036	\$ 60,114	\$ 176,295	\$ 210,002
Maintenance fees	17,498	16,328	68,727	63,933
Services	15,900	15,395	57,748	76,857
Hardware, net	723	810	795	4,002
Total revenues	<u>82,157</u>	<u>92,647</u>	<u>303,565</u>	<u>354,794</u>
Expenses:				
Cost of software license fees	12,207	11,926	45,967	44,079
Cost of maintenance and services	18,673	16,025	70,681	72,096
Research and development	10,279	9,165	38,832	34,612
Selling and marketing	20,937	19,300	75,539	70,121
General and administrative costs	16,434	14,741	62,416	58,725
Amortization of goodwill and purchased intangibles	2,418	1,780	8,388	4,901
Total expenses	<u>80,948</u>	<u>72,937</u>	<u>301,823</u>	<u>284,534</u>
Operating income	<u>1,209</u>	<u>19,710</u>	<u>1,742</u>	<u>70,260</u>
Other income (expense):				
Interest income	832	817	3,481	2,947
Interest expense	(599)	(165)	(912)	(401)
Transaction related expenses	-	-	-	(653)
Other	215	(320)	(718)	(283)
Total other	<u>448</u>	<u>332</u>	<u>1,851</u>	<u>1,610</u>
Income before income taxes	1,657	20,042	3,593	71,870
Provision for income taxes	<u>(729)</u>	<u>(7,531)</u>	<u>(1,482)</u>	<u>(27,257)</u>
Net income	<u>\$ 928</u>	<u>\$ 12,511</u>	<u>\$ 2,111</u>	<u>\$ 44,613</u>
Earnings Per Share Data:				
Basic:				
Net income	<u>\$ 0.03</u>	<u>\$ 0.39</u>	<u>\$ 0.07</u>	<u>\$ 1.41</u>
Average shares outstanding	<u>31,610</u>	<u>32,274</u>	<u>31,744</u>	<u>31,667</u>
Diluted:				
Net income	<u>\$ 0.03</u>	<u>\$ 0.38</u>	<u>\$ 0.07</u>	<u>\$ 1.38</u>
Average shares outstanding	<u>31,864</u>	<u>32,811</u>	<u>32,117</u>	<u>32,363</u>

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