

# News Release

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## FOR IMMEDIATE RELEASE

### TRANSACTION SYSTEMS ARCHITECTS REPORTS SECOND QUARTER RESULTS

#### *New CEO'S Vision for Business Transformation Underway*

#### Second Quarter 2000 Summary:

- **New Business Strategy Announced and New Business Units Formed**
- **Core Business Gradually Recovers from Y2K**
- **Total Revenue of \$75.4 million up 12 percent sequentially.**
- **Pro forma EPS (diluted) up sequentially from first quarter 2000, to \$.10.**
- **Backlog of \$194 million compared to \$201 million from second quarter 1999.**
- **Recurring revenue up sequentially from first quarter 2000.**

#### Financial Summary (unaudited)

(in thousands)

	Three Months Ended March 31		
<u>Revenue by Channel</u>	<u>2000</u>	<u>1999</u>	<u>Percent Change</u>
Americas	43,550	52,242	-16.6%
Europe/Middle East/Africa	24,584	25,715	-4.4%
Asia/Pacific	<u>7,255</u>	<u>8,994</u>	<u>-19.3%</u>
TOTAL	75,389	86,951	-13.3%

(Omaha, Neb.—April 25, 2000)—Transaction Systems Architects, Inc. (Nasdaq: TSAI), a leading global provider of enterprise e-payments and e-commerce software, announced today that, while it began a major transformation of its business during the quarter, it experienced a 12 percent sequential increase in revenues for the second quarter of fiscal 2000 over the first quarter fiscal 2000, indicating a gradual recovery in the business from Y2K in its core consumer banking business.

“We have embarked on a new vision for TSA,” said David C. Russell, President and CEO. “We announced this vision at our shareholder meeting in late February, and have now structured the company to help create greater focus and drive higher overall growth, based on significant prospective investment in our newer business units. As our core consumer banking business gradually returns from the Y2K event, we are aggressively seeking to attract capital and partners that can help us achieve a higher level of growth for TSA and its shareholders.

“We noted a gradual rebound in revenues for ACI Worldwide, our consumer banking business, resulting in an overall 12 percent sequential increase in revenues for TSA,” Russell continued. “Our competitive position remains secure, and we added ten new name accounts and a new top 500 bank during the quarter. Electronic payment volumes continue to grow, but many of our customers have already licensed the capacity they needed to get through the holiday season, and we have not yet seen demand for additional capacity. We expect the core business to see renewed growth at a gradual pace, as large financial institutions take an introspective stance toward their electronic payments architectures, and set their strategies designed to address new technologies, global competition and the impact of the Web. Our products and technologies, we believe, are in a strong position to address our customers’ emerging e-payment needs, and we will continue to expand our footprint in the financial services segment.

“We are confident that our new strategy designed to drive growth will pay dividends for our shareholders,” added Russell. “We are already seeing exciting market activity and wins in our new business units. As you can see in the segmented financials in this release, we saw nice revenue growth year over year in several of our new business units without significant investment. With a higher level of investment in all of our new businesses, we believe that we can position each of them to enjoy the same level of success we have had with ACI Worldwide over the years. Our goal is to ensure that we avail ourselves of the capital we need to create market-leading products and technologies in these new market segments, whether from public or private markets, or based on strategic, investment-oriented partnerships. There is a high degree of excitement about this new vision within TSA.”

Earlier this quarter TSA announced six new vertically integrated business units focused on specific markets in which the company has already created market-leading positions, or new high-growth markets targeted by the company. “We restructured the company into six business units, in order to create greater market focus and to create a better structure in which to inject

capital,” said Jeffrey S. Hale, Senior Vice President, Business Development. “Our goal is to create the right investment environment for our newer business units, so they can achieve the growth that we believe their respective markets can support. Several of these units will require significant R&D levels over the next few years, and we expect to leverage various sources of capital to support those needs. One of our initial steps was to announce the formation of Insession Technologies, our ‘e-infrastructure’ unit, and that we expect to file a registration statement with the Securities and Exchange Commission for an initial public offering within the next six months, although the timing of the offering is dependent on market conditions and other factors. We are applying a lot of energy to this new strategy, and believe it is the right way for us to ensure TSA’s market position for the long term.”

Pro forma net income totaled \$3.3 million or \$.10 per diluted share for the quarter ended March 31, 2000, compared to \$10.9 million or \$.34 per diluted share in the second quarter a year ago. The pro forma operating income for the quarter was \$4.8 million, compared to \$17.0 million in the quarter ending March 31, 1999.

Second quarter revenues declined 13.3 percent to \$75.4 million compared to the second quarter a year ago, mainly attributed to lower software license fees and services during the first half of fiscal 2000. Total revenue included \$46.5 million of software license fees, of which \$14.2 million were recurring monthly fees. Non-recurring license fees consisted of \$5.4 million of guaranteed term license fees and \$26.9 million of paid up front license fees.

Net income for the quarter was \$1.6 million, or \$.05 per diluted share, compared to net income of \$10.9 million, or \$.34 per diluted share for the second quarter of fiscal 1999. Operating income was \$2.0 million for the quarter, compared to an operating income of \$17 million for the same quarter last year. Actual results for the quarter include \$2.8 million of software and goodwill amortization resulting from the acquisitions of SDM International, Inc. and Insession, Inc.

The company completed the second quarter of fiscal 2000 with \$194 million in backlog, consisting of \$54 million in non-recurring revenue and \$140 million in recurring revenue. Total backlog decreased \$7.0 million compared to March 31, 1999. The recurring revenue portion of backlog increased \$3.2 million compared to March 31, 1999, and non-recurring backlog decreased by \$10.2 million. 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 provided by operating activities was \$3 million for the second quarter of fiscal year 2000. The combined cash and cash equivalents balance, as of March 31, 2000, was \$40.8 million. "We are finding customers increasingly scrutinizing their IT purchases in our core consumer banking business now that the Year 2000 issue is behind us," said Dwight G. Hanson, Chief Financial Officer. "This was especially evident in our services business which had a sequential decline of 23 percent from the first quarter. In addition, as we shift our business model to put an increased emphasis on new products and new markets which have longer sales and delivery cycles, we expect revenue recognition will get pushed out over longer time periods as compared to revenue recognized for our traditional products. Looking forward to the third fiscal quarter, we expect gradual improvement in our core business, and expect revenue to be \$75 to 80 million for fiscal Q3."

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 does not constitute an offer of any securities for sale.

Any 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 may contain other forward-looking statements including statements regarding the Company's expectations, plans and beliefs. The forwarding-looking statements in this press release are subject to a variety of risks and uncertainties. Actual results could differ materially.

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 the quarterly report on Form 10-Q for the quarter ended December 31, 1999. The decision of the Company to implement any aspect of the strategy outlined above and the feasibility of implementing the strategy is subject to numerous additional factors, including market conditions and perceptions, potential investor demand, personnel, tax, business, general economic conditions, viability of lines of business or businesses as stand alone operations, and other factors that could affect the Company's decisions and ability to separate lines of business or businesses, raise capital for separate lines of business or businesses, and implement other aspects of the Company's strategy. There can be no assurance that the Company will implement any aspect of the strategy or that if implemented the strategy will be successful, or that there will be any public offering of any business unit.

**FINANCIAL HIGHLIGHTS FOLLOW**

**Financial Summary (unaudited)****(in thousands)**

<b>3 Months Ended 3/31/00</b>							
	Consumer Banking	Corporate Banking e-Payments	Electronic Commerce	Internet Banking	Internet Infrastructure	Health Claims Transactions Processing & Mgmt.	Total
Revenue	49,708	8,284	2,984	2,178	11,374	861	75,389
% of Revenue	66%	11%	4%	3%	15%	1%	100%
Operating Income	4,450	(313)	(4,008)	(571)	2,459	(65)	1,952

<b>3 Months Ended 3/31/99</b>							
	Consumer Banking	Corporate Banking e-Payments	Electronic Commerce	Internet Banking	Internet Infrastructure	Health Claims Transactions Processing & Mgmt.	Total
Revenue	61,442	7,262	5,244	2,806	9,164	1,033	86,951
% of Revenue	71%	8%	6%	3%	11%	1%	100%
Operating Income	15,919	(1,375)	(1,040)	639	2,709	145	16,997

<b>YTD 3/31/00</b>							
	Consumer Banking	Corporate Banking e-Payments	Electronic Commerce	Internet Banking	Internet Infrastructure	Health Claims Transactions Processing & Mgmt.	Total
Revenue	90,085	15,925	5,647	6,131	22,973	1,745	142,506
% of Revenue	63%	11%	4%	5%	16%	1%	100%
Operating Income	2,190	(1,680)	(7,106)	324	4,913	(25)	(1,384)

<b>YTD 3/31/99</b>							
	Consumer Banking	Corporate Banking e-Payments	Electronic Commerce	Internet Banking	Internet Infrastructure	Health Claims Transactions Processing & Mgmt.	Total
Revenue	116,543	15,390	11,830	5,176	22,131	1,951	173,021
% of Revenue	67%	9%	7%	3%	13%	1%	100%
Operating Income	27,637	(1,879)	422	888	4,536	359	31,963

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

	March 31, <u>2000</u>	September 30, <u>1999</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 40,801	\$ 70,482
Marketable securities	24,141	8,456
Billed receivables, net	51,943	50,619
Accrued receivables	44,534	41,880
Prepaid income taxes	4,806	-
Deferred income taxes	-	1,164
Other	<u>11,409</u>	<u>7,215</u>
Total current assets	177,634	179,816
Property and equipment, net	19,679	20,754
Software, net	25,969	25,835
Intangible assets, net	57,569	61,612
Long-term accrued receivables	23,614	26,850
Investments and notes receivable	4,650	3,569
Deferred income taxes	2,438	97
Other	<u>6,166</u>	<u>4,785</u>
Total assets	\$ <u><u>317,719</u></u>	\$ <u><u>323,318</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 718	\$ 501
Accounts payable	10,424	8,030
Accrued employee compensation	4,582	7,192
Accrued liabilities	15,295	18,287
Deferred income taxes	3,689	-
Income taxes	-	8,521
Deferred revenue	<u>56,438</u>	<u>54,627</u>
Total current liabilities	91,146	97,158
Long-term debt	<u>851</u>	<u>991</u>
Total liabilities	<u>91,997</u>	<u>98,149</u>
Stockholders' equity:		
Class A Common Stock	164	163
Additional paid-in capital	165,602	161,630
Retained earnings	83,090	82,922
Treasury stock, at cost	(27,593)	(14,250)
Accumulated other comprehensive income	<u>4,459</u>	<u>(5,296)</u>
Total stockholders' equity	<u>225,722</u>	<u>225,169</u>
Total liabilities and stockholders' equity	\$ <u><u>317,719</u></u>	\$ <u><u>323,318</u></u>

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

(unaudited and in thousands, except per share amounts)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2000	1999	2000	1999
<b>Revenues:</b>				
Software license fees	\$ 46,508	\$ 50,552	\$ 81,761	\$ 96,629
Maintenance fees	17,204	15,996	33,889	31,563
Services	11,677	19,309	26,856	42,604
Hardware, net	-	1,094	-	2,225
	<u>75,389</u>	<u>86,951</u>	<u>142,506</u>	<u>173,021</u>
<b>Expenses:</b>				
Cost of software license fees	11,084	9,950	21,909	21,772
Cost of maintenance and services	17,264	18,038	34,056	38,331
Research and development	9,968	8,538	18,428	16,736
Selling and marketing	18,204	17,348	35,765	33,326
General and administrative:				
General and administrative costs	15,159	14,976	29,797	29,345
Amortization of goodwill and purchased intangibles	1,758	1,104	3,935	1,548
	<u>73,437</u>	<u>69,954</u>	<u>143,890</u>	<u>141,058</u>
	<u>1,952</u>	<u>16,997</u>	<u>(1,384)</u>	<u>31,963</u>
<b>Operating income</b>				
<b>Other income (expense):</b>				
Interest income	717	721	1,664	1,424
Interest expense	(72)	(48)	(135)	(159)
Transaction related expenses	-	-	-	(653)
Other	(51)	(29)	132	168
	<u>594</u>	<u>644</u>	<u>1,661</u>	<u>780</u>
	<u>2,546</u>	<u>17,641</u>	<u>277</u>	<u>32,743</u>
Income before income taxes	2,546	17,641	277	32,743
Provision for income taxes	(995)	(6,757)	(109)	(12,489)
	<u>1,551</u>	<u>10,884</u>	<u>168</u>	<u>20,254</u>
<b>Net income</b>				
<b>Earnings Per Share Data:</b>				
<b>Basic:</b>				
Net income	\$ <u>0.05</u>	\$ <u>0.35</u>	\$ <u>0.01</u>	\$ <u>0.65</u>
Average shares outstanding	<u>31,707</u>	<u>31,440</u>	<u>31,873</u>	<u>31,189</u>
<b>Diluted:</b>				
Net income	\$ <u>0.05</u>	\$ <u>0.34</u>	\$ <u>0.01</u>	\$ <u>0.63</u>
Average shares outstanding	<u>32,172</u>	<u>32,265</u>	<u>32,364</u>	<u>31,996</u>