



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 SECOND QUARTER RESULTS

Highlights –

- Pro forma net income up 38 percent over same quarter last year.
- Fifth consecutive quarter with strong operating cash flow; cash balance increased to \$47.3 million.
- Pro forma expenses down 14 percent year over year, 3 percent sequentially.
- Regency Systems, Inc. (Regency) sold to S1 Corporation.

(OMAHA, Neb.—April 30, 2002)— Transaction Systems Architects, Inc. (Nasdaq: TSAI), a leading global provider of enterprise e-payments and e-commerce solutions, announced today that revenue for the second quarter of fiscal 2002 was \$65.7 million. Pro forma earnings per diluted share were \$.08. Operating cash flow for the quarter was \$11.3 million and the ending cash balance was \$47.3 million.

“We had solid results for the quarter, despite continued softness in the IT spending environment,” said Greg Derkacht, president and CEO. “Revenue was up slightly on a sequential basis, even considering the sale of Regency during the quarter. Our operating cash flow was again very strong, and our balance sheet is in good shape. The management team is working hard to drive internal efficiencies and, consequently, our margins have improved. We will continue these efforts to ensure that we gain the leverage inherent in our model once the market picks up.

“One of my key long-term strategies for the business is to leverage TSA’s strong market position to help build our recurring revenue base and subsequent earnings visibility,” added Derkacht.

“With this I would expect that we can, over time, improve operating margins and cash flow to historical rates or even higher. We are well on our way towards this goal, as is evidenced in our

growing cash position, with over \$49 million in positive operating cash flow over the last four quarters.

“The current environment has been difficult on many technology companies,” added Derkacht. “Despite this, we are seeing success in areas such as fraud and money laundering detection, the retail sector and with our corporate banking products. We are confident that we will remain the clear winner in our space, and are working very hard to ensure that position. Key areas of interest in our customer base – multi-channel consolidation, managing e-payments risk, driving higher efficiencies into e-payment systems, enhancing customer interaction and driving overall competitiveness – are all things we are addressing with solutions within the ACI Commerce Framework. Many of these represent secular trends in the financial services and e-payments markets, and will be of primary interest to our customers long after the current spending softness ends. With our customer base, global footprint, highly-differentiated solutions and financial model, we are well-positioned to be the provider of these solutions for many years to come.”

Pro forma net income for the quarter was \$2.8 million, or \$.08 per fully diluted share. Actual net income was \$4.5 million, or \$.13 per fully diluted share. Pro forma results from continuing operations are computed by excluding acquisition-related software amortization of \$2.0 million and the one-time gain of \$4.1 million from the sale of Regency.

The Company completed the second quarter of fiscal 2002 with \$169.7 million in backlog. This was a sequential improvement of \$2.1 million from the first quarter, after subtracting the backlog related to the Regency sale. The current backlog consists of \$46.7 million of non-recurring revenue and \$123.0 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.

“For the third quarter, we expect revenue to be in the range of \$61.0 to \$66.0 million and pro forma EPS of \$.03 to \$.09,” said Dwight Hanson, CFO. “In addition, we expect fourth quarter revenue to be \$62.5 to \$67.5 million and pro forma EPS of \$.08 to \$.13. Our third and fourth quarter guidance reflects our expectations that customer-buying decisions will continue to be either reduced or deferred until such time as the underlying business conditions for these customers improve. To help manage through these uncertain times, we will continue to adjust our cost structure to levels that allow us to maintain and improve profitability and cashflow.”

“The Company has turned the corner in terms of its ability to generate profits and cashflow,” said Derkacht. “Now we will move to the next stage of our strategy, which is to increase our recurring revenue levels, increase our operating margins and position ourselves for sustained long-term growth. TSA has proven that it can generate ongoing recurring revenues, evidenced by the fact that almost half of our revenue in the quarter came from recurring sources. Continued strengthening of our financial metrics will not only allow us to deliver stronger earnings, but give us better flexibility in terms of our strategic business alternatives in the future. We can leverage the inherent earnings power of our core business to enter strategic new markets that can drive us to the next level of corporate growth and shareholder value.”

The Company will provide further details regarding its financial performance for the second quarter of fiscal 2002 in its regularly scheduled earnings call, to be held Tuesday, April 30, 2002 at 4:00 pm CST. Interested persons may access a real-time audio broadcast of the teleconference at: www.tsainc.com/ir/ir.asp. The web cast will be archived for 10 days after the teleconference at the same web address listed above.

About Transaction Systems Architects, Inc.

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 1,800 product systems in 71 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 has announced 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>March 31,</u> <u>2002</u>	<u>September 30,</u> <u>2001</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 47,305	\$ 32,252
Marketable securities	7,191	2,650
Billed receivables, net	49,259	50,277
Accrued receivables	38,560	50,932
Prepaid income taxes	-	1,911
Deferred income taxes	9,362	8,700
Other	10,068	10,990
Total current assets	<u>161,745</u>	<u>157,712</u>
Property and equipment, net	13,560	14,580
Software, net	17,662	27,954
Goodwill, net	49,885	82,327
Long-term accrued receivables	20,287	24,916
Investments and notes receivable	1,227	1,309
Deferred income taxes	17,906	13,627
Other	3,944	5,028
Total assets	<u><u>\$ 286,216</u></u>	<u><u>\$ 327,453</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 543	\$ 12,559
Accounts payable	7,196	13,542
Accrued employee compensation	8,962	9,030
Income taxes payable	926	-
Accrued liabilities	18,804	23,369
Deferred revenue	39,863	35,857
Total current liabilities	<u>76,294</u>	<u>94,357</u>
Long-term debt	1,359	761
Long-term deferred revenue	10,173	12,610
Other	1,008	1,057
Total liabilities	<u>88,834</u>	<u>108,785</u>
Stockholders' equity:		
Class A Common Stock	184	184
Additional paid-in capital	223,244	222,501
Retained earnings	18,063	42,016
Treasury stock, at cost	(35,258)	(35,258)
Accumulated other comprehensive loss	(8,851)	(10,775)
Total stockholders' equity	<u>197,382</u>	<u>218,668</u>
Total liabilities and stockholders' equity	<u><u>\$ 286,216</u></u>	<u><u>\$ 327,453</u></u>

-more-

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

	Three Months Ended March 31,		Six Months Ended March 31,	
	2002	2001	2002	2001
Revenues:				
Software license fees	\$ 35,598	\$ 45,159	\$ 69,919	\$ 87,626
Maintenance fees	19,626	17,420	39,104	33,385
Services	10,449	13,913	21,960	30,117
Total revenues	65,673	76,492	130,983	151,128
Expenses:				
Cost of software license fees	9,150	11,233	20,145	22,824
Cost of maintenance and services	15,772	18,011	31,540	36,722
Research and development	8,918	10,722	17,967	20,791
Selling and marketing	16,484	18,247	33,106	37,942
General and administrative	13,647	16,050	27,284	32,177
Amortization of goodwill	-	3,413	-	5,780
Total expenses	63,971	77,676	130,042	156,236
Operating income (loss)	1,702	(1,184)	941	(5,108)
Other income (expense):				
Interest income, net	729	(33)	1,649	172
Other	4,339	(988)	333	(15,026)
Total other income (expense)	5,068	(1,021)	1,982	(14,854)
Income (loss) before income taxes	6,770	(2,205)	2,923	(19,962)
Income tax benefit (provision)	(2,220)	(1,399)	(1,173)	2,006
Income (loss) from continuing operations before cumulative effect of accounting change	4,550	(3,604)	1,750	(17,956)
Cumulative effect of accounting change	-	-	(25,704)	-
Net income (loss)	\$ 4,550	\$ (3,604)	\$ (23,954)	\$ (17,956)
Earnings per share information:				
Weighted average shares outstanding:				
Basic	35,299	34,556	35,277	33,105
Diluted	35,531	34,556	35,496	33,105
Basic earnings per share:				
Continuing operations	\$ 0.13	\$ (0.10)	\$ 0.05	\$ (0.54)
Cumulative effect of accounting change	-	-	(0.73)	-
Net income (loss)	\$ 0.13	\$ (0.10)	\$ (0.68)	\$ (0.54)
Diluted earnings per share:				
Continuing operations	\$ 0.13	\$ (0.10)	\$ 0.05	\$ (0.54)
Cumulative effect of accounting change	-	-	(0.72)	-
Net income (loss)	\$ 0.13	\$ (0.10)	\$ (0.67)	\$ (0.54)

-more-

TRANSACTION SYSTEMS ARCHITECTS, INC.
Reconciliation of Actual Results to Pro Forma Results
For the Quarterly Period Ended March 31, 2002
(unaudited and in thousands, except per share amounts)

	Three Months Ended March 31, 2002		
	As Reported	Amortization and Other	Pro Forma
Revenues:			
Software license fees	\$ 35,598	\$ -	\$ 35,598
Maintenance fees	19,626	-	19,626
Services	10,449	-	10,449
Total revenues	65,673	-	65,673
Expenses:			
Cost of software license fees	9,150	(2,016)	7,134
Cost of maintenance and services	15,772	-	15,772
Research and development	8,918	-	8,918
Selling and marketing	16,484	-	16,484
General and administrative	13,647	-	13,647
Total expenses	63,971	(2,016)	61,955
Operating income (loss)	1,702	2,016	3,718
Other income (expense):			
Interest income, net	729	-	729
Other	4,339	(4,123)	216
Total other income (expense)	5,068	(4,123)	945
Income (loss) before income taxes	6,770	(2,107)	4,663
Income tax benefit (provision)	(2,220)	385	(1,835)
Income (loss) from continuing operations before cumulative effect of accounting change	4,550	(1,722)	2,828
Cumulative effect of accounting change	-	-	-
Net income (loss)	\$ 4,550	\$ (1,722)	\$ 2,828
Earnings per share information:			
Weighted average shares outstanding:			
Basic	35,299		35,299
Diluted	35,531		35,531
Earnings per share:			
Basic	\$ 0.13		\$ 0.08
Diluted	\$ 0.13		\$ 0.08

-more-

TRANSACTION SYSTEMS ARCHITECTS, INC.
Reconciliation of Actual Results to Pro Forma Results
For the Six Months Ended March 31, 2002
(unaudited and in thousands, except per share amounts)

	Six Months Ended March 31, 2002		
	As Reported	Amortization and Other	Pro Forma
Revenues:			
Software license fees	\$ 69,919	\$ -	\$ 69,919
Maintenance fees	39,104	-	39,104
Services	21,960	-	21,960
Total revenues	130,983	-	130,983
Expenses:			
Cost of software license fees	20,145	(4,469)	15,676
Cost of maintenance and services	31,540	-	31,540
Research and development	17,967	-	17,967
Selling and marketing	33,106	-	33,106
General and administrative	27,284	-	27,284
Total expenses	130,042	(4,469)	125,573
Operating income (loss)	941	4,469	5,410
Other income (expense):			
Interest income, net	1,649	-	1,649
Other	333	(1,223)	(890)
Total other income (expense)	1,982	(1,223)	759
Income (loss) before income taxes	2,923	3,246	6,169
Income tax benefit (provision)	(1,173)	(1,264)	(2,437)
Income (loss) from continuing operations before cumulative effect of accounting change	1,750	1,982	3,732
Cumulative effect of accounting change	(25,704)	25,704	-
Net income (loss)	\$ (23,954)	\$ 27,686	\$ 3,732
Earnings per share information:			
Weighted average shares outstanding:			
Basic	35,277		35,277
Diluted	35,496		35,496
Basic earnings per share:			
Continuing operations	\$ 0.05		\$ 0.11
Cumulative effect of accounting change	(0.73)		-
Net income (loss)	\$ (0.68)		\$ 0.11
Diluted earnings per share:			
Continuing operations	\$ 0.05		\$ 0.11
Cumulative effect of accounting change	(0.72)		-
Net income (loss)	\$ (0.67)		\$ 0.11

-end-