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News Release

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FOR IMMEDIATE RELEASE

TRANSACTION SYSTEMS ARCHITECTS REPORTS FISCAL 2001 THIRD QUARTER FINANCIAL RESULTS

Third Quarter Highlights:

- Revenues and pro forma diluted EPS for the quarter in line with revised company guidance.
- Operating cash flow of \$15 million, cash balance increased to \$28 million.
- Seven new Consumer e-Payment customers added during the quarter.
- Operational restructuring plan and cost reduction initiatives substantially completed during the quarter.
- Forecasting \$72 to \$75 million in revenues for the fourth quarter fiscal 2001, and pro forma diluted EPS of \$.03 to \$.08.

(OMAHA, Neb.—July 31, 2001)—Transaction Systems Architects, Inc. (Nasdaq: TSAI), a leading global provider of enterprise e-payments and e-commerce software, announced today that revenue for the third quarter of fiscal 2001 was \$73.7 million, in line with revised company guidance of \$72 to \$74 million. Pro forma earnings per diluted share were \$.04, at the high end of the company's revised earnings guidance range. Operating cash flow was \$15 million, the best cash flow results since the quarter ending September 1999.

“This was clearly a transition quarter for the company,” said Larry Fendley, interim CEO. “We experienced softness around the world for our enterprise-level e-payments software, consistent with the views expressed by others in the technology sector; consequently our revenue was down seven percent over the year-earlier quarter. We made significant changes in senior management, and announced a major corporate restructuring of the company. We remain confident in the company's market leadership position, but felt that these moves were important if we expect to continue to enjoy that position.

“We will have reduced our cost structure significantly by the end of this fiscal year, and protected our strategic R&D initiatives,” added Fendley. “With our costs under better control, we believe that we are in a much better position to win market share and grow once the overall technology spending environment improves. Market feedback has been positive for several of our strategic initiatives, including our PRISM fraud and money laundering detection product, our new secure document delivery technology and our advanced e-payment authorization platform. We expect to benefit from those investments in the quarters ahead.”

“We generated over \$15 million in operating cash flow, our best cash performance in the past two fiscal years, and our cash balance is now \$28 million,” said Dwight Hanson, CFO. “Current billed receivables are down 19 percent compared to the third quarter of fiscal 2000, and down 20 percent sequentially from the second quarter of fiscal 2001. In addition, we had favorable improvement in our DSO and DBO levels, with our DBO levels at their lowest point in over two years, and well below our goal of 60 days. We began to see some benefit from our restructuring efforts in Q3, with pro forma expenses down two percent year-over-year. This should improve more in Q4 and into next year.”

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 \$6.7 million of software and goodwill amortization from the acquisitions of SDM International, Inc., Insession Inc., Hospital Health Plan Corporation, WorkPoint Systems, Inc. and MessagingDirect, Ltd., and one-time non-recurring charges of \$22 million for the previously announced corporate restructuring.

The Company completed the third quarter of fiscal 2001 with \$186 million in backlog, consisting of \$49 million in non-recurring backlog and \$137 million in recurring backlog. This compares to the backlog of \$187 million at the end of the second quarter of fiscal 2001. Non-recurring backlog is composed of fees specified in software and services contracts that the company expects to recognize in the next 12 months. Recurring backlog includes all monthly license fees, maintenance fees and facilities management fees that the company expects to recognize over the next 12 months. “While our overall backlog was flat, our recurring backlog was up \$3 million sequentially,” said Hanson. “This is an indication of our strong customer retention rate.”

The Company also announced that it expects to commence an offer to its eligible employees and directors to tender their outstanding options granted under three of the company's stock plans in a voluntary stock option exchange program. "Our employees and directors comprise the most important asset of our company," said Fendley. "They enable us to serve our customers and achieve our long-term goals, which enhances shareholder value. The offer is essential so we may continue to attract, retain and reward our employees and directors." The Company expects to commence the offer during the fourth quarter of fiscal 2001.

Following commencement of the offer, the Company will send to eligible employees and directors a copy of the written "Offer to Exchange." They will be urged to read the Offer to Exchange when it becomes available, because it will contain important information. Eligible employees and directors will be able to obtain a free copy of the Schedule Tender Offer ("TO") which, when filed with the SEC, will contain the Offer to Exchange and other important information, as well as other filings containing information about us, at the SEC's Web site (<http://www.sec.gov>). Following commencement of the offer, eligible employees and directors will also be able to obtain, without charge, copies of the Schedule TO and the Company's SEC filings incorporated by reference in the Offer to Exchange directly from the company.

Looking forward to the next quarter, TSA is expecting \$72 to 75 million in revenue, with pro forma diluted EPS of \$.03 to \$.08. "While we remain confident regarding our leadership position in our core markets, we remain cautious with our near term projections," said Hanson. "We have improved our cash position and reduced our expense rate, which positions us to weather continued softness in the market should that occur."

"We continue to win market share, adding seven new consumer e-payment customers in the quarter," said Fendley. "Included were our first three customers for our new secure document and delivery products, and a new top-100 U.S. retailer. We win the majority of competitive situations in our core markets and continue to see good transaction volume growth in areas like debit, e-commerce and mobile commerce. We have a solid pipeline of significant e-payment deals building, both in the consumer e-payment and corporate e-payment markets, and expect to make new product announcements in the coming quarter regarding new initiatives which should

help diversify that pipeline in terms of geographic regions, solutions areas and hardware platforms.”

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

TSA will hold a teleconference at 5:00 p.m. EST, July 31, 2001, to discuss third-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/ir/ir.asp.

To access the web cast, enter the conference name (Transaction Systems Architects, Inc.), viewer pass code (1409654) and the date (07/31/2001) 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 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 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 and (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.

In April 2001 TSA announced the resignation of its chief executive officer and president, the organization of a search committee and the engagement of a professional executive search firm to solicit and assist in the selection of a permanent CEO and president. TSA estimates that the search process will take up to six months to complete. Pending the selection of a permanent CEO, a member of the TSA's board of directors has been appointed to serve as interim CEO. There can be no assurance that a suitable CEO candidate will be readily identified, or identified and appointed within the six month period, or, if identified, that a CEO candidate will be willing or able to accept the terms, conditions or other arrangements relating to the CEO position, including relocating, if necessary, to TSA's headquarters in Omaha, Nebraska. Further, there can be no assurance that the transition from former CEO to interim CEO to permanent CEO will be accomplished in a timeframe or in a manner that will not have a material adverse effect on TSA's financial condition and results of operations.

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)

	<u>June 30,</u> 2001	<u>September 30,</u> 2000
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 28,101	\$ 23,400
Marketable securities	4,114	8,106
Billed receivables, net	48,843	63,556
Accrued receivables	46,919	51,659
Prepaid income taxes	8,079	2,710
Deferred income taxes	21,344	11,208
Other	11,180	13,134
Total current assets	<u>168,580</u>	<u>173,773</u>
Property and equipment, net	15,471	19,614
Software, net	31,382	26,757
Intangible assets, net	86,084	65,254
Long-term accrued receivables	29,174	27,018
Investments and notes receivable	1,309	6,146
Deferred income taxes	3,631	2,958
Other	5,721	8,632
Total assets	<u><u>\$ 341,352</u></u>	<u><u>\$ 330,152</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 16,699	\$ 18,396
Accounts payable	13,045	16,023
Accrued employee compensation	8,542	7,472
Accrued liabilities	24,685	20,003
Deferred revenue	42,747	43,373
Total current liabilities	<u>105,718</u>	<u>105,267</u>
Long-term debt	392	532
Long-term deferred revenue	11,394	13,993
Other	1,083	-
Total liabilities	<u>118,587</u>	<u>119,792</u>
Stockholders' equity:		
Class A Common Stock	183	165
Additional paid-in capital	221,989	170,946
Retained earnings	45,563	85,033
Treasury stock, at cost	(35,258)	(35,258)
Accumulated other comprehensive income	(9,712)	(10,526)
Total stockholders' equity	<u>222,765</u>	<u>210,360</u>
Total liabilities and stockholders' equity	<u><u>\$ 341,352</u></u>	<u><u>\$ 330,152</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 June 30,		Nine Months Ended June 30,	
	2001	2000	2001	2000
Revenues:				
Software license fees	\$ 41,716	\$ 46,498	\$ 129,342	\$ 128,259
Maintenance fees	18,387	17,340	51,772	51,229
Services	13,568	15,064	43,685	41,920
Total revenues	73,671	78,902	224,799	221,408
Expenses:				
Cost of software license fees	10,723	11,851	33,547	33,760
Cost of maintenance and services	20,311	17,952	57,033	52,008
Research and development	10,854	10,125	31,645	28,553
Selling and marketing	20,483	18,837	58,425	54,602
General and administrative	26,513	16,185	58,690	45,982
Amortization of goodwill and purchased intangibles	4,293	2,035	10,073	5,970
Total expenses	93,177	76,985	249,413	220,875
Operating income (loss)	(19,506)	1,917	(24,614)	533
Other income (expense):				
Interest income	1,725	985	3,265	2,649
Interest expense	(349)	(178)	(1,717)	(313)
Other	(914)	(1,065)	(1,629)	(933)
Non-recurring items	(7,406)	-	(21,717)	-
Total other income (expense)	(6,944)	(258)	(21,798)	1,403
Income (loss) before income taxes	(26,450)	1,659	(46,412)	1,936
Income tax benefit (provision)	4,935	(644)	6,941	(753)
Net income (loss)	\$ (21,515)	\$ 1,015	\$ (39,471)	\$ 1,183
Earnings per share information:				
Weighted average shares outstanding:				
Basic	35,086	31,621	33,765	31,789
Diluted	35,086	31,875	33,765	32,201
Earnings per share:				
Basic	\$ (0.61)	\$ 0.03	\$ (1.17)	\$ 0.04
Diluted	\$ (0.61)	\$ 0.03	\$ (1.17)	\$ 0.04

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TRANSACTION SYSTEMS ARCHITECTS, INC.
Reconciliation of Actual Results to Pro Forma Results
For the Quarterly Period Ended June 30, 2001
(unaudited and in thousands, except per share amounts)

	Three Months Ended June 30,			Pro Forma
	As Reported	Amortization	Restructuring and Other Charges	
Revenues:				
Software license fees	\$ 41,716	\$ -	\$ -	\$ 41,716
Maintenance fees	18,387	-	-	18,387
Services	<u>13,568</u>	<u>-</u>	<u>-</u>	<u>13,568</u>
Total revenues	<u>73,671</u>	<u>-</u>	<u>-</u>	<u>73,671</u>
Expenses:				
Cost of software license fees	10,723	(2,452)	(47)	8,224
Cost of maintenance and services	20,311	-	(2,217)	18,094
Research and development	10,854	-	(340)	10,514
Selling and marketing	20,483	-	(245)	20,238
General and administrative	26,513	-	(11,716)	14,797
Amortization of goodwill and purchased intangibles	<u>4,293</u>	<u>(4,293)</u>	<u>-</u>	<u>-</u>
Total expenses	<u>93,177</u>	<u>(6,745)</u>	<u>(14,565)</u>	<u>71,867</u>
Operating income (loss)	<u>(19,506)</u>	<u>6,745</u>	<u>14,565</u>	<u>1,804</u>
Other income (expense):				
Interest income	1,725	-	(155)	1,570
Interest expense	(349)	-	-	(349)
Other	(914)	-	-	(914)
Non-recurring items	<u>(7,406)</u>	<u>-</u>	<u>7,406</u>	<u>-</u>
Total other income (expense)	<u>(6,944)</u>	<u>-</u>	<u>7,251</u>	<u>307</u>
Income (loss) before income taxes	(26,450)	<u>\$ 6,745</u>	<u>\$ 21,816</u>	2,111
Income tax benefit (provision)	<u>4,935</u>			<u>(823)</u> (1)
Net income (loss)	<u>\$ (21,515)</u>			<u>\$ 1,288</u>
Earnings per share information:				
Weighted average shares outstanding:				
Basic	<u>35,086</u>			<u>35,086</u>
Diluted	<u>35,086</u>			<u>35,086</u>
Earnings per share:				
Basic	<u>\$ (0.61)</u>			<u>\$ 0.04</u>
Diluted	<u>\$ (0.61)</u>			<u>\$ 0.04</u>

(1) The above pro forma results of operations were computed using an effective income tax rate of 39 percent.