



TRANSACTION SYSTEMS ARCHITECTS INC  
224 SOUTH 108 AVENUE  
OMAHA, NEBRASKA 68154  
402.334.5101  
FAX 402.390.8077

## News Release

For more information, please contact:  
LeRoy Peterson  
Director, Investor Relations  
(402) 390-7909

### FOR IMMEDIATE RELEASE

## TRANSACTION SYSTEMS ARCHITECTS REPORTS THIRD QUARTER RESULTS

*Momentum Returning to Core Business as Business Transformation Continues*

### Third Quarter 2000 Summary:

- Revenue of \$78.9 million up 5 percent sequentially from Q2
- Core business revenue up 7 percent sequentially from Q2
- Pro forma EPS (diluted) \$.09, actual EPS (diluted) \$.03
- Bank spending gradually increasing for enterprise e-payment solutions
- Business transformation continues with multiple acquisitions and Insession S1 filing
- Forecasting pro forma EPS of \$.10-\$.14 for Q400, and \$.55-\$.70 for FY01

(Omaha, Neb.—July 20, 2000)—Transaction Systems Architects, Inc. (Nasdaq: TSAI), a leading global provider of enterprise e-payments and e-commerce software, announces that its revenue for the third quarter of fiscal 2000 increased 5 percent sequentially over revenues for the second quarter fiscal 2000, indicating a continuation of the gradual recovery in its core consumer banking business.

“We are beginning to see a return in spending in the banking sector, driven in part by continued growth in e-payment transaction volumes,” said William E. Fisher, chairman and CEO. “In Q3, we signed two dozen capacity upgrades with existing customers and we added 11 significant new name customers. We are retaining our already strong position with our core customer base, and we are gaining market share. We also had a nice up tick in our services revenue during the quarter, associated with new customer projects, new product sales and new services engagements with our current customers.

“Our investment in smart card technology, including the acquisition of the Chipper business this quarter, is beginning to pay off,” said Fisher. “We signed nine smart card-related deals this

quarter, including four 'EMV FastStart' deals in Europe and a significant win in the U.S. at Bank of America. Our new 'mobile commerce' initiative is taking hold in Europe, and we have customers engaged in a range of wireless applications, from basic access to their bank accounts to innovative new ways of conducting e-commerce. We are also seeing growing momentum in our e-commerce and Internet banking groups, with each signing significant deals during the quarter. Finally, we are embarking on a strategy to become a leader in the emerging global market for electronic bill presentment and payment, leveraging our leadership position in the online debit world. It is an exciting new initiative, and one we will tell you more about in the coming months."

Pro forma net income totaled \$2.9 million or \$.09 per diluted share for the quarter ended June 30, 2000, compared to \$11.8 million or \$.37 per diluted share in the third quarter a year ago. The pro forma operating income for the quarter was \$5.0 million, compared to \$18.6 million in the quarter ending June 30, 1999.

Total revenue of \$78.9 million included \$46.5 million of software license fees, of which \$14.3 million were recurring monthly fees. Non-recurring license fees consisted of \$11.2 million of guaranteed term license fees and \$21.0 million of paid upfront license fees.

Net income for the quarter was \$1.0 million, or \$.03 per diluted share, compared to net income of \$11.8 million, or \$.36 per diluted share for the third quarter of fiscal 1999. Operating income was \$1.9 million for the quarter, compared to an operating income of \$18.6 million for the same quarter last year. Actual results for the quarter include \$3.1 million of software and goodwill amortization resulting from the acquisitions of SDM International, Inc., Insession, Inc., Hospital Health Plan Corporation and Workpoint Systems, Inc.

The Company completed the third quarter of fiscal 2000 with \$195 million in backlog, consisting of \$56 million in non-recurring revenue and \$139 million in recurring revenue. 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 \$2 million for the third quarter of fiscal year 2000. The company engaged in a number of activities during the quarter in line with its business transformation strategy, including three acquisitions, a minority investment, the filing of a registration statement for Insession Technologies and, during the quarter, the company bought 500,000 shares of its stock based on its previously authorized stock buyback program. The combined cash and cash equivalents balance, as of June 30, 2000, was \$29.5 million.

“We are making good progress on our strategy to focus the company 100 percent on our core consumer payments business,” added Fisher. “We announced the filing of a registration statement for our Insession Technologies unit, and plans are underway to similarly divest our other non-core businesses. We continue to believe that this is the correct strategy for the business, and that it is in the best interests of TSA’s shareholders. Consistent with our belief that momentum is returning to our core business, we expect revenue of \$80-\$85 million and pro forma EPS of \$.10-\$.14 for the fourth quarter of fiscal 2000. For 2001, we expect revenue of \$340 million to \$365 million and a pro forma EPS of \$.55-\$.70. We are excited about the increase in activity in our core markets, and are confident in our ability to leverage our position to win in the emerging world of e-commerce and e-payments.”

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.

The statements in this press release regarding projected revenues and EPS results for the fourth quarter of fiscal 2000 and fiscal year 2001 are preliminary and "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Specifically, these results do not take into consideration the spin-off of Insession Technologies to the Company's stockholders that is currently expected to occur during fiscal 2000. 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. In addition, this press release contains other forward-looking statements including statements regarding the Company's expectations, plans and beliefs. 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 TSA'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 TSA's stock price. No assurance can be given that operating results will not vary.
- TSA's stock price may 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.

For a discussion of risk factors, interested parties should review the Company's filings with the Securities 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 reports on Form 10-Q for the quarters ended December 31, 1999 and March 31, 2000, and the Form 10-Q to be filed for the quarter ended June 30, 2000.

## **FINANCIAL HIGHLIGHTS FOLLOW**

**(Note: See the breakout of business unit revenue on the following page)**

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

	<b>Q3 FY 2000</b>			<b>Q2 FY 2000</b>		
	<u>Revenue</u>	<u>% of Revenue</u>	<u>Operating Income</u>	<u>Revenue</u>	<u>% of Revenue</u>	<u>Operating Income</u>
<b>Core</b>						
ACI	\$47,218	60%	\$3,083	\$47,377	63%	\$3,077
e-commerce	8,256	10%	(1,655)	4,545	6%	(3,790)
Internet Banking	<u>2,311</u>	<u>3%</u>	<u>(691)</u>	<u>2,026</u>	<u>3%</u>	<u>(811)</u>
TOTAL CORE	57,785	73%	737	53,948	72%	(1,523)
<b>Noncore</b>	<u>21,117</u>	<u>27%</u>	<u>1,179</u>	<u>21,440</u>	<u>28%</u>	<u>3,475</u>
TOTAL	<u>\$78,902</u>	<u>100.00%</u>	<u>1,917</u>	<u>\$75,389</u>	<u>100.00%</u>	<u>\$1,952</u>

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

	June 30, 2000	September 30, 1999
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 29,501	\$ 70,482
Marketable securities	12,038	8,456
Billed receivables, net	60,108	50,619
Accrued receivables	49,539	41,880
Prepaid income taxes	9,599	-
Deferred income taxes	1,419	1,164
Other	12,128	7,215
Total current assets	174,332	179,816
Property and equipment, net	20,252	20,754
Software, net	25,689	25,835
Intangible assets, net	67,425	61,612
Long-term accrued receivables	21,215	26,850
Investments and notes receivable	7,791	3,569
Deferred income taxes	2,469	97
Other	5,875	4,785
Total assets	\$ 325,048	\$ 323,318
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 10,539	\$ 501
Accounts payable	16,464	8,030
Accrued employee compensation	5,593	7,192
Accrued liabilities	17,599	18,287
Income taxes	-	8,521
Deferred revenue	58,211	54,627
Total current liabilities	108,406	97,158
Long-term debt	815	991
Total liabilities	109,221	98,149
Stockholders' equity:		
Class A Common Stock	165	163
Additional paid-in capital	170,466	161,630
Retained earnings	84,105	82,922
Treasury stock, at cost	(35,258)	(14,250)
Accumulated other comprehensive income	(3,651)	(5,296)
Total stockholders' equity	215,827	225,169
Total liabilities and stockholders' equity	\$ 325,048	\$ 323,318

-more-

**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,	
	2000	1999	2000	1999
Revenues:				
Software license fees	\$ 46,498	\$ 53,259	\$ 128,259	\$ 149,888
Maintenance fees	17,340	16,042	51,229	47,605
Services	14,992	18,858	41,848	61,462
Hardware, net	72	967	72	3,192
Total revenues	78,902	89,126	221,408	262,147
Expenses:				
Cost of software license fees	11,851	10,381	33,760	32,153
Cost of maintenance and services	17,952	17,740	52,008	56,071
Research and development	10,125	8,711	28,553	25,447
Selling and marketing	18,837	17,495	54,602	50,821
General and administrative:				
General and administrative costs	16,185	14,639	45,982	43,984
Amortization of goodwill and purchased intangibles	2,035	1,572	5,970	3,121
Total expenses	76,985	70,538	220,875	211,597
Operating income	1,917	18,588	533	50,550
Other income (expense):				
Interest income	985	706	2,649	2,130
Interest expense	(178)	(77)	(313)	(236)
Transaction related expenses	-	-	-	(653)
Other	(1,065)	(131)	(933)	37
Total other	(258)	498	1,403	1,278
Income before income taxes	1,659	19,086	1,936	51,828
Provision for income taxes	(644)	(7,237)	(753)	(19,726)
Net income	\$ 1,015	\$ 11,849	\$ 1,183	\$ 32,102
Earnings Per Share Data:				
Basic:				
Net income	\$ 0.03	\$ 0.37	\$ 0.04	\$ 1.02
Average shares outstanding	31,621	32,016	31,789	31,465
Diluted:				
Net income	\$ 0.03	\$ 0.36	\$ 0.04	\$ 1.00
Average shares outstanding	31,875	32,650	32,201	32,214

-end-