

Transaction Systems Architects Reports

Fourth Quarter and Year End Results

(Omaha, Neb.--October 31, 1996) --Transaction Systems Architects, Inc. (Nasdaq:TSAI), a leading supplier of software for electronic payments and electronic commerce, reported revenues of \$45.6 million for the fourth quarter of fiscal 1996 ending September 30, 1996, an increase of 33.2 percent over the same quarter last year.

Operating income on a pro forma basis (excluding acquisition-related charges) was \$7.3 million for the quarter, an increase of 56.3 percent over the same quarter last year. Operating income (including acquisition-related charges) was \$6.4 million for the quarter compared to an operating income of \$3.8 million in the same quarter last year.

Net income on a pro forma basis (excluding acquisition-related charges) in the fourth quarter was \$4.4 million, \$.16 per share (fully diluted), an increase of 42.8 percent as compared to fourth quarter 1995. The company reported net income (including acquisition related charges) of \$3.4 million, \$.13 per share (fully diluted), for the current quarter compared to \$2.7 million, \$.11 per share (fully diluted) in the fourth quarter 1995.

For the fiscal year ended September 30, 1996, revenues were \$159.8 million, an increase of 34.9 percent over the previous fiscal year. Operating income on a pro forma basis (excluding acquisition-related charges) was \$24 million, an increase of 54.7 percent over the prior year. Operating income (including acquisition-related charges) was \$20.7 million compared to operating income of \$9.1 million for last year.

Net income on a pro forma basis (excluding acquisition-related charges) for fiscal year 1996 was \$15.5 million, \$.58 per share (fully diluted) an increase of 52.3 percent. Net income (including acquisition-related charges) for fiscal year 1996 was \$12.6 million, \$.47 per share (fully diluted) compared with net income (including acquisition-related charges) of \$3.6 million, \$.15 per share for fiscal year 1995.

The acquisition-related charges excluded from the pro forma calculations were incurred in the company's leveraged buy-out (LBO) of Applied Communications, Inc. in December 1993 and U.S. Software, Inc. in January 1994 and include amortization expense on intangible assets, interest expense on LBO indebtedness, and a one-time extraordinary charge for the early retirement of the balance of the LBO debt.

The total of these charges to operations was \$837 thousand in the current quarter compared to \$841 thousand in the same quarter last year. Of the total \$51.0 million originally assigned to intangible assets in the LBO purchase price allocation, approximately \$2.2 million remains to be amortized.

Cash flow from operating activities was \$11.6 million for the quarter and \$17.7 million for the year. The company's cash balance at the end of September 1996 was \$31.5 million.

The company finished the quarter with \$105 million in backlog consisting of \$34 million in non-recurring revenues and \$71 million in recurring revenues. 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.

On September 13, 1996 the company completed the acquisition of Grapevine Systems, Inc. pursuant to a plan of share exchange. The Company acquired all of the issued and outstanding shares of Grapevine in exchange for 380,441 shares of the Company's Class A Common Stock. The share exchange was accounted for as a pooling of interests. Accordingly, the company's financial statements have been restated to include the results of Grapevine for all periods presented.

"For fiscal 1996, the company continued to benefit from the strong demand for products and services from our worldwide customer base," said William E. Fisher chairman, chief executive officer and president of Transaction Systems Architects. "As the shift from paper to pulse continues in the payment arena, systems will become more complex, which fits well with our electronic payments software solutions."

Transaction Systems Architects, Inc. is the parent company of Applied Communications, Inc., U.S. Software, Inc. and Grapevine Systems, Inc. The company's software facilitates electronic commerce by providing consumers and companies access to their money. Its products are used to process transactions involving credit cards, debit cards, smart cards, home banking services, checks, wire transfers as well as automated clearing and settlement. Transaction Systems' solutions are used on more than 1,000 systems in 65 countries on six continents.