

TRANSACTION SYSTEMS ARCHITECTS REPORTS

RECORD FOURTH QUARTER AND YEAR END RESULTS

(Omaha, Neb., October 30, 1997)--Transaction Systems Architects, Inc. (Nasdaq: TSAI), a leading supplier of application software for electronic payments and electronic commerce, reported record earnings of \$.24 per share on revenue of \$57.0 million for the fourth quarter of fiscal 1997 ending September 30, 1997.

Operating income was \$10.3 million for the quarter compared to an operating income of \$7.3 million for the same quarter last year, an increase of 40 percent. Operating income for the fourth quarter of 1996 included acquisition related charges from the company's 1993 leveraged buyout totaling \$800 thousand. Without these charges, operating income on a pro forma basis was \$8.2 million for the fourth quarter of 1996. Compared to 1996 pro forma operating income, the current quarter increase over last year was 26 percent.

The company reported net income of \$6.9 million, \$.24 per share, for the fourth quarter as compared to \$4.0 million, \$.14 per share in the fourth quarter 1996. Compared to net income and earnings per share for fourth quarter 1996, the current quarter increase was 75 percent and 71 percent respectively. Net income and earnings per share on a pro forma basis for the fourth quarter of 1996 was \$5.0 million, \$.17 per share. Compared to pro forma net income and earnings per share in 1996, the current quarter increase was 39 percent and 41 percent respectively.

For the fiscal year ended September 30, 1997, revenues were \$215.5 million, an increase of 30 percent over the previous fiscal year. Operating income was \$36.7 million for the fiscal year as compared to \$23.3 for fiscal year 1996 an increase of 58 percent. Operating income for the fiscal year 1997 included acquisition-related charges from the company's leveraged buyout totaling \$800 thousand. Without these charges, operating income on a pro forma basis was \$37.5 million for the fiscal year 1997. Operating income for fiscal year 1996 included acquisition-related charges from the company's 1993 leveraged buyout totaling \$3.3 million. Without these charges, operating income on a pro forma basis was \$26.6 million for fiscal year 1996. On a comparable pro forma basis, operating income increased 41 percent compared to last year.

Net income for fiscal year 1997 was \$23.1 million, \$.80 per share, as compared to \$14.2 million, \$.50 per share for the same period last year. On a pro forma basis, net income and earnings per share for fiscal year 1997 was \$23.8 million. \$.83 per share. compared to pro forma net income and

earnings per share for 1996 of \$17.2 million, \$.60 per share. Compared to pro forma net income and earnings per share, the 1997 fiscal year increase was 39 percent and 38 percent respectively.

The company completed the quarter with \$141.4 million in backlog consisting of \$46.9 million in non-recurring revenue and \$94.5 million in recurring revenue. Backlog increased \$36 million, a 35 percent increase compared to September 30, 1996. 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 flow from operating activities was \$9.7 million for the fourth quarter of fiscal year 1997. Year-to-date cash flow from operating activities totals \$30.6 million. The cash balance at the end of September 1997 was \$46.6 million.

"In fiscal year 1997, TSA continued its leadership role as the software company of choice for electronic payments and authorization," said William E. Fisher, Chairman, Chief Executive Officer and President of Transaction Systems Architects. "Now in 69 countries, TSA's 1,600 professionals generated 38 percent earnings growth and 30 percent revenue growth over last year. We've positioned ourselves for fiscal year 1998 by growing total backlog 35 percent and increasing our recurring revenue portion of backlog by 33 percent. New product R&D, alliances and geographic expansion remain cornerstones of TSA strategy for the new year."

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, home banking services, checks, wire transfers as well as automated clearing and settlement. Transaction Systems' solutions are used on more than 2,700 product systems in 69 countries on six continents.

FINANCIAL HIGHLIGHTS FOLLOW

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

Three Months
Ended September

Year Ended
September 30.

	<u>30.</u>			
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
Revenues:				
Software license fees	\$ 32,379	\$ 24,479	\$ 121,883	\$ 84,521
Maintenance fees	10,815	9,847	41,846	35,889
Services	12,641	12,142	48,386	41,569
Hardware, net	<u>1,133</u>	<u>1,109</u>	<u>3,351</u>	<u>4,388</u>
Total revenues	<u>56,968</u>	<u>47,577</u>	<u>215,466</u>	<u>166,367</u>
Expenses:				
Cost of software license fees:				
Software costs	6,569	5,306	24,982	19,530
Amortization of purchased software	-	787	801	3,143
Cost of maintenance and services	13,023	12,249	51,078	41,730
Research and development	4,692	3,886	18,013	14,853
Selling and marketing	13,131	10,107	48,098	35,299
General and administrative:				
General and administrative costs	8,936	7,699	34,818	27,894
Amortization of goodwill and purchased intangibles	<u>344</u>	<u>204</u>	<u>1,008</u>	<u>656</u>
Total expenses	<u>46,695</u>	<u>40,238</u>	<u>178,798</u>	<u>143,105</u>
Operating income	<u>10,273</u>	<u>7,339</u>	<u>36,668</u>	<u>23,262</u>
Other income (expense):				
Interest income	570	343	2,067	1,930
Interest expense	(42)	(54)	(178)	(233)
Other	<u>(84)</u>	<u>(445)</u>	<u>(666)</u>	<u>(625)</u>
Total other	<u>444</u>	<u>(156)</u>	<u>1,223</u>	<u>1,072</u>
Income before income	10,717	7,183	37,891	24,334

taxes				
Provision for income taxes	<u>(3,786)</u>	<u>(2,915)</u>	<u>(14,325)</u>	<u>(9,296)</u>
Net income	\$ <u>6,931</u>	\$ <u>4,268</u>	\$ <u>23,566</u>	\$ <u>15,038</u>
Pro forma information:				
Net income	\$ <u>6,931</u>	\$ <u>3,959</u>	\$ <u>23,059</u>	\$ <u>14,184</u>
Net income per common and equivalent share	\$ <u>0.24</u>	\$ <u>0.14</u>	\$ <u>0.80</u>	\$ <u>0.50</u>
Weighted average shares outstanding	<u>28,960</u>	<u>28,565</u>	<u>28,747</u>	<u>28,631</u>

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

<u>September</u>	<u>September</u>
<u>30</u>	<u>30</u>
<u>1997</u>	<u>1996</u>

ASSETS

Current assets:			
Cash and cash equivalents	\$	46,600	\$ 32,751
Billed receivables, net		39,864	30,598
Accrued receivables		25,063	19,284
Deferred income taxes		4,594	4,348
Other		<u>1,966</u>	<u>1,443</u>
Total current assets		118,087	88,424
Property and equipment, net		16,263	13,340

Software, net	6,105	5,424
Intangible assets, net	9,539	7,236
Installment receivables	2,394	1,593
Investment and notes receivable	7,969	8,105
Other	<u>4,877</u>	<u>1,775</u>
Total assets	\$ <u>165,234</u>	\$ <u>125,897</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Current portion of long-term debt	\$ 768	\$ 1,147
Current portion of capital lease obligations	524	342
Accounts payable	7,896	8,629
Accrued employee compensation	5,559	5,210
Accrued liabilities	9,048	7,732
Income taxes	6,230	4,466
Deferred revenue	<u>28,792</u>	<u>20,507</u>
Total current liabilities	58,817	48,033

Long-term debt	1,465	1,431
Capital lease obligations	<u>914</u>	<u>256</u>
Total liabilities	<u>61,196</u>	<u>49,720</u>

Stockholders' equity:

Class A Common Stock	129	127
Class B Common Stock	11	11
Additional paid-in capital	103,708	95,909
Accumulated translation adjustments	(260)	(236)
Accumulated deficit	462	(19,622)
Treasury stock, at cost	<u>(12)</u>	<u>(12)</u>
Total stockholders' equity	<u>104,038</u>	<u>76,177</u>

Total liabilities and stockholders' equity	\$	<u>165,234</u>	\$	<u>125,897</u>
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