

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:
William J. Hoelting
Vice President, Investor Relations
(402) 390-8990

FOR IMMEDIATE RELEASE

THURSDAY, OCTOBER 28, 1999

TRANSACTION SYSTEMS ARCHITECTS REPORTS RECORD DILUTED EPS OF \$.38 FOR THE FOURTH QUARTER AND RECORD FISCAL YEAR END RESULTS

Fourth Quarter 1999 Summary:

- **EPS (diluted) up 31 percent to \$.38 compared to pro forma fourth quarter 1998.**
- **Operating Margin of 21.3 percent compared to 17.2 percent for fourth quarter 1998.**
- **Backlog of \$203.8 million compared to \$185.2 million at the end of fourth quarter 1998.**
- **Cash flow from operations of \$14.0 million compared to \$11.7 million for fourth quarter 1998 with an ending cash balance of \$70 million.**
- **The Company announced a stock buy-back program in May and repurchased 475,000 shares under the program during the quarter.**

Financial Summary (unaudited)

(In thousands)

<u>Revenue by Channel</u>	<u>Three Months Ended September 30</u>			<u>Fiscal Year Ended September 30</u>		
	<u>1999</u>	<u>1998</u>	<u>Percent Change</u>	<u>1999</u>	<u>1998</u>	<u>Percent Change</u>
Americas	54,374	47,389	15%	210,306	174,071	21%
Europe/Middle East/ Africa	30,582	27,468	11%	113,096	96,979	16%
Asia Pacific	<u>7,691</u>	<u>6,564</u>	17%	<u>31,392</u>	<u>28,199</u>	11%
TOTAL	92,647	81,421		354,794	299,249	

(Omaha, Neb.)--Transaction Systems Architects, Inc. (Nasdaq:TSAI), a leading global provider of enterprise electronic payments software reported record earnings of \$.38 per share (diluted) on record revenues of \$92.6 million for the fourth quarter of fiscal year 1999, an increase of 31 percent and 14 percent, respectively, over the same quarter last year. For the fourth quarter of 1999, software license fees of \$60.1 million increased 33 percent over the fourth quarter of fiscal

year 1998. Of the \$60.1 million of software license fees, \$14.4 million were monthly license fees, other license fees consisted of \$23.0 million of guaranteed term fees and \$22.7 million of paid up front license fees.

Operating income was \$19.7 million for the quarter compared to operating income of \$14.0 million for the same quarter last year, an increase of 41 percent. The Company reported net income of \$12.5 million, \$.38 per share (diluted), for the current quarter as compared to \$6.8 million, \$.22 per share (diluted) in the fourth quarter 1998. Net income and earnings per share for the fourth quarter fiscal year 1999 increased 83 percent and 73 percent, respectively. Net income for fourth quarter of fiscal year 1998 included non-recurring transaction expenses of \$2.5 million related to the acquisitions of IntraNet, Inc., Smart Card Integrations Limited (SCIL), and Professional Resources, Inc (PRI). Excluding these acquisition charges net income and earnings per share for the fourth quarter 1998 would be \$9.2 million, \$.29 per share (diluted). Net income and earnings per share for the fourth quarter fiscal year 1999 as compared with the pro-forma fourth quarter fiscal year 1998 increased 36 percent and 31 percent, respectively.

For the fiscal year ended September 30, 1999, revenues were \$354.8 million, compared to \$299.2 million for fiscal year 1998, an increase of 19 percent. Operating income was \$70.3 million for the fiscal year as compared to \$51.5 million for fiscal year 1998, an increase of 36 percent.

Pro forma net income for fiscal year 1999 was \$45 million, \$1.39 per share (diluted) compared to \$33.8 million, \$1.08 per share (diluted) for the same period last year. Compared to pro forma net income and earnings per share for fiscal year 1998, the increase was 33 percent and 29 percent, respectively. Pro forma net income for fiscal year 1999 excluded \$653 thousand of acquisition-related charges from the company's purchase of Media Integration BV (MINT) in the first fiscal quarter of 1999. Pro forma net income for fiscal year 1998 excluded the aforementioned transaction related expenses of \$2.5 million from the Company's acquisitions of IntraNet, Inc., Smart Card Integrations Limited (SCIL), and Professional Resources, Inc. (PRI). With these charges, net income and earnings per share for fiscal year 1999 was \$44.6 million, \$1.38 per

share compared to \$31.4 million, \$1.01 per share (diluted) for fiscal year 1998, an increase of 42 percent and 37 percent, respectively.

The company completed the quarter with \$203.8 million in backlog consisting of \$65.1 million in non-recurring revenue and \$138.7 million in recurring revenue. Total backlog increased \$18.6 million, a 10 percent increase compared to September 30, 1998. The recurring revenue portion of backlog increased \$19.3 million, a 16 percent increase compared to September 30, 1998. Non-recurring license fees backlog grew \$700 thousand, a 2.3 percent increase, while non-recurring services backlog declined by \$1.4 million as compared to September 30, 1998. 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 \$14.0 million for the fourth quarter of fiscal year 1999. Year-to-date cash flow from operating activities totaled \$38.6 million. The combined cash and cash equivalents balance, as of September 30, 1999 was \$70.5 million.

“We are pleased to report our fourth quarter results with record highs in revenue, operating margin and net income,” said William E. Fisher, chairman, chief executive officer and president of Transaction Systems Architects. “Fiscal year 1999 was a tough year for many software companies. Our business model, based on a global customer base with high retention rates and software license fees growing due to the growth of electronic payments, sustained us through fiscal year 1999 with solid results. We are cautiously optimistic for fiscal year 2000 with projected revenue of \$390 million to \$410 million. Our projected revenue is based on a pipeline of business and contracted but not yet recognized backlog for fiscal year 2000. Based on our revenue projections, our estimates for earnings per share on a diluted basis are \$1.65 to \$1.75 for fiscal year 2000.”

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.

This release contains forward-looking statements based on current expectations that involves a number of risks and uncertainties. The potential risks that could affect TSA's financial results are included in its SEC reports, including its Form 10-K (Exhibit 99.01) for the fiscal year ended September 30, 1998.

FINANCIAL HIGHLIGHTS FOLLOW

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

	<u>September 30,</u> 1999	<u>September 30,</u> 1998
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 70,482	\$ 63,648
Marketable securities	8,456	2,188
Billed receivables, net	50,619	58,080
Accrued receivables	41,880	33,000
Deferred income taxes	7,468	4,921
Other	<u>7,215</u>	<u>3,585</u>
Total current assets	186,120	165,422
Property and equipment, net	20,754	21,001
Software, net	25,835	7,172
Intangible assets, net	61,612	9,385
Installment receivables	26,850	2,056
Investments and notes receivable	3,569	16,754
Other	<u>4,785</u>	<u>4,517</u>
Total assets	<u>\$ 329,525</u>	<u>\$ 226,307</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 501	\$ 1,078
Accounts payable	8,030	13,720
Accrued employee compensation	7,192	8,426
Accrued liabilities	18,287	14,826
Income taxes	8,521	4,784
Deferred revenue	<u>54,627</u>	<u>35,594</u>
Total current liabilities	97,158	78,428
Long-term debt	991	2,002
Deferred income taxes	<u>6,207</u>	<u>-</u>
Total liabilities	<u>104,356</u>	<u>80,430</u>
Stockholders' equity:		
Class A Common Stock	163	150
Class B Common Stock	-	6
Additional paid-in capital	161,630	112,400
Retained earnings	82,922	38,220
Accumulated translation adjustments	(2,253)	(2,075)
Unrealized investment holding loss	(3,043)	(2,812)
Treasury stock, at cost	<u>(14,250)</u>	<u>(12)</u>
Total stockholders' equity	<u>225,169</u>	<u>145,877</u>
Total liabilities and stockholders' equity	<u>\$ 329,525</u>	<u>\$ 226,307</u>

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

	<u>Three Months Ended September 30,</u>		<u>Year Ended September 30,</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Revenues:				
Software license fees	\$ 60,114	\$ 45,305	\$ 210,002	\$ 166,875
Maintenance fees	16,328	15,078	63,933	57,077
Services	15,395	20,154	76,857	70,688
Hardware, net	<u>810</u>	<u>883</u>	<u>4,002</u>	<u>4,609</u>
Total revenues	<u>92,647</u>	<u>81,420</u>	<u>354,794</u>	<u>299,249</u>
Expenses:				
Cost of software license fees	11,926	9,776	44,079	36,294
Cost of maintenance and services	16,025	19,306	72,096	69,886
Research and development	9,165	7,051	34,612	26,260
Selling and marketing	19,300	16,917	70,121	62,013
General and administrative:				
General and administrative costs	14,741	14,043	58,725	51,873
Amortization of goodwill and purchased intangibles	<u>1,780</u>	<u>359</u>	<u>4,901</u>	<u>1,435</u>
Total expenses	<u>72,937</u>	<u>67,452</u>	<u>284,534</u>	<u>247,761</u>
Operating income	<u>19,710</u>	<u>13,968</u>	<u>70,260</u>	<u>51,488</u>
Other income (expense):				
Interest income	817	894	2,947	3,204
Interest expense	(165)	(98)	(401)	(242)
Transaction related expenses	-	(2,512)	(653)	(2,512)
Other	<u>(320)</u>	<u>63</u>	<u>(283)</u>	<u>(203)</u>
Total other	<u>332</u>	<u>(1,653)</u>	<u>1,610</u>	<u>247</u>
Income before income taxes	20,042	12,315	71,870	51,735
Provision for income taxes	<u>(7,531)</u>	<u>(5,467)</u>	<u>(27,257)</u>	<u>(20,303)</u>
Net income	<u>\$ 12,511</u>	<u>\$ 6,848</u>	<u>\$ 44,613</u>	<u>\$ 31,432</u>
Earnings Per Share Data:				
Basic:				
Net income	<u>\$ 0.39</u>	<u>\$ 0.22</u>	<u>\$ 1.41</u>	<u>\$ 1.04</u>
Average shares outstanding	<u>32,274</u>	<u>30,666</u>	<u>31,667</u>	<u>30,298</u>
Diluted:				
Net income	<u>\$ 0.38</u>	<u>\$ 0.22</u>	<u>\$ 1.38</u>	<u>\$ 1.01</u>
Average shares outstanding	<u>32,811</u>	<u>31,449</u>	<u>32,363</u>	<u>31,193</u>