

ACI Worldwide Inc. (ACIW, Buy, \$40.00 PT)

Initiating at Buy with \$40 PT; Overlooked Payment Software Stock Poised to Bounce as Deals Delayed by Mergers Likely to Drive Upside

WHAT YOU SHOULD KNOW: We are initiating coverage of ACI Worldwide, Inc. (ACIW) with a Buy recommendation and a price target of \$40 based on a sum-of-the-parts (SOTP) analysis in which we have separately valued the parts of the company that generate revenue through two different deployment models: On Premise and On Demand. ACIW is an overlooked and underfollowed electronic payment software stock, and we believe the source of recent weakness in its share price – delays in deals with payment giants involved in the recent spate of mergers – is likely to be favorably resolved, helping the stock to regain its lost momentum.

- **ACIW is an attractive mid-cap company anchored by its core On Premise payments software segment, which features a sticky customer base (five-year, fixed contracts with low attrition and 75% recurring revenue in 2Q19) and high adjusted EBITDA margins (46% in 2Q19), resulting in a predictable revenue stream and generation of ample free cash flow.** On Premise appears recession-resistant as its contracts are based on capacity rather than transaction volume and the payment processes it facilitates are “mission critical” for the banks and financial intermediaries it serves. ACIW is beginning to gain traction with its new Real-Time Payments Solution (RTPS), which has been posting mid-teens revenue growth and is well positioned to benefit from global transaction volume.
- **ACIW’s growth prospects have been boosted by its more recently launched On Demand segment, which features a cloud-based platform and software as a service (SaaS) subscription model.** The company’s acquisition in May of the Speedpay electronic bill pay business from Western Union (WU, Buy, \$23 PT) has provided it with much-needed scale to trigger operating leverage and drive adjusted EBITDA margin expansion.
- **ACIW’s recent share price weakness appears driven by investors’ misinterpretation of the impact of delays in the execution of deals reached with firms involved in recent payment company megamergers as softness in demand for the company’s On Premise business.** In particular, we believe the newly merged payment giants will look to ACIW to provide capabilities to help them to counter Adyen (ADYEN.AS, Not Rated) in the merchant payments space in Europe, which could result in the deals being expanded. This has positioned ACIW to potentially deliver an upside surprise when it reports 3Q19 results at the end of October, in our view, as the upside from those deals has not been included in management’s financial guidance.
- **Valuation:** Our price target of \$40 for ACIW is based on a sum-of-the-parts (SOTP) analysis in which we have separately valued the parts of the company that generate revenue through two different deployment models: On Premise and On Demand.



September 11, 2019

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COMPANY DATA	
Closing Price:	\$30.78
Price Target:	\$40.00
Market Cap (\$M):	3,656.23
Shares Out (M):	118.8
Avg Daily Vol - 3 Months (M):	0.53
Dividend/Yield:	\$0.00/0.0%

REVISIONS		
	Previous	Current
Rating	-	Buy
Price Target	-	\$40.00
FY19E EPS	-	\$1.64
FY20E EPS	-	\$2.02
FY19E Rev. (M)	-	\$1,321.28

Diluted EPS (Adjusted)			
FY Dec	2018A	2019E	2020E
Q1	(0.03)	(0.06)	0.05
Q2	0.02	0.20	0.24
Q3	0.26	0.39	0.50
Q4	0.83	1.12	1.24
Calendar EPS	1.10	1.64	2.02
Calendar P/E	28.0x	18.7x	15.2x

REVENUE (\$M)			
FY Dec	2018A	2019E	2020E
Q1	209.31	205.86	326.10
Q2	235.00	297.62	355.61
Q3	245.53	345.87	373.20
Q4	319.95	471.93	500.57
FY	1,009.78	1,321.28	1,555.47

Source: IDC, BTIG Estimates and Company Documents
(\$ in millions, except per share amount)

Investment Thesis

ACIW is an overlooked and underfollowed electronic payment software stock, and we believe the source of recent weakness in its share price – delays in deals with payment giants involved in the recent spate of mergers – is likely to be favorably resolved, helping the stock to regain its lost momentum. The company's core On Premise payments software segment, features a sticky customer base and is a predictable free cash flow generator. ACIW's growth prospects have been boosted by its On Demand segment's cloud-based platform and software as a service (SaaS) subscription model.

Upcoming Catalysts

- Release of 3Q19 report during which ACIW could upwardly revise financial guidance to reflect impact of deals with payment giants that had been delayed given the mergers within the space.
- ACIW will host its 2019 Investor Day on November 19.

Base Case Assumptions

- Our price target of \$40 is based on a sum-of-the-parts (SOTP) analysis in which we have separately valued the parts of the company that generate revenue through two different deployment models: On Premise and On Demand.
- ACIW achieves management's FY19 guidance for revenue in a range of \$1.315bn to \$1.345bn and for adjusted EBITDA in a range of \$360mm to \$380mm. They also achieve FY20 adjusted EBITDA guidance in a range of \$425mm to \$445mm.

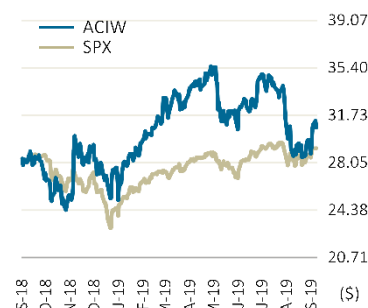
Upside Scenario

- ACIW in conjunction with its 3Q19 report raises its FY19 and FY20 financial guidance to reflect the benefits from deals with large payment companies that had been delayed by mergers.
- The benefits of the company's acquisition of Speedpay and combination with its existing bill pay business are greater than expected. The stock trades up to \$44.

Downside Scenario

- A downturn in the financial services space results in reduced demand for ACIW's solutions, with the impact exacerbated by increased competition among payment software companies.
- The upside from ACIW's acquisition of Speedpay proves disappointing as the company struggles to gain additional traction in the U.S. bill pay space. The stock trades down to \$25.

Price Performance



Source: IDC

Company Description

ACI Worldwide, Inc. (Nasdaq: ACIW) offers a broad suite of electronic payment software solutions marketed under the brand name Universal Payments (UP) that are used by banks, financial intermediaries, merchants and corporates. ACIW facilitates \$14+ tn in payments and securities transactions each day as well as 200+ bn consumer transactions each year. The company, which has more than 40 years of experience in the payments space, powers electronic payments and banking for more than 5,100 organizations in 80+ countries.

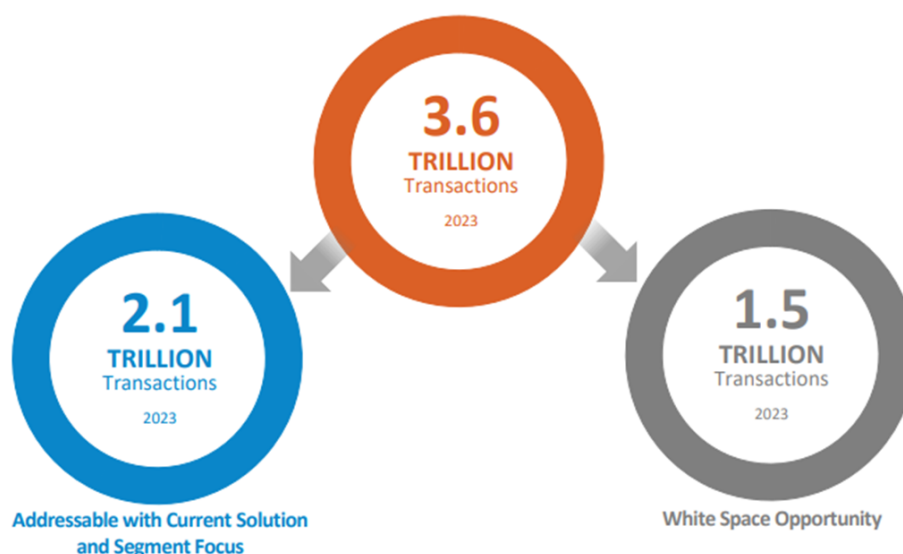
Investment Thesis and Analysis

ACIW is an attractive mid-cap company anchored by its core On Premise payments software business featuring a sticky customer base (five-year, fixed contracts with low attrition and 75% recurring revenue in 2Q19) and high adjusted EBITDA margins (46% in 2Q19), resulting in a predictable revenue stream and generation of ample free cash flow.

On Premise appears recession-resistant as its contracts are based on capacity rather than transaction volume and the payment processes it facilitates are “mission critical” for the banks and financial intermediaries it serves. We believe it is noteworthy that about two-thirds of the new business that ACIW books is derived from existing customers adding capacity when they renew their contracts.

The On Premise segment has several drivers to accelerate revenue growth and multiple expansion. The segment’s revenue grew by 3% in 2Q19, and management has targeted top-line growth in the mid-single digits. In addition to the segment’s tailwind from secular transaction growth as the global shift from cash and checks to electronic payments accelerates, as well as its maintenance of low attrition, it should benefit from cross-selling to existing customers.

2023 Addressable Transaction Opportunity



Source: Company Reports

ACIW is beginning to gain traction with its new Real-Time Payments Solution (RTPS), which has been posting mid-teens revenue growth and is well positioned to benefit from global transaction volume. The On Premise segment at the end of 2Q19 had a 60-month backlog of \$1.88bn.

We believe ACIW has several advantages that stem from its On Premise segment. These include a strong brand developed during 40+ years of enabling mission-critical transactions in a highly regulated environment; UP software solutions with industry-leading payment capabilities; a breadth of solutions enabling the company to facilitate the processing of one-fifth of the world’s transactions, a global reach in 80+ countries; and the largest team of payments experts in the world. We note that ACIW was identified in the Forrester Wave Global Merchant Payment Providers 4Q18 report as “a best fit for retailers that want a global ‘payments integration hub’ that provides maximum flexibility to manage multiple acquirers, payment methods, and technology providers.”

ACIW's growth prospects have been boosted by its more recently launched On Demand segment, which features a cloud-based platform and software as a service (SaaS) subscription model.

ACIW's acquisition in May of the Speedpay electronic bill pay business from Western Union (WU, Buy, \$23 PT) has provided it with much-needed scale to trigger operating leverage and drive adjusted EBITDA margin expansion. Management in conjunction with the company's 2Q19 report reiterated their expectation that Speedpay would contribute revenue in a range of \$215mm to \$220mm and adjusted EBITDA in a range of \$50mm to \$55mm to its 2019 results.

ACIW's Speedpay acquisition is expected to drive the company's bill pay business revenue growth from about 4% to the high-single digits. While companies combining similar businesses typically look to cut expenses to drive profitability, ACIW has ramped up its research and development spending plans around its bill pay business in an effort to develop richer features and bring them to market on an accelerated timetable.

The On Demand segment's strategy is centered around the use of new platform-based, multi-tenant product releases and winning new logos. At the same time, ACIW will seek to harvest the segment's backlog of \$3.8bn as of the end of 2Q19 and to ramp incremental volume from existing customers. While many banks and financial intermediaries have been reluctant to migrate to open-source and cloud platforms given the risks associated with such a move, we believe the benefits of doing so in terms of faster time to market and reduced total cost of ownership (TCO) should eventually attract more firms to this alternative. As ACIW management has pointed out, the potential savings from switching to Linux and PostgreSQL open-source database management systems from HPE Non Stop/Enscribe or from IBM System-p, cTree is 86%, while the potential savings from such a switch from IBM system-z, DB2 is 92%.

The On Demand segment's growth should be aided by the secular trend from cash and checks to electronic payments in the e-commerce and m-commerce spaces. More than 70% of global cross-border e-commerce and m-commerce is generated in markets already served by ACIW.

Management is aiming for ACIW to achieve a SaaS "Rule of 40" goal of revenue growth plus adjusted EBITDA margin reaching 40%. They are winding down a heavy investment cycle, the conclusion of which should also be supportive of a higher adjusted EBITDA margin.

ACIW's recent share price weakness appears driven by investors' misinterpretation of the impact of delays in the execution of deals reached with firms involved in recent payment company megamergers as softness in demand for the company's On Premise business.

We believe the newly and soon-to-be merged payment giants (Fiserv [FISV, Not Rated], WorldPay [WP, Not Rated] and Global Payments [GPN, Not Rated] after the anticipated close of its acquisition of TSYS [TSS, Not Rated] in 4Q19) will look to ACIW to provide capabilities to help them to counter Adyen (ADYEN.AS, Not Rated) in the merchant payments space in Europe, which could result in the deals being expanded. This has positioned ACIW to potentially deliver an upside surprise when it reports 3Q19 results at the end of October, in our view, as the upside from those deals has not been included in management's financial guidance.

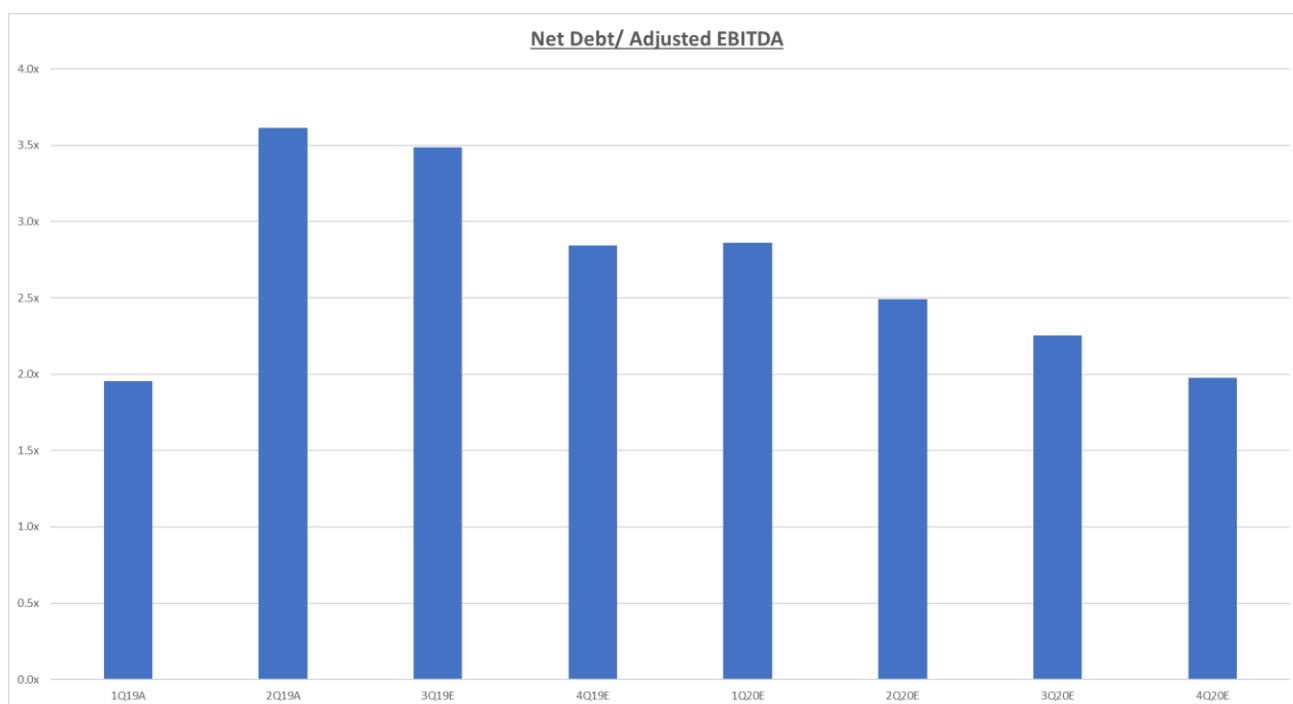
Ample free cash flow generation set to facilitate both share buyback program and steady deleveraging, as well as additional acquisitions over time.

ACIW generates a significant amount of free cash flow: management has guided to 2019 adjusted operating free cash flow in a range of \$190mm to \$200mm. Management during 2015-2018 balanced their use of the company's free cash flow between debt repayment (38%), acquisitions (35%) and share repurchases (27%).

As a result of ACIW's \$750mm acquisition of Speedpay, the company's pro forma net leverage ratio increased to 3.7x. Management said they are aiming for the company to deleverage to about 2.5x over the next 18-24 months. At the same time, ACIW as of June 30 had \$176mm remaining on its share repurchase authorization.

Debt	Jun-19
Term Loans	775.54
Revolving Credit Facility	235.00
5.750% Senior Notes, due August 2026	400.00
Debt Issuance Costs	(24.35)
Total Debt	1,386.19
Less: Current Portion of Term Loans	38.95
Less: Current Portion of Debt Issuance Costs	(4.86)
Total Long-Term Debt	1,352.10

Source: Company Reports



Source: BTIG Estimates and Company Reports

While management remains focused on integrating ACIW's acquisition of Speedpay, they have stated that their focus in future acquisitions will remain on adding scale as well as expanding market opportunities. They said they would consider acquisitions when the risk-adjusted returns from the deals would be greater than alternative uses of cash.

Valuation

Our price target of \$40 for ACIW is based on a sum-of-the-parts (SOTP) analysis in which we have separately valued the parts of the company that generate revenue through two different deployment models: On Premise and On Demand. ACIW's On Premise model is based on traditional maintenance and term licenses and features high margins: the net adjusted EBITDA margin associated with this model was 55.2% for TTM ending June 30, 2019. The company's On Demand model offers cloud delivery and currently has relatively low margins – the adjusted EBITDA margin associated with this model was 7.4% for TTM ending June 30, 2019 – that are expected to improve significantly as it adds scale.

In conducting our SOTP analysis of ACIW we have allocated the company's corporate overhead to its On Premise and On Demand segments in proportion to their contributions to its total revenue. The multiples we employ to arrive at our valuations of each segment are based on comparable company analysis. We have valued the more mature, high-margin On

Premise segment using merchant acquirers and payment processors with similar revenue growth rates and adjusted EBITDA margins as comps. Using that group, we derived our EV/EBITDA multiple of 14.5x for the On Premise segment.

At the same time, we have valued the more recently launched On Demand segment, which only recently achieved profitability, based on the EV/revenue multiples of comparable company group of higher-growth software vendors. Based on these comps, we have valued the On Demand segment using an EV/revenue multiple of 7.5x.

Sum-of-the-Parts Analysis.

		<u>Multiple</u>	<u>Enterprise Value</u>
On Premise EBITDA	315.60		
On Premise Corp. EBITDA	(43.88)		
Net On Premise EBITDA	271.72	14.5x	3,939.90
On Demand Revenue	497.50		
On Demand Corp. Revenue	(230.96)		
Net On Demand Revenue	266.54	7.5x	1,999.03

<u>Share Value Calculation</u>	
On Premise EV	3,939.90
Plus: On Demand EV	1,999.03
=ACIW EV	5,938.92
Minus: Total Debt	1,386.19
Plus: Cash	139.40
=ACIW Equity Value	4,692.13
Diluted shares out	118.79
Value per share	\$40.00

Source: BTIG Estimates and Company Reports

Comparable Company Analysis.

<u>Company</u>	<u>Ticker</u>	<u>Price</u>	<u>2020E EV/EBITDA</u>	<u>2021E EV/EBITDA</u>
Bottomline Technologies	EPAY	\$40.60	15.4x	13.5x
Fidelity National Information Services	FIS	\$137.67	8.6x	7.7x
Fiserv, Inc.	FISV	\$108.62	7.6x	6.9x
Ingenico	ING-FR	€ 90.22	11.7x	10.8x

<u>Company</u>	<u>Ticker</u>	<u>Price</u>	<u>2020E EV/Revenue</u>	<u>2021E EV/Revenue</u>
Jack Henry & Associates, Inc.	JKHY	\$40.60	6.6x	6.2x
Q2 Holdings, Inc.	QTWO	\$84.78	9.3x	7.7x

Source: Factset

Risks to Our Valuation and Price Target

Competition. ACIW faces intense competition, with some of its competitors featuring more size and greater financial, technical and marketing resources than it has, and management anticipates that the company's target markets will continue to attract new competitors and new technologies. An increase in competition in ACIW's markets could result in a loss of pricing power, compressed margins and/or a loss of market share.

Reduced Demand from Financial Services Organizations. ACIW's revenue and profits depend on demand for its products and services. In particular, the company's prospects are linked to demand for its Universal Payments (UP) solutions, including its UP Retail Payments and Real-Time Payments solutions, which management expects it to use to win new accounts. If demand for ACIW's products falls short of expectations its operating results and financial condition could be adversely impacted.

Consolidation in Financial Services Industry. Given the concentration of ACIW's business in the financial services industry, the company is potentially vulnerable to consolidation or business failures within that space. Additional mergers and acquisitions within the financial services industry could adversely impact the company's operating results and financial condition.

Global Macroeconomic Risk. The global electronics payment industry in which ACIW operates, as well as the banking and financial services industries that it serves, are dependent on overall levels of consumer, business and government spending. A reduction in demand in the overall economy or the banking and financial services industry, resulting in longer sales cycles or deferral of purchase commitments, could adversely impact the company's operating results and financial condition.

Debt-Funded Acquisition Strategy. Part of ACIW's business strategy revolves around acquisitions to add scale as well as new capabilities, with the company typically using debt to fund the deals it makes. The company's acquisition of Speedpay, which closed in June, boosted its net debt-to-EBITDA ratio to 3.7x. While ACIW generates ample free cash flow, a portion of which is aimed at deleveraging, the leverage increases the risk to its business while reducing its financial flexibility. Moreover, the company's acquisitions bring into play potential acquisition risks including the diversion of management time and resources and the disruption of its ongoing business.

Company Overview

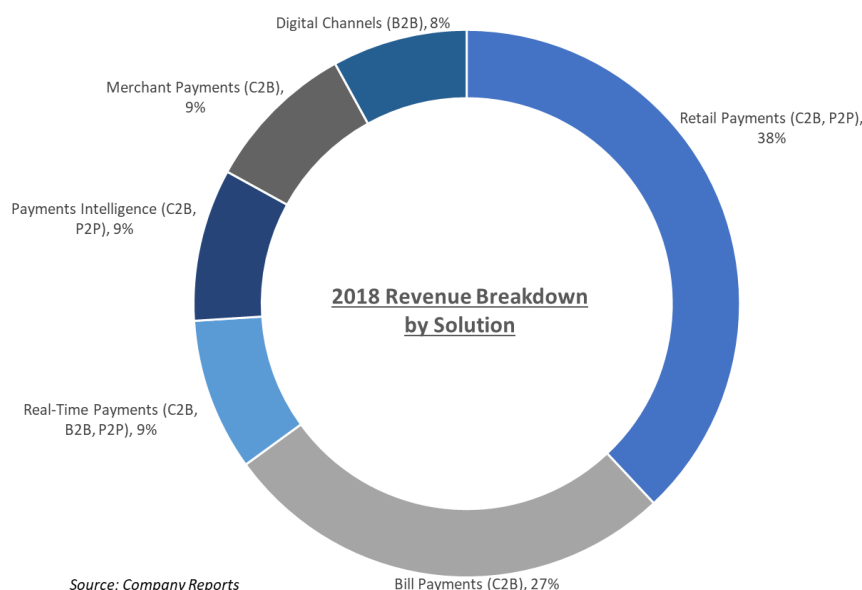
ACI Worldwide, Inc. (Nasdaq: ACIW) offers a broad suite of electronic payment software solutions marketed under the brand name Universal Payments (UP) that are used by banks, financial intermediaries, merchants and corporates. ACIW facilitates \$14+ tn in payments and securities transactions each day as well as 200+ bn consumer transactions each year. The company, which has more than 40 years of experience in the payments space, powers electronic payments and banking for more than 5,100 organizations in 80+ countries.

With the addition of Speedpay bill pay to ACIW's mix, over 4,000 organizations in the U.S. use the company's electronic bill payment solutions. More than 1,500 banks, intermediaries and merchants prevent fraud using the company's solutions.

ACIW management outlines the company's strategy within a "6-4-2-1" framework as the company organizes itself within six solution areas, four customer segments and two deployment models as part of one global platform.

ACIW's Six Solution Areas

1. **Retail Payments.** ACIW's UP Retail Payments software offers a comprehensive solution ranging from core payment engines to back-office support, enabling banks and financial intermediaries to accept, authorize, route and secure consumer payment transactions. The company's card and merchant management software is aimed at credit, debit, smart card and prepaid card issuance and management as well as merchant account management and settlement.
2. **Payments Intelligence.** ACIW's payments risk management solution uses the company's big data engine as well as advanced analytics and machine learning to prevent and detect fraud threats facing banks, financial intermediaries and merchants.



3. *Bill Payments.* ACIW offers corporate customers a range of electronic bill payment solutions that enable them to present bills and collect payments through a single, integrated platform. The company's bill payment capabilities were significantly enhanced by its acquisition of Speedpay from Western Union (WU, Buy, \$23 PT) in May, expanding the combined bill pay business to serve more than 4,000 customers across the U.S.

4. *Digital Channels.* ACIW offers banks advanced cash management capabilities in a multi-tenant, cloud-based platform. The company's ACI Universal Online Banker is a digital banking platform that enables banks to use an extensive library of APIs to generate new revenues.

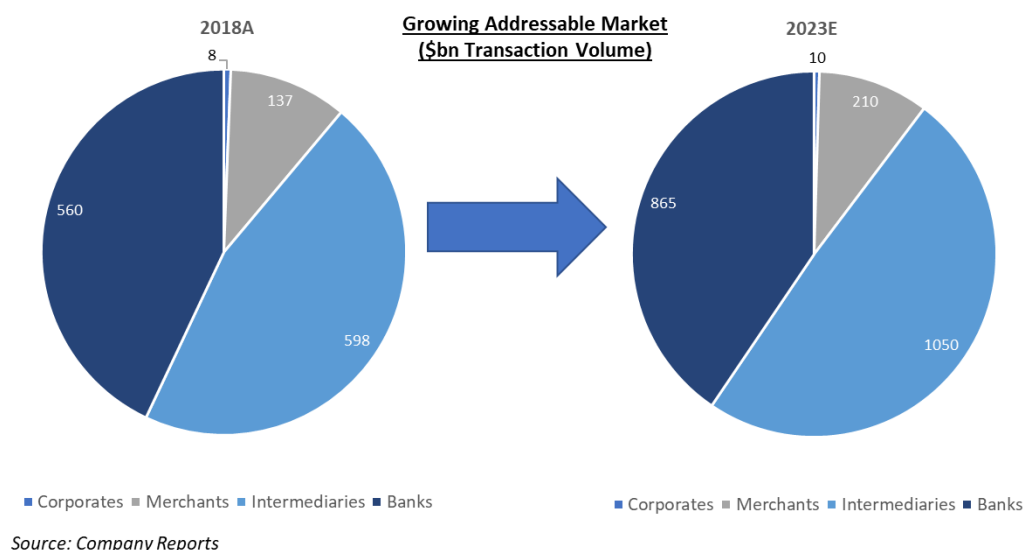
5. *Merchant Payments.* ACIW offers merchants vendor-agnostic, omni-channel payment capabilities in both card-present and card-not-present environments. The company's Postilion facilitates transactions at the point of purchase as well as back-office functions, while its ACI ReD Shield offering provides real-time fraud protection and its ACI PAY.ON Payments Gateway delivers global payments connectivity through e-commerce and m-commerce channels.

6. *Real-Time Payments.* ACIW supports real-time payment processing for banks and financial intermediaries. The company's UP Real-Time Payments solution is the market's only solution enabling banks to address their Real-Time Gross Settlement (RTGS), SWIFT messaging, ACH and real-time faster-payments needs with a single offering.

ACIW's Four Customer Segments

ACIW serves over 5,100 customers, including 18 of the top 20 banks worldwide as measured by asset size, and more than 300 of the leading global merchants in over 90 countries on six continents. No single customer accounts for more than 10% of the company's consolidated revenues. ACIW's four customer segments are the following:

1. *Banks.* ACIW offers payment solutions for retail banking, digital and other payment services to large and mid-size banks that reduce costs, speed time to market, and to detect and react to fraudulent activity. The company helps banks to comply with the requirements of different real-time payment schemes.



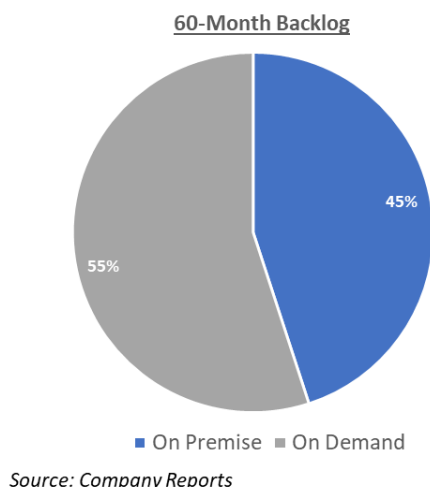
2. *Financial Intermediaries.* ACIW offers payment solutions to financial intermediaries including processors, networks, payment service providers (PSPs) and fintech firms.

3. *Merchants.* ACIW offers a secure, omni-channel payments platform to Tier 1 and Tier 2 merchants, online-only merchants, independent selling organizations (ISOs), value added resellers (VARs) and merchant acquirers.

4. *Corporates.* ACIW provides electronic bill presentment and payment services to corporations in the consumer finance, insurance, healthcare, higher education, tax and utility spaces.

ACIW's Two Deployment Models

1. *ACI On Premise* (TTM revenue: \$571.4mm, TTM adjusted EBITDA margin: 55.2%). Since ACIW's founding in 1975 the company has offered its software solutions through a traditional term license arrangement in which software is installed and operated on the customer's premises. The Company's On Premise customers generally commit to five-year contracts that provide for a negotiated amount of transaction capacity.



2. *ACI On Demand (TTM revenue: \$497.5mm, 2Q19 adjusted EBITDA margin: 10%).* ACIW also deploys its software through on-demand arrangements in which the solution is delivered through the cloud through the company's global data centers in either a software as a service (SaaS) offering or a multi-tenant platform as a service (PaaS) offering.

2Q19 Results and 3Q19/FY19/FY20 Financial Guidance

ACIW on August 8 posted a 2Q19 top- and bottom-line beat, and management reiterated the company's FY19 and FY20 guidance. The company during the quarter generated revenue of \$298mm, up 27% versus the prior year period, and adjusted EBITDA of \$54.9mm, up 80% year-over-year. We believe investors should focus on ACIW's recurring revenue, including SaaS and PaaS fees and maintenance fees, which increased during 2Q19 by 33% to \$224.4mm.

ACIW's On Demand segment revenue increased by 52% year-over-year and by 8% excluding the contribution from the company's acquisition of Speedpay, which closed in May, to \$172.5mm. On Demand's segment net adjusted EBITDA margin increased to 10% versus (3%) in the prior year period. The On Premise segment revenue increased during 2Q19 by 3% year-over-year to \$125.1mm, while its net adjusted EBITDA margin of 46% was up from 45% in 2Q18.

ACIW's 2Q19 total bookings of \$301mm were up 52% year-over-year, while its new bookings of \$129mm were up slightly versus the prior year period. The company's 12-month and 60-month backlog as of June 30 were \$1.1bn and \$5.7bn, respectively.

Management in conjunction with ACIW's 2Q19 report reiterated their FY19 guidance for revenue in a range of \$1.315bn to \$1.345bn and for adjusted EBITDA in a range of \$360mm to \$380mm. They also reiterated their FY20 adjusted EBITDA guidance in a range of \$425mm to \$445mm, and they offered guidance for 3Q19 revenue in a range of \$335mm to \$345mm.

Also included in management's FY19 guidance was an expectation for free cash flow in a range of \$190mm to \$200mm, as well as new bookings growth in the upper-single digits to low-double digits.

Management has set long-term targets for ACIW of new bookings growth in the high-single digits, organic revenue growth in the mid-to-upper single digits, operating free cash flow to track the company's adjusted EBITDA growth and a leverage ratio of 2.5x EBITDA.

ACIW Management

Philip G. Heasley, President and Chief Executive Officer. Heasley has served as President and CEO of ACIW since March 2005. Prior to joining the company, he was Chairman and CEO of PayPower, LLC, an acquisition and consulting firm specializing in financial services and payments, from October 2003 to March 2005. Heasley was Chairman and CEO of First USA Bank from October 2000 to November 2003, and from 1987 until 2000 he served in various roles for U.S. Bancorp. These included Executive Vice President, President and Chief Operating Officer.

Scott W. Behrens, Chief Financial Officer. Behrens has served as ACIW's CFO since December 2009. He joined the company in June 2007 as its Corporate Controller and became its Chief Accounting Officer in October 2007. Behrens ceased being ACIW's Corporate Controller in December 2010. Prior to joining the company, he served as Corporate Controller and Chief Accounting Officer at SITEL Corporation from January 2005 to June 2007 and as that company's Vice President of Financial Reporting from April 2003 to January 2005. Behrens was with Deloitte & Touche, LLP, from 1993 to 2003, including two years as a Senior Audit Manager.

Craig S. Saks, Chief Operating Officer. Saks, who joined ACIW in February 2012, served as Senior Vice President of Shared Services at S1 Corporation, which was acquired by the company. He previously served as COO at Fundamo from 1999 to 2007.



Craig A. Maki, Chief Development Officer and Treasurer. Maki, who joined ACIW in June 2006, served as Senior Vice President for Stephens, Inc. from 1999 to May 2006. He was a Director in the corporate finance group at Arthur Andersen from 1994 to 1999, and he was a senior consultant at Andersen Consulting from 1991 to 1994.

Dennis P. Byrnes, Chief Administrative Officer, General Counsel and Secretary. Byrnes has been ACIW's General Counsel and Secretary since joining the company in June 2003, and he became the company's CAO in March 2011. Previously, he served as an attorney in Bank One Corporation's technology group from 2002 to 2003, and prior to that he had been an attorney for Sterling Commerce, an electronic commerce software and services company, since 1996. Byrnes was an attorney for Baker Hostetler from 1991 to 1996.

Income Statement

ACIW - Income Statement	Mar-18	Jun-18	Sep-18	Dec-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Dec-20	Dec-21
\$ millions	1Q18A	2Q18A	3Q18A	4Q18A	FY18A	1Q19A	2Q19A	3Q19E	4Q19E	FY19E	1Q20E	2Q20E	3Q20E	4Q20E	FY20E	FY21E
ACI On Premise	105.0	121.4	141.0	209.3	576.7	96.0	125.1	145.2	219.8	586.1	100.8	131.4	152.5	230.8	615.4	646.2
ACI On Demand	104.3	113.6	104.5	110.6	433.0	109.9	172.5	200.6	252.2	735.2	225.3	224.3	220.7	269.8	940.1	1,000.5
Total Revenues	209.3	235.0	245.5	320.0	1,009.8	205.9	297.6	345.9	471.9	1,321.3	326.1	355.6	373.2	500.6	1,555.5	1,646.6
Cost of revenue	107.3	116.3	102.5	104.3	430.4	114.9	155.2	148.7	151.0	569.9	167.0	176.0	156.7	160.2	659.9	707.4
Research and development	36.8	37.9	36.0	33.0	143.6	36.2	39.2	39.8	42.5	157.7	42.4	42.7	41.1	40.0	166.2	183.3
Selling and marketing	31.9	33.2	28.3	24.6	117.9	29.4	33.0	31.1	37.8	131.3	42.4	33.8	31.7	40.0	147.9	156.7
General and administrative	28.6	28.8	29.5	20.4	107.4	31.5	49.3	50.2	51.9	182.9	52.2	51.6	52.2	50.1	206.0	211.7
Depreciation and amortization	21.3	21.0	20.9	21.3	84.6	21.9	26.7	35.1	47.9	131.6	33.1	36.1	37.9	50.8	157.9	167.1
Total Operating Expenses	226.0	237.2	217.2	203.5	883.9	233.9	303.5	304.9	331.1	1,173.4	337.0	340.1	319.6	341.1	1,337.9	1,426.3
Operating Income	(16.7)	(2.2)	28.4	116.4	125.9	(28.1)	(5.9)	41.0	140.9	147.9	(10.9)	15.5	53.6	159.4	217.5	220.4
Interest expense	(9.4)	(9.7)	(12.6)	(9.9)	(41.5)	(11.6)	(15.3)	(16.1)	(16.0)	(59.0)	(15.9)	(15.7)	(15.6)	(15.5)	(62.7)	(60.8)
Interest income	2.7	2.7	2.8	2.9	11.1	3.0	3.0	2.9	4.6	13.5	4.1	6.0	6.7	7.5	24.4	41.0
Other, net	(0.1)	(1.7)	(1.3)	(0.7)	(3.7)	(1.9)	1.4	-	-	(0.5)	-	-	-	-	-	-
Profit before taxes	(23.4)	(10.8)	17.2	108.7	91.8	(38.6)	(16.8)	27.8	129.5	101.9	(22.7)	5.7	44.6	151.5	179.1	200.5
Income tax expense (benefit)	(4.0)	3.8	2.0	21.1	22.9	(12.6)	(22.5)	6.9	32.4	4.2	(5.7)	1.4	11.2	37.9	44.8	50.1
Net income	(19.428)	(14.574)	15.233	87.690	68.921	(25.963)	5.725	20.846	97.105	97.713	(16.999)	4.309	33.461	113.589	134.359	150.409
Adjusted net income	(3.7)	1.8	30.7	97.7	129.3	(7.1)	23.4	46.4	132.6	195.4	5.4	28.6	58.8	147.1	239.9	275.0
Adjusted Diluted EPS	\$ (0.03)	\$ 0.02	\$ 0.26	\$ 0.83	\$ 1.10	\$ (0.06)	\$ 0.20	\$ 0.39	\$ 1.12	\$ 1.64	\$ 0.05	\$ 0.24	\$ 0.50	\$ 1.24	\$ 2.02	\$ 2.31
Diluted EPS (GAAP)	\$ (0.17)	\$ (0.13)	\$ 0.13	\$ 0.74	\$ 0.59	\$ (0.22)	\$ 0.05	\$ 0.18	\$ 0.82	\$ 0.82	\$ (0.14)	\$ 0.04	\$ 0.28	\$ 0.96	\$ 1.13	\$ 1.27
Basic Shares	115.6	115.5	115.9	116.1	116.1	116.1	116.6	116.6	116.6	116.5	116.6	116.6	116.6	116.6	116.6	116.6
Diluted Shares	115.6	115.5	117.5	117.9	117.6	116.1	118.8	118.8	118.8	118.1	118.8	118.8	118.8	118.8	118.8	118.8

ACIW - Adjusted EBITDA	Mar-18	Jun-18	Sep-18	Dec-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Dec-20	Dec-21
\$ millions	1Q18A	2Q18A	3Q18A	4Q18A	FY18A	1Q19A	2Q19A	3Q19E	4Q19E	FY19E	1Q20E	2Q20E	3Q20E	4Q20E	FY20E	FY21E
Net Income	(19.4)	(14.6)	15.2	87.7	68.9	(26.0)	5.7	20.8	97.1	97.7	(17.0)	4.3	33.5	113.6	134.4	150.4
Income tax expense (benefit)	(4.0)	3.8	2.0	21.1	22.9	(12.6)	(22.5)	6.9	32.4	4.2	(5.7)	1.4	11.2	37.9	44.8	50.1
Net Interest Expense	6.6	7.0	9.8	7.0	30.4	8.6	12.3	13.2	11.4	45.5	11.7	9.7	8.9	8.0	38.4	19.8
Net other (income) expense	0.1	1.7	1.3	0.7	3.7	1.9	(1.4)	-	-	0.5	-	-	-	-	-	-
Depreciation expense	5.9	5.9	6.0	5.9	23.8	5.9	5.9	8.3	11.3	31.5	7.8	8.5	9.0	12.0	37.3	39.5
Amortization expense	19.1	18.4	17.5	18.6	73.5	19.0	23.9	26.8	36.6	106.2	25.3	27.6	28.9	38.8	120.5	127.6
Non-cash compensation expense	6.4	7.7	6.6	(0.3)	20.4	6.6	14.4	10.4	16.5	47.9	9.8	10.7	11.2	15.0	46.7	65.9
EBITDA before transaction expense	14.7	29.9	58.4	140.7	243.7	3.4	38.3	86.5	205.3	333.4	32.0	62.2	102.6	225.3	422.1	453.4
Significant transaction related expense	4.3	0.6	1.5	0.9	7.3	4.7	16.6	4.6	4.6	30.5	2.0	2.0	2.0	2.0	8.0	8.0
Adjusted EBITDA	19.0	30.5	59.9	141.6	251.0	8.1	54.9	91.1	209.9	363.9	34.0	64.2	104.6	227.3	430.1	461.4
Adjusted EBITDA growth	-54.5%	-30.3%	28.0%	9.1%	-4.2%	-57.5%	79.9%	51.9%	48.3%	45.0%	321.6%	17.0%	14.9%	8.3%	18.2%	7.3%
Adjusted EBITDA margin	9.1%	13.0%	24.4%	44.2%	24.9%	3.9%	18.4%	26.3%	44.5%	27.5%	10.4%	18.1%	28.0%	45.4%	27.6%	28.0%

Source: BTIG Estimates and Company Documents



BTIG Covered Companies Mentioned in this Report

ACI WORLDWIDE INC. (ACIW, Buy, \$40.00 PT; Current Price: \$30.78; Analyst: Mark.Palmer)

WESTERN UNION COMPANY (WU, Buy, \$23.00 PT; Current Price: \$23.22; Analyst: Mark.Palmer)

Appendix: Analyst Certification and Other Important Disclosures

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Risks: The primary risks to ACIW include competitors that often times possess larger scale and more resources, reduction of demand for financial services, consolidation in the financial services industry, global macroeconomic risks, and a debt-funded acquisition strategy.

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Western Union Company (WU)

Note: Closing Price and Target Price have been adjusted for corporate actions.

Date	Closing Price (\$)	Target Price (\$)	Analyst	Rating
08-Jan-14	17.42	23	Mark Palmer	Buy

Company-Specific Regulatory Disclosures**Other Disclosures**

Additional Information Available Upon Request

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