

REFINITIV

# DELTA REPORT

## 10-Q

ACIW - ACI WORLDWIDE, INC.  
10-Q - SEPTEMBER 30, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	651
CHANGES	413
DELETIONS	126
ADDITIONS	112

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **June 30, 2024** **September 30, 2024**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Or

For the transition period from to  
Commission File Number 0-25346

**ACI WORLDWIDE, INC.**

(Exact name of registrant as specified in its charter)

Delaware

47-0772104

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

6060 Coventry Drive

Elkhorn, Nebraska

68022

(Address of principal executive offices)

(Zip code)

(402) 390-7600

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of the Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of **July 30, 2024** **November 5, 2024**, there were **104,657,257** **104,888,642** shares of the registrant's common stock outstanding.

**Securities registered or to be registered pursuant to Section 12(b) of the Act.**

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.005 par value	ACIW	Nasdaq Global Select Market

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### PART I - FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS

##### ACI WORLDWIDE, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited and in thousands, except share and per share amounts)

	June 30, 2024	December 31, 2023
	September 30,	December 31, 2023
	2024	
<b>ASSETS</b>		
Current assets		
Current assets		
Current assets		
Cash and cash equivalents		
Cash and cash equivalents		
Cash and cash equivalents		
Receivables, net of allowances of \$1,307 and \$4,295, respectively		
Receivables, net of allowances of \$1,936 and \$4,295, respectively		
Settlement assets		
Prepaid expenses		
Other current assets		
<b>Total current assets</b>		
<b>Noncurrent assets</b>		

Accrued receivables, net		
Accrued receivables, net		
Accrued receivables, net		
Property and equipment, net		
Operating lease right-of-use assets		
Software, net		
Goodwill		
Intangible assets, net		
Deferred income taxes, net		
Other noncurrent assets		
<b>TOTAL ASSETS</b>		
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
<b>Current liabilities</b>		
<b>Current liabilities</b>		
Accounts payable		
Accounts payable		
Accounts payable		
Settlement liabilities		
Employee compensation		
Current portion of long-term debt		
Deferred revenue		
Other current liabilities		
<b>Total current liabilities</b>		
<b>Noncurrent liabilities</b>		
Deferred revenue		
Deferred revenue		
Deferred revenue		
Long-term debt		
Deferred income taxes, net		
Operating lease liabilities		
Other noncurrent liabilities		
<b>Total liabilities</b>		
Commitments and contingencies	Commitments and contingencies	Commitments and contingencies
<b>Stockholders' equity</b>		
Preferred stock; \$0.01 par value; 5,000,000 shares authorized; no shares issued at June 30, 2024, and December 31, 2023		
Preferred stock; \$0.01 par value; 5,000,000 shares authorized; no shares issued at June 30, 2024, and December 31, 2023		
Preferred stock; \$0.01 par value; 5,000,000 shares authorized; no shares issued at June 30, 2024, and December 31, 2023		
Common stock; \$0.005 par value; 280,000,000 shares authorized; 140,525,055 shares issued at June 30, 2024, and December 31, 2023		
Preferred stock; \$0.01 par value; 5,000,000 shares authorized; no shares issued at September 30, 2024, and December 31, 2023		
Preferred stock; \$0.01 par value; 5,000,000 shares authorized; no shares issued at September 30, 2024, and December 31, 2023		
Preferred stock; \$0.01 par value; 5,000,000 shares authorized; no shares issued at September 30, 2024, and December 31, 2023		
Common stock; \$0.005 par value; 280,000,000 shares authorized; 140,525,055 shares issued at September 30, 2024, and December 31, 2023		
Additional paid-in capital		
Retained earnings		
Treasury stock, at cost, 35,664,418 and 32,447,317 shares at June 30, 2024, and December 31, 2023, respectively		
Treasury stock, at cost, 35,654,240 and 32,447,317 shares at September 30, 2024, and December 31, 2023, respectively		
Accumulated other comprehensive loss		
<b>Total stockholders' equity</b>		
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		

The accompanying notes are an integral part of the condensed consolidated financial statements.

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**ACI WORLDWIDE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited and in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,			
	2024	2024	2023	2024	2023	2024	2023	2024	2023	2023
<b>Revenues</b>										
Software as a service and platform as a service										
Software as a service and platform as a service										
Software as a service and platform as a service										
License										
Maintenance										
Services										
<b>Total revenues</b>										
<b>Operating expenses</b>										
Cost of revenue (1)										
Cost of revenue (1)										
Cost of revenue (1)										
Research and development										
Selling and marketing										
General and administrative										
Depreciation and amortization										
<b>Total operating expenses</b>										
<b>Operating income (loss)</b>										
<b>Operating income</b>										
<b>Other income (expense)</b>										
Interest expense										
Interest expense										
Interest expense										
Interest income										
Other, net										
<b>Total other income (expense)</b>										
<b>Income (loss) before income taxes</b>										
Income tax expense (benefit)										
<b>Net income (loss)</b>										
<b>Income (loss) per common share</b>										
Basic										
Basic										
Basic										
Diluted										
<b>Weighted average common shares outstanding</b>										
Basic										
Basic										
Basic										
Diluted										

(1) The cost of revenue excludes charges for depreciation and amortization.

The accompanying notes are an integral part of the condensed consolidated financial statements.

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**ACI WORLDWIDE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(unaudited and in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,							
	Three Months Ended September 30,		Nine Months Ended September 30,							
	2024	2024	2023	2024	2023	2024	2023	2024	2023	2023
Net income (loss)										
Other comprehensive income (loss):										
Foreign currency translation adjustments										
Foreign currency translation adjustments										
Foreign currency translation adjustments										
Total other comprehensive income (loss)										
Comprehensive income (loss)										

The accompanying notes are an integral part of the condensed consolidated financial statements.

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**ACI WORLDWIDE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(unaudited and in thousands, except share amounts)

	Three Months Ended June 30, 2024					Three Months Ended September 30, 2024						
	Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss
Balance as of March 31, 2024												
Balance as of June 30, 2024												
Net income												
Other comprehensive income												
Stock-based compensation												
Shares issued and forfeited, net, under stock plans												
Repurchase of 203,317 shares of common stock												
Repurchase of stock-based compensation awards for tax withholdings												

Balance as of September 30, 2024	Three Months Ended September 30, 2023					
	Three Months Ended September 30, 2023					
	Three Months Ended September 30, 2023					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance as of June 30, 2023						
Net income						
Other comprehensive loss						
Stock-based compensation						
Shares issued and forfeited, net, under stock plans						
Repurchase of 1,682,787 shares of common stock						
Repurchase of stock-based compensation awards for tax withholdings						
Balance as of June 30, 2024						
	Three Months Ended June 30, 2023					
	Three Months Ended June 30, 2023					
	Three Months Ended June 30, 2023					
	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance as of March 31, 2023						
Net loss						
Other comprehensive income						
Stock-based compensation						
Shares issued and forfeited, net, under stock plans						
Repurchase of stock- based compensation awards for tax withholdings						

Repurchase of stock-based compensation awards for tax withholdings

Repurchase of stock-based compensation awards for tax withholdings

Balance as of June 30, 2023

Balance as of September 30, 2023

The accompanying notes are an integral part of the condensed consolidated financial statements.

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ACI WORLDWIDE, INC. AND SUBSIDIARIES												
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY												
(unaudited and in thousands, except share amounts)												
Six Months Ended June 30, 2024						Nine Months Ended September 30, 2024						
Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance as of December 31, 2023												
Net income												
Other comprehensive loss												
Other comprehensive income												
Stock-based compensation												
Shares issued and forfeited, net, under stock plans												
Repurchase of 3,743,220 shares of common stock												
Repurchase of 3,946,537 shares of common stock												
Repurchase of stock-based compensation awards for tax withholdings												
Balance as of June 30, 2024												
Balance as of September 30, 2024												
Six Months Ended June 30, 2023												
Nine Months Ended September 30, 2023												
Six Months Ended June 30, 2023												
Nine Months Ended September 30, 2023												
Six Months Ended June 30, 2023												
Nine Months Ended September 30, 2023												
Common Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total



**Balance as of December 31,  
2022**

Net loss

Other comprehensive income

Stock-based compensation

Shares issued and forfeited,  
net, under stock plansRepurchase of stock-based  
compensation awards for tax  
withholdingsRepurchase of stock-based  
compensation awards for tax  
withholdingsRepurchase of stock-based  
compensation awards for tax  
withholdings**Balance as of June 30, 2023****Balance as of September 30,  
2023**

The accompanying notes are an integral part of the condensed consolidated financial statements.

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**ACI WORLDWIDE, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(unaudited and in thousands)

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2024	2024	2023	2023
Cash flows from operating activities:				
Net income (loss)				
Net income (loss)				
Net income (loss)				
Adjustments to reconcile net income (loss) to net cash flows from operating activities:				
Depreciation				
Depreciation				
Depreciation				
Amortization				
Amortization of operating lease right-of-use assets				
Amortization of deferred debt issuance costs				
Deferred income taxes				
Stock-based compensation expense				
Other				
Changes in operating assets and liabilities:				
Receivables				
Receivables				
Receivables				
Accounts payable				
Accrued employee compensation				
Deferred revenue				
Other current and noncurrent assets and liabilities				
Net cash flows from operating activities				
Cash flows from investing activities:				
Purchases of property and equipment				
Purchases of property and equipment				
Purchases of property and equipment				
Purchases of software and distribution rights				

Net cash flows from investing activities
Net cash flows from investing activities
Net cash flows from investing activities
Cash flows from financing activities:
Proceeds from issuance of common stock
Proceeds from issuance of common stock
Proceeds from issuance of common stock
Proceeds from exercises of stock options
Repurchase of stock-based compensation awards for tax withholdings
Repurchases of common stock
Proceeds from revolving credit facility
Repayment of revolving credit facility
Proceeds from term portion of credit agreement
Repayment of term portion of credit agreement
Payments on or proceeds from other debt, net
Payments for debt issuance costs
Net decrease in settlement assets and liabilities
Net increase (decrease) in settlement assets and liabilities
Net cash flows from financing activities
Effect of exchange rate fluctuations on cash
Net decrease in cash and cash equivalents
Net increase in cash and cash equivalents
Cash and cash equivalents, including settlement deposits, beginning of period
Cash and cash equivalents, including settlement deposits, end of period
Reconciliation of cash and cash equivalents to the Consolidated Balance Sheets
Cash and cash equivalents
Cash and cash equivalents
Cash and cash equivalents
Settlement deposits
Total cash and cash equivalents, including settlement deposits
Supplemental cash flow information
Income taxes paid
Income taxes paid
Income taxes paid
Interest paid

The accompanying notes are an integral part of the condensed consolidated financial statements.

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**ACI WORLDWIDE, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**1. Condensed Consolidated Financial Statements**

The unaudited condensed consolidated financial statements include the accounts of ACI Worldwide, Inc. and its wholly-owned subsidiaries (collectively, the "Company"). All intercompany balances and transactions have been eliminated. The condensed consolidated financial statements as of **June 30, 2024** **September 30, 2024**, and for the three and **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, are unaudited and reflect all adjustments of a normal recurring nature, which are, in the opinion of management, necessary for a fair presentation, in all material respects, of the financial position and operating results for the interim periods. The condensed consolidated balance sheet as of December 31, 2023, is derived from the audited financial statements.

The condensed consolidated financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2023, filed on February 29, 2024. Results for the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, are not necessarily indicative of results that may be attained in the future.

The preparation of condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") requires management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date

of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are affected by management's application of accounting policies, as well as uncertainty in the current economic environment. Actual results could differ from those estimates.

#### Other Current Liabilities

The components of other current liabilities are included in the following table (in thousands):

	June 30, 2024	December 31, 2023
	September 30, 2024	December 31, 2023
Operating lease liabilities		
Vendor financed licenses		
Accrued interest		
Vendor financed licenses		
Other		
Total other current liabilities		

#### Settlement Assets and Liabilities

Individuals and businesses settle their obligations to the Company's various Biller clients using credit or debit cards or via automated clearing house ("ACH") payments. The Company creates a receivable for the amount due from the credit or debit card processor and an offsetting payable to the client. Upon confirmation that the funds have been received, the Company settles the obligation to the client. Due to timing, in some instances, the Company may (1) receive the funds into bank accounts controlled by and in the Company's name that are not disbursed to its clients by the end of the day, resulting in a settlement deposit on the Company's books and (2) disburse funds to its clients in advance of receiving funds from the credit or debit card processor, resulting in a net settlement receivable position.

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#### Off Balance Sheet Settlement Accounts

The Company also enters into agreements with certain Biller clients to process payment funds on their behalf. When an ACH or automated teller machine network payment transaction is processed, a transaction is initiated to withdraw funds from the designated source account and deposit them into a settlement account, which is a trust account maintained for the benefit of the Company's clients. A simultaneous transaction is initiated to transfer funds from the settlement account to the intended destination account. These "back to back" transactions are designed to settle at the same time, usually overnight, such that the Company receives the funds from the source at the same time as it sends the funds to their destination. However, due to the transactions being with various financial institutions there may be timing differences that result in float balances. These funds are maintained in accounts for the benefit of the client which is separate from the Company's corporate assets. As the Company does not take ownership of the funds, these settlement accounts are not included in the Company's balance sheet. The Company is entitled to interest earned on the fund balances. The collection of interest on these settlement accounts is considered in the Company's determination of its fee structure for clients and represents a portion of the payment for services performed by the Company. The amount of settlement funds as of **June 30, 2024** **September 30, 2024**, and December 31, 2023, was **\$202.6 million** **\$315.5 million** and \$273.2 million, respectively.

#### Fair Value

The fair value of the Company's Credit Agreement approximates the carrying value due to the floating interest rate (Level 2 of the fair value hierarchy). The Company measures the fair value of its Senior Notes based on Level 2 inputs, which include quoted market prices and interest rate spreads of similar securities. The fair value of the Company's 5.750% Senior Notes due 2026 ("2026 Notes") was **\$397.9 million** **\$399.6 million** and \$398.5 million as of **June 30, 2024** **September 30, 2024**, and December 31, 2023, respectively.

The fair values of cash and cash equivalents approximate the carrying values due to the short period of time to maturity (Level 2 of the fair value hierarchy).

#### Goodwill

In accordance with the Accounting Standards Codification ("ASC") 350, *Intangibles – Goodwill and Other*, the Company assesses goodwill for impairment annually during the fourth quarter of its fiscal year using October 1 balances or when there is evidence that events or changes in circumstances indicate that the carrying amount of the asset may not be recovered. The Company evaluates goodwill at the reporting unit level and has identified its operating segments, Banks, Merchants, and Billers, as the reporting units. As of **June 30, 2024** **September 30, 2024**, the Company's goodwill balance of \$1.2 billion was allocated \$671.7 million to Banks, \$137.3 million to Merchants, and \$417.0 million to Billers.

Recoverability of goodwill is measured using a discounted cash flow model incorporating discount rates commensurate with the risks involved. Use of a discounted cash flow model is common practice in impairment testing in the absence of available transactional market evidence to determine the fair value. The calculated fair value was substantially in excess of the current carrying value for all reporting units based upon the October 1, 2023, annual impairment test and there have been no indications of impairment in the subsequent periods.

#### Equity Method Investment

In July 2019, the Company invested \$18.3 million for a 30% non-controlling financial interest in a payment technology and services company in India. The Company accounted for this investment using the equity method in accordance with ASC 323, *Investments - Equity Method and Joint Ventures*. The Company records its share of earnings and losses in the investment on a one-quarter lag basis. Accordingly, the Company recorded an investment of **\$19.3 million** **\$19.6 million** and \$18.5 million, which is included in other noncurrent assets in the condensed consolidated balance sheet as of **June 30, 2024** **September 30, 2024**, and December 31, 2023, respectively.

#### Recently Issued Accounting Standards Not Yet Effective

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for annual periods beginning after December 15, 2023 and interim periods beginning after December 15, 2024, and early application is permitted. The Company is currently assessing the impact the adoption of ASU 2023-07 will have on its segment reporting disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, to enhance the transparency and decision usefulness of income tax disclosures. The amendments in this update will require disclosure of more disaggregated information about a reporting entity's effective tax rate reconciliation and income taxes paid.

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ASU 2023-09 is effective for annual periods beginning after December 15, 2024, and early application is permitted for annual financial statements that have not yet been issued or made available for issuance. The Company is currently assessing the impact the adoption of ASU 2023-09 will have on its income tax disclosures.

## 2. Revenue

In accordance with ASC 606, *Revenue From Contracts With Customers*, revenue is recognized upon transfer of control of promised products and/or services to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those products and services. Revenue is recognized net of any taxes collected from customers and subsequently remitted to governmental authorities. See Note 9, *Segment Information*, for additional information, including disaggregation of revenue based on primary solution category.

Total receivables represent amounts billed and amounts earned that are to be billed in the future (i.e., accrued receivables). Included in accrued receivables are services, software as a service ("SaaS"), and platform as a service ("PaaS") revenues earned in the current period but billed in the following period, and amounts due under multi-year software license arrangements with extended payment terms for which the Company has an unconditional right to invoice and receive payment subsequent to invoicing.

Total receivables, net is comprised of the following (in thousands):

	June 30, 2024	December 31, 2023
	September 30, 2024	December 31, 2023
Billed receivables		
Allowance for doubtful accounts		
Allowance for credit losses		
Billed receivables, net		
Current accrued receivables, net		
Long-term accrued receivables, net		
Total accrued receivables, net		
Total receivables, net		

No customer accounted for more than 10% of the Company's consolidated receivables balance as of [June 30, 2024](#) [September 30, 2024](#) and December 31, 2023.

Deferred revenue includes amounts due or received from customers for software licenses, maintenance, services, and/or SaaS and PaaS services in advance of recording the related revenue.

Changes in deferred revenue were as follows (in thousands):

Balance, December 31, 2023	\$	84,360
Deferral of revenue		65,257 95,861
Recognition of deferred revenue		(57,076) (93,900)
Foreign currency translation		(590) 1,544
Balance, <a href="#">June 30, 2024</a> <a href="#">September 30, 2024</a>	\$	91,951 87,865

Revenue allocated to remaining performance obligations represents contracted revenue that will be recognized in future periods, which is comprised of deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. This does not include:

- Revenue that will be recognized in future periods from capacity overages that are accounted for as a usage-based royalty.
- SaaS and PaaS revenue from variable consideration that will be recognized in accordance with the 'right to invoice' practical expedient or meets the allocation objective.

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Revenue allocated to remaining performance obligations was \$731.0 million \$659.2 million as of June 30, 2024 September 30, 2024, of which the Company expects to recognize approximately 53% 51% over the next 12 months and the remainder thereafter.

During the three and six nine months ended June 30, 2024 September 30, 2024, and 2023, revenue recognized by the Company from performance obligations satisfied in previous periods was not significant. During the three and nine months ended September 30, 2023, revenue recognized by the Company from performance obligations satisfied in previous periods was \$23.3 million and \$43.7 million, respectively.

### 3. Debt

As of June 30, 2024 September 30, 2024, the Company had \$136.0 million \$131.0 million, \$481.3 million \$471.9 million, and \$400.0 million outstanding under its Revolving Credit Facility, Term Loans, and Senior Notes, respectively, with up to \$462.1 million \$467.1 million of unused borrowings under the Revolving Credit Facility portion of the Credit Agreement, as amended, and up to \$1.9 million of unused borrowings under Letter of Credit agreements. The amount of unused borrowings actually available varies in accordance with the terms of the agreement.

#### Credit Agreement

On February 26, 2024, ACI Worldwide, Inc. (the "Company") entered into a Refinance Amendment (the "Amendment") to the Second Amended and Restated Credit Agreement, dated as of April 5, 2019 (as amended, restated, supplemented or otherwise modified from time to time, including by the Amendment, the "Credit Agreement") among the Company, the subsidiary borrowers from time to time party thereto, the lenders from time to time party thereto, Bank of America, N.A., as administrative agent and a lender, BofA Securities, Inc., PNC Capital Markets LLC, Wells Fargo Securities, LLC, and TD Securities (USA) LLC, as Joint Lead Arrangers and Joint Bookrunners, and the other financial institutions party thereto.

The Amendment (i) provides a senior secured term loan facility (the "Term Loan Facility") in an aggregate principal amount of \$500 million, (ii) provides a senior secured revolving credit facility (the "Revolving Loan Facility" and together with the Term Loan Facility, the "Credit Facilities") of up to \$600 million, and (iii) extends the maturity date of the Facilities to February 26, 2029 (the "Maturity Date"), provided that if any of the Company's 5.750% Senior Notes due 2026 are outstanding on the date that is 91 days before the maturity thereof (the "Springing Maturity Date"), and the Company does not have sufficient liquidity as of such date, the Maturity Date will be the Springing Maturity Date. The Revolving Loan Facility includes a \$35 million sublimit for the issuance of standby letters of credit and a \$20 million sublimit for swingline loans. Amounts repaid under the Revolving Facility may be reborrowed.

Borrowings under the Credit Facilities bear interest at a rate equal to, at borrower's option, either (A) a base rate determined by reference to the highest of (1) the rate of interest per annum publicly announced by Bank of America as its prime rate, (2) the federal funds effective rate plus 0.5%, (3) term Secured Overnight Financing Rate ("SOFR") plus 1%, and (4) 1% or (B) term SOFR for applicable interest period relevant to such borrowing, in each case plus an applicable margin. The applicable margin for borrowings under the Credit Facilities is, based on the calculation of the applicable consolidated total leverage ratio, between 0.5% to 1.5% with respect to base rate borrowings and between 1.5% and 2.5% with respect to term SOFR rate borrowings. Interest is due and payable monthly. The interest rate in effect for the Credit Facility as of June 30, 2024 September 30, 2024, was 7.44% 6.70%.

The Company is also required to pay (a) a commitment fee related to the unutilized commitments under the Revolving Credit Facility, payable quarterly in arrears, (b) letter of credit fees on the maximum amount available to be drawn under all outstanding letters of credit in an amount equal to the applicable margin on SOFR rate borrowings under the Revolving Credit Facility on an annual basis, payable quarterly in arrears, and (c) customary fronting fees for the issuance of letters of credit fees and agency fees.

The Company's subsidiaries, ACI Worldwide Corp. and ACI Payments, Inc. are co-borrowers under the Credit Agreement. The obligations of the borrowers under the Credit Facilities and the obligations of the Company and its subsidiaries under cash management arrangements entered into with lenders under the Credit Facilities (or affiliates thereof) are jointly and severally guaranteed by the Company and all of its existing and future material domestic subsidiaries, subject to certain exclusions. The obligations of the borrowers in respect of the Credit Facilities are secured by first-priority security interests in substantially all assets of the borrowers, including 100% of the capital stock of each domestic subsidiary of the borrower and 65% of the voting capital stock of each foreign subsidiary that is directly owned by a borrower, in each case subject to certain exclusions set forth in the Credit Agreement.

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The Credit Agreement contains customary negative covenants that, among other things, restrict the Company's ability to incur additional indebtedness, grant additional liens, and make certain acquisitions, investments, asset dispositions, and restricted payments. In addition, the Credit Agreement contains financial covenants that require the Company to maintain, as of the end of any fiscal quarter, (i) a consolidated total net leverage ratio of less than or equal to 4.25 to 1.00, (ii) a consolidated senior

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secured net leverage ratio of less than or equal to 3.75 to 1.00, and (iii) a minimum consolidated interest coverage ratio of greater than or equal to 3.00 to 1.00, in each case subject to certain exclusions as set forth in the Credit Agreement.

The Credit Agreement also contains certain customary affirmative covenants and events of default. If an event of default, as specified in the Credit Agreement, shall occur and be continuing, the Company may be required to repay all amounts outstanding under the Credit Facilities.

#### Senior Notes

On August 21, 2018, the Company completed a \$400.0 million offering of the 2026 Notes at an issue price of 100% of the principal amount in a private placement for resale to qualified institutional buyers. The 2026 Notes bear interest at an annual rate of 5.750%, payable semi-annually in arrears on February 15 and August 15 of each year. The 2026 Notes will mature on August 15, 2026.

Maturities on debt outstanding as of **June 30, 2024** **September 30, 2024**, are as follows (in thousands):

**Fiscal Year Ending December 31,**

Remainder of 2024
Remainder of 2024
Remainder of 2024
2025
2026
2027
2028
Thereafter
Total

As of **June 30, 2024** **September 30, 2024**, and at all times during the period, the Company was in compliance with its financial debt covenants.

Total debt is comprised of the following (in thousands):

	June 30, 2024	December 31, 2023
	September 30, 2024	December 31, 2023
Term loans		
Revolving credit facility		
5.750% Senior notes, due August 2026		
Debt issuance costs		
Total debt		
Less: current portion of term loans		
Less: current portion of debt issuance costs		
Total long-term debt		

*Overdraft Facility*

In 2019, the Company and ACI Payments, Inc. entered in to an uncommitted overdraft facility with Bank of America, N.A. The overdraft facility bears interest at the federal funds effective rate plus 2.25% based on the Company's average outstanding balance and the frequency in which overdrafts occur. The overdraft facility acts as a secured loan under the terms of the Credit Agreement to provide an additional funding mechanism for timing differences that can occur in the bill payment settlement process. Amounts outstanding on the overdraft facility are included in other current liabilities in the condensed consolidated balance sheet. As of **June 30, 2024** **September 30, 2024** and **December 31, 2023**, there was \$75.0 million available and no amount outstanding on the overdraft facility. **As**

[Table of December 31, 2023, there was no amount outstanding on the overdraft facility, contents](#)

*Other*

The Company finances certain multi-year license agreements for internal-use software. Upon execution, these arrangements are treated as a non-cash investing and financing activity for purposes of the condensed consolidated statements of cash flows. As of **June 30, 2024** **September 30, 2024**, no amount was outstanding on these agreements. As of December 31, 2023, \$3.6 million was outstanding on these agreements, all of which was included in other current liabilities in the consolidated balance sheet.

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**4. Software and Other Intangible Assets**

The carrying amount and accumulated amortization of the Company's software assets subject to amortization at each balance sheet date are as follows (in thousands):

	June 30, 2024
	September 30, 2024
	Gross Carrying Amount
	Gross Carrying Amount
	Gross Carrying Amount
Software for internal use	
Software for internal use	
Software for internal use	

Amortization of software for internal use is computed using the straight-line method over an estimated useful life of generally three to eight years. Software for internal use amortization expense recorded during the three months ended **June 30, 2024** **September 30, 2024** and 2023, totaled **\$15.8 million** **\$16.6 million** and **\$16.0 million** **\$16.3 million**, respectively. Software for internal use amortization expense recorded during the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, totaled **\$31.3 million** **\$47.9 million** and **\$33.0 million** **\$49.3 million**, respectively. These software amortization expense amounts are reflected in depreciation and amortization in the condensed consolidated statements of operations.

The carrying amount and accumulated amortization of the Company's other intangible assets subject to amortization at each balance sheet date are as follows (in thousands):

June 30, 2024					December 31, 2023								
September 30, 2024					December 31, 2023								
	Gross Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Balance	Gross Carrying Amount	Accumulated Amortization	Net Balance	Gross Carrying Amount	Accumulated Amortization	Net Balance	Gross Carrying Amount	Accumulated Amortization	Net Balance
Customer relationships													
Trademarks and trade names													
Total other intangible assets													

Other intangible assets amortization expense recorded during the three months ended **June 30, 2024** **September 30, 2024** and 2023, totaled **\$8.2 million** **\$7.1 million** and \$8.5 million, respectively. Other intangible assets amortization expense recorded during the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, totaled **\$16.7 million** **\$23.8 million** and **\$16.9 million** **\$25.4 million**, respectively.

Based on capitalized intangible assets as of **June 30, 2024** **September 30, 2024**, estimated amortization expense amounts in future fiscal years are as follows (in thousands):

Fiscal Year Ending December 31,	Fiscal Year Ending December 31,	Software Amortization	Other Intangible Assets Amortization	Fiscal Year Ending December 31,	Software Amortization	Other Intangible Assets Amortization
Remainder of 2024						
2025						
2026						
2027						
2028						
Thereafter						
Total						

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## 5. Stock-Based Compensation Plans

### Employee Stock Purchase Plan

Shares issued under the 2017 Employee Stock Purchase Plan during the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, totaled **51,397** **71,181** and **65,770** **101,565**, respectively.

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### Stock Options

A summary of stock option activity is as follows:

Number of Shares	Number of Shares	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value of In-the-Money Options (\$)	Number of Shares	Weighted Average Exercise Price (\$)	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value of In-the-Money Options (\$)
Outstanding as of December 31, 2023								

Exercised
Exercised
Exercised
Outstanding as of June 30, 2024
Outstanding as of September 30, 2024
Outstanding as of June 30, 2024
Outstanding as of September 30, 2024
Outstanding as of June 30, 2024
Exercisable as of June 30, 2024
Outstanding as of September 30, 2024
Exercisable as of September 30, 2024

The total intrinsic value of stock options exercised during the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, was **\$0.6 million** **\$2.4 million** and **\$0.8 million** **\$0.9 million**, respectively. There were no stock options granted during the **six nine** months ended **June 30, 2024** **September 30, 2024** or 2023.

Performance Share Awards

During the **six nine** months ended **June 30, 2024** **September 30, 2024**, pursuant to the Company's 2020 Equity and Incentive Compensation Plan, the Company granted performance share awards with a total shareholder return component ("TSRs"). These performance share awards are earned, if at all, based upon achievement, over a specified period that must not be less than one year and is typically a three-year performance period. The awards have operating performance goals that include (i) adjusted EBITDA metrics and (ii) revenue growth rates as determined by the Company with a TSR multiplier up to plus or minus 20%. Up to 200% of the performance shares could be earned upon achievement of the performance goals, including the multiplier. On a quarterly basis, management evaluates the probability that the threshold performance goals will be achieved, if at all, and the anticipated level of attainment to determine the amount of compensation expense to record in the consolidated financial statements.

A summary of nonvested TSRs is as follows:

	Number of Shares	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested as of December 31, 2023					
Granted					
Forfeited					
Forfeited					
Forfeited					
Change in payout rate					
Nonvested as of June 30, 2024					
Nonvested as of September 30, 2024					

In the first quarter of 2024, the TSRs granted in 2021 were earned by the employees. However, the performance goals were not met and no shares were issued.

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The fair value of TSRs granted during the **six nine** months ended **June 30, 2024** **September 30, 2024** and 2023, were estimated on the date of grant using the Monte Carlo simulation model, acceptable under ASC 718, *Compensation - Stock Compensation*, using the following weighted average assumptions:

Six months ended June 30,					Nine months ended September 30,		
	2024	2024	2023		2024	2023	
Expected life (years)	Expected life (years)	2.7	2.9	Expected life (years)	2.7	2.9	
Risk-free interest rate	Risk-free interest rate	4.4 %	3.6 %	Risk-free interest rate	4.4 %	3.6 %	
Expected volatility	Expected volatility	36.8 %	37.1 %	Expected volatility	36.8 %	37.1 %	
Expected dividend yield							

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Restricted Share Units

A summary of nonvested restricted share unit awards ("RSUs") is as follows:



	Number of Shares	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested as of December 31, 2023					
Granted					
Vested					
Forfeited					
Nonvested as of June 30, 2024					
Nonvested as of September 30, 2024					

During the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, a total of **624,487** **815,772** RSUs vested. The Company withheld **190,072** **252,290** of those shares to pay the employees' portion of the minimum payroll withholding taxes.

As of **June 30, 2024** **September 30, 2024**, there was unrecognized compensation expense of **\$58.0 million** **\$50.7 million** related to RSUs and **\$21.9 million** **\$22.8 million** related to TSRs, which the Company expects to recognize over a weighted average period of **2.3** **2.1** years and **2.2** **2.0** years, respectively.

The Company recorded stock-based compensation expense recognized under ASC 718 for the three months ended **June 30, 2024** **September 30, 2024** and 2023, of **\$10.7 million** **\$11.3 million** and **\$5.4 million** **\$6.8 million**, respectively, with corresponding tax benefits of **\$1.7 million** **\$1.9 million** and **\$1.0 million** **\$1.2 million**, respectively. The Company recorded stock-based compensation expense recognized under ASC 718 for the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, of **\$18.8 million** **\$30.2 million** and **\$10.7 million** **\$17.5 million**, respectively, with corresponding tax benefits of **\$3.1 million** **\$5.0 million** and **\$2.0 million** **\$3.2 million**, respectively.

## 6. Common Stock and Treasury Stock

In 2005, the board approved a stock repurchase program authorizing the Company, as market and business conditions warrant, to acquire its common stock and periodically authorize additional funds for the program. In June 2024, the board approved the repurchase of the Company's common stock of up to \$400.0 million, in place of the remaining purchase amounts previously authorized.

The Company repurchased **3,743,220** **3,946,537** shares for **\$120.7 million** **\$128.7 million** during the **six** **nine** months ended **June 30, 2024** **September 30, 2024**. Under the program to date, the Company has repurchased **62,664,520** **62,867,837** shares for approximately \$1.1 billion. As of **June 30, 2024** **September 30, 2024**, the maximum remaining amount authorized for purchase under the stock repurchase program was **\$380.3 million** **\$372.3 million**.

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## 7. Earnings (Loss) Per Share

Basic earnings (loss) per share is computed in accordance with ASC 260, *Earnings Per Share*, based on weighted average outstanding common shares. Diluted earnings (loss) per share is computed based on basic weighted average outstanding common shares adjusted for the dilutive effect of stock options, RSUs, and certain contingently issuable shares for which performance targets have been achieved.

The following table reconciles the weighted average share amounts used to compute both basic and diluted earnings (loss) per share (in thousands):

										Three Months Ended June 30,		Six Months Ended June 30,													
										Three Months Ended September 30,		Nine Months Ended September 30,													
										2024		2024		2023		2024		2023		2024		2023			
Weighted average shares outstanding:																									
Basic weighted average shares outstanding																									
Basic weighted average shares outstanding																									
Basic weighted average shares outstanding																									
Add: Dilutive effect of stock options and RSUs																									
Diluted weighted average shares outstanding																									

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The diluted earnings (loss) per share computation excludes 1.0 million and **3.7** **2.0** million options to purchase shares, RSUs, and contingently issuable shares during the three months ended **June 30, 2024** **September 30, 2024** and 2023, respectively, as their effect would be anti-dilutive. The diluted earnings (loss) per share computation excludes **1.7 million** **1.2 million** and **3.1 million** **3.2 million** options to purchase shares, RSUs, and contingently issuable shares during the **six** **nine** months ended **June 30, 2024** **September 30, 2024** and 2023, respectively, as their effect would be anti-dilutive.

Common stock outstanding as of **June 30, 2024** **September 30, 2024**, and December 31, 2023, was **104,860,637** **104,870,815** and 108,077,738, respectively.

8. Other, Net

Other, net is primarily comprised of foreign currency transaction gains and losses. Other, net was \$1.2 \$0.8 million of income expense and \$4.1 \$1.1 million of expense income for the three months ended June 30, 2024 September 30, 2024 and 2023, respectively. Other, net was \$0.9 \$1.7 million and \$7.5 \$6.4 million of expense for the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively.

9. Segment Information

The Company reports financial performance based on its operating segments, Banks, Merchants, and Billers, and analyzes Segment Adjusted EBITDA as a measure of segment profitability.

The Company's Chief Executive Officer is also the chief operating decision maker ("CODM"). The CODM, together with other senior management personnel, focus their review on consolidated financial information and the allocation of resources based on operating results, including revenues and Segment Adjusted EBITDA, for each segment, separate from corporate operations. No operating segments have been aggregated to form the reportable segments.

*Banks.* ACI provides payment solutions to large and mid-size banks globally for retail banking, real time, digital, and other payment services. These solutions transform banks' complex payment environments to speed time to market, reduce costs, and deliver a consistent experience to customers across channels while enabling them to prevent and rapidly react to fraudulent activity. In addition, they enable banks to meet the requirements of different real-time payments schemes and to quickly create differentiated products to meet consumer, business, and merchant demands.

*Merchants.* ACI's support of merchants globally includes Tier 1 and Tier 2 merchants, online-only merchants and the payment service providers, independent selling organizations, value-added resellers, and acquirers who service them. These customers operate in a variety of verticals, including general merchandise, grocery, hospitality, dining, transportation, and others. The Company's solutions provide merchants with a secure, omni-channel payments platform that gives them independence from third-party payment providers. They also offer secure solutions to online-only merchants that provide consumers with a convenient and seamless way to shop.

*Billers.* Within the billers segment, ACI provides electronic bill presentment and payment ("EBPP") services to companies operating in the consumer finance, insurance, healthcare, higher education, utility, government, and mortgage categories. The solutions enable these customers to support a wide range of payment options and provide a convenient consumer payments experience that drives consumer loyalty and increases revenue.

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Revenue is attributed to the reportable segments based upon customer. Expenses are attributed to the reportable segments in one of three methods: (1) direct costs of the segment, (2) labor costs that can be attributed based upon time tracking for individual projects, or (3) costs that are allocated. Allocated costs are generally marketing and sales related activities.

Segment Adjusted EBITDA is the measure reported to the CODM for purposes of making decisions on allocating resources and assessing the performance of the Company's segments, and, therefore, Segment Adjusted EBITDA is presented in conformity with ASC 280, *Segment Reporting*. Segment Adjusted EBITDA is defined as earnings (loss) from operations before interest, income tax expense (benefit), depreciation and amortization ("EBITDA") adjusted to exclude net other income (expense).

Corporate and unallocated expenses includes global facilities and information technology costs and long-term product roadmap expenses in addition to corporate overhead costs that are not allocated to reportable segments. The overhead costs relate to human resources, finance, legal, accounting, and merger and acquisition activity. These costs along with depreciation and amortization and stock-based compensation are not considered when management evaluates segment performance.

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The following is selected financial data for the Company's reportable segments for the periods indicated (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2024	2023	2024	2023	2024 2023 2024 2023
Revenue						
Banks						
Banks						
Banks						
Merchants						
Billers						
Total revenue						
Segment Adjusted EBITDA						
Banks						

Banks
Banks
Merchants
Billers
Depreciation and amortization
Stock-based compensation expense
Corporate and unallocated expenses
Interest, net
Other, net
Income (loss) before income taxes

Assets are not allocated to segments, and the Company's CODM does not evaluate operating segments using discrete asset information.

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The following is revenue by primary solution category for the Company's reportable segments for the periods indicated (in thousands):

	Three Months Ended June 30, 2024				Three Months Ended September 30, 2024				
	Banks	Banks	Merchants	Billers	Total	Banks	Merchants	Billers	Total
Primary Solution Categories									
Bill Payments									
Bill Payments									
Bill Payments									
Merchant Payments									
Merchant Payments									
Merchant Payments									
Fraud Management									
Real-Time Payments									
Issuing and Acquiring									
Total									
Three Months Ended June 30, 2023									
Three Months Ended June 30, 2023									
Three Months Ended June 30, 2023									
Three Months Ended September 30, 2023									
Three Months Ended September 30, 2023									
Three Months Ended September 30, 2023									
	Banks	Banks	Merchants	Billers	Total	Banks	Merchants	Billers	Total
Primary Solution Categories									
Bill Payments									
Bill Payments									
Bill Payments									
Merchant Payments									
Merchant Payments									
Merchant Payments									
Fraud Management									
Real-Time Payments									
Issuing and Acquiring									
Total									
Six Months Ended June 30, 2024									
Six Months Ended June 30, 2024									
Six Months Ended June 30, 2024									
Nine Months Ended September 30, 2024									
Nine Months Ended September 30, 2024									

Nine Months Ended September 30, 2024											
	Banks	Banks	Merchants	Billers	Total	Banks	Merchants	Billers	Total		
<b>Primary Solution Categories</b>											
Bill Payments											
Bill Payments											
Bill Payments											
Merchant Payments											
Merchant Payments											
Merchant Payments											
Fraud Management											
Real-Time Payments											
Issuing and Acquiring											
Total											
Six Months Ended June 30, 2023											
Six Months Ended June 30, 2023											
Six Months Ended June 30, 2023											
Nine Months Ended September 30, 2023											
Nine Months Ended September 30, 2023											
Nine Months Ended September 30, 2023											
	Banks	Banks	Merchants	Billers	Total	Banks	Merchants	Billers	Total		
<b>Primary Solution Categories</b>											
Bill Payments											
Bill Payments											
Bill Payments											
Merchant Payments											
Merchant Payments											
Merchant Payments											
Fraud Management											
Real-Time Payments											
Issuing and Acquiring											
Total											

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Three Months Ended June 30,											
Six Months Ended June 30,											
Three Months Ended September 30,											
Nine Months Ended September 30,											
	2024	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
<b>Banks</b>											
Software as a service and platform as a service											
Software as a service and platform as a service											
Software as a service and platform as a service											
License											
Maintenance											
Services											
Total											
<b>Merchants</b>											
Software as a service and platform as a service											
Software as a service and platform as a service											
Software as a service and platform as a service											

License
Maintenance
Services
Total
<b>Billers</b>
Software as a service and platform as a service
Software as a service and platform as a service
Software as a service and platform as a service
License
Maintenance
Services
Total

The following is the Company's revenue by geographic location for the periods indicated (in thousands):

	Three Months Ended June 30,				Six Months Ended June 30,			
	Three Months Ended September 30,				Nine Months Ended September 30,			
	2024		2024	2023	2024		2023	
<b>Revenue</b>								
United States								
United States								
United States								
Other								
Total								

The following is the Company's long-lived assets by geographic location for the periods indicated (in thousands):

	June 30, 2024				December 31, 2023			
	September 30, 2024				December 31, 2023			
<b>Long-lived Assets</b>								
United States								
United States								
United States								
Other								
Total								

No single customer accounted for more than 10% of the Company's Company's consolidated revenue during the three and nine months ended September 30, 2024 and 2023. The United Kingdom accounted for 12.0% of the Company's consolidated revenues during the three and six months ended June 30, 2024 and 2023. September 30, 2024. No other country outside the United States accounted for more than 10% of the Company's consolidated revenues during the six three months ended June 30, 2024 September 30, 2023 and nine months ended September 30, 2024 and 2023.

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### 10. Income Taxes

For the three and six nine months ended June 30, 2024 September 30, 2024, the Company's effective tax rate was 23% 24% and 30% 25%, respectively. The Company reported a tax charge on pretax income for both the three and six nine months ended June 30, 2024 September 30, 2024, with foreign entities recognizing earnings of \$51.7 million \$107.6 million and \$40.5 million \$148.1 million, respectively.

For the three and six nine months ended June 30, 2023 September 30, 2023, the Company's effective tax rate was 33% 19% and 27% 83%, respectively. The Company reported a tax charge on pretax income for the three months ended September 30, 2023 and a tax benefit on pretax loss for both the three and six nine months ended June 30, 2023 September 30, 2023, with foreign entities recognizing earnings of \$24.3 million \$47.9 million and \$17.1 million \$64.9 million, respectively.

The Company's effective tax rate could fluctuate on a quarterly basis due to the occurrence of significant and unusual or infrequent items, such as vesting of stock-based compensation or foreign currency gains and losses. The Company's effective tax rate could also fluctuate due to changes in the valuation of its deferred tax assets or liabilities, or

by changes in tax laws, regulations, accounting principles, or interpretations thereof. In addition, the Company is occasionally subject to examination of its income tax returns by tax authorities in the jurisdictions it operates. The Company regularly assesses the likelihood of adverse outcomes resulting from these examinations to determine the adequacy of its provision for income taxes.

The Organization for Economic Co-operation and Development Inclusive Framework on Base Erosion and Profit Shifting released Pillar Two Model Rules ("Pillar Two") for a global minimum tax. Many countries have enacted certain aspects of the Pillar Two framework with effective dates in 2024. Entities operating in countries where Pillar Two has been enacted are required to estimate Pillar Two top-up tax obligations beginning in the first quarter of 2024.

For the **six nine** months ended **June 30, 2024** **September 30, 2024**, the Company did not have material Pillar Two top-up tax obligations impacting the Company's estimated annual effective tax rate. The Company will continue to evaluate the impact of proposed and enacted legislation as new guidance becomes available.

As of **June 30, 2024** **September 30, 2024**, and December 31, 2023, the amount of unrecognized tax benefits for uncertain tax positions was **\$21.0 million** and **\$20.9 million**, respectively, excluding related liabilities for interest and penalties of **\$0.4 million** and **\$0.5 million**, respectively.

The Company believes it is reasonably possible that the total amount of unrecognized tax benefits will decrease within the next 12 months by approximately **\$2.2 million** **\$2.3 million**, due to the settlement of various audits and the expiration of statutes of limitation.

## 11. Commitments and Contingencies

### Legal Proceedings

In April 2021, ACH files associated with one of the Company's mortgage servicing customers were inadvertently transmitted into the ACH network during a test of the Company's payment processing system. The Company took immediate corrective action and issued reversing ACH files, restoring affected accounts.

The Company's customer commenced an action for damages as a result of this event. The Company settled with the customer for the amount of \$1.8 million, which will be funded by insurance carriers.

Funds received from or expected to be received from insurance carriers are generally subject to the respective carriers' reservation of rights.

The Company is from time to time subject to other claims, litigation and investigations. While the Company believes that none of the currently pending matters is reasonably likely to have a material adverse effect on it, there can be no assurance with respect thereto or future matters.

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Forward-Looking Statements

This report contains forward-looking statements based on current expectations that involve a number of risks and uncertainties. Generally, forward-looking statements do not relate strictly to historical or current facts and may include words or phrases such as "believes," "will," "expects," "anticipates," "intends," and words and phrases of similar impact. The forward-looking statements are made pursuant to safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended.

Forward-looking statements in this report include, but are not limited to, statements regarding future operations, business strategy, business environment, key trends, and, in each case, statements related to expected financial and other benefits. Many of these factors will be important in determining our actual future results. Any or all of the forward-looking statements in this report may turn out to be incorrect. They may be based on inaccurate assumptions or may not account for known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially from those expressed or implied in any forward-looking statements, and our business, financial condition and results of operations could be materially and adversely affected. In addition, we disclaim any obligation to update any forward-looking statements after the date of this report, except as required by law.

All forward-looking statements in this report are expressly qualified by the risk factors discussed in our filings with the Securities and Exchange Commission ("SEC"). The cautionary statements in this report expressly qualify all of our forward-looking statements. Factors that could cause actual results to differ from those expressed or implied in the forward-looking statements include, but are not limited to, those discussed in our Risk Factors in Part 1, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, and in Part 2, Item 1A of this Form 10-Q.

The following discussion should be read together with our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, and with our financial statements and related notes contained in this Form 10-Q. Results for the three and **six nine** months ended **June 30, 2024** **September 30, 2024**, are not necessarily indicative of results that may be attained in the future.

### Global Economy and Inflation

Since 2022, the global economy has experienced high inflation, increased interest rates, and pressures on gross domestic product. While we believe our business is resilient and can generally weather unusually high levels of inflation, inflationary pressures have had some impact on our financial performance. Specifically, inflation impacted our interchange costs associated with the Biller segment.

### Overview

ACI Worldwide powers digital payments for more than 6,000 organizations around the world. More than 1,000 of the largest banks and intermediaries, as well as thousands of global merchants, rely on ACI to execute \$14 trillion each day in payments and securities. In addition, myriad organizations utilize our electronic bill presentment and payment services.

Through our comprehensive suite of software solutions delivered on customers' premises, through the public cloud or through ACI's private cloud, we provide real-time, immediate payments capabilities and enable the industry's most complete omni-channel payments experience.

Our products are sold and supported directly and through distribution networks covering three geographic regions – the Americas; Europe, Middle East, and Africa ("EMEA"); and Asia Pacific. Each region has its own globally coordinated sales force, supplemented with local independent reseller and/or distributor networks. Our products and solutions are marketed under the ACI Worldwide brand and used globally by banks and intermediaries, merchants, and billers, such as third-party electronic payment processors, payment associations, switch interchanges, and a wide range of transaction-generating endpoints, including ATMs, merchant point-of-sale ("POS") terminals, bank branches, mobile phones, tablets, corporations, and internet commerce sites.

We derive a majority of our revenues from domestic operations and believe we have large opportunities for growth in international markets, as well as continued expansion domestically in the United States. We also continue to maintain centers of expertise in Timisoara, Romania, and Pune and Bangalore in India, as well as key operational centers such as in Cape Town, South Africa and in multiple locations in the United States.

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Our business and operating results are influenced by trends such as information technology spending levels, the growth rate of digital payments, mandated regulatory changes, and changes in the number and type of customers in the financial services industry, as well as economic growth, and purchasing habits.

Key trends that currently impact our strategies and operations include:

**Increasing digital payment transaction volumes.** The adoption of digital payments continues to accelerate, propelled by the digitization of cash, financial inclusion efforts of countries throughout the world, the Internet of Things, rapid growth of eCommerce and the adoption of real-time payments. COVID-19 further accelerated this growth as more people, governments, and businesses embraced digital payments - a change that has continued. We leverage the growth in transaction volumes through the licensing of new systems to customers whose older systems cannot handle increased volume, through the sale of capacity upgrades to existing customers, and through the scalability of our platform-based solutions.

**Adoption of real-time payments.** Expectations from both consumers and businesses are continuing to drive the payments world to more real-time delivery. This is bolstered by the new data-rich ISO 20022 messaging format, which is delivering greater value to banks and their customers. We are seeing global players with existing schemes working to expand capacity in anticipation of volume growth and new payment types. Mature markets, including India, the United Kingdom, Australia, Malaysia, Singapore, Thailand, and the Nordics, continue to accelerate innovation, especially in terms of overlay services and cross-border connectivity. The United States is driving real-time payments adoption through Zelle, TCH Real-Time Payments, and the FedNow service. We are seeing success with real-time payments in the Middle East as well, as they have started to renovate their payment systems from legacy payment types to the modern digital and real-time world. ACI's broad software portfolio, experience, and strategic partnerships with Mastercard, Microsoft, and Mindgate Solutions continue to position us as a leader in real-time payments, helping to drive seamless connectivity, increased security, and end-to-end modernization for organizations throughout the world.

**Adoption of cloud technology.** ACI has recognized the industry's technical inflection point in the transition from traditional on-premise infrastructure to the public cloud, and we are supporting our customers' cloud strategies. Public and private cloud technology innovations allow the financial services ecosystem to accelerate innovation and ensure scalability and resiliency while improving operating economics over time. As banks and intermediaries, merchants, and billers seek to transition their systems to make use of cloud technology, our investments and partnerships, as demonstrated by our product enablement and initial optimization onto Microsoft Azure, enable us to leverage those cloud technology benefits today and for the future while preserving ACI's fundamental base of performance, resiliency, and scalability.

**Payments intelligence, fraud, and compliance.** The accelerated adoption of real-time payments increases the urgency for industry-wide collaboration against fraud. As the threat of scams becomes a greater concern for remitting and receiving institutions, consumers are challenged with increased friction to prevent account take-over and criminals successfully persuading consumers to push transactions themselves, inadvertently, to mule accounts they have full control of, created with fake or synthetic identity, or simply "borrowed" with or without consent of the legit account holders. Regulators are beginning to litigate between consumers and financial institutions on the losses, and between emitting and receiving banks on the accountability for reimbursement. Banks and intermediaries, merchants, and billers are pursuing solutions to mitigate their risks while improving their customer experience, protecting their margins, and securing their revenue streams, especially with their new products and offerings. We continue to see opportunity for our advanced machine learning and network intelligence capabilities to stop criminals and enable frictionless legitimate business.

**Omni-commerce.** Shoppers are increasingly browsing, buying, and returning items across channels, including in-store, online, and mobile. COVID-19 accelerated this trend, leading to an increase in contactless payments, click and collect, and curbside collection. Merchants from all industries, including grocers, fuel and convenience stores, are being tasked with delivering seamless experiences that include pay-in-aisle, kiosks, mobile app payments, QR code payments, eCommerce, traditional and mobile POS, buy online pickup in-store (BOPIS), and buy online return in-store (BORIS). We believe there is significant opportunity to provide merchants with the tools to deliver a seamless, secure, personalized experience that creates loyalty and satisfaction, and drives conversion rates while protecting consumer data and preventing fraud.

**Request for Payment (RfP).** Markets across the world are introducing an innovative payments service called Request for Payment (RfP). This technology is known by different names in different markets: Collect payments in India, Request 2 Pay in Europe, Request To Pay (RTP) in the United Kingdom, or Request for Payment (RfP) in the United States. RfP offers secure messaging between consumers and billers or merchants, wherein a biller or merchant can request a payment from a consumer through the use of a trusted app, most likely a banking app. RfP is primarily being implemented on top of real-time payments, which are continuing to grow and flourish as countries around the world develop and launch their real-time schemes as noted

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above. ACI is in a unique position to deliver this overlay service given our real-time payments software, our relationships with banks, merchants, and billers, and global real-time connectivity.

Several other factors related to our business may have a significant impact on our operating results from year to year. For example, the accounting rules governing the timing of revenue recognition are complex, and it can be difficult to estimate when we will recognize revenue generated by a given transaction. Factors such as creditworthiness of the customer and timing of transfer of control or acceptance of our products may cause revenues related to sales generated in one period to be deferred and recognized in later periods. For arrangements in which services revenue is deferred, related direct and incremental costs may also be deferred. Additionally, while the majority of our contracts are denominated in the U.S. dollar, a substantial portion of our sales are made, and some of our expenses are incurred, in the local currency of countries other than the United States. Fluctuations in currency exchange rates in a given period may result in the recognition of gains or losses for that period.

We continue to seek ways to grow through organic sources, partnerships, alliances, and acquisitions. We continually look for potential acquisitions designed to improve our solutions' breadth or provide access to new markets. As part of our acquisition strategy, we seek acquisition candidates that are strategic, capable of being integrated into our operating environment, and accretive to our financial performance.

Backlog

Backlog is comprised of:

- Committed Backlog, which includes (1) contracted revenue that will be recognized in future periods (contracted but not recognized) from software license fees, maintenance fees, service fees, and SaaS and PaaS fees specified in executed contracts (including estimates of variable consideration if required under ASC 606, *Revenue From Contracts With Customers*) and included in the transaction price for those contracts, which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods and (2) estimated future revenues from software license fees, maintenance fees, services fees, and SaaS and PaaS fees specified in executed contracts.
- Renewal Backlog, which includes estimated future revenues from assumed contract renewals to the extent we believe recognition of the related revenue will occur within the corresponding backlog period.

We have historically included assumed renewals in backlog estimates based upon automatic renewal provisions in the executed contract and our historic experience with customer renewal rates.

Our 60-month backlog estimates are derived using the following key assumptions:

- License arrangements are assumed to renew at the end of their committed term or under the renewal option stated in the contract at a rate consistent with historical experience. If the license arrangement includes extended payment terms, the renewal estimate is adjusted for the effects of a significant financing component.
- Maintenance fees are assumed to exist for the duration of the license term for those contracts in which the committed maintenance term is less than the committed license term.
- SaaS and PaaS arrangements are assumed to renew at the end of their committed term at a rate consistent with our historical experiences.
- Foreign currency exchange rates are assumed to remain constant over the 60-month backlog period for those contracts stated in currencies other than the U.S. dollar.
- Our pricing policies and practices are assumed to remain constant over the 60-month backlog period.

In computing our 60-month backlog estimate, the following items are specifically not taken into account:

- Anticipated increases in transaction, account, or processing volumes by our customers.
- Optional annual uplifts or inflationary increases in recurring fees.
- Services engagements, other than SaaS and PaaS arrangements, are not assumed to renew over the 60-month backlog period.
- The potential impact of consolidation activity within our markets and/or customers.

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We review our customer renewal experience on an annual basis. The impact of this review and subsequent updates may result in a revision to the renewal assumptions used in computing the 60-month backlog estimates. In the event a significant revision to renewal assumptions is determined to be necessary, prior periods will be adjusted for comparability purposes.

The following table sets forth our 60-month backlog estimate, by reportable segment, as of September 30, 2024, June 30, 2024, March 31, 2024, and December 31, 2023 (in millions). Dollar amounts reflect foreign currency exchange rates as of each period end. This is a non-GAAP financial measure being presented to provide comparability across accounting periods. We believe this measure provides useful information to investors and others in understanding and evaluating our financial performance.

June 30, 2024		
June 30, 2024		
June 30, 2024	March 31, 2024	December 31, 2023
September 30, 2024		
September 30, 2024		



	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023
Banks				
Merchants				
Billers				
Total				
	June 30, 2024			
	June 30, 2024			
	June 30, 2024	March 31, 2024	December 31, 2023	
	September 30, 2024			
	September 30, 2024			
	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023
Committed				
Renewal				
Total				

Estimates of future financial results require substantial judgment and are based on several assumptions, as described above. These assumptions may turn out to be inaccurate or wrong for reasons outside of management's control. For example, our customers may attempt to renegotiate or terminate their contracts for many reasons, including mergers, changes in their financial condition, or general changes in economic conditions in the customer's industry or geographic location. We may also experience delays in the development or delivery of products or services specified in customer contracts, which may cause the actual renewal rates and amounts to differ from historical experiences. Changes in foreign currency exchange rates may also impact the amount of revenue recognized in future periods. Accordingly, there can be no assurance that amounts included in backlog estimates will generate the specified revenues or that the actual revenues will be generated within the corresponding 60-month period. Additionally, because certain components of Committed Backlog and all of Renewal Backlog estimates are operating metrics, the estimates are not required to be subject to the same level of internal review or controls as contracted but not recognized Committed Backlog.

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## RESULTS OF OPERATIONS

The following table presents the condensed consolidated statements of operations, as well as the percentage relationship to total revenues for items included in our condensed consolidated statements of operations (in thousands):

Three Month Period Ended **June 30, 2024** **September 30, 2024** Compared to the Three Month Period Ended **June 30, 2023** **September 30, 2023**

Three Months Ended June 30,												Thr
2024				2024								
Amount	Amount	% of Total Revenue		\$ Change vs 2023	% Change vs 2023			Amount		% of Total Revenue		
<b>Revenues:</b>												
Software as a service and platform as a service												
Software as a service and platform as a service												
Software as a service and platform as a service	\$235,399	63	63 %	\$ 25,723	12	12 %		\$209,676	65	65 %	\$ 223,3	
License	License 65,582	18	18 %	20,911	47	47 %		44,671	14	14 %	License	
Maintenance	Maintenance 48,733	13	13 %	(2,658)	(5)	(5) %		51,391	16	16 %	Maintenan	
Services	Services 23,765	6	6 %	6,178	35	35 %		17,587	5	5 %	Services	
Total revenues	Total revenues 373,479	100	100 %	50,154	16	16 %		323,325	100	100 %	Total revenue	
<b>Operating expenses:</b>												
Cost of revenue												
Cost of revenue												
Cost of revenue	203,238	54	54 %	21,895	12	12 %		181,343	56	56 %	197,3	

Research and development	Research and development	35,410	9	9 %	145	—	— %	35,265	11	11 %	Research and developme
Selling and marketing	Selling and marketing	28,551	8	8 %	(4,738)	(14)	(14)%	33,289	10	10 %	Selling and marketing
General and administrative	General and administrative	24,993	7	7 %	(6,479)	(21)	(21)%	31,472	10	10 %	General ar administra
Depreciation and amortization	Depreciation and amortization	27,586	7	7 %	(3,850)	(12)	(12)%	31,436	10	10 %	Depreciati and amortizati
Total operating expenses	Total operating expenses	319,778	85	85 %	6,973	2	2 %	312,805	97	97 %	Total operativ expenses
Operating income	Operating income	53,701	15	15 %	43,181	410	410 %	10,520	3	3 %	Operating income
Other income (expense):											
Interest expense											
Interest expense											
Interest expense	Interest expense	(18,471)	(5)	(5)%	1,438	(7)	(7)%	(19,909)	(6)	(6)%	(18,3
Interest income	Interest income	3,953	1	1 %	495	14	14 %	3,458	1	1 %	Interest income
Other, net	Other, net	1,156	—	— %	5,248	128	128 %	(4,092)	(1)	(1)%	Other, net
Total other income (expense)	Total other income (expense)	(13,362)	(4)	(4)%	7,181	(35)	(35)%	(20,543)	(6)	(6)%	Total ot income (expens
Income (loss) before income taxes											
Income tax expense (benefit)											
Net income (loss)											
Income before income taxes											
Income tax expense											
Net income											

## Revenues

Total revenue for the three months ended **June 30, 2024** **September 30, 2024**, increased **\$50.2 million** **\$88.7 million**, or **16%** **24%**, as compared to the same period in 2023.

- The impact of foreign currencies **weakening** against the U.S. dollar resulted in a \$0.7 million decrease in total revenue during the three months ended June 30, 2024, as compared to the same period in 2023.
- Adjusted for the impact of foreign currency, total revenue** **was not significant** for the three months ended **June 30, 2024**, increased **\$50.9 million**, or **16%** **September 30, 2024**, as compared to the same period in 2023.

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### Software as a Service ("SaaS") and Platform as a Service ("PaaS") Revenue

The Company's SaaS arrangements allow customers to use certain software solutions (without taking possession of the software) in a single-tenant cloud environment on a subscription basis. The Company's PaaS arrangements allow customers to use certain software solutions (without taking possession of the software) in a multi-tenant cloud environment on a subscription or consumption basis. Included in SaaS and PaaS revenue are fees paid by our customers for use of our Biller solutions. Biller-related fees may be paid by our clients or directly by their customers and may be a percentage of the underlying transaction amount, a fixed fee per executed transaction, or a monthly fee for each customer enrolled. SaaS and PaaS costs include payment card interchange fees, the amounts payable to banks and payment card processing fees, which are included in cost of revenue in the condensed consolidated statements of operations. All fees from SaaS and PaaS arrangements that do not qualify for treatment as a distinct performance obligation, which includes set-up fees, implementation or customization services, and product support services, are included in SaaS and PaaS revenue.

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SaaS and PaaS revenue increased **\$25.7 million** **\$12.0 million**, or **12%** **6%**, during the three months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

- The increase was primarily driven by new customer go-lives since **June 30, 2023** **September 30, 2023**, and higher transaction volumes during the three months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

#### License Revenue

Customers purchase the right to license ACI software under multi-year, time-based software license arrangements that vary in length but are generally five years. Under these arrangements the software is installed at the customer's location (i.e. on-premise). Within these agreements are specified capacity limits typically based on customer transaction volume. ACI employs measurement tools that monitor the number of transactions processed by customers and if contractually specified limits are exceeded, additional fees are charged for the overage. Capacity overages may occur at varying times throughout the term of the agreement depending on the product, the size of the customer, and the significance of customer transaction volume growth. Depending on specific circumstances, multiple overages or no overages may occur during the term of the agreement.

Included in license revenue are license and capacity fees that are payable at the inception of the agreement. License revenue also includes license and capacity fees payable annually, quarterly, or monthly due to negotiated customer payment terms. The Company recognizes revenue in advance of billings for software license arrangements with extended payment terms and adjusts for the effects of the financing component, if significant.

License revenue increased **\$20.9 million** **\$77.8 million**, or **47%** **98%**, during the three months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

- The impact of certain foreign currencies weakening against the U.S. dollar resulted in a \$0.3 million decrease in license revenue during the three months ended **June 30, 2024**, as compared to the same period in 2023.
- Adjusted for the impact of foreign currency, license revenue for the three months ended **June 30, 2024**, increased \$21.2 million, or 48%, as compared to the same period in 2023.
- The increase was driven by license renewal timing as well as the relative size of new license and capacity events during the three months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

#### Maintenance Revenue

Maintenance revenue includes standard, enhanced, and premium customer support and any post contract support fees received from customers for the provision of product support services.

Maintenance revenue decreased **\$2.7 million** **\$4.4 million**, or **5%** **8%**, during the three months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

- The impact of foreign currencies weakening against the U.S. dollar resulted in a \$0.2 million decrease in maintenance revenue during the three months ended **June 30, 2024**, as compared to the same period in 2023.
- Adjusted for the impact of foreign currency, maintenance revenue for the three months ended **June 30, 2024**, decreased \$2.5 million or 5%, as compared to the same period in 2023.
- The decrease was primarily driven by customers reducing premium customer support and maintenance on non-strategic products during the three months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

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#### Services Revenue

Services revenue includes fees earned through implementation services and other professional services. Implementation services include product installations, product configurations, and custom software modifications ("CSMs"). Other professional services include business consultancy, technical consultancy, on-site support services, product education, and testing services. These services include new customer implementations as well as existing customer migrations to new products or new releases of existing products.

Services revenue increased **\$6.2 million** **\$3.4 million**, or **35%** **17%**, during the three months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

- The impact of foreign currencies weakening against the U.S. dollar resulted in a \$0.2 million decrease in services revenue during the three months ended **June 30, 2024**, as compared to the same period in 2023.
- Adjusted for the impact of foreign currency, services revenue for the three months ended **June 30, 2024**, increased \$6.4 million or 37%, as compared to the same period in 2023.
- The increase was primarily driven by the timing and magnitude of project-related work during the three months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

#### Operating Expenses

Total operating expenses for the three months ended **June 30, 2024** **September 30, 2024**, increased **\$7.0 million** **\$28.1 million**, or **2%** **9%**, as compared to the same period in 2023.

- Total operating expenses for the three months ended **June 30, 2024** **September 30, 2024**, included **\$0.4 million** **\$5.6 million** for cost reduction strategies and **\$0.4 million** **\$0.3 million** of other significant transaction-related expenses during the period, compared to **\$7.6 million** **\$3.8 million** for cost reduction strategies **\$0.5 million** of significant transaction-related expenses, **\$0.7 million** for CEO transition, and **\$1.2 million** **\$0.4 million** of European data center migration expenses for the same period in 2023.
- The impact of foreign currencies weakening against the U.S. dollar resulted in a \$0.7 million decrease in total operating expenses during **was not significant for** the three months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

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- Adjusted for the impact of cost reduction strategies and significant transaction-related expenses, and foreign currency, total operating expenses for the three months ended June 30, 2024 September 30, 2024, increased \$16.9 million \$26.5 million, or 6% 9%, as compared to the same period in 2023.

*Cost of Revenue*

Cost of revenue includes costs to provide SaaS and PaaS, third-party royalties, amortization of purchased and developed software for resale, the costs of maintaining our software products, as well as the costs required to deliver, install, and support software at customer sites. SaaS and PaaS service costs include payment card interchange fees, amounts payable to banks, and payment card processing fees. Maintenance costs include the efforts associated with providing the customer with upgrades, 24-hour help desk, post go-live (remote) support, and production-type support for software that was previously installed at a customer location. Service costs include human resource costs and other incidental costs such as travel and training required for both pre go-live and post go-live support. Such efforts include project management, delivery, product customization and implementation, installation support, consulting, configuration, and on-site support.

Cost of revenue increased \$21.9 million \$19.7 million, or 12% 11%, during the three months ended June 30, 2024 September 30, 2024, as compared to the same period in 2023.

- The impact of foreign currencies weakening against the U.S. dollar resulted in a \$0.3 million decrease in cost of revenue during the three months ended June 30, 2024, as compared to the same period in 2023.
- Adjusted for the impact of foreign currency, cost of revenue increased \$22.2 million, or 12%, for the three months ended June 30, 2024, as compared to the same period in 2023.
- The increase was primarily due to higher payment card interchange and processing fees and cloud computing fees of \$18.1 million \$14.4 million and \$0.7 million \$1.6 million, respectively. The remaining increase was due to higher personnel and related expenses of \$3.4 million, including a \$1.0 million increase in stock-based compensation expense, \$3.7 million.

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*Research and Development*

Research and development ("R&D") expenses are primarily human resource costs related to the creation of new products, improvements made to existing products as well as compatibility with new operating system releases and generations of hardware.

R&D expense increased \$0.1 million \$3.9 million, or 12%, during the three months ended June 30, 2024 September 30, 2024, as compared to the same period in 2023.

- The increase was primarily due to higher personnel and related expenses of \$3.8 million, including a \$1.2 million increase in stock-based compensation expense.

*Selling and Marketing*

Selling and marketing includes both the costs related to selling our products to current and prospective customers as well as the costs related to promoting the Company, its products and the research efforts required to measure customers' future needs and satisfaction levels. Selling costs are primarily the human resource and travel costs related to the effort expended to license our products and services to current and potential clients within defined territories and/or industries as well as the management of the overall relationship with customer accounts. Selling costs also include the costs associated with assisting distributors in their efforts to sell our products and services in their respective local markets. Marketing costs include costs incurred to promote the Company and its products, perform or acquire market research to help the Company better understand impending changes in customer demand for and of our products, and the costs associated with measuring customers' opinions toward the Company, our products and personnel.

Selling and marketing expense decreased \$4.7 million \$0.8 million, or 14% 3%, during the three months ended June 30, 2024 September 30, 2024, as compared to the same period in 2023.

- The decrease was primarily due to lower personnel and related expenses and advertising and professional fees of \$4.0 million \$0.6 million and \$0.7 million \$0.2 million, respectively.

*General and Administrative*

General and administrative expenses are primarily human resource costs including executive salaries and benefits, personnel administration costs, and the costs of corporate support functions such as legal, administrative, human resources, and finance and accounting.

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General and administrative expense decreased \$6.5 million increased \$4.1 million, or 21% 14%, during the three months ended June 30, 2024 September 30, 2024, as compared to the same period in 2023.

- General and administrative expenses for the three months ended June 30, 2024 September 30, 2024, included \$0.4 million \$1.2 million related to the closure of a facility and \$0.3 million of other significant transaction-related expenses, compared to \$3.8 million of expense for cost reduction strategies and \$0.4 million of other significant transaction-related expenses during the period, compared to \$7.6 million for cost reduction strategies, \$0.5 million of significant transaction-related expenses, \$0.7 million for CEO transition, and \$1.2 million of European data center migration expenses in the same period in 2023.

- The impact of foreign currencies weakening against the U.S. dollar resulted in a \$0.2 million decrease in general and administrative expense during the three months ended June 30, 2024, as compared to the same period in 2023.
- Adjusted for the impact of significant transaction-related expenses, and foreign currency, general and administrative expense increased \$2.9 million \$6.9 million, or 14% 27%, for the three months ended June 30, 2024 September 30, 2024, as compared to the same period in 2023.
- The increase was primarily due to higher personnel and related expenses of \$4.7 million \$8.1 million, including a \$2.8 million increase in stock-based compensation expense, partially offset by a \$1.8 million \$1.2 million decrease in professional and other legal fees.

Depreciation and Amortization

Depreciation and amortization decreased \$3.9 million increased \$1.1 million, or 12% 3%, during the three months ended June 30, 2024 September 30, 2024, as compared to the same period in 2023.

- Depreciation and amortization for the three months ended September 30, 2024, included \$4.4 million of accelerated depreciation related to the closure of a facility.
- Adjusted for the impact of the facility closure, depreciation and amortization decreased \$3.3 million, or 11%, for the three months ended September 30, 2024, as compared to the same period in 2023.
- The decrease was primarily due to a \$3.4 million \$2.2 million decrease in depreciation due to prior facilities cost reduction activities, and a \$0.5 million \$1.1 million decrease in amortization for fully amortized software and intangibles acquired through acquisitions.

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Other Income and Expense

Interest expense for the three months ended June 30, 2024 September 30, 2024, decreased \$1.4 million \$1.5 million, or 7%, as compared to the same period in 2023, primarily due to repayments on the Term Loan.

Interest income includes the portion of software license fees paid by customers under extended payment terms that is attributed to the significant financing component. Interest income for the three months ended June 30, 2024 September 30, 2024, increased \$0.5 million \$0.4 million, or 14% 11%, as compared to the same period in 2023.

Other, net is primarily comprised of foreign currency transaction gains and losses. Other, net was \$1.2 million \$0.8 million of income expense and \$4.1 million \$1.1 million of expense income for the three months ended June 30, 2024 September 30, 2024 and 2023, respectively.

Income Taxes

See Note 10, *Income Taxes*, to our unaudited condensed consolidated financial statements in Part I of this Form 10-Q for additional information.

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RESULTS OF OPERATIONS

The following table presents the condensed consolidated statements of operations, as well as the percentage relationship to total revenues for items included in our condensed consolidated statements of operations (in thousands):

Six Nine Month Period Ended June 30, 2024 September 30, 2024 Compared to the Six Nine Month Period Ended June 30, 2023 September 30, 2023											
Six Months Ended June 30,											
N											

## Operating expenses:

Cost of revenue

Cost of revenue

Cost of revenue		394,345	57	57 %	34,448	10	10 %	359,897	59	59 %	591,65
Research and development	Research and development	70,403	10	10 %	(1,980)	(3)	(3) %	72,383	12	12 %	Research and development
Selling and marketing	Selling and marketing	55,301	8	8 %	(13,423)	(20)	(20) %	68,724	11	11 %	Selling and marketing
General and administrative	General and administrative	50,993	7	7 %	(11,861)	(19)	(19) %	62,854	10	10 %	General and administrative
Depreciation and amortization	Depreciation and amortization	55,195	8	8 %	(7,780)	(12)	(12) %	62,975	10	10 %	Depreciation and amortization
Total operating expenses	Total operating expenses	626,237	90	90 %	(596)	—	— %	626,833	102	102 %	Total operating expense
Operating income (loss)		63,261	10	%	77,093	557	%	(13,832)	(2) %		
Operating income		185,847	17	%	137,755	286	%	48,092	5	%	

## Other income (expense):

Interest expense

Interest expense

Interest expense		(37,481)	(5)	(5) %	1,320	(3)	(3) %	(38,801)	(6)	(6) %	(55,85
Interest income	Interest income	7,962	1	1 %	999	14	14 %	6,963	1	1 %	Interest income
Other, net	Other, net	(869)	—	— %	6,618	(88)	(88) %	(7,487)	(1)	(1) %	Other, net
Total other income (expense)	Total other income (expense)	(30,388)	(4)	(4) %	8,937	(23)	(23) %	(39,325)	(6)	(6) %	Total other income (expense)
Income (loss) before income taxes	Income (loss) before income taxes	32,873	6	6 %	86,030	162	162 %	(53,157)	(8)	(8) %	Income (loss) before income taxes
Income tax expense (benefit)	Income tax expense (benefit)	9,737	1	1 %	23,876	(169)	(169) %	(14,139)	(2)	(2) %	Income tax expense (benefit)
Net income (loss)	Net income (loss)	\$ 23,136	5	5 %	\$ 62,154	159	159 %	\$ (39,018)	(6)	(6) %	Net income (loss)

## Revenues

Total revenue for the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, increased **\$76.5 million** **\$165.2 million**, or **12%** **17%**, as compared to the same period in 2023.

- The impact of certain foreign currencies weakening against the U.S. dollar resulted in a **\$0.5 million** **\$0.4 million** decrease in total revenue during the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.
- Adjusted for the impact of foreign currency, total revenue for the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, increased **\$77.0 million** **\$165.6 million**, or **13%** **17%**, as compared to the same period in 2023.

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### Software as a Service ("SaaS") and Platform as a Service ("PaaS") Revenue

SaaS and PaaS revenue increased **\$36.5 million** **\$48.5 million**, or **9%** **8%**, during the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

- The impact of certain foreign currencies strengthening against the U.S. dollar resulted in **\$0.3 million** **\$0.5 million** increase in SaaS and PaaS revenue during the **six** **nine** months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

- Adjusted for the impact of foreign currency, SaaS and PaaS revenue for the **six nine** months ended **June 30, 2024** **September 30, 2024**, increased **\$36.2 million** **\$48.0 million**, or **9%** **8%**, as compared to the same period in 2023.
- The increase was primarily driven by new customer go-lives since **June 30, 2023** **September 30, 2023**, and higher transaction volumes during the **six nine** months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

#### License Revenue

License revenue increased **\$32.6 million** **\$110.3 million**, or **52%** **77%**, during the **six nine** months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

- The impact of certain foreign currencies weakening against the U.S. dollar resulted in a **\$0.2 million** **\$0.5 million** decrease in license revenue during the **six nine** months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.
- Adjusted for the impact of foreign currency, license revenue for the **six nine** months ended **June 30, 2024** **September 30, 2024**, increased **\$32.8 million** **\$110.8 million**, or **52%** **78%**, as compared to the same period in 2023.
- The increase was driven by license renewal timing as well as the relative size of new license and capacity events during the **six nine** months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

#### Maintenance Revenue

Maintenance revenue decreased **\$5.0 million** **\$9.4 million**, or **5%** **6%**, during the **six nine** months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

- The decrease was primarily driven by customers reducing premium customer support and maintenance on non-strategic products during the **six nine** months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

#### Services Revenue

Services revenue increased **\$12.4 million** **\$15.8 million**, or **37%** **29%**, during the **six nine** months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

- The impact of certain foreign currencies weakening against the U.S. dollar resulted in a **\$0.4 million** **\$0.3 million** decrease in services revenue during the **six nine** months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.
- Adjusted for the impact of foreign currency, services revenue for the **six nine** months ended **June 30, 2024** **September 30, 2024**, increased **\$12.8 million** **\$16.1 million**, or **38%** **30%**, as compared to the same period in 2023.
- The increase was primarily driven by the timing and magnitude of project-related work during the **six nine** months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

#### Operating Expenses

Total operating expenses for the **six nine** months ended **June 30, 2024** **September 30, 2024** increased **\$27.5 million**, or **3%**, as compared to the same period in 2023.

- Total operating expenses for the **six nine** months ended **June 30, 2024** **September 30, 2024**, included **\$3.0 million** **\$8.6 million** for cost reduction strategies and **\$0.7 million** **\$1.0 million** of other significant transaction-related expenses during the period, compared to **\$15.9 million** **\$19.7 million** for cost reduction strategies, \$2.6 million of significant transaction-related expenses, \$1.8 million for CEO transition, and **\$2.2 million** **\$2.6 million** of European data center migration expenses for the same period in 2023.
- The impact of certain foreign currencies weakening against the U.S. dollar resulted in a **\$0.2 million** **\$0.3 million** decrease in total operating expenses for the **six nine** months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.
- Adjusted for the impact of cost reduction strategies, significant transaction-related expenses, and foreign currency, total operating expenses for the **six nine** months ended **June 30, 2024** **September 30, 2024**, increased **\$18.4 million** **\$44.9 million**, or **3%** **5%**, as compared to the same period in 2023.

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#### Cost of Revenue

Cost of revenue increased **\$34.4 million** **\$54.2 million**, or **10%**, during the **six nine** months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

- The impact of certain foreign currencies weakening against the U.S. dollar resulted in a \$0.3 million decrease in cost of revenue during the **six nine** months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.
- Adjusted for the impact of foreign currency, cost of revenue increased **\$34.7 million** **\$54.5 million**, or **10%**, for the **six nine** months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.
- The increase was primarily due to higher payment card interchange and processing fees and cloud computing fees of **\$24.3 million** **\$38.6 million** and **\$4.7 million** **\$6.2 million**, respectively. The remaining increase was due to higher personnel and related expenses of **\$5.7 million** **\$9.6 million**, including a **\$1.9 million** **\$2.0 million** increase in stock-based compensation expense.

#### Research and Development

R&D expense decreased **\$2.0 million** **increased \$1.9 million**, or **3%** **2%**, during the **six nine** months ended **June 30, 2024** **September 30, 2024**, as compared to the same period in 2023.

- The **impact of certain foreign currencies weakening against the U.S. dollar resulted in a \$0.2 million decrease in R&D expense during the six months ended June 30, 2024, as compared to the same period in 2023.**



- Adjusted for the impact of foreign currency, R&D expense decreased \$1.8 million, or 2%, for the six months ended June 30, 2024, as compared to the same period in 2023.
- The decrease increase was primarily due to lower professional fees and higher personnel and related expenses of \$1.4 million \$3.3 million, including a \$2.9 million increase in stock-based compensation expense, partially offset by lower cloud computing and \$0.4 million, respectively. professional fees of \$1.4 million.

#### Selling and Marketing

Selling and marketing expense decreased \$13.4 million \$14.2 million, or 20% 14%, during the six nine months ended June 30, 2024 September 30, 2024, as compared to the same period in 2023.

- The decrease was primarily due to lower personnel and related expenses and advertising and professional fees of \$11.4 million \$12.0 million and \$2.0 million \$2.2 million, respectively.

#### General and Administrative

General and administrative expense decreased \$11.9 million \$7.7 million, or 19% 8%, during the six nine months ended June 30, 2024 September 30, 2024, as compared to the same period in 2023.

- General and administrative expenses for the six nine months ended June 30, 2024 September 30, 2024, included \$3.0 million \$4.3 million for cost reduction strategies and \$0.7 million \$1.0 million of other significant transaction-related expenses during the period, compared to \$15.9 million \$19.7 million for cost reduction strategies, \$2.6 million of significant transaction-related expenses, \$1.8 million for CEO transition, and \$2.2 million \$2.6 million of European data center migration expenses during the same period in 2023.
- Adjusted for the impact of significant transaction-related expenses, general and administrative expense increased \$6.9 million \$13.7 million, or 17% 21%, for the six nine months ended June 30, 2024 September 30, 2024, as compared to the same period in 2023.
- The increase was primarily due to higher personnel and related expenses of \$8.8 million \$16.9 million, including a \$4.0 million \$6.8 million increase in stock-based compensation expense, partially offset by a \$1.9 million \$3.2 million decrease in professional and other legal fees.

#### Depreciation and Amortization

Depreciation and amortization decreased \$7.8 million \$6.7 million, or 12% 7%, during the six nine months ended June 30, 2024 September 30, 2024, as compared to the same period in 2023.

- Depreciation and amortization for the nine months ended September 30, 2024, included \$4.4 million of accelerated depreciation related to the closure of a facility.
- Adjusted for the impact of the facility closure, depreciation and amortization decreased \$11.1 million, or 12%, for the nine months ended September 30, 2024, as compared to the same period in 2023.
- The decrease was primarily due to a \$5.9 million \$8.1 million decrease in depreciation due to prior facilities cost reduction activities, and a \$1.9 million \$3.0 million decrease in amortization for fully amortized software and intangibles acquired through acquisitions.

#### Other Income and Expense

Interest expense for the six nine months ended June 30, 2024 September 30, 2024, decreased \$1.3 million \$2.8 million, or 3% 5%, as compared to the same period in 2023, primarily due to repayments on the Term Loan.

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Interest income for the six nine months ended June 30, 2024 September 30, 2024, increased \$1.0 million \$1.4 million, or 14% 13%, as compared to the same period in 2023.

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Other, net is primarily comprised of foreign currency transaction gains and losses. Other, net was \$0.9 million \$1.7 million and \$7.5 million \$6.4 million of expense for the six nine months ended June 30, 2024 September 30, 2024 and 2023, respectively.

#### Income Taxes

See Note 10, *Income Taxes*, to our unaudited condensed consolidated financial statements in Part I of this Form 10-Q for additional information.

#### Segment Results

See Note 9, *Segment Information*, to our unaudited condensed consolidated financial statements in Part I of this Form 10-Q for additional information regarding segments.

The following is selected financial data for our reportable segments for the periods indicated (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2024	2024	2023	2024	2023	2024
Revenue						



Banks
Banks
Banks
Merchants
Billers
Total revenue
Segment Adjusted EBITDA
Banks
Banks
Banks
Merchants
Billers
Depreciation and amortization
Stock-based compensation expense
Corporate and unallocated expenses
Interest, net
Other, net
Income (loss) before income taxes

Banks Segment Adjusted EBITDA increased \$27.6 million \$62.9 million for the three months ended June 30, 2024 September 30, 2024, compared to the same period in 2023, due to a \$26.1 million \$66.3 million increase in revenue primarily related to an increase in license revenues, and partially offset by a \$1.5 million decrease \$3.4 million increase in cash operating expense.

Merchants Segment Adjusted EBITDA increased \$5.5 million \$16.4 million for the three months ended June 30, 2024 September 30, 2024, compared to the same period in 2023, due to a \$4.0 million \$13.9 million increase in revenue and a \$2.5 million decrease in cash operating expense and a \$1.5 million increase in revenue. expense.

Billers Segment Adjusted EBITDA increased \$6.2 million decreased \$8.3 million for the three months ended June 30, 2024 September 30, 2024, compared to the same period in 2023, due to a \$22.5 million increase in revenue, partially offset by a \$16.3 million \$16.8 million increase in cash operating expense primarily for payment card interchange and other processing fees. fees, partially offset by a \$8.5 million increase in revenue.

Banks Segment Adjusted EBITDA increased \$44.5 million \$107.5 million for the six nine months ended June 30, 2024 September 30, 2024, compared to the same period in 2023, due to a \$43.5 million \$109.9 million increase in revenue primarily related to an increase in license and capacity revenue, and partially offset by a \$1.0 million decrease \$2.4 million increase in cash operating expense.

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Merchants Segment Adjusted EBITDA increased \$9.6 million \$26.0 million for the six nine months ended June 30, 2024 September 30, 2024, compared to the same period in 2023, due to a \$7.1 million \$16.3 million increase in revenue and a \$9.7 million decrease in cash operating expense and a \$2.5 million increase in revenue. expense.

Billers Segment Adjusted EBITDA increased \$7.3 million decreased \$1.0 million for the six nine months ended June 30, 2024 September 30, 2024, compared to the same period in 2023, due to a \$30.5 million increase in revenue, partially offset by a \$23.2 million \$40.0 million increase in cash operating expense primarily for payment card interchange and other processing fees. fees, partially offset by a \$39.0 million increase in revenue.

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## Liquidity and Capital Resources

### General

Our primary liquidity needs are: (i) to fund normal operating expenses; (ii) to meet the interest and principal requirements of our outstanding indebtedness; and (iii) to fund acquisitions, capital expenditures, and lease payments. We believe these needs will be satisfied using cash flow generated by our operations, our cash and cash equivalents, and available borrowings under our revolving credit facility over the next 12 months and beyond.

Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less. As of June 30, 2024 September 30, 2024, we had \$157.0 million \$177.9 million of cash and cash equivalents, of which \$61.0 million \$68.2 million was held by our foreign subsidiaries. If these funds were needed for our operations in the United States, we may potentially be required to accrue and pay foreign and U.S. state income taxes to repatriate these funds. As of June 30, 2024 September 30, 2024, only the earnings in our Indian foreign subsidiaries are indefinitely reinvested. We are also permanently reinvested for outside book/tax basis difference related to foreign subsidiaries. These outside basis differences could reverse through sales of the foreign subsidiaries, as well as various other events, none of which are considered probable as of June 30, 2024 September 30, 2024.

### Available Liquidity

The following table sets forth our available liquidity for the dates indicated (in thousands):

	June 30, 2024	December 31, 2023
	September 30, 2024	December 31, 2023
Cash and cash equivalents		
Availability under revolving credit facility		
Total liquidity		

The increase in total liquidity is primarily attributable to the \$100.0 million increase in the maximum amount available under the revolving credit facility.

The Company and ACI Payments, Inc., a wholly owned subsidiary, maintain a \$75.0 million uncommitted overdraft facility with Bank of America, N.A. The overdraft facility acts as a secured loan under the terms of the Credit Agreement to provide an additional funding mechanism for timing differences that can occur in the bill payment settlement process. As of [June 30, 2024](#) [September 30, 2024](#), the full \$75.0 million was available.

On February 26, 2024, we entered into a Refinance Amendment (the "Amendment") to the Second Amended and Restated Credit Agreement, dated as of April 5, 2019 (as amended, restated, supplemented or otherwise modified from time to time, including by the Amendment, the "Credit Agreement") with ACI Worldwide Corp and ACI Payments, Inc. as co-borrowers, the lenders, and Bank of America N.A. as administrative agent and lender. The Amendment, among other things, (i) provides a senior secured term loan facility in an aggregate principal amount of \$500 million, (ii) provides a senior secured revolving credit facility in an aggregate principal amount of \$600 million, and (iii) extends the maturity date of the Facilities to February 26, 2029. The proceeds of the borrowings under the Amendment, together with cash on hand, were used to refinance all outstanding borrowings and replace all existing revolving commitments under the Credit Agreement immediately prior to the date of the Amendment and will be used to provide ongoing working capital and for other general corporate purposes.

### Stock Repurchase Program

Our board approved a stock repurchase program authorizing the Company, as market and business conditions warrant, to acquire its common stock and periodically authorizes additional funds for the program. In June 2024, the board approved the repurchase of the Company's common stock of up to \$400.0 million in place of the remaining purchase amounts previously authorized.

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We repurchased [3,743,220](#) [3,946,537](#) shares for [\\$120.7 million](#) [\\$128.7 million](#) under the program during the [six](#) [nine](#) months ended [June 30, 2024](#) [September 30, 2024](#). Under the program to date, we have repurchased [62,664,520](#) [62,867,837](#) shares for approximately \$1.1 billion. As of [June 30, 2024](#) [September 30, 2024](#), the maximum remaining amount authorized for purchase under the stock repurchase program was approximately [\\$380.3 million](#) [\\$372.3 million](#). See Note 6, *Common Stock and Treasury Stock*, to our unaudited condensed consolidated financial statements in Part I of this Form 10-Q for additional information.

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### Cash Flows

The following table sets forth summarized cash flow data for the periods indicated (in thousands):

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2024	2024	2024	2023
Net cash provided by (used by):				
Operating activities				
Operating activities				
Operating activities				
Investing activities				
Financing activities				

### Cash Flows from Operating Activities

The primary source of operating cash flows is cash collections from our customers for purchase and renewal of licensed software products and various services including software and platform as a service, maintenance, and other professional services. Our primary uses of operating cash flows include employee expenditures, taxes, interest payments, and leased facilities.

Cash flows provided by operating activities were [\\$120.8 million](#) [\\$149.5 million](#) higher for the [six](#) [nine](#) months ended [June 30, 2024](#) [September 30, 2024](#), compared to the same period in 2023. Our operating cash flows for the current quarter increased primarily due to [\\$17.7 million more in customer receipt collections on higher prior year-end receivable](#)

balances, \$19.2 million \$20.8 million less in income tax payments, as well as cash flows generated from \$23.1 million \$104.6 million in net income for the six nine months ended June 30, 2024 September 30, 2024, as compared to a \$39.0 million \$1.1 million net loss for the same period in 2023.

Our cash flow from operating activities can fluctuate from period to period due to several factors, including: the timing of billings, which are typically higher in the third and fourth quarters in conjunction with sales timing and are variable based upon license renewal timing; collections, which will lag the quarters with higher billings; the timing and amounts of interest due to interest rate fluctuations and semi-annual Senior Notes interest payments; income tax and other payments; and our operating results.

#### *Cash Flows from Investing Activities*

The changes in cash flows from investing activities primarily relate to the timing of our purchases and investments in capital and other assets, including strategic acquisitions, that support our growth.

During the first six nine months of 2024, we used cash of \$24.0 million \$31.6 million to purchase software, property, and equipment, as compared to \$19.6 million \$30.5 million during the same period in 2023.

#### *Cash Flows from Financing Activities*

The changes in cash flows from financing activities primarily relate to borrowings and repayments related to our debt instruments and other debt, stock repurchases, and net proceeds related to employee stock programs.

During the first six nine months of 2024, we repaid a net \$38.4 million \$47.8 million on the Term Loan under the Amendment, \$8.7 million \$9.3 million of other debt payments, and \$5.1 million of debt issuance costs. In addition, we used \$119.7 million \$127.7 million to repurchase common stock \$6.3 million and \$9.3 million for the repurchase of stock-based compensation awards for tax withholdings, and \$6.2 million for settlement assets and liabilities due to processing timing withholdings. We received net proceeds of \$12.0 million \$7.0 million on the Revolving Credit Facility, and proceeds of \$2.1 million \$4.1 million from the exercise of stock options and the issuance of common stock under our 2017 Employee Stock Purchase Plan, as amended, amended, and \$17.7 million for settlement assets and liabilities due to processing timing. During the first six nine months of 2023, we repaid \$34.1 million \$53.6 million on the Term Loan, \$11.8 million \$12.5 million of other debt payments, and \$2.2 million of debt issuance costs. In addition, we used \$3.3 million \$4.2 million for the repurchase of stock-based compensation awards for tax withholdings, and \$24.1 million \$4.6 million for settlement assets and liabilities due to processing timing. We received net proceeds of \$10.0 million \$24.0 million on the Revolving Credit Facility, and proceeds of \$4.3 million \$5.3 million from the exercise of stock options and the issuance of common stock under our 2017 Employee Stock Purchase Plan, as amended.

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### **Contractual Obligations and Commercial Commitments**

For the six nine months ended June 30, 2024 September 30, 2024, there have been no material changes to the contractual obligations and commercial commitments disclosed in Item 7 of our Form 10-K for the fiscal year ended December 31, 2023.

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### **Critical Accounting Estimates**

The preparation of the condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and other assumptions we believe to be proper and reasonable under the circumstances. We continually evaluate the appropriateness of estimates and assumptions used in the preparation of our condensed consolidated financial statements. Actual results could differ from those estimates.

The accounting policies that reflect our more significant estimates, judgments, and assumptions, and that we believe are the most critical to aid in fully understanding and evaluating our reported financial results, include the following:

- Revenue Recognition
- Intangible Assets and Goodwill
- Business Combinations
- Stock-Based Compensation
- Accounting for Income Taxes

During the six nine months ended June 30, 2024 September 30, 2024, there were no significant changes to our critical accounting policies and estimates. Please refer to Management's Discussion and Analysis of Financial Condition and Results of Operations contained in Part II, Item 7 of our Annual Report on Form 10-K for our fiscal year ended December 31, 2023, for a more complete discussion of our critical accounting policies and estimates.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Excluding the impact of changes in interest rates, inflationary pressures, and the uncertainty in the global financial markets, there have been no material changes to our market risk for the six nine months ended June 30, 2024 September 30, 2024. We conduct business in all parts of the world and are thereby exposed to market risks related to fluctuations in foreign currency exchange rates. The U.S. dollar is the single largest currency in which our revenue contracts are denominated. Any decline in the value of foreign currencies against the U.S. dollar results in our products and services being more expensive to a potential foreign customer. In those instances where our goods and services have already been sold, receivables may be more difficult to collect. Additionally, in jurisdictions where the revenue contracts are denominated in U.S. dollars and operating expenses are

incurred in the local currency, any decline in the value of the U.S. dollar will have an unfavorable impact to operating margins. At times, we enter into revenue contracts that are denominated in the country's local currency, primarily in Australia, Canada, the United Kingdom, other European countries, Brazil, India, and Singapore. This practice serves as a natural hedge to finance the local currency expenses incurred in those locations. We have not entered into any foreign currency hedging transactions. We do not purchase or hold any derivative financial instruments for speculation or arbitrage.

The primary objective of our cash investment policy is to preserve principal without significantly increasing risk. If we maintained similar cash investments for a period of one year based on our cash investments and interest rates at June 30, 2024 September 30, 2024, a hypothetical ten percent increase or decrease in effective interest rates would increase or decrease interest income by \$0.2 million annually.

We had approximately \$1.0 billion of debt outstanding as of June 30, 2024 September 30, 2024, with \$617.3 million \$602.9 million outstanding under our Credit Facility and \$400.0 million in 2026 Notes. Our Credit Facility has a floating rate, which was 7.44% 6.70% as of June 30, 2024 September 30, 2024. Our 2026 Notes are fixed-rate long-term debt obligations with a 5.750% interest rate. A hypothetical ten percent increase or decrease in effective interest rates would increase or decrease interest expense related to the Credit Facility by approximately \$4.6 million \$4.0 million.

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ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded our disclosure controls and procedures are effective as of June 30, 2024 September 30, 2024.

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Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) under the Exchange Act) during the quarter ended June 30, 2024 September 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are involved in various litigation matters arising in the ordinary courseFor a description of our business. We are not currently a party to any material pending legal proceedings, the adverse outcome please refer to Note 11, Commitments and Contingencies, in Part I of which, individually or in the aggregate, we believe would be likely to have a material effect on our financial condition or results of operations. this Form 10-Q for additional information.

ITEM 1A. RISK FACTORS

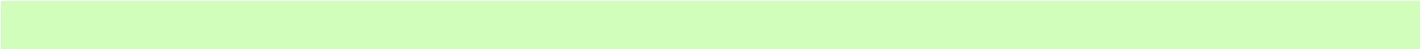
There have been no material changes to the risk factors disclosed in Item 1A of our Form 10-K for the fiscal year ended December 31, 2023. Additional risks and uncertainties, including risks and uncertainties not presently known to us, or that we currently deem immaterial, could also have an adverse effect on our business, financial condition and/or results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

The following table provides information regarding our repurchases of common stock during the three months ended June 30, 2024 September 30, 2024:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
April 1, 2024 through April 30, 2024	1,000,000	\$ 32.97	1,000,000	\$ 76,382,000
May 1, 2024 through May 31, 2024	106,927 (1)	35.40	71,059	73,885,000
June 1, 2024 through June 30, 2024	661,296 (1)	36.16	611,728	380,289,000
Total	1,768,223	\$ 34.31	1,682,787	



Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
July 1, 2024 through July 31, 2024	203,380 (1)	\$ 39.23	203,317	\$ 372,314,000
August 1, 2024 through August 31, 2024	32,411 (1)	46.69	—	372,314,000
September 1, 2024 through September 30, 2024	29,744 (1)	48.58	—	372,314,000
Total	265,535	\$ 41.19	203,317	

(1) Pursuant to our 2016 and 2020 Equity and Performance Incentive Plan, we granted RSUs. Under each arrangement, shares are issued without direct cost to the employee. During the three months ended **June 30, 2024** **September 30, 2024**, **332,237** **191,285** shares of RSUs vested. We withheld **85,499** **62,218** of those shares to pay the employees' portion of the applicable minimum payroll withholding.

In 2005, our board approved a stock repurchase program authorizing us, as market and business conditions warrant, to acquire our common stock and periodically authorize additional funds for the program, with the intention of using existing cash and cash equivalents to fund these repurchases. In June 2024, the board approved the repurchase of the Company's common stock of up to \$400.0 million, in place of the remaining purchase amounts previously authorized. As of **June 30, 2024** **September 30, 2024**, the maximum remaining amount authorized for purchase under the stock repurchase program was approximately **\$380.3 million** **\$372.3 million**.

There is no guarantee as to the exact number of shares we will repurchase. Repurchased shares are returned to the status of authorized but unissued shares of common stock. In March 2005, our board approved a plan under Rule 10b5-1 of the Securities Exchange Act of 1934 to facilitate the repurchase of shares of common stock under the existing stock repurchase program. Under our Rule 10b5-1 plan, we have delegated authority over the timing and amount of repurchases to an independent broker who does not have access to inside information about the Company. Rule 10b5-1 allows us, through the independent broker, to purchase shares at times when we ordinarily would not be in the market because of self-imposed trading blackout periods, such as the time immediately preceding the end of the fiscal quarter through a period of two business days following our quarterly earnings release.

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### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

#### Rule 10b5-1 Plans

None of the Company's directors or officers adopted, modified, or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the three months ended **June 30, 2024** **September 30, 2024**.

### ITEM 6. EXHIBITS

The following lists exhibits filed as part of this quarterly report on Form 10-Q:

Exhibit No.	Description
3.01 (1)	<a href="#">ACI Worldwide, Inc. Restated Certificate of Incorporation</a>
3.02 (2)	<a href="#">ACI Worldwide, Inc. Amended and Restated Bylaws of the Company</a>
4.01 (3)	Form of Common Stock Certificate (P)
31.01	<a href="#">Certification of Principal Executive Officer pursuant to SEC Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.02	<a href="#">Certification of Principal Financial Officer pursuant to SEC Rule 13a-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.01 **	<a href="#">Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.02 **	<a href="#">Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

101.DEF	XBRL Taxonomy Extension Definition Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\*\* This certification is not deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference.

Paper Exhibit

- (1) Incorporated herein by reference to Exhibit 3.1 to the registrant's current report on Form 8-K filed August 17, 2017.
- (2) Incorporated herein by reference to Exhibit 3.1 to the registrant's current report on Form 8-K filed April 1, 2022.
- (3) Incorporated herein by reference to Exhibit 4.01 to the registrant's Registration Statement No. 33-88292 on Form S-1.

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**ACI WORLDWIDE, INC.**  
(Registrant)

Date: **August 1, 2024** November 7, 2024

By: /s/ SCOTT W. BEHRENS  
Scott W. Behrens  
*Executive Vice President, Chief Financial Officer and Chief Accounting Officer*  
(Principal Financial Officer)

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**Exhibit 31.01**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, Thomas **W.** Warsop, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ACI Worldwide, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2024 November 7, 2024

/s/ THOMAS W. WARSOP, III

Thomas W. Warsop, III  
President, Chief Executive Officer, and Director  
(Principal Executive Officer)

Exhibit 31.02

#### CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Scott W. Behrens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of ACI Worldwide, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2024 November 7, 2024

/s/ SCOTT W. BEHRENS

Scott W. Behrens  
Executive Vice President, Chief Financial Officer, and Chief Accounting Officer  
(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of ACI Worldwide, Inc. (the "Company") on Form 10-Q for the quarter ended **June 30, 2024** **September 30, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas W. Warsop, Principal Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- 1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **August 1, 2024** **November 7, 2024**

/s/ THOMAS W. WARSOP, III

Thomas W. Warsop, III  
President, Chief Executive Officer, and Director  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of ACI Worldwide, Inc. (the "Company") on Form 10-Q for the quarter ended **June 30, 2024** **September 30, 2024**, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Scott W. Behrens, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- 1) The Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **August 1, 2024** **November 7, 2024**

/s/ SCOTT W. BEHRENS

Scott W. Behrens  
Executive Vice President, Chief Financial Officer, and Chief Accounting Officer  
(Principal Financial Officer)



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