Capitalize for Kids

October 2020
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ACI Worldwide, Inc.
ACI Worldwide Overview

ACI Worldwide, Inc. (“ACI,” or “the Company”) provides software and services that facilitate electronic payments for more than 6,000 customers around the world. Thousands of the world’s largest financial institutions and merchants rely on ACI in order to execute trillions of transactions every day.

<table>
<thead>
<tr>
<th>Financial Overview</th>
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</thead>
<tbody>
<tr>
<td>Stock Price (10/21/2020)</td>
</tr>
<tr>
<td>(x) Shares Outstanding</td>
</tr>
<tr>
<td>Market Cap</td>
</tr>
<tr>
<td>(+) Debt</td>
</tr>
<tr>
<td>(-) Cash</td>
</tr>
<tr>
<td>Enterprise Value</td>
</tr>
</tbody>
</table>

**Revenue by Type**

- SaaS & PaaS: 58%
- License: 21%
- Maintenence: 15%
- Services: 6%

**Revenue by Segment**

- Bill Payments: 46%
- Retail Payments: 29%
- Merchant Payments: 7%
- Real-Time Payments: 5%
- Digital Intelligence: 5%

Source: Company filings and presentations, Capital IQ. Market data as of 10/21/20.

ACI Worldwide Solutions

ACI’s business is broken down into six solutions that serve banks, financial intermediaries, merchants, and billers.

Source: Public company filings.
Note: Values are pro forma for acquisition of Speedpay for FY2019.
What is Bill Payments?

Let’s discuss how a utility company would use ACI’s Bill Payments solutions.
Bill Payments Segment

After the acquisition of Speedpay from Western Union, we believe ACI now has the scale and technology necessary to grow its Bill Payments business.

- **Acquisitions:**
  - Speedpay
  - Official Payments
  - Online Resources

- **Key customers are billers:**
  - Millersville University
  - Southern Company
  - Anthem
  - Horizon Healthcare Services

- **Select competitors:**
  - Fiserv
  - FIS
  - Jack Henry & Associates
  - Global Payments

### Overview

<table>
<thead>
<tr>
<th>Bill Payments as % of Total ACI Revenue¹</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>2-Year Revenue Growth²</th>
</tr>
</thead>
</table>

Source: Public company filings, public company presentation.
2. 2-year revenue growth calculated as revenue CAGR from FY2017 to FY2019.
What is Retail Payments?

Let’s discuss how a bank would use ACI’s Retail Payments solutions to route transactions over its ATM network.
Retail Payments Segment

ACI’s retail payments solution is extremely sticky due to the mission-critical nature of its products and how tightly integrated they are into other software systems.

- Key customers are banks and financial intermediaries:
  - Union Bank
  - State Bank of India

- Select competitors:
  - Fiserv
  - FIS
  - Global Payments

Source: Public company filings, public company presentation.
What is Merchant Payments?

Let’s discuss how a large mass-market retailer, like a grocery chain, would use ACI’s Merchant Payments solutions.
Merchant Payments Segment

The merchant payments segment accounts for approximately 7% of ACI’s overall revenue¹.

Key customers are merchants:

Select competitors:

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¹ Pro forma for acquisition of Speedpay for FY2019.
² 2-year revenue growth calculated as revenue CAGR from FY2017 to FY2019.
What is Real-Time Payments?

Let’s discuss how a bank would use ACI’s Real-Time Payments solutions.

<table>
<thead>
<tr>
<th>Traditional Money Transfer Rails</th>
<th>Real-Time Payments</th>
</tr>
</thead>
</table>

Fedwire

FedNow

ACH

Automated Clearing House
Real-Time Payments Segment

ACI’s real time payments business is growing rapidly and positions ACI to be a leader in a new and disruptive market based on our research.

Overview

- Main aspects of real-time payments are:
  - Authorization: Certification of payment
  - Posting: Funds are made immediately available
  - Settlement: Instant settlement of outstanding obligations between financial institutions
  - Notification: Payee receives the funds and payer receives confirmation of the status of the transaction

- Key customers are financial institutions:
  - Rabobank
  - nexi
  - PayNet
  - BMO

- Select competitors:
  - fiserv.
  - Fis
  - Finastra

Real-Time Payments as % of Total ACI Revenue

![Real-Time Payments as % of Total ACI Revenue](image)

2-Year Revenue Growth

![2-Year Revenue Growth](image)

Source: Public company filings, public company presentation.
2. 2-year revenue growth calculated as revenue CAGR from FY2017 to FY2019.
ACI Company History

One of the reasons why ACI’s products are so deeply embedded into its customer’s systems is that ACI is one of the oldest financial technology companies and has a long, rich history of product innovation. Over the course of its lifetime as a public company, ACI has acquired 18 different companies in order to build scale and adapt to competition in each of its verticals.

Source: Public company filings.
Why Is Starboard Involved?
ACI Worldwide Has Underperformed its Peer Group

Despite favorable business characteristics and a unique collection of assets, ACI has underperformed both its peer group and the broader market over the past five years.

- ACIW has returned 37% to shareholders, while the NASDAQ and its proxy peer group have both returned 151%.

Source: Capital IQ, public company filings. Market data as of 10/21/20.
Note: Returns adjusted for dividends. See slide 2 for information on the index.
ACI Trades at Substantial Discount to Peers

The broader payments industry has enjoyed years of valuation multiple expansion driven by obvious secular tailwinds. ACI currently trades at 13x consensus and approximately ~9.5x Pro Forma EBITDA\(^1\), which is a notable discount to the select peers exhibited below.

- While there is no perfect comp for ACI, the companies listed in this chart share many of the same business characteristics with ACI and sell into some of the same end-markets.

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Source: Capital IQ, public company filings, public company presentation, Starboard estimates. Market data as of 10/21/20.

Note: The peer companies identified here reflect Starboard’s assessment of what firms can be reasonably considered ACI’s peers in the payments industry. However, this analysis contains elements of subjectivity and the comparisons made herein may differ materially if other firms had been included. 1. Based on Starboard estimates. 2. Worldline is expected to acquire Ingenico Group as of 2/3/20. 3. Based on FY2020. 4. Based on EUR:USD ratio of 1.1811.
The “Rule of 40”

The “Rule of 40”, which is the principle that a company’s combined growth rate and profit margin should meet or exceed 40%, is a helpful rule of thumb that can be used as a benchmark. Most of the peers below have operated at, or near, this threshold for many years.

Revenue Growth vs. EBITDA Margins

Source: Capital IQ, public company filings, public company presentation, Starboard estimates. Market data as of 10/21/20.

Note: The peer companies identified here reflect Starboard’s assessment of what firms can be reasonably considered ACIW’s peers in the payments industry. However, this analysis contains elements of subjectivity and the comparisons made herein may differ materially if other firms had been included.
There is a direct correlation between growth/profitability and valuation multiples as companies that achieve the “Rule of 40” generally trade at significantly higher valuation multiples than companies that do not.

“Rule of 40” Metric vs. EV / 2021E Revenue Multiple

Source: Capital IQ, public company filings, public company presentation, Starboard estimates. Market data as of 10/21/20.

Note: The peer companies identified here reflect Starboard’s assessment of what firms can be reasonably considered ACIW’s peers in the payments industry. However, this analysis contains elements of subjectivity and the comparisons made herein may differ materially if other firms had been included. 1. Worldline is expected to acquire Ingenico Group as of 2/3/20.
ACI Operational Improvement Opportunity

We believe there is a substantial opportunity to re-accelerate organic growth while expanding operating margins. The new management team is already taking steps to unlock value, and we hope to hear more details about their new strategy and long-term plans at the upcoming Investor Day.

Three Pillar Strategy

- **FIT FOR GROWTH**
  - Drive organic growth through operational discipline and a strong sales culture

- **FOCUSED ON GROWTH**
  - Focus R&D on growth-rich solutions supported by innovation

- **STEP CHANGE VALUE CREATION**
  - Accretive M&A to drive additional growth and value creation

- Re-alignment of organizational structure, geographic footprint, and operating model
- Design a best-in-class global sales organization
- Cost rationalization, including flattening organizational structure and eliminating duplicative costs
- Review current solutions portfolio and reallocate R&D spending to prioritize growth
- Capital allocation focused on deleveraging in the near term
- Continue successful M&A for step change value creation

Source: ACIW Investor Presentations.
# Opportunity to Improve Growth

Summary of key potential growth drivers for ACI’s four largest business units:

<table>
<thead>
<tr>
<th>Bill Payments</th>
<th>Retail &amp; Merchant Payments</th>
<th>Real-Time Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong> Shift from phone / mail payments to online bill payments</td>
<td><strong>1.</strong> Increase Pricing</td>
<td><strong>1.</strong> Growth in international markets</td>
</tr>
<tr>
<td><strong>2.</strong> Shift from bank bill pay to direct bill pay</td>
<td><strong>2.</strong> Upselling new products and features to installed base</td>
<td><strong>2.</strong> Rollout of FedNow service in the US</td>
</tr>
<tr>
<td><strong>3.</strong> Increased transaction volume from existing customers</td>
<td><strong>3.</strong> Growth and increased complexity of payments types</td>
<td><strong>3.</strong> Long-term opportunities from merchant adoption</td>
</tr>
</tbody>
</table>

Source: Public company filings and presentation.
Opportunity to Improve Margins

Based on recent financial disclosures, we believe that the Company’s Bill Pay business was only generating ~10% EBITDA margins last year. Now that the SpeedPay acquisition has closed, there is a substantial opportunity to improve growth and profitability by integrating its Bill Pay offerings.

### Margin Expansion Opportunity

- Prior to the acquisition of Speedpay, ACI’s bill pay business did not have the necessary infrastructure to scale and worked on multiple platforms.
- Speedpay acquisition provides the opportunity for the business to scale and benefit from the industry growth occurring in direct bill pay.
- ACI also has the opportunity to consolidate ACI bill pay and Speedpay by integrating Speedpay’s up-to-date front end with ACI’s back end capabilities and extracting significant cost savings.
- ACI is at the end of heavy investment in infrastructure, cyber security, and acquisition integration.

### “Rule of 40”

“We targeted the Rule of 40 pre-acquisition of Speedpay. We continue to see growth in margins...So Speedpay really brought enhanced scale and that accelerated kind of that profitability level, but I think that's generally still a good target in terms of the Rule of 40. We’re obviously enhancing our profitability in that business, both organically and via the Speedpay acquisition, but growth will inherently add to the scalability of that business model.”

- Scott Behrens, CFO (9/9/20)

Source: Capital IQ, public company filings, public company presentation. Market data as of 10/21/20.

1. Based on Starboard estimates.
We look forward to hearing more about ACI’s plan to re-accelerate growth and improve profitability at the upcoming investor day.

Upcoming Investor Day Presentation

What are ACI’s new 3-year growth and margin targets and how quickly will ACI achieve the “Rule of 40”?

— How does each business unit specifically improve its “Rule of 40” metrics in order to accomplish the consolidated “Rule of 40” goal?

- Do some business units need to overachieve in order to subsidize underachieving business units?
  - Are all business units core?

— What changes is Management making to improve execution and accountability to lead to increased confidence in the plan?
There has been an unprecedented amount of M&A activity in the payments space in recent years. Both strategic buyers and private equity firms have been very active acquirers, and the valuations paid for recent acquisitions exceeds the multiple that ACI is currently trading at.

**Active M&A Environment**

There has been an unprecedented amount of M&A activity in the payments space in recent years. Both strategic buyers and private equity firms have been very active acquirers, and the valuations paid for recent acquisitions exceeds the multiple that ACI is currently trading at.

**EV / NTM EBITDA Transaction Multiples for Payments M&A in Last 5 Years**

1. Represents payments transactions over $500 million.
2. Based on 2021E EBITDA.
3. Based on Starboard estimates.
4. LTM basis based on public estimates.

Source: Capital IQ. Market data as of 10/21/20.
Note: The precedent transactions identified here reflect Starboard’s assessment of what firms can be reasonably considered precedent transactions in the payments industry. However, this analysis contains elements of subjectivity and the comparisons made herein may differ materially if other transactions had been included.
ACI looks equally as attractive when you compare its current revenue multiple to recent transaction comps.

Active M&A Environment (Continued)

EV / NTM Revenue Transaction Multiples for Payments M&A in Last 5 Years

<table>
<thead>
<tr>
<th>Company</th>
<th>Multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACI</td>
<td>10.2x</td>
</tr>
<tr>
<td>PF</td>
<td>9.8x</td>
</tr>
<tr>
<td>ACFI</td>
<td>7.0x</td>
</tr>
<tr>
<td>TSYS</td>
<td>7.0x</td>
</tr>
<tr>
<td>Cayan</td>
<td>6.4x</td>
</tr>
<tr>
<td>TSYS</td>
<td>5.0x</td>
</tr>
<tr>
<td>H&amp;F nets</td>
<td>5.0x</td>
</tr>
<tr>
<td>First Data</td>
<td>4.7x</td>
</tr>
<tr>
<td>PaySafe</td>
<td>3.6x</td>
</tr>
<tr>
<td>Worldline</td>
<td>2.9x</td>
</tr>
<tr>
<td>Thales</td>
<td>1.8x</td>
</tr>
<tr>
<td>TSYS</td>
<td>1.5x</td>
</tr>
</tbody>
</table>

Revenue Multiple Median: 5.0x

Source: Capital IQ. Market data as of 10/21/20.
Note: The precedent transactions identified here reflect Starboard's assessment of what firms can be reasonably considered precedent transactions in the payments industry. However, this analysis contains elements of subjectivity and the comparisons made herein may differ materially if other transactions had been included.
1. Represents payments transactions over $500 million.
2. Based on 2021E EBITDA.
3. Based on Starboard estimates.
4. LTM basis based on public estimates.
Compelling Investment Opportunity

We believe ACI represents a compelling investment opportunity.

- **Mission Critical Products**

- **Significant Recurring Revenue**

- **Fast Growing End Markets**

- **Significant Revenue Growth and Margin Improvement Opportunities**

- **Cheap Relative Valuation**

- **Significant Strategic Value**