



Fourth Quarter and Full-Year 2021 Earnings

February 3, 2022



Tom Morabito

Vice President, Investor Relations

Today's Presenters



Barry McCarthy

President and
Chief Executive Officer



Scott Bomar

Senior Vice President and
Chief Financial Officer



Tom Morabito

Vice President,
Investor Relations

Cautionary Statement

Statements made in this release concerning Deluxe, the company's or management's intentions, expectations, outlook or predictions about future results or events are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management's current intentions or beliefs and are subject to risks and uncertainties that could cause actual results or events to vary from stated expectations, which variations could be material and adverse. Factors that could produce such a variation include, but are not limited to, the following: potential continuing negative impacts from pandemic health issues, such as the coronavirus / COVID-19, along with the impact of government restrictions or similar directives on our future results of operations, our future financial condition and our ability to continue business activities in affected regions; the impact that further deterioration or prolonged softness in the economy may have on demand for the company's products and services; the company's ability to execute its transformational strategy and to realize the intended benefits; the inherent unreliability of earnings, revenue and cash flow predictions due to numerous factors, many of which are beyond the company's control; declining demand for the company's checks, check-related products and services and business forms; risks that the company's strategies intended to drive sustained revenue and earnings growth, despite the continuing decline in checks and forms, are delayed or unsuccessful; intense competition; continued consolidation of financial institutions and/or additional bank failures, thereby reducing the number of potential customers and referral sources and increasing downward pressure on the company's revenue and gross profit; risks related to the company's acquisition of First American Payment Systems, including integration-related risks, risks that future acquisitions will not be consummated; risks that any such acquisitions do not produce the anticipated results or synergies; risks that the company's cost reduction initiatives will be delayed or unsuccessful; risks related to any divestitures contemplated or undertaken by the company; performance shortfalls by one or more of the company's major suppliers, licensors or service providers; unanticipated delays, costs and expenses in the development and marketing of products and services, including web services and financial technology and treasury management solutions; the failure of such products and services to deliver the expected revenues and other financial targets; risks related to security breaches, computer malware or other cyber-attacks; risks of interruptions to the company's website operations or information technology systems; risks of unfavorable outcomes and the costs to defend litigation and other disputes; and the impact of governmental laws, regulations or investigations. The company's forward-looking statements speak only as of the time made, and management assumes no obligation to publicly update any such statements. Additional information concerning these and other factors that could cause actual results and events to differ materially from the company's current expectations are contained in the company's Form 10-K for the year ended December 31, 2020 and other filings made with the SEC. The company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events, new information or future circumstances.

Portions of the financial and statistical information that will be discussed during this call are addressed in more detail in today's press release which is posted on our investor relations website at deluxe.com. This information was also furnished to the SEC on the Form 8-K filed by the Company this afternoon. Any references to non-GAAP financial measures are reconciled to the comparable GAAP financial measures in the press release and as part of this presentation or as part of our presentation during this call.

Barry McCarthy

President and Chief Executive Officer

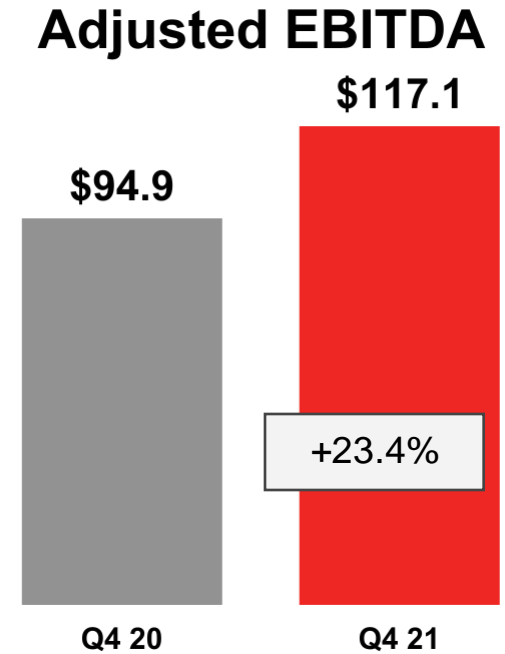
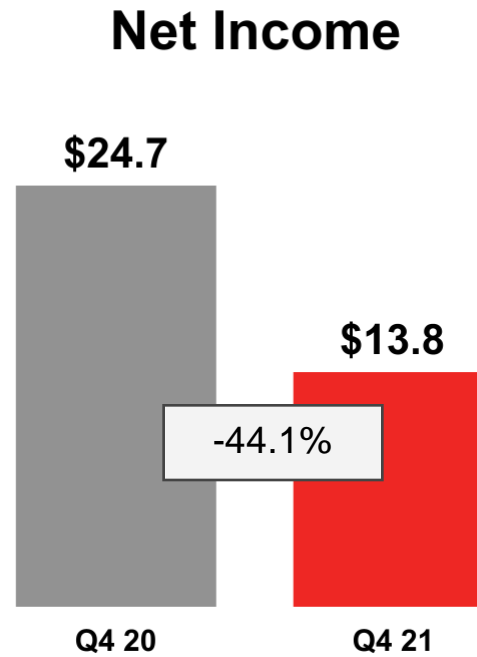
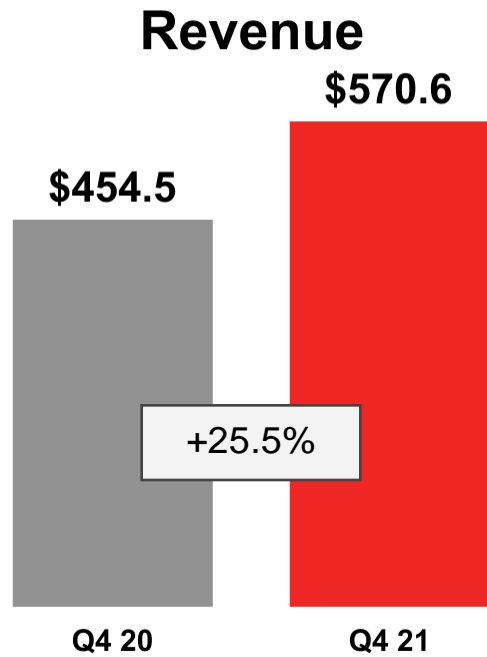
Strong 4Q21

Strong Progress on Transformation into Trusted Payments and Business Technology Company

- Full year reported sales-driven growth for the first time in nearly 10 years
- All four segments showed sales-driven growth during the quarter
- Payments benefited from First American and core business growth
- Cloud led by strength in data-driven marketing (DDM)
- Promotional Solutions led by implementation of wins earlier in the year
- Checks benefited from new competitive wins and business checks growth

4Q21 Highlights

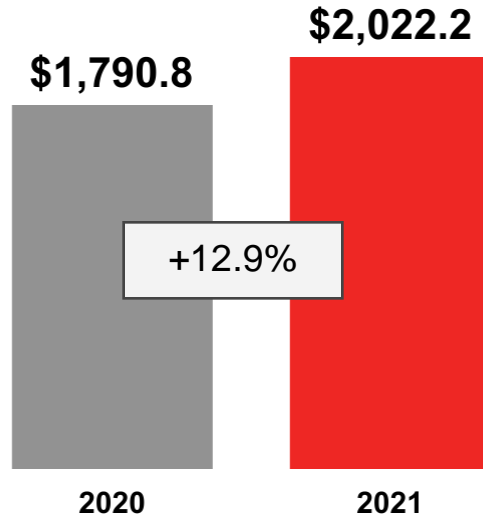
(in millions, except per share amounts)



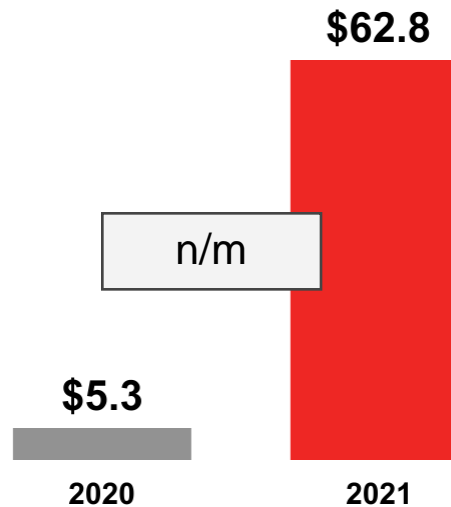
Full Year 2021 Highlights

(in millions, except per share amounts)

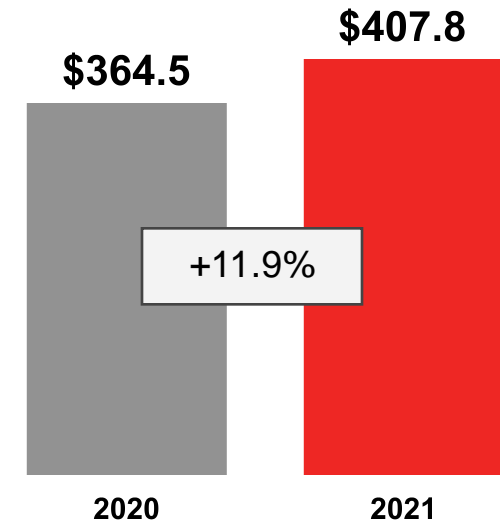
Revenue



Net Income



Adjusted EBITDA



n/m - not meaningful

4Q21 Segment Highlights

Strong Execution of One Deluxe Strategy

Payments



- Revenue increased 114% year-over-year; up over 5% excluding First American
- Strong quarter for First American which is exceeding expectations
- Receivables, Payroll, and HR products performed well
- Deluxe Payment Exchange and Medical Payment Exchange continue to see strong growth

Promotional Solutions



- Revenue increased nearly 9% year-over-year
- Revenue growth led by the implementation of key wins from earlier in the year such as PNC

Cloud



- Revenue increased nearly 6% year-over-year; up 11% excluding business exits
- Strong quarter led by DDM as economy continues to recover
- Continued diversification beyond core banking and mortgage verticals into areas such as unregulated utilities, telecom, retail, and e-commerce

Checks



- Revenue increased just over 6% year-over-year
- Competitive wins, business check performance, and successful onboarding offset secular declines
- Continues to generate low-cost leads, and strong free cash flow

**Trusted
Payments and
Business
Technology™
Company**



Scott Bomar

Chief Financial Officer

4Q21 Summary

Strong finish in 2021

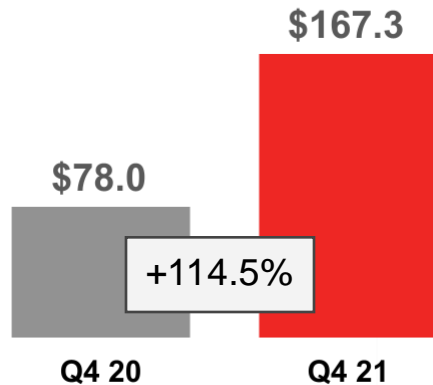
- Total revenue was \$570.6 million, up 25.5% compared to 4Q20
 - First American contributed \$85.1 million in revenue
- GAAP net income was \$13.8 million, or \$0.32 per share
 - Includes \$13.7 million in acquisition amortization, and increased interest expense associated with the First American acquisition, as well as additional tax related to the repatriation of \$85.3M of cash from our Canadian operations
- Adjusted EBITDA was \$117.1 million, up 23.4% year-over-year
- Adjusted EBITDA margin was 20.5%, down 40 basis points from last year
- Adjusted EPS was \$1.26 down 8.7% year-over-year
 - Includes a tax impact of \$0.11 per share related to our cash repatriation from Canada of \$85.3 million



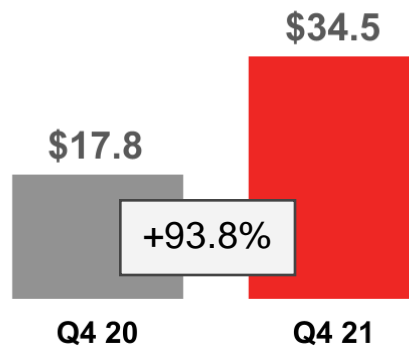
Payments

(in millions)

Revenue



Adjusted EBITDA



- Adjusted EBITDA margin was 20.6%, down 220 basis points year-over-year due to inflationary pressure in the Lockbox business partially offset by price increases, as well as increased investments in IT, sales and marketing

Payments

Merchant Services

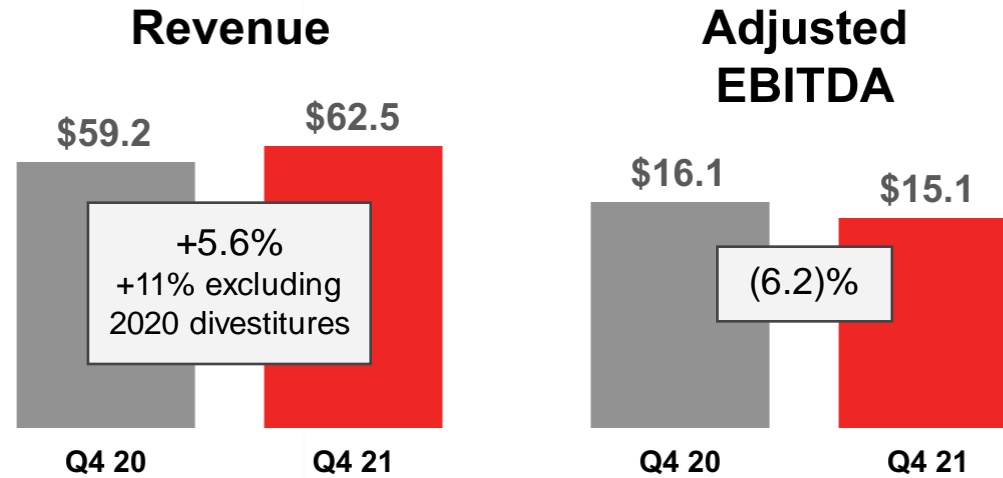
Receivables as
a Service

Payables as
a Service

Payroll & HR Management
Solutions

Cloud Solutions

(in millions)



- Adjusted EBITDA margin of 24.2% in 4Q, down 300 basis points due to product mix, planned investments to drive future growth, and the impact from business exits

Cloud Solutions

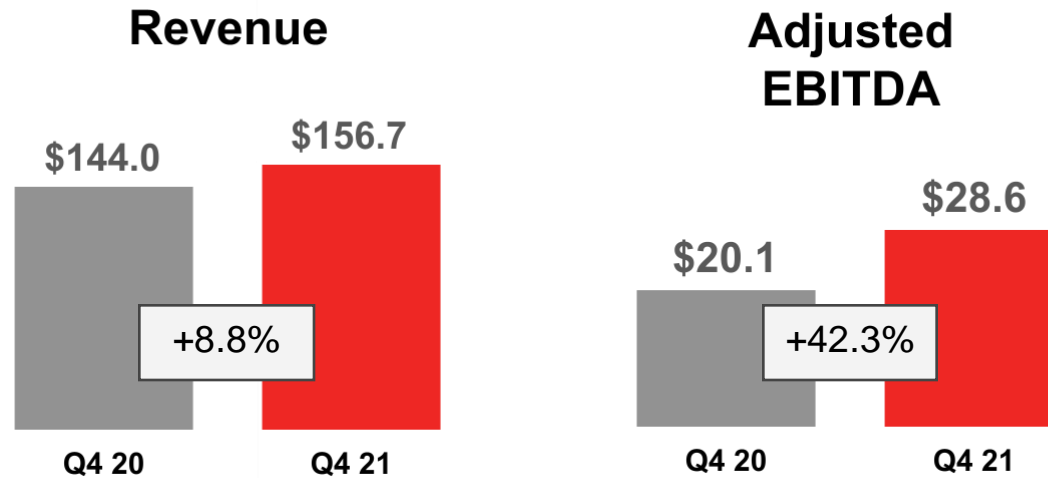
Data Analytics

SaaS Solutions

Web Hosting

Promotional Solutions

(in millions)



- Adjusted EBITDA margin was 18.3%, up 430 basis points year-over-year due to sales-driven operating leverage, merchandising optimization, and seasonal factors.

Promotional Solutions

Turn-Key Managed
Branded Solutions

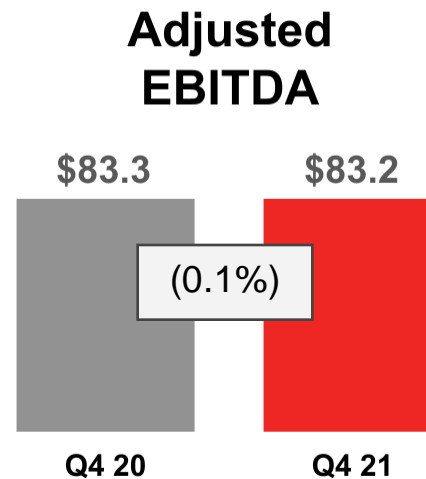
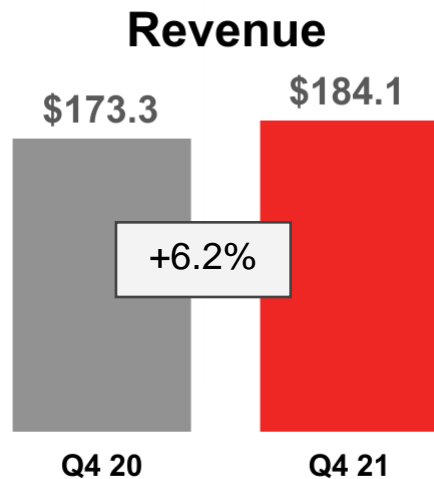
Web Storefront Platform
for Branded Products

Support Rapidly
Changing
Market Demands

Business
Essentials

Checks

(in millions)



- Adjusted EBITDA margin was 45.2%, down 290 basis points year-over-year largely driven by expenses related to the onboarding new customers, inflation, and planned investments including print-on-demand technology

Driving Value

Strong cash flow self funds growth investments, and generates healthy return of capital to shareholders

Cost-effective lead generation to drive cross-selling existing customers

Balance Sheet and Cash Flow

- Net debt is \$1.64B due to funding of the First American transaction in 2Q21
- Net debt/Adjusted EBITDA ratio of 4.0x
 - Long-term strategic target of 3.0x
- Delivered 4Q21 free cash flow of \$33.5M, up from \$30.8M in 4Q20
 - \$8.2M higher capital investments more than offset by strong performance
- Declared regularly quarterly dividend of \$0.30 per share
- Did not repurchase common stock in 4Q

Free Cash Flow

(in millions)

	For the Quarter Ending		
	12/31/21	12/31/20	Variance
Cash Provided by Operating Activities	\$61.6	\$50.7	\$10.9
Less Capital Expenditures	(28.1)	(19.9)	(8.2)
Free Cash Flow	\$33.5	\$30.8	\$2.7

In 4Q 2021, reduced debt over \$94 million

2022 Guidance

Well-positioned for sustainable growth

- Revenue growth of 8 to 10%, including a full year of First American
- Adjusted EBITDA margin of approximately 20% for the full year
- Interest expense of \$85 million
- An adjusted tax rate of 26%
- Depreciation and amortization of \$180 million, roughly 50% of which is acquisition amortization
- Average outstanding share count of 43.5 million shares
- Capital expenditures of \$105 million

All figures are approximate, assume a continued economic recovery, and subject to, among other things, the macroeconomic unknowns associated with the COVID-19 pandemic, including the Omicron variant, as well as the anticipated continued supply chain constraints, labor supply issues, and inflation



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deluxe®

Q & A



Tom Morabito

Vice President of Investor Relations

Upcoming Conference

Date

Event

March 23, 2022

Sidoti Spring Small Cap Conference

Appendix



Consolidated Condensed Statements of Income

in millions, except per share amounts (Unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020 ⁽¹⁾
Product revenue	\$336.9	\$322.5	\$1,244.5	\$1,230.7
Service revenue	233.7	132.0	777.7	560.1
Total revenue	570.6	454.5	2,022.2	1,790.8
Cost of products	(120.1)	(125.8)	(450.9)	(458.7)
Cost of services	(135.0)	(66.2)	(433.4)	(272.1)
Total cost of revenue	(255.1)	(192.0)	(884.3)	(730.8)
Gross profit	315.5	262.5	1,137.9	1,060.0
Selling, general and administrative expense	(255.4)	(207.0)	(941.0)	(841.7)
Restructuring and integration expense	(16.7)	(18.9)	(54.7)	(75.9)
Asset impairment charges	—	—	—	(101.7)
Operating income	43.4	36.6	142.2	40.7
Interest expense	(20.0)	(4.9)	(55.6)	(23.1)
Other income	0.7	0.7	7.2	9.2
Income before income taxes	24.1	32.4	93.8	26.8
Income tax provision	(10.3)	(7.7)	(31.0)	(21.5)
Net income	13.8	24.7	62.8	5.3
Non-controlling interest	—	—	(0.2)	(0.1)
Net income attributable to Deluxe	\$13.8	\$24.7	\$62.6	\$5.2
Weighted-average dilutive shares	43.1	42.2	42.8	42.1
Diluted earnings per share	\$0.32	\$0.58	\$1.45	\$0.11
Adjusted diluted earnings per share	1.26	1.38	4.88	5.08
Capital expenditures	28.1	19.9	109.1	62.6
Depreciation and amortization expense	45.8	27.7	148.8	110.8
EBITDA	89.9	65.0	298.0	160.6
Adjusted EBITDA	117.1	94.9	407.8	364.5

⁽¹⁾ The statement of income for the year ended December 31, 2020 has been revised from amounts reported in the prior year to correct an error in the amount of goodwill impairment charges in the first quarter of 2020, which were previously understated by \$3.8 million, or \$3.6 million net of tax. Further information is provided in the Company's Form 10-Q for the quarter ended September 30, 2021.

Segment Information

in millions (Unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Revenue:				
Payments	\$167.3	\$78.0	\$510.4	\$301.9
Cloud Solutions	62.5	59.2	262.3	252.8
Promotional Solutions	156.7	144.0	546.5	529.6
Checks	184.1	173.3	703.0	706.5
Total	\$570.6	\$454.5	\$2,022.2	\$1,790.8
Adjusted EBITDA:				
Payments	\$34.5	\$17.8	\$105.6	\$68.1
Cloud Solutions	15.1	16.1	70.2	61.6
Promotional Solutions	28.6	20.1	85.4	66.6
Checks	83.2	83.3	324.2	341.7
Corporate	(44.3)	(42.4)	(177.6)	(173.5)
Total	\$117.1	\$94.9	\$407.8	\$364.5
Adjusted EBITDA Margin:				
Payments	20.6%	22.8%	20.7%	22.6%
Cloud Solutions	24.2%	27.2%	26.8%	24.4%
Promotional Solutions	18.3%	14.0%	15.6%	12.6%
Checks	45.2%	48.1%	46.1%	48.4%
Total	20.5%	20.9%	20.2%	20.4%

Reconciliation of GAAP to Non-GAAP Measures

(EBITDA and Adjusted EBITDA)

in millions (Unaudited)

Management discloses EBITDA and Adjusted EBITDA because it believes they are useful in evaluating the company's operating performance, as the calculations eliminate the effect of interest expense, income taxes, the accounting effects of capital investments (i.e., depreciation and amortization) and in the case of Adjusted EBITDA, certain items, as presented below, that may not be indicative of current period operating performance. In addition, management utilizes Adjusted EBITDA to assess the operating results and performance of the business, to perform analytical comparisons and to identify strategies to improve performance. Management also believes that an increasing EBITDA and Adjusted EBITDA depict an increase in the value of the company. Management does not consider EBITDA and Adjusted EBITDA to be measures of cash flow, as they do not consider certain cash requirements, such as interest, income taxes, debt service payments or capital investments. Management does not consider EBITDA or Adjusted EBITDA to be substitutes for operating income or net income. Instead, management believes that EBITDA and Adjusted EBITDA are useful performance measures that should be considered in addition to GAAP performance measures.

	Quarter Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020 ⁽¹⁾
Net income	\$13.8	\$24.7	\$62.8	\$5.3
Non-controlling interest	—	—	(0.2)	(0.1)
Interest expense	20.0	4.9	55.6	23.1
Income tax provision	10.3	7.7	31.0	21.5
Depreciation and amortization expense	45.8	27.7	148.8	110.8
EBITDA	89.9	65.0	298.0	160.6
Asset impairment charges	—	—	—	101.7
Restructuring, integration and other costs	17.9	21.6	59.0	80.7
Share-based compensation expense	7.7	6.5	29.5	21.8
Acquisition transaction costs	0.1	—	18.9	—
Certain legal-related expense (benefit)	1.5	—	2.4	(2.1)
Loss on sales of businesses and customer lists	—	1.8	—	1.8
Adjusted EBITDA	\$117.1	\$94.9	\$407.8	\$364.5

⁽¹⁾ Information for the year ended December 31, 2020 has been revised from amounts reported in the prior year to correct an error in the amount of goodwill impairment charges in the first quarter of 2020, which were previously understated by \$3.8 million, or \$3.6 million net of tax. Further information is provided in the Company's Form 10-Q for the quarter ended September 30, 2021.

Reconciliation of GAAP to Non-GAAP Measures

Adjusted Diluted EPS

dollars and shares in millions, except per share amounts (Unaudited)

By excluding the impact of non-cash items or items that may not be indicative of ongoing operations, management believes that Adjusted Diluted EPS provides useful comparable information to assist in analyzing the company's current and future operating performance. As such, Adjusted Diluted EPS is one of the key financial performance metrics used to assess the operating results and performance of the business and to identify strategies to improve performance. It is reasonable to expect that one or more of the excluded items will occur in future periods, but the amounts recognized may vary significantly. Management does not consider Adjusted Diluted EPS to be a substitute for GAAP performance measures, but believes that it is a useful performance measure that should be considered in addition to GAAP performance measures.

⁽¹⁾ Information for the year ended December 31, 2020 has been revised from amounts reported in the prior year to correct an error in the amount of goodwill impairment charges in the first quarter of 2020, which were previously understated by \$3.8 million, or \$3.6 million net of tax. Further information is provided in the Company's Form 10-Q for the quarter ended September 30, 2021.

	Quarter Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020 ⁽¹⁾
Net income	\$13.8	\$24.7	\$62.8	\$5.3
Non-controlling interest	—	—	(0.2)	(0.1)
Net income attributable to Deluxe	13.8	24.7	62.6	5.2
Asset impairment charges	—	—	—	101.7
Acquisition amortization	27.2	13.8	82.9	55.9
Restructuring, integration and other costs	17.9	21.6	59.0	80.7
Share-based compensation expense	7.7	6.5	29.5	21.8
Acquisition transaction costs	0.1	—	18.9	—
Certain legal-related expense (benefit)	1.5	—	2.4	(2.1)
Loss on sales of businesses and customer lists	—	1.8	—	1.8
Adjustments, pretax	54.4	43.7	192.7	259.8
Income tax provision impact of pretax adjustments	(13.7)	(10.2)	(45.8)	(50.1)
Adjustments, net of tax	40.7	33.5	146.9	209.7
Adjusted net income attributable to Deluxe	54.5	58.2	209.5	214.9
Income allocated to participating securities	—	—	(0.2)	(0.1)
Re-measurement of share-based awards classified as liabilities	(0.1)	—	(0.4)	(0.8)
Adjusted income attributable to Deluxe available to common shareholders	\$54.4	\$58.2	\$208.9	\$214.0
Weighted-average dilutive shares	43.1	42.2	42.8	42.1
Adjustment	(0.1)	—	—	—
Adjusted weighted-average dilutive shares	43.0	42.2	42.8	42.1
GAAP Diluted EPS	\$0.32	\$0.58	\$1.45	\$0.11
Adjustments, net of tax	0.94	0.80	3.43	4.97
Adjusted Diluted EPS	\$1.26	\$1.38	\$4.88	\$5.08

Reconciliation of GAAP to Non-GAAP Measures

Revenue Excluding First American

in millions (Unaudited)

Because of the magnitude of the First American acquisition, management views the measure of revenue growth, excluding the First American acquisition, as an important indicator when assessing and evaluating the performance of the business and when identifying strategies to improve performance. This measure of revenue growth may be expressed as a dollar amount or as a percentage rate. By excluding the First American revenue, management is able to evaluate internally-generated revenue, measured by comparable sales of products and services year-over-year. This measure will be utilized by management until the acquisition has been under the Company's ownership for at least four full fiscal quarters at the beginning of a reporting period.

	Quarter Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Total revenue	\$570.6	\$454.5	\$2,022.2	\$1,790.8
Less: First American revenue	(85.1)	—	(195.0)	—
Revenue excluding First American	\$485.5	\$454.5	\$1,827.2	\$1,790.8
Revenue growth excluding First American	\$31.0		\$36.4	
Revenue growth excluding First American %	6.8%		2.0%	

Reconciliation of GAAP to Non-GAAP Measures

Payments Revenue Excluding First American

in millions (Unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Total revenue	\$167.3	\$78.0	\$510.4	\$301.9
Less: First American revenue	(85.1)	—	(195.0)	—
Revenue excluding First American	\$82.2	\$78.0	\$315.4	\$301.9
Revenue growth excluding First American	\$4.2		\$13.5	
Revenue growth excluding First American %	5.4%		4.5%	

Cloud Solutions Revenue Excluding Divestitures

in millions (Unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Total revenue	\$62.5	\$59.2	\$ 262.3	\$252.8
Less: Divestitures	—	(2.7)	—	(19.9)
Revenue excluding divestitures	62.5	56.5	262.3	232.9
Revenue growth excluding divestitures	6.0		29.4	
Revenue growth excluding divestitures %	10.6%		12.6%	

Reconciliation of GAAP to Non-GAAP Measures

in millions (Unaudited)

NET DEBT

Management believes that net debt is an important measure to monitor leverage and to evaluate the balance sheet. In calculating net debt, cash and cash equivalents are subtracted from total debt because they could be used to reduce the company's debt obligations. A limitation associated with using net debt is that it subtracts cash and cash equivalents, and therefore, may imply that management intends to use cash and cash equivalents to reduce outstanding debt. In addition, net debt suggests that our debt obligations are less than the most comparable GAAP measure indicates.

NET DEBT TO ADJUSTED EBITDA

	Dec. 31, 2021	Dec. 31, 2020
Total debt	\$1,683.0	\$840.0
Cash and cash equivalents	(41.2)	(123.1)
Net debt	<u>\$1,641.8</u>	<u>\$716.9</u>
 2021 ADJUSTED EBITDA	 \$407.8	
 NET DEBT TO ADJUSTED EBITDA	 4.0	

Reconciliation of GAAP to Non-GAAP Measures

in millions (Unaudited)

FREE CASH FLOW

Management defines free cash flow as net cash provided by operating activities less purchases of capital assets. Management believes that free cash flow is an important indicator of cash available for debt service and for shareholders, after making capital investments to maintain or expand the company's asset base. Free cash flow is limited and not all of the company's free cash flow is available for discretionary spending, as the company may have mandatory debt payments and other cash requirements that must be deducted from its cash available for future use. Free cash flow is not a substitute for GAAP liquidity measures. Instead, management believes that this measurement provides an additional metric to compare cash generated by operations on a consistent basis and to provide insight into the cash flow available to fund items such as share repurchases, dividends, mandatory and discretionary debt reduction, and acquisitions or other strategic investments.

	Quarter Ended December 31,		Year Ended December 31,	
	2021	2020	2021	2020
Net cash provided by operating activities	\$61.6	\$50.7	\$210.8	\$217.6
Purchases of capital assets	(28.1)	(19.9)	(109.1)	(62.6)
Free cash flow	\$33.5	\$30.8	\$101.7	\$155.0

LIQUIDITY

Management defines liquidity as cash and cash equivalents plus the amount available for borrowing under our revolving credit facility. Management considers liquidity to be an important metric for demonstrating the amount of cash that is available or that could be readily available to the company on short notice. This financial measure is not a substitute for GAAP liquidity measures. Instead, management believes that this measurement enhances investors' understanding of the funds that are currently available to the company.

	Dec. 31, 2021	Dec. 31, 2020
Cash and cash equivalents	\$41.2	\$123.1
Amounts available for borrowing under revolving credit facility	362.6	302.3
Liquidity	\$403.8	\$425.4

The logo features the word "deluxe" in a lowercase, sans-serif font. The letters "delux" are black, while the "xe" is red. A registered trademark symbol (®) is located at the end of the word. The background consists of a large, light gray 'X' shape on a white background.

deluxe®

trusted payments & business technology