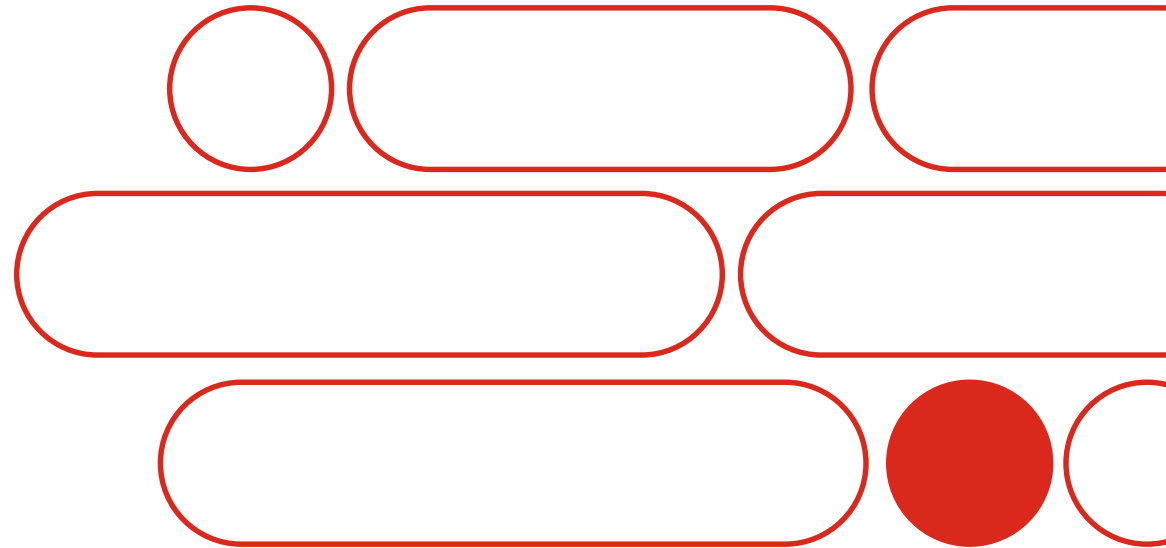


# Second Quarter Earnings Call

July 25, 2019



ED MERRITT

TREASURER AND VICE PRESIDENT OF INVESTOR RELATIONS

# TODAYS PRESENTERS



**Barry McCarthy**

President and  
Chief Executive Officer



**Keith Bush**

Chief Financial Officer and  
Senior Vice President



**Ed Merritt**

Treasurer and Vice President  
of Investor Relations

# CAUTIONARY STATEMENT

- Comments made today regarding financial estimates, projections, and management's intentions and expectations regarding the Company's future performance, are forward-looking in nature as defined in the Private Securities Litigation Reform Act of 1995. These comments are subject to risks and uncertainties, which could cause actual results to differ materially from those projected. Additional information about various factors that could cause actual results to differ from projections are contained in the press release that we issued this morning as well as in the company's Form 10-K for the year ended December 31, 2018.
- Portions of the financial and statistical information that will be reviewed during this call are addressed in more detail in today's press release which is posted on our investor relations website at [deluxe.com/investor](http://deluxe.com/investor). This information was also furnished to the SEC on Form 8-K filed by the Company this morning.
- References to non-GAAP financial measures are reconciled to the comparable GAAP financial measures in the press release or as part of this presentation.

**BARRY McCARTHY**

**PRESIDENT AND CHIEF EXECUTIVE OFFICER**

# SECOND QUARTER HIGHLIGHTS

## Agenda For Today

- Update on second quarter results, third quarter, and full year outlook
- Update on exciting transformation progress and new strategy, status of key leadership roles and more
- Revenue grew 1.2% year-over year, delivered revenue \$494 million dollars in Q2, clearly within our guidance range
- Diluted earnings per share of \$0.75 and adjusted diluted earnings per share of \$1.64 which was at the top end of the outlook
- Momentum beginning to build

KEITH BUSH

CHIEF FINANCIAL OFFICER AND SENIOR VICE PRESIDENT

# 2<sup>nd</sup> QUARTER 2019 RESULTS

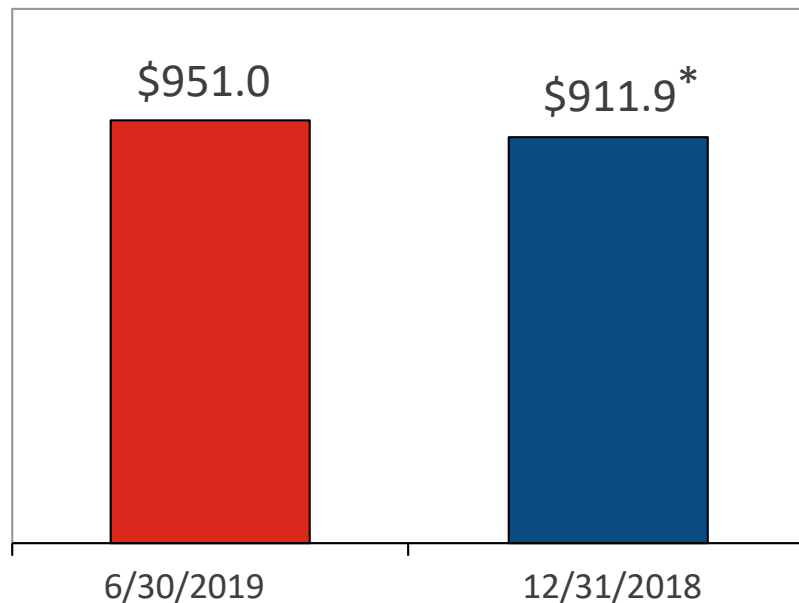
<i>\$ in millions except EPS data</i>	2019	2018	Better/ (Worse)
Revenue:			
Small Business Services	\$308.5	\$317.7	\$(9.2)
Financial Services	156.1	139.3	16.8
Direct Checks	<u>29.4</u>	<u>31.2</u>	<u>(1.8)</u>
<b>Consolidated</b>	<b>\$494.0</b>	<b>\$488.2</b>	<b>\$5.8</b>
Product Revenue:			
MOS	\$215.5	\$198.8	\$16.7
Check Revenue	196.5	203.6	(17.1)
Forms and Accessories	82.0	85.9	(3.9)
SG&A Expense	\$222.3 45.0%	\$209.6 42.9%	\$(1.8) (2.1%)
Diluted EPS	\$0.75	\$1.25	\$(0.50)
Adjusted Diluted EPS	\$1.64	\$1.67	\$(0.03)
Adjusted EBITDA	\$117.5	\$125.2	\$(7.7)
Net (loss) Income	\$32.6 6.6%	\$60.2 12.3%	\$(27.6) (5.7%)



# BALANCE SHEET AND CASH FLOW

## Total Debt

\$ in millions



\* \$910 drawn on credit facility

## Free Cash Flow

(Cash provided by operating activities less capital expenditures)

\$ in millions	Six Months Ended June 30,	
	2019	2018
Cash Provided by Operating Activities Less Capital Expenditures	\$105.1 (32.3)	\$146.9 (28.0)
Free Cash Flow	\$72.8	\$118.9

# 2019 OUTLOOK

## Third Quarter

- Total company revenue to be in the range of \$490 to \$505 million
- Adjusted diluted EPS range of \$1.60 to \$1.70

## Full Year

- Total company revenue to be in the range of \$2.005 to \$2.045 billion
- Adjusted diluted EPS range of \$6.65 to \$6.95
- ~\$75 million restructuring and integration = (\$32M discussed last quarter + \$6M for new severance/site closures + \$35M to \$40M for “New Day” investments)

# PROGRESS UPDATE

- Salesforce chosen as CRM platform, UAT initiated
- Microsoft collaboration technology including phone and video conferencing
- Workday HR implementation on schedule to go live by end of year
- Cloudera selected as big data platform
- Anaplan will be utilized for enterprise planning
- New ERP alternatives currently under review

**All infrastructure investments on-track**

BARRY McCARTHY

PRESIDENT AND CHIEF EXECUTIVE OFFICER

# STRATEGY

- Overarching goal of new strategy is to accelerate organic revenue growth
- Continued re-investment of our very strong cash flow back into our business to grow organic revenue in Payments and Cloud
- Acquisitions will be utilized to supplement growth, but will not be the driver of topline growth
- In 2023 we believe our new strategy will deliver:
  - Mid-single-digit organic revenue growth
  - Expect to maintain adjusted EBITDA margins in the low-to-mid 20 percent range
  - Expect to deliver \$300 million of net new organic revenue growth
  - Total revenue of about \$2.3 billion

# FOUR\* PRIMARY AREAS OF FOCUS GOING FORWARD

A Company of Products

GROWTH AREA

VALUE AREA

Payments	Cloud	Promotional Products	Checks
<b>Treasury Management Solutions</b> <ul style="list-style-type: none"> <li>lockbox</li> <li>remote deposit capture</li> <li>integrated receivables</li> <li>payment acceptance</li> </ul> <b>Payroll</b> <b>Disbursements</b> <ul style="list-style-type: none"> <li>disbursements &amp; eChecks</li> <li>fraud/security</li> </ul> <b>Other</b>	<b>Hosted Solutions</b> <ul style="list-style-type: none"> <li>digital engagement</li> <li>logo design</li> <li>FI profitability reporting</li> <li>account switching tools</li> <li>incorporation services</li> </ul> <b>Web Hosting</b> <ul style="list-style-type: none"> <li>shared &amp; managed</li> <li>web design/hosting</li> </ul> <b>Data-Driven Marketing</b> <b>Other</b>	<ul style="list-style-type: none"> <li>business forms</li> <li>accessories</li> <li>advertising specialties</li> <li>promotional apparel</li> <li>retail packaging</li> <li>Deluxe Strategic Sourcing</li> <li>other</li> </ul>	<ul style="list-style-type: none"> <li>printed checks</li> <li>other</li> </ul>
ESTIMATED MARKET GROWTH 10-15%  ESTIMATED EV/EBITDA MULTIPLE 15X-20X	5-10%  20X-40X	flat  5X-15X	4-5% decline  5X

\* These are the four areas of focus we are moving to in 2019

# FOCUS AREAS: The New Deluxe

Focus Areas	
<b>SALES</b>	<ul style="list-style-type: none"><li>• Chris Thomas, Chief Revenue Officer</li><li>• Salesforce – Enterprise-wide CRM platform</li><li>• Telesales improvements</li><li>• Key enterprise win; Ingram Micro &amp; more</li></ul>
<b>PRODUCT AND INNOVATION</b>	<ul style="list-style-type: none"><li>• Amanda Parrilli, Vice President of Strategy and Planning</li><li>• Build-out enterprise innovation and product development teams</li><li>• New product build and sale to 500 customers</li></ul>
<b>EFFICIENCY</b>	<ul style="list-style-type: none"><li>• Savings thru structural redesigns, rationalization of real estate footprint and many other areas</li></ul>
<b>CULTURE</b>	<ul style="list-style-type: none"><li>• Jane Elliott, Chief Human Resource Officer</li><li>• National search for leaders of our three areas of business</li><li>• Initiated a broad organizational restructure and simplifications</li><li>• More employee equity owners</li></ul>

# INVESTOR DAY

**FEBRUARY 2020**

Meet our **NEW MANAGEMENT TEAM**

Learn more about our **NEW STRATEGY**

See **PRODUCT DEMOS** of many products and services

SAVE THE DATE EMAIL COMING LATER THIS FALL



# QUESTIONS & ANSWERS



## IN SUMMARY

1. Momentum is building, beginning to see new wins, new sales leader, growing pipeline, new telesales plan for cross-sell
2. The four areas we plan to compete in are; Payments; Cloud; Promotional Products; and Checks and we're winning new business in these areas
3. We are changing our go-to-market strategy and rolling out new technology and processes, adding new talent & changing culture to be more like a tech company
4. We've begun to rationalize our real estate footprint and reduce the complexity and layers in our organizational structure

## The New Deluxe

# DELUXE UP-COMING CONFERENCE

DATE	EVENT	CITY
September 19	CL King, 17 <sup>th</sup> Annual Best Ideas Conference	New York

# APPENDIX



# REPLAY OF THIS CALL

- Audio replay available through August 1
  - Dial: 1-404-537-3406
  - Access code: 5299173
- Presentation slides:
  - Deluxe's investor relations website at [deluxe.com/investor](https://deluxe.com/investor)

# REVENUE GROWTH RECONCILIATION FROM GAAP TO NON-GAAP - ENTERPRISE

	Enterprise	SBS	FS
<i>Summarized</i>	2019 Q2	2019 Q2	2019 Q2
<b>Revenue Growth</b>	<b>1.2%</b>	<b>(2.9%)</b>	<b>12.1%</b>
Acquisitions	(4.8%)	(1.2%)	(14.0%)
Exited Business	0.2%	0.3%	0.0%
Other (incl. FX and business day adj.)	0.4%	0.4%	0.3%
<b>Adjusted Organic Growth / (Decline)</b>	<b>(3.0%)</b>	<b>(3.4%)</b>	<b>(1.6%)</b>

Adjusted organic growth/(decline) is provided to assist in understanding the comparability of the Company's revenue growth for the second quarter of 2019. The Company's management believes that adjusted organic revenue growth is a useful financial measure to compare revenue growth excluding acquisitions, divestitures, exited business, foreign exchange effect, extra days and other non-comparable revenue items. This presentation is not intended as an alternative to results reported in accordance with generally accepted accounting principles (GAAP) in the United States. Instead, the Company believes that this information is a useful financial measure to be considered in addition to GAAP performance measures.

**Investor Relations**

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