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DLX - Q4 2019 Deluxe Corp Earnings Call

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Deluxe Corporation Fourth Quarter 2019 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I would now like to hand the conference to your speaker today, Ed Merritt, Vice President of Corporate Finance and Treasurer. Please go ahead, sir.

Ed Merritt - *Deluxe Corporation - Treasurer & VP of IR*

Thank you, Joelle, and welcome to Deluxe Corporation's Fourth Quarter 2019 Earnings Call. I'm Ed Merritt, Vice President of Corporate Finance and Treasurer. Joining me on today's call is Barry McCarthy, our President and Chief Executive Officer; and Keith Bush, our Chief Financial Officer. At the end of today's prepared remarks, Barry, Keith and I will take questions. I'd like to remind you that comments made today regarding management's intentions, projections, financial estimates or expectations about the company's future strategy or 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 our actual results to differ materially from our projections. Additional information about factors that might cause our actual results to differ from projections is contained in the press release issued today. As well in the company's Form 10-K for the year ended December 31, 2018 and other filings that we make with the SEC. 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 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 or as part of our presentation during this call.

Now I'll turn the call over to Barry.

Barry C. McCarthy - *Deluxe Corporation - President, CEO & Director*

Thanks, Ed, and good afternoon, everyone. I'm pleased to be with you today to share our 2019 results. I believe you'll be impressed with the progress our team has made. If you think back to April of last year, I was new to Deluxe as CEO, when we communicated our strategy and our plans to transform this 100-year-old company into the new Deluxe. Since that time, we've made considerable progress.

In the fourth quarter alone, we signed 3 of the top 10 largest deals in the past decade. Two of those were large outsourcing wins and 1 of those may have qualified as the largest noncheck win ever. The third win expanded our check business into Canada with CIBC. In December, we established an all-time sales record for a single month through our shopdeluxe.com channel. We've set cross-sell records in call centers with all-time high average order values and number of products sold per order.

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We onboarded a new executive leadership team. Each of these leaders have championed successful transformations throughout their careers. 7 of these executives are brand-new to the company, and the other 4 were at Deluxe, but now hold significantly expanded roles. I'm pleased to say, all 4 segment channel major roles are now filled. Additionally, we brought in world class sales, HR and strategy leaders. All of these new leaders made the decision to join Deluxe because they wanted to be part of our historic transformation. We completed 2 of our key technology implementations rolling out Workday, our HR solution and Microsoft Teams, our collaboration tool. We introduced One Deluxe at the largest tech event in the world, Dreamforce, where we were main stage speakers and captured hundreds of new sales and other leads. Our award-winning television programs, Small Business Revolution set viewership records for season 4. In addition to being able to stream the program on YouTube and Hulu, you can now stream it on Amazon Prime, which is new for this year. And soon, the program will be featured on Delta Airlines. We accomplished everything I just mentioned, while paying our regular dividend, buying back nearly $120 million of our stock, investing in our technology platform, reducing deferred levels and investing in our business to transform Deluxe into a trusted business technology company. I got to say this is pretty credible. This is the new Deluxe. We say what we'll do and we do what we say.

Keith will provide more details shortly. But first, let me take a minute to reflect on our financial results. We delivered full year revenue that beat consensus, and we've had an all-time revenue record for Deluxe. Think about that for a minute. We're 105-year-old company, with the brand-new management team, and for the first time ever, our revenue exceeded $2 billion. This is a significant accomplishment and proof our strategy is on the right track. We also delivered adjusted diluted earnings per share of $6.82, with beat consensus, and we delivered cash flow from operations above our expectations, enabling us to pay down debt levels from the beginning of the year. We're very proud to be a new team delivering so well for our shareholders.

We're making some deliberate changes to capital allocation in the near term, consistent with our strategy, which we believe will set us up for longer-term growth. Keith will go into more detail on this shortly.

Looking ahead, we expect 2020 to be another historic year for Deluxe. This will be the first time in nearly a decade, Deluxe grows revenue without acquisitions. This will be a fantastic milestone for us. Achieving this much progress in such a short time gives us more confidence in our 2023 revenue target of $2.3 billion, and we continue to expect 2020 margins will be in the low to mid-20s.

Now I'll turn it over to Keith.

Keith A. Bush - *Deluxe Corporation - Senior VP & CFO*

Thanks, Barry, and good afternoon, everyone. As Barry mentioned at the outset, we're all very proud of the financial performance we delivered, while simultaneously driving our business transformation forward. Recall that we announced as part of One Deluxe strategy that we would realign the company into 4 new segments: payments, cloud solutions, promotional solutions and checks. This realignment is effective January 1, 2020. So this will be the last quarter we expect to report financial results in the current segment structure. Total revenue in the quarter was $522 million, exceeding consensus. Small Business Services revenue was $324 million, declining about 3% year-over-year. Financial Services revenue was $168 million, growing about 5% year-over-year. Direct Checks revenue was nearly $30 million, declined about 3% year-over-year, in line with our expectations.

For the quarter, marketing solutions and other services, or MOS revenue expanded to nearly 46% of total revenue. Checks accounted for about 37% of total revenue. And forms and accessories accounted for 17% of total revenue. Revenue, excluding acquisitions, declined 2.3% for the year, which was in line with our expectations. We'll provide more detail shortly, but we believe 2019 will be the last year of organic revenue declines.

GAAP diluted EPS for the quarter was $1.06. Excluding after tax non-GAAP adjustments of $0.88 per share, adjusted diluted EPS was $1.94, beating consensus and growing about 3.2% over last year Reported EBITDA for the quarter was nearly $99 million, excluding $32 million of expenses related to restructuring, integration and other non-GAAP adjustments. Adjusted EBITDA was $130 million, this compared to $134 million in the same period last year. We delivered substantial adjusted EBITDA and free cash flow for the year, which allowed us to reinvest earnings into the business and entirely self-fund our ongoing transformation, while also funding our regular dividends and common stock repurchase program. This is yet another proof point about the financial strength of our company and our ability to increase shareholder value.

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Moving to the balance sheet and cash flow statement. At the end of the quarter, we had drawn about $884 million on the credit facility, which was a decrease of $26 million from the beginning of the year. We paid down debt and returned over $170 million to investors, while also investing in our transformation and enterprise-wide technology refresh. For the year, cash provided by operating activities was about $287 million and ahead of our expectations. Capital expenditures were $67 million and free cash flow, defined as operating activities less capital expenditures, was $220 million. The primary drivers of the decline in free cash flow for higher spending on our business transformation, which we previously disclosed, certain legal-related payments earlier in the year and revenue mix changes. During the fourth quarter, we did not repurchase any common stock, so the full year share repurchases ended at $118.5 million and we have $301 million of share buyback authorization remaining. As we evaluated our capital allocation priorities to maximize returns, we made the decision to suspend share repurchases in the fourth quarter and instead, invest that cash back into our business. We expect to continue this into 2020 and are planning share repurchases to be lower than previous years, but we will continue to opportunistically repurchase stock in the open market.

Moving on to technology. In early 2019, we outlined our plans to invest in new technology solutions that would drive our business transformation forward. We embarked on a full journey last year to simultaneously implement multiple new platforms. Workday went live January 1 as planned, allowing us to consolidate multiple HR systems into 1 platform. Our Microsoft Team's implementation launched to what Microsoft called "the fastest corporate rollout of this technology by any company in North America." Regarding our technology refresh, Barry said it earlier and I'll say it again here, we told you what we are going to do and we did what we said we would. We delivered on time and on budget.

Our Salesforce implementation progress is excellent, and we expect to complete our implementation as originally scoped yet this year. The remaining technology implementations are on track and expected to be in service by the end of 2020, with the exception of the ERP solution, which is currently in month 5 of a 25-month implementation. Consistent with what we told you last year, we continue to expect we will invest $60 million to $120 million in total on these new technologies. For perspective, in 2019, we invested about $30 million on the projects. This year, we expect to invest about $70 million. The remainder of the spend will be in 2021 to close out the ERP.

Now let's shift to the rest of our 2020 financial outlook. For the first quarter, we expect to deliver total company revenue in the range of $490 million to $505 million. We expect full year total company revenue to be in the range of $2 billion and $2.04 billion. At the midpoint of this range, we're delivering a 0.5% revenue increase year-over-year. This represents a significant achievement for us because the revenue growth over last year is coming entirely from existing business and new client wins. This will be the first year in nearly a decade that growth wasn't acquisition driven. Recall that our new go-to-market strategy is to sell more products and services into our existing client base and then supplement that growth through acquisitions. This is very different from the past when we grew revenue primarily through acquiring companies, not organically. This new strategy is far more capital efficient. And importantly, it's working.

We expect first quarter adjusted EBITDA to be between $85 million and $95 million. The first quarter, seasonally the lowest margin quarter of the year is carrying about 40% of the full year adjusted EBITDA compression. By the second quarter, we expect margins will return to our long-term target range of low to mid-20s for the remainder of the year and beyond. For the full year, we expect adjusted EBITDA to be between $410 million and $435 million. At the midpoint of this outlook, we expect adjusted EBITDA to compress by about $55 million and the adjusted EBITDA margin to decline about 300 basis points compared to 2019. We also expect adjusted diluted EPS to decline year-over-year. Factors impacting profitability include bringing on new business, the 3 top 10 deals we announced in the fourth quarter, a decline in cloud solutions profitability we discussed in the third quarter. Mix changes, primarily checks and renewals, and the change in our capital allocation strategy. Let me explain. We are investing in operating expense to drive organic growth instead of capital expenditures for acquisitions. We believe the investments build capabilities that return revenue at a very high ROI over the long term. What's exciting about the progress we've already made is that it provides confidence in our 2020 revenue outlook. We already have visibility into much of the revenue needed to grow the top line included in our outlook. We are very pleased with our progress to sell our way to growth. However, to be clear, we will still be acquisitive over time. This is just not our primary growth driver. Our success in 2019 and our growth plans for 2020 provide us confidence that we can deliver $2.3 billion of revenue at an adjusted EBITDA margin in the low to mid-20s in 2023.

Before I wrap up, our Analyst Day is about 2 weeks away on Tuesday, February 25. During the event, we'll provide more details regarding our revenue and earnings outlook for 2020. Additionally, you'll hear more about our continuing sales momentum. You'll meet the 4 segment GMs. You learn that each of the 4 segments is generating hundreds of millions of dollars of revenue, with very healthy adjusted EBITDA margins, consistent with our long-term plans. You'll see our new go-to-market strategy and here, exciting news around Deluxe brand and much more.

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In summary, we delivered a solid fourth quarter and full year. We're on track with our transformation and are making smart investments to drive future growth. Our team is working in unison with a sense of urgency to execute our transformation with a line of sight to achieve our 2023 growth plans.

Now I'll turn the call back to Barry.

Barry C. McCarthy - *Deluxe Corporation - President, CEO & Director*

Thanks, Keith. In 2019, we delivered solid financial results and made tremendous progress executing our transformation. We set a new all-time revenue record and continued our investment in our transformation while returning over $170 million back to shareholders through dividends and share buybacks. What an impressive achievement. I can summarize 2019 in just 2 words: One Deluxe. We're beginning to operate as one company, and the benefits are clear from all of the success. We will continue this momentum into 2020. The new Deluxe is taking shape, but I'm enthusiastic about the opportunities we continue to uncover. We are very serious about improving our sales organization and driving organic revenue growth. In January, we held the company's first ever sales kickoff meeting for our entire organization. Astonishingly, it was the first time many of our people have ever met each other. During the event, we provided sales and product training to the entire team, enabling higher cross-sell of our solutions and helping further break down silos. The most common freight, as I heard surrounding the event were, "I didn't know we did all that." And to the second quote, "I'm so proud and excited to be part of the new Deluxe." The organization is more energized, aligned and prepared to win than ever before. We're ready to deliver 2020.

Now let's move on to our strategy and what's next. In the first quarter of 2020, we will transition into our new management and reporting structure, which will provide greater transparency to investors, while we see it easier for our customers to understand all that we have to offer. The 4 new segments are payments, cloud solutions, promotional solutions and checks. The first growth segment is payments, a multibillion-dollar market growing at 10% to 15% annually. Mike Reed, who joined us about 2 months ago from Barclays in the U.K. and also spent time at Bank of America earlier in his career. Mike is off to a fast start. The payments business can be categorized into treasury management solutions, cash management for small businesses and digital payments. We had a great year on treasury management solutions. During the fourth quarter, we signed 2 of the top 10 largest deals in the past decade, and this was on top of winning more than a dozen new contracts in the third quarter. We also signed a new utility who will begin using our treasury management solution, one of the largest nationally recognized auto dealership groups, 2 major national charitable organizations and 2 major retail banks, who will use our lockbox and remittance services. We've established ourselves as a leader in the receivables management space and are building out a solution with long-term growth potential.

In 2019, we initiated a campaign to expand payroll services and signed new community banks as resellers of our payroll platform. We're encouraged by the opportunities we continue to uncover in this space. And in digital payments, we've launched e-check for an insurance company and are building our plan for the next-generation of digital payments, which will allow pays to have more control over how they get paid. We'll provide more on this exciting opportunity during our Analyst Day on February 25.

The next growth segment is cloud solutions and in also a multibillion-dollar market growing at double digits annually. Garry Capers is the GM of this business and joined us most recently from ADP and he spent time at Equifax and Bain earlier in his career. Garry has been with us about 120 days and is making great progress. Cloud solutions can be categorized into software as a service or SaaS solutions, cloud-based web design and hosting and cloud-delivered data analytics. SaaS solution encompassing corporation services, logo design and profitability tools. In cloud-based web design or web hosting, we announced new contracts with Ingram Micro and Vodafone India during the year. While growth in 2020 will be challenged as a result of the customer attrition and impairment we discussed in the third quarter, we continue to be bullish about our growth prospects for '21 and beyond. Cloud-delivered data analytics, which includes offerings from legacy FMCG and Datamyx, continues to add new clients to their already strong portfolio of customers. Our promotional solutions segment is led by Tom Riccio, who joined us from Office Depot on the same day that Garry joined us. Products in this segment include print, retail packaging, banners, business forms and other promotional solutions. We're more bullish on the opportunities for growth in this space, as Tom continues to uncover new revenue and profit opportunities which we'll discuss in more detail during the upcoming Analyst Day.

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Moving on to Checks. Tracey Engelhardt is a proven leader with years of experience running checks, and now with 100% of our check business reporting to her. She's transforming the business and bringing in new customers. She recently signed our first check contract with a Canadian Bank, CIBC. We're enthusiastic regarding opportunities to expand our check business more broadly across Canada.

Moving on to our capital allocation strategy. I want to emphasize what he said a minute ago. We are changing our capital allocation strategy. We are invested in operating expense to drive organic growth instead of capital expense for acquisitions. This is exactly what we told you we were going to do last April. In 2019, we deliberately invested in the company rather than acquiring businesses clearly in alignment with our strategy. We said we would do this and we delivered. We're already seeing a return on the investment, particularly in the sales organization, as I mentioned earlier. Acquisitions will be a component of our strategy we will no longer allow ourselves to be fully beholden to acquisitions. While we invest internally drive growth for the long term, as he's described, this will cause some near-term margin compression. We're confident this is the best use of our capital and that these investments will enable us to deliver future revenue growth, breaking our dependency on acquisitions. While we covered much today, I know many of you want to hear more about our exciting transformation and meet our new executive leadership team, who will be presenting at our Analyst Day on February 25. You can register to attend on our Investor Relations website and we look forward to meeting you.

Now Keith, Ed and I will open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Charlie Strauzer with CJS.

Charles S. Strauzer - *CJS Securities, Inc. - Senior MD of Sales & Trading and Analyst*

If we can talk a little bit about going into -- looking at this year being kind of the first year of organic growth on the top line. What are your assumptions kind of driving that? And maybe talk a little bit more about your confidence level behind that as well?

Barry C. McCarthy - *Deluxe Corporation - President, CEO & Director*

You know what, Charlie, we go into the year feeling really confident about our gear. We had an extraordinary Q4. We sold 3 of the 10 largest deals in the last decade for our company, and that's on top of the extraordinary success we had in Q3. So we have line of sight into the revenue that we need to deliver the plan here. And we feel great about where we are going forward in the year. And we feel especially great about it, Charlie, because I'll just remind you, we didn't have an organized sales team in July. Our CRO didn't start until July. We really didn't start getting going until the fourth quarter. And even though the sales organization is just getting started, we closed 3 of the top 10 deals of the last decade just in the fourth quarter. So that gives us lots of confidence about our ability to grow the company organically. That's what I said we were going to go do in April, and that's exactly what we're doing now.

Charles S. Strauzer - *CJS Securities, Inc. - Senior MD of Sales & Trading and Analyst*

And as part of the -- to these -- the new banks that you signed as well? Or about to sign? Is that driving part of that as well?

Barry C. McCarthy - *Deluxe Corporation - President, CEO & Director*

That's all part of the wins that we're talking about. Those are all in the queue that we can see implementation plans and schedules and no one expects revenue to start arriving. Honestly, it's a different place for this company to be, where we have line of sight about new revenue from selling

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to our customers, selling existing products and solutions that we have. And the other thing that gives us a lot of confidence, Charlie, honestly, is we have all of the GMs in place. Mike Reed was the last one to join. He got here at Thanksgiving week. But we've got Tom running promotional products. Garry running cloud and Tracey running checks. So we have a full contingent. We have an entire management team that's on fire to deliver. And oh, by the way, we had our first ever sales kickoff meeting and it was amazing. People were on fire. We got them trained on all of our products, and we've got them out in the market beating up the bushes to get some new business.

Charles S. Strauzer - *CJS Securities, Inc. - Senior MD of Sales & Trading and Analyst*

Excellent. Shifting gears a little bit to the incremental expenditures you're expecting this year. Can you maybe help quantify the magnitude of those? And then any thoughts on sharing what kind of returns you're going to expect long term from those investments?

Barry C. McCarthy - *Deluxe Corporation - President, CEO & Director*

Yes. So we are making investments like we said we would. We're building out our sales organization. But we also -- what makes this period especially unique is that we are investing in bringing all this new business online. We have a great fortune of a giant book of business that we need to spend some money to get online, which is exactly what I think you'd want us to do. We think that the returns on that investment are many multiples of just the traditional acquisition. Because not only is it going help us get this business online, but as we grow our sales organization, that's going to pay dividends going forward because we're building a company that's going to be self-sustaining for the long term. So instead of having to be a company that would only grow and sustain itself by acquisition, we're now going to be in a position we're going to grow and sustain ourselves because we're able to sell the products and services we already have, the existing customers and new customers, that is a fundamentally different proposition than a company that's continuing to invest in acquisitions as its only pathway to growth.

Charles S. Strauzer - *CJS Securities, Inc. - Senior MD of Sales & Trading and Analyst*

Got it. And then just lastly, in Q4, you mentioned, I think, in the release, the $18.4 million of Q4 investments. Were those related to the IT refresh that you spoke about?

Barry C. McCarthy - *Deluxe Corporation - President, CEO & Director*

Keith is going to give you that.

Keith A. Bush - *Deluxe Corporation - Senior VP & CFO*

Sure. So in the fourth quarter, there were IT investments. Many of those are non-GAAPed out. The IT components, you'll start to experience that in 2020 because of an accounting rule change. And so we'll start to see those show up as additional subscription expense and so those are accounted for part of the compression we're feeling here. I'll tell you, though, those are all going to be paid for through value capture. So we expect that as these systems come online and we get out of the bubble cost of running the legacy platforms and the new platforms, those all pay themselves back consistent with what we earlier said.

Operator

Our next question comes from Jamie Clement with Buckingham.

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James Martin Clement - *The Buckingham Research Group Incorporated - Analyst*

I know you went through this and I was behind on my notes. The 3-year IT expense that you laid out, can you just run back how much was spent in 2019 and then the projection for 2020 and 2021? Do you mind just giving me those numbers again?

Keith A. Bush - *Deluxe Corporation - Senior VP & CFO*

Sure. In 2019, that was about $30 million. In 2020, that will be up $70 million, and the remainder will be in 2021, and that remaining portion will be exclusively on the ERP. By the end -- by the close of this year, we will -- all those other systems will be functional.

James Martin Clement - *The Buckingham Research Group Incorporated - Analyst*

So $30 million, $70 million and $70 million, is that right?

Keith A. Bush - *Deluxe Corporation - Senior VP & CFO*

No. About 20-ish.

Barry C. McCarthy - *Deluxe Corporation - President, CEO & Director*

We said the total spend was going to be somewhere between $60 million and $120 million.

James Martin Clement - *The Buckingham Research Group Incorporated - Analyst*

$120 million. I'm sorry. Okay.

Barry C. McCarthy - *Deluxe Corporation - President, CEO & Director*

Yes. We said -- that'll be at the higher end of what we said. But that's the way we expected. It was $30 million in '19, $70 million this year and whatever is left to spend in '21.

James Martin Clement - *The Buckingham Research Group Incorporated - Analyst*

As with -- kind of with your multi-year guidance kind of in mind, how should we think about further investments that you all want to make over this kind of multi period of time to get to that $2.3 billion of revenue. Do you want to add to the sales force? Are there other kinds of capabilities you want to add over time? Can you kind of give us a 20,000 foot view about how you see the next couple of years are going to play from that perspective?

Barry C. McCarthy - *Deluxe Corporation - President, CEO & Director*

Yes. Yes, Jamie, let me start by just talking about the adjustment to our capital allocation approach of strategy. This company, or each of the 3 years before I got here, so 2018, '17 and '16, on average, the company was investing about $200 million of your capital to buy revenue to cover for secular declines and provide some growth. In 2019, we spent 0. I'm going to say it again, the company that was spending $200 million a year on acquisitions to fill secular decline and provide some growth, in 2019, we spent 0, and we are going to deliver revenue growth in 2020 anyway. And we're doing it because we're building a self-sustaining organization, a sales organization that can sell the product and service that we have. So if you just think about -- but the other point on that to think about is that in 2018, that's roughly $200 million we spent on buying, about $150 million of that became

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debt, but you can still see us carrying on the books today. And with no acquisitions in 2019, and we actually reduced debt in 2019, we're going to grow anyway. So what we especially like about the approach and what Keith has already alluded to, which is value capture. We think we're going to be able to largely, I'm not going to say perfectly, but largely invest for growth within the -- within what the company produces from cash flow and income going forward, protecting the returns that we've always been able to provide and margins like we've been saying in the low to mid-20s. So I think that what you'll expect to see us do is that you'll see us continue to make investments in sales, you'll continue to see us make new investments in product development. But we think that largely, we're going to be able to self-fund that. So we're very optimistic that we can deliver great shareholder return over this period of time and beyond.

James Martin Clement - *The Buckingham Research Group Incorporated - Analyst*

Okay. I appreciate that. And Keith, I don't know what you're able to say before you actually do it. But in terms of the new segment reporting that we're going to be seeing, would you anticipate having an unallocated corporate cost line item? Or are you going to just allocate everything to the 4 segments?

Keith A. Bush - *Deluxe Corporation - Senior VP & CFO*

That's a great question. We will spend more time talking about that on Analyst Day. And yes, we do anticipate having a corporate segment for a couple of reasons. First is, we are still working on building out these organizations. So we mentioned to you that there is redundancy in our business. And so that's a great place where those costs can be that we can -- you should be able to expect to see us continue to compress. But the reality is that this business has an infrastructure, and that infrastructure is shared and supports the whole business. And we'll share more about that on the 25th.

James Martin Clement - *The Buckingham Research Group Incorporated - Analyst*

Okay. And then I think you're not giving an operating cash flow guidance. I don't think -- I think there's enough to work. Do you have a rough expectation of what cash restructuring spending might work for somebody who wants to kind of look at an adjusted EBITDA number and then build to an operating cash flow projection for a rough number in mind for 2020?

Keith A. Bush - *Deluxe Corporation - Senior VP & CFO*

No. We're not providing that guidance at this time. Let's get to Analyst Day and we'll tell you what we're capable of providing.

Operator

(Operator Instructions) Our next question comes from Chris McGinnis with Sidoti.

Christopher Paul McGinnis - *Sidoti & Company, LLC - Special Situations Equity Analyst*

If you could -- can we maybe start, you mentioned about the cross-selling and obviously, that's a part of the story that's starting to come around as well as your organic growth. Can you just maybe dig into maybe where that growth is coming in terms of the customer base and then maybe the rate of acceleration you're seeing? Is that continuing to pick up as that gets more integrated into the system?

Barry C. McCarthy - *Deluxe Corporation - President, CEO & Director*

Absolutely. We're really proud of this. I got to tell you, Chris. We -- the company has aspired to be able to do cross-sell for a long time. So we really went hard at it this last year, and we fundamentally change the way our -- the salespeople in our sales call centers. We're compensated. We gave

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them training. We allowed them to sell multiple products rather than just one. So instead of having to do transfers, people could sell more products from their desk themselves. And as a result, we had all-time record high revenue per order and we had all-time record high, what we call, lines per order, which is the number of products being shipped in an order. And we've just started, right? We're just -- we've just started. We're in the process of rolling that out across all of our sales and call center operations. And we're very optimistic that, that will deliver sustained growth for us. What we especially like, obviously, is a lot of those calls come to us without us spending any marketing dollars at all. And those that do come as a result of marketing dollars, we can sell the next product. That has always been the promise of our company and we're unlocking it. And we have an organization that's on fire that's delivering it, and you can start to see it showing on a -- start to get showing up in our numbers.

Christopher Paul McGinnis - *Sidoti & Company, LLC - Special Situations Equity Analyst*

Great. And then maybe just to dig a little bit more into that $70 million for this year. Can you just -- maybe Keith, can you just maybe talk a little bit about the buckets where that's going into? And I don't know if you can get in the numbers more granularly, but if you don't mind, just elaborating a little bit on that $70 million?

Barry C. McCarthy - *Deluxe Corporation - President, CEO & Director*

Chris, you were a little jumbled there. Obviously, you're asking us something about 2020's plan. We didn't hear what you specifically were asking.

Christopher Paul McGinnis - *Sidoti & Company, LLC - Special Situations Equity Analyst*

No. Sorry about that. Hopefully, this is better. Just around the $70 million of the investment spend. Can you just maybe put that into the buckets of where that's going? I don't know if you can break it down by $1. But can you just maybe a little bit more granularity around that?

Keith A. Bush - *Deluxe Corporation - Senior VP & CFO*

Sure. Yes. A big chunk of that is going to be SaaS subscriptions that are flowing through in the year as well as the declines in the legacy part of the business related to check and the new wins, the contract extensions that are happening there. Those carry a big portion of what we're experiencing. And then in addition to that, you're talking about the investments that we're making to onboard the businesses that are happening in the fourth quarter.

Christopher Paul McGinnis - *Sidoti & Company, LLC - Special Situations Equity Analyst*

Okay. And then lastly, I think you may have said this on the call already. But just on the revenue guidance for the full year. I think you mentioned that you largely have that already in line. So I guess, thinking that, that's an easier target to hit this year. I don't want to say it's easy, but you feel really confident about that number for the full year?

Keith A. Bush - *Deluxe Corporation - Senior VP & CFO*

Yes. We have a line of sight to that. I think that's what Barry said earlier, that we -- these wins were very significant for us, and they give us a line of sight to deliver what we need to do to get to the 20 -- to the $2 billion to $2.04 billion for this year. So we feel comfortable. We probably (inaudible).

Operator

Our next question comes from Charlie Strauzer with CJS.

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Charles S. Strauzer - *CJS Securities, Inc. - Senior MD of Sales & Trading and Analyst*

Just one quick follow-up. If you have the numbers handy, maybe for Keith there on this one. Just the segment organic numbers for Small Business and Financial Services?

Keith A. Bush - *Deluxe Corporation - Senior VP & CFO*

Sure. This is for 2019. So for the full year, we had declines of about 2.3%. Small Business was down about the same amount, while Financial Services was down 1.3% and checks were down about 7.1%. What we really liked -- we saw in the fourth quarter is that, that rate of decline, it slowed substantially. So in the fourth quarter, our organic decline was down 0.8%. SB was down 0.9%, while Financial Services grew about 0.5%, and checks were down 6.3%.

Barry C. McCarthy - *Deluxe Corporation - President, CEO & Director*

That's another one of the reasons we feel so confident going into the year is that we're getting lift off. We said we were going to try to shrink that and that's exactly what happened in Q4. We have line of sight on the revenue going into the new year. And that's why we're -- we feel so confident about getting this to be a business that's no longer dependent on acquisitions for growth. It's a big, big milestone for us.

Operator

Our next question comes from Jamie Clement with Buckingham.

James Martin Clement - *The Buckingham Research Group Incorporated - Analyst*

In terms of data-driven marketing in the fourth quarter and then the way it's mentioned in the 2020 outlook, it seems like -- was data-driven marketing pretty good in the fourth quarter? But then what's the -- I don't quite get the mix shift in data-driven marketing that's discussed in the 2020 outlook.

Barry C. McCarthy - *Deluxe Corporation - President, CEO & Director*

Yes. So we're very proud and pleased with the progress that we're making in that segment. We had a number of client wins or expansion of relationships that helped us in Q4. We expect us to continue into the new year, and we think that's really helpful. And that gives us a lot of reason of optimism for the data businesses going forward.

Keith A. Bush - *Deluxe Corporation - Senior VP & CFO*

And the other component of that with this in contrast is the loss of business that happened last year that will continue into 2020, but we'll experience the full impact of that. That's what resulted in the impairment, we're feeling that effect in 2020. So while the fourth quarter was -- we're very happy with that outcome. That is below where we expected to be for the quarter earlier in the year.

James Martin Clement - *The Buckingham Research Group Incorporated - Analyst*

Okay. But -- so would you say adjusted EBITDA below is expected to decline for 2019, primarily from revenue mix changes in web hosting and data-driven market. Is that what you're talking about with that comment?

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Keith A. Bush - *Deluxe Corporation - Senior VP & CFO*

Yes.

Barry C. McCarthy - *Deluxe Corporation - President, CEO & Director*

Yes.

Operator

I'm not showing any further questions at this time. I would now like to turn the call back over to Barry McCarthy for any closing remarks.

Barry C. McCarthy - *Deluxe Corporation - President, CEO & Director*

Well, thank you all for participating on the call and for your questions. So in summary, first, our momentum is real. We recently signed 3 of the top 10 largest deals in the past decade. We made history in 2019 delivery revenue of over $2 billion and expect to set a new revenue record in 2020. What's exciting about 2020 revenue is that we will grow revenue, excluding acquisitions for the first time in nearly a decade. This made our target of $2.3 billion of revenue in 2023 seem very achievable. And we've only just begun. Second, our 4 new segments, payments, cloud solutions, promotional solutions and checks are all led by senior executive with proven transformation track records and the grit and gravitas to deliver. Third, we continue to be on track and on budget, rolling out our new technology solutions, having already completed our Workday and Microsoft Teams implementations. Fourth, we delivered an all-time record revenue in 2019 while investing in our transformation and returning over $170 million back to shareholders holders through dividends and share buybacks and we even paid that debt. We've proven to be faithful stewards of your company and have built a solid foundation for 2020 revenue growth. And finally, we are a team that says what we're going to do and we do what we say.

Before we conclude, I want to recognize the extraordinary contributions of my fellow Deluxers. Their unwavering commitment to our clients' success is incredible. Their dedication to our transformation, setting us up for the next 100 years is inspiring. Without their passion to win, we would not be delivering these breakthrough results. We live our ownership culture every day because we're all shareholders too.

Finally, in April of last year, we asked you to take a leap of faith and trust our management team as we outlined our new strategy to transform Deluxe. In these past few months, we compiled an impressive list of tangible examples of our success and concrete evidence the new strategy is working, and we've only just begun. Growing, winning, succeeders, we own it, we are one team, we are the new Deluxe. Now I'll turn the call back to Ed for some final comments.

Ed Merritt - *Deluxe Corporation - Treasurer & VP of IR*

Thanks, Barry. Before we conclude today's call, I just want to remind you of the following conferences in the first -- that we're coming up in the next month here. On February 10 through to 13, management will be at a client event, the Deluxe change in Phoenix, Arizona. On February 24, our entire executive leadership team will be in New York as we ring the New York Stock Exchange closing bell. The next day, February 25, we'll be at the Grand Hyatt in New York as we hold our very first Analyst Day in recent memory. And finally, on March 12, we'll be in New York at the Ninth Annual Susquehanna Technology Conference. Thanks for joining us, and that concludes the Deluxe Fourth Quarter 2019 Earnings Call.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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