



First Quarter Earnings Call

May 7, 2020

dlx

Ed Merritt

VICE PRESIDENT OF CORPORATE FINANCE AND
TREASURER

dlx **Today's Presenters**



Barry McCarthy

President and
Chief Executive Officer



Keith Bush

Chief Financial Officer and
Senior Vice President



Ed Merritt

Vice President of Corporate Finance and
Treasurer

dlx Cautionary Statement

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, including risks related to COVID-19, 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, in the company's Form 10-K for the year ended December 31st, 2019, the Form 10-Q which will be released in conjunction with our first quarter 2020 earnings as well as other SEC filings.

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 or as part of our presentation during this call.

Barry, Keith and I are working remotely from different locations today, as are over 3,000 of our fellow Deluxers. For the first time, we are not sitting together for this call. While we believe we have all the logistics for this event well planned, please bear with us in case we experience any technical difficulties. Thanks in advance.

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Barry McCarthy

PRESIDENT AND CHIEF EXECUTIVE OFFICER

d1x Agenda Today

First Quarter Results

- » **Solid first quarter** in light of unprecedented COVID-19 impact
- » **Significant COVID-19 decline** in revenue late in March
- » **Immediate action** to mitigate the impact and secure company
- » **Confident in our strategy**

Other Topics

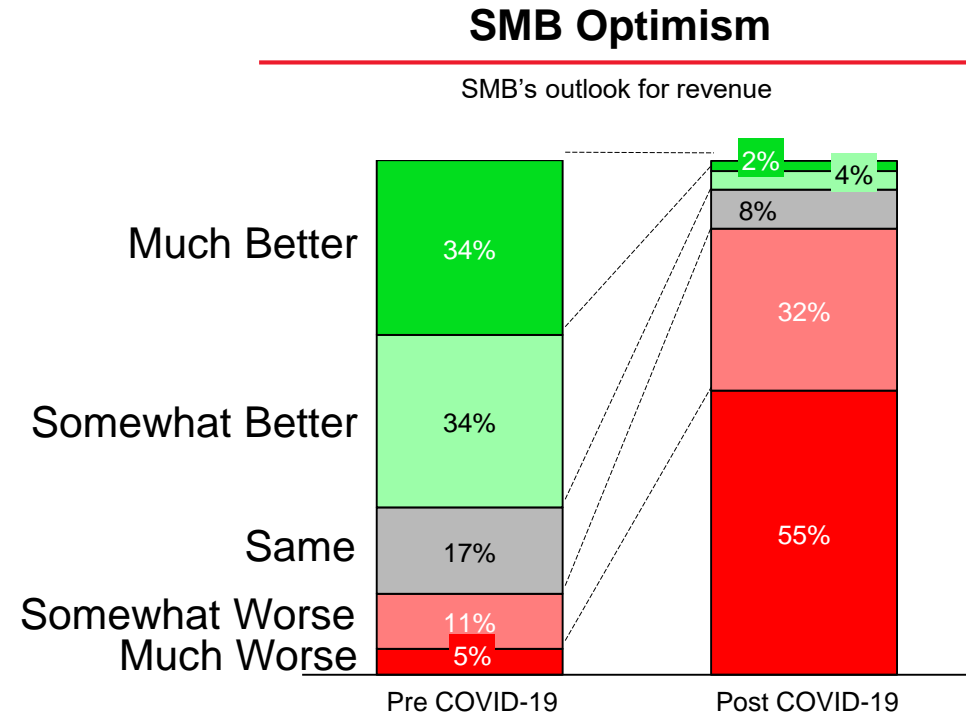
- » **Payments 18%** growth in Q1
- » **COVID-19 impacts**
- » Results in **new segment structure**
- » **Sales-driven growth** strategy success
- » What all of this **means for Deluxe**

d1x First Quarter Summary

- » Revenue declined 2.5% for the first quarter, including COVID impact
- » **Sales driven revenue growth for the first time in nearly a decade**
 - » Pre-COVID
 - » new leadership team
 - » New structure and 4 new segments
 - » Payments grew 18%
- » New **strategy is working**
 - » protecting company today
 - » positioning company for tomorrow
- » **Not providing guidance**
 - » macro-economic uncertainty

dlx Small Business Optimism Deteriorated

- » Dramatic and **sudden decrease** in SMB optimism
- » **Sudden deceleration** in pace of new business opening
- » Business **closures**, temporary contraction and **hibernation** impacting economy and DLX revenue
- » Government stimulus may impact sentiment



Almost **90%** of SMBs now expecting **worse revenues**

Source: PYMNTS.com

1) Results were prior to government passing stimulus package

d1x Q1 2020 Segment Details

» **Promotional Solutions** – Tom Riccio

- » Down **as much as 45%** in some categories
- » **Northeast region** most impacted
- » **PPE, a new market** for Deluxe is showing strong opportunity

» **Cloud Solutions** – Garry Capers

- » Solutions with **the greatest impact**, products helping new businesses start or find new customers
- » DDM, incorporation services, logo design, web design and hosting

» **Checks** – Tracey Englehardt

- » Unusual decline in March, **mitigation efforts to manage costs** in line with revenue

dlx Q1 2020 Segment Details (cont'd)

» Payments – Mike Reed

- » **Shining Star**

- » **Revenue increased 18%**

- » **Winning new business**

- » Competitive takeaways

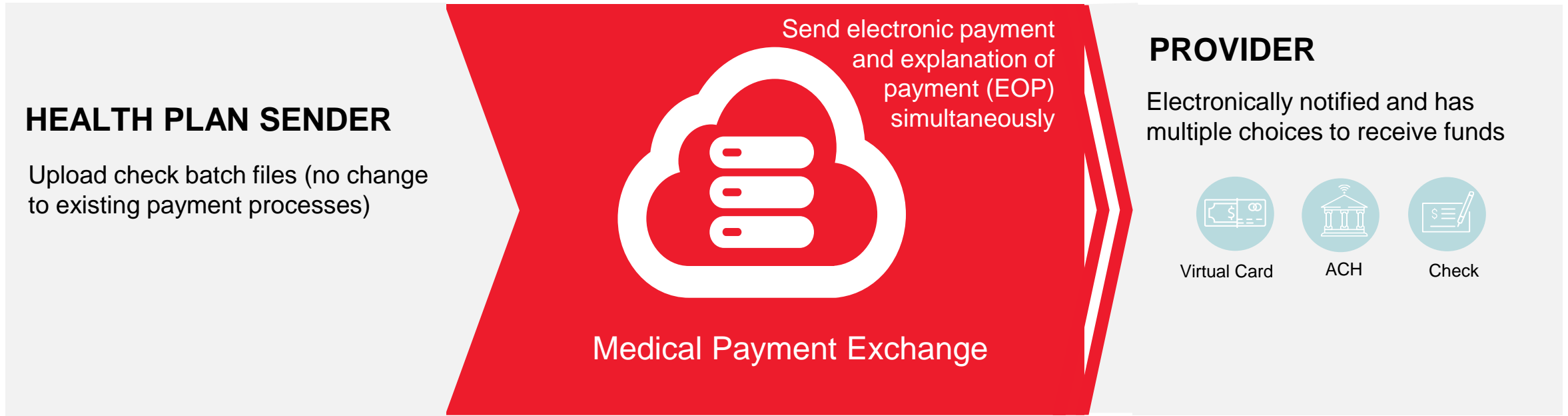
- » DLX **financial strength compelling competitive advantage**

- » Implemented Key Wins:



d1x The Medical Payment Exchange (MPX)

Delivering efficient electronic payments to health care providers. These payments account for 40% of all medical claim payment transactions and 88% of dental claim payments



Nearly \$1B
in 2019 payment volume

40K+
Providers paid in
network in 2019

600K
Forecasted providers paid in
network within next 12 months

dlx Protecting Employee-Owners

» Work From Home (WFH)

- » ~3,000 of our 6,500 employees
- » Technology **investment in 2019 enabled rapid move** to WFH
- » **Limited or no disruption** in customer experience

» Production Facilities

- » Daily **temperature readings** in certain sites
- » Frequent **deep cleaning**
- » Hand **sanitizers**
- » **Protective gear** like masks (PPE)
- » Expanded **social distancing** procedures
- » **“Hero” pay**: incremental hourly pay for production teams

d1x Protecting Deluxe Financially

- » Liquidity
 - » Increased borrowing on revolver – holding **~\$300M cash/short-term instruments**
- » Compensation & Benefits
 - » **Reduced salaried** employee's base pay and Directors cash by 20%
 - » **Canceled 2020 merit pay** adjustments
 - » **Suspended** our 401(k) match contributions
- » Workforce Optimization
 - » **Furloughs** in production facilities and salaried team too
 - » **Reduced schedules**, reassign labor as needed
- » Capital expenditures and projects **delayed**
 - » **Deferred** most of external consultants spending
- » Leadership
 - » **daily exec calls**; weekly Board of Directors status call

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Keith Bush

CHIEF FINANCIAL OFFICER AND SENIOR VICE
PRESIDENT

d1x First Quarter Performance

- » **Solid performance overall**
 - » Despite COVID impacts
 - » Full quarter, Company revenue declined by 2.5%
 - » Continued **driving business transformation**
- » **Sales-driven revenue growth**
 - » January and February, pre-COVID
 - » **First time in nearly a decade**
- » **COVID impact began in March**

dlx First Quarter New Segments

<i>\$ in millions except EPS data</i>	Q1 '20	Q1 '19	Better/ (Worse)
Revenue:			
Payments	\$77.0	\$65.2	\$11.8
Cloud Solutions	76.0	78.3	(2.3)
Promotional Solutions	142.8	155.8	(13)
Checks	<u>190.6</u>	<u>199.8</u>	<u>(9.2)</u>
Consolidated	\$486.4	\$499.1	\$(12.7)
SG&A Expense	\$237.2 48.8%	\$230.1 46.1%	\$(7.1) (2.7%)
Diluted EPS	(\$1.45)	\$0.93	\$(2.38)
Adjusted Diluted EPS	\$1.08	\$1.54	(\$0.46)
Adjusted EBITDA	\$83.3	\$113.7	\$(30.4)
Net (loss) Income	(\$60.1) (12.4%)	\$41.2 8.3%	\$(101.3) (245.9%)

dlx Other Items

Non-cash impairment charges totaled \$90.3 million

- » Non-cash, COVID-19 related
 - » \$85.3.3 million total
 - » Promotional Solutions: \$63.3 million **goodwill/partial impairment**
 - » Cloud Solutions: \$4.3 million **goodwill** (full impairment of Web Hosting) with \$17.7 impairment of **certain intangible assets**
- » Non-cash, Assets Held for Sale & Customer List
 - » \$5.0 million **assets held for sale** and the write-down of a customer list

d1x Balance Sheet

- » **~\$300M cash/short-term investments** on balance sheet

» Net debt:	3/31/2020	12/31/2019	Change
	\$ 829.9	\$ 809.9	\$ 20.0

- » Total debt increased by \$256M
 - » **proactive draw** on credit facility **further strengthened liquidity**
 - » accordion allows expansion to \$285M above \$1.140B, pending expected approval
- » **Access to other capital markets opportunistically**
- » Government stimulus
 - » **deferring tax payments** allowing us to improve near-term cash flow
 - » **have not accessed** any government loan programs

dlx Cash Flow

- » Revenue mix changes/COVID-19
- » Previously announced **transformation investments**

Free Cash Flow

(Cash provided by operating activities, less capital expenditures)

	Quarter Ended Mar 31	
	2020	2019
Cash Provided by Operating Activities	\$18.6	\$45.4
Less Capital Expenditures	<u>(6.4)</u>	<u>(14.6)</u>
Free Cash Flow	\$12.2	\$30.8

d1x Maintaining Liquidity

- » Share buybacks
 - » Repurchased \$14M in Q1
 - » **Paused additional stock repurchases** in Q2
- » Financial priority is to **maintain strong liquidity**
 - » **significant** cash balance; cushion company from any other shock
 - » **pause some capital projects** in the near-term
 - » **minimize working capital** requirements
 - » **extending** our payment terms on our payables
 - » **delaying** non-essential spending

dlx Summary

- » **Delivered a solid Q1**
- » **Strategy is working**
 - » **Sales-driven revenue growth** in January and February
 - » **First time in a nearly a decade**
- » **Well positioned** for the economic recovery to come
- » **Strong** balance sheet, **great** leadership and a **committed** workforce

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Barry McCarthy

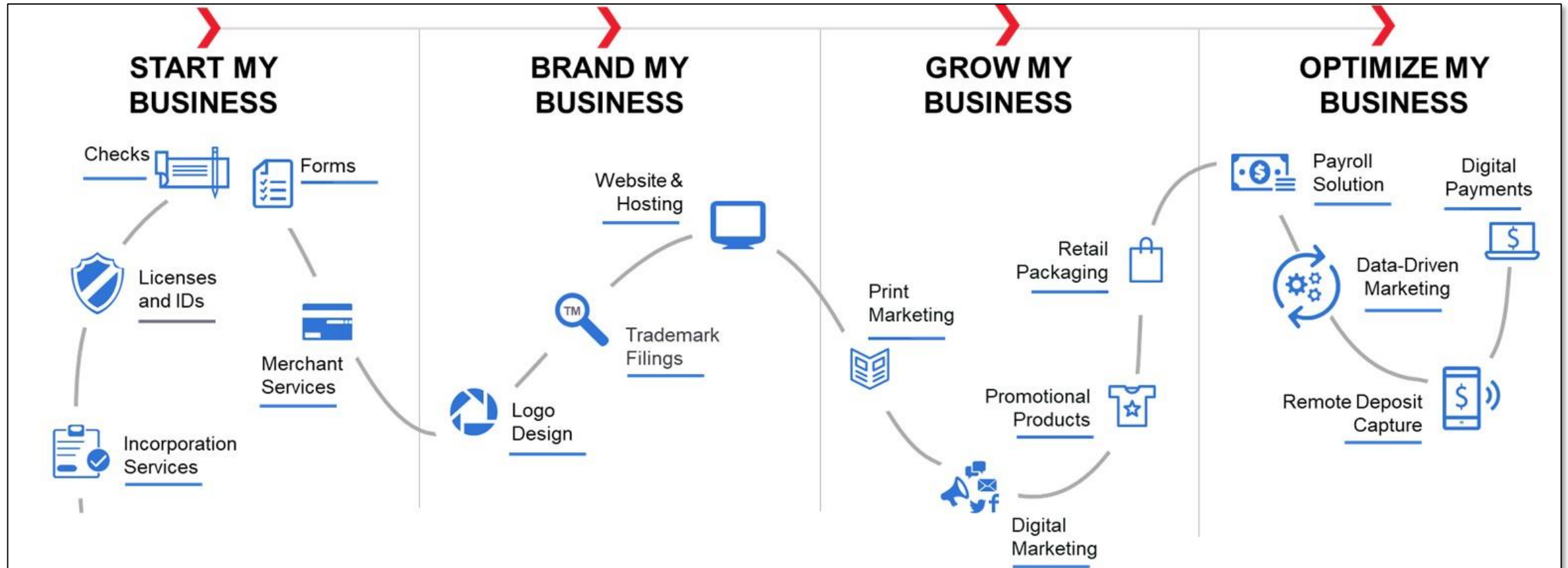
PRESIDENT AND CHIEF EXECUTIVE OFFICER

dlx Key Q1 Accomplishments

- » **First-ever** company-wide **sales kick-off** meeting
- » **Largest customer event** in the history of Deluxe
- » **Sales-driven organization** is delivering results
- » **Won 4 of the largest 10 deals** of past decade in last two quarters
- » **Strategy working** = well prepared for eventual recovery

d1x Deluxe Strategy Across Lifecycle

Deluxe offers **products and services across the business lifecycle** that can also be used by both small and large business customers and financial institutions



d1x Payments – “The Shining Star”

How we Sell

Enterprise and Small Business



- Property & Casualty Insurers
- Enterprises & Banks

Health Insurers



- Joint venture with Echo Health
- Sell to Insurers & Third-Party Administrators

What is the Job to be Done

- Payer sends digital payments without accounting process changes, only needs payee email
- Payee chooses how they want to receive funds; Push to Debit, Check and ACH and PayPal

Our Solutions

deluxe® PAYMENT EXCHANGE

mpx MEDICAL
PAYMENT
EXCHANGE
powered by deluxe

d1x New Products and Solutions

Personnel Protective Equipment

- Sourcing PPE products across the globe
- Rapidly creating collateral and training
- **\$millions in orders** and growing daily

deluxe.
Custom Branded Promotional Products & Marketing

COVID-19 Prevention & Preparedness Materials

The impacts of COVID-19 vary throughout the country. Some essential businesses remain open and need to communicate practices that both address employee concerns and help contain the spread of the virus. These new items will equip employees with the information they need to stay healthy and calm for the duration of the COVID-19 outbreak.

- Stop COVID-19 Transmission 10" x 14" Poster**
 - » Designed to teach employees what to do if they believe they have contracted COVID-19
 - » Includes steps to take immediately after falling ill with Coronavirus and how to know when it is safe to return to work
 - » Laminated for durability and easy clean-up
 - \$19.99**
- Coronavirus Fact vs Myth - 10" x 14" Poster**
 - » Address common misconceptions and misinformation about COVID-19 and Coronavirus to ensure employees are accurately informed
 - » Poster includes 8 common myths and facts to help stop the spread of rumors
 - » Laminated for durability and easy clean-up
 - \$19.99**
- Coronavirus Prevention and Stress Management Handout Pack of 25**
 - » Full-color, two-sided informational sheet lists behaviors that will reduce the chance of contracting Coronavirus, as well as methods for coping with stress during an outbreak
 - » Printed on durable, heavy stock for frequent reference
 - \$19.99**
- Coronavirus Prevention and Stress Management Handout Pack of 50**
 - » 5% savings for pack of 50
 - \$36.99**
- Coronavirus Prep Bundle (N0077, N0079, and N0075) Pack of 25**
 - » Bundle all resources and save over 20%
 - \$45.99**

Appointment Scheduling

- Selling new partner developed branch appointment scheduling solution
- Pilot customer has already received **29 appointments in 2 days**
- Extremely positive feedback

Schedule Appointment/Call

First Name: John, Last Name: Doe

E-mail: johndoe@gmail.com

Phone Number: (123) 456-7890

Preferred Call/Appointment Date & Time: 04/23/2020 9:16 AM

Let Us Know How We Can Help You (Please no account numbers or personal information)

Select Your State: Select Your State, Select Your Branch: Select Your Branch

Submit

Deluxe Payment Exchange

- Work-from-home changes driving a business need for remote payments
- Demand generation team is capitalizing on these changes with prominent digital placement of Deluxe Payment Exchange
- **SMB orders up +24%**

deluxe.

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Featured Categories

d1x Capital Allocation & Summary

Capital Allocation

- » **preserving strong liquidity**, cash conservation and management
- » may consider opportunities to further **enhance capital structure**
- » **announced first quarter dividend**
- » **suspended** Q2 share repurchases

Summary

- » delivered a solid first quarter and our **strategy is working**
- » we believe Deluxe will exit this crisis a better, stronger company
- » believe **Payments and Cloud will grow revenue**
- » Deluxe team is doing incredible work, delivering for shareholder and **driving a bright future for Deluxe**



Question & Answers

dlx Key Takeaways

1. Deluxe is financially strong

- » Taken the necessary steps to secure our future

2. Solid first quarter

3. Strategy is working

- » Sales driven revenue growth for the first time in a decade, pre-COVID
- » Payments grew 18 percent
- » 4 of top 10 deals in last decade in last 2 quarters Only just begun

4. We will recover

- » Financial wherewithal to sustain our business to recovery
- » Confident in our recovery over time

5. Deluxe has led through crisis for 105 years

- » Great team & values

d1x Future Management Presentations

DATE	EVENT
May 20	Needham Technology & Media Conference
June 3-4	Baird 2020 Global Consumer, Technology and Services Conference

The logo for 'deluxe' features the word in a lowercase, sans-serif font. The letters 'deluxe' are black, except for the 'x' which is red. A registered trademark symbol (®) is located at the end of the word.

deluxe®

trusted business technology