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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Deluxe Third Quarter 2020 Earnings Conference Call. (Operator Instructions) Please be advised that today's conference may be recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker, Chief Communications and HR Officer, Jane Elliott. Please go ahead.

Jane M. Elliott - *Deluxe Corporation - Chief Communications & HR Officer*

Thank you, and welcome to the Deluxe Third Quarter 2020 Earnings Call. Joining me on today's call is Barry McCarthy, our President and Chief Executive Officer; Keith Bush, our Chief Financial Officer; and Heather Davis, our new Head of Investor Relations. At the end of today's prepared remarks, we will take questions.

I remind everyone today that comments made 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 may cause our actual results to differ from projections is contained in our press release issued today and filed with the SEC and Form 8-K and the company's Form 10-K for the year ended December 31, 2019, and and Form 10-Q, which will be released in conjunction with our third quarter 2020 earnings as well as other SEC filings.

On the call today, we will discuss non-GAAP financial measures, including adjusted EBITDA and free cash flow. In our press release and our filings with the SEC, you will find additional disclosures regarding the non-GAAP measures including reconciliations of these measures to the most comparable measures under U.S. GAAP.

Now I'll turn the call over to Barry.

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

Thanks, Jane, and good afternoon. First, I'd like to welcome Heather Davis to Deluxe as our new Head of Investor Relations. Some of you may know her from her IR role at tech-driven companies like Groupon and Lawson Software and from Buffalo Wild Wings. Keith, Jane and I look forward to working with her.

We're pleased to have delivered improved third quarter results despite continued pandemic-related economic pressures, including nearly a 300 basis point improvement in adjusted EBITDA margin. We continue to make meaningful progress on executing our overall transformation to One Deluxe.

As discussed last quarter, we began to see an improvement in the latter part of our second quarter, which continued into the third quarter. We see our sequential improvement in top line revenue, GAAP and adjusted EBITDA margins as clear evidence of our continued momentum. By our estimates, we delivered sales-driven growth, excluding COVID-related impacts, for the third consecutive quarter. We continue to win new business at an accelerated rate, and we're successfully cross-selling our products and services.

We're pleased to have the financial strength and flexibility to support the long-term growth potential of the business. We've restored some of our investments in the company's overall infrastructure, including technology upgrades, continued real estate consolidations, streamlined organization design, talent enhancements and more after slowing a bit in Q2. Importantly, we remain confident in our financial strength, as demonstrated by declaring our regular quarterly dividend Our net debt is now at its lowest in more than 2 years. I continue to believe this is all compelling evidence our One Deluxe strategy is working.

Here are some specifics. We delivered 23.3% adjusted EBITDA margins, a 290 basis point sequential improvement from last quarter, better improvement than we expected. We reported revenue of $439 million, improving over 600 basis points sequentially over second quarter with revenue down 11% or $54 million versus last year, also better improvement than we expected. Our sales-driven performance continues. We built cash reserves from operations. Our Q3 net debt is now the lowest level in more than 2 years. We fully repaid our COVID-related draw on the revolver in October, demonstrating the strength of our business.

Over the last 7 months of the pandemic, we continued to generate cash from operations, naturally improving our liquidity and eliminating the need for any additional cushion. Our financial position continues to serve as a competitive advantage, helping us win across all our segments.

Adjusting for decisions we made to slow progress of the pandemic, we're on path and on budget in our technology infrastructure upgrade and renewal. We closed nearly 50 of more than 80 sites, representing nearly a 60% reduction in the number of our locations over the last 18 months, including 7 additional site closures in Q3. We're particularly pleased with a future operating savings and significant capital avoidance we're going to achieve by relocating both our Minneapolis headquarters and Atlanta technology facilities to more efficient spaces.

Now on to sales. We continue to make progress in becoming a sales-driven revenue growth company. Everyone sells at Deluxe. Our One Deluxe approach works, bringing the best of Deluxe to our customers to solve their problems rather than simply paddling one solution at a time. We continue to outperform our pre-pandemic sales plan and have closed over 1,000 deals with multiyear contracts year-to-date, including 6 of our top 25 targets. We signed significant wins in each of our 4 businesses during the third quarter. It will take time to onboard these wins, and the pandemic environment lengthens implementation time lines as our clients work through sequencing their own priorities. However, we're very proud to be expanding our pipeline and closing new business at record rates, giving us confidence that we'll exit 2020 with a strong backlog for us to focus our efforts on converting to revenue.

Some of our key wins for the quarter include securing a contract with M&T bank, for our treasury management services. We expanded our relationship with RE/MAX to provide national marketing, branded print and promotional solutions to their 65,000 agents. This is an excellent example of us growing share and moving from a transactional vendor to a recurring revenue managed services partner. And our MPX and VPX Solutions added Delta Dental and Albertsons as customers, too.

Our tele sales centers continue to cross-sell, delivering record average order value. Combined with our enterprise efforts, we signed more than 175 cross-sell deals, totaling $11 million in total contract value. The results are clear even amidst the COVID fog. We're winning new business across all our divisions, delivering record cross-sell performance selling our existing solutions to existing customers, while adding new customers and distribution partners. This continued success gives us confidence that we'll be able to deliver sales-driven revenue growth in the low to mid-single digits with adjusted EBITDA margins of 20% or more over the long term.

Now on to some segment details. Our Payments business continues to perform well and delivered 15.6% revenue growth over prior year. We are well positioned in our receivables, payables and SMB cash management businesses, where we're winning new clients and market share and benefiting from positive secular outsourcing trends as firms focus on speed and efficiency in accounts receivables. We continue to see new and long-standing customers shifting volume to the safety of Deluxe due to our strong balance sheet and trusted service levels.

Our Cloud and Promotional Solutions divisions continue to experience the greatest COVID-related impacts. And accordingly, we expect revenue and profit growth to lag the recovery due to reduced discretionary spending. In Cloud, this impact is visible in data-driven marketing revenue, where mainly financial institutions have deferred campaign spend. We believe the financial institution spend will return. And in fact, we saw increased demand in Q3 versus last year's quarter. We've also signed new financial institution customers as well. While our incorporation and website services have experienced weakened demand, we continue to focus on adding new relationships to deliver our incorporation and website services, including the Hartford and NFIB.

Our Promotional Solutions delivered sequential quarterly improvement in revenue while driving significant benefit to adjusted EBITDA margins. While we did not repeat the benefit we saw from PPE in Q3, we did experience positive sequential growth and what we call our business essentials product area forms and more that businesses used to operate. We also signed several new customers focused on our managed brand services program, giving us more confidence in our future profitable growth.

Now on to Checks. As anticipated, the secular decline in the Checks business sequentially improved during the third quarter, consistent with the pattern of previous economic downturns. We continue to see an increase in new check customers resulting from new business start-up. We're encouraged to see self-service and digital order volume acceleration in the third quarter, proving our digital strategy works. Competitively, we're winning new check customers at a rate faster than before, and we renewed a top 5 check customer. Our financial strength is a key factor here, too, just like in Payments.

The uncertainty of the pandemic continues. And as such, we will not provide detailed outlook for the fourth quarter or full year 2021 today. Keith will provide some detail on our future expectations, which reflect today's environment. The macro environment remains challenged as we're in the midst of a second wave of COVID. Most importantly, given the work we've accomplished and the results we've delivered despite the ongoing challenges, I feel good about our relative position in the market, and we continue to believe total company adjusted EBITDA margins will remain at our long-term target of 20% or better.

Lastly, I want to emphasize our team has delivered better-than-expected performance, again, despite the pandemic. Deluxe remains financially sound. We expanded margins almost 300 basis points, paid our dividend, paid our revolver down to the pre-COVID level, have the lowest net debt in more than 2 years, and our sales engine is working. Here's Keith.

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

Thanks, Barry. Good afternoon, everyone, and welcome, Heather. As Barry noted, our strategy is working, and we are seeing the results. We delivered strong sequential performance in the third quarter despite the continued challenging environment. We've strengthened our financial position while simultaneously advancing our business transformation.

Q3 total revenue declined 11% or $54.1 to $439.5 million as compared to the same period last year. This is a sequential improvement of 600 basis points from the Q2 decline rate. While we did benefit from sales-driven growth, it wasn't sufficient to overcome the impacts of the pandemic. Importantly, and similarly to last quarter, we took assertive actions in the quarter to address the loss of revenue and change in mix. These expense actions improved adjusted EBITDA margins by 290 basis points sequentially to 23.3%. Some of this improvement will not repeat in Q4, but we do expect margins to remain in our long-term range of greater than 20%. The third quarter revenue decline was partially offset by new and cross-sell wins. The reduction in revenue and the change in mix did affect our results.

Gross profit margin for the quarter improved 160 basis points from the prior year with the loss of lower-margin revenue in our promotional and cloud segments.

SG&A expense declined $14.4 million due primarily to lower commissions, personnel exits, 401(k) match suspensions and restructuring actions.

Interest expense declined $3.6 million due to lower interest rates on higher borrowing levels compared to last year. All this together increased operating income to $44.4 million. Net income of $29.4 million increased from a net loss of $318.5 million in Q3 2019. Last year's net income included noncash asset impairment charges for goodwill and certain intangibles totaling $391 million.

Our adjusted EBITDA for the period was $102.5 million, $16.8 million lower than the same period last year. The adjusted EBITDA margin declined 90 basis points to 23.3% on a year-over-year basis, but sequentially increased by 290 basis points compared to the second quarter.

Now on to segment details. Payments revenue grew compared to last year by 15.6% to $74.7 million with treasury management revenue leading the growth in the quarter. As expected, we continue to experience softness in our payroll business because of elevated unemployment levels. We expect Q4 revenue to grow sequentially and be single-digit on a year-over-year basis. Adjusted EBITDA margin decreased to 22.4%, primarily due to increased costs related to last year's large client win. We anticipate adjusted EBITDA margin pressure to continue into Q4 due to lapping of onetime hardware sales and outsourced deals in Q4 2019 as well as expected COVID-related client implementation delays.

Cloud Solutions revenue declined 20.3% to $63.8 million from last year. Data-driven marketing solutions revenue sequentially improved from last quarter as financial institutions slowly reactivated their marketing campaign. Web and hosted solutions experienced declines related to the loss of customers discussed last year, expected attrition from our decision to stop investing in certain product lines, plus the economic impact of the macro environment. Adjusted EBITDA margin increased to 25.7% as we benefited from mix shift in cost reductions. We expect the loss of revenue associated with Q4 2020 product exits will continue to impact the business into 2021, but we anticipate cloud margins to remain healthy in the low to mid-20s range.

Promotional Solutions revenue declined 20.3% to $124.9 million from last year. Compared to prior quarter, revenue grew about 6%, and adjusted EBITDA margin expanded 260 basis points as the mix shifted and costs were removed. In the case of Promotional Solutions, we see the pullback most acutely in Marketing and Promotional Solutions where revenues are tied to events and branded merchandise. We believe the business will continue to improve, but we are not expecting a rapid recovery until COVID-19 impacts abate.

Check revenue declined 8.4% from last year to $176.1 million due to the secular decline combined with the pandemic. Adjusted EBITDA margin decreased to 48.3% as a result of higher commissions on referrals and technology investments in support of our One Deluxe strategy. Check recovery rates in Q3 likely benefited from some delayed Q2 volume, and we expect revenue recovery to be slightly lower in Q4 compared to Q3 as general economic activity continues to improve. This performance is consistent with the recovery from previous economic slowdowns.

Year-to-date cash from operating activities was $166.8 million, and capital expenditures were $42.7 million. Free cash flow, defined as cash provided by operating activities less capital expenditures, was $124.1 million, a decline of $34.2 million. The primary drivers of decline were COVID-related revenue decline, Cloud business losses described last year and expected secular Check declines. These were partially offset by lower taxes, integration and legal settlements. We did not repurchase common stock in Q3, and we expect to repurchase less in 2020 than previous years.

We ended the quarter with strong liquidity of $413 million, and our cash balance was $310.4 million. In October, we paid down another $140 million of the revolving credit facility, repaying 100% of our COVID-related March draw. This repayment is not reflected in our reported credit facility balance of $1.04 billion or cash balance at the quarter end. I think it's important to note that we have consistently built liquidity throughout the year. In addition, net debt has continued to decrease, ending the quarter at $730 million, the lowest level in more than 2 years for the second consecutive quarter during a pandemic.

I want to pause here. The pandemic has challenged us. But this new management team is delivering. In Q3, we expanded margins sequentially. Our year-to-date adjusted EBITDA margin is at 20.2% within our long-term target range. As Barry noted, we remain cautious about the pace of the recovery given the uncertainties ahead in the COVID resurgence. We expect the revenue decline to worsen on a percentage basis in Q4 versus Q3 due to COVID-related customer implementation and program delays combined with the impacts of product exits in cloud. However, we do expect to maintain adjusted EBITDA margins within our long-term target of 20% or better. Our bold actions and winning strategy maintain the company's financial strength and position us for long-term growth. Our team and business model are highly durable, giving us the runway to complete our historic transformation.

As further evidence of our strength, our Board approved a regular quarterly dividend of $0.30 per share on all outstanding shares. The dividend will be payable on December 7, 2020, to all shareholders of record on November 23, 2020. I am proud of our financial performance in light of the pandemic. Our financial position is strong. Our strategy is working. We are well positioned to accelerate our transformation and deliver long-term shareholder returns.

Now back to Barry.

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

Thanks, Keith. I want to build on your comments and reiterate our remarkable Q3 achievements. We increased margin sequentially almost 300 basis points. Net debt declined to the lowest level in more than 2 years. We expanded liquidity with cash from operations, while fully repaying our COVID-related draw on our revolver. We declared our regular dividend. Our Payments business grew 16%, and we're confident it will be a double-digit grower over the long term. Our One Deluxe sales strategy is working. By our estimates, we've been a sales-driven growth company for 3 consecutive quarters. The strength of our balance sheet and fiscal responsibility is helping us within new business and positions us well for the future.

COVID may have temporarily slowed our progress, but we still believe Deluxe will be a low to mid-single-digit revenue growth company with margins in the low to mid-20s over the long term. We're proud of our progress on the absolute and especially in light of COVID.

Finally, I want to recognize the extraordinary contribution of my fellow Deluxers. The team has risen to the unprecedented challenges of COVID and continue to deliver for our clients. Our team went to work and got the job done. We're a team living our purpose, values and ownership culture because we're all shareholders, too.

Now we'll take questions.

QUESTIONS AND ANSWERS

Operator

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

Charles S. Strauzer - *CJS Securities, Inc. - Senior Managing Director*

So if we could talk a little bit about your thoughts on Q4 versus Q3? I remember last quarter, you talked about some slight sequential improvements. First of all, do you think Q4 still might show some sequential improvement versus that Q2 number?

And then secondly, was there any sort of pull forward from Q4 into Q3 that saw some of the outperformance there?

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

So Charlie, we are not providing specific guidance, but let me just give you a little color there. And we did say at Q2 that we expected Q3 to be a little bit better. And we feel like -- and the numbers hold out that we did better than a little bit better. We saw some nice improvement. We do see impacts of COVID. So we do think that there's going to be a bit of a slowdown in Q4 in the recovery. But as Keith said, we expect that we'll hold our margins at 20% or better. But there continues to be some volatility on revenue. And so I gave you some feedback there on Payments specifically, Cloud, Promo and Checks. And so we think it's likely to see some slowdown.

Charles S. Strauzer - *CJS Securities, Inc. - Senior Managing Director*

Got you. And do you think -- was there any -- any pull forward at all from Q4 to Q3 that you can talk about?

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

There might have been, Charlie, but I think I know you're trying to build a model here. I would just tell you, I think that the most important thing is the company is going to maintain margins here. And the variable will just be at the end of the day, how much slowdown is from COVID in this Q4 period.

Charles S. Strauzer - *CJS Securities, Inc. - Senior Managing Director*

Great. And then just segueing into that, talking about the slowdown from COVID and small businesses have been closing. Have you seen -- from your customer base, have you seen that rate of closures kind of starting to slow at all?

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

First thing I want to tell you, Charlie, is I don't think you should expect that it's going to get as bad as Q2. Now, of course, anything can change. So we don't think it's going to be nearly like Q2, but probably just not as good as Q3. Your specific question then is just about small businesses. And you know what, Charlie, you read the same things we do. And I don't have a crystal ball. But we do -- I guess the offset from any small business closures that are happening is we do feel pretty encouraged because we do see a nice improvement in new business starts in parts of our business, the health businesses and corporate, and of course, in our Check business, where we're seeing a significant increase in new customers from new business formation. So while, yes, we're exposed to small businesses, we also think we have sort of a natural hedge on that because we help new businesses expand and get started. And we simply think there's some bit of balance there.

Charles S. Strauzer - *CJS Securities, Inc. - Senior Managing Director*

Got it. And then just lastly, on the Cloud business with some of the larger financial customers. What's kind of the tone there? I know you kind of were thinking that you might see some pickup in the back half of the year. Are you still thinking that maybe just get pushed out into the first half of next year? Or is that just more than just dialing back their programs more than you thought?

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

So in the data-driven marketing business, which has just got really great long-term growth process and a great design, we did say that we thought we would see some improvement in the back half of the year as the recovery hopefully accelerated. And we think we saw a bit of that in Q3, and we think we'll see a bit more in Q4. But banks, I think, are being cautious like everyone else. But I think what is most interesting, though, is that in addition to planning programs for our existing customers, we actually added some customers in the third quarter, looking to build their business in fourth quarter and beyond. So back to the same point I made earlier, which is COVID has slowed some things down, but we fundamentally believe the company is healthy with good growth prospects on the horizon and especially in the data space, because we're seeing -- we're planning those programs right now with financial institutions. They don't happen at a snap of a finger. So we do have a pretty good insight into what's coming. And the only question will be, what date do they actually hit the button to send the marketing materials out.

Operator

(Operator Instructions) Next question will come from Chris McGinnis with Sidoti & Co.

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

Nice quarter. Barry, I was wondering, can you -- you touched on 175 cross-selling deals, I think, for the quarter in a dollar amount. Could you remind me the dollar amount and could you talk about where you're seeing the cross-selling wins come through in the portfolio?

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

Yes. And so we highlighted a couple of numbers on sales, Chris, because I think it really highlights the fact that we've done what we said we were going to do. So when I came and joined the company, I said that we were going to pause on acquisitions, so we could integrate the businesses that had been acquired and that we're going to build a sales engine, so the company could sustain itself going forward, meaning selling more of our existing products and services to our existing customers as well as getting new customers to come and join us. And we share those numbers to give everyone some perspective on the scale of what we can accomplish. So specifically, your question was about cross-selling, and we said 175 deals, and we've said $11 million from those 175 deals alone. We sold many, many more than 175 deals, but we highlighted those because one of the questions we hear often is, can the company effectively cross-sell existing customers more products and services. And we're showing you absolutely we can. And it's happening, and we're giving you some numbers to support that.

And I'll just -- I know you know this, Chris, but this whole model of One Deluxe and having a unified selling organization with common platform that can sell the entire portfolio, instead of just paddling one thing at a time, they can sell the whole portfolio, I mean that's less than a year old. And in that 1 year of time, we sold 4 of the 10 largest deals the company sold in the last decade. And here we are in the middle of the pandemic, and we've sold 4 of our top 25 targets as well as getting great cross-sell results. So the whole point there is that the selling machine that didn't really exist here before exists now and it's working well. And will we make it better over time, of course, we will. So we've done all of this in the middle of a pandemic, which is why we've got so much optimism about our future.

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

I appreciate that color, Barry. And I think it's clearly evidence of getting the pickup, so congrats on that hard work. I guess, if you wouldn't mind just a little bit more discussion around Payments. Obviously, I understand the slowdown is around Q4. Would you expect that double-digit growth rate to pick back up in Q1, barring no increase in COVID? Or could that be delayed a little bit longer?

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

You know what, we're not prepared to give guidance for '21 yet because of COVID. I mean you well know that it just provides just a ton of volatility here. In the Payments business, we've been saying for a long time, we feel very confident over the long term that it's going to be a double-digit grower. And there may be occasional periods of a slowdown like we think we're going to see in Q4, but we expect and hope that it comes back in Q1, but we're not worried about the long term. We just think some of this is -- we've built a big backlog of business. We just have to get on site and our customers help them execute. And obviously, COVID slows that down.

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

Sure. Understand. And moving on to the Checks. Just historically, in a time where you're running through an economic challenge period, the bounce back, once we lap the impact of COVID, do you think the secular decline goes away for a little bit? Can you just think about how you're thinking about the Checks business longer term once we get past COVID, maybe there's a benefit for a little bit just in terms of...

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

Yes. As you'd expect, we look at this pretty carefully, but here's what I'd say. The trajectory and the pathway, the shape of the curve of economic downturn looks a lot like the shape of the curve in every other downturn that we can go back and look at in history. And that is that when the economy slows, there's just less commerce and much of that commerce is conducted via check. So that if commerce slows down, there's just less commerce, and much of that commerce is conducted via check. So that if commerce slows down, there's just less usage of check. Not because the use case for checks has changed, but because the amount of commerce conducting changed.

So let's think about one of the simple use case to think about, which is a restaurant, that's getting provisioned at their backdoor. Truck backs up. There's no way they're unloading that truck with $1,000 of stakes and $1,000 of nice red wine, if they're not getting paid. And the way they get paid today is with a check. But if that restaurant isn't opened 7 days a week, it's only opened 3 days a week right now, they have less provisions, so they write fewer checks. So when business comes back, the use case for those checks is unchanged. Just the volume of usage of checks is restored. And so that's why we believe that as the recovery unfolds, we expect that the volume of checks will return and the secular decline will look largely like what it had before. Will there be a giant spike? We're not anticipating that because that restaurants that didn't buy provisions because they're only opened 3 days a week isn't going to suddenly be opened 10 days a week, there's only 7 days in a week. So we feel pretty confident about Check. Ultimately, we're coming back to normal secular declines because the use cases for all of those checks have not been changed by COVID.

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

I appreciate that. And you touched a little bit on some eChecks, the product is doing well. Can you just expand on how clients are maybe working with that in this environment? It seems like it's kind of the perfect timing to maybe push that more.

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

It is perfect timing. It was great timing before, even better timing now. And I think we are pleased with customer adoption. Obviously, we want to push even harder, but the very notion that you can be far more efficient, you don't have to print the check and put an explanation of what you're paying into an envelope with a stamp and take it to the post office and wait for it to be reconciled. Our system is digital end-to-end, where that explanation of benefits or reconciliation statements travels with an electronic version of a check, and that accounts receivable person can print the check and deposit if that's their methodology with all the other checks or convert it real-time into ACH or other electronic means and be able to do the reconciliations in real time all in a very simple emailable format. And so we think that, that product still has great potential, and we're pleased with the progress.

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

Great. And in the release, you mentioned the recent news around the new headquarters and also the innovation center in Atlanta. I think in the release, though, you mentioned some cost savings potential. Can you just talk about those 2 initiatives? And what it does for you changing your position in those markets, especially on the....

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

Yes. Let's start just with the cold facts the money. And we think both of these moves were actually pretty savvy and as an example of us taking advantage of market opportunity. Our headquarter facility in suburban Shoreview was obsolete well beyond end of life. We had a decision to make. We could look at putting up to $40 million of capital into that building to get it back to sort of current standards and be prepared to go forward or we could exit the site, which is what we chose to do. And we got paid $10 million for the site, and we avoided having to put that capital into the building, instead keeping that dry powder available to us to invest in growing our payments on our Cloud business. We're going to move downtown. It's in downtown Minneapolis in a far more efficient space, and it's going to be much more attractive for us to hire next-generation workers as we become more of a tech company.

That's our tagline, business -- trusted business technology. And being downtown, access to skyways, restaurants, nightlife, we think, is going to be very appealing over long term for the employee base that we're looking for. And similarly, in Atlanta, we were able to take advantage of a very unique opportunity, whereby we could expand our footprint, but also use the space to bring customer experience center together where we can bring customers to codevelop product with us and get to know them better and have them visit with and work with some of our business unit leaders, our product managers, application development engineers and others to really help co-develop the future. It's a great example about our company leaning forward and leaning into becoming the trusted business technology company. Every significant tech company has something like that because they value that interaction with customers, not only to develop the next product but deepen the relationship and also get real-time market feedback. And so we can do both of those very economically. And at the same time, we have announced we closed 50 of our 80 other sites across our footprint to become much more efficient. Something else, I said, we would do early when I got here, we said we were going to do it, and we did it. And we're going to concentrate more talent in these hub locations of Minneapolis, of course, headquarter is, Atlanta Tech, and Kansas City really operations hubs -- operations hub.

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

Okay. I appreciate that. And one last question, if you don't mind, I apologize. Just around the payment exchanges that you've talked about. Can you just talk about any progress that you're seeing? I know it's a difficult environment, but can you see you can pickup some in Q4?

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

Yes. I mean the underlying product that's in the exchanges are this digital checks, this eCheck product. And we said we had a couple of nice wins that we can announce. We've had more than that we can announce, of course. But we announced that Albertsons and Delta Dental were joining and going to be using that solution. And we think that's really great because it tells you that the platform has great use, obviously, in health care, which we've been talking about for a while, but also the broader market, where you can see that with Albertsons. So we continue to see progress and adoption there. And we think we're incredibly well positioned as this -- as COVID really passes for that digital acceleration.

Operator

Ladies and gentlemen, thank you for participating in today's question-and-answer session. I would now like to turn the call back over to Ms. Heather Davis for any further remarks.

Heather Davis

Thank you, operator. I'm thrilled to be here at Deluxe during this exciting transformation, and I look forward to working with our analysts and investors shortly. Before we conclude, I'd like to mention the following conference where management will present. In mid-January 2021, we will be virtually participating in the Needham 23rd Annual Virtual Growth Conference. Thank you for joining until next time. Stay healthy and safe.

Operator

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