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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Deluxe Second Quarter 2021 Earnings Conference Call. (Operator Instructions) And today's conference call is being recorded. We will begin with opening remarks and introductions.

At this time, I would like to turn the conference over to your host, Vice President of Investor Relations, Tom Morabito. Please go ahead, sir.

Thomas C. Morabito *Deluxe Corporation - VP of IR*

Thank you, operator, and welcome to the Deluxe Second Quarter 2021 Earnings Call. Joining me on today's call is Barry McCarthy, our President and Chief Executive Officer; and Scott Bomar, our Chief Financial Officer. At the end of today's prepared remarks, we will take questions.

Before we begin, and as seen on this slide, I would like to remind everyone 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, including, without limitation, risks related to COVID; the risk that the company's recent acquisition of First American Payments Systems, or any other acquisitions, does not produce anticipated results or synergies; and the risk that any future acquisitions or divestitures will not be consummated. Any of these risks and uncertainties could cause the 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 Form 10-K for the year ended December 31, 2020 and in other company SEC filings.

On the call today, we will discuss non-GAAP financial measures, including adjusted EBITDA and free cash flow. In our press release, our presentation 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 it over to Barry.

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

Thanks, Tom, and good morning, everyone. Before we begin, it's my pleasure to welcome Scott Bomar, our new CFO, who joined us nearly 2 months ago. Scott spent over 15 years at The Home Depot, serving in a variety of leadership roles with high impact and visibility, most recently as the Senior Vice President of Home Services, a \$5 billion business unit with approximately 5,000 team members. Previously, he served as the Vice President, Payments, and Treasurer, which included responsibility for the company's credit card acceptance strategy and private-label credit card program. Scott has significant financial and operational experience, particularly in payments, and is a tremendous addition to our One Deluxe team.

I would also like to thank our former CFO, Keith Bush, for his hard work and dedication over the last 4 years as Deluxe implemented our historic transformation. Keith will be leaving Deluxe next month, and I wish him continued success.

Before I share our impressive second quarter results, I want to first share how proud I am of my fellow Deluxers for their grit and

perseverance over the past 18 months. Our team dug in and delivered every day for our customers. Despite COVID challenges, the team is making great progress unlocking the incredible potential of our transformation.

Turning now to second quarter results. We delivered nearly 10% growth for Deluxe and 16.5% growth, including First American Payments Systems. All 4 segments, Payments, Cloud, Promotional Solutions and Checks, experienced solid year-over-year revenue increases. Payments' performance was driven by the acquisition of First American as well as sales-driven growth in all our major businesses. You will recall, we completed the largest acquisition in our company's history with the addition of First American that closed in June. Cloud's growth was driven by our data-driven marketing business. Promotional Solutions was led by Branded Merchandise and Business Essentials. While Check's growth was driven by business checks and new competitive wins. Our strategy is working.

The second quarter performance is further evidence we are executing on our One Deluxe strategy across the board. As I said many times before, we say what we're going to do and then we do what we say. Consolidated highlights from the quarter include the following: revenue was \$478 million, up 16.5% year-over-year. Not including the impact of First American, revenues were up 10%. Adjusted EBITDA margin was 20.4%, at the midpoint of our guidance. Adjusted EPS improved nearly 9%. Despite the largest acquisition in our history, First American, our strong liquidity improved sequentially. We ended the quarter with \$456 million of liquidity and a cash balance of \$163 million.

On the sales front, we remain on pace to exceed last year's record sales performance. Our One Deluxe go-to-market approach is showing strong results, with the addition of 2 more wins to the top 10 largest over the past decade. So to put a finer point on our sales capability, over the past 7 quarters since we started the One Deluxe approach, we've closed 10 of the 12 largest deals of the last decade and 2 of the largest in company history. Of course, it will take time to implement these wins, but the deals certainly give us confidence in our outlook.

Moving on to some segment highlights. Our Payments segment, largely driven by the acquisition of First American, improved 43% year-over-year. We experienced growth in all of our major businesses, especially payroll and HR and our Payables as a Services offering, which includes our Deluxe Payment Exchange and Medical Payment Exchange. These businesses are seeing significant growth, and we continue to be very optimistic about their future prospects.

Similarly, we recently announced our new HR Management Solution, which offers small- to medium-sized businesses an integrated HR and payroll platform with a modern user experience. This is another fast-growing area with great upside potential for Deluxe.

We knew First American was going to be a tremendous addition to the Deluxe portfolio and outperformed even our lofty goals. Since the acquisition, the business has been exceeding expectations and has been experiencing one of the strongest periods in its 30-year history. As we've mentioned on other calls, the Deluxe halo effect is real, and it's helping First American succeed. The Deluxe halo includes: first, customers trust us and have for over 100 years; second, our sales reach to millions of small businesses, thousands of FIs and hundreds of the world's leading brands; and third, our financial strength.

Our combined sales teams were quickly able to bring First American products to Deluxe customers, building on the trust and relationships we've had in place for years. This is very encouraging for the future. We're close to securing several transactions with financial institutions and are in active engagements with dozens of other FIs, not only for merchant services, but in adding other products like payroll, payables and receivables at the same time. We're pleased with this early sales momentum and unsolicited inquiries for services we've received. These customers were not in the pipeline prior to the transaction, providing solid evidence of the Deluxe halo.

Another example of the power of One Deluxe in Payments, we recently secured an additional contract with Arvest, a privately owned financial institution with over 230 branches and \$24 billion in assets. Deluxe will be providing several new payment services to Arvest. Arvest had been a Checks customer for 3 decades, by One Deluxe product. Now Arvest buys several of our products in all 4 of our business segments. This shows both the power of One Deluxe, bringing the best of Deluxe to every customer, and the power of our existing Checks business as a lead source.

Cloud Solutions had a very strong quarter, improving 26.3% year-over-year, led by our data-driven marketing business or DDM, as continued low interest rates drove increased demand among several of our large financial partners. Excluding business exits from 2020,

Cloud's growth would have been even more impressive, coming in closer to 40%. As we've said before, our data strategy is to diversify beyond our core banking and mortgage verticals. The strategy is working. For example, we recently signed a deal to partner with a top retail electricity provider to identify and acquire new residential and business clients in select deregulated markets. Our website services also showed resiliency driven by our international business and favorable exchange rates. Our corporation services continue to perform very well.

Now on to our Promotional Solutions segment. Promotional Solutions improved 14.5% as Branded Merchandise and Business Essentials both performed well. As a reminder, Business Essentials is where we deliver custom forms and other products that businesses consume in their routine operations. This business is rebounding well, consistent with the overall economy. We expect to see further recovery in Branded Merchandise as events and in-person activities return.

Promotional Solutions' second quarter was positively impacted by the PNC deal we announced last quarter. Expanding our relationship with the eighth largest commercial bank in the U.S., Deluxe is offering multiple products to PNC, which ramped up in the second quarter. Relationships such as these are key components of our cross-selling-enabled growth story. And this is also a great example of key wins quickly converting to revenues.

Arvest was also a key win in Promo. The Arvest marketing department is now utilizing our Deluxe Brand Center platform, or DBC, to provide their employees access to customized marketing collateral and tools. And then another key win, leading security company, ADT, will use Deluxe to order and manage promotional items and apparel for its new hire and training programs. These DBC platform wins highlight our strategy shift for Promo to a recurring revenue model rather than a onetime sale. The DBC platform gets integrated simply and easily into our customers' web properties. This makes us the only integrated partner for the customers' marketing and promotion needs, shifting our relationship to a recurring model.

Finally, our highly profitable cash-generating Checks business improved 3.2% year-over-year, largely due to solid growth from business checks. While the sector is in secular decline, we continue to secure competitive wins, helping to mitigate those impacts. Key wins in Checks occurred across several top-tier financial institutions, including leading regional FI, M&T Bank, and a renewal for a top 5 FI in terms of assets. Our product superiority and the strength of our balance sheet enable us to keep winning market share and protect our outstanding cash flow. Checks play a very strategic role for Deluxe. Checks deliver low-cost leads to our other businesses and generate strong free cash flow, which we will first invest in our growth engine, payments and data, and also deploy to reduce debt.

In summary, we're very proud of our transformation progress. All 4 businesses are showing positive momentum. Our strategic acquisition, First American, is performing better than expected, and the Deluxe halo is helping even more. Our cross-selling results are encouraging, and our sales momentum is real. We are clearly fulfilling our promise to become a payments company delivering sales-driven growth. And our robust second quarter results further validate the strength of our team, strategy and overall execution.

Now I'll turn it over to Scott, who will provide more details on our financial performance.

Scott C. Bomar *Deluxe Corporation - Senior VP & CFO*

Thank you, Barry, and good morning, everyone. I'm looking forward to meeting all of you in person in the coming months. As Barry mentioned, we are pleased with our second quarter results due to our strong execution and improved marketplace conditions.

Let's go through the enterprise highlights for the quarter before moving on to the segments. We posted total revenue of \$478.2 million, up 16.5% year-over-year. Not including First American, revenues came in at \$450.8 million, up 9.9% year-over-year. We reported GAAP net income of \$12.1 million or \$0.28 per share in the quarter. GAAP net income was impacted by \$15.9 million of cost related to the First American acquisition during the quarter. On an adjusted basis, EPS came in at \$1.25, up 8.7% year-over-year. Adjusted EBITDA grew 16.3% to \$97.5 million, while adjusted EBITDA margin remained healthy at 20.4% due to margin strength in the Cloud and Promotional Solutions segments, robust year-over-year revenue growth and as the team continued to drive efficiencies within the post-COVID-19 operating structure.

Turning now to our segment details. Payments grew second quarter revenue 43.1% year-over-year to \$103.3 million, largely impacted by

the acquisition of First American and sales-driven growth for stand-alone Deluxe. Excluding First American, Payments revenues increased 5.3% year-over-year. In addition to First American's strong performance that Barry mentioned, we experienced growth in all our core Payments businesses. Including First American, adjusted EBITDA increased 35.9% in the quarter, and adjusted EBITDA margin was 20.5%, down 110 basis points due to increased investments in IT, sales and marketing for stand-alone Deluxe.

With the addition of First American, our Payments segment has more than doubled in size and now rivals our Checks business and revenue scale. Longer-term, we expect the Payments segment to deliver a high single-digit revenue growth rate, reflecting our continued ability to deliver sales-driven growth. We also expect adjusted EBITDA margins to remain in the low 20% range for the full year.

Cloud Solutions had a very strong quarter. Segment revenue increased 26.3% year-over-year to \$68.1 million in the quarter and increased 9.4% sequentially from Q1. Cloud was particularly hit hard by COVID in the second quarter of last year, providing a favorable comparison. Overall, Cloud continues to benefit from our data-driven marketing solutions, which continue to see a nice rebound with the recovering economy and increased marketing spend. We signed several new data-driven marketing clients during the quarter that will benefit us in future periods, highlighting our strong ongoing execution.

In Q2, Cloud's adjusted EBITDA margin improved 140 basis points versus prior year to 27.6% driven by strong cost management. For the remainder of 2021, we have good visibility on the marketing campaigns being planned by our financial institution customers. We do expect the pace of spending to moderate in the second half of 2021, and as a result, we expect to see mid-single-digit revenue growth on a reported basis. We expect Cloud margins to remain healthy in the low- to mid-20% range.

Promotional Solutions second quarter 2021 revenue was \$135 million, up 14.5% year-over-year and 8.4% sequentially. Adjusted EBITDA margin for the second quarter was 15.9%, up 410 basis points. Including the impact of nonrecurring PPE sales in 2020, we are anticipating 2021 top line growth in the low single-digit range and improved adjusted EBITDA margins in the mid-teens due to the value realization initiatives, partner consolidation and cost actions taken in 2020 and in the early part of 2021.

Check's second quarter revenue increased 3.2% from last year to \$171.8 million as strength in business checks and new competitive wins helped alleviate the anticipated secular declines in the business. Second quarter adjusted EBITDA margin levels continued to be strong at 46.7%, although this is a 300 basis point decline from last year, largely driven by increases from the continued One Deluxe infrastructure improvements as well as inflation and product mix. Based on high renewal rates and new business won in 2020 and in the first half of 2021, we anticipate Checks to decline in the low single digits for the full year.

Turning now to our balance sheet and cash flow. We ended the quarter with strong liquidity of \$456 million, including \$163 million in cash, both of which were up year-over-year. We're pleased with this result, given the improvement occurred even while we closed the largest acquisition in company history. We think it is another demonstration of the financial discipline and responsibility of the leadership team.

We ended the quarter with a net debt level of \$1.67 billion, up from \$714.6 million, due to the First American transaction. As a reminder, this included a \$500 million senior unsecured notes offering and as we replaced our previous revolving credit facility with a more robust and flexible facility to allow for future growth. While our net debt to adjusted EBITDA ratio increased to 4.3x this quarter, we expect to lower this leverage ratio by at least 0.5 turn per year, with a long-term strategic target of 3x. Importantly, in July, within 60 days of closing the First American transaction, we retired \$24 million of debt, another demonstration of our financial discipline and commitment to delever.

Free cash flow, defined as cash provided by operating activities less capital expenditures, was \$37.2 million for the first half of 2021, a decrease of 55% from \$82.6 million last year. The relative decrease was primarily due to costs related to the First American transaction, higher capital investments and CARES Act tax deferrals in the prior year.

Our Board approved a regular quarterly dividend of \$0.30 per share on all outstanding shares. The dividend will be payable on September 7, 2021 to all shareholders of record on August 23, 2021. We did not repurchase common stock in the second quarter. As a reminder, our capital allocation priorities are to responsibly invest in growth, pay our dividend, reduce debt and return value to our

shareholders. We will evaluate future purchases on an opportunistic basis.

Turning now to guidance. As promised, today, we're updating our 2021 expectations to include First American. As a reminder, we announced the transaction on April 22 and closed on June 1. The guidance assumes a continued economic recovery and is subject to, among other things, the macroeconomic unknowns associated with the COVID-19 pandemic, including the Delta variant, as well as potential supply chain constraints, labor supply issues and inflation.

For full year 2021, we now expect the following: revenue growth of 10% to 12%; excluding First American, revenue growth of 0 to 2%, and exiting the year with growth in the mid-single digits; adjusted EBITDA margin between 20% and 21%, with the fourth quarter being stronger than the third; capital expenditures of \$95 million to \$105 million as we include First American; and we continue with important investments to position Deluxe for long-term growth on an adjusted tax rate of approximately 25%.

To summarize, I'm pleased with the second quarter results. We are executing on our One Deluxe strategy and believe the company is experiencing strong momentum.

Operator, we're now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Christine Karout with Sidoti & Company.

Christine Karout

This is Christine Karout from Sidoti. I'm stepping in for Chris McGinnis. Congrats on the strong quarter. So first, I just wanted to ask -- so first question is I just wanted to ask, with the acquisition of First American, and [good that you already announced it because] it seems positive, how has it changed the way you are talking to your customers and prospective customers about your Payments offerings? And what has been the big surprise now that you had a few months to work with them?

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

The -- I think our customers have been very pleased to see us cement our position as a payments company. And with the acquisition of First American, we've been saying we're going to become a payments company and that we were investing in becoming a payments company. And our customers appreciate our commitment to be there and salute us and honestly are calling us directly about new opportunities that we had not seen before in our pipeline as a result of the move that we have made.

I think it also gives us the opportunity to talk to our customers holistically about how we can help them pay and get paid, whether they are a customer on the treasury side, whether they're a small business, whether they're a midsized business, we have a solution to help them get paid, to get paid, pay and optimize their business for growth. So it's given us an extraordinary opportunity to go back to our customers and tell the Deluxe story about our future, and the reception has been terrific. We're very, very pleased by the reception.

I think, going forward, we think there is even more opportunity to cross-sell our payment solution to even a broader set of our customers. At just 60 days into it, we're seeing great -- we're seeing great initial results.

Christine Karout

Sounds good. So from there, I just have -- so obviously, [Checks has had success into] cross-selling, but I wanted to ask about how the conversations are changed with clients that are not currently working with DLX? And given the changes that have taken place over the last 2 years, are people in the industry taking notice?

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

You know what, Christine, I would say, absolutely, the marketplace has noticed. Deluxe has been a trusted brand for over 100 years. We support 4,000 bank customers and millions of small businesses. And as a result, we have gotten a number of unsolicited inbound

inquiries about how we could help a business succeed. I think it has changed the perspective of what Deluxe is in the marketplace. And it's been very clarifying, I think, in the marketplace, both for our customers and noncustomers that Deluxe really is a payments company, and that's led us to a variety of new conversations.

I think, for customers, we have the good fortune of having, as I said, thousands of FI customers, millions of small businesses. But for those companies that are not in one or more Deluxe product, it's given us another way to go engage in a conversation with customers that are not in our portfolio. So First American, for example, has 100,000 -- 140,000 small business customers, 120 bank partners, plus or minus, and what is giving us the opportunity is to take the Deluxe products to those customers and not just cross-sell First American to Deluxe customers, but to sell Deluxe products to First American customers. And we're seeing first fruits on that as well, where we're able to take, for example, our payroll product and we are able to push that into the First American channel that we didn't have access to before.

So it is this notion that we talked about of -- that I talked about of the Deluxe halo. It's real. The fact that we have a trusted brand and has been a trusted brand for 100 years, the fact that we have these incredible distribution channels and that we have a -- we're financially strong gives us a way to have broader conversations with our customers, both on First American, and we even have more things to talk about. And the reception to where we're going and what we're doing has been very significant.

Christine Karout

All right. Good. All right. So last question on Payments. Are you missing anything that you need to compete within the marketplace? And what is the opportunity to expand the offering from here, be it software upgrades or ability to expand the offerings?

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

Christine, when we announced the First American transaction, we said we were closing what we perceived as our largest gap. We have customers that buy a solution from us at the beginning, when they incorporate, when they get a -- when they decide on a logo, when they get -- when they do web design, when they decide on a web host. But then we didn't have a way to help them get paid. And that is one of the most important things that a business is interested in because, obviously, if you can't get paid, you don't have a business.

So with the acquisition of First American, we were plugging that hole. And we have done that with what we think is a market-leading asset, and the performance, I think, speaks for itself. Over time, I think you could expect to look and see us add assets that would sort of meet a couple of criteria. The first is that it would add scale to one of our existing Payments products. So it would add scale, allowing for accretion.

The second thing would be new capabilities specifically or new markets. So if we decided there was a market segment we wanted to go chase and there was an ingredient that we needed, you could -- I can imagine us going to get that for a new capability to serve existing customers better. But the most important thing there is all of those decisions we would make to grow inorganically would obviously be driven with the lens of driving shareholder value.

But to put a very fine point on it, do we believe we have a major outstanding gap today, and the answer is no. We think that there are a number of places where we can expand the business more aggressively. And then we'll do some of that organically and of course, will be opportunistic as things -- as we go to the market and look for additional growth opportunities.

Christine Karout

Okay. Great. So now thinking about the outlook for the full year and the expectation to exit the year at mid-single-digit revenue growth, given the new Delta variant and an inflationary environment, what do you see as the biggest hurdles to achieve that outlook?

Scott C. Bomar *Deluxe Corporation - Senior VP & CFO*

So Christine, this is Scott. Thanks for the question. So we built our outlook based on a stable macroeconomic environment. Certainly, there are a lot of concerns in the marketplace right now, inflation, supply chain pressures, lots of things happening. We're certainly not immune to those. And we'll continue to monitor them and make sure that if shifts happen, we respond accordingly. But we still feel comfortable in our outlook and feel like we're in good shape even in the current environment.

Christine Karout

Okay. Good. And so my last question is just in the Checks segment. How much growth in the quarter is driven by new wins versus maybe frequency of use from existing customers? And what is the opportunity for continued market share gains going forward?

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

Christine, we had some of both in the period. But I would tell you, we had more return of consumption of checks, which is just part of the ongoing recovery. Obviously, checks, business checks in particular, are consumed in the normal operation of a business. And when there's more commerce being conducted, there are more checks being written. But we also did have some benefit from some new wins in the period as well.

One of the things that we think is a real standout in the new Deluxe has been our ability to win check market share, helping solidify our great cash flow from that business. As you know, we didn't have customers -- we had bank customers in Canada 2 years ago. Now we have 2 of the leading banks in Canada that are our customers. We have won the, what we believe is the largest reseller of nonbank reseller of checks direct to consumers. We have won both sides of a number of bank combinations that have led to massive scale wins in our Checks business.

And why are we winning in Checks? It's really quite simple. We have a demonstrably superior product. We have been responsibly investing for some time. And we continue to do that to make sure that we can maintain margins and the strength of our financial strength. That was really highlighted for us in the COVID crisis, when a number of financial institutions were really running to the safety of Deluxe because of the quality of our management team, our -- the quality of our product and the stability of our financial situation.

So we think there's still opportunity to win more share. We -- any time we [go up to] -- at that, we win far more than we don't, and that comes with new market share gains for us. And that allows us to have great cash flow, which gives us confidence in our ability to delever, while investing for growth in our Payments business, our Cloud business. A number of verticals in Payments are continuing to be attractive and some we even get to answer through the addition of First American, things like our nonprofit sector.

So Checks is a core piece of the company's business, overall performing well, and it's giving us a runway to do the great things we're doing in Payments, cloud and data.

Christine Karout

Okay. Great. That's all I had. And congrats again on the quarter.

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

Great. Thank you.

Scott C. Bomar *Deluxe Corporation - Senior VP & CFO*

Thanks, Christine.

Operator

Your next question comes from the line of Charlie Strauser with CJS.

Charles S. Strauser *CJS Securities, Inc. - Senior MD*

Just if you could talk a little bit more about the guidance. Maybe give us a little bit of help in terms of how we should think about the segments for the back half of the year. Also, maybe some high-level thoughts like cash flow and then just some housekeeping on the interest expense and D&A for the year as well.

Scott C. Bomar *Deluxe Corporation - Senior VP & CFO*

Sure. Sure, Charlie. Let me start with guidance. So we're coming out, our guidance 10% to 12%, including First American, and 20% to 21% adjusted EBITDA, which is sort of in the midpoint of that is the first half, so you can get a pretty good feel for how we think about the second half. We are suggesting that Q4 will be stronger than Q3, so something to be mindful of there, but still confident in the guidance

we put out there from a total company perspective.

As it relates to free cash flow, we did have a couple of onetime factors in Q2 that don't repeat going forward. The biggest of which is we've returned to normal capital expenditure levels. And so 2020, if you recall, in Q2, we pulled back significantly, so returning to more standard traditional CapEx levels that, within the guide, you can model that out for the back half of the year and expect cash flow numbers to -- free cash flow numbers to return to more traditional levels.

And then from a segment view, we've broken out some details on sort of how we think each will perform. If there's a specific question there, we could dig into a segment if you prefer?

Charles S. Strauzer *CJS Securities, Inc. - Senior MD*

No. Just looking at all 4 segments, just what assumptions are you building in for each of the segments to get to your guidance?

Scott C. Bomar *Deluxe Corporation - Senior VP & CFO*

So Payments, the one thing I would call out about the second half guidance is the inclusion of First American, obviously, is the biggest impact that we have for the half. And it will be modestly dilutive from a rate perspective, adjusted EBITDA perspective, will have a kind of meaningful impact on adjusted EPS of between \$0.25 and \$0.30 a share. I think that's the main factor to contemplate for the Payments segment.

Cloud, we're expecting some normalization of the sales rates. We've referenced that as a mid-single-digit growth for 2H. Promo, again, we had some very favorable compares to last year, but the business is performing well, 2020 overall top line of low single digits. And then Checks, again, had a really strong quarter in Q2, but we are anticipating a full year decline in the very low -- in the low single digits.

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

Scott, just to be clear, and for you, Charlie, the \$0.25 to \$0.30 impact from First American is the debt expense associated with that. And just sort of kind of a little math, about half of the growth in income we're getting from First American will be offset by debt expense.

Charles S. Strauzer *CJS Securities, Inc. - Senior MD*

Got it. And so how should we think about interest expense, I'm sorry, for the full year?

Scott C. Bomar *Deluxe Corporation - Senior VP & CFO*

Yes. So look, we'll be issuing a -- you've got the details on the new debt structure, you should be able to model the interest expense there pretty carefully. Let me fully modify what Barry said, the profitability of the First American and contribution to net income will essentially offset half of the incremental debt expense from the transaction.

Charles S. Strauzer *CJS Securities, Inc. - Senior MD*

Got it. Also -- and also, do you have any thoughts on the D&A for the full year as well?

Scott C. Bomar *Deluxe Corporation - Senior VP & CFO*

We don't typically guide to D&A, but our capital expenditure rates, again, we're going to return to a normalized level of \$95 million to \$105 million for the year.

Charles S. Strauzer *CJS Securities, Inc. - Senior MD*

Got it. And then just more kind of a bigger picture, Barry, if you could, on the -- just the temperature of small business customers in terms of their enthusiasm with the recovery of the economy. Now that we've got the Delta variant causing some spikes that could temper that enthusiasm, what are your thoughts [that you're looking at] when you talk to your small business groups?

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

So I can give you some perspective based on the data we have and then just some also anecdotal and directional things that we're seeing in the marketplace. But overall, we see the economy rebounding very nicely. And we're seeing that both in new business starts. We're also seeing it in business expansion. And you can see it in the ongoing consumption of our products that are used to the ongoing

operation of the business, in our Business Essentials, in our Checks product and Payments volume. So we can see general recovery nicely across the small business landscape.

I think there is general angst about what the Delta variant means. But what I think feels different this time than in March of last year is that I think most small businesses, certainly many small businesses, have found ways to modify their business model in light of mask mandates and other issues associated with managing the COVID situation. And so businesses are better equipped to handle those challenges today. And we expect perhaps there is a modest impact from Delta, but we are not modeling or expecting sort of any dramatic change as a result of Delta. And I think we're all hopeful that this passes relatively quickly and will be a modest impact on the back half. But that is that -- what we think is going to happen is already factored into the macro guidance that Scott shared.

Charles S. Strauzer *CJS Securities, Inc. - Senior MD*

Got it. And then just lastly, just in terms of the, [and then again], work-from-home situation, are you excited to see people returning back to the office? Are you putting plans in place to be back -- fully back in office? Or are you keeping people still working from home?

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

Charlie, thank you for the question. Obviously, our top concern and priority is, of course, delivering for shareholders, but it's also simultaneously making sure that we keep our people healthy and safe. And we had proven really effective in doing that in our production facilities that operated through the pandemic without stop. We did not lose a single day of production through the COVID crisis, which I think really speaks to the resiliency, the grit and the perseverance, one of our core values as a company.

Now when we talk about getting our professional staff back to the office, we will be opening our new Minneapolis headquarters in September and our tech center in Atlanta later this month. And we expect to have a gradual return to the office, and we've been very public with our teams that we will be in a hybrid model going forward, expecting them to be -- our teams to be in the office more often than not. We fundamentally believe in the power of teamwork and collaboration, and we know so much more can get done while together than apart. But that doesn't mean that we can be -- we will become an inflexible employer. We are doing everything we can to be an employer of choice.

So we think we will step back in. We, of course, will be responsible and listen to the scientists and the government advice, to make sure we do the right thing here, but it's absolutely our intention to step back into an office-based environment.

And the last thing I would just tell you on that, Charlie, I think it's another proof point about the financial discipline and the stewardship of the leadership team here. During the crisis, we had decided to appropriately change our real estate footprint. And we accidentally sold our corporate campus that had 54 acres and a multiple hundred thousand square feet of real estate, and we're moving to a much more efficient space in downtown Minneapolis, that's going to give us operating savings and had a huge impact on avoiding capital expense for retrofitting that obsolete facility. And the same is true in Atlanta.

And so we use the opportunity to consolidate our footprint, get very focused on what we're calling our core hubs, which, of course, is our Minneapolis headquarters. Kansas City is a big production site, Atlanta is our tech site, and of course, now with First American based in Fort Worth, we got a great concentration of folks there and we'll add folks there over time in a very efficient, logical way.

Operator

At this time, there are no further questions. I would like to turn the floor to Mr. Morabito for closing remarks.

Thomas C. Morabito *Deluxe Corporation - VP of IR*

Thanks, Angie. Before we conclude, I would like to mention the following conferences that management will be participating in: the Needham Virtual Fintech One-on-One Conference on August 19; the BMO Capital Markets 2021 Technology Summit on August 25; and CL King's 19th Annual Best Ideas Conference on September 14.

Thank you again for joining us today. Please stay healthy and safe. And we look forward to speaking with you in November as we share our third quarter 2021 results.

Operator

Thank you for participating in today's conference call. You may now disconnect your lines at this time.

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