

deluxe®

Third Quarter 2022 Earnings

November 3, 2022

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Vice President, Investor Relations

Today's Presenters



Barry McCarthy

President and Chief
Executive Officer



Chip Zint

Senior Vice President and
Chief Financial Officer



Tom Morabito

Vice President,
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Cautionary Statement

Statements made in this presentation concerning Deluxe, the company's or management's intentions, expectations, outlook or predictions about future results or events are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements reflect management's current intentions or beliefs and are subject to risks and uncertainties that could cause actual results or events to vary from stated expectations, which variations could be material and adverse. Factors that could produce such a variation include, but are not limited to, the following: potential continuing negative impacts from pandemic health issues, such as the coronavirus / COVID-19, along with the impact of related government restrictions or similar directives on our future results of operations and our future financial condition; changes in local, regional, national and international economic or political conditions, including those resulting from heightened inflation, rising interest rates, a recession, or intensified international hostilities, and the impact they may have on the company, its customers or demand for the company's products and services; the effect of proposed and enacted legislative and regulatory actions affecting the company or the financial services industry as a whole; continuing cost increases and/or declines in the availability of materials and other services; the company's ability to execute its transformational strategy and to realize the intended benefits; the inherent unreliability of earnings, revenue and cash flow predictions due to numerous factors, many of which are beyond the company's control; declining demand for the company's checks, check-related products and services and business forms; risks that the company's strategies intended to drive sustained revenue and earnings growth, despite the continuing decline in checks and forms, are delayed or unsuccessful; intense competition; continued consolidation of financial institutions and/or bank failures, thereby reducing the number of potential customers and referral sources and increasing downward pressure on the company's revenue and gross profit; risks related to acquisitions, including integration-related risks and risks that future acquisitions will not be consummated; risks that any such acquisitions do not produce the anticipated results or synergies; risks that the company's cost reduction initiatives will be delayed or unsuccessful; risks related to any divestitures contemplated or undertaken by the company; performance shortfalls by one or more of the company's major suppliers, licensors or service providers; continuing supply chain and labor supply issues; unanticipated delays, costs and expenses in the development and marketing of products and services, including web services and financial technology and treasury management solutions; the failure of such products and services to deliver the expected revenues and other financial targets; risks related to security breaches, computer malware or other cyber-attacks; risks of interruptions to the company's website operations or information technology systems; and risks of unfavorable outcomes and the costs to defend litigation and other disputes. The company's forward-looking statements speak only as of the time made, and management assumes no obligation to publicly update any such statements. Additional information concerning these and other factors that could cause actual results and events to differ materially from the company's current expectations are contained in the company's Form 10-K for the year ended December 31, 2021, and other filings made with the SEC. The company undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events, new information or future circumstances.

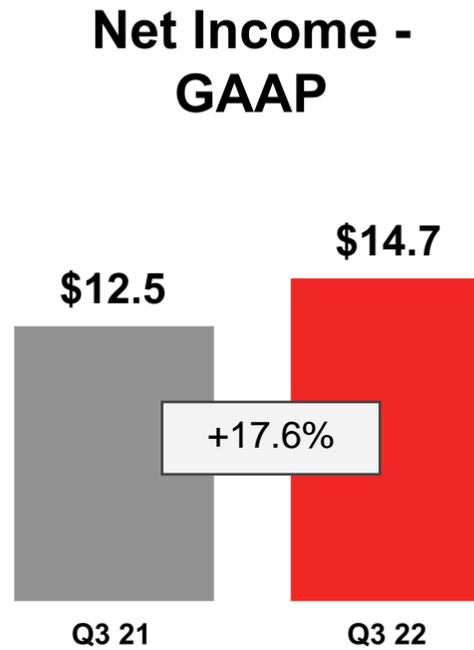
Portions of the financial and statistical information that will be discussed during this call are addressed in more detail in today's press release which is posted on our investor relations website at deluxe.com. This information was also furnished to the SEC on the Form 8-K filed by the Company this morning. Any references to non-GAAP financial measures are reconciled to the comparable GAAP financial measures in the press release and as part of this presentation.

Barry McCarthy

President and Chief Executive Officer

3Q22 Highlights

(in millions)



3Q22 Segment Highlights

Strong Execution of One Deluxe Strategy

Payments



- Revenue increased 5.9% year-over-year
- Merchant Services improved 4.5%
- The rest of Payments, which includes receivables and payables, grew 7.5% led by Treasury Management

Cloud



- Revenue decreased 4.0% year-over-year on a reported basis; increased 4.9% excluding business exits
- Cloud's performance was driven by double-digit growth in Data Driven Marketing (DDM)
- Continued diversification beyond core banking and mortgage verticals



Promotional Solutions



- Revenue increased 4.5% year-over-year on a reported basis; up 9.2% excluding business exits
- Sequential improvement in margins due to improved supply availability

Checks



- Revenue increased 6.0% year-over-year
- Print-on-demand technology helps with managing costs and maintaining margins



Chip Zint

Chief Financial Officer

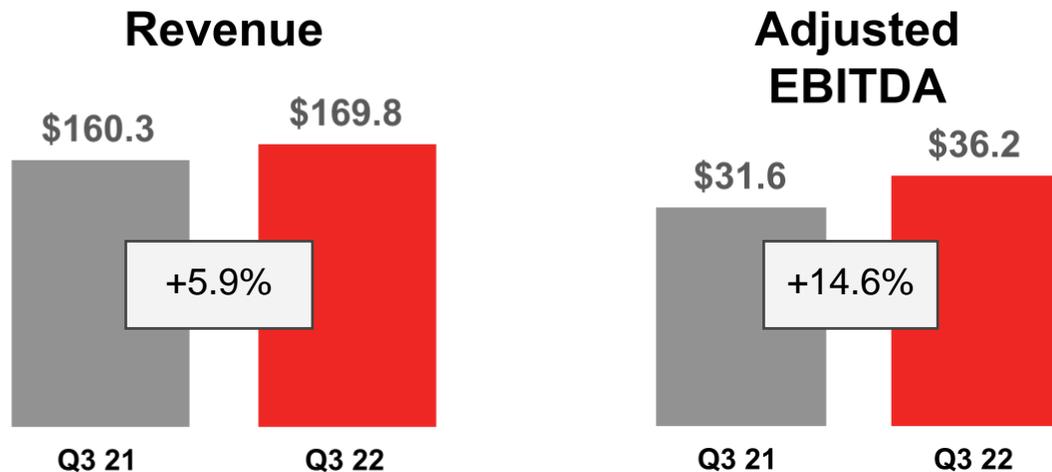
3Q22 Summary

- Total revenue was \$555.0 million, up 4.3% compared to 2Q21
- GAAP net income was \$14.7 million, or \$0.34 per share
- Adjusted EBITDA was \$104.6 million, up 1.9% year-over-year
- Adjusted EBITDA margin was 18.8%, down 50 basis points from last year
- Adjusted EPS was \$0.99, down 10.0% year-over-year



Payments

(in millions)



- Adjusted EBITDA margin was 21.3%, up 160 basis points year-over-year driven by operating leverage in Treasury Management.

Payments

Merchant Services

Receivables as
a Service

Payables as
a Service

Payroll & HR Management
Solutions

Cloud Solutions

(in millions)



- Adjusted EBITDA margin of 24.0%, down 330 basis points due to increased investments, and changes in product mix driven by strong revenue growth in the DDM business and declines in the higher-margin hosting business.

Cloud Solutions

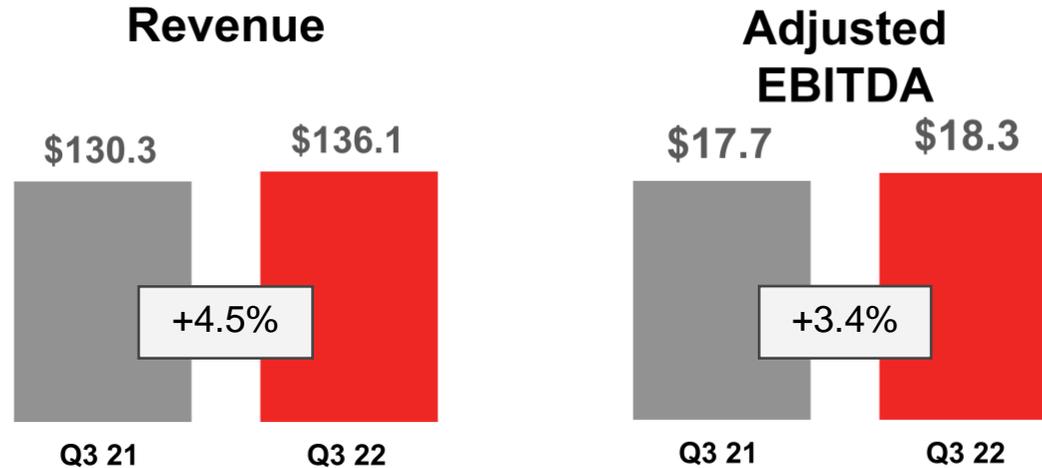
Data Analytics

SaaS Solutions

Web Hosting

Promotional Solutions

(in millions)



- Adjusted EBITDA margin was 13.4%, down 20 basis points year-over-year, but up 300 basis points sequentially due to improved pricing and increased supply availability.

Promotional Solutions

Turn-Key Managed
Branded Solutions

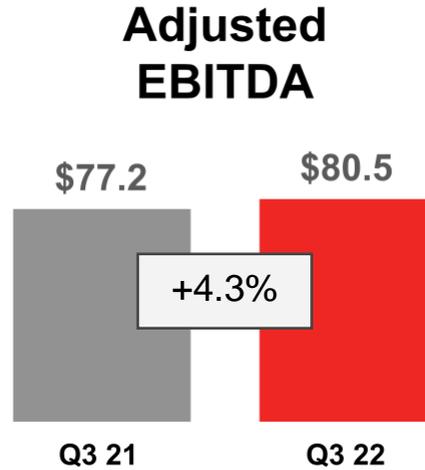
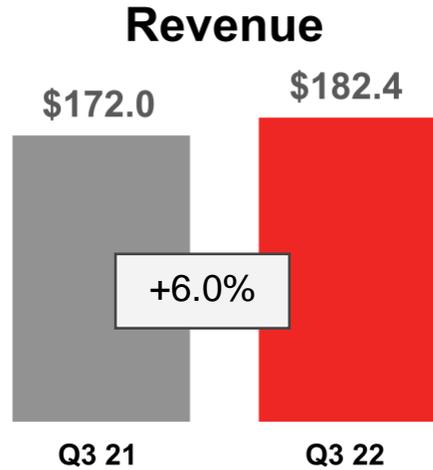
Web Storefront Platform
for Branded Products

Support Rapidly
Changing
Market Demands

Business
Essentials

Checks

(in millions)



- Adjusted EBITDA margin was 44.1%, down 80 basis points year-over-year, but within expected mid-40% range for this segment.

Checks

Strong cash flow self funds growth investments, and generates healthy return of capital to shareholders

Cost-effective lead generation to drive cross-selling existing customers

Balance Sheet and Cash Flow

- Net debt of \$1.63B down from \$1.66B in 3Q21
- Net debt/adjusted EBITDA ratio of 3.8x
 - Improved from 4.3x in 3Q21
 - Long-term strategic target of 3.0x
- Delivered 3Q22 free cash flow of \$23.0M, down from \$30.9M in 3Q21
 - Sequential improvement from 2Q22
 - Impacted by higher interest and tax payments
- Declared regularly quarterly dividend of \$0.30 per share

Free Cash Flow

(in millions)

	For the Quarter Ending		
	9/30/22	9/30/21	Variance
Cash Provided by Operating Activities	\$51.2	\$65.4	(\$14.2)
Less Capital Expenditures	(28.2)	(34.5)	6.3
Free Cash Flow	\$23.0	\$30.9	(\$7.9)

2022 Guidance

Well-positioned for sustainable growth

- Revenue growth of 8% to 10% as reported; or 10% to 12% excluding the impact of business exits
- Adjusted EBITDA margin of 18.5% to 19.0%
- Capital expenditures of \$105 million

- Additional modeling assumptions:
 - Interest expense of \$95 million
 - Adjusted tax rate of 26%
 - Depreciation and amortization of \$170 million, of which acquisition amortization is approximately \$90 million
 - Average outstanding share count of 43.5 million shares

All figures are approximate, and subject to, among other things, prevailing macroeconomic conditions, labor supply issues, inflation, and the impact of divestitures



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Q & A

dlx

Tom Morabito

Vice President of Investor Relations

Upcoming Conference

Date

Event

November 17, 2022

Stephens Annual Investment Conference

Appendix



Consolidated Condensed Statements of Income

in millions, except per share amounts (Unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Product revenue	\$317.2	\$302.3	\$956.7	\$907.6
Service revenue	237.8	229.8	717.3	544.0
Total revenue	555.0	532.1	1,674.0	1,451.6
Cost of products	(113.6)	(111.0)	(345.5)	(330.9)
Cost of services	(142.6)	(133.1)	(424.0)	(298.3)
Total cost of revenue	(256.2)	(244.1)	(769.5)	(629.2)
Gross profit	298.8	288.0	904.5	822.4
Selling, general and administrative expense	(243.8)	(239.3)	(753.1)	(685.6)
Restructuring and integration expense	(15.2)	(12.3)	(46.6)	(38.0)
Gain on sale of businesses and facility	1.8	—	19.3	—
Operating income	41.6	36.4	124.1	98.8
Interest expense	(23.8)	(21.5)	(65.5)	(35.5)
Other income	3.1	2.3	7.5	6.4
Income before income taxes	20.9	17.2	66.1	69.7
Income tax provision	(6.2)	(4.7)	(19.6)	(20.7)
Net income	14.7	12.5	46.5	49.0
Non-controlling interest	—	—	(0.1)	(0.1)
Net income attributable to Deluxe	\$14.7	\$12.5	\$46.4	\$48.9
Weighted-average dilutive shares	43.4	43.0	43.3	42.7
Diluted earnings per share	\$0.34	\$0.28	\$1.06	\$1.13
Adjusted diluted earnings per share	0.99	1.10	3.04	3.62
Capital expenditures	28.2	34.5	73.4	81.1
Depreciation and amortization expense	42.3	41.9	128.9	102.9
EBITDA	87.0	80.6	260.4	208.0
Adjusted EBITDA	104.6	102.7	305.9	290.7

Segment Information

in millions (Unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:				
Payments	\$169.8	\$160.3	\$507.2	\$343.0
Cloud Solutions	66.7	69.5	204.8	199.8
Promotional Solutions	136.1	130.3	408.6	389.8
Checks	182.4	172.0	553.4	519.0
Total	<u>\$555.0</u>	<u>\$532.1</u>	<u>\$1,674.0</u>	<u>\$1,451.6</u>
Adjusted EBITDA:				
Payments	\$36.2	\$31.6	\$107.6	\$71.1
Cloud Solutions	16.0	19.0	50.9	55.0
Promotional Solutions	18.3	17.7	49.8	56.8
Checks	80.5	77.2	245.8	241.0
Corporate	(46.4)	(42.8)	(148.2)	(133.2)
Total	<u>\$104.6</u>	<u>\$102.7</u>	<u>\$305.9</u>	<u>\$290.7</u>
Adjusted EBITDA Margin:				
Payments	21.3%	19.7%	21.2%	20.7%
Cloud Solutions	24.0%	27.3%	24.9%	27.5%
Promotional Solutions	13.4%	13.6%	12.2%	14.6%
Checks	44.1%	44.9%	44.4%	46.4%
Total	18.8%	19.3%	18.3%	20.0%

Reconciliation of GAAP to Non-GAAP Measures

EBITDA, Adjusted EBITDA and Adjusted EBITDA margin

in millions (Unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	\$14.7	\$12.5	\$46.5	\$49.0
Non-controlling interest	—	—	(0.1)	(0.1)
Interest expense	23.8	21.5	65.5	35.5
Income tax provision	6.2	4.7	19.6	20.7
Depreciation and amortization expense	42.3	41.9	128.9	102.9
EBITDA	87.0	80.6	260.4	208.0
Restructuring, integration and other costs	15.3	13.9	46.8	41.1
Share-based compensation expense	5.7	7.4	18.7	21.8
Acquisition transaction costs	0.1	0.2	0.1	18.8
Certain legal-related expense	(1.7)	0.6	(0.8)	1.0
Gain on sale of businesses and facility	(1.8)	—	(19.3)	—
Adjusted EBITDA	<u>\$104.6</u>	<u>\$102.7</u>	<u>\$305.9</u>	<u>\$290.7</u>
Adjusted EBITDA margin	18.8 %	19.3 %	18.3%	20.0%

Reconciliation of GAAP to Non-GAAP Measures

Adjusted Diluted EPS - Q3 2022

dollars and shares in millions, except per share amounts (Unaudited)

	Q3 2022 GAAP	Acquisition amortization	Restructuring, integration and other costs	Share-based compensation	Certain legal- related expense	Gain on sale of business / gain on debt retirement	Income tax impact of adjustments	Q3 2022 Adjusted
Total revenue	\$555.0	\$—	\$—	\$—	\$—	\$—	\$—	\$555.0
Total cost of revenue	(256.2)	3.2	0.1	0.2	—	—	—	(252.7)
Gross profit	298.8	3.2	0.1	0.2	—	—	—	302.3
Selling, general and administrative expense	(243.8)	18.5	—	5.5	(1.7)	—	—	(221.4)
Restructuring and integration expense	(15.2)	—	15.2	—	—	—	—	—
Gain on sale of businesses and facility	1.8	—	—	—	—	(1.8)	—	—
Operating income	41.6	21.7	15.3	5.7	(1.7)	(1.8)	—	80.9
Interest expense	(23.8)	—	—	—	—	(1.7)	—	(25.5)
Other income	3.1	—	—	—	—	—	—	3.1
Income before income taxes	20.9	<u>\$21.7</u>	<u>\$15.3</u>	<u>\$5.7</u>	<u>(\$1.7)</u>	<u>(\$3.5)</u>	—	58.5
Income tax provision	(6.2)						<u>(\$9.2)</u>	(15.4)
Net income	<u>\$14.7</u>							<u>\$43.1</u>
Income attributable to Deluxe available to common shareholders	<u>\$14.6</u>							<u>\$43.0</u>
Weighted-average dilutive shares	43.4							43.4
Diluted EPS	\$0.34							\$0.99

Reconciliation of GAAP to Non-GAAP Measures

Adjusted Diluted EPS - Q3 2021

dollars and shares in millions, except per share amounts (Unaudited)

	Q3 2021 GAAP	Acquisition amortization	Restructuring, integration and other costs	Share-based compensation	Acquisition transaction costs	Certain legal- related expense	Income tax impact of adjustments	Q3 2021 Adjusted
Total revenue	\$532.1	\$—	\$—	\$—	\$—	\$—	\$—	\$532.1
Total cost of revenue	(244.1)	5.6	1.6	0.4	—	—	—	(236.5)
Gross profit	288.0	5.6	1.6	0.4	—	—	—	295.6
Selling, general and administrative expense	(239.3)	19.6	—	7.0	0.2	0.6	—	(211.9)
Restructuring and integration expense	(12.3)	—	12.3	—	—	—	—	—
Operating income	36.4	25.2	13.9	7.4	0.2	0.6	—	83.7
Interest expense	(21.5)	—	—	—	—	—	—	(21.5)
Other income	2.3	—	—	—	—	—	—	2.3
Income before income taxes	17.2	<u>\$25.2</u>	<u>\$13.9</u>	<u>\$7.4</u>	<u>\$0.2</u>	<u>\$0.6</u>	—	64.5
Income tax provision	(4.7)						<u>(\$12.0)</u>	(16.7)
Net income	<u>\$12.5</u>							<u>\$47.8</u>
Income attributable to Deluxe available to common shareholders	<u>\$12.1</u>							<u>\$47.4</u>
Weighted-average dilutive shares	43.0							43.0
Diluted EPS	\$0.28							\$1.10

Reconciliation of GAAP to Non-GAAP Measures

Adjusted Diluted EPS - September Year-to-Date 2022

dollars and shares in millions, except per share amounts (Unaudited)

	Sept. YTD 2022 GAAP	Acquisition amortization	Restructuring, integration and other costs	Share-based compensation	Acquisition transaction costs	Certain legal- related expense	Gain on sale of businesses and facility / gain on debt retirement	Income tax impact of adjustments	Sept. YTD 2022 Adjusted
Total revenue	\$1,674.0	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$1,674.0
Total cost of revenue	(769.5)	9.7	0.2	1.0	—	—	—	—	(758.6)
Gross profit	904.5	9.7	0.2	1.0	—	—	—	—	915.4
Selling, general and administrative expense	(753.1)	59.0	—	17.7	0.1	(0.8)	—	—	(677.1)
Restructuring and integration expense	(46.6)	—	46.6	—	—	—	—	—	—
Gain on sale of businesses and facility	19.3	—	—	—	—	—	(19.3)	—	—
Operating income	124.1	68.7	46.8	18.7	0.1	(0.8)	(19.3)	—	238.3
Interest expense	(65.5)	—	—	—	—	—	(1.7)	—	(67.2)
Other income	7.5	—	—	—	—	—	—	—	7.5
Income before income taxes	66.1	\$68.7	\$46.8	\$18.7	\$0.1	(\$0.8)	(\$21.0)	—	178.6
Income tax provision	(19.6)							(\$26.8)	(46.4)
Net income	46.5								132.2
Non-controlling interest	(0.1)								(0.1)
Net income attributable to Deluxe	\$46.4								\$132.1
Income attributable to Deluxe available to common shareholders	\$45.9								\$131.5
Weighted-average dilutive shares	43.3								43.3
Diluted EPS	\$1.06								\$3.04

Reconciliation of GAAP to Non-GAAP Measures

Adjusted Diluted EPS - September Year-to-Date 2021

dollars and shares in millions, except per share amounts (Unaudited)

	Sept. YTD 2021 GAAP	Acquisition amortization	Restructuring, integration and other costs	Share-based compensation	Acquisition transaction costs	Certain legal- related expense	Income tax impact of adjustments	Sept. YTD 2021 Adjusted
Total revenue	\$1,451.6	\$—	\$—	\$—	\$—	\$—	\$—	\$1,451.6
Total cost of revenue	(629.2)	11.3	3.1	1.4	—	—	—	(613.4)
Gross profit	822.4	11.3	3.1	1.4	—	—	—	838.2
Selling, general and administrative expense	(685.6)	44.4	—	20.4	18.8	1.0	—	(601.0)
Restructuring and integration expense	(38.0)	—	38.0	—	—	—	—	—
Operating income	98.8	55.7	41.1	21.8	18.8	1.0	—	237.2
Interest expense	(35.5)	—	—	—	—	—	—	(35.5)
Other income	6.4	—	—	—	—	—	—	6.4
Income before income taxes	69.7	<u>\$55.7</u>	<u>\$41.1</u>	<u>\$21.8</u>	<u>18.8</u>	<u>\$1.0</u>	—	208.1
Income tax provision	(20.7)						<u>(\$32.3)</u>	(53.0)
Net income	49.0							155.1
Non-controlling interest	(0.1)							(0.1)
Net income attributable to Deluxe	<u>\$48.9</u>							<u>\$155.0</u>
Income attributable to Deluxe available to common shareholders	<u>\$48.5</u>							<u>\$154.6</u>
Weighted-average dilutive shares	42.7							42.7
Diluted EPS	\$1.13							\$3.62

Reconciliation of GAAP to Non-GAAP Measures

Revenue / Adjusted EBITDA Excluding Business Exits

in millions (Unaudited)

TOTAL COMPANY REVENUE:

	Quarter Ended September 30,		Total Year	
	2022	2021	2022 Outlook	2021 Actual
Total revenue	\$555.0	\$532.1	\$2,184 - \$2,224	\$2,022
Less: Business exits	—	(11.6)	—	(32)
Revenue excluding business exits	\$555.0	\$520.5	\$2,184 - \$2,224	\$1,990
Revenue growth excluding business exits	\$34.5		10% - 12%	
Revenue growth excluding business exits %	6.6%			

TOTAL COMPANY ADJUSTED EBITDA:

	Quarter Ended September 30,	
	2022	2021
Adjusted EBITDA	\$104.6	\$102.7
Less: Business exits	—	(1.4)
Adjusted EBITDA excluding business exits	\$104.6	\$101.3
Adjusted EBITDA growth excluding business exits	\$3.3	
Adjusted EBITDA growth excluding business exits %	3.3%	

See the reconciliation of Adjusted EBITDA to Net Income on Slide 22.

Reconciliation of GAAP to Non-GAAP Measures

Revenue Excluding Business Exits

in millions (Unaudited)

CLLOUD SOLUTIONS:

	Quarter Ended September 30,		Total Year	
	2022	2021	2022 Outlook	2021 Actual
Cloud Solutions revenue	\$66.7	\$69.5	\$256 - \$261	\$262
Less: Business exit	—	(5.9)	—	(16)
Cloud Solutions revenue excluding business exits	\$66.7	\$63.6	\$256 - \$261	\$246
Cloud Solutions revenue growth excluding business exit	\$3.1		\$10 - \$15	
Cloud Solutions revenue growth excluding business exit %	4.9%		4% - 6%	

PROMOTIONAL SOLUTIONS:

	Quarter Ended September 30,	
	2022	2021
Promotional Solutions revenue	\$136.1	\$130.3
Less: Business exit	—	(5.7)
Promotional Solutions revenue excluding business exits	\$136.1	\$124.6
Promotional Solutions revenue growth excluding business exits	\$11.5	
Promotional Solutions revenue growth excluding business exit %	9.2%	

Reconciliation of GAAP to Non-GAAP Measures

Net Debt / Net Debt to Adjusted EBITDA

in millions (Unaudited)

	Sept. 30, 2022	Dec. 31, 2021	Sept, 30, 2021
Total debt	\$1,671.0	\$1,683.0	\$1,776.2
Cash and cash equivalents	(45.5)	(41.2)	(121.1)
Net debt	<u>\$1,625.5</u>	<u>\$1,641.8</u>	<u>\$1,655.1</u>

TRAILING 12 MONTHS ADJUSTED EBITDA:

	12 Months Ended Sept. 30, 2022	12 Months Ended Sept. 30, 2021
Net income	\$60.3	\$73.6
Non-controlling interest	(0.1)	—
Interest expense	85.5	40.4
Income tax provision	29.9	28.5
Depreciation and amortization expense	174.7	130.6
Restructuring, integration and other costs	64.7	62.7
Share-based compensation	26.4	28.2
Acquisition transaction costs	0.3	18.9
Certain legal-related expense	0.6	0.9
Gain on sale of businesses and facility	(19.3)	1.8
Adjusted EBITDA	<u>\$423.0</u>	<u>\$385.6</u>
NET DEBT TO ADJUSTED EBITDA	3.8	4.3

Reconciliation of GAAP to Non-GAAP Measures

Free Cash Flow

in millions (Unaudited)

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net cash provided by operating activities	\$51.2	\$65.4	\$123.4	\$149.2
Purchases of capital assets	(28.2)	(34.5)	(73.4)	(81.1)
Free cash flow	<u>\$23.0</u>	<u>\$30.9</u>	<u>\$50.0</u>	<u>\$68.1</u>

Reconciliation of GAAP to Non-GAAP Measures

We have not reconciled our adjusted EBITDA margin or adjusted tax rate outlook guidance for 2022 to the directly comparable GAAP financial measures because we do not provide outlook guidance for net income or the reconciling items between net income and adjusted EBITDA. Because of the substantial uncertainty and variability surrounding certain of the forward-looking reconciling items, including asset impairment charges; restructuring, integration and other costs; gains and losses on sales of businesses and facilities, and certain legal-related expenses, a reconciliation of the non-GAAP financial measure outlook guidance to the corresponding GAAP measures is not available without unreasonable effort. The probable significance of certain of these reconciling items is high and, based on historical experience, could be material.

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