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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Deluxe Third Quarter 2022 Earnings Conference Call. (Operator Instructions) And today's 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 Third Quarter 2022 Earnings Call. Joining on today's call is Barry McCarthy, our President and Chief Executive Officer; and Chip Zint, 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'd like to remind everyone that comments made today regarding management's intentions, projections, financial estimates or expectations about the company's future strategy, both performance are forward-looking in nature as defined in the Private Securities Litigation Reform Act of 1995.

Additional information about factors that may cause our actual results to differ from projections is set forth in the press release we furnished today in our Form 10-K for the year ended December 31, 2021, and in other company SEC filings.

On the call today, we will discuss non-GAAP financial measures, including adjusted EBITDA, adjusted EBITDA margin, adjusted EPS 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. On Slides 23 to 26 of the presentation, we are providing additional reconciliations of GAAP EPS to adjusted EPS, which should help with your modeling.

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 Chip Zint, our new Chief Financial Officer, who was appointed to the position last month. Many of you already know Chip, as he has done a tremendous job over the last 2 years as our Vice President of Corporate Finance.

Prior to joining Deluxe, Chip held senior finance roles for nearly 14 years at NCR Corporation, including Vice President of Financial Planning and Analysis and Vice President of Finance and CFO for the Hardware division. Chip's strong leadership, FP&A skills and his deep understanding of Deluxe and the broader payments industry will continue to serve the company and our shareholders well, as we move forward and execute on our strategy.

Before I go into the quarterly highlights, but let me also take a moment to recognize my fellow Deluxers for their consistent dedication to our customers, and for the continued commitment to making Deluxe a payments and a data company. Their efforts are what drive us forward every day, and I thank them for their continued hard work.

Now on to our third quarter results. Deluxe delivered another quarter of strong sales-driven growth, once again reflecting increases in all 4 of our business segments, and we remain on track to deliver a second consecutive year of sales-driven revenue growth. This is a key milestone in our transformation journey as we continue to demonstrate the success of our One Deluxe model. We're extremely proud of these results.

Company-wide, revenue increased more than 4% from the previous year to \$555 million. And just as a reminder, we've now lapped the First American acquisition, and their results are included in these figures. Excluding business exits, quarterly revenue was up nearly 7%. During the third quarter, we saw some changes in mix and buying patterns. But as you can see in our performance, ongoing demand for our products and services remains strong and our revenue growth has been driven by a healthy balance of volume and pricing.

Total adjusted EBITDA dollars increased nearly 2% year-over-year, and excluding business exits, adjusted EBITDA was up 3%. Delivering adjusted EBITDA growth is yet another milestone in our transformation, and we remain focused on driving adjusted EBITDA growth over the long term. As expected, our adjusted EBITDA margin rate came in at 18.8%.

Moving on to some segment revenue highlights. For the third quarter, revenue in our Payment segment increased nearly 6% year-over-year with expanding margins. Merchant Services revenue increased 4.5% this quarter, in line with our mid-single-digit expectations. The rest of the payments, which includes our receivables and payables business, grew 7.5%, with impressive growth across our product lines, particularly in treasury management.

As we've been sharing for the past year, the cross-sell opportunities with merchant services have been extensive. For example, the Bank of Missouri was a long-standing customer of Deluxe, and we've now added merchant services to the portfolio. This shows our ability to win against one of the top 3 providers in the industry, proving our ability to effectively move up market.

We remain on track for payments to be our largest revenue business in early 2023. This will be another key milestone for Deluxe. Cloud Solutions had another solid quarter, growing almost 5% year-over-year, excluding business exits. Cloud performance was driven by our data driven marketing business or DDM, which once again experienced double-digit growth. Planned technology investments in DDM allowed us to further develop the platform for ease of customer use, helping drive this growth.

More than a year ago, we diversified the business by investing in our platforms, which has helped us win business and importantly, outside of interest rate-sensitive categories.

Now on to our Promotional Solutions segment. Promotional Solutions had another strong quarter on the top line, improving more than 9% year-over-year, excluding business exits. We were also pleased with the sequential improvement in margins from the second quarter as supply availability has improved, although not back to historic levels. Chip will expand on this in a moment.

Finally, our Checks business had another strong quarter, growing 6% year-over-year. As discussed on prior calls, our strategic investments in new print on-demand technology will help us manage costs to match volumes, allowing us to maintain our strong margin rates in this segment as they return to normal secular declines.

Our third quarter results highlight the progress we've made and continue to make on our transformation. Revenue growth was once again strong across all segments, a trend that has been continuing over the last 2 years, underscoring our ability to execute on the One Deluxe model. We're very proud of our performance and look forward to continuing our growth as a Payments and Data company.

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

Chip Zint *Deluxe Corporation - CFO, Senior VP & VP of Corporate Finance*

Well, thank you, Barry, and good morning, everyone. It's a pleasure to be speaking with you today as Deluxe's new CFO. I am really looking forward to continuing my work with Barry and the team to execute on our financial objectives.

Now let's go through the consolidated highlights for the quarter before moving on to the segments. For the third quarter, we posted total

revenue of \$555 million, up 4.3% year-over-year. As Barry mentioned, this revenue performance demonstrates strong demand for our products despite continued pricing actions. We reported third quarter GAAP net income of \$14.7 million or \$0.34 per share, up from \$12.5 million or \$0.28 per share in the third quarter of 2021. Adjusted EBITDA came in at \$104.6 million, up 1.9% from last year, largely driven by improvements in the Payments business. Adjusted EBITDA margin was 18.8% and in line with expectations.

Third quarter adjusted EPS came in at \$0.99, down from \$1.10 in last year's third quarter. This decrease was primarily driven by interest expense. Importantly, we completed an interest rate swap in the third quarter to fix the rate of an additional 20% of our outstanding debt. Now nearly 60% of our debt is fixed rate, which we expect will further insulate the company from future rate hikes.

Now turning to our segment details. Payments grew third quarter revenue of 5.9% year-over-year to \$169.8 million, largely driven by growth in our treasury management business. Merchant Services grew 4.5% year-over-year. Over the next few quarters, this business will be up against tough year-over-year comparisons, but we continue to expect growth in the mid-single-digit range over the long term. Payments adjusted EBITDA margin was 21.3%, up 160 basis points from last year, largely driven by operating leverage in our treasury management business. Longer term, we continue to expect the Payments segment to deliver a high single-digit revenue growth rate. For 2022, we expect adjusted EBITDA margins in the low 20% range.

Cloud Solutions had another solid quarter. Excluding the impact from business exits, segment revenue increased 4.9% year-over-year to \$66.7 million in the quarter. On a reported basis, Cloud revenue declined 4% from the third quarter of 2021 due to the sale of our Australian web hosting business earlier this year. Filed adjusted EBITDA margin in the quarter declined 330 basis points year-over-year to 24%. This decline was 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.

For 2022, we expect to see mid-single-digit revenue growth when excluding the impact from business exits, which are detailed on Slide 28 of the presentation. We also expect adjusted EBITDA margins to be in the low to mid-20% range.

Promotional Solutions third quarter revenue was \$136.1 million, up 9.2%, excluding the impact of business exits. On a reported basis, revenue grew 4.5% year-over-year, driven by new sales wins and pricing actions. Promotional Solutions adjusted EBITDA margin was down slightly year-over-year to 13.4%, but improved nearly 300 basis points sequentially as we benefited from improved pricing and increased supply availability. We do anticipate that the segment will see meaningful expansion to adjusted EBITDA margin in the fourth quarter due to further improvement in supply availability, operational initiatives and our typical seasonal patterns.

Checks' third quarter revenue increased 6% from last year to \$182.4 million as new competitive wins, pricing actions and strong demand for business checks outpaced the broader secular declines within the industry. As we've said before, we had some major customer wins last year that led to 4 consecutive quarters of revenue growth in this segment. However, as these results are now in the comparison base, this will not continue starting in Q4, and we expect to see Check revenue return to normal secular declines.

Third quarter adjusted EBITDA margin was 44.1%, down slightly year-over-year, but within our expected mid-40% range for the segment.

Turning now to our balance sheet and cash flow. We ended the quarter with a net debt level of \$1.63 billion, down from \$1.66 billion in the third quarter of 2021, demonstrating our continued commitment to paying down debt. Our net debt to adjusted EBITDA ratio was 3.8x at the end of the quarter, improving from 4.3x a year ago. Our long-term strategic target remains approximately 3x. Free cash flow, defined as cash provided by operating activities less capital expenditures was \$23 million in the quarter, down from \$30.9 million in the third quarter of 2021 due to increased cash taxes and interest payments. This was a sequential improvement in the second quarter.

Our Board approved a regular quarterly dividend of \$0.30 per share on all outstanding shares. The dividend will be payable on December 5, 2022, to all shareholders of record as of market closing on November 1, 2022. We are focused on taking a balanced approach to capital allocation. As a reminder, our capital allocation priorities are to responsibly invest in growth, pay our dividend, reduce debt and return value to shareholders.

Turning now to expectations. We are reaffirming our 2022 full year guidance as follows, keeping in mind all figures are approximate. Revenue growth of 10% to 12%, excluding the impact of business exits. This equates to 8% to 10% revenue growth on an as-reported basis. Full year adjusted EBITDA margin rate of 18.5% to 19% and capital expenditures of \$105 million. This guidance includes a partial prior year First American and is subject to, among other things, prevailing macroeconomic conditions, labor supply issues, inflation and the impact of divestitures.

In order to assist with your modeling, our guidance also assumes the following: interest expense of \$95 million and adjusted tax rate of 26%, depreciation and amortization of \$170 million, of which acquisition amortization is approximately \$90 million and an average outstanding share count of 43.5 million shares.

To summarize, we are pleased with the third quarter results, especially in these uncertain economic times. For those of you that have been following our story for many years, simultaneously delivering sales-driven revenue and EBITDA growth is an important achievement. We're very proud of this performance.

Operator, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

Thank you, Mr. Zint. (Operator Instructions) We'll take our first question this morning from Charles Strauzer of CJS.

Charles S. Strauzer *CJS Securities, Inc. - Senior MD of Sales & Research*

I was hoping if you can give us a little bit more color on the breakdown on kind of volume versus price in the various segments. A little bit more granularity there would be helpful.

Chip Zint *Deluxe Corporation - CFO, Senior VP & VP of Corporate Finance*

Sure, Charlie. This is Chip. So when we break down the growth on the quarter of roughly 7% or 6.6% excluding exits, we view about 60% of that is volume increase at 40% of that coming with price. And so that's a function of the new wins we've been talking about for a while in Checks as we fully lap those, but also strong volume in promo and the data business specifically and improved operations within Payments, specifically within treasury management.

Charles S. Strauzer *CJS Securities, Inc. - Senior MD of Sales & Research*

Got it. That's helpful. And then Barry, just for you; on the Cloud side, with the DDM business at the next quarter looks like there -- kind of what are the drivers that are -- that you're seeing behind that?

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

Sure. Charlie, before I talk about that, I do want to just highlight one of the things that Chip was saying there a moment ago, that we think the fact that we have been successful at pricing actions as well as increasing volumes, we think, really talks strongly about the demand, elasticity demand for our product. I know I think you've asked that question about before, and we think that this is another quarter where we are affirming that and showing the strength of demand for our services.

Second point that you're asking about is DDM and where does the mix come. Over the last year or so, we've really been making investments to diversify the sources of income coming into the DDM business. Historically, you know that was very dependent on the financial services sector, and we have invested in our database architecture and more to allow us to expand beyond financial services. And you've heard us announce significant wins in multiple new industries, which has helped diversify us away from interest rate-sensitive categories.

And so the drivers going forward are going to be continued expansion in additional market verticals beyond the financial services and

expanding the services we offer within financial services. So for example, if at a time of rising rate, less interest in mortgage, there is opportunity for us to do work in other sectors or other businesses within financial institutions. And that's helped us successfully expand the business. And that's, we think, what the future is all about here.

Charles S. Strauzer *CJS Securities, Inc. - Senior MD of Sales & Research*

Great. And just another question for you. If you don't mind, looking at next year and (inaudible) is there a path that you can envision to organic growth, given the tough comps you're facing this year?

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

Charlie, we're not here today to provide guidance for the next year. But you've now seen us and we've said we're going to deliver 2 consecutive years of sales driven or organic revenue growth, and we're very proud of our sales accomplishments, the wins we've had, obviously, with Checks returning to secular declines that will have some impact on our business. But we feel good about our prospects going forward.

Operator

The next on to Lance Vitanza at Cowen.

Lance William Vitanza *Cowen and Company, LLC, Research Division - MD & Cross-Capital Structure Analyst*

Congratulations on the great quarter. I wanted to start with a question just on the sort of the macro outlook. Are you sensing more results either in the third quarter or perhaps here early in the fourth quarter? Are you seeing any pressure from any sort of weakening in the economy, slow down consumer spending? Anything along those lines? And do you expect that -- or are you sort of girding for that to perhaps become a bigger problem in 2023? .

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

So Lance, what we saw in the third quarter, we continue to see is some changes in the mix profile of what customers are buying, and we're seeing some month-to-month variations. We might expect, for example, July to be stronger than August, but August is stronger than July. But that is not showing up in aggregate demand. And so we feel pretty good at this point that we are not seeing overall economic slowdown in our numbers. You can't see it in some of the mix issues, as I said, but we don't see it an aggregate demand decline.

Obviously, no one has a great crystal ball about what the future is going to look like. And we're doing all the things we know to do to help the company succeed, regardless of the environment next year. But very specifically, aside from some shift in mix and some unusual stuff of month-to-month, we don't see an impact to aggregate demand.

Lance William Vitanza *Cowen and Company, LLC, Research Division - MD & Cross-Capital Structure Analyst*

Okay. That's helpful. On the Cloud side, the DDM piece, obviously doing really well there, double-digit revenue growth. But -- so I think that suggests that there's some other portion of cloud that was sort of flattish. And I'm wondering if you could talk about what those businesses are and whether you expect that presumably that revenue pressure that you're seeing there whether you think that revenue pressure will abate or in the alternative, do you see additional opportunities to perhaps divest some of those businesses that might be underperforming.

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

So in DDM specifically, I think it really highlights the focus we've had on investing for innovation and to drive new revenue. So in the DDM business very specifically, we have seen great growth outside of our financial services, financial sector. And even within the financial sector, we're seeing a shift to noninterest rate categories.

Obviously, the portion of our business that is exposed to mortgage had some headwinds. But our headwinds are not as large as what is being reported largely in the mortgage industry. So I think the key takeaway there is that we have really built for the future, a business that can expand into multiple verticals that gives us lots of growth opportunities regardless of what's happening in the economy.

As far as future divestitures, I think you've seen us be, I think, very responsible at exiting underperforming businesses and continuing to prune the portfolio. You heard us do some of that in the previous quarters. And I think you would expect to see us continue to be responsible in looking at assets that we think will underperform and perhaps make a choice at an appropriate time.

As always, Lance, we don't anticipate anything of mopping up any 1 of the legs of our stool. And we think it gives us a lot of good quality diversification and growth opportunity.

Lance William Vitanza *Cowen and Company, LLC, Research Division - MD & Cross-Capital Structure Analyst*

Okay. And then just turning to the corporate expense line, it was actually kind of in line with our estimate. But I'm wondering if there might be -- it's still a big number of \$46 million, I think, in the quarter. Are there perhaps opportunities to sort of whittle that down over time, perhaps? And is there -- or no, I mean is the nature -- it seems like it's a big number relative to the size of your EBITDA, et cetera. And I'm wondering what we might be able to expect in the future on that line.

Chip Zint *Deluxe Corporation - CFO, Senior VP & VP of Corporate Finance*

Sure, Lance. This is Chip. I'll take that one. So you're right, corporate was much more in line with everyone's expectations, I think, this quarter, that's a function of us finally lapping a lot of the headwinds we've been talking about over the last few calls. We had to add back some benefits costs that disappeared as part of COVID. We've been investing in the technology infrastructure over the last few years. So corporate has been a little bit of an ongoing headwind for us as we digest all that. We finally feel like entering into 2023. We're going to turn the corner there, and be able to be in a position of taking out costs responsibly, continuing to invest where we need to, but be able to do that in a way where we don't have as many headwinds year-over-year coming into the portfolio. And we do view that as a key area of focus getting that corporate cost center down.

Now 3 years ago, we alluded to a number that is just not playing out that way because a lot of the costs we've taken out that we thought would go to corporate has gone to the segments and benefited them, but getting corporate down, bringing that down as a percent of revenue is a main focus of ours. And obviously, as revenue continues to grow, hopefully, in the future, we'll continue to get operating leverage from that corporate cost structure being more fixed by nature, but it's a big focus of ours into next year.

Lance William Vitanza *Cowen and Company, LLC, Research Division - MD & Cross-Capital Structure Analyst*

Okay. And then just lastly for me on the balance sheet. And first off, great job getting that interest rates swapped out. I like to add -- and I like the leverage coming down. And I'm wondering, though, is your sense that you have a lot of dividend-oriented shareholders. I'm just wondering if you might get more bang for the buck using that cash to pay down debt more quickly rather than paying the ongoing quarterly dividend. Any thoughts there?

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

Yes, the Board considers that every quarter is very diligent in contemplating how we use that cash flow. And we have continued to support the dividend because we know that as part of the investment thesis and hypothesis for our company, and we remain optimistic about the company's ability to generate income and cash flow.

And so to date, the Board has not seen the need to go attack that, specifically because we've been able to continue to make progress on our overall capital structure plan.

Operator

We go next now to Charles Nabhan at Stephens.

Unidentified Analyst

This is [Alex Newman] on for Chuck. From a cost standpoint, are you seeing any effects from inflation either on the labor side or better cost side that are having any impact on the business? And then going forward? To what extent or flexibility you have to mitigate any of those pressures?

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

Sure. So I'll start and then Chip can add some more color. But we feel like we are -- have sort of caught up now with inflation. Of course, it's an ever-moving target. But the way up -- our pricing models work, we have notification periods, after which time we can actually implement pricing in certain -- in a significant part of our contracts. And believe we are now at the place where we are sort of caught up, if you will, with inflation, and we feel pretty good about our ability to continue with inflation as it continues to at the pace we think we're confident about our ability to keep up with it going forward.

We saw a lot of labor inflation at end of last year going into the beginning of this year. We've seen some moderation there, which we think is helpful. But we've been able to pass along pricing to help us offset that. We feel pretty good about our ability to do that going forward.

Do you want to add anything on that, Chip?

Chip Zint *Deluxe Corporation - CFO, Senior VP & VP of Corporate Finance*

Barry spot on, I would say, inflation has been an ever relevant talking point all year long, and it really started a year ago this quarter. It was Q3 a year ago where really inflation started to hit us directly on, and we started to take price and work with customers and do everything we can across the portfolio. And like all companies, inflation has just been ever growing and a constant issue. And we've -- we feel like we've caught up to it. We stay on top of it. It's part of our operating rhythm and we feel good about where we sit now in terms of handling all of it, whether it's on the labor side or on the supply side.

Unidentified Analyst

Okay. And then just on a follow-up. I believe in the prepared remarks, you called out a nice win within treasury turn your management. I was wondering if you could speak to some of the factors, either from a competitive standpoint or strength within the platform that led to that one.

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

So we continue to have significant wins in treasury management. But just as a reminder for everybody, (inaudible) is our digital AR at AP solutions. But the deal that we specifically highlighted in our remarks was with the Bank of Missouri. And Bank of Missouri is a long-standing customer of Deluxe. And we were able to bring our merchant services business, which of course, we acquired with First American, and we are able to move them off of 1 of the big 3 providers to join us.

And that's a significant milestone win for us because it shows our ability that with First American inside of the Deluxe family, we can help move up in size and scale of banks and financial institutions that we service. So there's 2, I think, really important points there.

First, the entire hypothesis or big part of the hypothesis that we would be able to grow and help First American accelerate their growth by deepening the reach across financial institutions because of Deluxe is again proving out. We've been talking about that now for many quarters, and we're proving that thesis ongoing Bank of Missouri is a great example.

The second part of that is we're able to go up market into larger financial institutions competing with the 3 big players and winning. Now the reason we won that deal in particular is the quality of our customer service is exceptional. And if you went into one of our call centers, specifically our main center First American, you would see the long line with plaques about being the top performer from a customer satisfaction perspective. So that is very critical.

Second, we continue to add product feature functionality, which was helpful. And the fact that we have a culture and a set of values of the company that align with the bank. All 3 of those, I think, were very important. Obviously, our ability, therefore, to help them grow their portfolio was the overarching reason we won. We continue to see wins and accelerated wins as a result of the connection between First American and Deluxe and bringing the best of Deluxe to those customers that are already partners of ours, customers as ours, and expanding the relationship.

Operator

We go next now to Marc Riddick at Sidoti.

Marc Frye Riddick *Sidoti & Company, LLC - Business and Consumer Services Analyst*

So wondering if you could talk a little bit about order visibility within the 4 segments as to how that might change, evolve, whether there's a seasonality aspect or sort of -- just trying to get a general sense of -- if your customers were to make some adjustments due to recessionary pressures and the like, the level of visibility that you might have within each of the segments.

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

Help me again with the question? I'm not sure I understand what you're trying to drive at specifically.

Marc Frye Riddick *Sidoti & Company, LLC - Business and Consumer Services Analyst*

I was just trying to get a sense of revenue visibility as far as timing or the like as far as order flow or -- maybe if you could sort of talk about what the visibility that you might have on pricing dynamics or if your clients were going to make a change within the segments, when would you see it, is what I'm trying to get at.

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

Yes, I got it. Sort of -- it's leading indicators. And a couple of things there on price. I said it earlier, we have been successful at taking responsible price increases to help us offset inflation and it has not impacted our volume. And actually, you can see the reverse. Our volume continues to expand because we continue to win business and ongoing demand for the products continue to appear very solid.

As far as the forward order book, increasingly, we have recurring revenue businesses, certainly not all of them, but increasingly so. And I can't give you much insight yet on the fourth quarter, but it appears to be continuing as expected, and that will play out over the course of the quarter.

Operator

The next now to David Silver of CL King.

David Cyrus Silver *CL King & Associates, Inc., Research Division - Senior VP & Senior Analyst*

I'd like to start out maybe with just a follow-up on the Bank of Missouri win and your comments about that. But in particular, I guess that's one of your larger wins, and you talked about it shifting from one -- maybe from one platform to another. But in servicing a larger win like that, does that require Deluxe to add any features or to build out your infrastructure in any way?

Or on the other hand, is it going to be kind of seamless, you have spare capacity? And you could immediately kind of try to replicate that deal with other potential customers? In other words, so how available or how seamless will the transition for Bank of Missouri be? And how replicable do you think that might be over a 1- or 2-year period?

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

Sure. So you'll recall when we announced the acquisition of First American, we have had in buying a company with a solid, robust and already scaled platform. And that is why we chose First American to join the family. And that's playing out here, for example, in the Bank of Missouri deal. Because in that deal, we can take their volume and put it on to our platform that is already scaled and can certainly take the additional volume. So we think it will be relatively seamless for that business to continue to grow on our platform.

And of course, they chose us because they believe that we can help them accelerate the success of their merchant program. We are always investing in additional feature functionality, expanding the tools and offerings we have. But we won because of the existing set of solutions we have and the scale and how we are able to prove to the bank that helped other banks expand their merchant business and be even more successful.

And just I think to the question that is replicable, I think year-to-date, we are several times greater in the number of bank partners we're signing than First American would have done historically on their own. I think typically, they would do a handful of new bank

partnerships in a year. And as a result of the alignment between Deluxe and First American, I think we're signing several handfuls of new bank customers.

And that just, I think, is further evidence and the support for what we're doing with First American that we bought just a terrific asset that has ability to scale, we're bringing the sales tools and the reach of Deluxe and together, we're helping that business grow.

David Cyrus Silver *CL King & Associates, Inc., Research Division - Senior VP & Senior Analyst*

Okay. And maybe just one more angle on that. But I don't know if you can answer this or not, but maybe for the first 12 months that Bank of Missouri is in the fold, I mean do you have kind of an assumption or a target for maybe the incremental revenue from that?

And then secondly, would I be correct in assuming kind of the incremental revenue would have a pretty high incremental margin to it, in other words, above the average margin for that class of business since it's kind of incremental business being added to an existing platform?

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

Sure. And I understand the question, but obviously, a competitively sensitive information for a bank. So I can't really comment on the scale of it specifically, just in fairness to the bank. You've had many of these wins, and we think that's going to help solidify that business like we've been saying for a long time now that we're very confident we can hold that as a mid-single-digit revenue growth business for the long term at very healthy margins.

David Cyrus Silver *CL King & Associates, Inc., Research Division - Senior VP & Senior Analyst*

All right. I try not to ask too many questions about your legacy Check business, but there are 1 or 2 that just pop out. But I've noticed kind of the continued improvement there financially. You introduced print on-demand opportunity a few months ago. And I assume it's kind of very early days for that, but could you maybe comment on how popular that option is maybe from your customers' perspective, how anxious are they to access that? And would you point to any other kind of innovations there that you think have incrementally added to the results this year-to-date?

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

Sure. So for those folks that are listening in our new to our story, we are -- we've invested and in the process of investing in a new set of technology in our Check and our promo business that takes what is formally a multistep process with a fair bit of fixed expense and moved it to largely variable. So now we can produce many more different designs, much more efficiently and that we can scale our production capacity up or down depending on the volume.

As particularly important in the Check business, which of course, is returning to its normal secular decline, but we'll be able to manage expense directly in alignment with volume. So that's why we feel confident about our ability to hold margin in the Check business margin rate. In the Check business in that mid-40% range because we've been investing in this technology. But importantly, it's not just about maintaining margins. It's also helped us win a couple of very significant deals.

Now we're lapping those as we go into Q4, but we had a significant takeaway from our chief competitor because we were able to offer more actual Check designs and better overall quality, which allowed us to have those wins. And that helped us to have this year of growth in Check.

And for the long term, we think it will be a competitive advantage as we renew and as we go against our chief rival in the space. As you know, we've been winning a lot of market share. Our improved capability, including what we can do in print on demand is part of our value proposition for those customers and partners. And we're always partway through that implementation, but pleased with the progress.

Operator

And with that, I'll turn things back over to Mr. Morabito for any closing comments.

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

Thanks, Bo. Before we conclude, I'd like to mention that management will be participating in the Stephens Annual Investment Conference on November 17, 2022. Thank you again for joining us today, and we look forward to speaking with you in February as we share our fourth quarter and full year 2022 results.

Operator

Thank you, Mr. Morabito. Ladies and gentlemen, that will conclude Deluxe's Third Quarter 2022 Earnings Conference Call. Thank you all so much for joining us and wish you all a great day. Goodbye.

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