



First Quarter 2023 Earnings

May 4, 2023



Tom Morabito

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, 2022, 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.

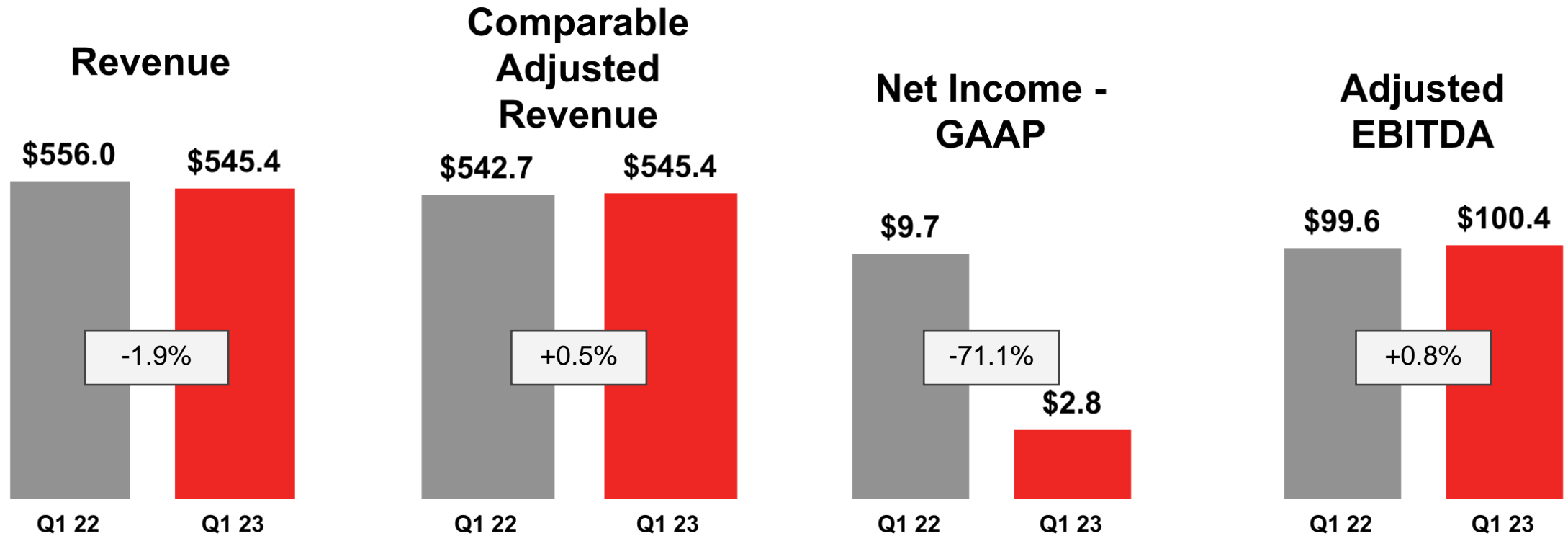
Portions of the financial and statistical information that will be discussed during this call are addressed in more detail in today's press release which is posted on our investor relations website at deluxe.com. This information was also furnished to the SEC on the Form 8-K filed by the Company this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

First Quarter 2023 Highlights

(in millions)



1Q23 Segment Highlights

Strong Execution of One Deluxe Strategy

Payments

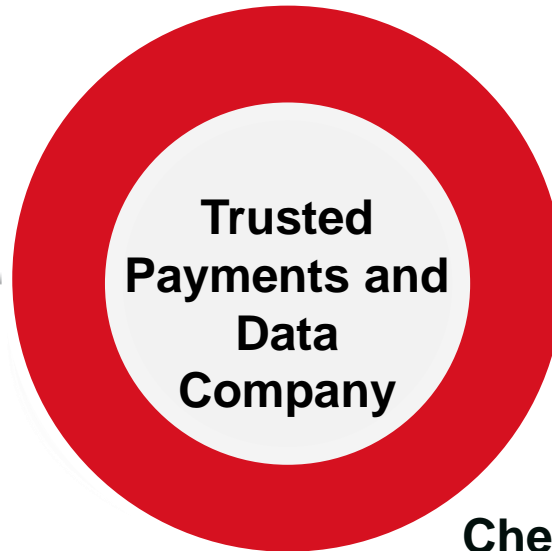


- Revenue increased 3.5% year-over-year
- Merchant Services improved 7.0%
- Receivables and Payables were roughly flat as Treasury Management was partially offset by volume and cost pressures in other areas of the business

Data



- Comparable adjusted revenue declined 7.7% year-over-year
- Difficult comps and the shift of campaigns from 1Q23 to 4Q22 affected results
- Continued diversification to non-interest rate sensitive verticals
- Key wins with IBC Bank and Pentagon Federal Credit Union



Promo



- Comparable adjusted revenue increased 8.1% year-over-year
- Significant margin improvement
- Expanding relationship with Amazon

Checks



- Revenue decreased 4.5% year-over-year
- ERP implementation had a one-time impact on profitability



Chip Zint

Chief Financial Officer

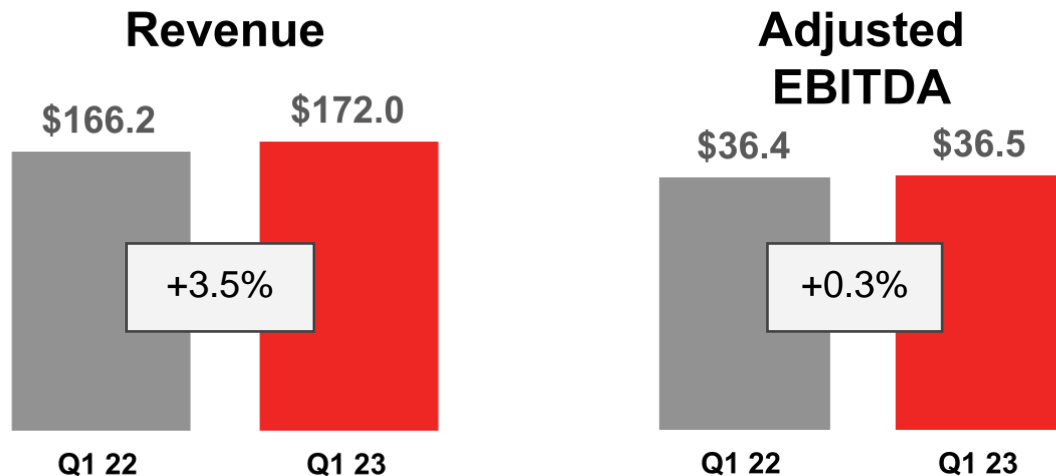
1Q23 Summary

- Total revenue was \$545.4 million, down 1.9% compared to 1Q22; comparable adjusted revenue increased 0.5%
- GAAP net income was \$2.8 million, or \$0.06 per share on a diluted basis
- Adjusted EBITDA was \$100.4 million, up 0.8% compared to 1Q22; comparable adjusted EBITDA increased 2.1%
- Adjusted EBITDA margin was 18.4%, up 50 basis points from last year and up 30 basis points on a comparable adjusted basis
- Adjusted EPS was \$0.80, down 23.8% year-over-year



Payments

(in millions)



- Adjusted EBITDA margin was 21.2%, down 70 basis points year-over-year mostly driven by volume and cost pressures related to site closures within Lockbox.

Payments

Merchant Services

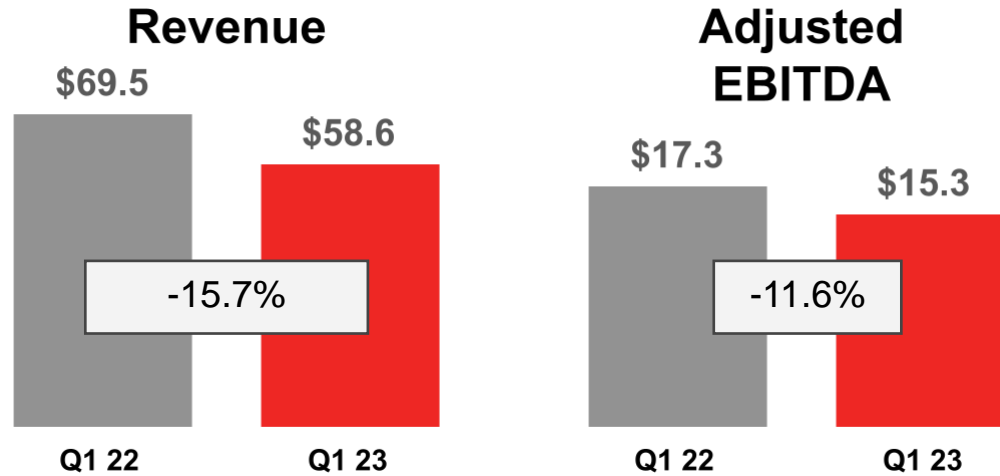
Receivables as
a Service

Payables as
a Service

Payroll & HR Management
Solutions

Data Solutions

(in millions)



- On a comparable adjusted basis, revenue decreased 7.7% and adjusted EBITDA decreased 5.6% year-over-year.
- Adjusted EBITDA margin of 26.1%, up 120 basis points largely due to product mix and disciplined expense management.

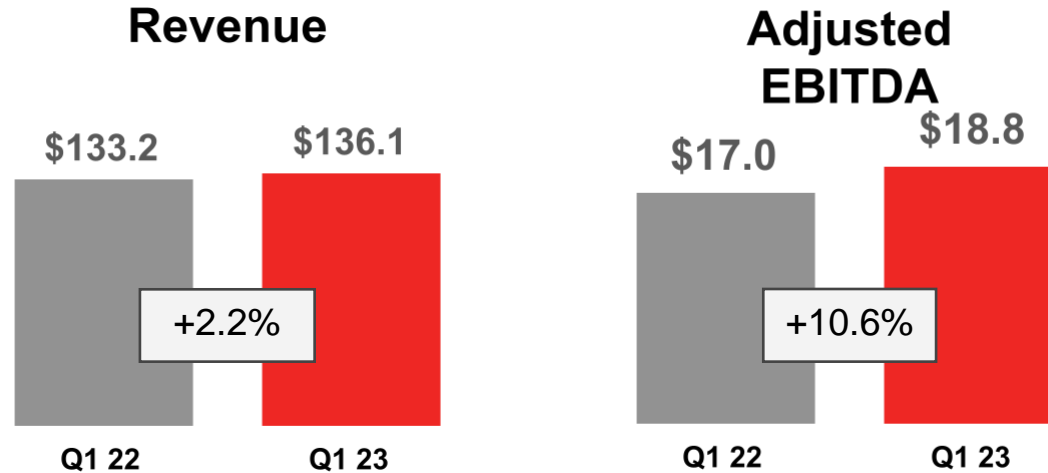
Data Solutions

Data Analytics

SaaS Solutions

Promotional Solutions

(in millions)



- On a comparable adjusted basis, revenue increased 8.1% and adjusted EBITDA increased 11.9% year-over-year.
- Adjusted EBITDA margin was 13.8%, up 100 basis points year-over-year, as we benefited from continued pricing actions and improvements in operations and cost structure.

Promotional Solutions

Turn-Key Managed
Branded Solutions

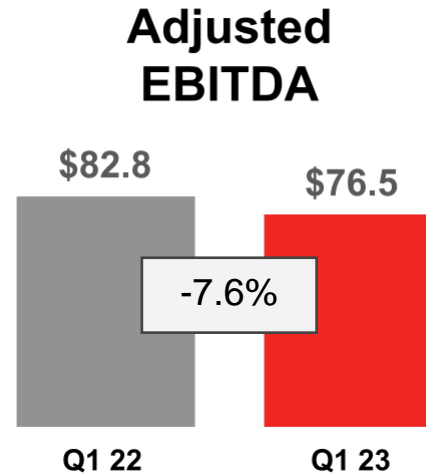
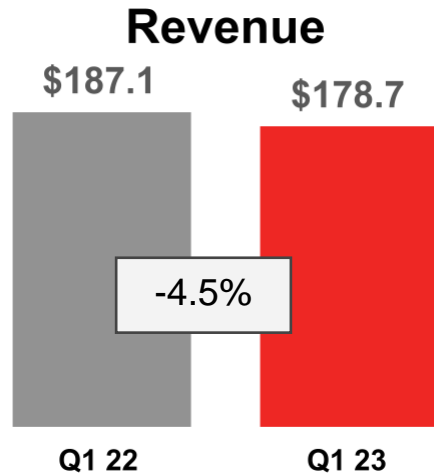
Web Storefront Platform
for Branded Products

Support Rapidly
Changing
Market Demands

Business
Essentials

Checks

(in millions)



- Adjusted EBITDA margin was 42.8%, down 150 basis points year-over-year due to ERP-related challenges.

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

Declared regular dividend of \$0.30 per share

Net Debt to Adjusted EBITDA

(in millions)

	For the 12 Months Ended		
	3/31/23	12/31/22	Variance
Net Debt	\$1,662.1	\$1,603.8	\$58.3
LTM Adjusted EBITDA	\$418.9	\$418.1	\$0.8
Net Debt to Adjusted EBITDA	4.0x	3.8x	

Free Cash Flow

(in millions)

	For the Quarter Ended		
	3/31/23	3/31/22	Variance
Cash Provided by Operating Activities	\$(6.7)	\$34.3	(\$41.0)
Less Capital Expenditures	(25.5)	(20.8)	(4.7)
Free Cash Flow	\$(32.2)	\$13.5	(\$45.7)

2023 Guidance

Well-positioned for sustainable growth

- Revenue of \$2.145 to \$2.210 billion
- Adjusted EBITDA of \$390 to \$405 million
- Adjusted EPS of \$2.90 to \$3.25
- Free cash flow of \$80 to \$100 million
- Additional modeling assumptions:
 - Interest expense of \$120 to \$125 million
 - Adjusted tax rate of 26%
 - Depreciation and amortization of \$170 million, of which acquisition amortization is approximately \$75 million
 - Average outstanding share count of 43.7 million shares
 - Capital expenditures of \$100 million

All figures are approximate, and subject to, among other things, the closure of the web hosting and logo divestiture in May 2023, prevailing macroeconomic conditions, labor supply issues, inflation, and the impact of other divestitures





deluxe®

Q & A

dlx



Tom Morabito

Vice President of Investor Relations

Upcoming Conferences

Date	Event
May 18, 2023	18th Annual Needham Technology & Media Conference
May 31, 2023	Cowen's 51st Annual TMT Conference
June 15, 2023	Sidoti Virtual Small Cap Conference

Appendix



Consolidated Condensed Statements of Income

in millions, except per share amounts (Unaudited)

	Quarter Ended March 31,	
	2023	2022
Product revenue	\$310.3	\$317.3
Service revenue	235.1	238.7
Total revenue	545.4	556.0
Cost of products	(118.5)	(114.4)
Cost of services	(132.2)	(134.8)
Total cost of revenue	(250.7)	(249.2)
Gross profit	294.7	306.8
Selling, general and administrative expense	(247.7)	(259.7)
Restructuring and integration expense	(12.9)	(16.2)
Operating income	34.1	30.9
Interest expense	(30.0)	(20.3)
Other income	2.4	2.0
Income before income taxes	6.5	12.6
Income tax provision	(3.7)	(2.9)
Net income	2.8	9.7
Non-controlling interest	—	(0.1)
Net income attributable to Deluxe	<u>\$2.8</u>	<u>\$9.6</u>
Weighted-average dilutive shares outstanding	43.7	43.2
Diluted earnings per share	\$0.06	\$0.22
Adjusted diluted earnings per share	0.80	1.05
Capital expenditures	25.5	20.8
Depreciation and amortization expense	43.5	41.6
EBITDA	80.0	74.4
Adjusted EBITDA	100.4	99.6

Segment Information

in millions (Unaudited)

	Quarter Ended March 31,	
	2023	2022
Revenue:		
Payments	\$172.0	\$166.2
Data Solutions	58.6	69.5
Promotional Solutions	136.1	133.2
Checks	178.7	187.1
Total	<u>\$545.4</u>	<u>\$556.0</u>
Adjusted EBITDA:		
Payments	\$36.5	\$36.4
Data Solutions	15.3	17.3
Promotional Solutions	18.8	17.0
Checks	76.5	82.8
Corporate	(46.7)	(53.9)
Total	<u>\$100.4</u>	<u>\$99.6</u>
Adjusted EBITDA Margin:		
Payments	21.2%	21.9%
Data Solutions	26.1%	24.9%
Promotional Solutions	13.8%	12.8%
Checks	42.8%	44.3%
Total	18.4%	17.9%

Segment Information (continued)

in millions (Unaudited)

	Quarter Ended March 31,	
	2023	2022
Comparable Adjusted Revenue:		
Payments	\$172.0	\$166.2
Data Solutions	58.6	63.5
Promotional Solutions	136.1	125.9
Checks	178.7	187.1
Total	<u>\$545.4</u>	<u>\$542.7</u>
Comparable Adjusted EBITDA:		
Payments	\$36.5	\$36.4
Data Solutions	15.3	16.2
Promotional Solutions	18.8	16.8
Checks	76.5	82.8
Corporate	(46.7)	(53.9)
Total	<u>\$100.4</u>	<u>\$98.3</u>
Comparable Adjusted EBITDA Margin:		
Payments	21.2%	21.9%
Data Solutions	26.1%	25.5%
Promotional Solutions	13.8%	13.3%
Checks	42.8%	44.3%
Total	18.4%	18.1%

Reconciliation of GAAP to Non-GAAP Measures

EBITDA, Adjusted EBITDA and Adjusted EBITDA margin

in millions (Unaudited)

	Quarter Ended March 31,	
	2023	2022
Net income	\$2.8	\$9.7
Non-controlling interest	—	(0.1)
Interest expense	30.0	20.3
Income tax (benefit) provision	3.7	2.9
Depreciation and amortization expense	43.5	41.6
EBITDA	80.0	74.4
Restructuring and integration costs	14.1	16.3
Share-based compensation expense	5.9	8.1
Acquisition transaction costs	—	0.1
Certain legal-related expense	0.4	0.7
Adjusted EBITDA	\$100.4	\$99.6
Adjusted EBITDA margin	18.4 %	17.9 %

Reconciliation of GAAP to Non-GAAP Measures

Adjusted Diluted EPS - Q1 2023

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

	Q1 2023 GAAP	Acquisition amortization	Restructuring and integration costs	Share-based compensation	Certain legal- related expense	Income tax impact of adjustments	Q1 2023 Adjusted
Total revenue	\$545.4	\$—	\$—	\$—	\$—	\$—	\$545.4
Total cost of revenue	(250.7)	3.2	1.2	0.2	—	—	(246.1)
Gross profit	294.7	3.2	1.2	0.2	—	—	299.3
Selling, general and administrative expense	(247.7)	18.1	—	5.7	0.4	—	(223.5)
Restructuring and integration expense	(12.9)	—	12.9	—	—	—	—
Operating income	34.1	21.3	14.1	5.9	0.4	—	75.8
Interest expense	(30.0)	—	—	—	—	—	(30.0)
Other income	2.4	—	—	—	—	—	2.4
Income before income taxes	6.5	<u>\$21.3</u>	<u>\$14.1</u>	<u>\$5.9</u>	<u>\$0.4</u>	—	48.2
Income tax benefit (provision)	(3.7)					<u>(\$9.6)</u>	(13.3)
Net income	<u>\$2.8</u>						<u>\$34.9</u>
Income attributable to Deluxe available to common shareholders	<u>\$2.7</u>						<u>\$34.9</u>
Weighted-average dilutive shares	43.7						43.7
Diluted EPS	\$0.06						\$0.80

Reconciliation of GAAP to Non-GAAP Measures

Adjusted Diluted EPS - Q1 2022

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

	Q1 2022 GAAP	Acquisition amortization	Restructuring and integration costs	Share-based compensation	Acquisition transaction costs	Certain legal- related expense	Income tax impact of adjustments	Q1 2022 Adjusted
Total revenue	\$556.0	\$—	\$—	\$—	\$—	\$—	\$—	\$556.0
Total cost of revenue	(249.2)	3.3	0.1	0.6	—	—	—	(245.2)
Gross profit	306.8	3.3	0.1	0.6	—	—	—	310.8
Selling, general and administrative expense	(259.7)	20.6	—	7.5	0.1	0.7	—	(230.8)
Restructuring and integration expense	(16.2)	—	16.2	—	—	—	—	—
Operating income	30.9	23.9	16.3	8.1	0.1	0.7	—	80.0
Interest expense	(20.3)	—	—	—	—	—	—	(20.3)
Other income	2.0	—	—	—	—	—	—	2.0
Income before income taxes	12.6	<u>\$23.9</u>	<u>\$16.3</u>	<u>\$8.1</u>	<u>\$0.1</u>	<u>\$0.7</u>	—	61.7
Income tax provision	(2.9)						<u>(\$13.1)</u>	(16.0)
Net income	<u>\$9.7</u>							<u>\$45.7</u>
Income attributable to Deluxe available to common shareholders	<u>\$9.6</u>							<u>\$45.5</u>
Weighted-average dilutive shares	43.2							43.2
Diluted EPS	\$0.22							\$1.05

Reconciliation of GAAP to Non-GAAP Measures

Comparable Adjusted Revenue

in millions (Unaudited)

	Quarter Ended March 31,	
	2023	2022
Total Company:		
Total revenue	\$545.4	\$556.0
Business exits	—	(13.3)
Comparable adjusted revenue	<u>\$545.4</u>	<u>\$542.7</u>
Payments:		
Total revenue	\$172.0	\$166.2
Data Solutions:		
Total revenue	\$58.6	\$69.5
Business exits	—	(6.0)
Comparable adjusted revenue	<u>\$58.6</u>	<u>\$63.5</u>
Promotional Solutions:		
Total revenue	\$136.1	\$133.2
Business exits	—	(7.3)
Comparable adjusted revenue	<u>\$136.1</u>	<u>\$125.9</u>
Checks:		
Total revenue	\$178.7	\$187.1

Reconciliation of GAAP to Non-GAAP Measures

Comparable Adjusted EBITDA

in millions (Unaudited)

	Quarter Ended March 31,	
	2023	2022
Total Company:		
Adjusted EBITDA	\$100.4	\$99.6
Business exits	—	(1.3)
Comparable adjusted EBITDA	<u>\$100.4</u>	<u>\$98.3</u>
Payments:		
Adjusted EBITDA	\$36.5	\$36.4
Data Solutions:		
Adjusted EBITDA	\$15.3	\$17.3
Business exits	—	(1.1)
Comparable adjusted EBITDA	<u>\$15.3</u>	<u>\$16.2</u>
Promotional Solutions:		
Adjusted EBITDA	\$18.8	\$17.0
Business exits	—	(0.2)
Comparable adjusted EBITDA	<u>\$18.8</u>	<u>\$16.8</u>
Checks:		
Adjusted EBITDA	\$76.5	\$82.8
Corporate:		
Adjusted EBITDA	(\$46.7)	(\$53.9)

Reconciliation of GAAP to Non-GAAP Measures

Comparable Adjusted Revenue / Comparable Adjusted EBITDA Outlook

(Unaudited)

	Total Year		Data Solutions	Promotional Solutions
	2023 Outlook	2022 Actual	2022 Actual	2022 Actual
<i>(in billions)</i>				
Total revenue	\$2.145 - \$2.210	\$2.238	\$0.268	\$0.563
Less: Business exits	—	(0.063)	(0.051)	(0.012)
Comparable adjusted revenue	\$2.145 - \$2.210	\$2.175	\$0.217	\$0.551
Comparable adjusted revenue growth %	(1%) - 2%		Low single digit growth	Low single digit growth
<i>(in millions)</i>				
Adjusted EBITDA	\$390 - \$405	\$418	\$68	
Less: Business exits	—	(19)	(19)	
Comparable adjusted EBITDA	\$390 - \$405	\$399	\$49	
Comparable adjusted EBITDA growth %	(2%) - 2%		Adj EBITDA margin in low 20% range	

Reconciliation of GAAP to Non-GAAP Measures

Net Debt to Adjusted EBITDA

in millions (Unaudited)

	Mar. 31, 2023	Dec. 31, 2022
Total debt	\$1,686.7	\$1,644.2
Cash and cash equivalents	(24.6)	(40.4)
Net debt	<u>\$1,662.1</u>	<u>\$1,603.8</u>

TRAILING 12 MONTHS ADJUSTED EBITDA:

	12 Months Ended Mar. 31, 2023	Total Year 2022
Net income	\$58.6	\$65.5
Non-controlling interest	—	(0.1)
Interest expense	104.2	94.4
Income tax provision	19.7	18.9
Depreciation and amortization expense	174.4	172.6
Restructuring, integration and other costs	60.9	63.1
Share-based compensation	21.4	23.6
Acquisition transaction costs	0.1	0.1
Certain legal-related expense (benefit)	(1.1)	(0.7)
Gain on sale of businesses and facility	(19.3)	(19.3)
Adjusted EBITDA	<u>\$418.9</u>	<u>\$418.1</u>

NET DEBT TO ADJUSTED EBITDA	4.0	3.8
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Reconciliation of GAAP to Non-GAAP Measures

Free Cash Flow

in millions (Unaudited)

	Quarter Ended March 31, 2023	2022
Net cash provided by operating activities	(\$6.7)	\$34.3
Purchases of capital assets	(25.5)	(20.8)
Free cash flow	(\$32.2)	\$13.5

Reconciliation of GAAP to Non-GAAP Measures

We have not reconciled the adjusted EBITDA, comparable adjusted EBITDA, adjusted EPS, free cash flow or adjusted tax rate outlook guidance for 2023 to the directly comparable GAAP financial measures because we do not provide outlook guidance for the reconciling items between net income, adjusted net income or adjusted EBITDA, and certain of these reconciling items impact cash flows from operating activities. Because of the substantial uncertainty and variability surrounding certain of the forward-looking reconciling items, including asset impairment charges; restructuring and integration 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.

The image features the word "deluxe" in a lowercase, sans-serif font. The letters "deluxe" are black, except for the "x", which is red. A large, light gray "X" is superimposed over the background, with its arms extending towards the corners of the frame. The background is white.

deluxe®