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Deluxe Corp. (DLX)

Investor Day

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Good morning, everyone, and welcome to our Investor Day. Thank you, all, for joining us today, and welcome to those tuning in via the webcast. I'd like to start by providing a bit of additional data regarding today's agenda.

Barry McCarthy, our President and CEO, will begin by outlining our transformation progress and enterprise strategy and will provide an overview of the recently announced North Star execution plan. Chip Zint, our CFO, will cover additional North Star financials and our value creation algorithm.

Following this introduction, additional members of the Deluxe leadership team will provide details about their respective areas of responsibility, including key strategic priorities. We expect prepared remarks to last approximately 90 minutes with a planned break at the midway point and we have available time for Q&A near the end of the session. Finally, those with us here in New York are welcome to join an informal lunch with members of the management team following this morning's activities.

Now, before we begin and as seen on the current slide, I'd like to remind everyone that comments made today regarding management's intentions, projections, financial estimates or expectations of the company's future strategy or 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 within this morning's press release, our Form 10-K for the year ended December 31, 2022, and in other company SEC filings.

During the meeting today, we'll discuss non-GAAP financial measures. Within the appendix of today's materials and our filings with the SEC, you'll find additional disclosure regarding the non-GAAP measures, including reconciliation of these measures to the most comparable measures under US GAAP.

And, with that, I'll hand it over to Barry.

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

Well, good morning, everyone, and thank you, Brian. It's great to have you all here for our Investor Day. I'm looking forward to sharing our story, our execution plan and financials for the next three years with you today.

Now, for those of you who have been following our story, today we'll be sharing an update on information and our transformation that we began in 2019. And for those of you that don't know the company or knew the company 5 or 10 years ago, we'll introduce you today to a new Deluxe.

So, regardless of where you're joining our story, we're confident you'll leave today seeing Deluxe as a revitalized company, with clear execution path and great prospects for compelling shareholder returns. At our core today, we're now an organic EBITDA growing company and deleveraging story.

So, where is Deluxe today? We've done significant foundational work to transform Deluxe from a 108-year-old declining check printer to a company with sustained organic revenue and profit growth and we're beginning to see the financial results.

We're now in our third year of organic revenue growth and we're about to deliver a full year with profit growing faster than revenue, results not seen here for more than a decade. We have a robust portfolio of businesses with strong competitive positions in their markets that are connected by a common client base. Each part of the portfolio has natural synergies and plays a vital role in overall company performance.

And our strategy is clear, profitably grow our Payments and Data business using the relationships, brand equity and cash flow from our print businesses, while transferring value from debt to equity holders. And we're focused on delivering shareholder returns through consistent execution in three key areas. One, sales excellence with our One Deluxe go-to-market model. Two, operational excellence. Three, a disciplined capital allocation framework. Importantly, we have a rigorous plan to accelerate from here through our integrated North Star execution plan. We'll share more detail on this plan throughout the morning.

Now, over the next three years, these efforts give us a clear pathway to delivering shareholder value through organic EBITDA growth and deleveraging the balance sheet. When I left First Data to take this role, what drew me to Deluxe was the incredible collection of core assets, a deeply trusted brand with a storied history. The company has great cash flow and has impressive distribution, serving over 4,000 financial institutions and millions of small businesses. Company has significant scale, which is a key ingredient for growth, and passionate employees, committed to delighting customers, earning the right to expand relationships and win new business.

I believe this collection of assets could be harnessed for growth by transforming Deluxe into a modern Payments and Data company. I'm proud of our progress and confident in our plan to materially accelerate shareholder returns from here.

But before we go deeper into who we are today and where we're going, I'd like to briefly share with you where we've come from and what we've done over the last four years to transform the company. In 2019, we were a

holding company of more than 50 different independent assets acquired over the course of a decade. None of the acquisitions were integrated. Most were subscale with large unmet capital needs. Few had clear synergies across the portfolio and despite all the acquisitions, the company was in its second decade of organic decline.

Our go-to-market strategy was scattered and uncoordinated and it was – that was confusing to our customers. But the challenge was more than just growth. The company had also underinvested in its infrastructure for so long that some tech vendors had stopped supporting our basic operating infrastructure years earlier and the company was running over 50 ERPs, 14 CRMs and 7 HR systems.

And so while the challenges were greater than anticipated and candidly the repairs took longer and cost more to complete than expected, we've now systematically resolved each of these issues to build a robust foundation for a bright future. We materially rationalized the portfolio – this is how we did it. We materially rationalized the portfolio to narrow our focus from several dozen businesses to three businesses already at scale. Each of the three businesses have clear competitive advantages and create value for our customers.

We acquired First American Payment Systems, which doubled the size of our payments business and added another payments growth engine to our portfolio: Merchant Card Acceptance.

We built the right products and technology platforms for our Payments and Data businesses to profitably scale and we migrated to a modern cloud-based enterprise infrastructure, eliminating dozens of competing systems and launched an enterprise-wide ERP this last February, which will continue to help us drive efficiency over the coming years and we built meaningful sales connectivity across the company through our One Deluxe go-to-market model.

So, now with significant repairs in the rearview mirror and a much more robust foundation, the execution path ahead is clear. We're guided by our North Star plan. We have great confidence in our ability to deliver terrific shareholder returns. And so, while we have work ahead, we're very encouraged by the green shoots we're already seeing. So bottom line, we are not the same Deluxe you knew a few years ago. We're actively turning a legacy check printer into a payments and data company in its third consecutive year of organic growth.

Our profits are growing faster than revenue. We have a clear strategy focused on a few key opportunities in Payments and Data, where we know we have the right to win and have proven we can and do win. Payments now rivals checks as our largest source of enterprise revenue. And even our cash generator, checks, is outperforming the market, while holding margins steady in the mid-40s and we'll use the materially improved cash flow to reduce debt and delever the company. All of this is designed specifically to deliver great shareholder returns.

So to go deeper on the opportunities ahead, you'll hear from many on the management team today. It's a team of talented operators with rich pedigrees and I'm privileged to be on their team. Chip came to us from NCR, where he was the divisional CFO. Yogs joined us about 18 months ago after 13 years with American Express, where he was responsible for the majority of the company's payment processing infrastructure. Gary joined us four years ago from a great career at Equifax, ADP and Bain. Jean is a longtime Deluxer who is focused on getting the right talent in the right role. Jeff joined Deluxe just before me and is both our General Counsel and a key leader in our North Star program, and of course our division presidents.

Tracey runs our Print division and has deep knowledge of our checks and print businesses. Debra co-founded and now runs Deluxe Merchant Services, formerly First American. Mike runs our B2B Payments business and has spent his career in payments at Barclays, Bank of America and First Data. Chris runs our Data division and

actually co-founded our data-driven marketing business. So I'm guessing you have a question about what exactly does Deluxe do.

We've always been a payments and data company and we're now utilizing our core competencies to grow in digital payments and big data analytics. I think the simplest way to think about our company is in two parts, our legacy print business that has a great cash flow and a payments and data business that delivers profitable growth. So, let's start on the print side of the equation.

In the Print business, we focus on cash generation. In addition to the great cash flow, these businesses have great scale and robust margins. We're very effective at profitably managing the predictable secular decline here.

So, checks, let's talk about checks. We print business and consumer checks distributed through banks and direct channels. Despite what you may read in the media and the likelihood that very few of you have used a check at a grocery store in a long time, checks are not disappearing any time soon. Checks remain a payment necessity for millions of consumers and businesses.

To make the point more clearly, over 40% of business payments are still made via check with payments valued at over \$11 trillion a year. And we meet that market need, shipping over 90,000 packages of checks every day.

Checks are complemented by our Promotional Products business. This business has great sales and operating synergies with checks because items like forms, envelopes, deposit tickets are often printed on the same equipment. We also support our print customers by selling relationship deepening products like branded items and marketing materials.

Our print businesses form the bedrock by giving us credibility, customer relationships, a strong brand and durable cash flows. And Tracey will talk you through in a minute why we're confident about the outlook for our print offerings.

Now our Payments and Data businesses. There's three offerings here. We have Merchant Services, B2B payments, and data-driven marketing. These businesses have great TAMs, strong secular growth and attractive margins.

Let me give you a little bit of detail on each of them. First on Merchant Services. We help small to mid-sized businesses accept credit cards and debit cards in person or online. We distribute through multiple sales channels and support 130,000 businesses, processing over \$40 billion in annual transaction volume. In our B2B business, we help businesses pay and get paid. Our solutions reconcile and manage the mess of invoices, plus paper and digital payments. We already work at massive scale here and we're building software-as-a-service solutions that will add speed and add automation. So next, data-driven marketing. We leverage data and analytics to help our clients acquire more customers through end-to-end targeted marketing campaigns.

Now what makes Deluxe unique is the combination of the great cash flow from our Print businesses with the profitable growth from our Payments and Data business. Together, this creates a durable company, delivering sustainable organic revenue and profit growth.

So now I want to shift gears a bit and talk about our strategy. So our enterprise strategy is really simple, utilize the great cash flow, customer relationships and brand equity from our print businesses to drive profitable organic growth in our Payments and Data businesses. And in doing so, we're going to be transferring value from debtholders to equity holders through corporate cost cuts and growth.

We believe this strategy maximizes shareholder value for three reasons. First, we have a great brand equity in our print business, which gives us a deep customer base and predictable cash flows to power our transformation. Second, we have established positions across secular growth areas, with large and untapped addressable markets. Third, we have clear line of sight into growing EBITDA to delever our balance sheet. And we have a strong right to win across these growth areas.

As I mentioned before, we coupled a straightforward strategy with strong execution in three core areas. One, sales excellence with our Deluxe go-to-market model. Two, operational excellence and three, disciplined capital allocation framework.

These elements, all straightforward strategy, execution excellence, combined from the foundation of our investment thesis. So I'll give you some insight here and Chip will be up in a few minutes to give you a bit more. But I'm going to start with our go-to-market model, which we call One Deluxe. Now, I've already shared with you why I'm excited about Deluxe and why our products have strengths in their individual markets.

Now let me share how we delight our customers and leverage the power of our businesses together to deliver growth. Our rationalized and focused portfolio now has natural synergies due to overlap in customers and channels and it's strengthened through our integrated One Deluxe approach. We do something that seems quite simple and logical, but actually requires training and discipline. We listen to our customers, understand what their needs are and do all of that first, then we bring the best of Deluxe to help the customers solve their problems. This results in deeper customer relationships and we move from being a transactional vendor to be a trusted partner, helping solve our customers' problems. Then, as that relationship deepens, we uncover more opportunities for future growth, giving us the opportunity to sell additional Deluxe products.

So, let me give you one really tangible example, Fulton Financial Corporation. Fulton has more than 200 banking centers spanning 5 states across Mid-Atlantic and Northeastern United States with more than \$27 billion in assets. Deluxe built a strong relationship with Fulton through our Check product over many years. We utilized our One Deluxe model and listened carefully to Fulton's needs. We identified a need in Merchant Services for more flexibility and better customer support for Fulton clients. Now, in the end, we won the business because of our superior customer support, robust and reliable platform and our omni-channel capabilities.

But it's our longstanding Check relationship that helped get us in the door and our One Deluxe model that helped us deeply understand the customers' needs and ultimately win. Fulton was the largest ever win in our Merchant Services business and it was a takeaway from a much larger competitor. Our brand and established relationships with Fulton were critical enablers of why we won the Fulton Merchant business. This relationship alone will add a few points of growth next year for Deluxe Merchant Services.

But it keeps going. And we've expanded our partnership with Fulton even further. After winning Merchant, Fulton has also become a client of our data business too. This is the power of One Deluxe. Our One Deluxe model delivers major wins like Fulton Bank with many other large clients like P&C and regional banks like Arvest too who also use our payments, data and print solutions.

But the model helps us win smaller businesses too. For example, most small businesses write checks and have a need to accept payments like credit cards and debit cards. So we've added marketing messaging for our Merchant Services business into our check marketing campaigns. Those warm leads go right to our direct sales channel, which has attractive margins. And in our check telesales center, when a customer calls to order new

checks, we often cross-sell promo products. We also have significant operating and technology synergies across the company.

We're now managing our print businesses, check and promo together, not only improving our sales synergies, but unlocking material cost synergies like combining our e-commerce and marketing teams. We've consolidated operations under one leader, Garry, who you will hear from in a minute, to drive efficiency in our marketing and service footprints and Yogs has consolidated tech platforms to deliver common modern infrastructure for the integrated company.

Now, as I mentioned before, we've built a new foundation that has already reversed the decades-long decline in organic growth, but we're not done. Our now stronger foundation gives us the opportunity to sustainably unlock value for shareholders.

To unlock this value, we've built an integrated and multiyear execution plan we call North Star. As we previewed on the Q3 call, North Star will deliver \$100 million of incremental free cash flow and \$80 million of incremental comparable adjusted EBITDA, ramping through 2025, for full year 2026 benefit.

North Star is completely aligned with our enterprise strategy and our shareholder value drivers. All of the company's highest priority growth and cost initiatives are integrated into our One Plan, our North Star plan.

So, let me broadly define how we're approaching the program. First, we're taking a portfolio approach to reduce execution risk. The program has 12 work streams designed to collectively deliver the total value.

Second, North Star is broad-based. We have over 100 Deluxe leaders from every part of the company already driving the program, acting as change agents for our talent and culture. Third, we sequence North Star to focus on cash generation. Our early initiatives have a short payback period, enabling us to fund investments in complex, longer-term initiatives. Fourth and finally, we have already taken actions to drive \$40 million of incremental adjusted EBITDA from our organization design work. That translates to \$10 million per quarter and that improvement starts now, in Q4 of this year. So, you're going to see the impact of North Star in 2023 financials.

So, okay. Now, for more perspective, Chip is going to come up and join me and we'll give you a little more perspective.

Chip Zint

Chief Financial Officer & Senior Vice President, Deluxe Corp.

Thank you, Barry, and good morning, everyone. So, what we have here is the roadmap for the entire program stretched across 10 quarters. What you'll see is a mix of 12 work streams, that is a mix of cost reduction and high-priority growth initiatives with the mix skewing more towards the cost side. We won't cover every bar on this chart, but let us give you a few examples of both the revenue and cost initiatives to make this a little bit more tangible.

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

So to start, on the revenue side, we're focused on the highest strategic priorities, like building our integrated software channel for Merchant Services, expanding our data business further into the B2B marketing category and pricing opportunities across the portfolio.

Chip Zint

Chief Financial Officer & Senior Vice President, Deluxe Corp.

And on the cost side, much of the work is an evolution of our organization design, ongoing infrastructure and operations transformation.

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

Now, we've already completed our organizational redesign, combining like-for-like roles, reducing layers and expanding spans of control. This effort is the first and largest contributor to our 2023 in-year value. But we're also using technology and process automation to digitize and streamline our processes.

This makes the lives of our employees better, improves our ability to serve our customers and reduces our costs.

Chip Zint

Chief Financial Officer & Senior Vice President, Deluxe Corp.

And we're continuing to drive scale in our operations by consolidating many of our back office functions and leveraging the global labor market. We're supporting our revenue and cost work streams with two foundational teams: an execution team to drive rigor, transparency and coordination; and a strategic planning team to connect our enterprise strategy to our investments and drivers of shareholder return. As we begin 2024, we are laying the foundation for our next set of initiatives, which will continue to work around technology simplification and improvements in our marketing and sales capabilities.

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

North Star is a critical next step to accelerate our shift into a payments and data company through great execution. Again, all of this is designed to accelerate our growth and deliver shareholder value. So, I'm going to let you take it from here, Chip. I know you're going to want to cover North Star financials' capital allocation framework and resulting investor thesis.

Chip Zint

Chief Financial Officer & Senior Vice President, Deluxe Corp.

Thanks, Barry. To achieve our goal of \$80 million in comparable adjusted EBITDA, we are targeting \$130 million of total program value generated from the North Star plan. This is so we can not only offset the ongoing secular declines within Print, but also lap our recent portfolio exits. We feel confident that we can achieve this run rate target by 2026 because we've already taken actions to drive \$40 million of run rate EBITDA through our organizational restructuring efforts. And as we execute against our plan, we will be transparent with you. You can expect operational and financial North Star updates every quarter through the duration of the program.

The total cash charges for the program are expected to be roughly \$115 million to \$135 million through 2025, with \$35 million of charges already booked through the third quarter of this year and an additional \$80 million to \$100 million of charges projected to be taken over the next two years.

And as we share on last month's earnings call, our CapEx spend next year will be relatively flat from our guidance this year. We are allocating roughly \$45 million of CapEx towards projects that we've prioritized as part of North Star.

Now all in, although it is a significant investment, we expect the internal rate of return for North Star to exceed 50%. I currently expect the bulk of the cash charges to occur over the next six quarters. So we'd anticipate free cash flow improving in 2025 before reaching the full \$100 million of incremental run rate by 2026.

Now I know I've thrown three numbers at you in short order. \$80 million of comparable adjusted EBITDA, \$100 million of free cash flow and \$130 million of total program value. I'll talk through it in detail how these numbers connect at the end of the morning in my financial update.

In addition to the financial benefits, North Star is also an important vehicle for us to invest in our talent and operational execution. The over 100 senior leaders who are already a part of North Star are driving change, transparency and accountability across the wider organization. This allows us to focus on building critical talent, especially in our Payments and Data businesses.

But above all else, we're focused on driving operational execution and accountability in everything we do. As Barry mentioned upfront when he covered the strategy, our go-to-market model and North Star plan are two components of how we'll create value for shareholders.

Capital allocation discipline is the third leg of the stool. We have three main priorities for capital allocation: strengthen our balance sheet, drive profitable organic growth in Payments & Data, and maintain our dividend. First, on improving the balance sheet, our target is three times net leverage, which we aim to accomplish by both paying down debt and growing EBITDA. This will also contribute to improving our free cash flow conversion. Second, we'll continue to focus on investing in profitable growth within Payments & Data. We constantly evaluate investments to ensure they are driving profitable growth and are aligned with our strategy. Our investments must meet our internal hurdle rate and generate a higher return than other uses of capital like paying down debt. And, finally, today, our dividend is a core component of shareholder value. Our goal is to keep the dividend flat and outgrow the yield over time.

To illustrate the underpinnings of our capital allocation framework, I also want to give you a look at our overall capital planning process. It is not rocket science, but it is how you would expect us to do it and exactly how it should be done. And, importantly, it accomplishes two things. First, it is aligned with our overall North Star execution-oriented approach; and, second, it provides clarity to each of the businesses on what maximizes shareholder returns and how to drive towards those outcomes. Every year we start with an outside view of the market and get increasingly granular as we prioritize our investments to ensure we're maximizing returns over a three to five year period. All of this means we have a high bar for capital planning and we leverage the power of Deluxe in each of our lines of businesses.

So now that we've covered our strategy and what's at the root of it, our go-to-market model, operational excellence via North Star and capital allocation framework, let's talk about the shareholder value we expect to drive. Our value algorithm has five key components that directly translate our strategy and investments into high quality, sustained shareholder returns. We will continue to invest in driving profitable organic growth. Our target is low-single-digit revenue and mid-single-digit adjusted EBITDA growth. We will improve our free cash flow by reducing our net leverage and reducing restructuring charges in 2025 and beyond. We will drive operational execution via the North Star plan, which underpins our value creation targets.

We will continue to return cash to shareholders by maintaining our dividend. And we will sustain that performance by smartly investing in our talent, culture and execution discipline, so that we make better decisions and drive

better execution over time. Combined these five components will enable us to deliver at least 15% compound annual total shareholder return.

So, Barry was so quick to bring me up on stage. I didn't get to introduce myself and show you the best looking page of the day. But rest assured, I will be back later this morning to talk more about financial projections and guidance which I know is the only reason you guys are here other than the bagels.

I'll also unpack how the numbers for North Star connect to our projections. But for now, I'm going to hand it over to Garry, our COO, to discuss how operations will help drive execution.

Garry L. Capers

Chief Operations Officer, Deluxe Corp.

Thanks, Chip. As Chief Operations Officer, my first role in creating shareholder value is to drive operational excellence. So, we can reduce cost and continue to invest in our future. From Bain to ADP to my current role, I've seen this before. Excellence in operations drives immediate value and creates durable companies for the future.

I've managed businesses. So, while my primary focus is on driving operational excellence and giving my business partners the tools they need to succeed, I'll never lose sight of our customers and segments as we execute on our plan [ph] our role as (00:34:46) operations is two-fold. Our main focus is on consolidating multiple shared functions under one roof in our legacy businesses. This drives more efficiency over time, managing our cost structure so that we can maintain stable margins.

We also focus on developing the tools to drive customer and business insights that support our various lines of business. This enhances who we serve, where we focus and how we drive value. We have three objectives over the next three years as ops, which tie specifically to our North Star plan. First, we'll continue to consolidate and optimize our operations footprint to reduce costs, while not sacrificing customer service. This includes our manufacturing, warehousing and lockbox operations.

Second, we will be laser-focused on process efficiency by reengineering our ways of working, utilizing intelligent automation and other tools. And finally, we'll continue to build better tools to enable our businesses to be smarter about who and how we target potential customers with our sales and marketing efforts. Our objectives as operations are completely aligned with our business partners. We succeed only when our partners realize value from our ability to effectively delight customers.

Here's a concrete example of how we put these objectives into action. In the past two years, we invested in our print infrastructure through new equipment that enables what the industry refers to as print on-demand. You might be asking, why we would invest in this legacy print business? By making this investment, we're giving ourselves the tools to maintain our strong print margins without sacrificing our ability to win in the market. So, it's all in the name of preserving cash flow.

Let me give you a bit more detail about what we've changed. Each day, we receive thousands of check orders across our banks and consumers. These orders often have different designs and custom features. Previously, we had to do separate runs for different types of checks and sometimes even a second run to accommodate the custom features, all of which adds time and cost to the printing process.

For example, if we had to print Yankees' checks, let's say, for Chip and Minnie Mouse checks for Barry, we would fulfill those needs through separate runs requiring twice the time and effort. We've responsibly invested in more sophisticated machines that today allow us to reduce those checks in the same run and without any additional

print work. We continue to offer customers the same choice with less waste, labor and inventory. This builds on our strong position in the check printing space, allowing us to manage our margins in print and to redirect those cost savings into our payments and data businesses.

At the end of the day, our mission and operations is focused on efficiency first, but always in service of our customers and business partners. As we continue our journey, it's critical to drive cost out through efficiency, to return cash to shareholders and to keep creating space for us to invest in our payment and data businesses.

Let me introduce you to Yogs, who is transforming these investments into the platforms and solutions that drive our future while ensuring that we operate using systems that are both reliably safe and secure.

Yogaraj Jayaprakasam

Chief Technology & Digital Officer, Deluxe Corp.

Thank you. Thank you, Garry. Good morning, everyone. About 18 months ago, while at American Express, I was presented with a compelling offer from Deluxe. I did my due diligence carefully and through that process, I saw an opportunity to build technology that would amplify Deluxe's right to win with customers in three key areas.

First, award-winning customer service in merchant acquiring. Second, deep expertise in B2B payments and the combination of incredible data and class-leading talent. But what really sealed the deal for me is a leadership team that truly understood technology is critical in creating customer and shareholder value. Clearly, my answer was a resounding yes.

In Payments & Data, technology is our product. First, the simple act of tapping your card to make a purchase involves complex ecosystem of companies and data handoffs. We orchestrate all of this on behalf of our customers. Second, while helping businesses pay and get paid sounds simple in theory, it's a complicated process with messy handoffs between machines and humans and involving a lot of different systems and data. Although every new payment method only makes it more complicated, by applying technology, data and automation, we make it simpler for our customers.

Finally, our data business builds highly efficient marketing audiences. We aggregate billions of data points for our clients to target the right consumers with the hyper-personalized marketing campaigns. Synthesizing and analyzing all this data is impossible without the right use of sophisticated technology, data and AI tools. As I said, in Payments & Data, technology is our product.

But as you can see, getting to this point has been a journey. Historically, even as Deluxe acquired differentiated payments and data assets, the company chronically underinvested in technology. Despite 50-plus acquisitions, Deluxe did not increase its CapEx spend until 2020. This left Deluxe less competitive and unprepared to grow organically.

We have made a significant capital investment to catch up, but also build a very strong foundation for future growth. My focus particularly has been in two key areas: one, modernize our core platforms and infrastructure; and, two, adding new products and features to provide a competitive advantage in payments.

On the first point, we already made great progress. You may not know this, but in many large payment companies, there are thousands of applications running simultaneously. In Deluxe, we had more applications than some of the industry giants. We have already cut the number of applications we use in half. This reduces cost, improves our security posture, more importantly enables our teams to focus.

And on the new products, we are moving extremely quickly. Many payment players may take years to launch new products. We are rolling out many new products in months to support our customer demands. Now that we have completed all of this foundational work, through North Star, we right-size our investment in technology to support our business mix and also getting very efficient with our expense base. And we will speed up our product innovation to support our revenue growth objectives.

Let me share more detail with you on our technology go-forward strategy. We have five priorities that will drive impact to our customers and our business partners. First, we are responsibly expanding our tech investment in our growth businesses. Second, we are creating a digital-first platform that is cloud native, data driven and built with reusable components. This drives growth by allowing us to build and commercialize our products more rapidly.

Let me give you an example. In B2B payments, we used to take roughly three weeks to rollout a product for our customers and now we take less than 30 minutes. Think about that. Third, we are replacing legacy systems and processes with digital solutions. This expands our margin by reducing our labor and system costs, while improving our internal employee and customer experiences. This ties directly to our North Star objectives of process improvement and system simplification.

Fourth, we'll continue to invest in protecting our core, including cybersecurity, audit and compliance. Maintaining a strong foundation makes us relevant and trusted partner for another 100 years. And finally, we are embracing new ways of working, by investing and upskilling our technology talent and leadership, hiring next-gen talent in high impact business and creating a culture of innovation and continuous improvement.

Here is the bottom line. We are building a modern payment and data business. We are developing leading set of payments and data products that will delight our customers. We are delivering digital tools that will improve our employee experiences and productivity. And more importantly building an ecosystem that allows us to more effectively collaborate and innovate with our partners. And all of this delivered North Star's objective by simplifying and improving our technology ecosystem.

Let's talk about our digital-first platform ecosystem. What you will see on the screen is all the different pieces of our platform ecosystem. These are built with composable capabilities. What do I mean by that? Think technology LEGO blocks that snaps together nicely that you can then use and reuse in many different products and services across business lines.

The key components include are cybersecurity and identity foundation and these Deluxe assets we use to connect with our customers and employees. That includes data and AI, which allows us to power products and services that best meet our customer needs and delivered through the connections and integrations we make with our customers. And, finally our customer-facing products that are in many different businesses that then use and reuse these assets to create the differentiated experiences for our end customers.

By creating platforms, we can effectively focus our investment in single set of attractive components. This results in a leaner ecosystem, making us more competitive and cost efficient at the same time. And it means, we now rollout products in minutes, not weeks. Let me give you a quick example of how this plays out. In our Merchant Services business, there are four key priorities for our merchants and partners: product, easy integration and onboarding, services and support and of course, our price, [ph] we went on (00:47:23) service and onboarding already. We have competitive prices. We are continuously improving our products but what we lacked an easy way to integrate with online payments for our customers.

To address this, we launched a new developer portal. We call it Deluxe.Connect. This tool allows our customers developers to access the code needed to integrate our products without having to work with our technology teams at all. This means they can accept payments faster with lower effort and when they still need to phone a friend, they can call our award winning customer service anytime.

We don't just have one single payment business. We have two. So, in B2B payments, ease of integration with our partners and customers is equally critical. So, instead of building two separate portals, we built a single set of shared components in a single portal that creates a seamless fintech experience for both our merchant and B2B payment clients.

Because we deliberately took a composable approach, when Mike needs to connect his B2B customers to the developer portal, we don't have to write new code. Another great example after of the One Deluxe model Barry talked about. We use this approach across all our businesses.

Now you can see how we use technology to build a future and to optimize our cost base. I'll say this in closing, we are investing in technology to build awesome products for our customers, become more efficient in what we do every single day and change our culture to be more tech forward.

Thank you. I'll now have Brian back on the stage to share the rest of the agenda.

Brian Anderson

Vice President-Strategy & Investor Relations, Deluxe Corp.

Thank you, Yogs. With that, we're going to transition to a short break. When we reconvene, our line of business leaders will share more detail about their respective businesses, competitive positioning and three-year forecasts. We'll plan to resume in 15 minutes. Thank you.

[Break] (00:49:51-01:05:43)

Brian Anderson

Vice President-Strategy & Investor Relations, Deluxe Corp.

Hello, everyone. We're going to get back into things here. We'll continue the morning with updates from our four line of business leaders, beginning with Debra, the President of our Merchant Services business.

Debra A. Bradford

President-Merchant Services, Deluxe Corp.

Thanks, Brian. Good morning, everyone. I am happy to be with you guys today to present our Merchant Services business which I've spent the last 22 years running and growing. This business has largely been an organic growth play. We're focused on driving growth through the shift to omni-channel sales and the integration of software and payments over the coming years. For those that might be a little bit less familiar with Merchant Services, let me pause and give you just a brief introduction.

As a cardholder, every time you swipe your credit card or use Apple Pay to purchase something, we facilitate the authorization and perform the settlement of that transaction, enabling payment to the merchant. And in turn, we charge the merchant a percentage of the transaction amount and along with monthly usage fees for other value-added services.

When building the business, we made a strategic decision to go after the small to medium-size businesses. This decision was made for several key reasons. Larger merchants like Amazon and Walmart are harder to serve. They have lower margins and create significant concentration risk. Then, you have the micro merchants, like the one you might find at your local farmers' market who often turn over very quickly, making it harder to build scale. So, we chose the small to medium-size merchant segment, where we have good growth, good margin and considerably less turnover than a micro merchant would have.

Historically, our focus has been on the small to medium-size merchant segments. Today, however, we process payments across all avenues, whether it's online, in-person, recurring payments, just to name a few. Currently, 40% and growing of our processing volume is what we call card not present, a proxy for online, digital wallet and subscription payments. To fuel that growth, we're creating seamless omni-channel experiences for our partners, our merchants and then of course, the end user.

Now, one of the most common questions we get asked is, how do you fit into the larger and broader market? While we compete against small and medium-size acquirers, our focus allows us to differentiate our products, enjoy higher margins and build deeper relationships with our customers. The segment we compete in today is a growth market for us as small to medium-size merchants are increasingly using vertical specific solutions which allows acquirers like us to provide a much more comprehensive solution tailored to the specific needs of that merchant.

There are two categories that we don't compete directly with. The large acquirers that typically go after the larger merchants, which require complex integrations and usually generate much lower margin. And then you have the acquirers focusing on the micro merchant, who often turn over quickly, making it very difficult to build scale. Again given the high attrition rate and the lack of vertical differentiation, we've chosen not to focus on this segment.

Although we have a diverse portfolio of merchants, our real secret sauce is the uniqueness of our offering to their specific vertical. And I'll give you an example, the auto repair vertical. This is a large and growing TAM because vehicles continue to get more complex and expensive to service. It's also non-discretionary spending, so it's more durable over time.

To build greater competitive advantage, we recently added direct connections into two key auto payment networks, Wex and Voyager. Our integration reduces the complexity of having two separate providers and just streamlines the process for the merchant downstream. And we help ease the reconciliation process on the backend by offering consolidated reporting and bank deposits.

Another good example is the government vertical. We work closely with state and local governments to accept payments for various services they offer, anywhere from property tax to licenses, to even traffic citations. We excel at navigating the complexity of the government space and we're rewarded with high margins and stickier relationships. Our strong product set gives us the competitive advantage where a lot of acquirers just simply can't replicate.

So, why would a merchant or partner choose us over another provider? There are really three big reasons for this, our people, our infrastructure, and our relationships. First, let me talk about our people. Many of our employees are truly experts in this industry and they're long tenured with us. We take great pride as an organization in servicing our partners and our merchants as seen by and proven by the many sales awards we've won over the past 11 years.

Second, our infrastructure. We made a decision many years ago to own the majority of our technology rather than leasing it from a third-party. Specifically, we own our gateways. We own the merchant on-boarding process. We own risk management. We own our clearing and settlement technology. And this really gives us two competitive advantages, we can launch new products and services quicker and we can have scalability in our cost structure. Because we own that infrastructure, we don't have to pay a third-party for these tech support components and we can expand our margins as we scale the business. And truly this is a huge differentiator for us.

And third, the relationships. The Deluxe brand and our 4,000 banking relationships have helped us accelerate the growth of our FI sales channel, which we've worked closely with the banks to offer our services to their clients. And in fact, we've signed more than 30 new bank partners this year alone, which is nearly 3 times the rate prior to us joining Deluxe.

So, here's what this all comes down to and mean financially for us. We expect high-single-digit revenue growth over the next few years. We'll also enjoy margin expansion as we scale our business and rollout new products and services. To accelerate the growth, we're going to be focusing on getting share – gaining share by offering omnichannel and embedded services to the merchant and growing our integrated software partnerships.

As Yogs mentioned earlier, we just launched our new developer portal and we're also going live with the new digital platform for merchants this quarter. Second, we're working with integrated software vendors to embed our payment solution into their software. As we began investing in this channel, our pipeline of potential partners have more than doubled just in the past few months.

So, to sum it up, accelerating organic top line growth and expanding our margins is how our business contributes to gaining shareholder value for Deluxe. So, I hope this has helped your understanding a little bit of Merchant Services and I'm going to turn it over to Mike, our leader of B2B, to talk to us about accounts receivable and accounts payable.

Michael A. Reed

President, B2B Payments, Deluxe Corp.

Thank you, Debra. So what is our B2B payments? We help companies pay, get paid and reconcile their payments. While that may sound simple, the process is surprisingly complex and bringing order to that complexity is our opportunity. Let me illustrate, what our customers face daily. A tangled mess of accounts receivable and accounts payable.

Remember a time when you waited to pay a bill until the final due date? Maybe you were waiting for a paycheck to come in or you just wanted to hold on to that precious cash. Well, companies do this all the time. And aside from payment timing, there are many other variables that come into play, maybe they short pay an invoice or combine multiple invoices into one payment. All of this also impacts the company receiving the money.

I recently spoke to one of our customers in the accounts receivable department at an electrical supply company. The scale and complexity of her workload is stunning, with thousands of contractors each placing hundreds of orders daily. The invoice complexity is massive, especially considering discounts and terms and invoices tied to multiple payments. Not to mention the number of payment options like ACH, credit cards, checks and real-time payments. All of these using different platforms and information. This complex process causes all kinds of errors and mismatched data. And every error takes a lot of detective work to solve, which shows up as less cash for the business and outstanding invoices to reconcile. And we have the answer, our payables and receivables software automate all this work, bringing clarity to the [ph] chaos (01:17:50) our client literally said, if my company took away the Deluxe software, I would quit.

So, why is this an attractive space for us? Well, it's mainly about our experience and the opportunities in the market. First our experience, we have deep expertise solving the most challenging customer pain points in B2B payments: reconciliation and integration. Every day, our sophisticated software and workflow tools automatically reconcile millions of payments. And we seamlessly integrate those payments with the company's accounting software.

Second, credibility and scale. After years of solving for the complexity of a Lockbox, our proven software and workflow tools are already embedded within our customers systems. In fact, nearly 70% of the top 300 financial institutions use our processing capabilities in their Treasury management toolkit. This gives us a solid foundation for cross sales and additional software solutions through our One Deluxe model.

Third, the opportunity in the market. We see clear customer demand for additional software services in the order to cash cycle. As you can see from the chart, the total addressable market for B2B and – for B2B AR and AP automation space is nearly \$30 billion, with two thirds of this still underserved, giving us ample opportunity to grow.

So how are we driving growth? Since we have deep expertise and strong relationships, many of our customers are asking us for additional payment reconciliation services. If we go back to the electrical supply client, when we first met, they were reconciling virtually all their payments manually. Our automated software now reconciles 90% of the customer's B2B payments without any manual intervention.

As a result, they've redeployed two thirds. Yes, two thirds of their cash application staff to higher value work, saving time and money. And customers like this repeatedly ask us to provide additional solutions to help them manage their accounts receivable and payables. We are on a path to deliver a comprehensive software as a service platform to address customer needs in the complicated order to cash cycle. This includes things like processing, cash application and exceptions. With the expansion of additional features and functionality, we will drive meaningful value for our clients and Deluxe.

Over time, we are evolving as a B2B payments business. As you can see, we are moving from our traditional peer set, focused on item processing, think lockbox and remote deposit capture, to a peer set focused on AR and AP automation through software solutions. Given that two thirds of that market is underserved today by these software providers, we have significant white space to grow our SaaS solutions.

So, we anticipate a mid-single-digit revenue growth in the next two years to three years as our newer SaaS-based automation offerings scale, and we will continue to drive margin expansion in our processing business through a great execution, efficiency and process automation. What that means to you is that we hit the key parts of the investment algorithm: secular top line growth and margin expansion.

I'll now hand it off to Kris to talk about our data business.

Kristopher D. Lazzaretti

President-Data Solutions, Deluxe Corp.

Thank you, Mike. Good morning, everyone. 15 years ago, I co-founded a data, analytics and marketing services firm that delivers superior end-to-end marketing solutions for clients. With the acquisition of [ph] my company (01:22:46) seven years ago, I joined Deluxe and today we are a better business for being a part of it.

So, what do we actually do? We leverage data and analytics to help banks and other clients like retailers, telcos and utilities, acquire more customers by doubling or even tripling the response rates on the ads they show you. Our ability to better target consumer and business audiences means that you're all less likely to skip that ad in your inbox or throw away that piece of mail, and that, that translates into material growth for our clients.

Our right to win is anchored around two key elements, our data and our top-level talent. We have one of the industry's largest data lakes with over 100 contributing providers, including credit bureaus, leading property data aggregators, behavioral data and what we believe is the best coverage of consumer and business triggers in the United States.

We take those datasets and use large language models or Gen AI in common parlance to integrate these assets into a unified fabric. Deluxe's investment in a flexible, modern, cloud-based infrastructure has allowed us to do this at a pace that was previously impossible. Of course, it's our talent that brings the data to life. We recruit from top schools and then train these professionals to utilize advanced analytics to deliver fully integrated marketing campaigns for our clients.

The unique combination of our data and talent has given us opportunities to serve well over half of the top 50 US banks. P&C is just one example, as well as leading retailers and global telcos. So, let me paint a picture of what this looks like in action. Due to the shifting macro environment, a top 10 North American bank needed to raise deposits. And in this environment, deposit dollars are scarce. The bank needed a partner to help them raise deposits quickly and effectively. Thanks to our proven deposit marketing playbook and fit-for-purpose data assets, we were able to quickly pivot to support them. And thanks to our modern data infrastructure, we [indiscernible] (01:25:34) on this large and complex task without adding head count to our team. Our work drove billions in low-cost deposits for the bank, exceeding their expectations, all while generating significant revenue and EBITDA for our data-driven marketing business. This example demonstrates how the combination of our technology, data, and talent delivers superior results.

Now, often, you'll hear businesses talk about how they're best in class, but don't take my word for it. We surveyed our clients and they had a lot to say. We have a nearly perfect likelihood to recommend. Every one of our clients said they are extremely likely to work with us again over the next 12 months. And when asked why they ranked us so favorably, they said it was the quality of service we provide and our deep industry expertise. Our clients really do say it best. The best strategic partner I have worked with in 20 years. The Deluxe program outperforms pretty much every other customer acquisition program that we run.

Everything about your approach has benefited our business. But if I were on your side of the room, I'd want to know. Is this sustainable? Absolutely. We are better positioned today than we have been at any point over the last decade for sustainable growth.

Core marketing spend grows at around the rate of GDP. But marketers are under pressure to get more for their investments by demonstrating measurability through scientific data driven marketing. And we, we deliver one of the industry's best solutions in this area. Recall what our clients just said on the last slide. Plus, we have logical adjacent industries where we're expanding today. So, let's talk about that.

Given our size and right to win, the banking space is still our largest and highest return expansion lever. Our deluxe brand and our relationships with FIs have helped us historically and will continue to do so. These in-house relationships have contributed significantly to the nearly 200 new data driven marketing clients we've acquired over the last three years.

At the same time, we are ramping up our efforts to win enterprise-level clients in the B2B marketing and credit card marketing space. The B2B marketing space has a large TAM, and our talent and data coverage provide a natural right to win with a clear path to scale.

For credit card marketing, we already have the right capabilities, data assets, and business model to expand relationships within our built-in client base. Credit card marketing represents the largest adjacent market to our core client base.

Now, what to expect? Over the next several years, we anticipate high-single-digit, top-line growth. And although we think the business is going to grow consistently over time, it's project based. So, there may be variability quarter to quarter, which we expect to smooth as the business continues to scale.

Given our strong performance over the past few years and our ambitions for the future, we will play a key role in Deluxe's growth strategy by driving sustainable, profitable growth.

I'll now hand the stage over to my friend and colleague Tracey who runs our two print businesses, Check and Promo. Tracey?

Tracey G. Engelhardt

Chief of Operations & President-Checks, Deluxe Corp.

Thanks, Kris. Good morning, everyone. I've spent 30 years running virtually every part of this business. And I can tell you this, our check business will be around for a long time. Now, I know what you're thinking. Everyone uses Apple Pay. Who even writes a check anymore? Today, there are 11 billion checks written yearly in the United States. And 40% of all business to business payments are still checks, the largest percentage of any payment method.

When you order checks from a bank as a consumer or a small business, we produce and send those checks to you. When you fill out a deposit form, we've printed that. We are great at checks, and our financials show it.

The industry has been declining annually 6% to 7%, but we've kept our revenue flat for the past two years. We also have a proven track record of successfully managing our check margins over time, which gives us a high confidence in the durability of our cash flows.

Our outperformance in the check business is due to our deep FI relationships, our extremely high accuracy and security, and our great customer service. Our error rates are better than Six Sigma, and our checks have advanced security features.

We just don't make mistakes. Our teams go the extra mile to deliver for our customers and fulfill our 100% satisfaction guarantee. All of this shows in our volume retention rate of over 96%. It's also the reason why we win new customers, which we do more often than we lose. By the way, our customers pay for the accuracy and security and service.

Now, while our primary business in the print space is checks, we also offer a wide range of complimentary products. Deposit tickets, branded forms, business cards allow us to gain a greater share of the customer's wallet. So, now we've talked a lot about checks.

How does promo fit in? Our promo business fills two critical needs. First, we sell high margin ride-along products to our bank and small business customers. For example, one of our top selling products is an intro pack. It's a

bundle that contains checks, deposit tickets, and an endorsement stamp. These products are natural complements to our check product and allow us to add high margin sales to a customer's basket.

Second, we offer print and promotional products like banners to our millions of small business customers. Deepening engagement with our customer base. So now why did we decide to manage check and promo together at this time? There's a significant overlap in our go-to-market channels and our customer bases already. We sell promotional products to our check and small business customers and we sell checks to our small business customers via our e-commerce and distributor relationships.

Internally managing these two businesses together allows us to take cost out and maintain our margins. So, our role in driving shareholder value is to deliver cash flow. Cash that funds our business – our data and B2B payments and merchant services businesses, reduces our leverage and maintains our dividend. Given our proven track record and differentiators, we expect our revenue to decline slower than the market. We'll maintain stable margins by managing our cost structure and keeping our error rates better than Six Sigma.

Now, I'll close as I started. Our Check business will be around for a long time. We will continue to generate durable cash flows that contribute to driving profitable growth and improving our balance sheet. Now, I'm going to invite Chip back up to share additional details on our three-year trajectory and our North Star.

Chip Zint

Chief Financial Officer & Senior Vice President, Deluxe Corp.

Thanks, Tracy. Okay, I'm back. Which means now we get to do the fun stuff. So, as we mentioned upfront, we expect to drive a low-single digit organic revenue growth through 2026, which we believe will accelerate over time. Over a similar period, we expect to drive comparable adjusted EBITDA CAGR of 5% to 7% from the midpoint of our 2023 guidance, or roughly \$390 million of comparable adjusted EBITDA to \$470 million in 2026, underpinned by business growth and North Star.

I mentioned earlier that we're targeting \$130 million of benefits from the North Star plan that will translate into \$80 million of incremental comp adjusted EBITDA. For those of you building models, let me talk you step by step through that bridge. If there's a page I really want you to pay attention to today, it's this one.

Our 2023 forecasted EBITDA range is \$405 million to \$420 million. As we covered on the third quarter earnings call, that includes \$10 million of in-year fourth quarter benefit from North Star, which is the red part of the bar you see on the left side of the chart. To get to the go-forward comparable adjusted EBITDA, we first have to adjust for the anticipated impact of our exits of our hosting and payroll businesses, both of which were non-core to our portfolio and completed at the midpoint or later in the year. Divesting both enables us to drive more profitable growth over the next three to five years, and that has a \$25 million estimated impact to our carry forward EBITDA.

Removing that amount brings us to the midpoint of guidance with comparable adjusted EBITDA for 2023 of approximately \$390 million, rounding to nice easy numbers. From there, we need to consider the cumulative declines in our print businesses of roughly \$70 million over the next three years. That is partially offset by base business growth of \$30 million. Now, this number may seem low, but that's because I'm including our highest priority growth initiatives as part of North Star to ensure we drive great execution, think things like our investment in merchant services and data. So you'll want to think of our total growth as a combination of base business growth and revenue growth driven by North Star.

Finally, we need to factor in the \$130 million of incremental EBITDA from North Star. I've already mentioned the \$10 million of North Star in your benefit for 2023. That leaves \$120 million of North Star EBITDA growth to realize

the full figure. And as mentioned earlier, this amount is a mix of high priority growth initiatives and cost reductions. And so while all of this matters, what we're ultimately focused on is the incremental \$80 million of comparable adjusted EBITDA by 2026 that'll help us increase free cash flows over that period.

Now, although the key goal of North Star is to grow our enterprise EBITDA, it will also help transform the complexion of the company. You'll see this manifest in our numbers as our top line accelerates, and we create more scale in our growth businesses, which should help keep our margins steady. We expect payments and data to be roughly half of total revenue in 2026, more than 1.5 times the size of checks revenue and represent roughly 40% of our adjusted EBITDA, up from the high 20s today.

Internally, this change will mean [ph] we're a (01:39:30) very different company. We'll be less focused on manufacturing and more focused on technology, product management, and digital products and experiences. This material change and the composition of our revenue and EBITDA is the result of our significant and ongoing transformation from a print towards a payments and data company.

North Star will also help strengthen our balance sheet. As we improve EBITDA and use the incremental cash flow to pay down debt, our conservative forecast is to get to a roughly three times net leverage ratio by the end of 2026. That'll be the result of both reducing net debt and increasing our adjusted EBITDA. And, starting in 2025, our free cash flow conversion will improve from roughly 20% currently to over 30% by 2026, driven by two factors.

First, the lower interest expenses driven by our lower net debt. This will generate \$15 million to \$20 million of additional free cash flow by 2026; and, second, significantly lower restructuring costs once we complete the North Star plan. This will lead to at least an additional \$30 million to \$40 million of free cash flow by 2026.

By 2026, we expect to generate an incremental \$100 million of free cash flow off of the \$80 million of comparable adjusted EBITDA, driven by North Star, even after conservatively modeling for the impact of taxes, changes in working capital and other free cash flow adjustments.

Today, we are reaffirming the 2023 full year guidance we shared during last month's earnings call, and I'll now share our preliminary guidance for 2024, keeping in mind, we're assuming a stable macro environment.

I want to focus your attention to the rightmost column, which represents the comparable adjusted growth ranges for next year. This guidance fully excludes the Web hosting business, which was sold back in June of this year, and the payroll business, which is in process of being divested. Combined, they're estimated to have a \$55 million impact to revenue, \$25 million impact to adjusted EBITDA, and a \$0.20 per share impact to EPS.

So, as such, we anticipate a 2024 revenue of \$2.14 billion to \$2.18 billion. That represents a flat to positive 2% revenue growth versus our comparable adjusted revenue midpoint for 2023. We expect adjusted EBITDA of \$400 million to \$420 million. That represents a 3% to 8% comparable adjusted EBITDA growth versus our 2023 guidance midpoint. We expect adjusted EPS of \$3.10 to \$3.40, which represents a flat to 9% increase versus our comparable adjusted 2023 EPS guidance midpoint. And, finally, we estimate our free cash flow to be between \$60 million and \$80 million, in line with 2023 on an absolute basis, but up year-over-year when adjusting for the expected impact of those divestitures.

So, before I hand the stage back to Barry, I'd like to reiterate that we have a simple value creation algorithm, underpinned by a clear execution road map. We will continue to invest in driving profitable organic growth. We will improve our free cash flow by reducing our net leverage ratio. We will drive operational execution via the North Star plan. We will continue to return cash to shareholders. And we will sustain that performance by smartly

investing in our talent, culture, and execution discipline. Combined, these five components will enable us to deliver at least 15% compound annual total shareholder return.

Barry will now provide some closing thoughts before we get into the Q&A section.

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

Thanks, Chip. So, I now trust that you can see the significant progress we've made on our transformation. Revitalizing the company, building a strong foundation, delivering organic revenue growth for three consecutive years, and now positioning the company well in secular growth payments and data markets for sustained growth.

We're confident in our execution roadmap given our detailed integrated action plan we call North Star, all of this is designed to accelerate our growth and deliver sustained shareholder returns. As we close, I'd like to go back to where we began. We have already done the hard work to transform the company from a declining check printer to a sustainably growing payments and data company.

And now we're an organic EBITDA growth and a deleveraging story. We're confident we have the clear opportunity and robust plan to deliver 15% annual shareholder returns. So here's why we're confident that we're going to do that based on what we've already shared with you today.

First. We have a clear enterprise strategy. We are investing the relationships, the credibility and cash generated from the print businesses to deliver growth in our payments and data business. That will deliver enterprise – help the enterprise deliver shareholder growth by transferring value from debt holders to equity holders going forward.

The payments and data businesses are well-positioned in strong secular growth markets with defensible positions. The cash flow from our print business is robust with predictable and manageable declines. And our material infrastructure repair and portfolio optimization efforts are now behind us, enabling us to focus now on growth and efficiency.

Second, our One Deluxe model is a proven and powerful engine for growth. We leverage the power of our portfolio by building relationships with our clients based on solving their needs. This drives our growth not only in major enterprise wins, but also a smaller businesses and in the everyday actions we take to drive our business forward.

Third, through North Star, we have a robust, integrated enterprise execution plan that's already in motion. We've already taken actions to drive the first \$40 million of program target with our order design work. The North Star progress we've already made, we think should provide you confidence in our ability to execute.

Fourth, we have a disciplined capital allocation framework with three components. A, we are a deleveraging story. Investing the increase in cash flow to improve our balance sheet will yield strong shareholder returns. B, we are responsibly growing and are investing in our payments and data business for growth with appropriate hurdle rates. And C, we're doing all of this while maintaining our current dividend.

Now, before we take questions and answers, I want to close by thanking all of my fellow Deluxers, hundreds of whom are watching this webcast live right now at our sites all across North America. Thank you for your hard work, your dedication and grit. You are the team that got us to this great place, and I'm confident we will achieve our goals ahead because of your unwavering commitment to our company and customers.

So, Chip, why don't you come back up and we're ready – we will be ready for our questions and answers.

QUESTION AND ANSWER SECTION

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

A

So, I think the way this is going to work, we're going to have microphones. So, they'll bring you a microphone if you have a question. Chip and I will do our best to answer it. And we have phone a friend all across the front row if we need some help.

We also know we're getting questions from folks on the webcast as well. So, who wants to be the first – who wants to submit the first question out there?

Q

Barry, you guys gave a interesting presentation on all your segments and you talked about growth and incrementally either improving growth or on your check business, the growth not declining. I'm wondering, as you look at these businesses and you look at the plan, where do you think – is there a segment where you think, gosh, this segment has a higher risk than others in terms of achieving the growth rates you've laid out today?

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

A

I think we – it's a great question. We thought pretty thoroughly about all of the execution plans across each of the businesses. And we feel honestly pretty solid about all of them where we have number of levers that we can put our hands on. If one lever isn't quite right, we have other hands we can put on levers to help deliver. And hopefully, each of the division presidents gave you some detail on that. You want to add on that?

Chip Zint

Chief Financial Officer & Senior Vice President, Deluxe Corp.

A

I agree with that.

Q

And then, just a second question. You're really focused, obviously, on paying down debt, which I think is really important for the stock. How much consideration did the board give about maybe reducing the dividend and eliminating the dividend? I know it's not a lot of money, but just out of curiosity, how much thought was put into that?

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

A

I will tell you that it is a very active debate at the board. The board is incredibly diligent. We're very fortunate to have a terrific board of seasoned experts. And the conclusion we have had and the decision we've continued to make is that we know it's a key part of the value proposition for investors in the stock today, and we can comfortably manage it within our cash flow of the company.

We're even more confident now because we have the North Star plan that will accelerates our cash flow that will allow us to pay down debt. And that's why we've tried really hard today to be clear that we're going to grow the profitability of the company, grow the company, while at the same time be able to hold on to that dividend yield for – not yield, the absolute dividend value for shareholders.

Q

Hey, Barry. You talked a lot about the shift from using CapEx from fixing to investing.

Barry C. McCarthy*President, Chief Executive Officer & Director, Deluxe Corp.*

A

Yeah.

Q

How should we think about it kind of a normalized CapEx rate going forward beyond this year, obviously being flat with last year now that you're kind of more in investment mode [indiscernible] (01:51:22)...

Barry C. McCarthy*President, Chief Executive Officer & Director, Deluxe Corp.*

A

Yeah.

Q

... [indiscernible] (01:51:23) in 2025-2026?

Barry C. McCarthy*President, Chief Executive Officer & Director, Deluxe Corp.*

A

So, [indiscernible] (01:51:26) to answer the first part about that and then I think you should take the second part. So, the first part about that, I think you got the story exactly right, that we're not only at the inflection point because the company is growing organically, revenue and EBITDA, three consecutive years for revenue, but now full year profit growing faster than EBITDA – I'm sorry, profit growing faster than revenue. That is an inflection point by itself.

But this year is also an inflection point because we have now gotten past all of that foundational repair work. That was pretty expensive. I was really clear about that in the prepared remarks. It took a little longer than we expected and cost a little more. But that is done. We are now on a solid foundation that allows us not only to focus our CapEx dollars, but our people, resources and the things that are going to really drive the share value going forward: revenue growth, EBITDA expansion and cash flow.

Chip Zint*Chief Financial Officer & Senior Vice President, Deluxe Corp.*

A

And, over that period of time, pure CapEx plus the cloud computing spend was significantly higher than what we have today. But, as you guys know, I'm guiding approximately \$100 million of CapEx spend for 2023. And, while I

haven't given you the exact other below the line items for next year, I'm roughly expecting the same number for 2024.

I do believe that, over time, it can slightly come down, but what I do know is we feel good about the portfolio. We feel like we're smartly investing in the right things, and the mix has shifted, where we're a roughly around 60% targeted towards to growth investments at this stage.

Q

Good morning. I was going to ask you about North Star. Just a couple questions and maybe the first one is, as you think about the kind of big investments that you need to make up-front versus the big cash costs, I'm just wondering, what are the big initiatives that you're really – that we need to consider as you go through that process? And I'm wondering kind of the, really, the risks and the opportunities as you go through that.

Barry C. McCarthy*President, Chief Executive Officer & Director, Deluxe Corp.*

A

Do you want to start?

Chip Zint*Chief Financial Officer & Senior Vice President, Deluxe Corp.*

A

Yeah. So, I mean, you saw the 12 work streams. Is my mic on?

Barry C. McCarthy*President, Chief Executive Officer & Director, Deluxe Corp.*

A

Yeah. [indiscernible] (01:53:29).

Chip Zint*Chief Financial Officer & Senior Vice President, Deluxe Corp.*

A

Okay. You saw the 12 work streams. It's heavier skewed to the cost side, but it is focused on the growth side as well. I mentioned the charges that we expect to occur over the next six quarters. Think of that as a mix of kind of employee severance-related costs, professional fees, as well as other onetime costs like write-offs and site consolidation.

So, I think, you can see us spreading all those efforts broadly across in many categories. We've already delivered the \$40 million of run rate benefit already through our organizational redesign efforts. And, I think, each of them have different risks and opportunities, but what we're doing in a very responsible way is we're addressing more of the cash positive short term reward items right away to help manage the cash flows through the journey and help allow us to drive more value on the more complex items down the road in the second phase of the project.

And I think with that...

Barry C. McCarthy*President, Chief Executive Officer & Director, Deluxe Corp.*

A

[indiscernible] (01:54:21).

Q

So, maybe my follow up is as an employee or as a client, just wondering how should we think that this is going to impact us?

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

A

So, I appreciate the question. We work incredibly diligently and I think you saw it maybe best in Kris's presentation about how high the level of customer sat is for our businesses overall. So, our company has a handful of core values. The first one is that we put customers first. And we meet their needs, help them satisfy.

I think the benefits of North Star are going to be that the company is now leaner. There are fewer layers, so it's faster for the company to make decisions and it's easier for a customer to get things done because we're just a simpler, much less complex organization, sort of level one.

Level two, I think Yogs gave you a great description of how we're fundamentally changing the technology profile of the company with composable architecture, which we'll continue to invest in, which means we're able to give customers better product faster to meet their needs, which then of course turns into revenue growth for us.

And I think for employees, it means that we're just an easier place to get things done. And as the company grows, it creates new career opportunities and upward potential for our own folks.

You want to add anything on that?

Chip Zint

Chief Financial Officer & Senior Vice President, Deluxe Corp.

A

No, well said.

Lance Vitanza

Analyst, TD Cowen

Q

Hi. Thanks. Lance Vitanza from TD Cowen. Thanks for being here today. Two questions, if I could. The first is I know you announced this, I think back with the third quarter earnings, but could you talk for a minute about the decision to exit the payroll business? Just trying to understand what the thought process was there and how big of a contributor, if you could remind us? I know the total with that and the web hosting was the \$25 million, I think that you put in for EBITDA in 2023. But if you could focus in on the payroll business in particular, I'd appreciate it.

And then my second question is the comments that you made, Barry, at the beginning of the presentation. I think you talked a couple of times about transferring value from debt holders to equity holders. And I just – I wasn't exactly sure what you're trying to get at there. I mean, you're paying down a lot of debt and deleveraging the balance sheet which to me seems pretty good from the standpoint of creditors as well as shareholders. Right?

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

A

Yeah.

Lance Vitanza

Analyst, TD Cowen

Q

So, just trying to understand that.

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

A

So, I'll answer the second first and then I'll give you the strategic answer and then you can come in with some of the hard numbers. So, our point to you is what this company was not before an organic revenue growth company. It did not have profit growing faster than revenue. Both of those things are solved. We didn't have a strong foundational infrastructure. We fixed all of that. So, we're at a fundamentally different place today where we're going to build cash flow even faster and use that cash flow to pay down debt. And it's just math, right? You pay down debt equity value should rise. That's what we're implying, is that by paying down debt and deleveraging the balance sheet, shareholders should have a very attractive and predictable return, honestly, because of the power of a deleveraging story.

Now, the other question we had about the divestitures. Let me just give a strategic answer and then you can come in with the hard numbers on how it impacts the P&L. I remember at the beginning of the conversation we said the company had completed more than 50 acquisitions over a 10-year run. And some of those acquisitions were – many of those acquisitions were in our web hosting businesses. There was logo design, web design, web hosting, colocation services. There were a ton of businesses there. And those businesses were incredibly cash – I'm sorry, yeah, CapEx consuming. And we were facing a pretty big wall of investments spend just to stand still in a market that was increasingly competitive. And honestly, our business was in decline. So it's pretty obvious to us that given what we're trying to do with the company, that was an asset that could be better managed by somebody already in the business that our portfolio could help them grow scale, better fit for them in their company than it was for us. So we've made that decision to exit.

The similar story in payroll. In the payroll, there was a Canadian business and a US business. And both of them were facing pretty significant need for CapEx spending to renew the platform and continue to compete in the marketplace. In a capital allocation scenario, Chip went long on it today how we think about a capital allocation. We want to put it against the places with the best returns. And we concluded that the best returns were in the three businesses were focused on, B2B payments, merchants, and data-driven marketing. And so it became pretty obvious that that should be divested as well, get something for those businesses today, avoid CapEx, and have a better growth profile for the company going forward.

Chip Zint

Chief Financial Officer & Senior Vice President, Deluxe Corp.

A

Yeah. Lance, I – as you think about my preliminary guidance for next year, it's very important to know I've removed both those things completely from it. Now, the Web hosting piece is easy because we closed that transaction back in June of last year. So we know kind of what the [indiscernible] (01:59:31) cost and run rate is because that's easy to plan. The payroll piece is going to be a conversion of our customers. So it will wind down over time. And I don't have perfect visibility to what that will look like.

So as annoying as comparable adjusted it is, and trust me, guys, it's annoying as hell. There will be a bit of a bleed out of this business as customers convert from part of our portfolio to the strategic partners. And so we're just have to watch that as it goes. But for now, as you think about those guidance to get to apples-to-apples, I'm pulling that out of there. And we'll be very transparent. And I'll reconcile it every quarter along the way, like we've been doing, so that you can see exactly what I'm peeling out of the various segments.

But I think Barry said it well, simplifying the portfolio, focusing our areas on what drives the most strategic value. And if you see those TAMs and as the business leaders talks about really getting [ph] uber (02:00:19) focused on those areas, we had to put our capital allocation in the right place, and we feel really good about where we are right now.

Q

Can you provide some more detail on particular target verticals or geographies amongst the merchants, the B2B players you're going after, is there profitability differences between the different verticals that you want to target versus others or prioritize versus others?

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

A

So, start with B2B. In the B2B business, our platform is really attractive to help mid-sized businesses manage their AR and AP. And our primary go-to-market channel today is through resellers through banks, so there are a number of banks that take our suite of solutions and they resell it as the bank's branded solution and offer to their customer. The reason that's valuable and why we get – we're so optimistic about the growth for the business is that we've got, I think Mike said 70% of the top 300 banks that are already using one or more of our solutions.

So, we've got a built-in place to start our growth and to deliver our improving product set. So, it's a [ph] sell-through to bank's (02:01:41) you go into the bank and you say, I need a treasury solution, I need a DDA, I need a P-Card, I need other services. And, oh, by the way, I need to manage this and they deliver a suite of services to them inclusive of the bank products. We think that's a great channel for us. We obviously know [ph] lots of our banks (02:01:59) for our huge history and we're good at navigating and helping those banks resell the product.

In the merchant business, I think Debra gave you a pretty clear sort of map of where we're focused today. Auto repair and government are standout sectors, but there's also in retail and a number of other places where we've got great opportunity and where we think our tools and our investments are particularly well targeted.

And your question about profitability, we're pretty confident that the places we are competing in are healthy margin segments, healthy margin opportunities. I think Debra showed on her page that we're focused on that big fat middle market where there are good margins per transactions. There's millions of merchants to chase and good, solid, predictable growth. We're not worried about the other two sides. Let other people play there. We're going to focus on that great, big, fat middle where we think we've got a great right to win and we're proving it.

Q

I just wanted to follow-up on the free cash flow numbers. So, you gave 2024, I think it was the midpoint, so like \$70 million. I think we do the math and you say the \$100 million of incremental free cash flow that's \$170 million, right, in 2026. Just wondering, I know you're obviously not giving us 2025. I'm just curious as to – is restructure, the levers that are going to benefit 2025, if you could kind of lay out restructuring cash costs, how much those could come down and maybe other factors that could influence 2025?

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

A

I can't give you the perfect numbers, but if you recall the slide I showed and when you get back and you're reviewing everything, the walk of the \$100 million of free cash flow improvement, I was direct to say that the bulk of those cash restructuring charges will happen over the next six quarters. So, that kind of means we're through the bulk of the cash spend sometime in the first half of 2025, call it Q1, Q2.

So, if you think about that bridge and those improvements we saw, you can expect to see the savings from the cash restructuring side start to occur in 2025. I can't give you a perfect crystal ball, but I think if you think about the overall goal of North Star to achieve \$130 million reductions in the cash cost, the EBITDA starting to grow [indiscernible] (02:04:29) split the difference on the journey between where we are now and where we're going to be in 2026. And I think that's roughly what you should expect to see from us as we start to improve cash flows in 2025.

Q

I have one more while I have the mic. When you were going through this process and you do this three-year plan, just wondering maybe where the greatest sources of debate were, maybe where you think, you think maybe there's the biggest opportunity for upside and maybe where you worry the most on the downside?

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

A

We spent a very significant amount of time debating the three businesses where we were going to make our bets for the future. And you've seen us be really deliberate, really deliberate, to prune the portfolio back and chop the portfolio back to focus on three things. The company had, as I said at the beginning, dozens of businesses to manage and not particularly complementary markets. We have gotten very, very focused in three places. And what's common about those three places are. A, they've got great growth trajectory, they've got good secular growth and big TAMs.

Second, we have competency to deliver there. And third we've already been able to prove we can and do win in those markets. So, we're not making a big bet on hope. We've proven we can win in data. We've proven we win in B2B and we've proven we win in merchant. And all of them have great TAMs. And we have the right solution to solve there. And you can see the choices [ph] we made to (02:06:15) exit businesses. A large number of businesses to get focused on the few things that matter.

Chip Zint

Chief Financial Officer & Senior Vice President, Deluxe Corp.

A

Yeah, I wouldn't call it a debate, but I think the longest amount of time and analysis we spent is, how much of the B2B journey do we bake into our next three year plan. Because as Mike takes this journey from this item processing, this legacy business towards these SaaS based solutions and growth, the TAMs are massive, but you can't get ahead of your skis, in terms of sizing that too big, too fast.

So, I think we as a team landed on setting that 3% to 7% growth rate, still having it yield the margin expansion and leaving some upside on the table to allow the team to win, start to gain scale and provide upside opportunities. So, it wasn't really a debate. The team came together, we spent a lot of time through the summer building our strategic plan, but I think we made the conscious decision to leave some upside in that space so that we can execute against everything we showed you here.

Brian Anderson

Vice President-Strategy & Investor Relations, Deluxe Corp.

A

Barry and Chip, we've got one from the webcast. Can you talk about the opportunity in the financials vertical mainly for payments or data? Talk maybe about a situation like Fulton, there's a lot of Fulton's in the world, how could that be replicated or expanded?

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

A

So we're really proud of the Fulton win. We think it is really representative of what the new Deluxe can deliver. It is a bank at scale that First American before joining Deluxe would probably not have been in the option set for consideration. And it is the – really this power of One Deluxe we spent some time talking this morning about. The power of One Deluxe, understanding what the customer needs, then bringing all the solutions that we can help to help solve the customer problem and that's exactly how it went at Fulton.

And you should be very [ph] comfortable we're (02:08:05) having the same kinds of conversations in many places. But a sizable bank, moving a portfolio doesn't happen every day because they're not available to move every day. Just like Tracey gets wins in check, not that every check contract is up every day. But when they are up, we compete mightily. And as Tracey said, at check, we win more often than not. And a similar story in merchant that Debra outlined, tripling the rate of sale of bank partners coming onto the portfolio from where they were before Deluxe.

So, we think there's opportunity, we think the giant wins like a Fulton are going to be more periodic. They're not going to be every quarter. But we clearly believe we are well-positioned to have those wins that will help put even more acceleration into our core business that's going to deliver healthy growth. Do you want to add anything on that?

Chip Zint

Chief Financial Officer & Senior Vice President, Deluxe Corp.

A

No.

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

A

Great.

Q

Maybe back to the presentation you had about credit cards and using data to go after credit card customers. I'm assuming there's probably pilots done. This is a very competitive business with companies like Credit Karma and others that are in it. I'm wondering, what's your hit rate on that business. Can you provide some perspective on why you might be better than others? And how does Deluxe make money, is it for every successful credit card application that comes in or is it just based on the volume of e-mails that are sent out or marketing that's sent out?

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

A

So, let me give you the top line answer to that. And then, Kris, I'm going to have you double-click on the quality of the data. So, at the highest level, the way the model works, we get paid for delivering a high-converting lead list

and then in many cases, ultimately delivering the marketing message to the end customer. There's also another model, where we can get a bounty instead of getting paid for the service. Both of those models are effective and work.

In the credit card space to be clear, we're not taking any of the risk or liability. That is issued on the behalf of the financial institution. Our job is to help the financial institution find you as a customer for their credit card offering. And the reason we win, which Kris will give you a double click here, is we truly have an exceptional data lake. We believe more data than anybody in the country today and with a special focus on life triggers which is a foundational support for really any new high value, long lifetime value [ph] relationship or (02:10:46) customer

Kristopher D. Lazzaretti

President-Data Solutions, Deluxe Corp.

A

Yeah. Thank you, Barry. I think you've said that really well. So, we have over the years assembled one of the industry's deepest and widest data lakes with well over 100 different providers. So, that includes, as you would imagine, all of the major credit bureaus, but it also includes lots of proprietary attributes that are owned by ourselves. We really have a fit for purpose data lake for this particular use case.

Data lake is super interesting but what really brings it alive is the analytics we lay on top of that to build the absolute best audiences. So, coming back to your question on how effective is it and I mentioned it in my presentation are really we can double or triple the response rates that clients often are able to achieve on their own and that becomes a really compelling value proposition as they look to grow their portfolios.

Q

Hi. Good morning. So, you certainly provided a great deal of information this morning, which is very, very helpful. I was wondering, if you talk a little bit about your views on the pricing dynamic and maybe what you're expecting to see maybe in the various segments and sort of how that played into your planning because certainly it's a lot easier to maybe achieve things in a better macroeconomic environment. Maybe talk a little bit about pricing dynamics certainly and stickiness with your customers certainly seems to be high. So, maybe talk a little bit about the pricing side.

Chip Zint

Chief Financial Officer & Senior Vice President, Deluxe Corp.

A

How about if I take the elasticity part of that and then you talk about how it flows through the P&L?

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

A

All right. We'll give that a shot.

Chip Zint

Chief Financial Officer & Senior Vice President, Deluxe Corp.

A

We have been aggressively taking price through all that's been going on with inflation over the last couple of years. And we feel really good about our ability to keep pace or ahead of inflation on the cost side and be able to pass on cost with attractive margin to keep the company going forward. And the reason for that is, if you look at the businesses we're in, they all have really sustainable and durable demand.

There really aren't substitutes. So, if you're a small business running a credit card – taking credit cards, if you don't take credit cards, you are not in business. And just flipping between one provider to another, you could – of course, you could do it. But it's not the most important priority for a small to midsize business.

If you need checks because you're running your business, you need checks. You're going to buy checks. There isn't an alternative to using checks. If you're running a receivables shop, you got to process and you got to use somebody's software and you got to use somebody's tools and back office to manage that and we do that. So, we feel really solid about the ongoing and the durability of demand for our product so that we can withstand and pass along reasonable, not extraordinary, price increases to people and we've done pretty darn well on that. And I think we've been effective at capturing that and keeping the company moving ahead.

Chip Zint

Chief Financial Officer & Senior Vice President, Deluxe Corp.

A

Yeah. I mean, pricing has always been in the company's DNA, but I think everyone's had to get really good at it over the last two years, ever since inflation started to run in the third quarter of 2021. What we're evolving to, though, is from just basic input costs go up, output price needs to go up in line with it, into more of the next level of analysis, right.

How do you look at the customer set like-for-like product offerings and make sure over the years of all the pricing actions you've done, you're targeting the right price across the portfolio in the right way. And so, it's advancing the analytics. And as Barry said, it's not egregious pricing, it's not out of control pricing, it's responsible pricing in alignment with our customers and our partners. But it's really moving to next evolution where, yes, the input costs matter and where the contract applies, input costs go up, output price can go up too. It's really where those other levers to get a little bit more smarter about it across the portfolio of customers and products and drive a little bit more value.

And so, that's the work we're doing and that's going to look different across each of the areas, right? It may be faster to value in the print business than it may be in the data business, right. And so we're going through each of those components with each of the four business leaders to maximize the value, which is why that pricing work stream has a bit of a tail as we continue to evolve. We lapped some of the pricing changes we've made over the last few years and really moved that analysis curve up a little bit to get very targeted in a common way across the portfolios.

Q

Debra mentioned the benefit of owning the technology in the merchant business. Can she or Yogs maybe talk about the outsourcing versus insourcing and the benefit that actually provides in terms of the technology of owning that? Where does the scale come in from that decision-making process? Thanks from that decision-making process? Thanks.

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

A

Why don't I start at the strategic level and then we'll come to you. And then if we really want to double click into the architecture, we'll come to you, Yogs. So when you are in the Merchant Processing business, at the most basic which Debra outlined, you have to authorize the transaction, then you have to settle the transaction at the most basic and there are different pieces of technology components to do authorization and settlement.

Many people in the payments space today are renting or leasing one or both of the components to run their business. And so you have a flat fixed rate per transaction when you're renting somebody's platform or a technology. And that's good because it provides you certainty, but it does provide no leverage for your scale. So when we were looking at entering the merchant space, we didn't want to be a company that was renting technology. We knew we could help whatever asset we acquired grow faster than they were going to be able to grow themselves because of our One Deluxe model.

We wanted that volume to come on to a platform that we would get the scale advantage from bringing more volume, not pass that scale advantage to a processor. So it was important to us to have an asset that owned its core operating platform and that was one of the things that made honestly First American unique, which was a scaled platform with a great team, with reliable, robust architecture and that's what we got with First American and that's helping you on your commitment to expand margins.

Is there anything you'd like to add on that?

Debra A. Bradford

President-Merchant Services, Deluxe Corp.

A

Yeah. Barry, that's exactly right. I mean, really, to get to the root of the question, it's our backend settlement platform where you really gain scale. And I'll use Fulton for a moment. When we acquired – or when we signed the contract with Fulton, we converted over 3,700 merchants overnight onto our platform, our settlement platform. So we're paying all the Fulton merchants now. And our backend platform is essentially a fixed cost structure. So, now you can pile as many transactions on top of that within limits. I think our capacity today is like 40%. We're using 40% of the capacity. So, it's a highly leverageable piece of our business to expand margins as we move forward, especially in this FI channel where we're converting large groups of merchants at once.

Q

Thanks. I had two questions, one on the B2B payment side and then one on the merchant side, if I could. On the B2B side, I'm just thinking about Lockbox. And I may have missed this in the presentation, but how big a portion of B2B payments is Lockbox right now? And then I think you've called out a 3% to 7% revenue CAGR for B2B payments as a whole. And I'm just wondering if Lockbox itself, should we think about that as being sort of right in the middle of that or at the high end, at the low end? Is it a drag on that or...

Chip Zint

Chief Financial Officer & Senior Vice President, Deluxe Corp.

A

So, I think highest level because we haven't disclosed all these little chunks. The Lockbox piece is about half of that B2B business you see there. And the market's moving away from those, basic paper based disbursements payments towards where we're heading. But it's sticky. We play a massive role. We have scale and we have the software. So it's a market we need to serve.

In those projections, I think we're safely assuming Lockbox is flat to slightly declining. It looks a lot like the Check business. And so, we're building the strategy up and, say, if we frame ourselves as Lockbox is going to follow the path of Check, how do we operationalize that to drive margin and drive scale while investing in the others?

So, it gives you a little bit of a sense for how the other half of that portfolio is going to actually grow a lot faster because you do have that Lockbox portion in the mix there. But we are really modeling everything just like we are in the Print business. Just what are the things that are naturally declining? How do we manage them for cash and

operational efficiency while we invest in the things that will give us growth long term? And I think Mike's B2B business is perfect example of that.

Q

Thank you. Okay. So, on the merchant side, could you talk – from a physical, mechanical standpoint, could you talk a little bit about what's involved in switching a customer, switching from either, from a competitor to Deluxe or from Deluxe to a competitor? How arduous is this? Is there any hardware that needs to be replaced? What are the points of embed and so forth? Just trying to get a sense – I'm trying to get a sense of how sticky these relationships are?

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

A

So, let me – again, I'll answer this strategically and then you come back and talk about the most recent conversion, the large scale conversion that you just completed. At the highest level, conversions are sometimes easier than others. Sometimes they're very complicated, depending on the technology you have. We're very, very fortunate that we have a great tech team with Yogs, great business operations team and Debra [indiscernible] (02:21:16) that knows how to do them very effectively.

And that's how we're able to move Fulton quickly and really effectively. On a wholesale move, there's a bunch of things to do in the background to make it go quickly which Debra will walk you through. But on an individual merchant, sometimes it can be as simple as reprogramming or redirecting the terminal to us. Sometimes, it requires a new terminal and we are incredibly well equipped to do that. If you want to come and see our service center in Fort Worth, on one side of the building, you would see people taking calls from all different levels of customer support needed and literally across the hall, in a very, very secure space, we're programming terminals to put them in a box to mail to the merchant, a fully integrated end-to-end solution to help merchants that are either having a trouble and need help to getting back on business or merchants that are moving to our platform.

Do you want to add on that, Debra?

Debra A. Bradford

President-Merchant Services, Deluxe Corp.

A

Yeah, just a couple things. We add new merchants every day and we have some merchant types that will turn on and transact immediately. Once their terminal is downloaded with our software, they're off and going. Our typical time period to bring up a new merchant is 24 hours. So, we're one of the quicker ones out there in the industry.

And then Barry touched upon the conversions. Fulton Bank is a good example, to Barry's point. This was probably the most complicated conversion we did because, and this is, I'm going to speak foreign tongues to you guys, but they had their own unique bin. So, all of our transactions are identified within a certain segment bin, we can see all of our transactions.

We brought their bin in and modified our settlement platform to accept now two bins. But when we did that, we built, along with Yogs' area, to make it scalable for the next one, and the next one. So, it won't take six months going forward to do that because now we have the technology to do it a lot quicker.

Brian Anderson

Vice President-Strategy & Investor Relations, Deluxe Corp.

I think to keep us on time.

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

Okay, great.

Brian Anderson

Vice President-Strategy & Investor Relations, Deluxe Corp.

I think we can adjourn.

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

Terrific.

Brian Anderson

Vice President-Strategy & Investor Relations, Deluxe Corp.

So back to Barry.

Barry C. McCarthy

President, Chief Executive Officer & Director, Deluxe Corp.

Well, we appreciate you all taking the time and hearing our story. We're really proud of our progress. We're really confident in our North Star future and really think the future is great for our company as an organic EBITDA grower that can de-leverage and deliver terrific shareholder returns over the next couple of years. Thank you very much for coming and please join us, if you like, in lunch in the next room. Thanks all, for being here.

Brian Anderson

Vice President-Strategy & Investor Relations, Deluxe Corp.

Thank you.

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