

# Investor Briefing

Q4 FY20



## **Safe Harbor**

This document contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including financial projections subject to risks, uncertainties and other factors that could materially affect our actual results. Actual results may differ materially from those indicated by such forward looking statements as a result of various important factors including, among others, competition, market demand, technological change, strategic relationships, recent acquisitions, international operations, general economic conditions, and including the potential effects of the coronavirus pandemic on any of the foregoing. Any forward-looking statements or financial projections represent our views only as of today and should not be relied upon as representing our views as of any subsequent date. We do not assume any obligation to update any forward-looking statements or financial projections. Further, our financial projections do not consider the impact of any pending or future changes to accounting pronouncements under US Generally Accepted Accounting Principles. For additional discussion of factors that could impact our operational and financial results, please refer to our Form 10-K for the fiscal year ended June 30, 2019 and subsequently filed Form 10-Qs and Form 8-Ks or amendments thereto.

## **Non-GAAP Financial Information**

The financial results and projections in this document are presented on a non-GAAP basis. Non-GAAP results and projections include core operating income, adjusted EBITDA, adjusted EBITDA margin, core operating margin, core earnings per share, and constant currency information. Reconciliations of our GAAP results to the most directly comparable non-GAAP results and guidance are included at the end of this document. Any non-GAAP outlook we provide has not been reconciled to the comparable GAAP outlook because of the difficulty of predicting the amounts to be adjusted, including but not limited to acquisition-related charges, minimum pension liability adjustments, stock compensation expense and weighted average shares outstanding. Since we expect these factors to have a significant impact on our future GAAP results, a reconciliation is not available on a forward looking basis without unreasonable effort.

# About Bottomline

Bottomline Technologies makes business payments simple, smart and secure

## **Capitalizing on business payment leadership position in large market opportunity**

- Trusted brand in B2B payments
- Scale to execute, agile to innovate
- Large B2B payment network (\$200+ billion annual volume)
- Secure business payments (domestic and cross border)
- Leading payments and cash management platform

## **Leveraging product investment to drive subscription growth**

- Investment in market-leading solutions for large and growing markets
- Targeting 15-20% subscription revenue growth
- \$351 million run rate subscription revenue
- 92% recurring revenue

# THE OPPORTUNITY

## B2B Payments Market

**VISA**  
\$20T+



\$25T

**Goldman Sachs**

\$23T+

**Significant Visa Opportunity within New Segments**

Segment	Opportunities	Example Partners
P2P	<ul style="list-style-type: none"> <li>• Increase shifting to electronic and mobile payment models</li> <li>• Deliver real-time, seamless experiences</li> </ul>	Zelle, Venmo, Cash App
G2C	<ul style="list-style-type: none"> <li>• Payments release of funds, supports financial services as effective disaster relief instrument</li> </ul>	US Bank, Wells Fargo
B2C	<ul style="list-style-type: none"> <li>• Real-time disbursement of funds, especially powerful for the "gig economy"</li> </ul>	Paycom, ADP, iClerk, etc.
B2B	<ul style="list-style-type: none"> <li>• Still largely based on check and ACH/EFT</li> <li>• Multinationals seeking cross-border solutions</li> </ul>	Private, VISA B2B CONNECT, CONFIRM, Amazon Business

VISA

**B2B Payment flows are big and inefficient**

\$25 Trillion  
B2B payment flows paid via Card, Check, ACH, Wire

- 350,000+ Middle-Market Companies
- 1 Trillion of average payments per year
- 51% of payments paid with check
- 65% of CFOs consider this a top priority in 2017
- 75% of businesses that use accounts payable automation

**Payment Ecosystems**

What happens when the world shifts online?

Payments: The most important to the online ecosystem...  
 The online ecosystem...  
 Payments...  
 The online ecosystem...  
 Payments...  
 The online ecosystem...  
 Payments...

Where is the Future of Finance

Sources: Visa 2017 Investor Day research

MasterCard NAPCP Conference Presentation – March 6, 2018

Goldman Sachs Payment Ecosystems Research Report – August 3, 2017

# Business Payment Complexity

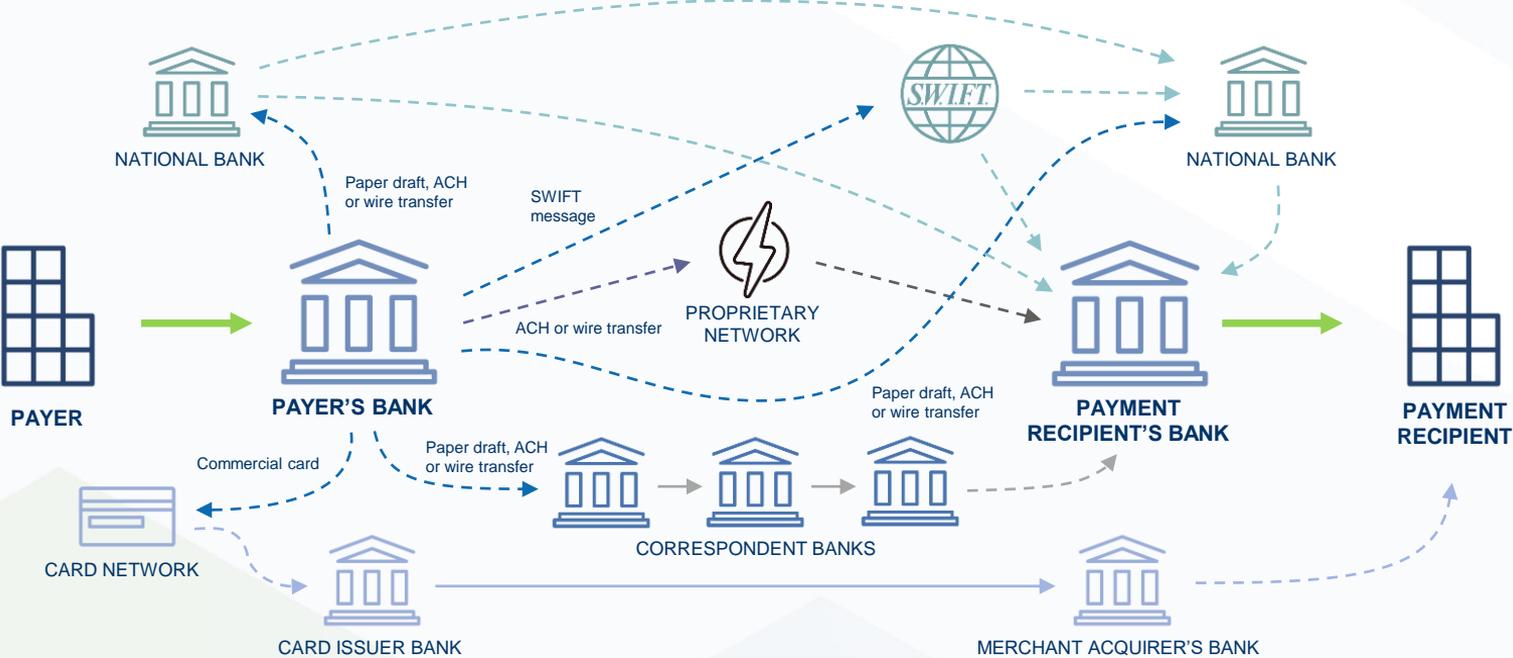


PAYER



PAYMENT  
RECIPIENT

# Business Payment Complexity





## MARKET-LEADING PRODUCTS



# The way businesses pay and get paid

The Largest Electronic Payment Network for Businesses

**425,000+**  
Members in network

**\$200+ Billion**  
in payments processed annually

## The Paper Problem

**63%**

of organizations still make more than half of their payments by paper check

**67%**

of businesses say "smarter" systems that drive more efficiencies are necessary for AP's success<sup>1</sup>

**75%**

of organizations that were victims of payment fraud experienced check fraud<sup>2</sup>

## B2B Payments Made Simple, Smart & Secure

Paymode-X helps businesses easily automate accounts payable



**PAYERS** accelerate payment automation, improve payment security and monetize AP spend



**VENDORS** streamline receivables with convenient electronic payments and remittance



**BANKS** provide clients with innovative payment capabilities, grow market share and expand revenue opportunities

<sup>1</sup> The State of ePayables 2018 by Ardent Partners  
<sup>2</sup> 2017 AFP Payment Fraud & Controls Survey

# Digital Banking IQ

Market-leading commercial banking & payments platform empowers banks to engage intelligently with customers, deliver a unified experience and acquire, deepen and grow profitable relationships.

## Aité Survey of Cash Management Vendors

- ✓ Best in Class
- ✓ “The vendor to beat”
- ✓ User Interface and Experience
- ✓ Analytics
- ✓ Best Partner

## Helping Banks Grow Organically & Defend vs. Digital Disruption

### BANKS GET

- Intelligent engagement platform, with integrated insights & analytics
- Market-leading payments and cash management capabilities
- Embedded intelligence, simplicity & usability

### BANK'S COMMERCIAL CUSTOMERS GET

- Proactive insights and engagement from their banking relationship managers
- Integrated, market-leading payments and cash management solutions
- Tools to help manage their finances
- Easy-to-use and customizable digital interface
- Works with SMB business and accounting software

## Leadership Position



# Legal Spend Management

The leading way insurance companies manage their legal spend and relationships

## Streamlining and Automating Relationships with Law Firms

### LEGAL INVOICE AND SPEND MANAGEMENT

- ✓ Paid as a percentage of legal bill
- ✓ Saves up to 8% of billings
- ✓ Reduces administrative expense by 30 – 50%

### PARTNERSELECT

- ✓ Choose the right lawyer for a right matter at the right rate
- ✓ Advanced analytics – improve case outcomes

## Leadership Position

300+

Clients

13,500+

Law Firms

200+

Insurance Companies

98%

Retention Rate

## Top-Tier Client Base





## FINANCIAL HIGHLIGHTS

# Investment Highlights



**Large market  
opportunity**



**Leading business  
payments product set**



**Driving subscription  
revenue**

Target 15-20% growth



**Attractive lifetime  
customer value**

10-15 years or more



**Attractive EBITDA  
Margin**

# Q4 Results

## Strategic Plan

- Capitalize on Bottomline's leadership position in business payments
- Extend our product platform capabilities to increase TAM and competitive advantage
- Leverage inherent attractive lifetime customer value of our solutions
- Subscription revenue growth of 15-20% per year

## Q4 Core Results<sup>1</sup>

Subscription Revenue Growth	12%
Subscription Revenue	\$87.7M
Total Revenue	\$110.6M
Core Operating Income	\$16.0M
Core Operating Margin	14%
Adjusted EBITDA	\$23.4M
Adjusted EBITDA Margin	21%
Core EPS	\$0.26

## Commentary

Steady subscription revenue growth despite significant temporary disruption in transaction volumes

\$351M annual run-rate

\$23.4 million EBITDA, reflecting consistently profitable model.

# FY'20 Financial Overview

## Subscription Revenue

**339** \$M

77% of revenue

Growth of 16% on a constant currency basis

## Total Revenue

**442** \$M

91% recurring revenue

37% of revenue is international

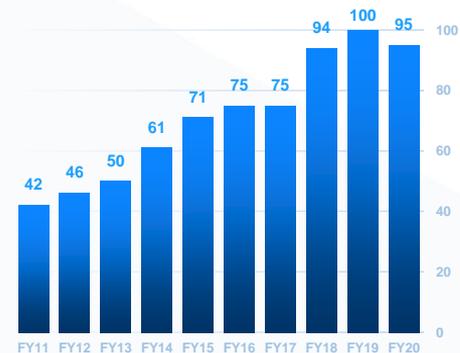
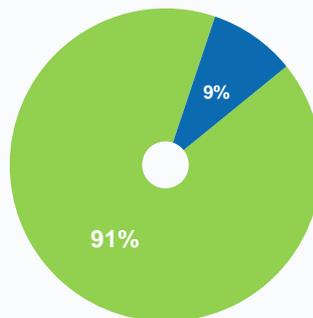
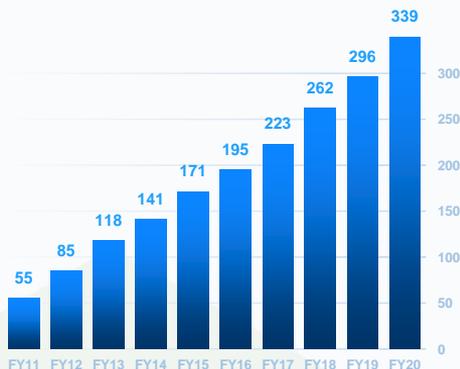
## EBITDA

**95** \$M

Consistently profitable model

\$97M operating cash flow

\$51M free cash flow



# FY'20 Key Metrics

Subscription Gross Margin	FY'20
Incremental Subscription Revenue	\$43.8
Incremental Cost	(\$10.7)
Incremental Gross Margin	\$33.1
<i>Incremental GM %</i>	<i>76%</i>

FY'20 Key Metrics <sup>1</sup>	FY'20 YoY
16% Subscription growth	 <b>+2%</b>
77% Subscription revenue	 <b>+7%</b>
91% Recurring revenue	 <b>+4pp</b>
20% Sales and Marketing	 <b>+2pp</b>
15% Development expense	 <b>+1pp</b>

<sup>1</sup>Subscription growth calculated on a YoY constant currency basis. Percentages of all other calculations are as % of total revenue.

# Cash Flow and Balance Sheet Highlights

## Cash Flow

Operating Cashflow  
Free Cashflow

## FY20

\$97.2  
\$50.5

## Commentary

Strong operating and free cash flow in FY20, up 24% and 106% respectively from FY19

## Total cash on hand

Cash and investments

## As of June 30, 2020

\$205.0

## Commentary

Solid cash position

## Senior credit facility

Total borrowings

## As of June 30, 2020

\$180.0

## Maximum

\$300.0

## Commentary

\$120 million additional borrowing capacity under \$300 million credit facility which matures July 2023

## Significant flexibility

Consolidated Net Leverage Ratio  
Consolidated Interest Leverage Ratio

## FY20

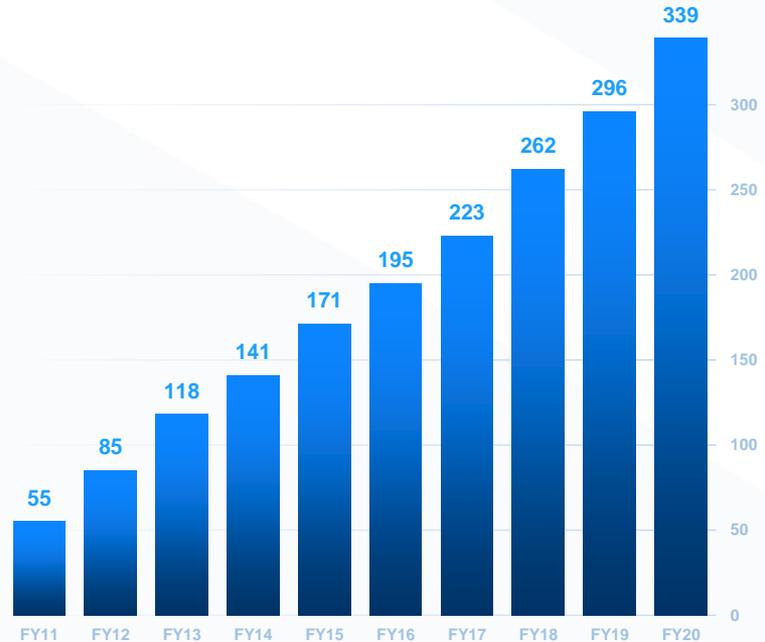
1.4x  
23.7x

## Commentary

Credit agreement allows up to 3.5x leverage  
Credit agreement requires no less than 3.0x coverage

# Subscription Revenue Growth

- Sales & Marketing and Product investments driving 15 – 20% subscription growth
- 16% growth in FY'20
- Current run rate of \$351 million



<sup>1</sup>Subscription growth calculated on a YoY constant currency basis.

# Investment Highlights



**Large market  
opportunity**



**Leading business  
payments product set**



**Driving subscription  
revenue**

Target 15-20% growth



**Attractive lifetime  
customer value**

10-15 years or more



**Attractive EBITDA  
Margin**