

Bottomline Technologies
Reconciliation of Non-GAAP Measures
Three Months Ended March 31, 2017



	GAAP	Amortization of Intangible Assets	Equity-Based Compensation	Acquisition and Integration-Related Expenses	Restructuring Expenses	Minimum Pension Liability Adjustments	Amortization of Debt Issuance and Debt Discount costs	Global ERP System Implementation Costs	Tax Effect on Non-GAAP Income	Non-GAAP	
Revenues:											% of Revenue
Subscriptions and transactions	\$ 55,851	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,851	65%
Software licenses	2,735	-	-	-	-	-	-	-	-	2,735	3%
Service and maintenance	26,344	-	-	-	-	-	-	-	-	26,344	31%
Other	1,169	-	-	-	-	-	-	-	-	1,169	1%
Total revenues	86,099	-	-	-	-	-	-	-	-	86,099	100%
Cost of revenues:											Margins
Subscriptions and transactions	25,867	-	(392)	(149)	(235)	(15)	-	-	-	25,076	55%
Software licenses	265	-	-	-	-	-	-	-	-	265	90%
Service and maintenance	12,607	-	(725)	-	(75)	(99)	-	-	-	11,708	56%
Other	835	-	-	-	-	-	-	-	-	835	29%
Total cost of revenues	39,574	-	(1,117)	(149)	(310)	(114)	-	-	-	37,884	
Gross profit	46,525	-	1,117	149	310	114	-	-	-	48,215	56%
Operating expenses:											% of Revenue
Sales and marketing	18,976	-	(3,013)	-	(219)	(69)	-	-	-	15,675	18%
Product development	13,057	-	(1,265)	(2)	(19)	(71)	-	-	-	11,700	14%
General and administrative	10,863	-	(1,959)	(350)	(13)	(10)	-	(2,076)	-	6,455	7%
Amortization of intangible assets	6,006	(6,006)	-	-	-	-	-	-	-	-	0%
Total operating expenses	48,902	(6,006)	(6,237)	(352)	(251)	(150)	-	(2,076)	-	33,830	39%
Income (loss) from operations	(2,377)	6,006	7,354	501	561	264	-	2,076	-	14,385	17%
Other expense, net	(4,479)	-	-	-	-	-	3,592	-	-	(887)	-1%
Income (loss) before income taxes	(6,856)	6,006	7,354	501	561	264	3,592	2,076	-	13,498	16%
Provision for (benefit from) income taxes	(232)	-	-	-	-	-	-	-	4,726	4,494	5%
Net Income (loss)	(6,624)	6,006	7,354	501	561	264	3,592	2,076	(4,726)	9,004	10%
		7.0%	8.5%	0.6%	0.7%	0.3%	4.2%	2.4%	-5.5%		
Basic net loss per share	\$ (0.17)										
Diluted net income (loss) per share	\$ (0.17)									\$ 0.23	
Shares used in computing net income (loss) per share:											
Basic	37,965										
Diluted	37,965									38,344	

⁽¹⁾ Core net income and core earnings per share are non-GAAP measures and exclude certain items, specifically amortization of acquired intangible assets, goodwill impairment charges, stock-based compensation, acquisition and integration-related expenses, restructuring related costs, minimum pension liability adjustments, non-core charges associated with our convertible notes and revolving credit facility, global enterprise resource planning (ERP) system implementation costs, and other non-core or non-recurring gains or losses that arise from time to time. In computing diluted core earnings per share, we exclude the effect of shares issuable under our convertible notes to the extent that any such dilution would be offset by our note hedges; the note hedges would be considered an anti-dilutive security under GAAP.

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Revenues:											% of Revenue
Subscriptions and transactions	\$ 49,488	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,488	57%
Software licenses	5,777	-	-	-	-	-	-	-	-	5,777	7%
Service and maintenance	29,100	-	-	-	-	-	-	-	-	29,100	34%
Other	1,868	-	-	-	-	-	-	-	-	1,868	2%
Total revenues	86,233	-	-	-	-	-	-	-	-	86,233	100%
Cost of revenues:											Margins
Subscriptions and transactions	22,461	-	(486)	(50)	(34)	(3)	-	-	-	21,888	56%
Software licenses	165	-	-	-	-	-	-	-	-	165	97%
Service and maintenance	13,276	-	(776)	(1)	-	(24)	-	-	-	12,475	57%
Other	1,317	-	-	-	-	-	-	-	-	1,317	29%
Total cost of revenues	37,219	-	(1,262)	(51)	(34)	(27)	-	-	-	35,845	
Gross profit	49,014	-	1,262	51	34	27	-	-	-	50,388	58%
Operating expenses:											% of Revenue
Sales and marketing	20,419	-	(2,864)	-	(18)	(18)	-	-	-	17,519	21%
Product development	11,934	-	(1,418)	(1)	4	(18)	-	-	-	10,501	12%
General and administrative	9,790	-	(2,084)	(253)	-	(3)	-	(1,040)	-	6,410	7%
Amortization of intangible assets	7,226	(7,226)	-	-	-	-	-	-	-	-	0%
Total operating expenses	49,369	(7,226)	(6,366)	(254)	(14)	(39)	-	(1,040)	-	34,430	40%
Income (loss) from operations	(355)	7,226	7,628	305	48	66	-	1,040	-	15,958	19%
Other expense, net	(3,882)	-	-	-	-	-	3,265	-	-	(617)	-1%
Income (loss) before income taxes	(4,237)	7,226	7,628	305	48	66	3,265	1,040	-	15,341	18%
Provision for (benefit from) income taxes	(7)	-	-	-	-	-	-	-	5,269	5,262	6%
Net Income (loss)	(4,230)	7,226	7,628	305	48	66	3,265	1,040	(5,269)	10,079	12%
		8.4%	8.8%	0.4%	0.1%	0.1%	3.8%	1.2%	-6.1%		
Basic net loss per share	\$ (0.11)										
Diluted net income (loss) per share	\$ (0.11)									\$ 0.26	
Shares used in computing net income (loss) per share:											
Basic	38,101										
Diluted	38,101									38,657	

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Bottomline Technologies
Reconciliation of Non-GAAP Measures
Nine Months Ended March 31, 2017



	GAAP	Amortization of Intangible Assets	Goodwill Impairment Charge	Equity-Based Compensation	Acquisition and Integration-Related Expenses	Restructuring Expenses	Minimum Pension Liability Adjustments	Amortization of Debt Issuance and Debt Discount costs	Global ERP System Implementation Costs	Non-recurring Tax Benefit	Tax Effect on Non-GAAP Income	Non-GAAP	
Revenues:													% of Revenue
Subscriptions and transactions	\$ 163,627	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 163,627	64%
Software licenses	8,348	-	-	-	-	-	-	-	-	-	-	8,348	3%
Service and maintenance	79,937	-	-	-	-	-	-	-	-	-	-	79,937	31%
Other	3,999	-	-	-	-	-	-	-	-	-	-	3,999	2%
Total revenues	255,911	-	-	-	-	-	-	-	-	-	-	255,911	100%
Cost of revenues:													Margins
Subscriptions and transactions	74,535	-	-	(1,174)	(442)	(235)	(43)	-	-	-	-	72,641	56%
Software licenses	589	-	-	-	-	-	-	-	-	-	-	589	93%
Service and maintenance	39,308	-	-	(2,809)	-	(75)	(301)	-	-	-	-	36,123	55%
Other	2,891	-	-	-	-	-	-	-	-	-	-	2,891	28%
Total cost of revenues	117,323	-	-	(3,983)	(442)	(310)	(344)	-	-	-	-	112,244	
Gross profit	138,588	-	-	3,983	442	310	344	-	-	-	-	143,667	56%
Operating expenses:													% of Revenue
Sales and marketing	57,176	-	-	(9,416)	(22)	(219)	(214)	-	-	-	-	47,305	18%
Product development	39,074	-	-	(3,970)	(14)	(19)	(214)	-	-	-	-	34,857	14%
General and administrative	35,339	-	-	(6,840)	(1,794)	(13)	(33)	-	(6,673)	-	-	19,986	8%
Amortization of intangible assets	18,381	(18,381)	-	-	-	-	-	-	-	-	-	-	0%
Goodwill impairment charge	7,529	-	(7,529)	-	-	-	-	-	-	-	-	-	0%
Total operating expenses	157,499	(18,381)	(7,529)	(20,226)	(1,830)	(251)	(461)	-	(6,673)	-	-	102,148	40%
Income (loss) from operations	(18,911)	18,381	7,529	24,209	2,272	561	805	-	6,673	-	-	41,519	16%
Other expense, net	(12,596)	-	-	-	-	-	-	10,418	-	-	-	(2,178)	-1%
Income (loss) before income taxes	(31,507)	18,381	7,529	24,209	2,272	561	805	10,418	6,673	-	-	39,341	15%
Provision for (benefit from) income taxes	(4,029)	-	-	-	-	-	-	-	-	4,461	11,856	12,288	5%
Net Income (loss)	(27,478)	18,381	7,529	24,209	2,272	561	805	10,418	6,673	(4,461)	(11,856)	27,053	11%
Basic net loss per share	\$ (0.73)	7.2%	2.9%	9.5%	0.9%	0.2%	0.3%	4.1%	2.6%	-1.7%	-4.6%		
Diluted net income (loss) per share	\$ (0.73)											\$ 0.71	
Shares used in computing net income (loss) per share:													
Basic	37,891												
Diluted	37,891												38,078

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Reconciliation of Non-GAAP Measures
Nine Months Ended March 31, 2016



	GAAP	Amortization of Intangible Assets	Equity-Based Compensation	Acquisition and Integration-Related Expenses	Restructuring Expenses	Minimum Pension Liability Adjustments	Amortization of Debt Issuance and Debt Discount costs	Global ERP System Implementation Costs	Tax Effect on Non-GAAP Income	Non-GAAP	
Revenues:											% of Revenue
Subscriptions and transactions	\$ 144,317	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,317	57%
Software licenses	15,754	-	-	-	-	-	-	-	-	15,754	6%
Service and maintenance	89,797	-	-	-	-	-	-	-	-	89,797	35%
Other	5,294	-	-	-	-	-	-	-	-	5,294	2%
Total revenues	255,162	-	-	-	-	-	-	-	-	255,162	100%
Cost of revenues:											Margins
Subscriptions and transactions	64,568	-	(1,261)	(50)	(80)	(7)	-	-	-	63,170	56%
Software licenses	741	-	-	-	-	-	-	-	-	741	95%
Service and maintenance	39,545	-	(2,207)	(1)	(75)	(50)	-	-	-	37,212	59%
Other	3,807	-	-	-	-	-	-	-	-	3,807	28%
Total cost of revenues	108,661	-	(3,468)	(51)	(155)	(57)	-	-	-	104,930	
Gross profit	146,501	-	3,468	51	155	57	-	-	-	150,232	59%
Operating expenses:											% of Revenue
Sales and marketing	62,854	-	(9,649)	-	(394)	(37)	-	-	-	52,774	20%
Product development	34,959	-	(3,905)	(5)	(103)	(39)	-	-	-	30,907	12%
General and administrative	28,035	-	(6,072)	(518)	(270)	(7)	-	(1,819)	-	19,349	8%
Amortization of intangible assets	21,720	(21,720)	-	-	-	-	-	-	-	-	0%
Total operating expenses	147,568	(21,720)	(19,626)	(523)	(767)	(83)	-	(1,819)	-	103,030	40%
Income (loss) from operations	(1,067)	21,720	23,094	574	922	140	-	1,819	-	47,202	18%
Other expense, net	(11,409)	-	-	-	-	-	9,639	-	-	(1,770)	-1%
Income (loss) before income taxes	(12,476)	21,720	23,094	574	922	140	9,639	1,819	-	45,432	18%
Provision for income taxes	1,246	-	-	-	-	-	-	-	14,640	15,886	6%
Net Income (loss)	(13,722)	21,720	23,094	574	922	140	9,639	1,819	(14,640)	29,546	12%
		8.5%	9.1%	0.2%	0.4%	0.1%	3.8%	0.7%	-5.7%		
Basic net loss per share	\$ (0.36)										
Diluted net income (loss) per share	\$ (0.36)									\$ 0.77	
Shares used in computing net income (loss) per share:											
Basic	37,959										
Diluted	37,959									38,512	

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Reconciliation of Adjusted EBITDA



	Reconciliation of Adjusted EBITDA		Reconciliation of Adjusted EBITDA as a percent of revenue	
	Three Months Ended		Three Months Ended	
	3/31/17	3/31/16	3/31/17	3/31/16
GAAP Net loss	\$ (6,624)	\$ (4,230)	(8%)	(5%)
Adjustments:				
Other expense, net	4,479	3,882	5%	5%
Benefit from income taxes	(232)	(7)	0%	0%
Depreciation and amortization	4,684	3,464	5%	4%
Amortization of acquired intangible assets	6,006	7,226	7%	8%
Stock-based compensation expense	7,354	7,628	9%	10%
Acquisition and integration-related expenses	501	305	1%	0%
Restructuring expenses	561	48	1%	0%
Minimum pension liability adjustments	264	66	0%	0%
Global ERP system implementation costs	2,076	1,040	2%	1%
Adjusted EBITDA	<u>\$ 19,069</u>	<u>\$ 19,422</u>	<u>22%</u>	<u>23%</u>

⁽¹⁾ The table above presents a reconciliation of our GAAP Net loss to adjusted EBITDA. Adjusted EBITDA is a non-GAAP measure. Adjusted EBITDA represents our GAAP net income or loss, adjusted for charges related to interest expense, income taxes, depreciation and amortization, and other charges.

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Reconciliation of Adjusted EBITDA



	Reconciliation of Adjusted EBITDA		Reconciliation of Adjusted EBITDA as a percent of revenue	
	Nine Months Ended		Nine Months Ended	
	3/31/17	3/31/16	3/31/17	3/31/16
GAAP Net loss	\$ (27,478)	\$ (13,722)	(11%)	(5%)
Adjustments:				
Other expense, net	12,596	11,409	5%	4%
Provision for (benefit from) income taxes	(4,029)	1,246	(2%)	0%
Depreciation and amortization	12,925	9,789	5%	4%
Amortization of acquired intangible assets	18,381	21,720	7%	9%
Goodwill impairment charge	7,529	-	3%	0%
Stock-based compensation expense	24,209	23,094	10%	9%
Acquisition and integration-related expenses	2,272	574	1%	0%
Restructuring expenses	561	922	0%	0%
Minimum pension liability adjustments	805	140	0%	0%
Global ERP system implementation costs	6,673	1,819	3%	1%
Adjusted EBITDA	<u>\$ 54,444</u>	<u>\$ 56,991</u>	<u>21%</u>	<u>22%</u>

⁽¹⁾ The table above presents a reconciliation of our GAAP Net loss to adjusted EBITDA. Adjusted EBITDA is a non-GAAP measure. Adjusted EBITDA represents our GAAP net income or loss, adjusted for charges related to interest expense, income taxes, depreciation and amortization, and other charges.

Bottomline Technologies

Constant Currency Growth Rate



	Three Months Ended		GAAP	% Increase Impact from Currency	Constant Rates ⁽¹⁾
	3/31/17	3/31/16			
Subscriptions and Transactions Revenues	\$ 55,851	\$ 49,488	13%	3%	16%
Established Subscriptions and Transactions Revenues ⁽²⁾	\$ 41,670	\$ 35,469	17%	5%	22%
Total Revenues	\$ 86,099	\$ 86,233	0%	4%	4%

	Nine Months Ended		GAAP	% Increase Impact from Currency	Constant Rates ⁽¹⁾
	3/31/17	3/31/16			
Subscriptions and Transactions Revenues	\$ 163,627	\$ 144,317	13%	5%	18%
Total Revenues	\$ 255,911	\$ 255,162	0%	5%	5%

⁽¹⁾ Constant currency information is a non-GAAP measure and compares results between periods assuming exchange rates had remained constant period-over-period. We calculate constant currency information by translating prior-period results using current-year GAAP foreign exchange rates.

⁽²⁾ Established Subscriptions and Transactions Revenues excludes our Digital Banking segment.

Bottomline Technologies
Reconciliation of Diluted Core Earnings Per Share



	Three Months Ended		Nine Months Ended	
	3/31/17	3/31/16	3/31/17	3/31/16
GAAP diluted net loss per share	\$ (0.17)	\$ (0.11)	\$ (0.73)	\$ (0.36)
Plus:				
Amortization of acquired intangible assets	0.16	0.19	0.48	0.56
Goodwill impairment charge	-	-	0.20	-
Stock-based compensation expense	0.19	0.20	0.64	0.61
Acquisition and integration-related expenses	0.01	0.01	0.06	0.01
Restructuring expenses	0.01	0.00	0.01	0.02
Global ERP system implementation costs	0.05	0.03	0.18	0.05
Minimum pension liability adjustments	0.01	0.00	0.02	0.00
Amortization of debt issuance and debt discount costs	0.09	0.08	0.27	0.25
Non-recurring tax benefits	-	-	(0.12)	-
Tax effects on non-GAAP income	(0.12)	(0.14)	(0.30)	(0.37)
Diluted core earnings per share	\$ 0.23	\$ 0.26	\$ 0.71	\$ 0.77
	Three Months Ended	3/31/16	Nine Months Ended	3/31/16
<u>Numerator:</u>				
Core net income	\$ 9,004	\$ 10,079	\$ 27,053	\$ 29,546
<u>Denominator:</u>				
Weighted average shares used in computing diluted net loss per share for GAAP	37,965	38,101	37,891	37,959
Impact of dilutive securities (stock options, restricted stock awards and employee stock purchase plan) ⁽¹⁾	379	556	187	553
Weighted average shares used in computing diluted core earnings per share	38,344	38,657	38,078	38,512

⁽¹⁾ These securities are anti-dilutive on a GAAP basis as a result of our net loss, but are considered dilutive on a non-GAAP basis in periods where we report non-GAAP net income.