

Bottomline Technologies
Reconciliation of Non-GAAP Measures
Three Months Ended September 30, 2017



	GAAP	Amortization of Acquisition-Related Intangible Assets	Stock-based Compensation	Acquisition and Integration- Related Expenses	Restructuring Expenses (Benefit)	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:										
Subscriptions and transactions	\$ 60,714	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,714
Software licenses	2,365	-	-	-	-	-	-	-	-	2,365
Service and maintenance	27,342	-	-	-	-	-	-	-	-	27,342
Other	875	-	-	-	-	-	-	-	-	875
Total revenues	91,296	-	-	-	-	-	-	-	-	91,296
Cost of revenues:										
Subscriptions and transactions	27,411	-	(685)	(5)	2	(2)	-	-	-	26,721
Software licenses	170	-	-	-	-	-	-	-	-	170
Service and maintenance	12,232	-	(631)	-	-	(12)	-	-	-	11,589
Other	667	-	-	-	-	-	-	-	-	667
Total cost of revenues	40,480	-	(1,316)	(5)	2	(14)	-	-	-	39,147
Gross profit	50,816	-	1,316	5	(2)	14	-	-	-	52,149
Operating expenses:										
Sales and marketing	19,305	-	(3,453)	(47)	1	(9)	-	-	-	15,797
Product development and engineering	13,815	-	(1,438)	(236)	5	(10)	-	-	-	12,136
General and administrative	11,829	-	(2,253)	(704)	1	(2)	-	(2,076)	-	6,795
Amortization of acquisition-related intangible assets	5,188	(5,188)	-	-	-	-	-	-	-	-
Total operating expenses	50,137	(5,188)	(7,144)	(987)	7	(21)	-	(2,076)	-	34,728
Income (loss) from operations	679	5,188	8,460	992	(9)	35	-	2,076	-	17,421
Other expense, net	(4,463)	-	-	-	-	-	3,709	-	-	(754)
Income (loss) before income taxes	(3,784)	5,188	8,460	992	(9)	35	3,709	2,076	-	16,667
Provision for income taxes	457	-	-	-	-	-	-	-	4,542	4,999
Net Income (loss)	(4,241)	5,188	8,460	992	(9)	35	3,709	2,076	(4,542)	11,668
Basic net loss per share	\$ (0.11)	5.7%	9.3%	1.1%	0.0%	0.0%	4.1%	2.3%	-5.0%	
Diluted net income (loss) per share	\$ (0.11)									\$ 0.30
Shares used in computing net income (loss) per share:										
Basic	37,730									
Diluted	37,730									38,311

⁽¹⁾ Core net income and core earnings per share are non-GAAP measures and exclude certain items, specifically amortization of acquisition-related 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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	GAAP	Amortization of Acquisition-Related Intangible Assets	Stock-based Compensation	Acquisition and Integration- Related 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	\$ 52,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,132	63%
Software licenses	2,121	-	-	-	-	-	-	-	2,121	3%
Service and maintenance	27,673	-	-	-	-	-	-	-	27,673	33%
Other	1,158	-	-	-	-	-	-	-	1,158	1%
Total revenues	83,084	-	-	-	-	-	-	-	83,084	100%
Cost of revenues:										Margins
Subscriptions and transactions	23,886	-	(367)	(126)	(14)	-	-	-	23,379	55%
Software licenses	128	-	-	-	-	-	-	-	128	94%
Service and maintenance	13,285	-	(849)	-	(104)	-	-	-	12,332	55%
Other	878	-	-	-	-	-	-	-	878	24%
Total cost of revenues	38,177	-	(1,216)	(126)	(118)	-	-	-	36,717	
Gross profit	44,907	-	1,216	126	118	-	-	-	46,367	56%
Operating expenses:										% of Revenue
Sales and marketing	18,875	-	(3,285)	(20)	(74)	-	-	-	15,496	19%
Product development and engineering	12,935	-	(1,356)	(6)	(73)	-	-	-	11,500	14%
General and administrative	12,704	-	(2,342)	(1,097)	(12)	-	(2,491)	-	6,762	8%
Amortization of acquisition-related intangible assets	6,285	(6,285)	-	-	-	-	-	-	-	0%
Total operating expenses	50,799	(6,285)	(6,983)	(1,123)	(159)	-	(2,491)	-	33,758	41%
Income (loss) from operations	(5,892)	6,285	8,199	1,249	277	-	2,491	-	12,609	15%
Other expense, net	(3,935)	-	-	-	-	3,372	-	-	(563)	-1%
Income (loss) before income taxes	(9,827)	6,285	8,199	1,249	277	3,372	2,491	-	12,046	14%
Provision for income taxes	681	-	-	-	-	-	-	2,978	3,659	4%
Net Income (loss)	(10,508)	6,285	8,199	1,249	277	3,372	2,491	(2,978)	8,387	10%
		7.6%	9.9%	1.5%	0.3%	4.1%	3.0%	-3.6%		
Basic net loss per share	\$ (0.28)									
Diluted net income (loss) per share	\$ (0.28)								\$ 0.22	
Shares used in computing net income (loss) per share:										
Basic	37,940									
Diluted	37,940								38,028	

⁽¹⁾ Core net income and core earnings per share are non-GAAP measures and exclude certain items, specifically amortization of acquisition-related 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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Reconciliation of Adjusted EBITDA and Adjusted EBITDA margin



	Reconciliation of Adjusted EBITDA		Reconciliation of Adjusted EBITDA Margin	
	Three Months Ended		Three Months Ended	
	9/30/17	9/30/16	9/30/17	9/30/16
GAAP Net loss / GAAP Net loss margin	\$ (4,241)	\$ (10,508)	(5%)	(13%)
Adjustments:				
Other expense, net	4,463	3,935	5%	5%
Provision for income taxes	457	681	1%	1%
Depreciation and amortization	4,668	4,087	5%	5%
Amortization of acquisition-related intangible assets	5,188	6,285	6%	8%
Stock-based compensation expense	8,460	8,199	9%	10%
Acquisition and integration-related expenses	992	1,249	1%	1%
Restructuring benefit	(9)	-	0%	0%
Minimum pension liability adjustments	35	277	0%	0%
Global ERP system implementation costs	2,076	2,491	2%	3%
Adjusted EBITDA / Adjusted EBITDA margin	\$ 22,089	\$ 16,696	24%	20%

⁽¹⁾ The table above presents reconciliations of adjusted EBITDA to GAAP Net loss and Adjusted EBITDA margin to GAAP Net loss margin. Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP measures. Adjusted EBITDA represents our GAAP net income or loss, adjusted for charges related to interest expense, income taxes, depreciation and amortization, and other charges. Adjusted EBITDA margin represents Adjusted EBITDA divided by revenue.

Bottomline Technologies
Reconciliation of Diluted Core Earnings Per Share



	Three Months Ended	
	<u>9/30/17</u>	<u>9/30/16</u>
GAAP basic and diluted net loss per share	\$ (0.11)	\$ (0.28)
Plus:		
Amortization of acquisition-related intangible assets	0.13	0.17
Stock-based compensation expense	0.22	0.22
Acquisition and integration-related expenses	0.03	0.03
Global ERP system implementation costs	0.05	0.06
Minimum pension liability adjustments	0.00	0.01
Amortization of debt issuance and debt discount costs	0.10	0.09
Tax effects on non-GAAP income	(0.12)	(0.08)
Diluted core earnings per share	<u>\$ 0.30</u>	<u>\$ 0.22</u>

	Three Months Ended	
	<u>9/30/17</u>	<u>9/30/16</u>
<u>Numerator:</u>		
Core net income	<u>\$ 11,668</u>	<u>\$ 8,387</u>
<u>Denominator:</u>		
Weighted average shares used in computing basic and diluted net loss per share for GAAP	37,730	37,940
Impact of dilutive securities (stock options, restricted stock awards and employee stock purchase plan) ⁽¹⁾	<u>581</u>	<u>88</u>
Weighted average shares used in computing diluted core earnings per share	<u>38,311</u>	<u>38,028</u>

⁽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.