

Bottomline Technologies
Reconciliation of Non-GAAP Measures
Three Months Ended September 30, 2018



	GAAP	Amortization of Acquisition-Related Intangible Assets	Stock-based Compensation Plan Expense	Acquisition and Integration-Related Expenses	Restructuring Expenses (Benefit)	Minimum Pension Liability Adjustments	Amortization of Debt Issuance and Debt Discount costs	Other Non-Core Benefit	Global ERP System Implementation and Other Costs	Tax Effects on Non-GAAP Income	Non-GAAP	
Revenues:												<i>% of Revenue</i>
Subscriptions and transactions	\$ 69,768	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,768	68%
Software licenses	4,512	-	-	-	-	-	-	-	-	-	4,512	4%
Service and maintenance	27,405	-	-	-	-	-	-	-	-	-	27,405	27%
Other	752	-	-	-	-	-	-	-	-	-	752	1%
Total revenues	102,437	-	-	-	-	-	-	-	-	-	102,437	100%
Cost of revenues:												<i>Margins</i>
Subscriptions and transactions	31,669	-	(1,274)	(624)	(46)	(15)	-	-	-	-	29,710	57%
Software licenses	231	-	-	-	-	-	-	-	-	-	231	95%
Service and maintenance	12,706	-	(936)	-	9	(65)	-	-	-	-	11,714	57%
Other	524	-	-	-	-	-	-	-	-	-	524	30%
Total cost of revenues	45,130	-	(2,210)	(624)	(37)	(80)	-	-	-	-	42,179	
Gross profit	57,307	-	2,210	624	37	80	-	-	-	-	60,258	59%
Operating expenses:												<i>% of Revenue</i>
Sales and marketing	23,022	-	(4,676)	(11)	27	(48)	-	-	-	-	18,314	18%
Product development and engineering	16,565	-	(2,000)	(40)	16	(48)	-	-	-	-	14,493	14%
General and administrative	13,865	-	(3,456)	(208)	(583)	(8)	-	237	(1,581)	-	8,266	8%
Amortization of acquisition-related intangible assets	5,326	(5,326)	-	-	-	-	-	-	-	-	-	0%
Total operating expenses	58,778	(5,326)	(10,132)	(259)	(540)	(104)	-	237	(1,581)	-	41,073	40%
Income (loss) from operations	(1,471)	5,326	12,342	883	577	184	-	(237)	1,581	-	19,185	19%
Other expense (income), net	(781)	-	-	-	-	(259)	104	-	-	-	(936)	-1%
Income (loss) before income taxes	(2,252)	5,326	12,342	883	577	(75)	104	(237)	1,581	-	18,249	18%
Benefit from (provision for) income taxes	1,334	-	-	-	-	-	-	-	-	(6,007)	(4,673)	-5%
Net income (loss) ⁽¹⁾	(918)	5,326	12,342	883	577	(75)	104	(237)	1,581	(6,007)	13,576	13%
Basic net loss per share	\$ (0.02)	5.2%	12.0%	0.9%	0.6%	-0.1%	0.1%	-0.2%	1.5%	-5.9%		
Diluted net income (loss) per share ⁽¹⁾	\$ (0.02)										\$ 0.33	
Shares used in computing net income (loss) per share:												
Basic	39,689											
Diluted	39,689										41,586	

⁽¹⁾ Core net income and core earnings per share are non-GAAP measures and exclude certain items as indicated in the reconciliation above.

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Reconciliation of Non-GAAP Measures

Three Months Ended September 30, 2017



	GAAP	Amortization of Acquisition-Related Intangible Assets	Stock-based Compensation Plan Expense	Acquisition and Integration- Related Expenses	Restructuring Expenses (Benefit)	Minimum Pension Liability Adjustments	Amortization of Debt Issuance and Debt Discount costs	Global ERP System Implementation and Other Costs	Tax Effects on Non-GAAP Income		Non-GAAP	
Revenues:												<i>% of Revenue</i>
Subscriptions and transactions	\$ 60,714	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,714	66%	
Software licenses	2,365	-	-	-	-	-	-	-	-	2,365	3%	
Service and maintenance	27,342	-	-	-	-	-	-	-	-	27,342	30%	
Other	875	-	-	-	-	-	-	-	-	875	1%	
Total revenues	91,296	-	-	-	-	-	-	-	-	91,296	100%	
Cost of revenues:												<i>Margins</i>
Subscriptions and transactions	27,422	-	(685)	(5)	2	(13)	-	-	-	26,721	56%	
Software licenses	170	-	-	-	-	-	-	-	-	170	93%	
Service and maintenance	12,300	-	(631)	-	-	(80)	-	-	-	11,589	58%	
Other	667	-	-	-	-	-	-	-	-	667	24%	
Total cost of revenues	40,559	-	(1,316)	(5)	2	(93)	-	-	-	39,147		
Gross profit	50,737	-	1,316	5	(2)	93	-	-	-	52,149	57%	
Operating expenses:												<i>% of Revenue</i>
Sales and marketing	19,349	-	(3,453)	(47)	1	(53)	-	-	-	15,797	17%	
Product development and engineering	13,864	-	(1,438)	(236)	5	(59)	-	-	-	12,136	13%	
General and administrative	11,837	-	(2,253)	(704)	1	(10)	-	(2,076)	-	6,795	7%	
Amortization of acquisition-related intangible assets	5,188	(5,188)	-	-	-	-	-	-	-	-	0%	
Total operating expenses	50,238	(5,188)	(7,144)	(987)	7	(122)	-	(2,076)	-	34,728	38%	
Income (loss) from operations	499	5,188	8,460	992	(9)	215	-	2,076	-	17,421	19%	
Other expense (income), net	(4,283)	-	-	-	-	(180)	3,709	-	-	(754)	-1%	
Income (loss) before income taxes	(3,784)	5,188	8,460	992	(9)	35	3,709	2,076	-	16,667	18%	
Benefit from (provision for) income taxes	(457)	-	-	-	-	-	-	-	(4,542)	(4,999)	-5%	
Net income (loss) ⁽¹⁾	(4,241)	5,188	8,460	992	(9)	35	3,709	2,076	(4,542)	11,668	13%	
		5.7%	9.3%	1.1%	0.0%	0.0%	4.1%	2.3%	-5.0%			
Basic net loss per share	\$ (0.11)											
Diluted net income (loss) per share ⁽¹⁾	\$ (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 as indicated in the reconciliation above. In computing diluted core earnings per share, we exclude the weighted average dilutive effect of shares issuable under our convertible senior 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.

Bottomline Technologies
Reconciliation of Adjusted EBITDA and Adjusted EBITDA margin



	Reconciliation of Adjusted EBITDA		Reconciliation of Adjusted EBITDA Margin	
	Three Months Ended		Three Months Ended	
	9/30/18	9/30/17	9/30/18	9/30/17
GAAP Net loss / GAAP Net loss margin	\$ (918)	\$ (4,241)	(1%)	(5%)
Adjustments:				
Other expense, net ⁽²⁾	1,040	4,463	1%	5%
Provision for (benefit from) income taxes	(1,334)	457	(1%)	1%
Depreciation and amortization	5,640	4,668	5%	5%
Amortization of acquisition-related intangible assets	5,326	5,188	5%	6%
Stock-based compensation plan expense	12,342	8,460	12%	9%
Acquisition and integration-related expenses	883	992	1%	1%
Restructuring expenses (benefit)	577	(9)	1%	0%
Minimum pension liability adjustments ⁽²⁾	(75)	35	0%	0%
Global ERP system implementation and other costs	1,581	2,076	1%	2%
Adjusted EBITDA / Adjusted EBITDA margin	\$ 25,062	\$ 22,089	24%	24%

⁽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.

⁽²⁾ On July 1, 2018, we adopted an accounting standard update that changes the classification of certain pension related items. Accordingly, pension related benefits of approximately \$0.2 million were reclassified from income from operations to other expense, net for the three months ended September 30, 2017 in our consolidated statement of operations. For purposes of the reconciliation of adjusted EBITDA, we have presented pension related adjustments discretely, not as a component of other expense, net.

Bottomline Technologies
Reconciliation of Diluted Core Earnings Per Share



	Three Months Ended	
	<u>9/30/18</u>	<u>9/30/17</u>
GAAP basic and diluted net loss per share	\$ (0.02)	\$ (0.11)
Plus:		
Amortization of acquisition-related intangible assets	0.13	0.13
Stock-based compensation plan expense	0.30	0.22
Acquisition and integration-related expenses	0.02	0.03
Restructuring expense (benefit)	0.01	(0.00)
Global ERP system implementation and other costs	0.04	0.05
Other non-core benefit	(0.01)	-
Amortization of debt issuance and debt discount costs	0.00	0.10
Tax effects on non-GAAP income	(0.14)	(0.12)
Diluted core earnings per share	<u>\$ 0.33</u>	<u>\$ 0.30</u>

	Three Months Ended	
	<u>9/30/18</u>	<u>9/30/17</u>
<u>Numerator:</u>		
Core net income	<u>\$ 13,576</u>	<u>\$ 11,668</u>
<u>Denominator:</u>		
Weighted average shares used in computing basic and diluted net loss per share for GAAP	39,689	37,730
Impact of dilutive securities (shares related to conversion feature on convertible senior notes, stock options, warrants, restricted stock awards and employee stock purchase plan) ⁽¹⁾	<u>1,897</u>	<u>581</u>
Weighted average shares used in computing diluted core earnings per share	<u>41,586</u>	<u>38,311</u>

⁽¹⁾ These securities are dilutive on a GAAP basis in periods where we report GAAP net income. These securities are anti-dilutive on a GAAP basis in periods where we report GAAP net loss.