



Online Resources Posts Second Quarter 2009 Results

Strong Earnings Growth Continues

CHANTILLY, Va., Aug 06, 2009 (BUSINESS WIRE) -- Online Resources Corporation (Nasdaq:ORCC), a leading provider of online financial services, today reported financial and operating results for the three months ended June 30, 2009.

- Revenue was \$37.8 million, up 2 percent compared to \$37.2 from second quarter 2008.
- Adjusted Ebitda, a non-GAAP measure, was \$9.3 million, up 26 percent compared to \$7.4 million in the prior year.
- Net loss available to common stockholders was \$1.7 million, or \$0.06 loss per diluted share. This result compares to a net loss of \$3.2 million, or \$0.11 loss per diluted share, in 2008.
- Core net income, a non-GAAP measure, was \$2.5 million, up 45 percent from \$1.7 million in 2008. On a per share basis, core net income was \$0.08, up 33 percent from \$0.06 in the prior year.

"We continued to drive earnings and cash flow in the second quarter, with adjusted Ebitda and core earnings results up sharply over the prior year and exceeding consensus estimates," said Matthew P. Lawlor, chairman and chief executive officer of the Company. "As outlined to investors last fall, expense control and debt reduction are top priorities as we ride out ongoing economic weakness."

Lawlor added, "We had an excellent quarter for new client contracts, setting another record for annual contract value signed. This included several marquee clients and a high potential sales partnership. Conversely, we are challenged by slower than expected consumer billpay transaction growth, especially in our accounts receivable management and user-paid product lines."

"Looking ahead into the second half of 2009 and 2010, we expect continued strong earnings and cash flow on moderated revenue growth. We are assuming ongoing weak consumer transaction patterns, low interest rates earned on payments float and intense marketplace competition. At the same time, our prior strategic investments and ongoing cost initiatives are helping to drive increased new client contract values, new product adoption and lower total unit costs."

2009 Business Outlook

The Company provided guidance for third quarter, and updated its guidance for full year 2009 by lowering its revenue expectations and narrowing its earnings expectations. These statements are forward-looking, and actual results may differ materially. Guidance is stated in millions, except for per share data.

	Third Quarter			Full Year		
	2008 Actual	2009 Guidance	% Change	2008 Actual	2009 Guidance	% Change
Revenue (\$ millions)	\$38.1	\$37.0-39.0	0%	\$151.6	\$152.0-156.0	2%
Adjusted Ebitda (a)(b)	\$8.3	\$9.5-10.9	23%	\$32.7	\$37.5-41.5	21%
Earnings (\$ per share)						
Net (Loss) Income to Common (c)(d)	\$(0.05)	\$(0.04)-(0.01)	n/a	\$(0.24)	\$(0.18)-(0.10)	n/a
Core Net Income (a)(e)(f)	\$0.06	\$0.09-0.11	67%	\$0.24	\$0.32-0.38	46%
Share Count (millions)						
Basic	29.2	30.1	3%	29.1	30.0	3%
Fully Diluted Shares (g)	30.4	31.3	3%	30.5	31.0	2%

(a) The Company uses non-GAAP (Generally Accepted Accounting Principles) financial measures, including Adjusted Ebitda and core net income, to evaluate performance and establish goals. It believes that these measures are valuable to investors in assessing the Company's operating results when viewed in conjunction with GAAP results.

(b) Adjusted Ebitda is defined as earnings before interest, taxes, depreciation and amortization, preferred stock accretion and equity compensation expense.

(c) Third quarters and full years 2009 and 2008 net loss available to common stockholders per share are calculated using the number of weighted-average shares outstanding (basic), not fully diluted shares.

(d) Guidance does not assume the release of any additional tax valuation allowance in 2009, though the Company may do so.

Payment Services - User Paid									
Revenue	\$ 3.7	\$ 5.5	\$ 7.0	\$ 6.4	\$ 6.2	\$ 5.8	\$ 6.5	\$ 5.8	
Bill Payment Transactions	0.8	1.4	1.7	1.7	1.7	1.6	1.7	1.6	
Payment Services - Biller Paid									
Revenue	\$ 3.3	\$ 4.1	\$ 5.2	\$ 5.6	\$ 6.0	\$ 6.2	\$ 7.1	\$ 7.0	
Bill Payment Transactions	8.4	9.1	10.3	10.5	11.3	11.8	12.7	13.5	
Other Revenue ³	\$ 2.6	\$ 2.8	\$ 2.8	\$ 2.0	\$ 1.9	\$ 2.0	\$ 2.7	\$ 1.9	

OTHER KEY METRICS

Internet Banking Adoption Rate ⁴	25.4%	26.9%	28.2%	32.8%	33.6%	35.4%	38.3%	40.8%
Banking Billpay Adoption Rate	6.8%	8.7%	9.0%	9.4%	10.0%	10.2%	10.4%	10.7%
Enterprise Users	11.6	12.3	13.5	12.6	13.0	13.2	13.8	14.5

Notes:

1. In millions except adoption rates.
2. Includes the revenues and transactions for the following large, departed clients: Branch Banking and Trust Company (departed 3Q07), Jack Henry (departed 4Q07) and Corporate Network eCom (departed 1Q08).
3. Includes revenues for large client Certegy, which departed in 2Q08.
4. The Company refined its definition of an Internet banking user in 1Q09 to incorporate a stricter definition of an active user. In order to make them consistent with the new definition, the Internet banking adoption rates for prior periods have been adjusted. User counts under the new definition have been estimated for the prior periods.

Online Resources Corporation Consolidated Statements of Operations (In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Revenues:				
Account presentation services	\$ 1,954	\$ 1,889	\$ 3,794	\$ 4,261
Payment services	30,027	30,084	61,155	61,962
Relationship management services	2,000	2,047	4,040	4,017
Professional services and other	3,802	3,133	8,034	6,109
Total revenues	<u>37,783</u>	<u>37,153</u>	<u>77,023</u>	<u>76,349</u>
Expenses:				
Cost of revenues	<u>20,016</u>	<u>19,454</u>	<u>39,680</u>	<u>39,229</u>
Gross profit	17,767	17,699	37,343	37,120
General and administrative	6,887	8,601	16,608	18,544
Selling and marketing	5,722	6,427	11,328	12,660
Systems and development	2,131	2,229	4,384	5,042
Total expenses	<u>14,740</u>	<u>17,257</u>	<u>32,320</u>	<u>36,246</u>
Income from operations	3,027	442	5,023	874
Other income (expense)				
Interest income	36	110	82	322
Interest expense	(1,862)	(1,710)	(2,943)	(4,029)
Other income (expense)	63	3	77	(108)
Total other income (expense)	<u>(1,763)</u>	<u>(1,597)</u>	<u>(2,784)</u>	<u>(3,815)</u>
Income (loss) before tax provision (benefit)	1,264	(1,155)	2,239	(2,941)
Income tax provision (benefit)	<u>688</u>	<u>(181)</u>	<u>1,032</u>	<u>(562)</u>
Net income (loss)	576	(974)	1,207	(2,379)
Preferred stock accretion	<u>2,287</u>	<u>2,199</u>	<u>4,536</u>	<u>4,376</u>
Net loss available to common stockholders	<u>\$ (1,711)</u>	<u>\$ (3,173)</u>	<u>\$ (3,329)</u>	<u>\$ (6,755)</u>
Net loss available to common stockholders per share:				
Basic	\$ (0.06)	\$ (0.11)	\$ (0.11)	\$ (0.23)
Diluted	\$ (0.06)	\$ (0.11)	\$ (0.11)	\$ (0.23)
Shares used in calculation of net loss available to common stockholders per share:				
Basic	29,908	28,998	29,821	28,913

Diluted

29,908 28,998 29,821 28,913

Online Resources Corporation
Condensed Consolidated Balance Sheets
(In thousands)

	June 30, December 31,	
	2009	2008
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 28,715	\$ 22,969
Short-term investments	969	1,009
Accounts receivable, net	15,103	15,742
Deferred tax asset, current portion	4,337	8,782
Prepaid expenses and other current assets	4,404	4,013
Total current assets	53,528	52,515
Property and equipment, net	27,008	28,707
Deferred tax asset, less current portion	28,721	25,295
Goodwill	181,516	181,516
Intangible assets	23,504	27,668
Deferred implementation costs, less current portion, and other assets	6,374	7,976
Total assets	\$320,651	\$ 323,677
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,074	\$ 1,198
Accrued expenses	5,064	3,618
Notes payable, senior secured debt, current portion	17,000	15,937
Interest payable	6	6
Deferred revenues, current portion, and other current liabilities	6,965	7,513
Total current liabilities	30,109	28,272
Notes payable, senior secured debt, less current portion	51,000	59,500
Deferred revenues, less current portion, and other long-term liabilities	5,810	6,377
Total liabilities	86,919	94,149
Redeemable convertible preferred stock	95,950	91,415
Stockholders' equity	137,782	138,113
Total liabilities and stockholders' equity	\$320,651	\$ 323,677

Online Resources Corporation
Condensed Consolidated Statements of Cash Flows
(In thousands)

	Six Months Ended	
	June 30,	
	2009	2008
	(Unaudited)	
Operating activities		
Net income (loss)	\$ 1,207	\$ (2,379)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Deferred tax expense (benefit)	1,019	(633)
Depreciation and amortization	10,409	10,955
Equity compensation expense	2,238	2,950
Write off and amortization of debt issuance costs	170	190
Loss on disposal of assets	15	33
Provision for losses on accounts receivable	16	68
(Gain) loss on investments	(77)	108
Change in fair value of stock price protection	-	1,565
Change in fair value of theoretical swap derivative	702	(500)
Loss on cash flow hedge derivative security	-	184
Changes in operating assets and liabilities, net of acquisitions:		

Consumer deposit receivable	-	8,279
Consumer deposit payable	-	(10,555)
Changes in certain other assets and liabilities	822	648
Net cash provided by operating activities	16,521	10,913
Investing activities		
Purchases of property and equipment	(4,457)	(8,291)
Sale of short-term investments	770	4,334
Net cash used in investing activities	(3,687)	(3,957)
Financing activities		
Net proceeds from issuance of common stock	366	693
Repurchase of shares issued related to ITS acquisition	-	(2,117)
Payments for ITS stock protection	-	(112)
Repayment of 2007 notes	(7,438)	(3,188)
Repayment of capital lease obligations	(16)	(19)
Net cash used in financing activities	(7,088)	(4,743)
Net increase in cash and cash equivalents	5,746	2,213
Cash and cash equivalents at beginning of year	22,969	13,227
Cash and cash equivalents at end of period	<u>\$ 28,715</u>	<u>\$ 15,440</u>

Online Resources Corporation
Reconciliation of Non-GAAP Measures
(In thousands, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2009	2008	2009	2008
	(Unaudited)		(Unaudited)	
Reconciliation of adjusted ebitda (See Note 1):				
Net income (loss)	\$ 576	\$ (974)	\$ 1,207	\$ (2,379)
Depreciation and amortization (incl. loss on disposal of assets)	5,294	5,454	10,424	10,988
Equity compensation expense	1,004	1,534	2,238	2,950
Other (income) expense	1,763	1,597	2,784	3,815
Income tax provision (benefit)	688	(181)	1,032	(562)
Ebitda (See Note 1)	<u>\$ 9,325</u>	<u>\$ 7,430</u>	<u>\$ 17,685</u>	<u>\$ 14,812</u>
Reconciliation of core net income (See Note 2):				
Net loss available to common stockholders	\$ (1,711)	\$ (3,173)	\$ (3,329)	\$ (6,755)
Preferred stock accretion related to redemption premium	396	389	791	775
Change in fair value of stock price protection	-	177	-	1,565
Change in fair value of theoretical swap derivative	760	181	702	(500)
Change in fair value of mark to market investments	(64)	(3)	(77)	108
Equity compensation expense	1,004	1,534	2,238	2,950
Amortization of intangible assets	2,082	2,598	4,164	5,216
Core net income (see Note 2)	<u>\$ 2,467</u>	<u>\$ 1,703</u>	<u>\$ 4,489</u>	<u>\$ 3,359</u>
Reconciliation of core net income per share:				
Diluted net loss available to common stockholders	\$ (0.06)	\$ (0.11)	\$ (0.11)	\$ (0.23)
Preferred stock accretion related to redemption premium	0.01	0.01	0.03	0.03
Change in fair value of stock price protection	-	0.01	-	0.05
Change in fair value of theoretical swap derivative	0.03	0.01	0.02	(0.02)
Change in fair value of mark to market investments	-	-	-	-
Equity compensation expense	0.03	0.05	0.08	0.10
Amortization of intangible assets	0.07	0.09	0.14	0.18
Other, including impact of treasury method and rounding	-	-	(0.01)	-
Core net income per share	<u>\$ 0.08</u>	<u>\$ 0.06</u>	<u>\$ 0.15</u>	<u>\$ 0.11</u>

Notes:

- Adjusted ebitda is a non-GAAP measure we define as earnings before interest, taxes, depreciation and amortization, preferred stock accretion and equity compensation expense.
- Core net income is a non-GAAP measure we define as net income available to common stockholders before the amortization of acquisition-related intangible assets, equity compensation expense, income tax benefit from the release of valuation

allowance, income (costs) related to the fair market valuation of certain derivatives and mark to market investments, preferred stock accretion related to the redemption premium and all other non-recurring charges. Some or all of these items may not be applicable in any given reporting period.

SOURCE: Online Resources Corporation

Online Resources Corporation

Media Contact:

Beth Halloran

Sr. Dir., Corporate Communications

703-653-2248

bhalloran@orcc.com

or

Investor Contact:

Catherine Graham

EVP & Chief Financial Officer

703-653-3155

cgraham@orcc.com

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