



Bottomline Technologies Reports Second Quarter Results

Revenue Growth Drives Profit Increase

PORTSMOUTH, N.H. – January 28, 2010 – Bottomline Technologies (NASDAQ: EPAY), a leading provider of collaborative payment, invoice and document automation solutions, today reported financial results for the second quarter ended December 31, 2009.

Revenues for the second quarter were \$40.1 million, an increase of \$5.8 million, or 17%, from the second quarter of last year.

Gross margin for the second quarter was \$22.6 million, an increase of \$3.6 million from the second quarter of last year. Net income for the second quarter was \$0.7 million, or net income per share of \$0.03.

Core net income for the second quarter was \$6.6 million after excluding acquisition-related expenses of \$3.5 million and equity-based compensation of \$2.4 million. Core net income was double the \$3.3 million reported in the second quarter of last year. Core earnings per share was \$0.25 as compared with \$0.14 in the second quarter of last year.

“We had a very strong second quarter highlighted by 17% revenue growth from the prior year,” said Rob Eberle, President and CEO of Bottomline Technologies. “In fact, we outperformed in all our important metrics with cash flow from operations of \$10 million driving a quarter end cash balance of \$55 million, core net income of \$6.6 million and strong demand across our business driving orders of \$43 million. Strategically, we added several new customers, expanded important and existing customer relationships and made significant progress on the integration of PayMode during the quarter. We enter the third quarter with a strong pipeline and confident we will continue to execute against our strategic plan.”

Revenues for the six months ended December 31, 2009 increased to \$76.7 million as compared with \$69.8 million in the same period last year. Net income for the six months ended December 31, 2009 was \$1.9 million, or net income per share of \$0.07.

Core net income for the six months ended December 31, 2009 was \$13.4 million after excluding acquisition-related expenses of \$7.2 million and equity-based compensation of \$4.3 million. Core net income was more than double the \$6.1 million reported for the six months ended December 31, 2008. Core earnings per share was \$0.52 for the six months ended December 31, 2009 as compared with \$0.25 in the same period last year.

Second Quarter Customer Highlights

- Extended relationships and expanded use of Bottomline's WebSeries® cash management platform for payments and reporting by Franklin Templeton, Raymond James, Morgan Stanley Smith Barney, Cigna Corporation, Medavie Blue Cross and Fidelity.
- Welcomed new customers who selected Bottomline solutions for increased efficiency, security and visibility of enterprise payment and document processes, including Trustmark Insurance Company, Reliance Steel & Aluminum Co., State of Vermont Office of the State Treasurer, Quanta Services, Silliker, Inc., Systems Material Handling, ALK Abello, Inc., and Super Store Industries.
- Strengthened existing customer relationships through orders to expand existing implementations of Bottomline corporate payment and document automation solutions from organizations such as Thermo Fisher Scientific, Weight Watchers International, RRI Energy, Electric Insurance, St. Elizabeth Healthcare, Pacificare Health Systems, OneBeacon Insurance, NYC School Construction Authority, Amcor Sunclipse, Highwoods Properties, Intercontinental Terminals, Agility, TLD Acquisition Company, Illinois Secretary of State, H. Muehlstein and Company, Herbalife International, Novartis, The Prudential, South West Water, Invesco and Lafarge Aggregates.
- Our Legal eXchange™ platform added several new customers including Providence Holdings, an A.M. Best-ranked property and casualty company, and Monitor Liability Managers, Inc.
- Selected by organizations seeking to optimize their Microsoft Dynamics® AX implementations with advanced capabilities for transactional document automation, including Les Produits Chimiques Magnus, Younger Optics, Biagi Brothers, Valley Towing Products, National Decorations Inc. (NDI), and Survey Sampling International.

Second Quarter Strategic Corporate Highlights

- Recognized for innovation and strategic value derived from cloud computing for order to cash processes by the British Computing Society and *Computing* magazine.
- Named to the 2009 FinTech 100, the annual ranking of the top technology providers serving the global banking and financial services community as compiled by *American Banker*, *Bank Technology News* and IDC Financial Insights.
- Launched the latest version of Transform™ AP for integration with Oracle E-Business Suite. Transform AP is designed to provide organizations that are standardized on Oracle with seamless functionality for digital invoice data capture, approval workflow and storage as a means to accelerate accounts payable process cycles and reduce costs associated with manual paper invoice management.

- Introduced the availability of the Legal eXchange Reporting Suite for robust reporting and data analysis, before, during, and after the life of a matter either through standardized or customized reporting with drill-down capabilities, permission-based sharing and security.
- Named the "Information & Computer Technology (ICT) Global Business of the Year" by the Software Association of New Hampshire and the New Hampshire Office of International Commerce.
- Recognized as a 2009 "Best Company to Work For" by *Business NH Magazine*.

Bottomline has presented supplemental non-GAAP financial measures and statements as part of this earnings release. Core net income is a non-GAAP financial measure. The non-GAAP financial measures and statements exclude certain items, specifically amortization of intangible assets, equity-based compensation, acquisition-related expenses and restructuring related costs. The presentation of this non-GAAP financial information should not be considered in isolation from, or as a substitute for, the financial results presented in accordance with GAAP. Bottomline believes that these supplemental non-GAAP financial measures are useful to investors because they allow for an evaluation of the company with a focus on the performance of its core operations. Bottomline's executive management team uses these same non-GAAP financial measures and statements internally to assess the ongoing performance of the company. Since this information is not a GAAP measurement of financial performance, there are material limitations to its usefulness on a stand-alone basis, including the lack of comparability of this presentation to the GAAP financial results of other companies. Shares used in computing diluted core net income per share are calculated using the treasury stock method which assumes full exercise of in-the-money stock options and warrants and full vesting of restricted stock. A reconciliation of the GAAP results to the non-GAAP results for the three and six month periods ended December 31, 2009 and 2008 is as follows:

| | Three Months Ended December 31, (in thousands) | | Six Months Ended December 31, (in thousands) | |
|-----------------------------------|--|-------------|--|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| GAAP net income (loss) | \$ 704 | \$ (2,869) | \$ 1,876 | \$ (6,718) |
| Amortization of intangible assets | 3,361 | 3,948 | 6,667 | 8,384 |
| Equity-based compensation | 2,400 | 2,203 | 4,308 | 4,413 |
| Acquisition-related expenses | 127 | - | 529 | 35 |
| Core net income | \$ 6,592 | \$ 3,282 | \$ 13,380 | \$ 6,114 |

About Bottomline Technologies

Bottomline Technologies (NASDAQ: EPAY) provides collaborative payment, invoice and document automation solutions to corporations, financial institutions and banks around the world. The company's solutions are used to streamline, automate and manage processes involving payments, invoicing, global cash management, supply chain finance and transactional documents. Organizations trust these solutions to meet their needs for cost reduction, competitive differentiation and optimization of working capital. Headquartered in the United States, Bottomline also maintains offices in Europe and Asia-Pacific. For more information, visit www.bottomline.com.

Bottomline Technologies, WebSeries, Legal eXchange, PayMode, Transform and the BT logo are trademarks of Bottomline Technologies (de), Inc. which may be registered in certain jurisdictions. All other brand/product names are trademarks of their respective holders.

Cautionary Language

This press release may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are competition, market demand, technological change, strategic relationships, recent acquisitions, international operations and general economic conditions. For additional discussion of factors that could impact Bottomline Technologies' financial results, refer to the Company's Quarterly Report on Form 10-Q, and amendments thereto, for the quarter ended September 30, 2009 and the Company's Annual Report on Form 10-K for the year ended June 30, 2009, on file with the SEC. Any forward-looking statements 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.

Media Contact:

Kevin Donovan
Bottomline Technologies
603-501-5240
kdonovan@bottomline.com

Bottomline Technologies
 Unaudited Condensed Consolidated Statements of Operations
 (in thousands, except per share amounts)

| | Three Months Ended December 31, | |
|---|------------------------------------|-----------|
| | 2009 | 2008 |
| Revenues: | | |
| Software licenses | \$ 3,787 | \$ 3,597 |
| Subscriptions and transactions | 10,469 | 7,744 |
| Service and maintenance | 23,775 | 20,527 |
| Equipment and supplies | 2,091 | 2,466 |
| | 40,122 | 34,334 |
| Cost of revenues: | | |
| Software licenses | 321 | 207 |
| Subscriptions and transactions ⁽¹⁾ | 5,160 | 3,792 |
| Service and maintenance ⁽¹⁾ | 10,405 | 9,513 |
| Equipment and supplies | 1,590 | 1,824 |
| | 17,476 | 15,336 |
| Total cost of revenues | | |
| | 22,646 | 18,998 |
| Gross profit | | |
| | 22,646 | 18,998 |
| Operating expenses: | | |
| Sales and marketing ⁽¹⁾ | 8,825 | 8,150 |
| Product development and engineering ⁽¹⁾ | 4,753 | 5,238 |
| General and administrative ⁽¹⁾ | 4,248 | 4,619 |
| Amortization of intangible assets | 3,361 | 3,948 |
| | 21,187 | 21,955 |
| Total operating expenses | | |
| | 21,187 | 21,955 |
| Income (loss) from operations | 1,459 | (2,957) |
| Other (expense) income, net | (93) | 615 |
| | 1,366 | (2,342) |
| Income (loss) before income taxes | | |
| Provision for income taxes | 662 | 527 |
| | 704 | (2,869) |
| Net income (loss) | \$ | \$ |
| | 704 | (2,869) |
| Basic net income (loss) per share attributable to common stockholders | \$ 0.03 | \$ (0.12) |
| Diluted net income (loss) per share attributable to common stockholders | \$ 0.03 | \$ (0.12) |
| Shares used in computing basic net income (loss) per share: | 25,092 | 24,033 |
| Shares used in computing diluted net income (loss) per share: | 25,933 | 24,033 |
| | 25,092 | 24,033 |
| Core net income (excludes amortization of intangible assets, acquisition-related expenses and stock compensation expense): ⁽²⁾ | | |
| Net income | \$ 6,592 | \$ 3,282 |
| Diluted net income per share ⁽³⁾ | \$ 0.25 | \$ 0.14 |

⁽¹⁾ Stock-based compensation is allocated as follows:

| | | |
|--|----------|----------|
| Cost of revenues: subscriptions and transactions | \$ 61 | \$ 49 |
| Cost of revenues: service and maintenance | 444 | 212 |
| Sales and marketing | 838 | 648 |
| Product development and engineering | 329 | 197 |
| General and administrative | 728 | 1,097 |
| | \$ 2,400 | \$ 2,203 |

⁽²⁾ Core net income excludes charges for amortization of intangible assets of \$3,361 and \$3,948, acquisition-related expenses of \$127 and zero, and stock compensation expense of \$2,400 and \$2,203, for the three months ended December 31, 2009 and 2008, respectively.

⁽³⁾ Shares used in computing diluted core net income per share were 26,687 and 24,120 for the three months ended December 31, 2009 and 2008, respectively.

Bottomline Technologies
 Unaudited Condensed Consolidated Statements of Operations
 (in thousands, except per share amounts)

| | Six Months Ended December 31, | |
|---|----------------------------------|-------------------|
| | 2009 | 2008 |
| Revenues: | | |
| Software licenses | \$ 6,750 | \$ 7,203 |
| Subscriptions and transactions | 18,750 | 15,973 |
| Service and maintenance | 46,910 | 41,676 |
| Equipment and supplies | 4,268 | 4,988 |
| Total revenues | 76,678 | 69,840 |
| Cost of revenues: | | |
| Software licenses | 540 | 407 |
| Subscriptions and transactions ⁽¹⁾ | 9,038 | 7,991 |
| Service and maintenance ⁽¹⁾ | 20,125 | 19,303 |
| Equipment and supplies | 3,211 | 3,679 |
| Total cost of revenues | 32,914 | 31,380 |
| Gross profit | 43,764 | 38,460 |
| Operating expenses: | | |
| Sales and marketing ⁽¹⁾ | 16,708 | 16,788 |
| Product development and engineering ⁽¹⁾ | 8,843 | 10,660 |
| General and administrative ⁽¹⁾ | 8,538 | 9,792 |
| Amortization of intangible assets | 6,667 | 8,384 |
| Total operating expenses | 40,756 | 45,624 |
| Income (loss) from operations | 3,008 | (7,164) |
| Other income, net | 128 | 763 |
| Income (loss) before income taxes | 3,136 | (6,401) |
| Provision for income taxes | 1,260 | 317 |
| Net income (loss) | \$ 1,876 | \$ (6,718) |
| Basic net income (loss) per share attributable to common stockholders | \$ 0.07 | \$ (0.28) |
| Diluted net income (loss) per share attributable to common stockholders | \$ 0.07 | \$ (0.28) |
| Shares used in computing basic net income (loss) per share: | 24,747 | 23,958 |
| Shares used in computing diluted net income (loss) per share: | 25,372 | 23,958 |
| Core net income (excludes amortization of intangible assets, acquisition-related expenses and stock compensation expense):⁽²⁾ | | |
| Net income | \$ 13,380 | \$ 6,114 |
| Diluted net income per share ⁽³⁾ | \$ 0.52 | \$ 0.25 |

⁽¹⁾ Stock-based compensation is allocated as follows:

| | | |
|--|-----------------|-----------------|
| Cost of revenues: subscriptions and transactions | \$ 114 | \$ 131 |
| Cost of revenues: service and maintenance | 749 | 390 |
| Sales and marketing | 1,487 | 1,343 |
| Product development and engineering | 533 | 400 |
| General and administrative | 1,425 | 2,149 |
| | <u>\$ 4,308</u> | <u>\$ 4,413</u> |

⁽²⁾ Core net income excludes charges for amortization of intangible assets of \$6,667 and \$8,384, acquisition-related expenses of \$529 and \$35, and stock compensation expense of \$4,308 and \$4,413, for the six months ended December 31, 2009 and 2008, respectively.

⁽³⁾ Shares used in computing diluted core net income per share were 25,882 and 24,210 for the six months ended December 31, 2009 and 2008, respectively.

Bottomline Technologies
Unaudited Condensed Consolidated Balance Sheets
(in thousands)

| | December 31, 2009 | June 30, 2009 |
|---|----------------------|------------------|
| Assets | | |
| Current assets: | | |
| Cash, cash equivalents and short-term investments | \$ 55,000 | \$ 50,303 |
| Accounts receivable | 24,266 | 23,118 |
| Other current assets | 6,934 | 5,531 |
| | | |
| Total current assets | 86,200 | 78,952 |
| Property and equipment, net | 15,326 | 10,106 |
| Intangible assets, net | 103,729 | 89,589 |
| Other assets | 5,149 | 4,504 |
| | | |
| Total assets | \$ 210,404 | \$ 183,151 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 6,224 | \$ 5,955 |
| Accrued expenses | 8,178 | 9,290 |
| Deferred revenue | 32,190 | 33,029 |
| | | |
| Total current liabilities | 46,592 | 48,274 |
| Deferred revenue, non-current | 13,168 | 10,213 |
| Deferred income taxes | 2,335 | 2,263 |
| Other liabilities | 2,064 | 1,852 |
| | | |
| Total liabilities | 64,159 | 62,602 |
| Stockholders' equity | | |
| Common stock | 28 | 27 |
| Additional paid-in-capital | 310,661 | 287,082 |
| Accumulated other comprehensive loss | (5,461) | (4,920) |
| Treasury stock | (23,579) | (24,360) |
| Accumulated deficit | (135,404) | (137,280) |
| | | |
| Total stockholders' equity | 146,245 | 120,549 |
| | | |
| Total liabilities and stockholders' equity | \$ 210,404 | \$ 183,151 |

Non-GAAP Financial Statements

Bottomline has presented supplemental non-GAAP statements of operations as part of this earnings release. Core income, which excludes certain items, specifically amortization of intangible assets, equity-based compensation, acquisition-related expenses and restructuring related costs is a non-GAAP financial measure. The presentation of this information should not be considered in isolation from, or as a substitute for, our financial results presented in accordance with GAAP. Bottomline believes this supplemental presentation is useful to investors because it provides an evaluation of the company with a focus on the performance of its core operations. Bottomline's executive management team uses these same financial statements internally to assess the ongoing performance of the company. Since this information is not in accordance with GAAP, there are material limitations to its usefulness on a stand-alone basis, including the lack of comparability of this presentation to the GAAP financial results of other companies. Shares used in computing diluted core net income per share are calculated using the treasury stock method which assumes full exercise of in-the-money stock options and warrants and full vesting of restricted stock. All amounts are in thousands, except per share amounts.

| | Non-GAAP Three Months Ended December 31, | |
|-------------------------------------|--|----------|
| | 2009 | 2008 |
| Revenues: | | |
| Software licenses | \$ 3,787 | \$ 3,597 |
| Subscriptions and transactions | 10,469 | 7,744 |
| Service and maintenance | 23,775 | 20,527 |
| Equipment and supplies | 2,091 | 2,466 |
| Total revenues | 40,122 | 34,334 |
| Cost of revenues: | | |
| Software licenses | 321 | 207 |
| Subscriptions and transactions | 5,099 | 3,743 |
| Service and maintenance | 9,961 | 9,301 |
| Equipment and supplies | 1,590 | 1,824 |
| Total cost of revenues | 16,971 | 15,075 |
| Gross profit | 23,151 | 19,259 |
| Operating expenses: | | |
| Sales and marketing | 7,987 | 7,502 |
| Product development and engineering | 4,424 | 5,041 |
| General and administrative | 3,393 | 3,522 |
| Total operating expenses | 15,804 | 16,065 |
| Core income from operations | 7,347 | 3,194 |
| Other (expense) income, net | (93) | 615 |
| Core income before income taxes | 7,254 | 3,809 |
| Provision for income taxes | 662 | 527 |
| Core net income | \$ 6,592 | \$ 3,282 |
| Diluted core net income per share | \$ 0.25 | \$ 0.14 |

| | Non-GAAP Six Months Ended December 31, | |
|-------------------------------------|--|----------|
| | 2009 | 2008 |
| Revenues: | | |
| Software licenses | \$ 6,750 | \$ 7,203 |
| Subscriptions and transactions | 18,750 | 15,973 |
| Service and maintenance | 46,910 | 41,676 |
| Equipment and supplies | 4,268 | 4,988 |
| | <hr/> | <hr/> |
| Total revenues | 76,678 | 69,840 |
| Cost of revenues: | | |
| Software licenses | 540 | 407 |
| Subscriptions and transactions | 8,892 | 7,860 |
| Service and maintenance | 19,376 | 18,913 |
| Equipment and supplies | 3,211 | 3,679 |
| | <hr/> | <hr/> |
| Total cost of revenues | 32,019 | 30,859 |
| Gross profit | 44,659 | 38,981 |
| Operating expenses: | | |
| Sales and marketing | 15,176 | 15,445 |
| Product development and engineering | 8,310 | 10,260 |
| General and administrative | 6,661 | 7,608 |
| | <hr/> | <hr/> |
| Total operating expenses | 30,147 | 33,313 |
| Core income from operations | 14,512 | 5,668 |
| Other income, net | 128 | 763 |
| | <hr/> | <hr/> |
| Core income before income taxes | 14,640 | 6,431 |
| Provision for income taxes | 1,260 | 317 |
| | <hr/> | <hr/> |
| Core net income | \$ 13,380 | \$ 6,114 |
| Diluted core net income per share | \$ 0.52 | \$ 0.25 |