

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2021

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 1-7945

deluxe

DELUXE CORPORATION

(Exact name of registrant as specified in its charter)

MN

(State or other jurisdiction of incorporation or organization)

3680 Victoria St. N. Shoreview

MN

(Address of principal executive offices)

41-0216800

(I.R.S. Employer Identification No.)

55126-2966

(Zip Code)

(651) 483-7111

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Common Stock, par value \$1.00 per share | DLX | NYSE |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer
Non-accelerated Filer Smaller Reporting Company
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of registrant's common stock as of April 28, 2021 was 42,201,575.

PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

DELUXE CORPORATION
CONSOLIDATED BALANCE SHEETS
(unaudited)

| <i>(in thousands, except share par value)</i> | March 31, 2021 | December 31, 2020 |
|--|-------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 125,440 | \$ 123,122 |
| Trade accounts receivable, net of allowances for uncollectible accounts | 139,547 | 161,959 |
| Inventories and supplies | 37,119 | 40,130 |
| Funds held for customers, including securities carried at fair value of \$25,391 and \$28,462, respectively | 122,466 | 119,749 |
| Revenue in excess of billings | 27,655 | 17,617 |
| Other current assets | 52,269 | 44,054 |
| Total current assets | 504,496 | 506,631 |
| Deferred income taxes | 4,636 | 5,444 |
| Long-term investments | 46,147 | 45,919 |
| Property, plant and equipment, net of accumulated depreciation of \$365,187 and \$360,907, respectively | 87,836 | 88,680 |
| Operating lease assets | 41,288 | 35,906 |
| Intangibles, net of accumulated amortization of \$610,707 and \$587,273, respectively | 254,152 | 246,760 |
| Goodwill | 736,862 | 736,844 |
| Other non-current assets | 217,835 | 208,679 |
| Total assets | \$ 1,893,252 | \$ 1,874,863 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 109,064 | \$ 116,990 |
| Funds held for customers | 120,581 | 117,647 |
| Accrued liabilities | 174,923 | 177,183 |
| Total current liabilities | 404,568 | 411,820 |
| Long-term debt | 840,000 | 840,000 |
| Operating lease liabilities | 34,288 | 28,344 |
| Deferred income taxes | 15,265 | 10,643 |
| Other non-current liabilities | 40,312 | 43,218 |
| Commitments and contingencies (Notes 12 and 15) | | |
| Shareholders' equity: | | |
| Common shares \$1 par value (authorized: 500,000 shares; outstanding: March 31, 2021 – 42,104; December 31, 2020 – 41,973) | 42,104 | 41,973 |
| Additional paid-in capital | 22,306 | 17,558 |
| Retained earnings | 534,059 | 522,599 |
| Accumulated other comprehensive loss | (39,824) | (41,433) |
| Non-controlling interest | 174 | 141 |
| Total shareholders' equity | 558,819 | 540,838 |
| Total liabilities and shareholders' equity | \$ 1,893,252 | \$ 1,874,863 |

See Condensed Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited)

| | Quarter Ended March 31, | |
|---|----------------------------|-------------|
| <i>(in thousands, except per share amounts)</i> | 2021 | 2020 |
| Product revenue | \$ 299,053 | \$ 330,687 |
| Service revenue | 142,211 | 155,736 |
| Total revenue | 441,264 | 486,423 |
| Cost of products | (107,325) | (121,587) |
| Cost of services | (71,184) | (80,462) |
| Total cost of revenue | (178,509) | (202,049) |
| Gross profit | 262,755 | 284,374 |
| Selling, general and administrative expense | (212,436) | (237,204) |
| Restructuring and integration expense | (14,313) | (17,654) |
| Asset impairment charges | — | (90,330) |
| Operating income (loss) | 36,006 | (60,814) |
| Interest expense | (4,524) | (6,999) |
| Other income | 2,033 | 4,472 |
| Income (loss) before income taxes | 33,515 | (63,341) |
| Income tax (provision) benefit | (9,190) | 3,210 |
| Net income (loss) | 24,325 | (60,131) |
| Net income attributable to non-controlling interest | (33) | — |
| Net income (loss) attributable to Deluxe | \$ 24,292 | \$ (60,131) |
| Total comprehensive income (loss) | \$ 25,934 | \$ (72,138) |
| Comprehensive income (loss) attributable to Deluxe | 25,901 | (72,138) |
| Basic earnings (loss) per share | 0.58 | (1.43) |
| Diluted earnings (loss) per share | 0.57 | (1.45) |

See Condensed Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(unaudited)

| <i>(in thousands)</i> | Common shares | Common shares par value | Additional paid-in capital | Retained earnings | Accumulated other comprehensive loss | Non-controlling interest | Total |
|-----------------------------------|------------------|-------------------------------|-------------------------------|----------------------|---|-----------------------------|-------------------|
| Balance, December 31, 2020 | 41,973 | \$ 41,973 | \$ 17,558 | \$ 522,599 | \$ (41,433) | \$ 141 | \$ 540,838 |
| Net income | — | — | — | 24,292 | — | 33 | 24,325 |
| Cash dividends (\$0.30 per share) | — | — | — | (12,832) | — | — | (12,832) |
| Common shares issued | 194 | 194 | 847 | — | — | — | 1,041 |
| Common shares retired | (63) | (63) | (2,298) | — | — | — | (2,361) |
| Employee share-based compensation | — | — | 6,199 | — | — | — | 6,199 |
| Other comprehensive income | — | — | — | — | 1,609 | — | 1,609 |
| Balance, March 31, 2021 | <u>42,104</u> | <u>\$ 42,104</u> | <u>\$ 22,306</u> | <u>\$ 534,059</u> | <u>\$ (39,824)</u> | <u>\$ 174</u> | <u>\$ 558,819</u> |

| <i>(in thousands)</i> | Common shares | Common shares par value | Additional paid- in capital | Retained earnings | Accumulated other comprehensive loss | Total |
|---|------------------|-------------------------------|--------------------------------|----------------------|---|-------------------|
| Balance, December 31, 2019 | 42,126 | \$ 42,126 | \$ 4,086 | \$ 572,596 | \$ (47,947) | \$ 570,861 |
| Net loss | — | — | — | (60,131) | — | (60,131) |
| Cash dividends (\$0.30 per share) | — | — | — | (12,861) | — | (12,861) |
| Common shares issued | 81 | 81 | 1,801 | — | — | 1,882 |
| Common shares repurchased | (499) | (499) | (9,767) | (3,734) | — | (14,000) |
| Other common shares retired | (17) | (17) | (779) | — | — | (796) |
| Employee share-based compensation | — | — | 4,659 | — | — | 4,659 |
| Adoption of Accounting Standards Update No. 2016-13 | — | — | — | (3,640) | — | (3,640) |
| Other comprehensive loss | — | — | — | — | (12,007) | (12,007) |
| Balance, March 31, 2020 | <u>41,691</u> | <u>\$ 41,691</u> | <u>\$ —</u> | <u>\$ 492,230</u> | <u>\$ (59,954)</u> | <u>\$ 473,967</u> |

See Condensed Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

| <i>(in thousands)</i> | Quarter Ended March 31, | |
|---|--------------------------------|-------------------|
| | 2021 | 2020 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 24,325 | \$ (60,131) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation | 4,516 | 4,919 |
| Amortization of intangibles | 23,264 | 23,511 |
| Operating lease expense | 4,576 | 3,933 |
| Asset impairment charges | — | 90,330 |
| Amortization of prepaid product discounts | 7,440 | 7,077 |
| Deferred income taxes | 5,245 | (9,129) |
| Employee share-based compensation expense | 6,742 | 3,618 |
| Other non-cash items, net | 2,418 | 8,439 |
| Changes in assets and liabilities: | | |
| Trade accounts receivable | 23,122 | 3,575 |
| Inventories and supplies | 1,042 | (3,165) |
| Other current assets | (19,711) | (7,403) |
| Non-current assets | (9,868) | (917) |
| Accounts payable | (3,543) | (10,145) |
| Prepaid product discount payments | (9,590) | (7,321) |
| Other accrued and non-current liabilities | (20,397) | (20,723) |
| Net cash provided by operating activities | <u>39,581</u> | <u>26,468</u> |
| Cash flows from investing activities: | | |
| Purchases of capital assets | (21,670) | (14,269) |
| Purchases of customer funds marketable securities | (29) | (34) |
| Proceeds from customer funds marketable securities | 29 | 34 |
| Other | (180) | 354 |
| Net cash used by investing activities | <u>(21,850)</u> | <u>(13,915)</u> |
| Cash flows from financing activities: | | |
| Proceeds from issuing long-term debt | 5,000 | 309,000 |
| Payments on long-term debt | (5,000) | (52,500) |
| Net change in customer funds obligations | 1,659 | (19,407) |
| Proceeds from issuing shares under employee plans | 673 | 1,736 |
| Employee taxes paid for shares withheld | (2,360) | (757) |
| Payments for common shares repurchased | — | (14,000) |
| Cash dividends paid to shareholders | (12,932) | (12,714) |
| Other | (1,271) | (202) |
| Net cash (used) provided by financing activities | <u>(14,231)</u> | <u>211,156</u> |
| Effect of exchange rate change on cash, cash equivalents, restricted cash and restricted cash equivalents | 1,606 | (12,717) |
| Net change in cash, cash equivalents, restricted cash and restricted cash equivalents | 5,106 | 210,992 |
| Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of year | 229,409 | 174,811 |
| Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period (Note 3) | <u>\$ 234,515</u> | <u>\$ 385,803</u> |

See Condensed Notes to Unaudited Consolidated Financial Statements

NOTE 1: CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet as of March 31, 2021, the consolidated statements of comprehensive income (loss) for the quarters ended March 31, 2021 and 2020, the consolidated statements of shareholders' equity for the quarters ended March 31, 2021 and 2020 and the consolidated statements of cash flows for the quarters ended March 31, 2021 and 2020 are unaudited. The consolidated balance sheet as of December 31, 2020 was derived from audited consolidated financial statements, but does not include all disclosures required by U.S. generally accepted accounting principles (GAAP). In the opinion of management, all adjustments necessary for a fair statement of the consolidated financial statements are included. Adjustments consist only of normal recurring items, except for any discussed in the notes below. Interim results are not necessarily indicative of results for a full year. The consolidated financial statements and notes are presented in accordance with instructions for Form 10-Q and do not contain certain information included in our annual consolidated financial statements and notes. The consolidated financial statements and notes appearing in this report should be read in conjunction with the consolidated audited financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2020 (the 2020 Form 10-K).

The preparation of our consolidated financial statements requires us to make certain estimates and assumptions affecting the amounts reported in the consolidated financial statements and related notes. We base our estimates on historical experience and on various other factors and assumptions that we believe are reasonable under the circumstances, including the estimated impact of extraordinary events, such as the novel coronavirus (COVID-19) pandemic, the results of which form the basis for making judgments about the carrying values of our assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities. Actual results may differ significantly from our estimates and assumptions, including our estimates of the severity and duration of the COVID-19 pandemic. Further information can be found in Note 15.

Comparability – During the second quarter of 2020, we identified certain misstatements in our consolidated statement of cash flows for the quarter ended March 31, 2020. Within cash flows from financing activities, proceeds from issuing long-term debt and payments on long-term debt did not properly reflect the borrowing and payment activity that occurred during the quarter. Additionally, we identified a misstatement related to the presentation of unpaid capital expenditures, which impacted the amount reported for the change in accounts payable within cash provided by operating activities and the amount reported for purchases of capital assets within investing activities.

We assessed the materiality of these misstatements on prior period financial statements in accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 99, *Materiality*, codified in Accounting Standards Codification (ASC) 250, *Presentation of Financial Statements*. We concluded that the misstatements were not material to any prior interim period and therefore, amendments of previously filed reports were not required. In accordance with ASC 250, we have corrected the misstatements by revising the consolidated financial statements appearing herein. The revisions had no impact on total assets, total liabilities, shareholders' equity or net income.

The impact of the revisions on the consolidated statement of cash flows for the quarter ended March 31, 2020 was as follows:

| <i>(in thousands)</i> | Previously reported | Adjustment | Revised |
|---|----------------------------|-------------------|-------------------|
| Accounts payable | \$ (18,059) | \$ 7,914 | \$ (10,145) |
| Net cash provided by operating activities | 18,554 | 7,914 | 26,468 |
| Purchases of capital assets | (6,355) | (7,914) | (14,269) |
| Net cash used by investing activities | (6,001) | (7,914) | (13,915) |
| Proceeds from issuing long-term debt | 1,011,000 | (702,000) | 309,000 |
| Payments on long-term debt | (754,500) | 702,000 | (52,500) |
| Net cash provided by financing activities | 211,156 | — | 211,156 |
| Net change in cash, cash equivalents, restricted cash and restricted cash equivalents | <u>\$ 210,992</u> | <u>\$ —</u> | <u>\$ 210,992</u> |

NOTE 2: NEW ACCOUNTING PRONOUNCEMENTS

In December 2019, the Financial Accounting Standards Board issued Accounting Standards Update No. 2019-12, *Simplifying the Accounting for Income Taxes*. This standard addressed several specific areas of accounting for income taxes. We adopted this standard on January 1, 2021. Portions of the standard were adopted prospectively and certain aspects were required to be adopted using the modified retrospective approach. Adoption of this standard did not require an adjustment to retained earnings and did not have a significant impact on our results of operations or financial position.

NOTE 3: SUPPLEMENTAL BALANCE SHEET AND CASH FLOW INFORMATION

Trade accounts receivable – Changes in the allowances for uncollectible accounts included within trade accounts receivable were as follows for the quarters ended March 31, 2021 and 2020:

| <i>(in thousands)</i> | Quarter Ended March 31, | |
|----------------------------|----------------------------|-----------------|
| | 2021 | 2020 |
| Balance, beginning of year | \$ 6,428 | \$ 4,985 |
| Bad debt (benefit) expense | (649) | 1,059 |
| Write-offs and other | (900) | (2,098) |
| Balance, end of period | <u>\$ 4,879</u> | <u>\$ 3,946</u> |

Inventories and supplies – Inventories and supplies were comprised of the following:

| <i>(in thousands)</i> | March 31, 2021 | December 31, 2020 |
|---------------------------------------|-------------------|----------------------|
| Raw materials | \$ 5,415 | \$ 5,412 |
| Semi-finished goods | 7,916 | 7,943 |
| Finished goods | 31,464 | 33,513 |
| Supplies | 5,263 | 5,010 |
| Reserve for excess and obsolete items | (12,939) | (11,748) |
| Inventories and supplies | <u>\$ 37,119</u> | <u>\$ 40,130</u> |

Changes in the reserve for excess and obsolete items were as follows for the quarters ended March 31, 2021 and 2020:

| (in thousands) | Quarter Ended March 31, | |
|----------------------------|----------------------------|----------|
| | 2021 | 2020 |
| Balance, beginning of year | \$ 11,748 | \$ 6,600 |
| Amounts charged to expense | 2,013 | 88 |
| Write-offs | (822) | (335) |
| Balance, end of period | \$ 12,939 | \$ 6,353 |

Available-for-sale debt securities – Available-for-sale debt securities included within funds held for customers were comprised of the following:

| (in thousands) | March 31, 2021 | | | |
|---|----------------|------------------------|-------------------------|------------|
| | Cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| Funds held for customers: ⁽¹⁾ | | | | |
| Domestic money market fund | \$ 12,000 | \$ — | \$ — | \$ 12,000 |
| Canadian and provincial government securities | 9,722 | — | (311) | 9,411 |
| Canadian guaranteed investment certificate | 3,980 | — | — | 3,980 |
| Available-for-sale debt securities | \$ 25,702 | \$ — | \$ (311) | \$ 25,391 |

⁽¹⁾ Funds held for customers, as reported on the consolidated balance sheet as of March 31, 2021, also included cash of \$97,075.

| (in thousands) | December 31, 2020 | | | |
|---|-------------------|------------------------|-------------------------|------------|
| | Cost | Gross unrealized gains | Gross unrealized losses | Fair value |
| Funds held for customers: ⁽¹⁾ | | | | |
| Domestic money market fund | \$ 15,000 | \$ — | \$ — | \$ 15,000 |
| Canadian and provincial government securities | 9,566 | — | (33) | 9,533 |
| Canadian guaranteed investment certificate | 3,929 | — | — | 3,929 |
| Available-for-sale debt securities | \$ 28,495 | \$ — | \$ (33) | \$ 28,462 |

⁽¹⁾ Funds held for customers, as reported on the consolidated balance sheet as of December 31, 2020, also included cash of \$91,287.

Expected maturities of available-for-sale debt securities as of March 31, 2021 were as follows:

| (in thousands) | Fair value |
|------------------------------------|------------|
| Due in one year or less | \$ 14,550 |
| Due in two to five years | 7,971 |
| Due in six to ten years | 2,870 |
| Available-for-sale debt securities | \$ 25,391 |

Further information regarding the fair value of available-for-sale debt securities can be found in Note 7.

Revenue in excess of billings – Revenue in excess of billings was comprised of the following:

| <i>(in thousands)</i> | March 31, 2021 | December 31, 2020 |
|---|-------------------|----------------------|
| Conditional right to receive consideration | \$ 20,072 | \$ 13,950 |
| Unconditional right to receive consideration ⁽¹⁾ | 7,583 | 3,667 |
| Revenue in excess of billings | <u>\$ 27,655</u> | <u>\$ 17,617</u> |

⁽¹⁾ Represents revenues that are earned but not currently billable under the related contract terms. Trade accounts receivable on the consolidated balance sheets included unbilled receivables of \$19,295 as of March 31, 2021 and \$21,319 as of December 31, 2020.

Intangibles – Intangibles were comprised of the following:

| <i>(in thousands)</i> | March 31, 2021 | | | December 31, 2020 | | |
|------------------------------|-----------------------|--------------------------|---------------------|-----------------------|--------------------------|---------------------|
| | Gross carrying amount | Accumulated amortization | Net carrying amount | Gross carrying amount | Accumulated amortization | Net carrying amount |
| Amortizable intangibles: | | | | | | |
| Internal-use software | \$ 397,675 | \$ (314,125) | \$ 83,550 | \$ 380,144 | \$ (303,422) | \$ 76,722 |
| Customer lists/relationships | 366,241 | (212,425) | 153,816 | 352,895 | (202,428) | 150,467 |
| Software to be sold | 36,900 | (24,941) | 11,959 | 36,900 | (23,884) | 13,016 |
| Technology-based intangibles | 33,813 | (29,163) | 4,650 | 33,813 | (27,613) | 6,200 |
| Trade names | 30,230 | (30,053) | 177 | 30,281 | (29,926) | 355 |
| Intangibles | <u>\$ 864,859</u> | <u>\$ (610,707)</u> | <u>\$ 254,152</u> | <u>\$ 834,033</u> | <u>\$ (587,273)</u> | <u>\$ 246,760</u> |

Amortization of intangibles was \$23,264 for the quarter ended March 31, 2021 and \$23,511 for the quarter ended March 31, 2020. Based on the intangibles in service as of March 31, 2021, estimated future amortization expense is as follows:

| <i>(in thousands)</i> | Estimated amortization expense |
|-----------------------|--------------------------------|
| Remainder of 2021 | \$ 65,583 |
| 2022 | 68,285 |
| 2023 | 48,720 |
| 2024 | 23,206 |
| 2025 | 17,327 |

The following intangibles were acquired during the quarter ended March 31, 2021:

| <i>(in thousands)</i> | Amount | Weighted-average amortization period (in years) |
|------------------------------|------------------|---|
| Internal-use software | \$ 17,321 | 3 |
| Customer lists/relationships | 13,302 | 8 |
| Acquired intangibles | <u>\$ 30,623</u> | <u>5</u> |

Goodwill – Changes in goodwill by reportable segment and in total for the quarter ended March 31, 2021 were as follows:

| <i>(in thousands)</i> | Payments | Cloud Solutions | Promotional Solutions | Checks | Total |
|---|-------------------|------------------|-----------------------|-------------------|-------------------|
| Balance, December 31, 2020: | | | | | |
| Goodwill, gross | \$ 168,165 | \$ 432,984 | \$ 252,864 | \$ 434,812 | \$ 1,288,825 |
| Accumulated impairment charges | — | (362,058) | (189,923) | — | (551,981) |
| Goodwill, net of accumulated impairment charges | 168,165 | 70,926 | 62,941 | 434,812 | 736,844 |
| Currency translation adjustment | — | — | 18 | — | 18 |
| Balance, March 31, 2021 | <u>\$ 168,165</u> | <u>\$ 70,926</u> | <u>\$ 62,959</u> | <u>\$ 434,812</u> | <u>\$ 736,862</u> |
| Balance, March 31, 2021: | | | | | |
| Goodwill, gross | \$ 168,165 | \$ 432,984 | \$ 252,882 | \$ 434,812 | \$ 1,288,843 |
| Accumulated impairment charges | — | (362,058) | (189,923) | — | (551,981) |
| Goodwill, net of accumulated impairment charges | <u>\$ 168,165</u> | <u>\$ 70,926</u> | <u>\$ 62,959</u> | <u>\$ 434,812</u> | <u>\$ 736,862</u> |

Other non-current assets – Other non-current assets were comprised of the following:

| <i>(in thousands)</i> | March 31, 2021 | December 31, 2020 |
|--|-------------------|----------------------|
| Postretirement benefit plan asset | \$ 72,775 | \$ 71,208 |
| Prepaid product discounts | 51,044 | 50,602 |
| Cloud computing arrangements | 38,249 | 29,242 |
| Loans and notes receivable from distributors, net of allowances for doubtful accounts ⁽¹⁾ | 27,182 | 35,068 |
| Deferred sales commissions ⁽²⁾ | 15,461 | 9,199 |
| Other | 13,124 | 13,360 |
| Other non-current assets | <u>\$ 217,835</u> | <u>\$ 208,679</u> |

⁽¹⁾ Amount Includes the non-current portion of loans and notes receivable. The current portion of these receivables is included in other current assets on the consolidated balance sheets and was \$1,704 as of March 31, 2021 and \$2,008 as of December 31, 2020.

⁽²⁾ Amortization of deferred sales commissions was \$972 for the quarter ended March 31, 2021 and \$882 for the quarter ended March 31, 2020.

Changes in the allowances for uncollectible accounts related to loans and notes receivable from distributors were as follows for the quarters ended March 31, 2021 and 2020:

| <i>(in thousands)</i> | 2021 | Quarter Ended March 31, 2020 |
|-----------------------------|-----------------|------------------------------------|
| Balance, beginning of year | \$ 3,995 | \$ 284 |
| Adoption of ASU No. 2016-13 | — | 4,749 |
| Bad debt (benefit) expense | (634) | 5,382 |
| Balance, end of period | <u>\$ 3,361</u> | <u>\$ 10,415</u> |

During the quarter ended March 31, 2020, we recorded a loan-specific allowance related to a distributor that was underperforming. In calculating this reserve, we utilized various valuation techniques to determine the value of the underlying collateral, resulting in an allowance of \$6,128 as of March 31, 2020. Other past due receivables and those on non-accrual status were not significant as of March 31, 2021 or December 31, 2020.

We categorize loans and notes receivable into risk categories based on information about the ability of borrowers to service their debt, including current financial information, historical payment experience, current economic trends and other

factors. The highest quality receivables are assigned a 1-2 internal grade. Those that have a potential weakness requiring management's attention are assigned a 3-4 internal grade.

The following table presents loans and notes receivable from distributors, including the current portion, by credit quality indicator and by year of origination, as of March 31, 2021. There were no write-offs or recoveries recorded during the quarter ended March 31, 2021.

| (in thousands) | Loans and notes receivable from distributors amortized cost basis by origination year | | | | | Total |
|----------------------------|---|----------|-----------|-----------|----------|-----------|
| | 2020 | 2019 | 2018 | 2017 | Prior | |
| Risk rating: | | | | | | |
| 1-2 internal grade | \$ 1,310 | \$ 587 | \$ 14,546 | \$ 11,744 | \$ 1,481 | \$ 29,668 |
| 3-4 internal grade | — | 2,579 | — | — | — | 2,579 |
| Loans and notes receivable | \$ 1,310 | \$ 3,166 | \$ 14,546 | \$ 11,744 | \$ 1,481 | \$ 32,247 |

Changes in prepaid product discounts during the quarters ended March 31, 2021 and 2020 were as follows:

| (in thousands) | Quarter Ended March 31, | |
|----------------------------|----------------------------|-----------|
| | 2021 | 2020 |
| Balance, beginning of year | \$ 50,602 | \$ 51,145 |
| Additions ⁽¹⁾ | 7,890 | 2,470 |
| Amortization | (7,440) | (7,077) |
| Other | (8) | (544) |
| Balance, end of period | \$ 51,044 | \$ 45,994 |

⁽¹⁾ Prepaid product discounts are generally accrued upon contract execution. Cash payments for prepaid product discounts were \$9,590 for the quarter ended March 31, 2021 and \$7,321 for the quarter ended March 31, 2020.

Accrued liabilities – Accrued liabilities were comprised of the following:

| (in thousands) | March 31, 2021 | December 31, 2020 |
|---|-------------------|----------------------|
| Deferred revenue ⁽¹⁾ | \$ 49,469 | \$ 42,104 |
| Employee cash bonuses, including sales incentives | 17,005 | 21,090 |
| Prepaid product discounts due within one year | 12,640 | 14,365 |
| Operating lease liabilities | 10,914 | 11,589 |
| Customer rebates | 7,046 | 8,179 |
| Other | 77,849 | 79,856 |
| Accrued liabilities | \$ 174,923 | \$ 177,183 |

⁽¹⁾ \$16,121 of the December 31, 2020 amount was recognized as revenue during the quarter ended March 31, 2021.

Supplemental cash flow information – The reconciliation of cash, cash equivalents, restricted cash and restricted cash equivalents to the consolidated balance sheets was as follows:

| (in thousands) | March 31, 2021 | March 31, 2020 |
|--|-------------------|-------------------|
| Cash and cash equivalents | \$ 125,440 | \$ 310,146 |
| Restricted cash and restricted cash equivalents included in funds held for customers | 109,075 | 75,657 |
| Total cash, cash equivalents, restricted cash and restricted cash equivalents | \$ 234,515 | \$ 385,803 |

NOTE 4: EARNINGS (LOSS) PER SHARE

The following table reflects the calculation of basic and diluted earnings (loss) per share. During each period, certain stock options, as noted below, were excluded from the calculation of diluted earnings (loss) per share because their effect would have been antidilutive.

| | Quarter Ended March 31, | |
|---|----------------------------|-------------|
| | 2021 | 2020 |
| <i>(in thousands, except per share amounts)</i> | | |
| Earnings (loss) per share – basic: | | |
| Net income (loss) | \$ 24,325 | \$ (60,131) |
| Net income attributable to non-controlling interest | (33) | — |
| Net income (loss) attributable to Deluxe | 24,292 | (60,131) |
| Income allocated to participating securities | (19) | (21) |
| Income (loss) attributable to Deluxe available to common shareholders | \$ 24,273 | \$ (60,152) |
| Weighted-average shares outstanding | 42,046 | 42,028 |
| Earnings (loss) per share – basic | \$ 0.58 | \$ (1.43) |
| Earnings (loss) per share – diluted: | | |
| Net income (loss) | \$ 24,325 | \$ (60,131) |
| Net income attributable to non-controlling interest | (33) | — |
| Net income (loss) attributable to Deluxe | 24,292 | (60,131) |
| Income allocated to participating securities | — | (21) |
| Re-measurement of share-based awards classified as liabilities | — | (775) |
| Income (loss) attributable to Deluxe available to common shareholders | \$ 24,292 | \$ (60,927) |
| Weighted-average shares outstanding | 42,046 | 42,028 |
| Dilutive impact of potential common shares | 458 | 37 |
| Weighted-average shares and potential common shares outstanding | 42,504 | 42,065 |
| Earnings (loss) per share – diluted | \$ 0.57 | \$ (1.45) |
| Antidilutive options excluded from calculation | 2,423 | 2,214 |

NOTE 5: OTHER COMPREHENSIVE INCOME (LOSS)

Reclassification adjustments – Information regarding amounts reclassified from accumulated other comprehensive loss to net income (loss) was as follows:

| Accumulated other comprehensive loss components | Amounts reclassified from accumulated other comprehensive loss | | Affected line item in consolidated statements of comprehensive income (loss) |
|---|--|----------|--|
| | Quarter Ended March 31, | | |
| | 2021 | 2020 | |
| <i>(in thousands)</i> | | | |
| Realized (loss) gain on interest rate swap | \$ (334) | \$ 93 | Interest expense |
| Tax benefit (expense) | 87 | (24) | Income tax (provision) benefit |
| Realized (loss) gain on interest rate swap, net of tax | (247) | 69 | Net income (loss) |
| Amortization of postretirement benefit plan items: | | | |
| Prior service credit | 355 | 355 | Other income |
| Net actuarial loss | (407) | (575) | Other income |
| Total amortization | (52) | (220) | Other income |
| Tax (expense) benefit | (31) | 12 | Income tax (provision) benefit |
| Amortization of postretirement benefit plan items, net of tax | (83) | (208) | Net income (loss) |
| Total reclassifications, net of tax | \$ (330) | \$ (139) | |

Accumulated other comprehensive loss – Changes in the components of accumulated other comprehensive loss during the quarter ended March 31, 2021 were as follows:

| <i>(in thousands)</i> | Postretirement benefit plans | Net unrealized loss on available-for-sale debt securities ⁽¹⁾ | Net unrealized loss on cash flow hedge ⁽²⁾ | Currency translation adjustment | Accumulated other comprehensive loss |
|--|------------------------------|--|---|---------------------------------|--------------------------------------|
| Balance, December 31, 2020 | \$ (21,956) | \$ (90) | \$ (5,351) | \$ (14,036) | \$ (41,433) |
| Other comprehensive (loss) income before reclassifications | — | (204) | 477 | 1,006 | 1,279 |
| Amounts reclassified from accumulated other comprehensive loss | 83 | — | 247 | — | 330 |
| Net current-period other comprehensive income (loss) | 83 | (204) | 724 | 1,006 | 1,609 |
| Balance, March 31, 2021 | \$ (21,873) | \$ (294) | \$ (4,627) | \$ (13,030) | \$ (39,824) |

⁽¹⁾ Other comprehensive loss before reclassifications is net of an income tax benefit of \$71.

⁽²⁾ Other comprehensive income before reclassifications is net of income tax expense of \$168.

NOTE 6: DERIVATIVE FINANCIAL INSTRUMENTS

As part of our interest rate risk management strategy, we entered into an interest rate swap in July 2019, which we designated as a cash flow hedge, to mitigate variability in interest payments on a portion of the amount drawn under our revolving credit facility (Note 11). The interest rate swap, which terminates in March 2023 when our revolving credit facility matures, effectively converts \$200,000 of variable rate debt to a fixed rate of 1.798%. Changes in the fair value of the interest rate swap are recorded in accumulated other comprehensive loss on the consolidated balance sheets and are subsequently reclassified to interest expense as interest payments are made on the variable-rate debt. The fair value of the interest rate swap was \$6,231 as of March 31, 2021 and \$7,210 as of December 31, 2020 and was included in other non-current liabilities on the consolidated balance sheets. The fair value of this derivative is calculated based on the prevailing LIBOR rate curve on the date of measurement. The cash flow hedge was fully effective as of March 31, 2021 and December 31, 2020 and its impact on consolidated net income (loss) and our consolidated statements of cash flows was not significant. We also do not expect the amount to be reclassified to interest expense over the next 12 months to be significant.

NOTE 7: FAIR VALUE MEASUREMENTS

Our policies on impairment of goodwill and indefinite-lived intangible assets and impairment of long-lived assets and amortizable intangibles explain our methodology for assessing impairment of these assets and can be found under the caption "Note 1: Significant Accounting Policies" in the Notes to Consolidated Financial Statements appearing in the 2020 Form 10-K.

2020 asset impairment charges – During the quarter ended March 31, 2020, we concluded that a triggering event had occurred for 2 of our reporting units as a result of the COVID-19 pandemic. As such, we completed goodwill impairment analyses for these reporting units as of March 31, 2020. Our analyses indicated that the goodwill of our Promotional Solutions reporting unit was partially impaired and the goodwill of our Cloud Solutions Web Hosting reporting unit was fully impaired. As such, we recorded goodwill impairment charges of \$63,356 and \$4,317, respectively. The impairment charges were measured as the amount by which the reporting units' carrying values exceeded their estimated fair values, limited to the carrying amount of goodwill. After the impairment charges, \$62,785 of goodwill remained in the Promotional Solutions reporting unit as of the measurement date.

Also as a result of the impacts of the COVID-19 pandemic, we assessed for impairment certain long-lived assets of our Cloud Solutions Web Hosting reporting unit as of March 31, 2020. As a result of these assessments, we recorded asset impairment charges of \$17,678, primarily related to customer list, software and trade name intangible assets. With the exception of certain internal-use software assets, we determined that the assets were fully impaired. We utilized the discounted value of estimated future cash flows to estimate the fair value of the asset group. In our analysis, we assumed a revenue decline of 31% and a gross margin decline of 5.2 points in 2020, as well as a discount rate of 9%.

During the first quarter of 2020, we assessed for impairment the carrying value of an asset group related to a small business distributor that we previously purchased. Our assessment was the result of customer attrition during the quarter that impacted our projections of future cash flows. Based on our estimate of discounted future cash flows, we determined that the asset group was partially impaired as of February 29, 2020, and we recorded an asset impairment charge of \$2,752, reducing the carrying value of the related customer list intangible asset. In calculating the estimated fair value of the asset group, we assumed no revenue growth, a 1.9 point improvement in gross margin and a discount rate of 11%. Also during the first quarter of 2020, we recorded asset impairment charges of \$2,227 related to internal-use software and a small business distributor held for sale. Customer attrition in the business utilizing the software caused us to evaluate the asset for impairment, and this analysis indicated that the software was fully impaired. During the first quarter of 2020, we agreed to sales terms for the small business distributor. Based on the negotiated sales price, we recorded an asset impairment charge to write-down the carrying value of the asset group to its fair value less costs to sell.

Information regarding the asset impairment analyses completed during the quarter ended March 31, 2020 was as follows:

| (in thousands) | Fair value measurements using | | | | Impairment charge |
|---|-----------------------------------|--|---|---|-------------------|
| | Fair value as of measurement date | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| Intangible assets (Cloud Solutions Web Hosting reporting unit) ⁽¹⁾ | \$ 2,172 | \$ — | \$ — | \$ 2,172 | \$ 17,678 |
| Small business distributor | 7,622 | — | — | 7,622 | 2,752 |
| Other assets | 1,412 | — | — | 1,412 | 2,227 |
| Goodwill | | | | | 67,673 |
| Total | | | | | <u>\$ 90,330</u> |

⁽¹⁾ The impairment charge consisted of \$8,397 related to customer lists, \$6,932 related to internal-use software and \$2,349 related to other intangible assets.

Recurring fair value measurements – Funds held for customers included available-for-sale debt securities (Note 3). These securities included a money market fund that is traded in an active market, a mutual fund investment that invests in Canadian and provincial government securities, and an investment in a Canadian guaranteed investment certificate (GIC) with a maturity of 2 years. The cost of the money market fund approximates its fair value because of the short-term nature of the investment. The cost of the GIC approximates its fair value, based on estimates using current market rates offered for deposits with similar remaining maturities. The mutual fund investment is not traded in an active market and its fair value is determined by obtaining quoted prices in active markets for the underlying securities held by the fund. Unrealized gains and losses, net of tax, are included in accumulated other comprehensive loss on the consolidated balance sheets. The cost of securities sold is determined using the average cost method. Realized gains and losses are included in revenue on the consolidated statements of comprehensive income (loss) and were not significant during the quarters ended March 31, 2021 and 2020.

Information regarding the fair values of our financial instruments was as follows:

| (in thousands) | Balance sheet location | Fair value measurements using | | | |
|--|--------------------------------------|-------------------------------|------------|--|---|
| | | March 31, 2021 | | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) |
| | | Carrying value | Fair value | | |
| <i>Measured at fair value through comprehensive income (loss):</i> | | | | | |
| Cash equivalents | Funds held for customers | \$ 12,000 | \$ 12,000 | \$ 12,000 | \$ — |
| Available-for-sale debt securities | Funds held for customers | 13,391 | 13,391 | — | 13,391 |
| Derivative liability (Note 6) | Other non-current liabilities | (6,231) | (6,231) | — | (6,231) |
| <i>Amortized cost:</i> | | | | | |
| Cash | Cash and cash equivalents | 125,440 | 125,440 | 125,440 | — |
| Cash | Funds held for customers | 97,075 | 97,075 | 97,075 | — |
| Loans and notes receivable from distributors | Other current and non-current assets | 28,886 | 28,843 | — | — |
| Long-term debt | Long-term debt | 840,000 | 840,000 | — | 840,000 |

| | | Fair value measurements using | | | | |
|--|--------------------------------------|-------------------------------|------------|---|--|---|
| | | December 31, 2020 | | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| (in thousands) | Balance sheet location | Carrying value | Fair value | | | |
| <i>Measured at fair value through comprehensive income (loss):</i> | | | | | | |
| Cash equivalents | Funds held for customers | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ — | \$ — |
| Available-for-sale debt securities | Funds held for customers | 13,462 | 13,462 | — | 13,462 | — |
| Derivative liability (Note 6) | Other non-current liabilities | (7,210) | (7,210) | — | (7,210) | — |
| <i>Amortized cost:</i> | | | | | | |
| Cash | Cash and cash equivalents | 123,122 | 123,122 | 123,122 | — | — |
| Cash | Funds held for customers | 91,287 | 91,287 | 91,287 | — | — |
| Loans and notes receivable from distributors | Other current and non-current assets | 37,076 | 36,950 | — | — | 36,950 |
| Long-term debt | Long-term debt | 840,000 | 840,000 | — | 840,000 | — |

NOTE 8: RESTRUCTURING AND INTEGRATION EXPENSE

Restructuring and integration expense consists of costs related to the consolidation and migration of certain applications and processes, including our financial and sales management systems. It also includes costs related to the integration of acquired businesses into our systems and processes. These costs consist primarily of information technology consulting, project management services and internal labor, as well as other costs associated with our initiatives, such as training, travel and relocation and costs associated with facility closures. In addition, we recorded employee severance costs related to these initiatives, as well as our ongoing cost reduction initiatives across functional areas. We are currently pursuing several initiatives designed to focus on our growth strategy and to increase our efficiency. Restructuring and integration expense is not allocated to our reportable business segments.

Restructuring and integration expense is reflected on the consolidated statements of comprehensive income (loss) as follows:

| (in thousands) | Quarter Ended March 31, | |
|---------------------------------------|----------------------------|-----------|
| | 2021 | 2020 |
| Total cost of revenue | \$ 899 | \$ 829 |
| Operating expenses | 14,313 | 17,654 |
| Restructuring and integration expense | \$ 15,212 | \$ 18,483 |

Restructuring and integration expense for each period was comprised of the following:

| <i>(in thousands)</i> | Quarter Ended March 31, | |
|---------------------------------------|----------------------------|------------------|
| | 2021 | 2020 |
| External consulting fees | \$ 7,383 | \$ 10,901 |
| Internal labor | 2,041 | 1,853 |
| Employee severance benefits | 857 | 5,083 |
| Other | 4,931 | 646 |
| Restructuring and integration expense | <u>\$ 15,212</u> | <u>\$ 18,483</u> |

Our restructuring and integration accruals are included in accrued liabilities on the consolidated balance sheets and represent expected cash payments required to satisfy the remaining severance obligations to those employees already terminated and those expected to be terminated under our various initiatives. The majority of the employee reductions are expected to be completed in the second quarter of 2021, and we expect most of the related severance payments to be paid by mid-2021, utilizing cash from operations.

Changes in our restructuring and integration accruals were as follows:

| <i>(in thousands)</i> | Employee severance benefits |
|----------------------------|--------------------------------|
| Balance, December 31, 2020 | \$ 6,798 |
| Charges | 1,877 |
| Reversals | (1,020) |
| Payments | (5,701) |
| Balance, March 31, 2021 | <u>\$ 1,954</u> |

The charges and reversals presented in the rollforward of our restructuring and integration accruals do not include items charged directly to expense as incurred, as those items are not reflected in accrued liabilities on the consolidated balance sheets.

NOTE 9: INCOME TAX PROVISION (BENEFIT)

The effective tax rate on pre-tax income (loss) reconciles to the U.S. federal statutory tax rate as follows:

| | Quarter Ended March 31, 2021 | Year Ended December 31, 2020 |
|---|---------------------------------|---------------------------------|
| Income tax at federal statutory rate | 21.0 % | 21.0 % |
| Goodwill impairment charges (Note 7) | — | 39.2 % |
| State income tax expense, net of federal income tax benefit | 3.8 % | 1.7 % |
| Tax impact of share-based compensation | 2.1 % | 7.4 % |
| Non-deductible executive compensation | 0.9 % | 2.0 % |
| Foreign tax rate differences | 0.6 % | 3.7 % |
| Change in unrecognized tax benefits, including interest and penalties | 0.3 % | (2.9 %) |
| Payables and receivables for prior year tax returns | (0.9 %) | 2.8 % |
| Research and development tax credit | (0.6 %) | (3.3 %) |
| Return to provision adjustments | — | (2.3 %) |
| Change in valuation allowances | — | 0.8 % |
| Other | 0.2 % | 0.8 % |
| Effective tax rate | <u>27.4 %</u> | <u>70.9 %</u> |

NOTE 10: POSTRETIREMENT BENEFITS

We have historically provided certain health care benefits for a large number of retired U.S. employees. In addition to our retiree health care plan, we also have a U.S. supplemental executive retirement plan. Further information regarding our postretirement benefit plans can be found under the caption "Note 14: Postretirement Benefits" in the Notes to Consolidated Financial Statements appearing in the 2020 Form 10-K.

Postretirement benefit income is included in other income on the consolidated statements of comprehensive income (loss) and consisted of the following components:

| <i>(in thousands)</i> | Quarter Ended March 31, | |
|--------------------------------------|----------------------------|-------------------|
| | 2021 | 2020 |
| Interest cost | \$ 242 | \$ 478 |
| Expected return on plan assets | (1,875) | (1,905) |
| Amortization of prior service credit | (355) | (355) |
| Amortization of net actuarial losses | 407 | 575 |
| Net periodic benefit income | <u>\$ (1,581)</u> | <u>\$ (1,207)</u> |

NOTE 11: DEBT

Debt outstanding consisted of amounts drawn on our revolving credit facility of \$840,000 as of March 31, 2021 and December 31, 2020. As of March 31, 2021, the total availability under our revolving credit facility was \$1,150,000. The facility includes an accordion feature allowing us, subject to lender consent, to increase the credit commitment to an aggregate amount not exceeding \$1,425,000. The credit facility matures in March 2023. Our quarterly commitment fee ranges from 0.175% to 0.35% based on our leverage ratio. Amounts drawn under the credit facility had a weighted-average interest rate of 2.00% as of March 31, 2021 and 2.01% as of December 31, 2020. In July 2019, we executed an interest rate swap to convert \$200,000 of the amount drawn under the credit facility to fixed rate debt. Further information can be found in Note 6.

Borrowings under the credit agreement are collateralized by substantially all of our personal and intangible property. The credit agreement governing our credit facility contains customary covenants regarding limits on levels of subsidiary indebtedness and capital expenditures, liens, investments, acquisitions, certain mergers, certain asset sales outside the ordinary course of business and change in control as defined in the agreement. The agreement also requires us to maintain certain financial ratios, including a maximum leverage ratio of 3.5 and a minimum ratio of consolidated earnings before interest and taxes to consolidated interest expense, as defined in the credit agreement, of 3.0. Additionally, the agreement contains customary representations and warranties and, as a condition to borrowing, requires that all such representations and warranties be true and correct in all material respects on the date of each borrowing, including representations as to no material adverse change in our business, assets, operations or financial condition.

There are currently no limitations on the amount of dividends and share repurchases under the terms of our credit agreement. However, if our leverage ratio, defined as total debt less unrestricted cash to EBITDA, should exceed 2.75 to 1, there would be an annual limitation on the amount of dividends and share repurchases.

Daily average amounts outstanding under our credit facility were as follows:

| <i>(in thousands)</i> | Quarter Ended March 31, 2021 | Year Ended December 31, 2020 |
|----------------------------------|------------------------------|------------------------------|
| Daily average amount outstanding | \$ 840,165 | \$ 1,016,896 |
| Weighted-average interest rate | 2.00 % | 2.12 % |

As of March 31, 2021, amounts were available for borrowing under our revolving credit facility as follows:

| <i>(in thousands)</i> | Total available |
|--|-----------------|
| Revolving credit facility commitment | \$ 1,150,000 |
| Amount drawn on revolving credit facility | (840,000) |
| Outstanding letters of credit ⁽¹⁾ | (7,658) |
| Net available for borrowing as of March 31, 2021 | \$ 302,342 |

⁽¹⁾We use standby letters of credit to collateralize certain obligations related primarily to our self-insured workers' compensation claims, as well as claims for environmental matters, as required by certain states. These letters of credit reduce the amount available for borrowing under our revolving credit facility.

NOTE 12: OTHER COMMITMENTS AND CONTINGENCIES

Leases – During the third quarter of 2020, we executed a lease on a facility located in Minnesota with a term of 16 years. As this lease has not yet commenced, it was not reflected on the consolidated balance sheets as of March 31, 2021 or December 31, 2020. The total obligation under this lease is approximately \$43,000, with approximately \$4,000 due in 2022 - 2023, approximately \$5,000 due in 2024 - 2025 and the remainder due through 2037.

Indemnifications – In the normal course of business, we periodically enter into agreements that incorporate general indemnification language. These indemnification provisions generally encompass third-party claims arising from our products and services, including, without limitation, service failures, breach of security, intellectual property rights, governmental regulations and/or employment-related matters. Performance under these indemnities would generally be triggered by our breach of the terms of the contract. In disposing of assets or businesses, we often provide representations, warranties and/or indemnities to cover various risks, including, for example, unknown damage to the assets, environmental risks involved in the sale of real estate, liability to investigate and remediate environmental contamination at waste disposal sites and manufacturing facilities,

and unidentified tax liabilities and legal matters related to periods prior to disposition. We do not have the ability to estimate the potential liability from such indemnities because they relate to unknown conditions. However, we do not believe that any liability under these indemnities would have a material adverse effect on our financial position, annual results of operations or annual cash flows. We have recorded liabilities for known indemnifications related to environmental matters. These liabilities were not significant as of March 31, 2021 or December 31, 2020.

Self-insurance – We are self-insured for certain costs, primarily workers' compensation claims and medical and dental benefits for active employees and those employees on long-term disability. The liabilities associated with these items represent our best estimate of the ultimate obligations for reported claims plus those incurred, but not reported, and totaled \$8,383 as of March 31, 2021 and \$9,046 as of December 31, 2020. These accruals are included in accrued liabilities and other non-current liabilities on the consolidated balance sheets. Our workers' compensation liability is recorded at present value. The difference between the discounted and undiscounted liability was not significant as of March 31, 2021 or December 31, 2020.

Our self-insurance liabilities are estimated, in part, by considering historical claims experience, demographic factors and other actuarial assumptions. The estimated accruals for these liabilities could be significantly affected if future events and claims differ from these assumptions and historical trends.

Litigation – Recorded liabilities for legal matters, as well as related charges recorded in each period, were not material to our financial position, results of operations or liquidity during the periods presented, and we do not believe that any of the currently identified claims or litigation will materially affect our financial position, results of operations or liquidity, upon resolution. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. If an unfavorable ruling were to occur, it may cause a material adverse impact on our financial position, results of operations or liquidity in the period in which the ruling occurs or in future periods.

NOTE 13: SHAREHOLDERS' EQUITY

In October 2018, our board of directors authorized the repurchase of up to \$500,000 of our common stock. This authorization has no expiration date. No shares were repurchased during the first quarter of 2021 and \$287,452 remained available for repurchase under the authorization as of March 31, 2021.

NOTE 14: BUSINESS SEGMENT INFORMATION

We operate 4 reportable segments, generally organized by product type, as follows:

- **Payments** – This segment includes our treasury management solutions, including remittance and lockbox processing, remote deposit capture, receivables management, payment processing and paperless treasury management, in addition to payroll and disbursement services, including Deluxe Payment Exchange, and fraud and security services.
- **Cloud Solutions** – This segment includes web hosting and design services, data-driven marketing solutions and hosted solutions, including digital engagement, logo design, financial institution profitability reporting and business incorporation services.
- **Promotional Solutions** – This segment includes business forms, accessories, advertising specialties, promotional apparel, retail packaging and strategic sourcing services.
- **Checks** – This segment includes printed personal and business checks.

The accounting policies of the segments are the same as those described in the Notes to Consolidated Financial Statements included in the 2020 Form 10-K. We allocate corporate costs for our shared services functions to our business segments when the costs are directly attributable to a segment. This includes certain sales and marketing, human resources, supply chain, real estate, finance, information technology and legal costs. Costs that are not directly attributable to a business segment are reported as Corporate operations and consist primarily of marketing, accounting, information technology, facilities, executive management and legal, tax and treasury costs that support the corporate function. Corporate operations also includes other income. All of our segments operate primarily in the U.S., with some operations in Canada. In addition, Cloud Solutions has operations in Australia and portions of Europe, as well as partners in Central and South America.

Our chief operating decision maker (i.e., our Chief Executive Officer) reviews earnings before interest, taxes, depreciation and amortization (EBITDA) on an adjusted basis for each segment when deciding how to allocate resources and to assess

segment operating performance. Adjusted EBITDA for each segment excludes depreciation and amortization expense, interest expense, income tax expense and certain other amounts, which may include, from time to time: asset impairment charges; restructuring, integration and other costs; CEO transition costs; share-based compensation expense; acquisition transaction costs; certain legal-related expense; and gains or losses on sales of businesses and customer lists. Our Chief Executive Officer does not review segment asset information when making investment or operating decisions regarding our reportable business segments.

Segment information for the quarters ended March 31, 2021 and 2020 was as follows:

| <i>(in thousands)</i> | Quarter Ended March 31, | |
|------------------------|-------------------------|------------|
| | 2021 | 2020 |
| Payments: | | |
| Revenue | \$ 79,438 | \$ 77,040 |
| Adjusted EBITDA | 18,329 | 18,023 |
| Cloud Solutions: | | |
| Revenue | 62,220 | 75,945 |
| Adjusted EBITDA | 17,209 | 14,920 |
| Promotional Solutions: | | |
| Revenue | 124,507 | 142,794 |
| Adjusted EBITDA | 17,714 | 11,197 |
| Checks: | | |
| Revenue | 175,099 | 190,644 |
| Adjusted EBITDA | 83,534 | 90,712 |
| Total segment: | | |
| Revenue | \$ 441,264 | \$ 486,423 |
| Adjusted EBITDA | 136,786 | 134,852 |

The following table presents a reconciliation of total segment adjusted EBITDA to consolidated income (loss) before income taxes:

| <i>(in thousands)</i> | Quarter Ended March 31, | |
|---|-------------------------|-------------|
| | 2021 | 2020 |
| Total segment adjusted EBITDA | \$ 136,786 | \$ 134,852 |
| Corporate operations | (46,281) | (51,518) |
| Depreciation and amortization expense | (27,780) | (28,430) |
| Interest expense | (4,524) | (6,999) |
| Net income attributable to non-controlling interest | 33 | — |
| Asset impairment charges | — | (90,330) |
| Restructuring, integration and other costs | (15,212) | (19,633) |
| CEO transition costs | — | 180 |
| Share-based compensation expense | (6,742) | (3,618) |
| Acquisition transaction costs | (2,765) | (9) |
| Certain legal-related benefit | — | 2,164 |
| Income (loss) before income taxes | \$ 33,515 | \$ (63,341) |

The following tables present revenue disaggregated by our product and service offerings:

| | Quarter Ended March 31, 2021 | | | | |
|-------------------------------------|------------------------------|------------------|-----------------------|-------------------|-------------------|
| <i>(in thousands)</i> | Payments | Cloud Solutions | Promotional Solutions | Checks | Consolidated |
| Checks | \$ — | \$ — | \$ — | \$ 175,099 | \$ 175,099 |
| Forms and other products | — | — | 71,781 | — | 71,781 |
| Treasury management solutions | 59,136 | — | — | — | 59,136 |
| Marketing and promotional solutions | — | — | 52,726 | — | 52,726 |
| Data-driven marketing solutions | — | 33,646 | — | — | 33,646 |
| Web and hosted solutions | — | 28,574 | — | — | 28,574 |
| Other payments solutions | 20,302 | — | — | — | 20,302 |
| Total revenue | <u>\$ 79,438</u> | <u>\$ 62,220</u> | <u>\$ 124,507</u> | <u>\$ 175,099</u> | <u>\$ 441,264</u> |

| | Quarter Ended March 31, 2020 | | | | |
|-------------------------------------|------------------------------|------------------|-----------------------|-------------------|-------------------|
| <i>(in thousands)</i> | Payments | Cloud Solutions | Promotional Solutions | Checks | Consolidated |
| Checks | \$ — | \$ — | \$ — | \$ 190,644 | \$ 190,644 |
| Forms and other products | — | — | 81,813 | — | 81,813 |
| Treasury management solutions | 56,867 | — | — | — | 56,867 |
| Marketing and promotional solutions | — | — | 60,981 | — | 60,981 |
| Data-driven marketing solutions | — | 38,997 | — | — | 38,997 |
| Web and hosted solutions | — | 36,948 | — | — | 36,948 |
| Other payments solutions | 20,173 | — | — | — | 20,173 |
| Total revenue | <u>\$ 77,040</u> | <u>\$ 75,945</u> | <u>\$ 142,794</u> | <u>\$ 190,644</u> | <u>\$ 486,423</u> |

The following tables present revenue disaggregated by geography, based on where items are shipped from or where services are performed:

| | Quarter Ended March 31, 2021 | | | | | |
|---|------------------------------|-----------------|-----------------------|------------|--------------|--|
| (in thousands) | Payments | Cloud Solutions | Promotional Solutions | Checks | Consolidated | |
| United States | \$ 68,484 | \$ 53,512 | \$ 119,148 | \$ 169,014 | \$ 410,158 | |
| Foreign, primarily Canada and Australia | 10,954 | 8,708 | 5,359 | 6,085 | 31,106 | |
| Total revenue | \$ 79,438 | \$ 62,220 | \$ 124,507 | \$ 175,099 | \$ 441,264 | |

| | Quarter Ended March 31, 2020 | | | | | |
|---|------------------------------|-----------------|-----------------------|------------|--------------|--|
| (in thousands) | Payments | Cloud Solutions | Promotional Solutions | Checks | Consolidated | |
| United States | \$ 68,358 | \$ 68,070 | \$ 136,814 | \$ 184,294 | \$ 457,536 | |
| Foreign, primarily Canada and Australia | 8,682 | 7,875 | 5,980 | 6,350 | 28,887 | |
| Total revenue | \$ 77,040 | \$ 75,945 | \$ 142,794 | \$ 190,644 | \$ 486,423 | |

NOTE 15: RISKS AND UNCERTAINTIES

The impact on our business of the COVID-19 pandemic continues to evolve. As such, we are uncertain of the impact on our future financial condition, liquidity and/or results of operations. This uncertainty affected several of the assumptions made and estimates used in the preparation of these consolidated financial statements. As discussed in Note 7, the COVID-19 pandemic resulted in a goodwill impairment triggering event during the first quarter of 2020, as the adverse economic effects of the pandemic materially decreased demand for the products and services we provide to our customers. The extent to which the pandemic will continue to impact our business depends on future developments, including the severity and duration of the pandemic, the timing and effectiveness of vaccines, business and workforce disruptions and the ultimate number of businesses that fail. Our evaluation of asset impairment required us to make assumptions about these future events over the life of the assets being evaluated. This required significant judgment and actual results may differ significantly from our estimates. As a result of the continuing effects of COVID-19, we may be required to record additional goodwill or other asset impairment charges in the future.

We held loans and notes receivable from our Promotional Solutions distributors of \$28,886 as of March 31, 2021. These distributors sell our products and services primarily to small businesses, which have been significantly impacted by the COVID-19 pandemic. As of March 31, 2021, our allowance for expected credit losses on these receivables was \$3,361, although the majority of this amount was not driven by impacts of the pandemic. We utilized all information known to us in determining this allowance, as well as allowances related to our trade accounts receivable and unbilled receivables. If our assumptions prove to be incorrect, we may be required to record additional bad debt expense in the future. Additionally, uncertainty surrounding the impact of the COVID-19 outbreak could affect estimates we made regarding inventory obsolescence and workers' compensation liabilities and thus, could result in additional expense in the future.

NOTE 16: SUBSEQUENT EVENT

On April 21, 2021, we entered into an Agreement and Plan of Merger under which First American Payment Systems, L.P. (First American), will become our wholly-owned subsidiary. First American is a large-scale payments technology company that provides partners and merchants with comprehensive in-store, online and mobile payment solutions. The aggregate purchase price payable on the closing date is \$960,000 in cash, subject to customary adjustments for cash, debt, net working capital, transaction expenses and certain tax benefits.

We expect the acquisition will close during the second quarter of 2021. The transaction is subject to customary closing conditions, including the expiration or termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvement Act of 1976, as amended. The shareholders of First American have approved the transaction and no further shareholder approvals are required. The merger agreement contains customary representations, warranties and covenants.

From the date of the merger agreement until the closing date, First American is, with limited exceptions, required to conduct its business in the ordinary course consistent with past practice and to comply with certain covenants regarding the operation of its business. The representations and warranties of the parties contained in the merger agreement will terminate and be of no further force and effect as of the closing date, except for those covenants that by their terms expressly apply in whole or in part after the closing of the transaction. We have obtained representation and warranty insurance to cover, subject to certain limitations, losses resulting from potential breaches of First American's representations and warranties made in the merger agreement. Pursuant to the merger agreement, we are entitled to limited indemnification for certain expenses and losses, if any, that may be incurred after the consummation of the transaction that arise out of certain matters, including a Federal Trade Commission investigation initiated in December 2019 seeking information to determine whether certain subsidiaries of First American may have engaged in conduct prohibited by the Federal Trade Commission Act, the Fair Credit Reporting Act or the Duties of Furnishers of Information. As fully set forth in the merger agreement, our rights to indemnification for any such expenses and losses are limited to the amount of an indemnity holdback, which will be our sole recourse for any such losses.

We expect to finance the transaction with a combination of cash on hand and proceeds from new debt. In connection with the merger, we have obtained a \$2,200,000 financing commitment from a group of lenders. During the quarter ended March 31, 2021, we recorded related acquisition transaction costs of \$2,765, which are included in selling, general and administrative expense on the consolidated statement of comprehensive income. The results of operations for First American will be included in our Payments segment from the date of acquisition.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) includes the following sections:

- [Executive Overview](#) that discusses what we do, our operating results at a high level and our financial outlook for the upcoming year;
- [Consolidated Results of Operations; Restructuring, Integration and Other Costs; and Segment Results](#) that includes a more detailed discussion of our revenue and expenses;
- [Cash Flows and Liquidity, Capital Resources and Other Financial Position Information](#) that discusses key aspects of our cash flows, capital structure and financial position;
- [Off-Balance Sheet Arrangements, Guarantees and Contractual Obligations](#) that discusses our financial commitments; and
- [Critical Accounting Policies](#) that discusses the policies we believe are most important to understanding the assumptions and judgments underlying our financial statements.

Please note that this MD&A discussion contains forward-looking statements that involve risks and uncertainties. Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020 (the 2020 Form 10-K) outlines known material risks and important information to consider when evaluating our forward-looking statements and is incorporated into this Item 2 of this report on Form 10-Q as if fully stated herein. The Private Securities Litigation Reform Act of 1995 (the Reform Act) provides a "safe harbor" for forward-looking statements to encourage companies to provide prospective information. When we use the words or phrases "should result," "believe," "intend," "plan," "are expected to," "targeted," "will continue," "will approximate," "is anticipated," "estimate," "project," "outlook," "forecast" or similar expressions in this Quarterly Report on Form 10-Q, in future filings with the Securities and Exchange Commission, in our press releases, investor presentations and in oral statements made by our representatives, they indicate forward-looking statements within the meaning of the Reform Act.

This MD&A includes financial information prepared in accordance with accounting principles generally accepted in the U.S. (GAAP). In addition, we discuss free cash flow, net debt, liquidity, adjusted diluted earnings per share (EPS) and consolidated adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), all of which are non-GAAP financial measures. We believe that these non-GAAP financial measures, when reviewed in conjunction with GAAP financial measures, can provide useful information to assist investors in analyzing our current period operating performance and in assessing our future period operating performance. For this reason, our internal management reporting also includes these financial measures, which should be considered in addition to, and not as superior to or as a substitute for, GAAP financial measures. We strongly encourage investors and shareholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. Our non-GAAP financial measures may not be comparable to similarly titled measures used by other companies and therefore, may not result in useful comparisons. The reconciliation of our non-GAAP financial measures to the most directly comparable GAAP financial measures can be found in *Consolidated Results of Operations*.

EXECUTIVE OVERVIEW

COVID-19 impact – The COVID-19 pandemic began to impact our operations late in the first quarter of 2020. Information regarding the impact in 2020, as well as actions we took in response, can be found under the caption "Executive Overview" in Part II, Item 7 of the 2020 Form 10-K.

The impact of the pandemic continued in the first quarter of 2021 and was the main driver of the 9.3% decrease in revenue, as compared to the first quarter of 2020. Within Promotional Solutions, many of our business customers continued to be impacted by their customers' and governmental responses to the pandemic. Demand for promotional products has declined, as many of our customers reduced or stopped virtually all promotional activities while their business activities are limited. The decline in travel and event cancellations also has reduced promotional spending. In Checks, both business and personal check volumes declined as a result of the slowdown in the economy. The impact in Cloud Solutions was driven primarily by a decline in data-driven marketing solutions, as some clients suspended or reduced their marketing campaigns during this period of uncertainty. We did see some recovery in data-driven marketing revenue during the first quarter of 2021, with an increase of 11.3% as compared to the fourth quarter of 2020. This resulted, in part, from the continuation of low interest rates and an improving credit risk environment, which drove increased marketing efforts by our banking and mortgage lending customers.

Despite the continuing challenges of the pandemic, net income improved in the first quarter of 2021, as compared to the first quarter of 2020, and adjusted EBITDA margin was 20.5% for the first quarter of 2021, in line with our annual expectations prior to the pandemic. Cash provided by operating activities increased \$13.1 million in the first quarter of 2021, as compared to the first quarter of 2020, and free cash flow increased \$5.7 million. Total debt at the end of the quarter remained unchanged from the beginning of the year, and net debt as of March 31, 2021 was the lowest since June 30, 2018. We held cash and cash equivalents of \$125.4 million as of March 31, 2021, and liquidity was \$427.8 million. Our priority is to maintain our financial strength, while simultaneously continuing our business transformation. We are continuing important systems implementation work and capital projects, including our enterprise resource planning and sales technology implementations. We also continue to pay our regular quarterly dividend of \$0.30 per share.

2021 results vs. 2020 – Numerous factors drove the increase in net income for the first quarter of 2021, as compared to the first quarter of 2020. The primary factor was a decrease in asset impairment charges of \$90.3 million, as compared to 2020. Other factors that increased net income included:

- actions taken to reduce costs in line with reduced revenues and the continuing evaluation of our cost structure, including savings of approximately \$2.8 million from the suspension of the 401(k) plan employer matching contribution implemented in response to the COVID-19 pandemic;
- a \$7.7 million decrease in bad debt expense, primarily driven by allowances recorded in the first quarter of 2020 related to notes receivable from our Promotional Solutions distributors;
- revenue growth in certain business lines, including some recovery of data-driven marketing revenue and increased treasury management revenue; and
- a \$4.4 million decrease in restructuring, integration and other costs.

Partially offsetting these increases in net income were the following factors:

- the continuing secular decline in checks and business forms and the 2020 decision to exit certain product lines within Cloud Solutions;
- the loss of revenue resulting from the impact of the COVID-19 pandemic;
- a \$3.1 million increase in share-based compensation expense; and
- acquisition transaction costs of \$2.8 million in 2021.

Diluted EPS of \$0.57 for the first quarter of 2021, as compared to diluted loss per share of \$1.45 for the first quarter of 2020, reflects the increase in net income as described in the preceding paragraphs, partially offset by higher average shares outstanding in 2021. Adjusted diluted EPS for the first quarter of 2021 was \$1.26, compared to \$1.08 for the first quarter of 2020, and excludes the impact of non-cash items or items that we believe are not indicative of ongoing operations. The increase in adjusted EPS for the first quarter of 2021, as compared to the first quarter of 2020, was driven primarily by various cost savings actions across functional areas, as well as the lower bad debt expense and revenue growth in certain business lines. These increases were partially offset by the continuing secular decline in checks and business forms and the impact of the COVID-19

pandemic. A reconciliation of diluted earnings (loss) per share to adjusted diluted EPS can be found in *Consolidated Results of Operations*.

Asset impairment charges – Net loss for the first quarter of 2020 included pretax asset impairment charges of \$90.3 million, or \$1.81 per share. The impairment charges related primarily to the goodwill of our Promotional Solutions and Cloud Solutions Web Hosting reporting units, as well as amortizable intangibles of our Cloud Solutions Web Hosting reporting unit. Further information regarding these impairment charges can be found under the caption "Note 7: Fair Value Measurements" of the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report and under the caption "Critical Accounting Policies" in Part II, Item 7 of the 2020 Form 10-K.

"One Deluxe" Strategy

A detailed discussion of our strategy can be found in Part I, Item 1 of the 2020 Form 10-K. We continue to be encouraged by the success to-date of our One Deluxe strategy. We have made significant progress in the integration of our various technology platforms, we have developed an enterprise-class sales organization, we have built a talented management team and we have strengthened our balance sheet. We have also built an organization focused on developing new and improved products. With all of these achievements, we determined that we are ready to augment our business through meaningful acquisitions.

On April 21, 2021, we entered into an Agreement and Plan of Merger under which First American Payment Systems, L.P. (First American), will become our wholly-owned subsidiary. First American is a large-scale payments technology company that provides partners and merchants with comprehensive in-store, online and mobile payment solutions. The aggregate purchase price payable on the closing date is \$960.0 million in cash, subject to customary adjustments for cash, debt, net working capital, transaction expenses and certain tax benefits. The transaction provides an end-to-end payments technology platform, which we believe will provide significant leverage to accelerate organic growth. First American generated revenue of approximately \$290.0 million during 2020. We expect to finance the transaction with a combination of cash on hand and proceeds from new debt. In connection with the merger, we have obtained a \$2.2 billion financing commitment from a group of lenders. We expect the acquisition will close during the second quarter of 2021, pending customary regulatory approvals and closing conditions. The results of operations for First American will be included in our Payments segment from the date of acquisition. Further information regarding this transaction can be found under the caption "Note 16: Subsequent Event" of the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report.

Outlook for 2021

Our outlook for 2021 does not include the impact of the First American transaction, which we expect to close during the second quarter of 2021. While the overall economic recovery in 2021 remains uncertain, we believe that we will generate sales-driven revenue growth during 2021 in the range of 0% to 2%, primarily driven by the combination of our sales performance and expected steady macroeconomic recovery from the COVID-19 pandemic. We expect to exit the year with revenue growth in the mid-single digits, and we expect that adjusted EBITDA margin for the full year will be between 20% and 21%, at the lower end of our long-term target range. We anticipate that our annual effective tax rate for 2021 will be approximately 25%.

As of March 31, 2021, we held cash and cash equivalents of \$125.4 million and \$302.3 million was available for borrowing under our revolving credit facility. We anticipate that capital expenditures will be approximately \$90.0 million in 2021, as we continue with important transformation work, innovation investments and building future scale across our product categories. We also expect that we will continue to pay our regular quarterly dividend. However, dividends are approved by our board of directors each quarter and thus, are subject to change. We anticipate that net cash generated by operations, along with cash and cash equivalents on hand and availability under our credit facility, will be sufficient to support our operations and debt service requirements for the next 12 months, including costs of the additional debt we expect to incur in conjunction with the merger with First American. We were in compliance with our debt covenants as of March 31, 2021, and we anticipate that we will remain in compliance with our debt covenants throughout the next 12 months.

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated Revenue

| (in thousands) | Quarter Ended March 31, | | |
|----------------|-------------------------|------------|--------|
| | 2021 | 2020 | Change |
| Total revenue | \$ 441,264 | \$ 486,423 | (9.3%) |

The decrease in total revenue for the first quarter of 2021, as compared to the first quarter of 2020, was driven primarily by volume declines resulting from the impact of the COVID-19 pandemic, primarily in our Promotional Solutions, Cloud Solutions and Checks segments, as discussed in *Executive Overview*. Revenue also continued to be impacted by the secular decline in order volume for checks and business forms. In addition, Cloud Solutions web and hosted solutions revenue declined approximately \$6.8 million in the first quarter of 2021 due to our 2020 decision to exit certain product lines. Partially offsetting these revenue declines was an increase in Cloud Solutions data-driven marketing revenue, resulting in part, from the continuation of low interest rates and an improving credit risk environment, which drove increased marketing efforts by our banking and mortgage lending customers. In addition, Payments treasury management revenue increased 4.0% compared to the first quarter of 2020.

Service revenue represented 32.2% of total revenue for the first quarter of 2021 and 32.0% for the first quarter of 2020. We do not manage our business based on product versus service revenue. Instead, we analyze our revenue based on the product and service offerings shown under the caption: "Note 14: Business Segment Information" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report. Our revenue mix by business segment was as follows:

| | Quarter Ended March 31, | |
|-----------------------|----------------------------|---------|
| | 2021 | 2020 |
| Payments | 18.0 % | 15.8 % |
| Cloud Solutions | 14.1 % | 15.6 % |
| Promotional Solutions | 28.2 % | 29.4 % |
| Checks | 39.7 % | 39.2 % |
| Total revenue | 100.0 % | 100.0 % |

Consolidated Cost of Revenue

| (in thousands) | Quarter Ended March 31, | | |
|--|-------------------------|------------|------------|
| | 2021 | 2020 | Change |
| Total cost of revenue | \$ 178,509 | \$ 202,049 | (11.7%) |
| Total cost of revenue as a percentage of total revenue | 40.5 % | 41.5 % | (1.0) pts. |

Cost of revenue consists primarily of raw materials used to manufacture our products, shipping and handling costs, third-party costs for outsourced products and services, payroll and related expenses, information technology costs, depreciation and amortization of assets used in the production process and in support of digital service offerings, and related overhead.

The decrease in total cost of revenue for the first quarter of 2021, as compared to the first quarter of 2020, was primarily attributable to the decrease in revenue volume resulting from the COVID-19 impact. In addition, cost of revenue decreased as a result of the continued secular decline in checks and business forms, as well as the decline in Cloud Solutions web and hosted solutions revenue driven by the 2020 decision to exit certain product lines. Total cost of revenue also benefited from cost reductions and efficiencies in our fulfillment area. Total cost of revenue as a percentage of total revenue decreased in the first quarter of 2021, as compared to the first quarter of 2020, due in large part, to the change in revenue mix driven by the COVID-19 impact and the 2020 decision to exit certain Cloud Solutions product lines.

Consolidated Selling, General & Administrative (SG&A) Expense

| (in thousands) | Quarter Ended March 31, | | |
|---|-------------------------|------------|------------|
| | 2021 | 2020 | Change |
| SG&A expense | \$ 212,436 | \$ 237,204 | (10.4%) |
| SG&A expense as a percentage of total revenue | 48.1 % | 48.8 % | (0.7) pts. |

The decrease in SG&A expense for the first quarter of 2021, as compared to the first quarter of 2020, was primarily driven by various cost reduction actions and internal value realization initiatives, including advertising expense reductions and other efficiencies in sales, marketing and our corporate support functions. In addition, bad debt expense decreased \$7.7 million, primarily due to allowances recorded in the first quarter of 2020 related to notes receivable from our Promotional Solutions distributors. Also, we incurred lower customer referral expenses on the lower order volume resulting from the impact of the COVID-19 pandemic, and SG&A expense decreased approximately \$2.8 million from the suspension of the 401(k) plan employer

matching contribution implemented in response to the COVID-19 pandemic. Partially offsetting these decreases in SG&A expense were \$2.8 million of acquisition transaction costs in the first quarter of 2021, a \$2.7 million increase in share-based compensation expense and a legal-related benefit of \$2.2 million in the first quarter of 2020. Total SG&A expense as a percentage of revenue decreased for the first quarter of 2021, as compared to the first quarter of 2020, as the benefit of cost reductions and the decrease in bad debt expense more than offset the impact of the revenue decline.

Restructuring and Integration Expense

| <i>(in thousands)</i> | Quarter Ended March 31, | | |
|---------------------------------------|-------------------------|-----------|------------|
| | 2021 | 2020 | Change |
| Restructuring and integration expense | \$ 14,313 | \$ 17,654 | \$ (3,341) |

We are currently pursuing several initiatives designed to focus our business behind our growth strategy and to increase our efficiency. Further information regarding these costs can be found under *Restructuring, Integration and Other Costs*.

Asset Impairment Charges

| <i>(in thousands)</i> | Quarter Ended March 31, | | |
|--------------------------|-------------------------|-----------|-------------|
| | 2021 | 2020 | Change |
| Asset impairment charges | \$ — | \$ 90,330 | \$ (90,330) |

We did not record any asset impairment charges during the first quarter of 2021. During the first quarter of 2020, we recorded asset impairment charges of \$90.3 million, related primarily to the goodwill of our Promotional Solutions and Cloud Solutions Web Hosting reporting units and amortizable intangibles of our Cloud Solutions Web Hosting reporting unit. Further information regarding these charges can be found under the caption "Note 7: Fair Value Measurements" of the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report and under the caption "Critical Accounting Policies" in Part II, Item 7 of the 2020 Form 10-K.

Interest Expense

| <i>(in thousands)</i> | Quarter Ended March 31, | | |
|-----------------------------------|-------------------------|----------|------------|
| | 2021 | 2020 | Change |
| Interest expense | \$ 4,524 | \$ 6,999 | (35.4%) |
| Weighted-average debt outstanding | 840,165 | 923,423 | (9.0%) |
| Weighted-average interest rate | 2.0 % | 2.8 % | (0.8) pts. |

The decrease in interest expense for the first quarter of 2021, as compared to the first quarter of 2020, was primarily driven by our lower weighted-average interest rate, as well as the lower average debt outstanding in 2021.

Income Tax Provision (Benefit)

| <i>(in thousands)</i> | Quarter Ended March 31, | | |
|--------------------------------|-------------------------|------------|-----------|
| | 2021 | 2020 | Change |
| Income tax provision (benefit) | \$ 9,190 | \$ (3,210) | 386.3% |
| Effective income tax rate | 27.4 % | 5.1 % | 22.3 pts. |

The increase in our effective tax rate for the first quarter of 2021, as compared to the first quarter of 2020, was driven primarily by the impact of the nondeductible portion of the goodwill impairment charges in the first quarter of 2020, which lowered our 2020 effective income tax rate by 18.8 points. In addition, the tax impact of share-based compensation resulted in a 3.0 point increase in our effective income tax rate, as compared to the first quarter of 2020. Further information regarding our effective income tax rate for the first quarter of 2021, as compared to our 2020 annual effective income tax rate, can be found under the caption: "Note 9: Income Tax Provision (Benefit)" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report.

Net Income (Loss) / Diluted Earnings (Loss) Per Share

| | Quarter Ended March 31, | | |
|-------------------------------------|-------------------------|-------------|--------|
| | 2021 | 2020 | Change |
| Net income (loss) | \$ 24,325 | \$ (60,131) | 140.5% |
| Diluted earnings (loss) per share | 0.57 | (1.45) | 139.3% |
| Adjusted diluted EPS ⁽¹⁾ | 1.26 | 1.08 | 16.7% |

⁽¹⁾ See the following *Reconciliation of Non-GAAP Financial Measures* section, which illustrates how we calculate adjusted diluted EPS.

The increases in net income, diluted EPS and adjusted diluted EPS for the first quarter of 2021, as compared to the first quarter of 2020, were driven primarily by the factors outlined in *Executive Overview - 2021 results vs. 2020*.

Adjusted EBITDA

| (in thousands) | Quarter Ended March 31, | | |
|--------------------------------|-------------------------|-----------|----------|
| | 2021 | 2020 | Change |
| Adjusted EBITDA ⁽¹⁾ | \$ 90,505 | \$ 83,334 | 8.6% |
| Adjusted EBITDA margin | 20.5 % | 17.1 % | 3.4 pts. |

⁽¹⁾ See the following *Reconciliation of Non-GAAP Financial Measures* section, which illustrates how we calculate adjusted EBITDA.

The increase in adjusted EBITDA for the first quarter of 2021, as compared to the first quarter of 2020, was driven primarily by various cost reduction actions and internal value realization initiatives, including advertising expense reductions and other efficiencies in sales, marketing and our corporate support functions. In addition, bad debt expense decreased \$7.7 million in the first quarter of 2021, primarily driven by allowances recorded in the first quarter of 2020 related to notes receivable from our Promotional Solutions distributors, and revenue grew in certain business lines, including some recovery of data-driven marketing revenue and increased treasury management revenue. Partially offsetting these increases in adjusted EBITDA were the continuing secular decline in checks and business forms, the impact of the COVID-19 pandemic on revenue volumes and the loss of Cloud Solutions web and hosted services revenue resulting from our 2020 decision to exit certain product lines. Adjusted EBITDA margin increased for the first quarter of 2021, as compared to the first quarter of 2020, as the impact of cost reductions and reduced bad debt expense exceeded the impact of the revenue volume decline.

Reconciliation of Non-GAAP Financial Measures

We have not reconciled adjusted EBITDA outlook guidance for 2021 to the directly comparable GAAP financial measure because we do not provide outlook guidance for net income or the reconciling items between net income and adjusted EBITDA. Because of the substantial uncertainty and variability surrounding certain of these forward-looking reconciling items, including asset impairment charges, restructuring, integration and other costs, and certain legal-related expenses, a reconciliation of the non-GAAP financial measure outlook guidance to the corresponding GAAP measure is not available without unreasonable effort. The probable significance of certain of these reconciling items is high and, based on historical experience, could be material.

Free cash flow – We define free cash flow as net cash provided by operating activities less purchases of capital assets. We believe that free cash flow is an important indicator of cash available for debt service and for shareholders, after making capital investments to maintain or expand our asset base. Free cash flow is limited and not all of our free cash flow is available for discretionary spending, as we may have mandatory debt payments and other cash requirements that must be deducted from our cash available for future use. We believe that the measure of free cash flow provides an additional metric to compare cash generated by operations on a consistent basis and to provide insight into the cash flow available to fund items such as share repurchases, dividends, mandatory and discretionary debt reduction and acquisitions or other strategic investments.

Net cash provided by operating activities reconciles to free cash flow as follows:

| (in thousands) | Quarter Ended March 31, | |
|---|-------------------------|-----------|
| | 2021 | 2020 |
| Net cash provided by operating activities | \$ 39,581 | \$ 26,468 |
| Purchases of capital assets | (21,670) | (14,269) |
| Free cash flow | \$ 17,911 | \$ 12,199 |

Net debt – Management believes that net debt is an important measure to monitor leverage and to evaluate the balance sheet. In calculating net debt, cash and cash equivalents are subtracted from total debt because they could be used to reduce our debt obligations. A limitation associated with using net debt is that it subtracts cash and cash equivalents, and therefore, may imply that management intends to use cash and cash equivalents to reduce outstanding debt. In addition, net debt suggests that our debt obligations are less than the most comparable GAAP measure indicates.

| <i>(in thousands)</i> | March 31, 2021 | December 31, 2020 |
|---------------------------|-----------------------|--------------------------|
| Total debt | \$ 840,000 | \$ 840,000 |
| Cash and cash equivalents | (125,440) | (123,122) |
| Net debt | <u>\$ 714,560</u> | <u>\$ 716,878</u> |

Liquidity – We define liquidity as cash and cash equivalents plus the amount available for borrowing under our revolving credit facility. We consider liquidity to be an important metric for demonstrating the amount of cash that is available or that could be available on short notice. This financial measure is not a substitute for GAAP liquidity measures. Instead, we believe that this measurement enhances investors' understanding of the funds that are currently available.

| <i>(in thousands)</i> | March 31, 2021 | December 31, 2020 |
|--|-----------------------|--------------------------|
| Cash and cash equivalents | \$ 125,440 | \$ 123,122 |
| Amount available for borrowing under revolving credit facility | 302,342 | 302,342 |
| Liquidity | <u>\$ 427,782</u> | <u>\$ 425,464</u> |

Adjusted diluted EPS – By excluding the impact of non-cash items or items that we believe are not indicative of current period operating performance, we believe that adjusted diluted EPS provides useful comparable information to assist in analyzing our current period operating performance and in assessing our future operating performance. As such, adjusted diluted EPS is one of the key financial performance metrics we use to assess the operating results and performance of the business and to identify strategies to improve performance. It is reasonable to expect that one or more of the excluded items will occur in future periods, but the amounts recognized may vary significantly.

Diluted earnings (loss) per share reconciles to adjusted diluted EPS as follows:

| (in thousands) | Quarter Ended March 31, | |
|--|----------------------------|-------------|
| | 2021 | 2020 |
| Net income (loss) | \$ 24,325 | \$ (60,131) |
| Net income attributable to non-controlling interest | (33) | — |
| Net income (loss) attributable to Deluxe | 24,292 | (60,131) |
| Asset impairment charges | — | 90,330 |
| Acquisition amortization | 13,193 | 14,724 |
| Restructuring, integration and other costs | 15,212 | 19,633 |
| CEO transition costs | — | (180) |
| Share-based compensation expense | 6,742 | 3,618 |
| Acquisition transaction costs | 2,765 | 9 |
| Certain legal-related benefit | — | (2,164) |
| Adjustments, pre-tax | 37,912 | 125,970 |
| Income tax provision impact of pre-tax adjustments ⁽¹⁾ | (8,456) | (19,175) |
| Adjustments, net of tax | 29,456 | 106,795 |
| Adjusted net income attributable to Deluxe | 53,748 | 46,664 |
| Income allocated to participating securities | (41) | (77) |
| Re-measurement of share-based awards classified as liabilities | — | (788) |
| Adjusted income attributable to Deluxe available to common shareholders | \$ 53,707 | \$ 45,799 |
| Weighted average shares and potential common shares outstanding | 42,504 | 42,065 |
| Adjustment ⁽²⁾ | (32) | 155 |
| Adjusted weighted average shares and potential common shares outstanding | 42,472 | 42,220 |
| GAAP diluted earnings (loss) per share | \$ 0.57 | \$ (1.45) |
| Adjustments, net of tax | 0.69 | 2.53 |
| Adjusted diluted EPS | \$ 1.26 | \$ 1.08 |

⁽¹⁾ The tax effect of the pre-tax adjustments considers the tax treatment and related tax rate(s) that apply to each adjustment in the applicable tax jurisdiction(s). Generally, this results in a tax impact that approximates the U.S. effective tax rate for each adjustment. However, the tax impact of certain adjustments, such as asset impairment charges and share-based compensation expense, depends on whether the amounts are deductible in the respective tax jurisdictions and the applicable effective tax rate(s) in those jurisdictions.

⁽²⁾ The total of weighted-average shares and potential common shares outstanding used in the calculations of adjusted diluted EPS differs from the GAAP calculations, due to differences in the amount of dilutive securities in each calculation.

Adjusted EBITDA – We believe that adjusted EBITDA is useful in evaluating our operating performance, as the calculation eliminates the effect of interest expense, income taxes, the accounting effects of capital investments (i.e., depreciation and amortization) and certain items, as presented below, that may vary for companies for reasons unrelated to current period operating performance. In addition, management utilizes adjusted EBITDA to assess the operating results and performance of the business, to perform analytical comparisons and to identify strategies to improve performance. We also believe that an increasing adjusted EBITDA depicts an increase in the value of the company. We do not consider adjusted EBITDA to be a measure of cash flow, as it does not consider certain cash requirements such as interest, income taxes, debt service payments or capital investments.

Net income (loss) reconciles to adjusted EBITDA as follows:

| <i>(in thousands)</i> | Quarter Ended March 31, | |
|---|----------------------------|-------------|
| | 2021 | 2020 |
| Net income (loss) | \$ 24,325 | \$ (60,131) |
| Pre-tax income attributable to non-controlling interest | (33) | — |
| Depreciation and amortization expense | 27,780 | 28,430 |
| Interest expense | 4,524 | 6,999 |
| Income tax provision (benefit) | 9,190 | (3,210) |
| Asset impairment charges | — | 90,330 |
| Restructuring, integration and other costs | 15,212 | 19,633 |
| CEO transition costs | — | (180) |
| Share-based compensation expense | 6,742 | 3,618 |
| Acquisition transaction costs | 2,765 | 9 |
| Certain legal-related benefit | — | (2,164) |
| Adjusted EBITDA | \$ 90,505 | \$ 83,334 |

RESTRUCTURING, INTEGRATION AND OTHER COSTS

Restructuring and integration expense consists of costs related to the consolidation and migration of certain applications and processes, including our financial and sales management systems. It also includes costs related to the integration of acquired businesses into our systems and processes. These costs primarily consist of information technology consulting, project management services and internal labor, as well as other costs associated with our initiatives, such as training, travel and relocation and costs associated with facility closures. In addition, we recorded employee severance costs related to these initiatives, as well as our ongoing cost reduction initiatives across functional areas. Further information regarding restructuring and integration expense can be found under the caption "Note 8: Restructuring and Integration Expense" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report. In addition to restructuring and integration expense, we also recognized certain business transformation costs during 2020 related to optimizing our business processes in line with our growth strategies.

The majority of the employee reductions included in our restructuring and integration accruals as of March 31, 2021 are expected to be completed in the second quarter of 2021, and we expect most of the related severance payments to be paid by mid-2021. As a result of our employee reductions, we expect to realize cost savings of approximately \$35.0 million in SG&A expense and \$1.0 million in total cost of revenue in 2021, in comparison to our 2020 results of operations, which represents a portion of the total net cost reductions we expect to realize in 2021.

SEGMENT RESULTS

We operate 4 reportable segments: Payments, Cloud Solutions, Promotional Solutions and Checks. These segments are generally organized by product type and reflect the way we currently manage the company. The financial information presented below for our reportable business segments is consistent with that presented under the caption "Note 14: Business Segment Information" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report, where information regarding revenue from our various product and service offerings can also be found.

Payments

Results for our Payments segment were as follows:

| <i>(in thousands)</i> | Quarter Ended March 31, | | |
|------------------------|-------------------------|-----------|------------|
| | 2021 | 2020 | Change |
| Total revenue | \$ 79,438 | \$ 77,040 | 3.1% |
| Adjusted EBITDA | 18,329 | 18,023 | 1.7% |
| Adjusted EBITDA margin | 23.1 % | 23.4 % | (0.3) pts. |

The increase in total revenue for the first quarter of 2021, as compared to the first quarter of 2020, was driven by an increase in treasury management revenue of 4.0%, primarily driven by receivables management revenue. This segment continues to demonstrate growth, as revenue increased 1.8% over the fourth quarter of 2020. We expect continued growth in this segment in 2021, as we work on implementing the new clients we signed during 2020 and during the first quarter of 2021.

The increase in adjusted EBITDA for the first quarter of 2021, as compared to the first quarter of 2020, was driven by the revenue increase, partially offset by costs associated with moving work from our Texas location during the winter storms in February 2021 and the mix of hardware sales. Adjusted EBITDA margin decreased for the first quarter of 2021, as compared to the first quarter of 2020, as the cost increases exceeded the benefit of the revenue increase. As we continue to invest in this business, we expect adjusted EBITDA margins to be in the low 20% range through the remainder of the year.

Cloud Solutions

Results for our Cloud Solutions segment were as follows:

| <i>(in thousands)</i> | Quarter Ended March 31, | | |
|------------------------|-------------------------|-----------|----------|
| | 2021 | 2020 | Change |
| Total revenue | \$ 62,220 | \$ 75,945 | (18.1%) |
| Adjusted EBITDA | 17,209 | 14,920 | 15.3% |
| Adjusted EBITDA margin | 27.7 % | 19.6 % | 8.1 pts. |

The decrease in total revenue for the first quarter of 2021, as compared to the first quarter of 2020, was driven by the impact of the COVID-19 pandemic, primarily in data-driven marketing solutions, as some clients suspended or reduced their marketing campaigns. Data-driven marketing revenue increased 11.3% from the fourth quarter of 2020, as our customers slowly reactivated their marketing campaigns and the continuation of low interest rates and an improving credit risk environment drove increased marketing efforts by our banking and mortgage lending customers. Web and hosted solutions revenue decreased \$8.4 million for the first quarter of 2021, as compared to the first quarter of 2020, \$6.8 million of which was due to our 2020 decision to exit certain product lines.

Adjusted EBITDA and adjusted EBITDA margin for the first quarter of 2021 increased compared to the first quarter of 2020, despite the revenue decline, due to various cost reduction actions to bring expenses in line with our post-COVID-19 operating model. In addition, adjusted EBITDA benefited from the timing and type of customer marketing campaigns in each period, as well as lower information technology costs in the first quarter of 2021. We expect the loss of revenue resulting from our 2020 decision to exit certain product lines will continue to impact this segment in 2021, but we anticipate that adjusted EBITDA margin for the year will be in the low-to-mid 20% range.

Promotional Solutions

Results for our Promotional Solutions segment were as follows:

| <i>(in thousands)</i> | Quarter Ended March 31, | | |
|------------------------|-------------------------|------------|----------|
| | 2021 | 2020 | Change |
| Total revenue | \$ 124,507 | \$ 142,794 | (12.8%) |
| Adjusted EBITDA | 17,714 | 11,197 | 58.2% |
| Adjusted EBITDA margin | 14.2 % | 7.8 % | 6.4 pts. |

The decrease in total revenue for the first quarter of 2021, as compared to the first quarter of 2020, continued to be driven primarily by the impact of the COVID-19 pandemic, as our small business and enterprise customers continued to conservatively react to the current economic environment, resulting in decreased demand for marketing and promotional products. The

continuing secular decline in business forms and some accessories also negatively impacted revenue. The year-over-year change in revenue improved in the first quarter of 2021, as compared to the fourth quarter of 2020, when revenue declined 16.6% as compared to the prior year.

Adjusted EBITDA and adjusted EBITDA margin for the first quarter of 2021 increased compared to the first quarter of 2020, despite the revenue decline and a \$1.9 million increase in obsolete inventory expense. The increases were driven primarily by the benefit of various cost reduction actions and internal value realization initiatives, as well as lower bad debt expense related to notes receivable from distributors. We are anticipating adjusted EBITDA margins throughout 2021 in the low-to-mid teens, as a result of our cost reduction actions, including changes in key distribution relationships.

Checks

Results for our Checks segment were as follows:

| (in thousands) | Quarter Ended March 31, | | |
|------------------------|-------------------------|------------|----------|
| | 2021 | 2020 | Change |
| Total revenue | \$ 175,099 | \$ 190,644 | (8.2%) |
| Adjusted EBITDA | 83,534 | 90,712 | (7.9%) |
| Adjusted EBITDA margin | 47.7 % | 47.6 % | 0.1 pts. |

The decrease in total revenue for the first quarter of 2021, as compared to the first quarter of 2020, was driven primarily by the continuing secular decline in checks and the impact of the COVID-19 pandemic, which resulted in a decline in business and personal check usage stemming from the slowdown in the economy. We anticipate that the rate of decline will improve as the macroeconomic environment recovers. Early evidence of this recovery is the sequential improvement in the year-over-year revenue decline rate from 10.0% in the fourth quarter of 2020.

The decrease in Adjusted EBITDA for the first quarter of 2021, as compared to the first quarter of 2020, was driven by the revenue decline, partially offset by various cost reduction actions and internal value realization initiatives intended to scale our operating expenses to match anticipated check volumes, as well as lower bad debt expense.

CASH FLOWS AND LIQUIDITY

As of March 31, 2021, we held cash and cash equivalents of \$125.4 million, as well as restricted cash and restricted cash equivalents included in funds held for customers of \$109.1 million. The following table shows our cash flow activity for the quarters ended March 31, 2021 and 2020, and should be read in conjunction with the consolidated statements of cash flows appearing in Part I, Item 1 of this report.

| (in thousands) | Quarter Ended March 31, | | |
|---|-------------------------|------------|--------------|
| | 2021 | 2020 | Change |
| Net cash provided by operating activities | \$ 39,581 | \$ 26,468 | \$ 13,113 |
| Net cash used by investing activities | (21,850) | (13,915) | (7,935) |
| Net cash (used) provided by financing activities | (14,231) | 211,156 | (225,387) |
| Effect of exchange rate change on cash, cash equivalents, restricted cash and restricted cash equivalents | 1,606 | (12,717) | 14,323 |
| Net change in cash, cash equivalents, restricted cash and restricted cash equivalents | \$ 5,106 | \$ 210,992 | \$ (205,886) |
| Free cash flow ⁽¹⁾ | \$ 17,911 | \$ 12,199 | \$ 5,712 |

⁽¹⁾ See the *Reconciliation of Non-GAAP Financial Measures* within the *Consolidated Results of Operations* section, which defines and illustrates how we calculate free cash flow.

Net cash provided by operating activities increased \$13.1 million for the first quarter of 2021, as compared to the first quarter of 2020, driven primarily by the favorable timing of accounts receivable in certain of our businesses, the benefit of cost saving actions and internal value realization initiatives, and an \$8.6 million decrease in performance-based compensation payments related to our 2020 performance. These increases in operating cash flow were partially offset by the continuing impact of the COVID-19 pandemic, the continuing secular decline in checks and business forms and increased investments in cloud computing arrangements we are employing throughout the company.

Included in net cash provided by operating activities were the following operating cash outflows:

| <i>(in thousands)</i> | 2021 | Quarter Ended March 31, | | 2020 | Change |
|--|-----------|-------------------------|--|--------|------------|
| Performance-based compensation payments ⁽¹⁾ | \$ 12,180 | \$ | | 20,777 | \$ (8,597) |
| Prepaid product discount payments | 9,590 | | | 7,321 | 2,269 |
| Severance payments | 5,701 | | | 2,703 | 2,998 |
| Interest payments | 4,033 | | | 6,705 | (2,672) |
| Income tax payments | 3,330 | | | 4,332 | (1,002) |

⁽¹⁾ Amounts reflect compensation based on total company performance.

Net cash used by investing activities for the first quarter of 2021 was \$7.9 million higher than the first quarter of 2020, driven primarily by increased purchases of capital assets, as we continue to invest in our transformation.

Net cash used by financing activities for the first quarter of 2021 was \$225.4 million higher than the first quarter of 2020, due to borrowings on our revolving credit facility during the first quarter of 2020, primarily a draw of \$238.0 million in March 2020, at the onset of the COVID-19 pandemic. We repaid these amounts later in 2020. Partially offsetting this increase in cash used by financing activities was the net change in customer funds obligations in each period and a decrease in common share repurchases of \$14.0 million. We suspended share repurchases in the second quarter of 2020 to assist in maintaining liquidity during the COVID-19 pandemic.

Significant cash transactions, excluding those related to operating activities, for each period were as follows:

| <i>(in thousands)</i> | 2021 | Quarter Ended March 31, | | 2020 | Change |
|--|----------|-------------------------|--|----------|--------------|
| Net change in debt | \$ — | \$ | | 256,500 | \$ (256,500) |
| Purchases of capital assets | (21,670) | | | (14,269) | (7,401) |
| Payments for common shares repurchased | — | | | (14,000) | 14,000 |
| Cash dividends paid to shareholders | (12,932) | | | (12,714) | (218) |
| Net change in customer funds obligations | 1,659 | | | (19,407) | 21,066 |

As of March 31, 2021, our foreign subsidiaries held cash and cash equivalents of \$99.2 million. Deferred income taxes have not been recognized on unremitted earnings of our foreign subsidiaries, as these amounts are intended to be reinvested indefinitely in the operations of those subsidiaries. If we were to repatriate all of our foreign cash and cash equivalents into the U.S. at one time, we estimate we would incur a foreign withholding tax liability of approximately \$5.0 million, notwithstanding any tax planning strategies that might be available.

As of March 31, 2021, \$302.3 million was available for borrowing under our \$1.15 billion revolving credit facility. We anticipate that net cash generated by operations, along with the cash and cash equivalents on hand and availability on our credit facility, will be sufficient to support our operations and debt service requirements for the next 12 months, including the additional debt we expect to incur in conjunction with the merger with First American. We anticipate that we will continue to pay our regular quarterly dividend. However, dividends are approved by our board of directors each quarter and thus, are subject to change.

CAPITAL RESOURCES

Our total debt was \$840.0 million as of March 31, 2021 and December 31, 2020. Further information concerning our outstanding debt can be found under the caption "Note 11: Debt" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report.

Our capital structure for each period was as follows:

| (in thousands) | March 31, 2021 | | December 31, 2020 | | Change |
|------------------------------------|----------------|--------------------------------|-------------------|--------------------------------|-----------|
| | Amount | Weighted-average interest rate | Amount | Weighted-average interest rate | |
| Fixed interest rate ⁽¹⁾ | \$ 200,000 | 3.3 % | \$ 200,000 | 3.3 % | \$ — |
| Floating interest rate | 640,000 | 1.2 % | 640,000 | 1.6 % | — |
| Total debt | 840,000 | 2.0 % | 840,000 | 2.0 % | — |
| Shareholders' equity | 558,819 | | 540,838 | | 17,981 |
| Total capital | \$ 1,398,819 | | \$ 1,380,838 | | \$ 17,981 |

⁽¹⁾ The fixed interest rate amount represents the amount drawn under our revolving credit facility that is subject to an interest rate swap agreement. The related interest rate includes the fixed rate under the swap of 1.798% plus the credit facility spread due on all amounts outstanding under the credit facility agreement.

In October 2018, our board of directors authorized the repurchase of up to \$500.0 million of our common stock. This authorization has no expiration date. No shares were repurchased during the first quarter of 2021 and \$287.5 million remained available for repurchase under this authorization as of March 31, 2021. Information regarding changes in shareholders' equity can be found in the consolidated statements of shareholders' equity appearing in Part I, Item 1 of this report.

As of March 31, 2021, the total availability under our revolving credit facility was \$1.15 billion. The facility includes an accordion feature allowing us, subject to lender consent, to increase the credit commitment to an aggregate amount not exceeding \$1.425 billion. The credit facility matures in March 2023. Our quarterly commitment fee ranges from 0.175% to 0.35%, based on our leverage ratio.

Borrowings under our credit agreement are collateralized by substantially all of our personal and intangible property. The credit agreement governing the credit facility contains customary covenants regarding limits on levels of subsidiary indebtedness and capital expenditures, liens, investments, acquisitions, certain mergers, certain asset sales outside the ordinary course of business, and change in control as defined in the agreement. The agreement also requires us to maintain certain financial ratios, including a maximum leverage ratio of 3.5 and a minimum ratio of consolidated earnings before interest and taxes to consolidated interest expense, as defined in the credit agreement, of 3.0. Additionally, the agreement contains customary representations and warranties and, as a condition to borrowing, requires that all such representations and warranties be true and correct in all material respects on the date of each borrowing, including representations as to no material adverse change in our business, assets, operations or financial condition. We were in compliance with all debt covenants as of March 31, 2021, and we anticipate that we will remain in compliance with our debt covenants throughout the next 12 months.

As of March 31, 2021, amounts were available for borrowing under our revolving credit facility as follows:

| (in thousands) | Total available |
|--|-----------------|
| Revolving credit facility commitment | \$ 1,150,000 |
| Amount drawn on revolving credit facility | (840,000) |
| Outstanding letters of credit ⁽¹⁾ | (7,658) |
| Net available for borrowing as of March 31, 2021 | \$ 302,342 |

⁽¹⁾ We use standby letters of credit to collateralize certain obligations related primarily to our self-insured workers' compensation claims, as well as claims for environmental matters, as required by certain states. These letters of credit reduce the amount available for borrowing under our revolving credit facility.

As discussed in *Executive Overview*, we expect to finance the pending merger with First American via a combination of cash on hand and proceeds from new debt. In connection with the merger, we have obtained a \$2.2 billion financing commitment from a group of lenders. We expect the acquisition will close during the second quarter of 2021, pending customary regulatory approvals and closing conditions.

OTHER FINANCIAL POSITION INFORMATION

Information concerning items comprising selected captions on our consolidated balance sheets can be found under the caption "Note 3: Supplemental Balance Sheet and Cash Flow Information" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report.

Prepaid product discounts – Other non-current assets include prepaid product discounts that are recorded upon contract execution and are generally amortized on the straight-line basis as reductions of revenue over the related contract term. Changes in prepaid product discounts during the quarters ended March 31, 2021 and 2020 can be found under the caption "Note 3: Supplemental Balance Sheet and Cash Flow Information" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report. Cash payments for prepaid product discounts were \$9.6 million for the first quarter of 2021 and \$7.3 million for the first quarter of 2020.

The number of checks being written has been declining, which has contributed to increased competitive pressure when attempting to retain or acquire clients. Both the number of financial institution clients requesting prepaid product discount payments and the amount of the payments has fluctuated from year to year. Although we anticipate that we will selectively continue to make these payments, we cannot quantify future amounts with certainty. The amount paid depends on numerous factors, such as the number and timing of contract executions and renewals, competitors' actions, overall product discount levels and the structure of up-front product discount payments versus providing higher discount levels throughout the term of the contract.

Liabilities for prepaid product discounts are recorded upon contract execution. These obligations are monitored for each contract and are adjusted as payments are made. Prepaid product discount payments due within the next year are included in accrued liabilities on the consolidated balance sheets. These accruals were \$12.6 million as of March 31, 2021 and \$14.4 million as of December 31, 2020.

OFF-BALANCE SHEET ARRANGEMENTS, GUARANTEES AND CONTRACTUAL OBLIGATIONS

It is not our general business practice to enter into off-balance sheet arrangements or to guarantee the performance of third parties. In the normal course of business we periodically enter into agreements that incorporate general indemnification language. These indemnifications encompass third-party claims arising from our products and services, including, without limitation, service failures, breach of security, intellectual property rights, governmental regulations and/or employment-related matters. Performance under these indemnities would generally be triggered by our breach of the terms of the contract. In disposing of assets or businesses, we often provide representations, warranties and/or indemnities to cover various risks, including, for example, unknown damage to the assets, environmental risks involved in the sale of real estate, liability to investigate and remediate environmental contamination at waste disposal sites and manufacturing facilities, and unidentified tax liabilities and legal fees related to periods prior to disposition. We do not have the ability to estimate the potential liability from such indemnities because they relate to unknown conditions. However, we do not believe that any liability under these indemnities would have a material adverse effect on our financial position, annual results of operations or annual cash flows. We have recorded liabilities for known indemnifications related to environmental matters. These liabilities were not significant as of March 31, 2021 or December 31, 2020. Further information regarding our liabilities related to self-insurance and litigation can be found under the caption "Note 12: Other Commitments and Contingencies" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report.

We are not engaged in any transactions, arrangements or other relationships with unconsolidated entities or other third parties that are reasonably likely to have a material effect on our liquidity or on our access to, or requirements for, capital resources. We have not established any special purpose entities other than our agreement to form MedPay Exchange LLC (MPX), doing business as Medical Payment Exchange, which delivers payments to healthcare providers from insurance companies and other payers. This entity is a variable interest entity (VIE), as defined in Accounting Standards Codification Topic 810, *Consolidation*. Further information regarding our accounting for this entity can be found under the caption "Note 1: Significant Accounting Policies" in the Notes to Consolidated Financial Statements appearing in the 2020 Form 10-K. We did not enter into any material related party transactions during the first quarter of 2021 or during 2020.

A table of our contractual obligations was provided in the MD&A section of the 2020 Form 10-K. During the first quarter of 2021, we extended a software-as-a-service contract, which increased our contractual obligations by approximately \$42.0 million. Of this amount, approximately \$25.0 million is payable in 2021 - 2022, with the remainder payable in 2023.

CRITICAL ACCOUNTING POLICIES

A description of our critical accounting policies was provided in the MD&A section of the 2020 Form 10-K. There were no changes in these policies during the first quarter of 2021.

New accounting pronouncements – Information regarding the accounting pronouncement adopted during the first quarter of 2021 can be found under the caption “Note 2: New Accounting Pronouncements” in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to changes in interest rates primarily as a result of the borrowing activities used to support our capital structure, maintain liquidity and fund business operations. We do not enter into financial instruments for speculative or trading purposes. The nature and amount of debt outstanding can be expected to vary as a result of future business requirements, market conditions and other factors. As of March 31, 2021, our total debt was comprised of \$840.0 million drawn under our revolving credit facility at a weighted-average interest rate of 2.0%. The interest rate on the majority of the amount drawn under our revolving credit facility is variable and reflects current market rates. As such, the related carrying amount reported on the consolidated balance sheets approximates fair value. Amounts drawn on our revolving credit facility mature in March 2023.

As part of our interest rate risk management strategy, we entered into an interest rate swap in July 2019, which we designated as a cash flow hedge, to mitigate variability in interest payments on a portion of the amount drawn under our revolving credit facility. The interest rate swap, which terminates in March 2023 when our revolving credit facility matures, effectively converts \$200.0 million of variable rate debt to a fixed rate of 1.798%. Changes in the fair value of the interest rate swap are recorded in accumulated other comprehensive loss on the consolidated balance sheets and are subsequently reclassified to interest expense as interest payments are made on the variable-rate debt. The fair value of the interest rate swap was \$6.2 million as of March 31, 2021 and \$7.2 million as of December 31, 2020 and was included in other non-current liabilities on the consolidated balance sheets.

Based on the daily average amount of outstanding variable rate debt, a one percentage point change in our weighted-average interest rate would have resulted in a \$1.6 million change in interest expense for the first quarter of 2021.

We are exposed to changes in foreign currency exchange rates. Investments in, loans and advances to foreign subsidiaries and branches, as well as the operations of these businesses, are denominated in foreign currencies, primarily Canadian and Australian dollars. The effect of exchange rate changes is not expected to have a significant impact on our earnings and cash flows, as our foreign operations represent a relatively small portion of our business. We have not entered into hedges against changes in foreign currency exchange rates.

ITEM 4. CONTROLS AND PROCEDURES

(a) *Disclosure Controls and Procedures* – As of the end of the period covered by this report, March 31, 2021 (the Evaluation Date), we carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)). Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in applicable rules and forms, and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

(b) *Internal Control Over Financial Reporting* – There were no changes in our internal control over financial reporting identified in connection with our evaluation during the quarter ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We record accruals with respect to identified claims or lawsuits when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Claims and lawsuits are reviewed quarterly and provisions are taken or adjusted to reflect the status of a particular matter. We believe the recorded reserves in our consolidated financial statements are adequate in light of the probable and estimable outcomes. Recorded liabilities were not material to our financial position, results of operations or liquidity, and we do not believe that any of the currently identified claims or litigation will materially affect our financial position, results of operations or liquidity upon resolution. However, litigation is subject to inherent uncertainties, and unfavorable rulings could occur. If an unfavorable ruling were to occur, it may cause a material adverse impact on our financial position, results of operations or liquidity in the period in which the ruling occurs or in future periods.

ITEM 1A. RISK FACTORS

Our risk factors are outlined in Item 1A of the 2020 Form 10-K. There have been no significant changes to these risk factors since we filed the 2020 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In October 2018, our board of directors authorized the repurchase of up to \$500.0 million of our common stock. This authorization has no expiration date. No shares were repurchased during the first quarter of 2021 and \$287.5 million remained available for repurchase as of March 31, 2021.

While not considered repurchases of shares, we do at times withhold shares that would otherwise be issued under equity-based awards to cover the withholding taxes due as a result of the exercising or vesting of such awards. During the first quarter of 2021, we withheld 62,328 shares in conjunction with the vesting and exercise of equity-based awards.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

| Exhibit Number | Description |
|-----------------------|--|
| 2.1 | Agreement and Plan of Merger, dated as of April 21, 2021, by and among us, Fox Acquirer Sub, Inc., FAPS Holdings, Inc. and Applepoint FAPS Holdings LP (solely in its capacity as the stockholder representative) (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the Commission on April 22, 2021) |
| 10.1 | Separation and Release Agreement between us and Keith A. Bush* |
| 10.2 | Form of U.S. Employee Non-Qualified Stock Option Agreement (version 3/21)* |
| 10.3 | Form of U.S. Employee Restricted Stock Unit Award Agreement (version 3/21)* |
| 10.4 | Form of U.S. Employee Performance Share Unit Award Agreement (version 3/21)* |
| 10.5 | Form of Performance Share Unit Award Agreement for Named Executive Officers (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed with the Commission on March 3, 2021)* |
| 10.6 | Form of Performance Unit Award Agreement for Named Executive Officers (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed with the Commission on March 3, 2021)* |
| 31.1 | CEO Certification of Periodic Report pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | CFO Certification of Periodic Report pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | CEO and CFO Certification of Periodic Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished) |
| 101.INS | XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

| Exhibit Number | Description |
|-----------------------|--|
| 104 | Cover page interactive data file (formatted as Inline XBRL and contained in Exhibit 101) |

* Denotes compensatory plan or management contract

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DELUXE CORPORATION
(Registrant)

Date: May 7, 2021

/s/ Barry C. McCarthy

Barry C. McCarthy
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 7, 2021

/s/ Keith A. Bush

Keith A. Bush
Senior Vice President, Chief Financial Officer
(Principal Financial Officer)

Date: May 7, 2021

/s/ Ronald Van Houwelingen

Ronald Van Houwelingen
Vice President, Corporate Controller
(Principal Accounting Officer)

SEPARATION AND RELEASE AGREEMENT

This SEPARATION AND RELEASE AGREEMENT (“Separation Agreement”) is made and entered into by and between Keith A. Bush (“Bush”) and Deluxe Corporation (“Deluxe”).

WHEREAS, Bush has been employed by Deluxe, most recently as Deluxe’s Senior Vice President, Chief Financial Officer (“CFO”);

WHEREAS, on the terms set forth herein, Bush will cease to be Deluxe’s CFO;

WHEREAS, Deluxe and Bush would like Bush to provide services to Deluxe for a period of time following the end of Bush’s employment as CFO;

WHEREAS, Bush and Deluxe wish to fully and finally settle all issues, differences, and claims, whether potential or actual, between Bush and Deluxe, including, but not limited to, any claims that might arise out of Bush’s employment with Deluxe or the termination of Bush’s employment with Deluxe;

WHEREAS, based on the foregoing, Deluxe and Bush desire to enter into this Separation Agreement to effect the termination of Bush’s employment with Deluxe on the terms and conditions set forth herein.

NOW, THEREFORE, the parties agree as follows:

1. Continued Employment and Separation Date. Provided Bush signs and does not revoke or rescind this Separation Agreement, as described in Section 6, the following will occur:

- a. Transition Period. Bush’s employment as CFO will end on a date determined by Deluxe’s President and Chief Executive Officer (“CEO”) (the “Transition Date”). Deluxe will provide Bush with no less than two weeks’ notice of the Transition Date. Thereafter, Bush will be provided the opportunity to provide transition services to Deluxe from the Transition Date through September 7, 2021 or such other date thereafter as is mutually agreed upon by the parties (the “Separation Date”). From the Transition Date through the Separation Date (the “Transition Period”), Bush will be employed by Deluxe in the capacity of Special Advisor to Deluxe’s CEO. During the Transition Period, Bush will not enter into any agreements on behalf of Deluxe. Until the Transition Date and during the Transition Period, Bush’s compensation and benefits will continue as in effect as of March 1, 2021. Through the Transition Date, Bush will, in a manner consistent with Deluxe’s historical practices, continue to act as Deluxe’s CFO. During the Transition Period, Bush will perform such duties as are reasonably assigned by Deluxe’s CEO. For purposes of this
-

Section 1a., notice will be provided to Bush at Deluxe Corporation, 3680 Victoria Street North, Shoreview, MN 55126; keith.bush@deluxe.com.

- b. Separation Date. Except as provided in this Separation Agreement, all benefits and privileges of Bush's employment with Deluxe will end as of close of business on the Separation Date.

2. Consideration by Bush. As consideration for Deluxe's promises and obligations under this Separation Agreement, Bush agrees to the following:

- a. First Release of Claims. On or within 21 days after March 1, 2021, Bush will sign this Separation Agreement containing the release of claims in Section 4.
- b. Second Release of Claims. On or within 21 days after the end of the Transition Period, as defined in Section 1a above, Bush will sign a second release in the form attached to this Separation Agreement as **Exhibit A** (the "Second Release").

3. Consideration by Deluxe. In addition to the opportunity to provide transition services as described in Section 1, in accordance with the Deluxe Corporation Severance Plan for Certain Executive Level Employees dated July 30, 2019 (the "Executive Severance Plan"), as consideration for Bush's promises and obligations under this Separation Agreement, and in addition to his rights under the Incentive Award Agreements (as defined below), Deluxe will provide Bush with the following benefits to which Bush is not otherwise entitled, provided Bush signs and does not revoke or rescind this Separation Agreement, as described in Section 6, and does not revoke or rescind the Second Release.

- a. Severance. Deluxe will pay Bush an amount equal to twelve (12) months of his annual base salary as of March 1, 2021, i.e., \$510,300, less applicable deductions and withholdings, to be paid in accordance with Deluxe's regular payroll schedule, beginning on the first regular pay date following the end of the 15-day rescission period of the Second Release.
- b. Outplacement. For executive-level outplacement counseling and support services, Deluxe will also pay Bush an amount equal to \$25,000, less applicable deductions and withholdings, after the end of the 15-day rescission period of the First Release.
- c. One-Time Payment. Deluxe will pay Bush a one-time lump sum payment of Twenty Thousand Dollars (\$20,000), to be paid within thirty (30) days of the end of the 15-day rescission period of the Second Release.

4. Release of Claims. As an inducement to Deluxe to enter into this Separation Agreement and in exchange for the consideration provided for in this Separation Agreement, Bush hereby settles any and all claims that he has or may have against Deluxe and its

predecessors, successors, assigns, parents, affiliates, subsidiaries and related companies, and its and their respective officers, employees, agents, assigns, insurers, representatives, counsel, administrators, successors, shareholders, directors and/or other representatives (collectively, the "Released Parties") as a result of Deluxe's hiring of Bush, Bush's employment with Deluxe, the cessation of Bush's employment with Deluxe, or any act, occurrence, or omission occurring prior to the date of this Separation Agreement.

For the consideration expressed herein, Bush, on behalf of himself and his heirs, successors, representatives and assigns, hereby releases and discharges the Released Parties from any and all claims, causes of action, liabilities, damages, and right to relief of any kind that Bush has or ever had against the Released Parties, known or unknown, by reason of any matter or fact giving rise to this Separation Agreement. Bush's release of claims is intended to extend to and includes, among other things, claims of any kind arising under or based upon the Age Discrimination in Employment Act, as Amended by the Older Worker's Benefits Protection Act; Title VII of the Civil Rights Act of 1964; the Americans with Disabilities Act; the Family and Medical Leave Act; the Employee Retirement Income Security Act; the Fair Credit Reporting Act; the Individual Retirement Income Security Act of 1974; the Equal Pay Act; the Worker Adjustment and Retraining Notification Act; 42 U.S.C. § 1981, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Fair Credit Reporting Act, the Vocational Rehabilitation Act, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, the Lily Ledbetter Fair Pay Act of 2009, the Americans With Disabilities Act, the Rehabilitation Act of 1973, the Genetic Information Nondiscrimination Act, the Immigration Reform and Control Act of 1986, the Civil Rights Act of 1991, the Occupational Safety and Health Act, the Consumer Credit Protection Act, the American Recovery and Reinvestment Act of 2009, the Families First Coronavirus Response Act, the Uniformed Services Employment and Reemployment Rights Act; the Minnesota Human Rights Act, the Minnesota Equal Pay for Equal Work Law, the Minnesota Fair Labor Standards Act, the Minnesota Labor Relations Act, the Minnesota Occupational Safety and Health Act, the Minnesota Criminal Background Check Act, the Minnesota Lawful Consumable Products Law, the Minnesota Smokers' Rights Law, the Minnesota Parental Leave Act, the Minnesota Adoptive Parent Leave Law, the Minnesota Whistleblower Act, the Minnesota Drug and Alcohol Testing in the Workplace Act, the Minnesota Workers' Compensation Law (excluding claims for benefits), the Minnesota Consumer Reports Law, the Minnesota Victim of Violent Crime Leave Law, the Minnesota Domestic Abuse Leave Law, the Minnesota Bone Marrow Donation Leave Law, the Minnesota Military and Service Leave Law, the Minnesota Minimum Wage Law, the Minnesota Drug and Alcohol Testing in the Workplace Act, Minnesota Statutes Chapter 181, Minn. Stat. § 176.82, the Minnesota Constitution, and any other federal, state, or local law, rule, or regulation prohibiting employment discrimination or otherwise relating to employment; and any claims based upon any other theory, whether legal or equitable, arising from or related to any matter or fact arising out of the events giving rise to this Separation Agreement.

Bush also agrees and understands that he is giving up any and all other claims, whether grounded in contract or tort theories, including, but not limited to: wrongful discharge; breach of contract (including, without limitation, any claims for unpaid compensation); tortious interference with contractual relations; promissory estoppel; detrimental reliance; breach of the

implied covenant of good faith and fair dealing; breach of express or implied promise; breach of manuals or other policies; breach of fiduciary duty; assault; battery; fraud; false imprisonment; invasion of privacy; intentional or negligent misrepresentation; defamation, including libel, slander, discharge defamation and self-publication defamation; discharge in violation of public policy; whistleblower; intentional or negligent infliction of emotional distress; and claims for punitive damages or attorneys' fees or any other theory, whether legal or equitable.

Additionally, nothing in this Separation Agreement purports to release or waive claims that may not be released or waived as a matter of law; claims based on events, occurrences, or omissions that occur after the date of the Separation Agreement; or claims related to any already vested benefits under the terms of any of Deluxe's benefit plans. Similarly, nothing in this Separation Agreement prevents Bush from challenging the validity of this agreement or from filing any non-legally waivable claim with the Equal Employment Opportunity Commission ("EEOC"), National Labor Relations Board ("NLRB") or comparable state or local agency or participating in any investigation or proceeding conducted by the EEOC, NLRB, or comparable state or local agency; however, Bush agrees and understands that the Separation Agreement waives all claims and rights to monetary or other recovery for any legal claims to the fullest extent permitted by law.

This Release of Claims does not prohibit Bush from reporting possible violations of federal law or regulation to any governmental agency or entity, including, but not limited to, the Department of Justice, the Securities and Exchange Commission ("SEC"), Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Nothing in this Separation Agreement requires Bush to seek prior authorization of Deluxe to make any such reports or disclosures and Bush does not need and is not required to notify Deluxe that he has made any such reports or disclosures. This Separation Agreement is not intended to and does not restrict Bush from seeking or obtaining an SEC whistleblower award.

Finally, Bush understands that under the U.S. Defend Trade Secrets Act of 2016, he will not be held criminally or civilly liable under any U.S. federal or state trade secret law for the disclosure of a trade secret that is made in confidence to government officials, either directly or indirectly, or to an attorney, in each case solely for the purpose of reporting or investigating a suspected violation of law, or in a complaint or other document filed in a lawsuit or other proceeding, provided such filing is made under seal. Bush hereby represents that he is not aware of any violation of law as outlined in this Section 4.

5. Consideration Period and Advice to Consult with Counsel. Bush is hereby informed that the terms of this Separation Agreement shall be open for acceptance and execution by Bush for a period of twenty-one (21) days from Bush's date of receipt, during which time Bush may consult with an attorney and consider whether to accept this Separation Agreement. Changes to this Separation Agreement, whether material or immaterial, will not restart the running of this twenty-one (21) day acceptance period. During this time, Deluxe advises and encourages Bush to consult with an attorney of his choice. To receive the consideration provided for in this Separation Agreement, Bush must return a signed and dated original copy of this

Separation Agreement to: Jeffrey L. Cotter, SVP, CAO and General Counsel, Deluxe Corporation, 3680 Victoria Street North, Shoreview, MN 55126; jeff.cotter@deluxe.com.

6. Right to Revoke and Rescind. Bush is hereby informed of his right to revoke this Separation Agreement as far as it extends to potential claims under the Age Discrimination in Employment Act (“ADEA”), 29 U.S.C. § 621 *et seq.*, by written notice to Deluxe within seven (7) calendar days following Bush’s execution of this Separation Agreement. Bush is also informed of his right to rescind his release of claims, insofar as it extends to potential claims under the Minnesota Human Rights Act (“MHRA”), by informing Deluxe of Bush’s intent to do so within fifteen (15) calendar days following his signing of this Separation Agreement. Any such revocation or rescission must be made in writing and delivered by hand or by certified mail, return receipt requested, postmarked on or before the last day of the applicable revocation or rescission period to the representative identified in Section 5.

If Bush exercises his right to revoke or rescind his release of claims under the MHRA or ADEA, Deluxe may, at its option, either nullify this Separation Agreement in its entirety, or keep it in effect in all respects other than as to that portion of the release of claims that Bush has revoked or rescinded. Bush agrees and understands that if Deluxe chooses to nullify the Separation Agreement in its entirety, Deluxe will have no obligations under this Separation Agreement or the Executive Severance Plan.

7. Continuation of Benefits. Beginning on the Separation Date, provided Bush qualifies for COBRA continuation coverage, Bush may elect to continue medical and dental insurance benefits under COBRA at Bush’s own expense by paying the premium for such coverage. If Bush does not elect or is not eligible for COBRA continuation coverage, Bush’s group health plan coverage will cease as of the Separation Date. Except as provided in this Separation Agreement, Bush will cease to be and will cease to be treated as an employee of Deluxe for all purposes under all employee retirement and welfare benefit plans and all other plans, programs, policies, and arrangements maintained for employees of Deluxe as of the Separation Date.

8. Continuing Restrictions and Obligations. Bush acknowledges and agrees that the post-employment restrictions contained in Non-Competition Agreement, dated April 7, 2017 previously entered into between Bush and Deluxe (the “Non-Competition Agreement”), and in the Confidentiality Agreement entered into by Bush and Deluxe dated March 7, 2017 (the “Confidentiality Agreement”) each attached hereto as **Exhibit B** (collectively the “Post-Employment Restrictions”), are reasonable and shall remain in full force and effect according to their terms.

9. Claims Warranties. Bush represents and warrants that he is not aware of any facts that would establish, tend to establish or in any way support an allegation that any of the Released Parties has engaged in conduct that Bush believes could violate (1) any provision of federal law relating to fraud, including, but not limited to, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act and/or any state or local counterpart; (2) any rule or regulation of the SEC; (3) the federal False Claims Act and/or any state or local or municipal qui tam counterpart (which prohibit the presentation by Deluxe or any affiliate of false

claims and statements or the creation of false records or statements in order to obtain payment of federal, state, county or municipal funds, or to avoid refunds of such government funds); and (4) any other federal, state or local law.

10. Representations and Warranties Regarding the FMLA and FLSA. Bush represents and warrants that he is not aware of any facts or circumstances that might justify a claim against the Released Parties for any violation of the Family and Medical Leave Act ("FMLA") or the Fair Labor Standards Act ("FLSA") or comparable state statutes. Bush further represents and warrants that he has received any and all wages and/or commissions for work performed and any and all FMLA leave to which Bush may have been entitled.

11. Non-Disparagement. Except in the context of a proceeding with the EEOC, NLRB, SEC, or other comparable state or local government agency; in compelled sworn testimony; or as otherwise may be required by law, Bush agrees that he will not disparage or defame the Released Parties of any of the Released Parties' current or former employees, directors, officers, agents, or contractors, or Deluxe's management or services. Likewise, on behalf of itself and its officers and directors, Deluxe agrees that it will not disparage or defame Bush, subject to an exception for communications with any federal, state or local government or administrative agency; in connection with communications undertaken for a legitimate legal reason; or otherwise as required by law.

12. Cooperation. Bush agrees to reasonably cooperate with Deluxe with respect to any claims or lawsuits brought or threatened to be brought against the Released Parties, which relate to or involve Bush's employment with Deluxe or any transactions, decisions, or actions of Deluxe in which Bush was involved or had knowledge of while a Deluxe employee (the "Covered Subjects"). As part of Bush's agreement to reasonably cooperate, Bush agrees to be available upon reasonable notice at mutually-agreeable times to discuss with Deluxe and its counsel issues related to litigation or potential litigation exposure with respect to the Covered Subjects. Bush also agrees to appear without subpoena for deposition or testimony at the request of Deluxe in connection with claims or lawsuits relating to Covered Subjects. Deluxe will reimburse Bush for all reasonable and customary expenses he incurs while cooperating with Deluxe pursuant to this Section 13, in accordance with Deluxe's regular expense reimbursement practices, and Deluxe will provide reasonable compensation to Bush for his time required in providing such cooperation, the same to be agreed upon by the parties.

13. Return of Information and Property. Bush affirms that he will return all originals and all copies of Deluxe's records, correspondence and documents, and all other property and assets of Deluxe, created or obtained by Bush as a result of or in the course of or in connection with his employment with Deluxe which are in his possession or control, whether confidential or not, including, but not limited to, any notes, diaries, computer files or other documents containing information regarding Bush's experiences or knowledge of Deluxe business or employee matters, prior to the end of the Transition Period.

14. Passwords and Password-Protected Documents. Bush agrees that, prior to the end of the Transition Period, he will deliver to Deluxe all passwords in use by Bush at the time of his termination, a list of any documents that Bush has created or of which Bush is otherwise

aware are password-protected, and the password(s) necessary to access such password-protected documents.

15. Non-Assignability. Bush understands and agrees that this Separation Agreement is personal to him. The duties, rights, and obligations set forth herein may not be delegated or assigned by Bush to any other person without prior written consent of Deluxe. Deluxe's rights and obligations hereunder may be assigned to any successor following a sale of Deluxe or of Deluxe's assets, or any other transaction involving a change in control.

16. Governing Law; Severability. This Separation Agreement shall be governed by the laws of the State of Minnesota without regard to the choice of law provisions of any jurisdiction. If any part of this Separation Agreement is construed to be invalid and/or unenforceable, such part shall be modified to achieve the objective of the parties to the fullest extent permitted and the balance of this Separation Agreement shall remain in full force and effect. The language of all parts of this Separation Agreement shall be construed as a whole, according to its fair meaning, and not strictly for or against any of the parties.

17. Choice of Venue. The parties agree that any and all legal actions or proceedings brought to interpret or enforce this Separation Agreement or in any other way arising out of or in relation to this Separation Agreement shall be brought exclusively in the state or federal courts of the State of Minnesota and hereby consent to the jurisdiction of such courts for any such action and further waive any objection to the convenience of the forum or venue.

18. Entire Agreement. This Separation Agreement, the documents referenced herein or attached hereto, and the award and similar agreements entered into between Bush and Deluxe with respect to various equity, bonus, retention and similar compensation (collectively, "Incentive Award Agreements") contain the entire agreement between Bush and Deluxe with respect to Bush's employment and separation from employment and there are no promises or understandings outside of this Separation Agreement, the documents referenced herein or attached hereto, and the Incentive Award Agreements, with respect to Bush's employment or separation from employment with Deluxe. The Incentive Award Agreements will function in accordance with their respective terms, notwithstanding the entry by the parties into this Separation Agreement. Any modification of or addition to this Separation Agreement must be in a writing signed by Bush and an appropriate representative of Deluxe.

19. Waiver. The waiver by either party of a breach by the other party of any provision of this Separation Agreement shall not operate or be construed as a waiver of any subsequent breach.

20. Section 409A Compliance. The right to a series of payments under this Separation Agreement will be treated as a right to a series of separate payments. Each payment under this Separation Agreement that is made within 2-1/2 months following the end of the year that contains the end of the Transition Period is intended to be exempt from Section 409A of the Internal Revenue Code ("Section 409A") as a short-term deferral within the meaning of the final regulations under Section 409A. Each payment under this Separation Agreement that is made later than 2-1/2 months following the end of the year that contains the end of the Transition

Period is intended to be exempt from Section 409A under the two-times exception of Treasury Reg. § 1.409A-1(b)(9)(iii), up to the limitation on the availability of that exception specified in the regulation. If the timing of any payment subject to Section 409A could occur in one or more tax years depending on Bush's employment-related actions, such as the signing of a release, then such payment will be made as soon as possible in the later tax year.

21. Enforcement. The remedies below are in addition to any other rights and remedies that Deluxe may have at law or in equity.

a. Injunctive Relief and Other Damages. Bush acknowledges and agrees that the Post-Employment Restrictions are reasonable and necessary in order to protect and maintain the legitimate business interests of Deluxe, and that their enforcement would not prevent him from earning a livelihood. Bush recognizes that his breach of Sections 12, 13 or 14 of this Separation Agreement or the Post-Employment Restrictions, would result in irreparable injury to Deluxe, that in the event of their breach, Deluxe's remedy at law for damages will be inadequate, and that Deluxe shall be entitled to seek an injunction to restrain the continuing breach by Bush, Bush's partners, agents, servants, or employees, or any other persons or entities acting for or with Bush as provided by law and/or equity. Deluxe may further be entitled to damages in connection with the enforcement of this Separation Agreement as provided by law and/or equity and including the recovery of any profits and revenues obtained by Bush while engaging in violations of the Post-Employment Restrictions or Sections 12, 13 or 14 of this Separation Agreement. Bush agrees that if he violates the Post-Employment Restrictions or the terms of this Separation Agreement, he will reimburse the Released Parties for any attorneys' fees, costs, or other damages arising from his breach, other than Bush challenging his waiver of claims under the Age Discrimination in Employment Act.

22. Counterparts and Electronic Signatures. This Separation Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed an original, and the counterparts together shall constitute one and the same agreement. A copied, scanned, or faxed signature shall be treated the same as an original.

23. Bush Representation. BUSH AFFIRMS THAT HE HAS READ THIS SEPARATION AGREEMENT. BUSH ACKNOWLEDGES THAT HE WAS PROVIDED WITH A REASONABLE AND SUFFICIENT PERIOD OF TIME TO CONSIDER WHETHER TO ACCEPT THIS SEPARATION AGREEMENT PRIOR TO SIGNING IT. BUSH AGREES THAT THE PROVISIONS OF THIS SEPARATION AGREEMENT ARE UNDERSTANDABLE TO HIM, THAT HE HAS ENTERED INTO THIS SEPARATION AGREEMENT FREELY AND VOLUNTARILY, AND THAT HE HEREBY WAS ADVISED TO CONSULT WITH AN ATTORNEY PRIOR TO SIGNING THIS SEPARATION AGREEMENT.

IN WITNESS WHEREOF, the parties have executed this Separation Agreement by their signatures below.

Do not sign before the Separation Date.

Dated: March 17, 2021

/s/ Keith A Bush
Keith A. Bush

Dated: March 18, 2021

Deluxe Corporation
By /s/ Jeffrey L. Cotter
Its CAO, GC

EXHIBIT A

SECOND RELEASE OF CLAIMS

WHEREAS, on _____, 2021 Keith A. Bush (“Bush”) and Deluxe Corporation (“Deluxe”) entered into a Separation and Release Agreement to effect the termination of Bush’s employment with Deluxe (the “Separation Agreement”);

WHEREAS, as consideration for Deluxe’s promises and obligations under the Separation Agreement, Bush agreed to sign a second release of claims on or after he finishes providing transitional services to Deluxe pursuant to the Separation Agreement (the “Second Release”);

NOW, THEREFORE, Bush agrees as follows:

1. **Release of Claims.** As an inducement to Deluxe to enter into the Separation Agreement, and in exchange for the consideration provided for in the Separation Agreement, Bush hereby settles any and all claims that he has or may have against Deluxe and its predecessors, successors, assigns, parents, affiliates, subsidiaries and related companies, and its and their officers, employees, agents, assigns, insurers, representatives, counsel, administrators, successors, shareholders, directors and/or other representatives (collectively, the “Released Parties”) as a result of Deluxe’s hiring of Bush, Bush’s employment with Deluxe, the cessation of Bush’s employment with Deluxe, or any act, occurrence, or omission occurring prior to the date of this Second Release.

For the consideration expressed in the Separation Agreement, Bush, on behalf of himself and his heirs, successors, representatives and assigns, hereby releases and discharges the Released Parties from any and all claims, causes of action, liabilities, damages, and right to relief of any kind that Bush has or ever had against the Released Parties, known or unknown, by reason of any matter or fact giving rise to this Second Release. Bush’s release of claims is intended to extend to and includes, among other things, claims of any kind arising under or based upon the Age Discrimination in Employment Act, as Amended by the Older Worker’s Benefits Protection Act; Title VII of the Civil Rights Act of 1964; the Americans with Disabilities Act; the Family and Medical Leave Act; the Employee Retirement Income Security Act; the Fair Credit Reporting Act; the Individual Retirement Income Security Act of 1974; the Equal Pay Act; the Worker Adjustment and Retraining Notification Act; 42 U.S.C. § 1981, the Sarbanes-Oxley Act, the Dodd–Frank Wall Street Reform and Consumer Protection Act, the Fair Credit Reporting Act, the Vocational Rehabilitation Act, the Family and Medical Leave Act, the Worker Adjustment and Retraining Notification Act, the Lily Ledbetter Fair Pay Act of 2009, the Americans With Disabilities Act, the Rehabilitation Act of 1973, the Genetic Information Nondiscrimination Act, the Immigration Reform and Control Act of 1986, the Civil Rights Act of 1991, the Occupational Safety and Health Act, the Consumer Credit Protection Act, the American Recovery and Reinvestment Act of 2009, the Families First Coronavirus Response Act, the Uniformed Services Employment and Reemployment Rights Act; the Minnesota Human Rights Act, the Minnesota Equal Pay for Equal Work Law, the Minnesota Fair Labor Standards Act, the Minnesota Labor Relations Act, the Minnesota Occupational Safety and Health Act, the Minnesota Criminal Background Check Act, the Minnesota Lawful Consumable Products Law,

the Minnesota Smokers' Rights Law, the Minnesota Parental Leave Act, the Minnesota Adoptive Parent Leave Law, the Minnesota Whistleblower Act, the Minnesota Drug and Alcohol Testing in the Workplace Act, the Minnesota Workers' Compensation Law (excluding claims for benefits), the Minnesota Consumer Reports Law, the Minnesota Victim of Violent Crime Leave Law, the Minnesota Domestic Abuse Leave Law, the Minnesota Bone Marrow Donation Leave Law, the Minnesota Military and Service Leave Law, the Minnesota Minimum Wage Law, the Minnesota Drug and Alcohol Testing in the Workplace Act, Minnesota Statutes Chapter 181, Minn. Stat. § 176.82, the Minnesota Constitution, and any other federal, state, or local law, rule, or regulation prohibiting employment discrimination or otherwise relating to employment; and any claims based upon any other theory, whether legal or equitable, arising from or related to any matter or fact arising out the events giving rise to this Second Release.

Bush also agrees and understands that he is giving up any and all other claims, whether grounded in contract or tort theories, including, but not limited to: wrongful discharge; breach of contract (including, without limitation, any claims for unpaid compensation); tortious interference with contractual relations; promissory estoppel; detrimental reliance; breach of the implied covenant of good faith and fair dealing; breach of express or implied promise; breach of manuals or other policies; breach of fiduciary duty; assault; battery; fraud; false imprisonment; invasion of privacy; intentional or negligent misrepresentation; defamation, including libel, slander, discharge defamation and self-publication defamation; discharge in violation of public policy; whistleblower; intentional or negligent infliction of emotional distress; and claims for punitive damages or attorneys' fees or any other theory, whether legal or equitable.

Additionally, nothing in this Second Release purports to release or waive claims that may not be released or waived as a matter of law; claims based on events, occurrences, or omissions that occur after the date of the Second Release; or claims related to any already vested benefits under the terms of any of Deluxe's benefit plans. Similarly, nothing in this Second Release prevents Bush from challenging the validity of this agreement or from filing any non-legally waivable claim with the Equal Employment Opportunity Commission ("EEOC"), National Labor Relations Board ("NLRB") or comparable state or local agency or participating in any investigation or proceeding conducted by the EEOC, NLRB, or comparable state or local agency; however, Bush agrees and understands that the Second Release waives all claims and rights to monetary or other recovery for any legal claims to the fullest extent permitted by law.

This Second Release does not prohibit Bush from reporting possible violations of federal law or regulation to any governmental agency or entity, including, but not limited to, the Department of Justice, the Securities and Exchange Commission ("SEC"), the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation. Nothing in this Second Release requires Bush to seek prior authorization of Deluxe to make any such reports or disclosures and Bush does not need and is not required to notify Deluxe that he has made any such reports or disclosures. This Second Release is not intended to and does not restrict Bush from seeking or obtaining an SEC whistleblower award.

Finally, Bush understands that under the U.S. Defend Trade Secrets Act of 2016, he will not be held criminally or civilly liable under any U.S. federal or state trade secret law for the disclosure of a trade secret that is made in confidence to government officials, either directly or indirectly, or to an attorney, in each case solely for the purpose of reporting or investigating a suspected violation of law, or in a complaint or other document filed in a lawsuit or other proceeding, provided such filing is made under seal. Bush hereby represents that he is not aware of any violation of law as outlined in this Section.

2. Consideration Period and Advice to Consult with Counsel. Bush is hereby informed that he has a period of twenty-one (21) days from Bush's date of receipt to sign this Second Release, during which time Bush may consult with an attorney and consider whether to sign Second Release. Changes to this Second Release, whether material or immaterial, will not restart the running of this twenty-one (21) day acceptance period. During this time, Deluxe advises and encourages Bush to consult with an attorney of his choice. To receive the consideration provided for in the Separation Agreement, Bush must return a signed and dated original copy of this Second Release to: Jeffrey L. Cotter, Chief Administrative Officer, General Counsel and Senior Vice President, Deluxe Corporation, 3680 Victoria Street North, Shoreview, MN 55126.

3. Right to Revoke and Rescind. Bush is hereby informed of his right to revoke this Second Release as far as it extends to potential claims under the Age Discrimination in Employment Act ("ADEA"), 29 U.S.C. §§ 621 *et seq.*, by written notice to Deluxe within seven (7) calendar days following Bush's execution of this Second Release. Bush is also informed of his right to rescind his release of claims, insofar as it extends to potential claims under the Minnesota Human Rights Act ("MHRA"), by informing Deluxe of Bush's intent to do so within fifteen (15) calendar days following his signing of this Second Release. Any such revocation or rescission must be made in writing and delivered by hand or by certified mail, return receipt requested, postmarked on or before the last day of the applicable revocation or rescission period to the representative identified in Section 2.

If Bush exercises his right to revoke or rescind his release of claims under the MHRA or ADEA, Deluxe may, at its option, either nullify the Separation Agreement in its entirety, or keep it in effect in all respects other than as to that portion of the release of claims that Bush has revoked or rescinded. Bush agrees and understands that if Deluxe chooses to nullify the Separation Agreement in its entirety, Deluxe will have no obligations under the Separation Agreement or the Deluxe Corporation Severance Plan for Certain Executive Level Employees dated July 30, 2019.

[Signature page to follow.]

4. Bush Representation. BUSH AFFIRMS THAT HE HAS READ THIS SECOND RELEASE. BUSH ACKNOWLEDGES THAT HE WAS PROVIDED WITH A REASONABLE AND SUFFICIENT PERIOD OF TIME TO CONSIDER WHETHER TO SIGN THIS SECOND RELEASE PRIOR TO SIGNING IT. BUSH AGREES THAT THE PROVISIONS OF THIS SECOND RELEASE ARE UNDERSTANDABLE TO HIM, THAT HE HAS ENTERED INTO THIS SECOND RELEASE FREELY AND VOLUNTARILY, AND THAT HE HEREBY WAS ADVISED TO CONSULT WITH AN ATTORNEY PRIOR TO SIGNING THIS SECOND RELEASE.

Do not sign before Separation Date.

Dated: _____

Keith A. Bush

DELUXE CORPORATION

NON-QUALIFIED STOCK OPTION AGREEMENT (US)

| GRANTED TO | GRANT DATE | # OF DELUXE CORP COMMON SHARES | OPTION PRICE PER SHARE |
|------------|--|--------------------------------|------------------------|
| | <div style="text-align: right;">EXPIRATION</div> <div style="text-align: left;">DATE</div> | | |

1. GRANT

Deluxe Corporation, a Minnesota corporation ("Deluxe"), hereby grants to you the right to purchase the above stated number of shares of its common stock, par value \$1.00 per share, at the price stated above (the "Option"), on the terms and conditions set forth in this award agreement (including the Addendum attached hereto, the "Agreement") and Deluxe's 2020 Long Term Incentive Plan (the "Plan"), a copy of which has been provided to you. Any capitalized term used but not defined in this Agreement shall have the meaning given to the term in the Plan as it currently exists or may hereafter be amended.

2. DURATION AND EXERCISABILITY

You may not exercise any portion of this Option prior to one year from the date of grant set forth above (the "Grant Date"), and the Option expires ten years after the Grant Date (the "Expiration Date"). Commencing one year after the Grant Date you may exercise this Option in cumulative installments of [] percent on and after the [] and [] anniversaries of the Grant Date. Beginning one year after the Grant Date, this entire Option will vest earlier and become exercisable upon your Approved Retirement (as defined in the Addendum), Disability (as defined in the Addendum), or death. Beginning one year after the Grant Date, a pro rata portion of the entire Option shall vest and become exercisable upon your termination without Cause (as defined in the Addendum).

Subject to Sections 3, 4 and 5, the vested and exercisable portion of this Option may be exercised in whole or in part at any time during the Option term by delivering a written or electronic notice of exercise to such party as may be designated from time to time, and by providing for payment of the exercise price of the Shares being acquired and any related withholding taxes. The notice of exercise must be in a form approved by Deluxe and state the number of Shares to be purchased, the method of payment of the aggregate exercise price and the directions for the delivery of the Shares to be acquired, and must be signed or otherwise authenticated by the person exercising the Option.

3. RETIREMENT, DISABILITY, DEATH OR TERMINATION

Upon your Approved Retirement from Deluxe (including any successor corporation) or an Affiliate (collectively, the "Company"), you will have three years from the date of your retirement to exercise this Option. If you die while employed, the representative of your estate or your heirs will have one year from the date of your death to exercise this Option. If your employment terminates due to Disability, you will have one year from the date of your termination to exercise this Option. Except as otherwise provided in Section 4, if your employment is terminated by the Company without Cause or if you resign or otherwise voluntarily terminate your employment with the Company, you will have three months from the date of your termination to exercise this Option, to the extent the Option had vested as of your termination date. In no case, however, may this Option be exercised after the Expiration Date. If your employment with the Company is terminated for Cause, the entire unexercised portion of this Option will be canceled as of your last date of employment.

4. ACCELERATION OF EXERCISABILITY UPON CHANGE OF CONTROL

(a) Notwithstanding any installment or delayed exercise provision contained in this Agreement that would result in this Option becoming exercisable in full or in part at a later date, if, contemporaneously with any "Change of Control" (as defined in the Addendum), the acquiring Person, surviving or acquiring corporation or entity, or an affiliate of such corporation or entity, elects to continue this Option in effect and to replace the shares of common stock issuable upon exercise of this Option with Equivalent Replacement Securities, this Option shall continue to vest as set forth in Section 2, provided however, that it shall become immediately exercisable in full and, in the case of clauses (i) and (ii) below shall remain exercisable for one year following the termination of your service to the Company, if, within twelve months of the date of the Change of Control:

- (i) Your employment is terminated by the Company or such other employer without Cause,
- (ii) Your employment is terminated by you for "Good Reason" (as defined in the Addendum), or
- (iii) Any earlier date vesting would otherwise occur as provided under this Agreement.

In the event of any such Change of Control, the number of Equivalent Replacement Securities issuable upon exercise of this Option shall be determined by multiplying the exchange ratio used in connection with the Change of Control for determining the number of replacement equity securities issuable for the outstanding shares of Deluxe's common stock, or if there is no such ratio, an exchange ratio established or accepted by the Continuing Directors (as defined in the Addendum), and the exercise price per share of replacement equity security shall be adjusted by such exchange ratio so as to preserve the same economic value in this Option as existed prior to the Change of Control. In the event of any such Change of Control and issuance of Equivalent Replacement Securities, all references herein to the common stock shall thereafter be deemed to refer to the replacement equity securities issuable upon exercise of this Option, references to Deluxe shall thereafter be deemed to refer to the issuer of such replacement equity securities, and all other terms of this Option shall continue in effect except as and to the extent modified by this subparagraph.

(b) If the Change of Control does not result in your acquiring Equivalent Replacement Securities in accordance with subparagraph (a) above, this Option shall become fully vested and exercisable for such a period of time prior to the effective time of the Change of Control as is deemed fair and equitable by the Committee and shall terminate at the effective time of the Change of Control.

5. FORFEITURE OF OPTION AND OPTION GAIN RESULTING FROM CERTAIN ACTIVITIES

- (a) If you engage in any Forfeiture Activity (as defined below) then (i) the Option shall immediately terminate effective as of the date any such activity first occurred, and (ii) if the Forfeiture Activity occurred at any time within 12 months after the date that you have exercised any portion of this Option, any gain received by you pursuant to the exercise of the Option must be paid to Deluxe within 30 days of demand by Deluxe. For purposes hereof, the gain on any exercise of the Option shall be determined by multiplying the number of shares purchased pursuant to the Option times the excess of the closing price on the New York Stock Exchange of a share of Deluxe's common stock on the date of exercise (without regard to any subsequent increase or decrease in the fair market value of such shares) over the exercise price.
- (b) As used herein, you shall be deemed to have engaged in a Forfeiture Activity if you (i) directly or indirectly, engage in any business activity on your own behalf or as a partner, stockholder, director, trustee, principal, agent, employee, consultant or otherwise of any person or entity which is in any respect in competition with or competitive with the Company or you solicit, entice or induce any employee or representative of the Company to engage in any such activity, (ii) directly or indirectly solicit, entice or induce (or assist any other person or entity in soliciting, enticing or inducing) any customer or potential customer (or agent, employee or consultant of any customer or potential customer) with whom you had contact in the course of your employment with the Company to deal with a competitor of the Company, (iii) fail to hold in a fiduciary capacity for the benefit of the Company all confidential information, knowledge and data, including customer lists and information, business plans and business strategy ("Confidential Data") relating in any way to the business of the Company for so long as such Confidential Data remains confidential, or (iv) are terminated by the Company for Cause.
- (c) If any court of competent jurisdiction shall determine that the foregoing forfeiture provisions are invalid in any respect, the court so holding may limit such provisions in any manner which the court determines such that the provisions shall be enforceable against you.
- (d) By accepting this Agreement, you consent to a deduction from any amounts the Company owes you from time to time (including amounts owed to you as wages or other compensation, fringe benefits, or vacation pay, as well as any other amounts owed to you by Company), to the extent of the amounts you owe Company under the foregoing provisions. Whether or not Company elects to make any set-off in whole or in part, if Company does not recover by means of set-off the full amount you owe, calculated as set forth above, you agree to pay immediately the unpaid balance to Company.
- (e) You will be released from the forfeiture provisions of subparagraph (b)(i) in the event your employment with the Company has been involuntarily terminated without Cause. Otherwise, you may be released from the foregoing forfeiture provisions only if the Compensation Committee of the Board (or its duly appointed agent) determines in its sole discretion that such action is in the best interests of Company.
- (f) Nothing contained in this Section 5 shall be construed to limit the provisions of the Plan or any recoupment policy dealing with recoupment of awards, which are incorporated into this Agreement by reference.

6. DELIVERY OF SHARES

As soon as practicable after the Company receives the notice of exercise and payment of the exercise price as provided above, and has determined that all other conditions to exercise, including satisfaction of withholding tax obligations and compliance with applicable laws as provided in the Plan, have been satisfied, it shall deliver to the person exercising the Option, in the name of such person, the Shares being purchased, as evidenced by issuance of a stock certificate or certificates, electronic delivery of such Shares to a brokerage account for such person's benefit, or book-entry registration of such Shares with the Company's transfer agent. The Company shall pay any original issue or transfer taxes with respect to the issue or transfer of the Shares and all fees and expenses incurred by it in connection therewith. All Shares so issued shall be fully paid and nonassessable.

7. INCOME TAXES

You are liable for any federal and state income or other taxes applicable upon exercise of this Option under this Agreement, and you acknowledge that you should consult with your own tax advisor regarding the applicable tax consequences. Upon the issuance of Shares to you upon exercise of this Option, you shall promptly pay to Deluxe in cash, or in previously acquired Shares having a fair market value equal to the amount of all applicable taxes required by Deluxe to be withheld or collected upon exercise of this Option. In the alternative, you may direct Deluxe to withhold from Shares otherwise to be distributed the number of Shares having a fair market value equal to the amount of all applicable taxes required by Deluxe to be withheld under the distribution of the Shares. You acknowledge that no Shares will be distributed to you unless and until you have satisfied any obligation for withholding taxes as provided in this Agreement.

8. TERMS AND CONDITIONS

This Option Agreement does not guarantee your continued employment or, subject to the provisions of any other written agreement between you and Deluxe or its Affiliates, alter the right of Deluxe or its Affiliates to terminate your employment at any time. You have no rights in the Shares subject to this Option until such shares are received upon exercise of this Option. This Option is issued pursuant to the Plan and is subject to its terms. In the event of any conflict between the provisions of the Plan and this Option Agreement (which includes the Addendum to this Agreement), the provisions of the Plan shall prevail.

By your acceptance of this option award, you agree to all of the terms and conditions contained in this Agreement and in the Plan document. You acknowledge that you have received and reviewed these documents and that they set forth the entire agreement between you and Deluxe regarding your right to purchase Shares pursuant to this Option.

DELUXE CORPORATION

By:

ADDENDUM TO NON-QUALIFIED STOCK OPTION AGREEMENT

For the purposes hereof the terms used herein shall have the following meanings:

"Approved Retirement" shall mean any voluntary termination of employment that occurs on or after the date on which the sum of your age and years of employment with Deluxe and/or its Affiliates equals at least seventy-five (75) and that is approved by the Compensation Committee of the Board.

"Beneficial Owner" shall have the meaning defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended.

"Board" means the Board of Directors of the Company.

"Cause" shall mean (i) you have breached your obligations of confidentiality to Deluxe or its Affiliates; (ii) you have otherwise failed to perform your duties and do not cure such failure within thirty (30) days after receipt of written notice thereof; (iii) you commit an act, or omit to take action, in bad faith which results in material detriment to Deluxe or its Affiliates; (iv) you have had excessive absences unrelated to illness or vacation ("excessive" shall be defined in accordance with local employment customs); (v) you have committed fraud, misappropriation, embezzlement or other act of dishonesty in connection with Deluxe or its Affiliates or its businesses; (vi) you have been convicted or have pleaded guilty or nolo contendere to a felony or a gross misdemeanor, which gross misdemeanor involves a breach of ethics, moral turpitude, or immoral or other conduct reflecting adversely upon the reputation or interest of Deluxe or its Affiliates; (vii) your unlawful conduct or gross misconduct that is or is reasonably likely to be injurious to the business, finances or reputation of Deluxe; or (viii) you are in default under any agreement between you and Deluxe or any of its Affiliates following any applicable notice and cure period.

A "Change of Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

- (i) any Person becomes the Beneficial Owner, directly or indirectly, of securities of Deluxe representing 30% or more of the combined voting power of Deluxe's then outstanding securities, excluding, at the time of their original acquisition, from the calculation of securities beneficially owned by such Person any securities acquired directly from Deluxe or its Affiliates or in connection with a transaction described in paragraph (iii) below; or
- (ii) the individuals who at the date of your award election hereunder constitute the Board and any new director (other than a director whose initial assumption of office occurs within a year of and is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Deluxe) whose appointment or election by the Board or nomination for election by Deluxe's shareholders was approved or recommended by a vote of a majority of the directors then still in office who either were directors at the date of your award election hereunder or whose appointment, election or nomination for election was previously so approved or recommended, cease for any reason to constitute a majority thereof; or
- (iii) the shareholders of Deluxe approve a plan of complete liquidation of Deluxe or there is consummated (A) a merger, consolidation, share exchange or similar transaction involving Deluxe, regardless of whether Deluxe is the surviving corporation or (B) the sale or disposition by Deluxe of all or substantially all Deluxe's assets, other than a sale or disposition by Deluxe of all or substantially all of Deluxe's assets to an entity, unless, immediately following such corporate transaction, all or substantially all of the individuals and entities who were the beneficial owners of Deluxe's voting securities immediately prior to such corporate transaction beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the surviving or acquiring entity resulting from such corporate transaction (including beneficial ownership through any parent of such entity) in substantially the same proportions as their ownership, immediately prior to such corporate transaction, of Deluxe's voting securities.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of Common Stock of Deluxe immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of Deluxe immediately following such transaction or series of transactions.

"Disability" shall mean that you are suffering from a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, and that as a result of such impairment either: (i) you have received disability benefits for a period of not less than three months under a long or short-term disability plan or policy (or both), and are eligible for benefits under the long-term disability plan of Deluxe or any Affiliate of which you are employed at the time of such disability; or (ii) in the event that your employer does not have a long-term disability plan in effect at such time, you are unable to engage in any substantial gainful activity.

"Equivalent Replacement Securities" shall mean other equity securities that are registered under the Securities Act of 1933 and are freely transferable under all applicable federal and state securities laws and regulations, the quantity of which shall be determined by multiplying the exchange ratio used in connection with a Change of Control for determining the number of replacement equity securities issuable for the outstanding shares of Deluxe's common stock, or if there is no such ratio, an exchange ratio established or accepted by the Continuing Directors, and the exercise price per share of replacement equity security shall be adjusted by such exchange ratio so as to preserve the same economic value as existed prior to the Change of Control.

"Good Reason" shall mean:

- (i) except with your written consent given in your discretion, (a) the assignment to you of any position and/or duties which represent or otherwise entail a material diminution in your position, authority, duties or responsibilities, or (b) any other action by the Company which results in a material diminution in your position (or positions) with the Company, excluding any diminution attributable to Deluxe's bankruptcy or insolvency or to the fact that Deluxe is no longer a public company;

- (ii) any material reduction in your aggregate compensation and incentive opportunities, or any material failure by the Company to comply with any other written agreement between you and the Company;
- (iii) the Company's requiring you to be based at any location more than 50 miles from your then current location; or
- (iv) any request or requirement by the Company that you take any action or omit to take any action that is inconsistent with or in violation of the Company's ethical guidelines and policies as the same existed within the 120-day period prior to the termination date or any professional ethical guidelines or principles that may be applicable to you,

provided, however, that such events shall constitute Good Reason only if (A) within thirty (30) days following the occurrence of an event claimed to constitute Good Reason, you give Deluxe written notice of such event, (B) Deluxe fails to cure such event within thirty (30) days after receipt of such written notice, and (C) the effective date of your termination of employment is within 180 days following expiration of such cure period.

"Person" shall have the meaning defined in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended, except that such term shall not include (i) Deluxe or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of Deluxe or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of Deluxe in substantially the same proportions as their ownership of stock of Deluxe.

**DELUXE
CORPORATION**

**RESTRICTED STOCK UNIT
AWARD AGREEMENT
(US Employees)(LTIP)**

| AWARDED TO | AWARD DATE | TOTAL NUMBER OF RESTRICTED STOCK UNITS |
|------------|------------|--|
| | | |

1. **The Award.** Deluxe Corporation, a Minnesota corporation (“Deluxe”), hereby grants to you as of the above Award Date the above number of restricted stock units (“Units”) on the terms and conditions contained in this Restricted Stock Unit Award Agreement (including the Addendum attached hereto, the “Agreement”) and Deluxe’s 2020 Long Term Incentive Plan (the “LTIP”), a copy of each of which has been provided to you. Deluxe hereby confirms the grant to you, as of the Award Date and subject to the terms and conditions in this Agreement and the Plan, of the number of Restricted Stock Units specified above (the “Units”). Each Unit represents the right to receive one share of Deluxe’s common stock par value \$1.00 (“Common Stock”), when the restrictions applicable to each Unit expire or terminate as provided below. Prior to their settlement or forfeiture in accordance with the terms of this Agreement, the Units granted to you will be credited to an account in your name maintained by Deluxe. This account shall be unfunded and maintained for book-keeping purposes only, with the Units simply representing an unfunded and unsecured contingent obligation of Deluxe. Any capitalized term used but not defined in this Agreement shall have the meaning given to the term in the LTIP as it currently exists or may hereafter be amended.

2. **Restricted Period and Vesting.** The Units are subject to the restrictions contained in this Agreement and the LTIP for the Restricted Period (as defined below). As used herein, “Restricted Period,” shall mean, with respect to each of the [] segments of [] percent of the Units each, a period commencing on the Award Date and, subject to Section 4, ending with respect to each segment on its respective vesting date. Subject to Sections 4 and 5, with respect to the Units, the restrictions on a segment will lapse and the applicable segment will vest and become non-forfeitable on each of the [] and [] anniversary of the Award Date, so long as your service to Deluxe has not previously ended.

3. **Restrictions.** The Units shall be subject to the following restrictions during the Restricted Period:
 - (a) The Units shall be subject to forfeiture to Deluxe until they vest as provided in this Agreement and the LTIP.

 - (b) The Units may not be sold, assigned, transferred or pledged during the Restricted Period. You may not transfer the right to receive the Units, other than by will or the laws of descent and distribution, and any such attempted transfer shall be void.

 - (c) Shares of Common Stock to be issued in settlement of vested Units will not be issued until the applicable time specified in Section 6 or 8.

 - (d) If cash or non-cash dividends or distributions are declared and paid by Deluxe with respect to its Common Stock, then at the same time that such dividends or distributions are paid to the shareholders you will have dividend equivalents credited to your account with respect to your Units. All such dividend equivalents shall be held by Deluxe without interest accruing thereon until the end of the Restricted Period, at which time Deluxe will pay you all such dividends and other distributions, less applicable income tax and social security tax withholding. Any dividend equivalent payments paid with respect to any Units shall be paid when, and only to the extent that, the underlying Units actually vest and are settled in shares of Common Stock. If the Units are forfeited, then all rights to such dividend and distribution payments shall also be forfeited.

4. **Acceleration of Vesting.**
 - (a) In the event your employment with Deluxe is terminated by reason of death, Disability (as defined in the Addendum) or Approved Retirement (as defined in the Addendum) any time during the Restricted Period, all of the yet unvested Units will vest and the Units shall become non-forfeitable as of the date of such termination.

 - (b) Subject to Section 4(c), in the event your employment is terminated during the Restricted Period after the first anniversary of the Award Date by reason of involuntary termination without Cause, a pro rata portion of the next segment of Units scheduled to vest after the termination date (based on the number of completed days between the termination

date and the scheduled vesting date immediately prior to the termination date (or the Award Date if there was no such scheduled vesting date) divided by 365) shall vest and become non-forfeitable as of the date of such termination.

(c) Notwithstanding any provision contained in this Agreement that would result in Units vesting in full or in part at a later date, if, in connection with any Change of Control, the acquiring Person, surviving or acquiring corporation or entity, or an Affiliate of such corporation or entity, elects to assume the obligations of Deluxe under this Agreement and to replace the Shares issuable upon settlement of the Units with other equity securities that are listed on a national securities exchange (including by use of American Depositary Receipts or any similar method) and are freely transferable under all applicable federal and state securities laws and regulations ("Replacement Equity Securities"), the Units then subject to restriction shall continue to vest as set forth in Section 2, provided, however, the Units shall vest in full and become non-forfeitable if, within twelve months of the date of the Change of Control:

- (i) Your employment with the Company is terminated by the Company without Cause,
- (ii) Your employment with the Company is terminated by you for Good Reason, or
- (iii) Vesting would otherwise occur on any earlier date as provided under this Agreement.

In the event of any such Change of Control, the number of Replacement Equity Securities issuable under this Agreement shall be determined by the Committee in accordance with Section 4(c) of the Plan. In the event of any such Change of Control, all references herein to the Shares shall thereafter be deemed to refer to the Replacement Equity Securities, references to Deluxe or the Company shall thereafter be deemed to refer to the issuer of such Replacement Equity Securities, and all other terms of this Agreement shall continue in effect except as and to the extent modified by this subparagraph.

(d) If the Change of Control does not meet the continuation or replacement criteria specified in Section 4(c) above, all Units then subject to restriction shall vest in full immediately and become non-forfeitable upon the Change of Control.

(e) The provisions of this Section 4 shall be subject to Sections 5(b) and 8.

5. Forfeiture.

(a) Subject to the provisions of Section 4, in the event your employment is terminated during the Restricted Period, your rights to all of the unvested Units shall be immediately and irrevocably forfeited.

(b) Notwithstanding any other provisions of this Agreement, in the event you engage in a Forfeiture Activity (as defined below) during the Restricted Period, your rights to all of the Units that have not yet been settled, whether or not vested, shall be immediately and irrevocably forfeited.

(c) If, at any time within 12 months after the date any portion of this Award has vested and settled as provided in Sections 6 or 8, you engage in any Forfeiture Activity (as defined below), then the value of the Shares (and the amount of any associated dividend equivalents) received by you pursuant to such vesting and settlement must be paid to Deluxe within 30 days of demand by Deluxe. For purposes hereof, the value of the Shares received by you in settlement of the vested Units shall be determined by utilizing the closing price on the New York Stock Exchange of a share of Deluxe's Common Stock on the vesting date (without regard to any subsequent increase or decrease in the fair market value of such Shares).

(d) As used herein, you shall be deemed to have engaged in a Forfeiture Activity if you (i) directly or indirectly, engage in any business activity on your own behalf or as a partner, shareholder, director, trustee, principal, agent, employee, consultant or otherwise of any person or entity which is in any respect in competition with or competitive with Deluxe or you solicit, entice or induce any employee or representative of Deluxe to engage in any such activity, (ii) directly or indirectly solicit, entice or induce (or assist any other person or entity in soliciting, enticing or inducing) any customer or potential customer (or agent, employee or consultant of any customer or potential customer) with whom you had contact in the course of your employment with Deluxe to deal with a competitor of Deluxe, (iii) fail to hold in a fiduciary capacity for the benefit of Deluxe all confidential information, knowledge and data, including customer lists and information, business plans and business strategy ("Confidential Data") relating in any way to the business of Deluxe for so long as such Confidential Data remains confidential, or (iv) are terminated by Deluxe for Cause.

(e) If any court of competent jurisdiction shall determine that the foregoing forfeiture provisions are invalid in any respect, the court so holding may limit such provisions in any manner which the court determines such that the provision shall be enforceable against you.

(f) By accepting this Agreement, you consent to a deduction from any amounts Deluxe owes you from time to time (including amounts owed to you as wages or other compensation, fringe benefits, or vacation pay, as well as any other amounts owed to you by Deluxe), to the extent of the amount you owe Deluxe under the foregoing provisions. Whether or

not Deluxe elects to make any set-off in whole or in part, if Deluxe does not recover by means of set-off the full amount you owe, calculated as set forth above, you agree to pay immediately the unpaid balance to Deluxe.

(g) You will be released from the forfeiture provisions of Section 5(d)(i) in the event your employment with Deluxe has been involuntarily terminated without Cause. Otherwise, you may be released from the foregoing forfeiture provisions only if the Committee (or its duly appointed agent) determines in its sole discretion that such action is in the best interests of Deluxe.

(h) Nothing contained in this Section 5 shall be construed to limit the provisions of the Plan or any recoupment policy dealing with recoupment of awards, which are incorporated into this Agreement by reference.

6. Settlement of Units and Delivery of Shares of Common Stock.

(a) Subject to Section 5 and except as otherwise provided in Sections 6(b) and 8, after any Units vest pursuant to Section 2 or Section 4, as applicable, Deluxe shall, as soon as practicable (but no later than 74 days after the applicable vesting date) cause to be issued and delivered to you (or to your personal representative or your designated beneficiary or estate in the event of your death, as applicable) one share of Common Stock in payment and settlement of each vested Unit along with any dividends or distributions referenced in Section 3(d). Delivery of shares of Common Stock shall be effected by the issuance of a stock certificate to you, by an appropriate entry in the stock register maintained by Deluxe's transfer agent with a notice of issuance provided to you, or by the electronic delivery of the shares of Common Stock to a brokerage account for your benefit, and shall be subject to the tax withholding provisions of Section 9 and compliance with all applicable legal requirements as provided in the LTIP, and shall be in complete satisfaction and settlement of such vested Units. If the Units that vest include a fractional Unit, Deluxe shall round the number of vested Units to the nearest whole Unit prior to issuance of shares of Common Stock as provided herein.

(b) Notwithstanding the foregoing, in the event your employment with Deluxe is terminated by reason of death, Disability or involuntary termination without Cause any time during the Restricted Period, and if either (i) the aggregate number of vested Units under this Award is five (5) or fewer, or (ii) the aggregate value of all of your vested Units under all awards then outstanding is less than five hundred dollars (\$500), Deluxe may, in its sole discretion, deliver cash in lieu of shares of Common Stock. For purposes hereof, the cash payable in settlement of the vested Units (prior to applicable withholding under Section 9) shall be determined by utilizing the closing price on the New York Stock Exchange of a share of Deluxe's Common Stock on the settlement date under Section 6(a) or Section 8, as applicable.

7. Rights. The Units subject to this award do not entitle you to any rights of a holder of Common Stock. You will not have any of the rights of a shareholder of Deluxe in connection with the grant of Units subject to this Agreement unless and until shares of Common Stock are issued to you upon settlement of the Units as provided in Section 6 or 8.

8. 409A Compliance. This Section 8 will apply only if the Award evidenced by this Agreement provides for the deferral of compensation within the meaning of Section 409A of the Internal Revenue Code and the IRS regulations thereunder ("Section 409A"). If your employment is terminated prior to the end of the Restricted Period, but the termination does not constitute a "separation from service" as defined in Section 409A, then you will have the right to receive the applicable payment described in Section 4, but such payment will be delayed until the earliest of the date on which you incur a separation from service as defined in Section 409A, the end of the Restricted Period, or if Section 4(d) is applicable, the date on which a change in control event occurs as defined in Section 409A (as described in the Addendum). This could occur if, for example, your employment is terminated but you are retained as a consultant or independent contractor to provide services to Deluxe or an Affiliate at a rate which is at least 50% of the rate at which you were providing services as an employee. It is also possible that you may incur a separation from service as defined in Section 409A even though your employment has not been terminated, for example if you become a part-time employee and are providing services at a rate that is less than 50% of the rate at which you provided services as a full-time employee. If this were to occur you would receive a payment as described in Section 4(b) calculated as if your employment had been terminated by Deluxe without Cause. The provisions of this paragraph shall also apply to the issuance of Shares to which you are entitled upon your Approved Retirement as provided in Section 4(a) if your Approved Retirement does not constitute a separation from service.

If the Change of Control described in Section 4(c) or Section 4(d) does not constitute a "change in control event" as defined in Section 409A, then your Units will become fully vested as provided therein, but settlement of the Units and issuance of the equity shall not occur until the earliest of the date on which you incur a separation from service as defined in Section 409A, the end of the Restricted Period, the date of your termination due to Disability or the date on which a change in control event as defined in Section 409A occurs

Notwithstanding any other provision of this Agreement, if you are a "specified employee" as defined in Section 409A at the time any amount would otherwise become payable to you by reason of a separation from service as defined in Section 409A (including any shares of Common Stock that become issuable upon an Approved Retirement, or upon the occurrence of a Change of Control, but the issuance of which is deferred until a separation from service because the Change of Control did not constitute a change in control event), such payment shall not occur until the first business day that is more than six months

following the date of such separation from service (or, if earlier, the date of your death). In general, "specified employees" are the 50 most highly compensated officers and policy making personnel of Deluxe and its Affiliates.

- 9. Income Taxes.** You are liable for any federal, state and local income taxes as well as payroll taxes applicable upon the vesting or settlement of the Units subject to this Agreement, and you acknowledge that you should consult with your own tax advisor regarding the applicable tax consequences. Upon the distribution of shares of Common Stock and payment of any associated dividend equivalents, you shall promptly pay to Deluxe the amount of all applicable taxes required by Deluxe to be withheld or collected upon the distribution of the shares of Common Stock in settlement of the vested Units and payment of any dividend equivalents, such amount to be paid in cash or in previously acquired shares of Common Stock having a fair market value equal to the tax withholding amount. In the alternative, you may direct Deluxe to withhold from shares of Common Stock otherwise to be distributed the number of Deluxe shares having a fair market value equal to the amount of all applicable taxes required by Deluxe to be withheld upon the distribution of the shares of Common Stock, and to withhold from any dividend equivalent payments an amount equal to the applicable taxes associated therewith, and to withhold from any dividend equivalent payments an amount equal to the applicable taxes associated therewith. You acknowledge that no shares of Common Stock will be distributed to you or dividend equivalent payments made unless and until you have satisfied any obligation for withholding taxes as provided in this Agreement.
- 10. Terms and Conditions.** This Agreement and the award of Units and the issuance of shares of Common Stock hereunder are subject to and governed by the provisions of the LTIP. In the event there are any inconsistencies between this Agreement and the LTIP, the provisions of the LTIP shall govern, as it may be amended or interpreted at Deluxe's discretion, to meet any applicable requirements of Section 409A of the Internal Revenue Code.

By your acceptance of this restricted stock unit award, you agree to all of the terms and conditions contained in this Agreement and in the LTIP documents. You acknowledge that you have received and reviewed these documents and that they set forth the entire agreement between you and Deluxe regarding the Units.

DELUXE CORPORATION

By: _____

ADDENDUM TO RESTRICTED STOCK UNIT AWARD AGREEMENT

For the purposes hereof, the terms used herein shall have the following meanings:

"Approved Retirement" shall mean any voluntary termination of employment that occurs on or after the date on which the sum of your age and years of employment with Deluxe and/or its Affiliates equals at least seventy-five (75) and that is approved by the Compensation Committee of the Board.

"Beneficial Owner" shall have the meaning defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended.

"Cause" shall mean (i) you have breached your obligations of confidentiality to Deluxe or its Affiliates; (ii) you have otherwise failed to perform your duties and do not cure such failure within thirty (30) days after receipt of written notice thereof; (iii) you commit an act, or omit to take action, in bad faith which results in material detriment to Deluxe or its Affiliates; (iv) you have had excessive absences unrelated to illness or vacation ("excessive" shall be defined in accordance with local employment customs); (v) you have committed fraud, misappropriation, embezzlement or other act of dishonesty in connection with Deluxe or its Affiliates or its businesses; (vi) you have been convicted or have pleaded guilty or nolo contendere to a felony or a gross misdemeanor, which gross misdemeanor involves a breach of ethics, moral turpitude, or immoral or other conduct reflecting adversely upon the reputation or interest of Deluxe or its Affiliates; (vii) your unlawful conduct or gross misconduct that is or is reasonably likely to be injurious to the business, finances or reputation of Deluxe; or (viii) you are in default under any agreement between you and Deluxe or any of its Affiliates following any applicable notice and cure period.

A "Change of Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

- (i) any Person becomes the Beneficial Owner, directly or indirectly, of securities of Deluxe representing 30% or more of the combined voting power of Deluxe's then outstanding securities, excluding, at the time of their original acquisition, from the calculation of securities beneficially owned by such Person any securities acquired directly from Deluxe or its Affiliates or in connection with a transaction described in paragraph (iii) below; or
- (ii) the individuals who at the date of your award election hereunder constitute the Board and any new director (other than a director whose initial assumption of office occurs within a year of and is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Deluxe) whose appointment or election by the Board or nomination for election by Deluxe's shareholders was approved or recommended by a vote of a majority of the directors then still in office who either were directors at the date of your award election hereunder or whose appointment, election or nomination for election was previously so approved or recommended, cease for any reason to constitute a majority thereof; or
- (iii) the shareholders of Deluxe approve a plan of complete liquidation of Deluxe or there is consummated (A) a merger, consolidation, share exchange or similar transaction involving Deluxe, regardless of whether Deluxe is the surviving corporation or (B) the sale or disposition by Deluxe of all or substantially all Deluxe's assets, other than a sale or disposition by Deluxe of all or substantially all of Deluxe's assets to an entity, unless, immediately following such corporate transaction, all or substantially all of the individuals and entities who were the beneficial owners of Deluxe's voting securities immediately prior to such corporate transaction beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the surviving or acquiring entity resulting from such corporate transaction (including beneficial ownership through any Parent of such entity) in substantially the same proportions as their ownership, immediately prior to such corporate transaction, of Deluxe's voting securities.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of Common Stock of Deluxe immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of Deluxe immediately following such transaction or series of transactions.

"Disability" shall mean that you are suffering from a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, and that as a result of such impairment either: (i) you have received disability benefits for a period of not less than three months under a long or short-term disability plan or policy (or both), and are eligible for benefits under the long-term disability plan of Deluxe or any Affiliate of which you are employed at

the time of such disability; or (ii) in the event that your employer does not have a long-term disability plan in effect at such time, you are unable to engage in any substantial gainful activity.

"Good Reason" shall mean:

- (i) except with your written consent given in your discretion, (a) the assignment to you of any position and/or duties which represent or otherwise entail a material diminution in your position, authority, duties or responsibilities, or (b) any other action by the Company which results in a material diminution in your position (or positions) with the Company, excluding any diminution attributable to Deluxe's bankruptcy or insolvency or to the fact that Deluxe is no longer a public company;
- (ii) any material reduction in your aggregate compensation and incentive opportunities, or any material failure by the Company to comply with any other written agreement between you and the Company;
- (iii) the Company's requiring you to be based at any location more than 50 miles from your then current location; or
- (iv) any request or requirement by the Company that you take any action or omit to take any action that is inconsistent with or in violation of the Company's ethical guidelines and policies as the same existed within the 120-day period prior to the termination date or any professional ethical guidelines or principles that may be applicable to you,

provided, however, that such events shall constitute Good Reason only if (A) within thirty (30) days following the occurrence of an event claimed to constitute Good Reason, you give Deluxe written notice of such event, (B) Deluxe fails to cure such event within thirty (30) days after receipt of such written notice, and (C) the effective date of your termination of employment is within 180 days following expiration of such cure period.

"Person" shall have the meaning defined in Section 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended, except that such term shall not include (i) Deluxe or any of its subsidiaries, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of Deluxe or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of Deluxe in substantially the same proportions as their ownership of Common Stock of Deluxe.

For all purposes of this Award Agreement "separation from service", "specified employee", and "change in control event" shall have the meanings set forth in Treasury Regulations §1.409A-1(h), §1.409A-1(i), and §1.409A-3(i)(5), respectively, without regard to any of the optional provisions set forth in such regulations, except that

- (i) for purposes of Treas. Reg. §1.409A-1(h)(1)(ii), an employee shall be considered to have incurred a separation from service on the date on which it is reasonably anticipated that the level of bona fide services the employee will perform after such date (whether as an employee or as an independent contractor) will permanently decrease to less than 50 percent of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services to the employer if the employee has been providing services to the employer less than 36 months); and
- (ii) for purposes of identifying specified employees the safe harbor definition of compensation contained in Treas. Reg. §1.415(c)-2(d)(4) (compensation required to be reported on Form W-2 plus elective deferrals) shall be used, and compensation paid to a nonresident alien that is not effectively connected with the conduct of a trade or business within the United States shall be excluded.

**DELUXE
CORPORATION**

**PERFORMANCE SHARE UNIT
AWARD AGREEMENT
(US)**

| AWARDED TO | AWARD DATE | TARGET NUMBER OF SHARES |
|------------|------------|-------------------------|
| | | |

1. **The Award.** Deluxe Corporation, a Minnesota corporation ("Deluxe"), hereby grants to you as of the above Award Date the right to receive shares of Deluxe common stock, par value \$1.00 per share (the "Shares"), in an amount initially equal to the Target Number of Shares specified above (the "Target Award") on the terms and conditions contained in this Performance Share Unit Award Agreement (including the Addendum and Schedules attached hereto, this "Agreement") and Deluxe's 2020 Long Term Incentive Plan (the "Plan"), a copy of which has been provided to you. Any capitalized term used but not defined in this Agreement shall have the meaning given to the term in the Plan as it currently exists or may hereafter be amended. The number of Shares that may actually be earned and become eligible to vest pursuant to this Agreement can be between 0% and 200% of the Target Number of Shares, but may not exceed 200% of the Target Number of Shares.
2. **Performance Period.** The performance period for purposes of determining whether and to what extent Shares will be issued under a Performance Award (as defined below) shall be the three-year period commencing on January 1 of the year in which this Award was granted (the "Performance Period").
3. **Performance Goals.** The performance goals for purposes of determining whether and to what extent Shares will be issued under a Performance Award are set forth in the attached Performance Goals Schedule.
4. **Vesting.** Vesting of the Target Award shall occur if and to the extent that performance goals are achieved, as set forth in the attached Performance Goals Schedule and as determined and certified by the Committee in accordance with the Plan after the end of the Performance Period. The number of Shares that vest, if any, may be adjusted by the Committee to the extent permitted by this Agreement and the Plan. The final vested award certified by the Committee is referred to as the "Performance Award."
5. **Distribution.** Any Shares to be distributed under this Agreement shall be distributed as soon as administratively practicable after certification of a Performance Award by the Compensation Committee, but no later than two and one-half months following the end of the Performance Period for which such certification occurred. The Committee may, in its sole discretion, elect to pay you the value of all or any portion of the Performance Award in cash, based upon the closing price of a Share on the business day immediately prior to the date of vesting. The Shares distributed to you under this Section, Section 7 or Section 8 are referred to, collectively, as the "Distributed Shares."
6. **Restrictions.** Your rights in any Shares covered by this Agreement shall be subject to the following restrictions during and after the Performance Period:
 - (a) All Distributed Shares shall be subject to forfeiture to Deluxe as provided in this Agreement and the Plan.
 - (b) Until any Shares are distributed to you under Section 5, neither you nor anyone claiming through you shall have any rights as a shareholder under this Agreement, including the right to vote or to receive dividends, stock dividends or other non-cash distributions.
 - (c) You may not transfer, sell, assign, or pledge the right to receive the Shares, other than by will or the laws of descent and distribution, or as otherwise permitted by the Committee pursuant to the Plan, and any such attempted transfer shall be void.
7. **Termination of Employment.** Except as described in this Section or in Section 8, in the event your employment is terminated prior to the payment of the Performance Award, this Agreement and your rights to receive the Performance Award shall be immediately and irrevocably forfeited, unless your termination occurs on or after the one year anniversary of commencement of the Performance Period and is by reason of (a) involuntary termination without Cause, (b) resignation for Good Reason within 12 months of the consummation of a Change of Control, (c) death, (d) Disability, or (e) Approved Retirement (as those capitalized terms are defined in the Addendum to this Agreement).

In the event your employment is terminated on or after the one year anniversary of commencement of the Performance Period and prior to the end of the Performance Period for any of the reasons (a) through (e) in the first paragraph of this Section, you or your estate shall be entitled to receive a pro-rata distribution (calculated based on the days elapsed in the Performance Period prior to the employment termination date divided by the total days in the Performance Period) of the Performance Award determined by the Committee, in its sole discretion, upon completion of the Performance Period to be paid based on the attached Performance Goals Schedule. In the event your employment is terminated for any of the reasons (a) through (e) in the first paragraph of this Section after completion of the Performance Period but prior to certification and distribution of the Performance Award, you or your estate shall be entitled to receive the Performance Award determined by the Committee upon completion of the Performance Period to be distributed, in its sole discretion, based on the attached Performance Goals Schedule. Such distribution will be made at the same time that distributions are made to active employees.
8. **Change of Control.** If, in connection with any Change of Control, the acquiring Person, surviving or acquiring corporation or entity, or any Affiliate of such corporation or entity, elects to assume or continue the obligations of Deluxe under this Agreement and to replace the Shares issuable under it with Equivalent Replacement Securities, then all references herein to Shares shall thereafter be deemed to refer

to the Equivalent Replacement Securities issuable upon attainment of Performance Goals, references to Deluxe shall thereafter be deemed to refer to the issuer of such Equivalent Replacement Securities, and all other terms of this Agreement shall continue in effect except as to the extent modified by this Section 8.

If the Change of Control does not meet the assumption, continuation or replacement criteria specified in this Section 8, then the value of the Target Award shall be calculated based upon the value of a Share as of the closing price on the business day immediately prior to the effective date of the Change of Control and that amount shall become due and payable in cash, immediately upon the Change of Control. Nothing contained herein shall limit the authority of the Committee under Section 4(c) of the Plan to make adjustments to the Shares subject to this Agreement in the case of a transaction described in Section 4(c) of the Plan that does not constitute a Change of Control.

9. **Income Taxes.** You are liable for any federal and state income or other taxes applicable upon the distribution to you of any Shares or other payments under this Agreement, and you acknowledge that you should consult with your own tax advisor regarding the applicable tax consequences. Upon the distribution of Shares, you shall promptly pay to Deluxe in cash, or in previously acquired shares of Deluxe common stock having a fair market value equal to the amount of all applicable taxes required by Deluxe to be withheld or collected upon the distribution of the Shares. In the alternative, prior to the end of the Performance Period, you may direct Deluxe to withhold from Shares otherwise to be distributed the number of Shares having a fair market value equal to the amount of all applicable taxes required by Deluxe to be withheld upon the distribution of the Shares. You acknowledge that no Shares will be distributed to you, notwithstanding any Performance Award, unless and until you have satisfied any obligation for withholding taxes as provided in this Agreement.

10. **Forfeiture of Award and Award Gain Resulting from Certain Activities.**

(a) If, at any time during the period commencing on the first day of the Performance Period and ending 12 months after the date that you have received a Performance Award, you engage in any Forfeiture Activity (as defined below) then, in addition to any other rights Deluxe or its Affiliates may have against you, (i) your rights under this Agreement shall immediately terminate effective as of the date any such activity first occurred, and (ii) the value of any Distributed Shares or cash paid to you pursuant to this Agreement must be paid to Deluxe within 30 days of demand by Deluxe. For purposes hereof, any such value shall be determined by multiplying the number of Distributed Shares by the higher of the closing price of a Share on the business day prior to the date of vesting or the closing price on the business day prior to the date of repayment or, to the extent the Performance Award was paid to you in cash, including any payment pursuant to the penultimate paragraph of Section 8, the amount of cash paid to you or on your behalf. The amount repaid shall not be reduced by any tax withholding, whether paid in Shares or cash.

(b) As used herein, you shall be deemed to have engaged in a Forfeiture Activity if, in violation of any Company policy or other term or condition of your employment, you (i) directly or indirectly engage in any business activity on your own behalf or as a partner, stockholder, director, trustee, officer, consultant or otherwise of any person or entity which is directly in competition with or competitive with any current business of the Company or you solicit, entice or induce any employee or representative of the Company to engage in any such activity, (ii) directly or indirectly solicit, entice or induce (or assist any other person or entity in soliciting, enticing or inducing) any customer (or agent, employee or consultant of any customer) with whom you had contact in the course of your employment with the Company to deal with a competitor of the Company, (iii) fail to hold in a fiduciary capacity for the benefit of the Company all confidential information, knowledge and data, including without limitation customer lists and information, business plans and business strategy ("Confidential Data") relating in any way to the business of the Company, or (iv) are terminated by the Company (or any successor) for Cause.

(c) If any court of competent jurisdiction shall determine that the foregoing forfeiture provisions are invalid in any respect, the court so holding may limit such provisions in any manner which the court determines, such that the provisions, as so limited, shall be enforceable against you.

(d) By accepting this Agreement, you consent to a deduction from any amounts the Company owes you from time to time (including amounts owed to you as wages or other compensation, fringe benefits, or vacation pay, as well as any other amounts owed to you by the Company), to the extent of the amounts you owe the Company under the foregoing provisions. Whether or not the Company elects to make any set-off in whole or in part, if the Company does not recover by means of set-off the full amount you owe, calculated as set forth above, you agree to pay immediately the unpaid balance to the Company.

(e) You will be released from the forfeiture provisions of subparagraph (b)(i) in the event your employment with the Company has been involuntarily terminated without Cause or you voluntarily terminate your employment with the Company for Good Reason. Otherwise, you may be released from the foregoing forfeiture provisions only if the Committee (or its duly appointed agent) determines in its sole discretion that such action is in the best interests of Company.

(f) Nothing contained in this Section shall be construed to limit the provisions of the Plan or any recoupment policy dealing with recoupment of awards, which are incorporated into this Agreement by this reference.

11. **Terms and Conditions.** This Agreement does not guarantee your continued employment or alter the right of Deluxe or its Affiliates to terminate your employment at any time. This Award is granted pursuant to the Plan and is subject to its terms. In the event of any conflict between the provisions of this Agreement and the Plan, the provisions of the Plan shall govern.

By your acceptance of this performance share award, you agree to all of the terms and conditions contained in this Agreement and in the Plan document. You acknowledge that you have received and reviewed these documents and that they set forth the entire agreement between you and Deluxe regarding your right to the Shares pursuant to this Award Agreement.

DELUXE CORPORATION

By:

ADDENDUM TO PERFORMANCE SHARE AWARD AGREEMENT

For the purposes hereof the terms used herein shall have the following meanings:

"Approved Retirement" shall mean any voluntary termination of employment that occurs on or after the date on which the sum of your age and years of employment with Deluxe and/or its Affiliates equals at least seventy-five (75) and that is approved by the Compensation Committee of the Board.

"Board" means the Board of Directors of the Company.

"Cause" shall mean (i) you have breached your obligations of confidentiality to Deluxe or its Affiliates; (ii) you have otherwise failed to perform your duties and do not cure such failure within thirty (30) days after receipt of written notice thereof; (iii) you commit an act, or omit to take action, in bad faith which results in material detriment to Deluxe or its Affiliates; (iv) you have had excessive absences unrelated to illness or vacation ("excessive" shall be defined in accordance with local employment customs); (v) you have committed fraud, misappropriation, embezzlement or other act of dishonesty in connection with Deluxe or its Affiliates or its businesses; (vi) you have been convicted or have pleaded guilty or nolo contendere to a felony or a gross misdemeanor, which gross misdemeanor involves a breach of ethics, moral turpitude, or immoral or other conduct reflecting adversely upon the reputation or interest of Deluxe or its Affiliates; (vii) your unlawful conduct or gross misconduct that is or is reasonably likely to be injurious to the business, finances or reputation of Deluxe; or (viii) you are in default under any agreement between you and Deluxe or any of its Affiliates following any applicable notice and cure period.

A "Change of Control" shall be deemed to have occurred if the conditions set forth in any one of the following paragraphs shall have been satisfied:

- (i) any Person becomes the Beneficial Owner, directly or indirectly, of securities of Deluxe representing 30% or more of the combined voting power of Deluxe's then outstanding securities, excluding, at the time of their original acquisition, from the calculation of securities beneficially owned by such Person any securities acquired directly from Deluxe or its Affiliates or in connection with a transaction described in paragraph (iii) below; or
- (ii) the individuals who at the date of your award election hereunder constitute the Board and any new director (other than a director whose initial assumption of office occurs within a year of and is in connection with an actual or threatened election contest, including but not limited to a consent solicitation, relating to the election of directors of Deluxe) whose appointment or election by the Board or nomination for election by Deluxe's shareholders was approved or recommended by a vote of a majority of the directors then still in office who either were directors at the date of your award election hereunder or whose appointment, election or nomination for election was previously so approved or recommended, cease for any reason to constitute a majority thereof; or
- (iii) the shareholders of Deluxe approve a plan of complete liquidation of Deluxe or there is consummated (A) a merger, consolidation, share exchange or similar transaction involving Deluxe, regardless of whether Deluxe is the surviving corporation or (B) the sale or disposition by Deluxe of all or substantially all Deluxe's assets, other than a sale or disposition by Deluxe of all or substantially all of Deluxe's assets to an entity, unless, immediately following such corporate transaction, all or substantially all of the individuals and entities who were the beneficial owners of Deluxe's voting securities immediately prior to such corporate transaction beneficially own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the surviving or acquiring entity resulting from such corporate transaction (including beneficial ownership through any parent of such entity) in substantially the same proportions as their ownership, immediately prior to such corporate transaction, of Deluxe's voting securities.

Notwithstanding the foregoing, a "Change of Control" shall not be deemed to have occurred by virtue of the consummation of any transaction or series of integrated transactions immediately following which the record holders of Common Stock of Deluxe immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of Deluxe immediately following such transaction or series of transactions.

"Company" shall mean Deluxe (including any successor corporation) and its Affiliates.

"Disability" shall mean that you are suffering from a medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve months, and that as a result of such impairment either: (i) you have received disability benefits for a period of not less than three months under a long or short-term disability plan or policy (or both), and are eligible for benefits under the long-term disability plan of Deluxe or any Affiliate of which you are employed at the time of such disability; or (ii) in the event that your employer does not have a long-term disability plan in effect at such time, you are unable to engage in any substantial gainful activity.

"Equivalent Replacement Securities" shall mean other equity securities that are listed on a national securities exchange (including by use of American Depository Receipts or any similar method) and are freely transferable under all applicable federal and state securities laws and regulations, the quantity of which shall be determined by the Committee in accordance with Section 4(c) of the Plan.

"Good Reason" shall mean:

- (i) except with your written consent given in your discretion, (a) the assignment to you of any position and/or duties which represent or otherwise entail a material diminution in your position, authority, duties or responsibilities, or (b) any other action by the Company which results in a material diminution in your position (or positions) with the Company, excluding any diminution attributable to Deluxe's bankruptcy or insolvency or to the fact that Deluxe is no longer a public company;
- (ii) any material reduction in your aggregate compensation and incentive opportunities, or any material failure by the Company to comply with any other written agreement between you and the Company;
- (iii) the Company's requiring you to be based at any location more than 50 miles from your then current location; or
- (iv) any request or requirement by the Company that you take any action or omit to take any action that is inconsistent with or in violation of the Company's ethical guidelines and policies as the same existed within the 120-day period prior to the termination date or any professional ethical guidelines or principles that may be applicable to you,

provided, however, that such events shall constitute Good Reason only if (A) within thirty (30) days following the occurrence of an event claimed to constitute Good Reason, you give Deluxe written notice of such event, (B) Deluxe fails to cure such event within thirty (30) days after receipt of such written notice, and (C) the effective date of your termination of employment is within 180 days following expiration of such cure period.

"Person" shall have the meaning defined in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended, except that such term shall not include (i) Deluxe or any of its Affiliates, (ii) a trustee or other fiduciary holding securities under an employee benefit plan of Deluxe or any of its Affiliates, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, or (iv) a corporation owned, directly or indirectly, by the shareholders of Deluxe in substantially the same proportions as their ownership of stock of Deluxe.

[Performance Goals Schedule]

CEO CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Barry C. McCarthy, President and Chief Executive Officer of Deluxe Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Deluxe Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2021

/s/ Barry C. McCarthy

Barry C. McCarthy
President and Chief Executive Officer

CFO CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Keith A. Bush, Chief Financial Officer of Deluxe Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Deluxe Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 7, 2021

/s/ Keith A. Bush

Keith A. Bush

Senior Vice President, Chief Financial Officer

CEO AND CFO CERTIFICATION OF PERIODIC REPORT

We, Barry C. McCarthy, President and Chief Executive Officer of Deluxe Corporation (the "Company"), and Keith A. Bush, Chief Financial Officer of the Company, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 7, 2021

/s/ Barry C. McCarthy

Barry C. McCarthy
President and Chief Executive Officer

/s/ Keith A. Bush

Keith A. Bush
Senior Vice President, Chief Financial Officer