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, 2022

☐ **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 CORPORATION

(Exact name of registrant as specified in its charter)

MN	**41-0216800**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
801 S. Marquette Ave. Minneapolis MN	**55402-2807**
(Address of principal executive offices)	(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 27, 2022 was 42,990,561.

PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

DELUXE CORPORATION
CONSOLIDATED BALANCE SHEETS
(unaudited)

(in thousands, except share par value)	March 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 44,059	$ 41,231
Trade accounts receivable, net of allowance for credit losses	184,335	197,947
Inventories and supplies	34,527	34,928
Funds held for customers, including securities carried at fair value of $13,027 and $13,307, respectively	156,752	254,795
Prepaid expenses	47,964	37,643
Revenue in excess of billings	33,689	30,393
Other current assets	16,858	23,536
Total current assets	518,184	620,473
Deferred income taxes	1,957	2,180
Long-term investments	47,380	47,201
Property, plant and equipment, net of accumulated depreciation of $341,046 and $338,617, respectively	124,270	125,966
Operating lease assets	53,375	58,236
Intangibles, net of accumulated amortization of $718,169 and $698,764, respectively	499,531	510,724
Goodwill	1,430,156	1,430,141
Other non-current assets	279,456	279,463
Total assets	$ 2,954,309	$ 3,074,384
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 146,267	$ 153,072
Funds held for customers	155,955	256,257
Accrued liabilities	201,913	216,832
Current portion of long-term debt	57,227	57,197
Total current liabilities	561,362	683,358
Long-term debt	1,635,191	1,625,752
Operating lease liabilities	53,418	56,444
Deferred income taxes	68,324	75,121
Other non-current liabilities	56,999	59,111
Commitments and contingencies (Note 13)		
Shareholders' equity:		
Common shares $1 par value (authorized: 500,000 shares; outstanding: March 31, 2022 – 42,923; December 31, 2021 – 42,679)	42,923	42,679
Additional paid-in capital	62,676	57,368
Retained earnings	502,125	505,763
Accumulated other comprehensive loss	(29,025)	(31,492)
Non-controlling interest	316	280
Total shareholders' equity	579,015	574,598
Total liabilities and shareholders' equity	$ 2,954,309	$ 3,074,384

See Condensed Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited)

(in thousands, except per share amounts)	Quarter Ended March 31, 2022	2021
Product revenue	$ 317,303	$ 299,053
Service revenue	238,712	142,211
Total revenue	556,015	441,264
Cost of products	(114,361)	(107,325)
Cost of services	(134,833)	(71,184)
Total cost of revenue	(249,194)	(178,509)
Gross profit	306,821	262,755
Selling, general and administrative expense	(259,699)	(212,436)
Restructuring and integration expense	(16,244)	(14,313)
Operating income	30,878	36,006
Interest expense	(20,324)	(4,524)
Other income	2,004	2,033
Income before income taxes	12,558	33,515
Income tax provision	(2,878)	(9,190)
Net income	9,680	24,325
Net income attributable to non-controlling interest	(36)	(33)
Net income attributable to Deluxe	$ 9,644	$ 24,292
Total comprehensive income	$ 12,147	$ 25,934
Comprehensive income attributable to Deluxe	12,111	25,901
Basic earnings per share	0.23	0.58
Diluted earnings per share	0.22	0.57

See Condensed Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(unaudited)

(in thousands)	Common shares	Common shares par value	Additional paid-in capital	Retained earnings	Accumulated other comprehensive loss	Non-controlling interest	Total
Balance, December 31, 2021	42,679	$ 42,679	$ 57,368	$ 505,763	$ (31,492)	$ 280	$ 574,598
Net income	—	—	—	9,644	—	36	9,680
Cash dividends ($0.30 per share)	—	—	—	(13,282)	—	—	(13,282)
Common shares issued	379	379	1,152	—	—	—	1,531
Common shares retired	(135)	(135)	(4,026)	—	—	—	(4,161)
Employee share-based compensation	—	—	8,182	—	—	—	8,182
Other comprehensive income	—	—	—	—	2,467	—	2,467
Balance, March 31, 2022	42,923	$ 42,923	$ 62,676	$ 502,125	$ (29,025)	$ 316	$ 579,015

(in thousands)	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	42,104	$ 42,104	$ 22,306	$ 534,059	$ (39,824)	$ 174	$ 558,819

See Condensed Notes to Unaudited Consolidated Financial Statements

DELUXE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)	Quarter Ended March 31, 2022	2021
Cash flows from operating activities:		
Net income	$ 9,680	$ 24,325
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,438	4,516
Amortization of intangibles	36,159	23,264
Operating lease expense	5,570	4,576
Amortization of prepaid product discounts	8,924	7,440
Deferred income taxes	(7,524)	5,245
Employee share-based compensation expense	8,142	6,742
Other non-cash items, net	8,213	2,418
Changes in assets and liabilities:		
Trade accounts receivable	12,248	23,122
Inventories and supplies	(893)	1,042
Other current assets	(12,731)	(19,711)
Payments for cloud computing arrangement implementation costs	(6,391)	(8,915)
Other non-current assets	(3,082)	(953)
Accounts payable	(5,003)	(3,543)
Prepaid product discount payments	(7,859)	(9,590)
Other accrued and non-current liabilities	(16,626)	(20,397)
Net cash provided by operating activities	34,265	39,581
Cash flows from investing activities:		
Purchases of capital assets	(20,844)	(21,670)
Other	515	(180)
Net cash used by investing activities	(20,329)	(21,850)
Cash flows from financing activities:		
Proceeds from issuing long-term debt and swingline loans	146,500	5,000
Payments on long-term debt and swingline loans	(137,938)	(5,000)
Net change in customer funds obligations	(99,240)	1,659
Proceeds from issuing shares	798	673
Employee taxes paid for shares withheld	(4,161)	(2,360)
Cash dividends paid to shareholders	(13,317)	(12,932)
Other	(2,610)	(1,271)
Net cash used by financing activities	(109,968)	(14,231)
Effect of exchange rate change on cash, cash equivalents, restricted cash and restricted cash equivalents	1,320	1,606
Net change in cash, cash equivalents, restricted cash and restricted cash equivalents	(94,712)	5,106
Cash, cash equivalents, restricted cash and restricted cash equivalents, beginning of year	285,491	229,409
Cash, cash equivalents, restricted cash and restricted cash equivalents, end of period (Note 3)	$ 190,779	$ 234,515

See Condensed Notes to Unaudited Consolidated Financial Statements

NOTE 1: CONSOLIDATED FINANCIAL STATEMENTS

The consolidated balance sheet as of March 31, 2022, the consolidated statements of comprehensive income for the quarters ended March 31, 2022 and 2021, the consolidated statements of shareholders' equity for the quarters ended March 31, 2022 and 2021 and the consolidated statements of cash flows for the quarters ended March 31, 2022 and 2021 are unaudited. The consolidated balance sheet as of December 31, 2021 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 items 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, 2021 (the 2021 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, 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.

Comparability – The consolidated statement of cash flows for the quarter ended March 31, 2021 has been modified to confirm to the current year presentation. We presented payments for cloud computing arrangement implementation costs separately within cash flows from operating activities. Previously, this amount was included in other non-current assets. Also, we included purchases of and proceeds from customer funds marketable securities within other investing activities. Previously, these amounts were presented separately. During the quarter ended March 31, 2022, we recorded out-of-period correcting adjustments that decreased net income attributable to Deluxe by $2,197. These adjustments were not material to any historical interim or annual period.

NOTE 2: NEW ACCOUNTING PRONOUNCEMENT

In March 2022, the Financial Accounting Standards Board issued Accounting Standards Update No. 2022-02, *Troubled Debt Restructurings and Vintage Disclosures*. The standard modifies the accounting for troubled debt restructurings by creditors and modifies certain disclosure requirements. The guidance will be applied prospectively, with the exception of the recognition and measurement of troubled debt restructurings, for which we may elect to apply a modified retrospective transition method. The standard is effective for us on January 1, 2023, and we do not expect its adoption to have a significant impact on our financial position or results of operations.

NOTE 3: SUPPLEMENTAL BALANCE SHEET AND CASH FLOW INFORMATION

Trade accounts receivable – Net trade accounts receivable were comprised of the following:

(in thousands)	March 31, 2022	December 31, 2021
Trade accounts receivable – gross	$ 188,534	$ 202,077
Allowance for credit losses	(4,199)	(4,130)
Trade accounts receivable – net[1]	$ 184,335	$ 197,947

[1] Includes unbilled receivables of $50,106 as of March 31, 2022 and $47,420 as of December 31, 2021.

Changes in the allowance for credit losses for the quarters ended March 31, 2022 and 2021 were as follows:

	Quarter Ended March 31,	
(in thousands)	**2022**	**2021**
Balance, beginning of year	$ 4,130	$ 6,428
Bad debt expense (benefit)	625	(649)
Write-offs and other	(556)	(900)
Balance, end of period	$ 4,199	$ 4,879

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

(in thousands)	**March 31, 2022**	**December 31, 2021**
Raw materials	$ 5,587	$ 5,316
Semi-finished goods	6,742	6,708
Finished goods	21,555	21,995
Supplies	6,022	6,041
Reserves for excess and obsolete items	(5,379)	(5,132)
Inventories and supplies, net of reserves	$ 34,527	$ 34,928

Changes in the reserves for excess and obsolete items were as follows for the quarters ended March 31, 2022 and 2021:

	Quarter Ended March 31,	
(in thousands)	**2022**	**2021**
Balance, beginning of year	$ 5,132	$ 11,748
Amounts charged to expense	773	2,013
Write-offs and other	(526)	(822)
Balance, end of period	$ 5,379	$ 12,939

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

	March 31, 2022			
(in thousands)	**Cost**	**Gross unrealized gains**	**Gross unrealized losses**	**Fair value**
Funds held for customers:[(1)]				
Canadian and provincial government securities	$ 9,865	$ —	$ (836)	$ 9,029
Canadian guaranteed investment certificate	3,998	—	—	3,998
Available-for-sale debt securities	$ 13,863	$ —	$ (836)	$ 13,027

[(1)] Funds held for customers, as reported on the consolidated balance sheet as of March 31, 2022, also included cash of $143,725.

(in thousands)	December 31, 2021 Cost	Gross unrealized gains	Gross unrealized losses	Fair value
Funds held for customers:[1]				
Canadian and provincial government securities	$ 9,724	$ —	$ (374)	$ 9,350
Canadian guaranteed investment certificate	3,957	—	—	3,957
Available-for-sale debt securities	$ 13,681	$ —	$ (374)	$ 13,307

[1] Funds held for customers, as reported on the consolidated balance sheet as of December 31, 2021, also included cash of $241,488.

Expected maturities of available-for-sale debt securities as of March 31, 2022 were as follows:

(in thousands)	Fair value
Due in one year or less	$ 6,572
Due in two to five years	2,708
Due in six to ten years	3,747
Available-for-sale debt securities	$ 13,027

Further information regarding the fair value of available-for-sale debt securities can be found in Note 8.

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

(in thousands)	March 31, 2022	December 31, 2021
Conditional right to receive consideration	$ 22,657	$ 22,780
Unconditional right to receive consideration[1]	11,032	7,613
Revenue in excess of billings	$ 33,689	$ 30,393

[1] Represents revenues that are earned but not currently billable under the related contract terms.

Intangibles – Intangibles were comprised of the following:

	March 31, 2022			December 31, 2021		
(in thousands)	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer lists/relationships	$ 493,510	$ (264,822)	$ 228,688	$ 493,495	$ (255,178)	$ 238,317
Internal-use software	471,035	(354,338)	116,697	456,133	(342,656)	113,477
Technology-based intangibles	98,813	(40,584)	58,229	98,813	(38,553)	60,260
Partner relationships	73,257	(4,323)	68,934	73,095	(2,990)	70,105
Trade names	44,185	(24,935)	19,250	51,052	(31,277)	19,775
Software to be sold	36,900	(29,167)	7,733	36,900	(28,110)	8,790
Intangibles	$ 1,217,700	$ (718,169)	$ 499,531	$ 1,209,488	$ (698,764)	$ 510,724

Amortization of intangibles was $36,159 for the quarter ended March 31, 2022 and $23,264 for the quarter ended March 31, 2021. Based on the intangibles in service as of March 31, 2022, estimated future amortization expense is as follows:

(in thousands)	Estimated amortization expense
Remainder of 2022	$ 88,406
2023	117,562
2024	75,257
2025	50,306
2026	40,004

The following intangibles were acquired during the quarter ended March 31, 2022:

(in thousands)	Amount	Weighted-average amortization period (in years)
Internal-use software	$ 15,931	3
Customer lists/relationships	10,280	6
Partner relationships	163	1
Acquired intangibles	$ 26,374	4

Goodwill – Changes in goodwill by reportable segment and in total were as follows for the quarter ended March 31, 2022:

(in thousands)	Payments	Cloud Solutions	Promotional Solutions	Checks	Total
Balance, December 31, 2021:					
Goodwill, gross	$ 895,338	$ 432,984	$ 252,874	$ 434,812	$ 2,016,008
Accumulated impairment charges	—	(392,168)	(193,699)	—	(585,867)
Goodwill, net of accumulated impairment charges	895,338	40,816	59,175	434,812	1,430,141
Currency translation adjustment	—	—	15	—	15
Balance, March 31, 2022	$ 895,338	$ 40,816	$ 59,190	$ 434,812	$ 1,430,156
Balance, March 31, 2022:					
Goodwill, gross	$ 895,338	$ 432,984	$ 252,889	$ 434,812	$ 2,016,023
Accumulated impairment charges	—	(392,168)	(193,699)	—	(585,867)
Goodwill, net of accumulated impairment charges	$ 895,338	$ 40,816	$ 59,190	$ 434,812	$ 1,430,156

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

(in thousands)	March 31, 2022	December 31, 2021
Postretirement benefit plan asset	$ 88,943	$ 87,019
Cloud computing arrangements implementation costs	66,408	63,806
Prepaid product discounts	51,885	56,527
Deferred contract acquisition costs(1)	20,200	17,975
Loans and notes receivable from distributors, net of allowance for credit losses(2)	15,970	20,201
Assets held for sale(3)	10,151	7,251
Other	25,899	26,684
Other non-current assets	$ 279,456	$ 279,463

(1) Amortization of deferred contract acquisition costs was $1,756 for the quarter ended March 31, 2022 and $972 for the quarter ended March 31, 2021.

(2) 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 $1,162 as of March 31, 2022 and $1,317 as of December 31, 2021.

(3) Relates primarily to the continuing evaluation of our real estate footprint in both periods, as well as the assets of our Australian web hosting business as of March 31, 2022 (Note 6).

Changes in the allowance for credit losses related to loans and notes receivable from distributors were as follows for the quarters ended March 31, 2022 and 2021:

	Quarter Ended March 31,	
(in thousands)	2022	2021
Balance, beginning of year	$ 2,830	$ 3,995
Bad debt expense (benefit)	81	(634)
Exchange for customer lists	(402)	—
Balance, end of period	$ 2,509	$ 3,361

Past due receivables and those on non-accrual status were not significant as of March 31, 2022 or December 31, 2021.

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, 2022. There were no write-offs or recoveries recorded during the quarter ended March 31, 2022.

	Loans and notes receivable from distributors amortized cost basis by origination year					
(in thousands)	2020	2019	2018	2017	Prior	Total
Risk rating:						
1-2 internal grade	$ 1,201	$ 471	$ 5,283	$ 8,942	$ 1,145	$ 17,042
3-4 internal grade	—	2,599	—	—	—	2,599
Loans and notes receivable	$ 1,201	$ 3,070	$ 5,283	$ 8,942	$ 1,145	$ 19,641

Changes in prepaid product discounts during the quarters ended March 31, 2022 and 2021 were as follows:

	Quarter Ended March 31,	
(in thousands)	2022	2021
Balance, beginning of year	$ 56,527	$ 50,602
Additions[(1)]	4,229	7,890
Amortization	(8,924)	(7,440)
Other	53	(8)
Balance, end of period	$ 51,885	$ 51,044

[(1)] Prepaid product discounts are generally accrued upon contract execution. Cash payments for prepaid product discounts were $7,859 for the quarter ended March 31, 2022 and $9,590 for the quarter ended March 31, 2021.

Accrued liabilities – Accrued liabilities were comprised of the following:

(in thousands)	March 31, 2022	December 31, 2021
Deferred revenue[(1)]	$ 46,908	$ 52,645
Employee cash bonuses, including sales incentives	16,216	45,006
Interest	15,451	4,597
Operating lease liabilities	14,243	14,852
Customer rebates	9,316	9,036
Prepaid product discounts due within one year	8,319	11,866
Other	91,460	78,830
Accrued liabilities	$ 201,913	$ 216,832

[(1)] $20,238 of the December 31, 2021 amount was recognized as revenue during the quarter ended March 31, 2022.

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, 2022	March 31, 2021
Cash and cash equivalents	$ 44,059	$ 125,440
Restricted cash and restricted cash equivalents included in funds held for customers	143,725	109,075
Cash and cash equivalents included in other current assets[(1)]	400	—
Non-current restricted cash included in other non-current assets	2,595	—
Total cash, cash equivalents, restricted cash and restricted cash equivalents	$ 190,779	$ 234,515

[(1)] Represents cash and cash equivalents of our Australian web hosting business that was classified as held for sale as of March 31, 2022 (Note 6).

NOTE 4: EARNINGS PER SHARE

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

(in thousands, except per share amounts)	Quarter Ended March 31, 2022	Quarter Ended March 31, 2021
Earnings per share – basic:		
Net income	$ 9,680	$ 24,325
Net income attributable to non-controlling interest	(36)	(33)
Net income attributable to Deluxe	9,644	24,292
Income allocated to participating securities	(10)	(19)
Income attributable to Deluxe available to common shareholders	$ 9,634	$ 24,273
Weighted-average shares outstanding	42,803	42,046
Earnings per share – basic	$ 0.23	$ 0.58
Earnings per share – diluted:		
Net income	$ 9,680	$ 24,325
Net income attributable to non-controlling interest	(36)	(33)
Net income attributable to Deluxe	9,644	24,292
Income allocated to participating securities	(10)	—
Re-measurement of share-based awards classified as liabilities	(39)	—
Income attributable to Deluxe available to common shareholders	$ 9,595	$ 24,292
Weighted-average shares outstanding	42,803	42,046
Dilutive impact of potential common shares	429	458
Weighted-average shares and potential common shares outstanding	43,232	42,504
Earnings per share – diluted	$ 0.22	$ 0.57
Antidilutive options excluded from calculation	2,063	2,423

NOTE 5: OTHER COMPREHENSIVE INCOME

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

Accumulated other comprehensive loss components	Amounts reclassified from accumulated other comprehensive loss		Affected line item in consolidated statements of comprehensive income
	Quarter Ended March 31,		
(in thousands)	2022	2021	
Realized loss on interest rate swap	$ (318)	$ (334)	Interest expense
Tax benefit	83	87	Income tax provision
Realized loss on interest rate swap, net of tax	(235)	(247)	Net income
Amortization of postretirement benefit plan items:			
Prior service credit	355	355	Other income
Net actuarial loss	(225)	(407)	Other income
Total amortization	130	(52)	Other income
Tax expense	(77)	(31)	Income tax provision
Amortization of postretirement benefit plan items, net of tax	53	(83)	Net income
Total reclassifications, net of tax	$ (182)	$ (330)	

Accumulated other comprehensive loss – Changes in the components of accumulated other comprehensive loss during the quarter ended March 31, 2022 were as follows:

(in thousands)	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, 2021	$ (15,431)	$ (344)	$ (2,261)	$ (13,456)	$ (31,492)
Other comprehensive (loss) income before reclassifications	—	(335)	1,924	696	2,285
Amounts reclassified from accumulated other comprehensive loss	(53)	—	235	—	182
Net current-period other comprehensive (loss) income	(53)	(335)	2,159	696	2,467
Balance, March 31, 2022	$ (15,484)	$ (679)	$ (102)	$ (12,760)	$ (29,025)

(1) Other comprehensive loss before reclassifications is net of an income tax benefit of $116.

(2) Other comprehensive income before reclassifications is net of income tax expense of $679.

NOTE 6: ACQUISITION AND DIVESTITURE

Acquisition – On June 1, 2021, we acquired all of the equity of First American Payment Systems, L.P. (First American). Further information regarding this acquisition, including the preliminary allocation of the purchase price, can be found under the caption "Note 6: Acquisitions" in the Notes to Consolidated Financial Statements appearing in the 2021 Form 10-K. We expect to finalize the purchase price allocation in the second quarter of 2022, when we complete the tax returns for the pre-acquisition period.

Our results of operations for the quarter ended March 31, 2022 included revenue of $83,284 and net loss of $510 from the operations of First American, including restructuring and integration costs of $2,222 related primarily to real estate rationalization. Our results of operations for the quarter ended March 31, 2021 included related acquisition transaction costs of $2,765, which are included in selling, general and administrative expense in the consolidated statement of comprehensive income.

Revised pro forma financial information – During the first quarter of 2022, we identified errors in the previously reported pro forma results of operations related to the First American acquisition. These errors related to the amount of historical First American revenue and net income (loss) included for the pre-acquisition periods, as well as errors in the adjustments related to the amortization of acquired intangibles, interest expense on the acquisition financing and transaction costs.

For the quarter and six months ended June 30, 2021 and the nine months ended September 30, 2021, these corrections decreased pro forma revenue by $27,595 from the amounts previously reported. For the years ended December 31, 2021 and 2020, these corrections decreased pro forma revenue by $26,335 and $3,027, respectively, from the amounts previously reported. The corrections adjusted pro forma net income (loss) attributable to Deluxe as follows from the amounts previously reported:

(in thousands)	Increase in pro forma net income (loss) attributable to Deluxe
Quarter ended June 30, 2021	$ 7,636
Six Months ended June 30, 2021	5,911
Quarter ended September 30, 2021	2,231
Nine Months ended September 30, 2021	8,142
Year Ended December 31, 2021	10,138
Year Ended December 31, 2020	(9,082)

The following unaudited pro forma financial information summarizes our consolidated results of operations as though the acquisition occurred on January 1, 2020:

		As Revised					
(in thousands)	Quarter Ended March 31, 2021	Quarter Ended June 30, 2021	Six Months Ended June 30, 2021	Quarter Ended Sept. 30, 2021(1)	Nine Months Ended Sept. 30, 2021	Year Ended December 31, 2021	Year Ended December 31, 2020
Revenue	$ 518,104	$ 535,493	$ 1,053,597	$ 532,141	$ 1,585,738	$ 2,156,313	$ 2,079,103
Net income (loss) attributable to Deluxe	19,044	24,579	43,623	14,695	58,318	74,843	(54,489)

(1) Only net income attributable to Deluxe was revised for the quarter ended September 30, 2021.

The unaudited pro forma financial information was prepared in accordance with our accounting policies, which can be found under the caption "Note 1: Significant Accounting Policies" in the Notes to Consolidated Financial Statements appearing in the 2021 Form 10-K. The pro forma information includes adjustments to reflect the additional amortization that would have been charged assuming the fair value adjustments to intangible assets had been applied from January 1, 2020. The pro forma information also includes adjustments to reflect the additional interest expense on the debt we issued to fund the acquisition, and the acquisition transaction costs we incurred during 2021 are reflected in the 2020 pro forma results.

This pro forma financial information is for informational purposes only. It does not reflect the integration of the businesses or any synergies that may result from the acquisition. As such, it is not indicative of the results of operations that would have been achieved had the acquisition been consummated on January 1, 2020. In addition, the pro forma amounts are not indicative of future operating results.

Divestiture – In May 2022, we completed the sale of our Australian web hosting business for cash proceeds of $20,000. We determined that the sale of this business would give us more flexibility to further refine our offerings in the North American market, allowing us to better manage our portfolio of businesses and to maximize our cross-sell capabilities. This business generated annual revenue in our Cloud Solutions segment of $23,766 for 2021. We anticipate that we will recognize a gain on the sale of this business in the second quarter of 2022. The assets and liabilities of the business were classified as held for sale in the consolidated balance sheet as of March 31, 2022 within other current assets, other non-current assets and accrued liabilities. The amounts of these assets and liabilities were not significant to our consolidated balance sheet.

NOTE 7: 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 our variable-rate debt (Note 12). The interest rate swap, which terminates in March 2023, 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 $107 as of March 31, 2022 and was included in accrued liabilities on the consolidated balance sheet. The fair value of the swap was $3,028 as of December 31, 2021 and was included in other non-current liabilities on the consolidated balance sheet. 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, 2022 and December 31, 2021, and its impact on consolidated net income 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 8: FAIR VALUE MEASUREMENTS

Funds held for customers included available-for-sale debt securities (Note 3). These securities included 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 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. The cost of the GIC approximates its fair value, based on estimates using current market rates offered for deposits with similar remaining maturities. 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 and were not significant during the quarters ended March 31, 2022 and 2021.

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

		March 31, 2022		Fair value measurements using		
(in thousands)	Balance sheet location	Carrying value	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Measured at fair value through comprehensive income:						
Available-for-sale debt securities	Funds held for customers	$ 13,027	$ 13,027	$ —	$ 13,027	$ —
Derivative liability (Note 7)	Accrued liabilities	(107)	(107)	—	(107)	—
Amortized cost:						
Cash	Cash and cash equivalents	44,059	44,059	44,059	—	—
Cash	Funds held for customers	143,725	143,725	143,725	—	—
Cash	Other current assets	400	400	400	—	—
Cash	Other non-current assets	2,595	2,595	2,595	—	—
Loans and notes receivable from distributors	Other current and non-current assets	17,132	16,973	—	—	16,973
Long-term debt	Current portion of long-term debt and long-term debt	1,692,418	1,719,732	—	1,719,732	—

		December 31, 2021		Fair value measurements using		
(in thousands)	Balance sheet location	Carrying value	Fair value	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Measured at fair value through comprehensive income:						
Available-for-sale debt securities	Funds held for customers	$ 13,307	$ 13,307	$ —	$ 13,307	$ —
Derivative liability (Note 7)	Other non-current liabilities	(3,028)	(3,028)	—	(3,028)	—
Amortized cost:						
Cash	Cash and cash equivalents	41,231	41,231	41,231	—	—
Cash	Funds held for customers	241,488	241,488	241,488	—	—
Cash	Other non-current assets	2,772	2,772	2,772	—	—
Loans and notes receivable from distributors	Other current and non-current assets	21,518	22,344	—	—	22,344
Long-term debt	Current portion of long-term debt and long-term debt	1,682,949	1,728,515	—	1,728,515	—

NOTE 9: 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, 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 support 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 as follows:

	Quarter Ended March 31,	
(in thousands)	2022	2021
Total cost of revenue	$ 59	$ 899
Operating expenses	16,244	14,313
Restructuring and integration expense	$ 16,303	$ 15,212

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

(in thousands)	Quarter Ended March 31, 2022	Quarter Ended March 31, 2021
External consulting fees	$ 7,859	$ 7,383
Internal labor	1,696	2,041
Employee severance benefits	1,125	857
Other	5,623	4,931
Restructuring and integration expense	$ 16,303	$ 15,212

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 and the related severance payments are expected to be completed by mid-2022.

Changes in our restructuring and integration accruals were as follows:

(in thousands)	Employee severance benefits
Balance, December 31, 2021	$ 5,672
Charges	1,629
Reversals	(504)
Payments	(3,759)
Balance, March 31, 2022	$ 3,038

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 10: INCOME TAX PROVISION

The effective tax rate on pretax income reconciles to the U.S. federal statutory tax rate as follows:

	Quarter Ended March 31, 2022	Year Ended December 31, 2021
Income tax at federal statutory rate	21.0 %	21.0 %
Change in valuation allowance	100.4 %	0.1 %
Tax impact of share-based compensation	11.7 %	0.9 %
State income tax expense, net of federal income tax benefit	2.5 %	2.4 %
Non-deductible executive compensation	2.5 %	1.7 %
Foreign tax rate differences	1.7 %	1.7 %
Tax on repatriation of foreign earnings	1.4 %	4.9 %
Non-deductible acquisition costs	0.1 %	1.5 %
Basis difference in Australian web hosting business	(117.6 %)	—
Research and development tax credit	(1.1 %)	(0.9 %)
Other	0.3 %	(0.2 %)
Effective tax rate	22.9 %	33.1 %

During the quarter ended March 31, 2022, we executed an agreement for the sale of our Australian web hosting business, and we completed the sale in May 2022. The assets and liabilities of this business were classified as held for sale in the consolidated balance sheet as of March 31, 2022, and we recognized a deferred tax asset of $14,764 for the difference between the book and tax basis of our investment in this business. We also recorded a valuation allowance of $12,601 against this deferred tax asset for the portion that we do not currently expect to realize.

NOTE 11: 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 13: Postretirement Benefits” in the Notes to Consolidated Financial Statements appearing in the 2021 Form 10-K.

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

	Quarter Ended March 31,	
(in thousands)	2022	2021
Interest cost	$ 280	$ 242
Expected return on plan assets	(1,866)	(1,875)
Amortization of prior service credit	(355)	(355)
Amortization of net actuarial losses	225	407
Net periodic benefit income	$ (1,716)	$ (1,581)

NOTE 12: DEBT

Debt outstanding was comprised of the following:

(in thousands)	March 31, 2022	December 31, 2021
Senior, secured term loan facility	$ 1,057,687	$ 1,072,125
Senior, unsecured notes	500,000	500,000
Amounts drawn on senior, secured revolving credit facility	153,000	130,000
Total principal amount	1,710,687	1,702,125
Less: unamortized discount and debt issuance costs	(18,269)	(19,176)
Total debt, net of discount and debt issuance costs	1,692,418	1,682,949
Less: current portion of long-term debt, net of debt issuance costs	(57,227)	(57,197)
Long-term debt	$ 1,635,191	$ 1,625,752

Maturities of long-term debt were as follows as of March 31, 2022:

(in thousands)	Debt obligations
Remainder of 2022	$ 43,312
2023	72,188
2024	86,625
2025	101,062
2026	907,500
Thereafter	500,000
Total principal amount	$ 1,710,687

Credit facility – In June 2021, we executed a senior, secured credit facility consisting of a revolving credit facility with commitments of $500,000 and a $1,155,000 term loan facility. The revolving credit facility includes a $40,000 swingline sub-facility and a $25,000 letter of credit sub-facility. Proceeds from the credit facility were used to terminate our previous credit facility agreement and to fund the acquisition of First American (Note 6). Loans under the revolving credit facility may be borrowed, repaid and re-borrowed until June 1, 2026, at which time all amounts borrowed must be repaid. The term loan facility will be repaid in equal quarterly installments of $14,438 through June 30, 2023, $21,656 from September 30, 2023 through June 30, 2025, and $28,875 from September 30, 2025 through March 31, 2026. The remaining balance is due on June 1, 2026. The term loan facility also includes mandatory prepayment requirements related to asset sales, new debt (other than permitted debt) and excess cash flow, subject to certain limitations. No premium or penalty is payable in connection with any mandatory or voluntary prepayment of the term loan facility.

Interest is payable under the credit facility at a fluctuating rate of interest determined by reference to the eurodollar rate plus an applicable margin ranging from 1.5% to 2.5%, depending on our consolidated total leverage ratio, as defined in the credit agreement. A commitment fee is payable on the unused portion of the revolving credit facility at a rate ranging from 0.25% to 0.35%, depending on our consolidated total leverage ratio. Amounts outstanding under the credit facility had a weighted-average interest rate of 2.99% as of March 31, 2022 and 2.67% as of December 31, 2021, including the impact of an interest rate swap that effectively converts $200,000 of our variable-rate debt to fixed rate debt. Further information regarding the interest rate swap can be found in Note 7.

Borrowings under the credit facility are collateralized by substantially all of the present and future tangible and intangible personal property held by us and our subsidiaries that have guaranteed our obligations under the credit facility, subject to certain exceptions. The credit agreement contains customary covenants regarding limits on levels of indebtedness, liens, mergers, certain asset dispositions, changes in business, advances, investments, loans and restricted payments. The covenants are subject to a number of limitations and exceptions set forth in the credit agreement. The credit agreement also includes requirements regarding our consolidated total leverage ratio and our consolidated secured leverage ratio, as defined in the credit agreement. These ratios may not equal or exceed the following amounts during the periods indicated:

Fiscal Quarter Ending	**Consolidated total leverage ratio**	**Consolidated secured leverage ratio**
March 31, 2022	5.00 to 1:00	4.00 to 1:00
June 30, 2022 through March 31, 2023	4.75 to 1:00	3.75 to 1:00
June 30, 2023 through March 31, 2024	4.50 to 1:00	3.50 to 1:00
June 30, 2024 and each fiscal quarter thereafter	4.25 to 1:00	3.50 to 1:00

In addition, we are required to maintain a minimum interest coverage ratio of at least 2.75 to 1.00 through March 31, 2022 and 3.00 to 1.00 thereafter. Failure to meet any of the above requirements would result in an event of default that would allow lenders to declare amounts outstanding immediately due and payable and would allow the lenders to enforce their interests against collateral pledged if we are unable to settle the amounts outstanding. We were in compliance with all debt covenants as of March 31, 2022.

The credit 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. If our consolidated total leverage ratio exceeds 2.75 to 1.00, the aggregate annual amount of permitted dividends and share repurchases is limited to $60,000.

Daily average amounts outstanding under our current and previous credit agreements were as follows:

(in thousands)	**Quarter Ended March 31, 2022**	**Year Ended December 31, 2021**
Daily average amount outstanding	$ 1,196,720	$ 1,109,819
Weighted-average interest rate	2.73 %	2.43 %

As of March 31, 2022, amounts were available for borrowing under our revolving credit facility as follows:

(in thousands)	**Total available**
Revolving credit facility commitment	$ 500,000
Amounts drawn on revolving credit facility	(153,000)
Outstanding letters of credit[(1)]	(7,806)
Net available for borrowing as of March 31, 2022	$ 339,194

[(1)] We use standby letters of credit primarily to collateralize certain obligations related 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.

Senior unsecured notes – In June 2021, we issued $500,000 of 8.0% senior, unsecured notes that mature in June 2029. The notes were issued via a private placement under Rule 144A of the Securities Act of 1933. Proceeds from the offering, net of discount and offering costs, were $490,741, resulting in an effective interest rate of 8.3%. The net proceeds from the notes were used to fund the acquisition of First American in June 2021 (Note 6). Interest payments are due each June and December. The indenture governing the notes contains covenants that limit our ability and the ability of our restricted subsidiaries to, among other things, incur additional indebtedness and liens, issue redeemable stock and preferred stock, pay dividends and distributions, make loans and investments and consolidate or merge or sell all or substantially all of our assets.

NOTE 13: OTHER COMMITMENTS AND CONTINGENCIES

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, 2022 or December 31, 2021.

First American indemnification – Pursuant to the First American acquisition 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. Neither any fines nor any asset for the related holdback are expected to have a material impact on our consolidated financial statements.

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 $8,376 as of March 31, 2022 and $7,401 as of December 31, 2021. 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, 2022 or December 31, 2021.

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 14: 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 quarters ended March 31, 2022 or March 31, 2021, and $287,452 remained available for repurchase under this authorization as of March 31, 2022.

NOTE 15: 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; merchant in-store, online and mobile payment solutions; 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 and retail packaging.

- *Checks* – This segment includes printed business and personal checks.

The accounting policies of the segments are the same as those described in the Notes to Consolidated Financial Statements included in the 2021 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; 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, 2022 and 2021 was as follows:

	Quarter Ended March 31,	
(in thousands)	**2022**	**2021**
Payments:		
Revenue	$ 166,208	$ 79,438
Adjusted EBITDA	36,435	18,329
Cloud Solutions:		
Revenue	69,497	62,220
Adjusted EBITDA	17,326	17,209
Promotional Solutions:		
Revenue	133,243	124,507
Adjusted EBITDA	16,945	17,714
Checks:		
Revenue	187,067	175,099
Adjusted EBITDA	82,797	83,534
Total segment:		
Revenue	$ 556,015	$ 441,264
Adjusted EBITDA	153,503	136,786

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

(in thousands)	Quarter Ended March 31, 2022	Quarter Ended March 31, 2021
Total segment adjusted EBITDA	$ 153,503	$ 136,786
Corporate operations	(53,883)	(46,281)
Depreciation and amortization expense	(41,597)	(27,780)
Interest expense	(20,324)	(4,524)
Net income attributable to non-controlling interest	36	33
Restructuring, integration and other costs	(16,303)	(15,212)
Share-based compensation expense	(8,142)	(6,742)
Acquisition transaction costs	(49)	(2,765)
Certain legal-related expense	(683)	—
Income before income taxes	$ 12,558	$ 33,515

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

Quarter Ended March 31, 2022 *(in thousands)*	Payments	Cloud Solutions	Promotional Solutions	Checks	Consolidated
Checks	$ —	$ —	$ —	$ 187,067	$ 187,067
Merchant services and other payment solutions	108,270	—	—	—	108,270
Forms and other products	—	—	70,316	—	70,316
Marketing and promotional solutions	—	—	62,927	—	62,927
Treasury management solutions	57,938	—	—	—	57,938
Data-driven marketing solutions	—	41,843	—	—	41,843
Web and hosted solutions	—	27,654	—	—	27,654
Total revenue	$ 166,208	$ 69,497	$ 133,243	$ 187,067	$ 556,015

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

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

	Quarter Ended March 31, 2022				
(in thousands)	**Payments**	**Cloud Solutions**	**Promotional Solutions**	**Checks**	**Consolidated**
United States	$ 156,268	$ 60,624	$ 127,242	$ 179,088	$ 523,222
Foreign, primarily Canada and Australia	9,940	8,873	6,001	7,979	32,793
Total revenue	$ 166,208	$ 69,497	$ 133,243	$ 187,067	$ 556,015

	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

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, financial commitments, capital structure and financial position; and
- Critical Accounting Estimates that discusses the estimates that involve a significant level of uncertainty and have had or are reasonably likely to have a material impact on our financial condition or results of operations.

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, 2021 (the "2021 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"), consolidated adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA") and consolidated adjusted EBITDA margin, 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 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

We help businesses deepen customer relationships through trusted, technology-enabled solutions that help businesses pay and get paid, accelerate growth and operate more efficiently. Our solutions include merchant services, marketing services and data analytics, treasury management solutions, website development and hosting, promotional products, and fraud and payroll solutions, as well as customized checks and business forms. We support millions of small businesses, thousands of financial institutions and hundreds of the world's largest consumer brands, while processing approximately $3.0 trillion in annual payment volume. Our reach, scale and distribution channels position us to be a trusted business partner for our customers.

Recent acquisition – On June 1, 2021, we acquired all of the equity of First American Payment Systems, L.P. (First American) in a cash transaction for $958.5 million, net of cash, cash equivalents, restricted cash and restricted cash equivalents acquired, subject to customary adjustments under the terms of the acquisition agreement. First American is a large-scale payments technology company that provides partners and merchants with comprehensive in-store, online and mobile payment solutions. The results of First American are included in our Payments segment and included revenue of $83.3 million and a contribution of $18.2 million to Payments adjusted EBITDA for the first quarter of 2022. The acquisition was funded with cash on hand and proceeds from new debt. Further information regarding the acquisition can be found under the caption "Note 6: Acquisitions" in the Notes to Consolidated Financial Statements appearing in the 2021 Form 10-K and under the caption "Note 6: Acquisition and Divestiture" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report. Information regarding our debt can be found under the caption "Note 12: Debt" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report.

COVID-19 impact – The impact of the global coronavirus ("COVID-19") pandemic on our business and historical results of operations can be found in the *Executive Overview* section appearing in Part II, Item 7 of the 2021 Form 10-K. The pandemic continues to disrupt several segments of the economy and has contributed to inflationary pressures on our labor, delivery and material costs. We implemented targeted price increases in all of our segments in response to the current inflationary environment. Despite the price changes, we continued to experience strong revenue volumes, demonstrating the strength of our business and the continued strong demand for our products. We also continue to closely monitor our supply chain to promptly address any delays or disruptions.

It remains difficult to estimate the severity and duration of the impact of the COVID-19 pandemic and the current inflationary environment on our business, financial position or results of operations. The magnitude of the impact will be determined by the duration and span of the pandemic, subsequent COVID-19 variants and their severity, and operational disruptions, including those resulting from government actions, as well as global supply chain conditions and the overall impact on the economy.

Cash flows and liquidity – Cash provided by operating activities remained stable for the first quarter of 2022, decreasing only $5.3 million as compared to the first quarter of 2021, despite a $22.7 million increase in employee cash bonus payments related to our 2021 operating performance. During 2021, a portion of our cash bonuses were paid in the form of restricted stock units and the bonus payments in 2021 were unusually low because of the impact of the COVID-19 pandemic on our 2020 performance. Operating cash flow was also negatively impacted by inflationary pressures, the continuing secular decline in checks, business forms and some business accessories, and Promotional Solutions product mix. In addition, interest payments increased $3.9 million as a result of debt issued to complete the First American acquisition. We were able to substantially offset these impacts through the contribution of First American's operations, pricing actions in response to the current inflationary environment, new business wins and continued cost saving actions. Free cash flow decreased $4.5 million for the first quarter of 2022, as compared to the first quarter of 2021. We expect free cash flow to increase for the full year, as compared to 2021, as the investments in our major technology platform modernization initiatives will decrease meaningfully later in the year. Total debt was $1.69 billion and net debt was $1.65 billion as of March 31, 2022. We held cash and cash equivalents of $44.1 million as of March 31, 2022, and liquidity was $383.3 million. Our capital allocation priorities are to responsibly invest in growth, pay our dividend, reduce debt and return value to our shareholders. We will continue to evaluate future share repurchases on an opportunistic basis.

2022 earnings vs. 2021 – Numerous factors drove the decrease in net income for the first quarter of 2022, as compared to the first quarter of 2021, including:

- a $15.8 million increase in interest expense resulting from debt issued to complete the First American acquisition;
- a $10.7 million increase in acquisition amortization, driven by the First American acquisition;
- increased transformational investments, primarily costs related to our technology infrastructure;
- inflationary pressures on hourly wages, materials and delivery;

- the continuing secular decline in checks, business forms and some Promotional Solutions business accessories; and
- product mix within the Promotional Solutions segment resulting in the sale of higher cost outsourced products.

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

- revenue growth from new business in all of our segments and strong ongoing demand for our products, reflecting the continued success of our One Deluxe strategy;
- pricing actions in response to the current inflationary environment; and
- actions taken to reduce costs as we continually evaluate our cost structure, including workforce adjustments, real estate rationalization and marketing optimization.

Diluted EPS of $0.22 for the first quarter of 2022, as compared to $0.57 for the first quarter of 2021, reflects the decrease in net income as described in the preceding paragraphs, as well as higher average shares outstanding in 2022. Adjusted diluted EPS for the first quarter of 2022 was $1.05 compared to $1.26 for the first quarter of 2021, and excludes the impact of non-cash items or items that we believe are not indicative of our current period operating performance. The decrease in adjusted diluted EPS was driven primarily by the increase in interest expense resulting from the debt issued to complete the First American acquisition, increased transformational investments, inflationary pressures on our cost structure, the continuing secular decline in checks, business forms and some business accessories, and Promotional Solutions product mix. These decreases in adjusted EPS were partially offset by the contribution from First American, as adjusted EPS excludes the associated acquisition amortization of $12.7 million for the first quarter of 2022. In addition, adjusted EPS benefited from the revenue growth in the quarter, pricing actions in response to the current inflationary environment and various cost saving actions across functional areas. A reconciliation of diluted EPS to adjusted diluted EPS can be found in *Consolidated Results of Operations*.

"One Deluxe" Strategy

A detailed discussion of our strategy can be found in Part I, Item 1 of the 2021 Form 10-K. We have made significant progress in the integration of our various technology platforms, developed an enterprise-class sales organization, assembled a talented management team, and built an organization focused on developing new and improved products. As a result, we have realized the benefit of significant new client wins in all of our segments. We also completed the acquisition of First American in June 2021, and we believe that First American's end-to-end payments technology platform is providing significant leverage that will continue to accelerate organic revenue growth. Since the acquisition and the implementation of our One Deluxe model, First American has been exceeding our expectations.

In May 2022, we completed the sale of our Australian web hosting business for cash proceeds of $20.0 million. We determined that the sale of this business would give us more flexibility to further refine our offerings in the North American market, allowing us to better manage our portfolio of businesses and to maximize our cross-sell capabilities. This business generated annual revenue in our Cloud Solutions segment of $23.8 million during 2021.

Outlook for 2022

We expect revenue to increase 8% to 10% for 2022, including a full year of revenue from First American, as compared to revenue of $2.022 billion for 2021, and we expect that adjusted EBITDA margin for the full year will be approximately 20.0%, as compared to 20.2% for 2021. We expect that adjusted EBITDA margin will improve throughout the year, as compared to the first quarter of 2022, primarily due to the timing of certain employee benefit costs and investments and seasonality for some of our products and services. These estimates are subject to, among other things, prevailing macroeconomic conditions, anticipated continued supply chain constraints, labor supply issues, inflation and the impact of our recent divestiture.

As of March 31, 2022, we held cash and cash equivalents of $44.1 million and $339.2 million was available for borrowing under our revolving credit facility. We anticipate that capital expenditures will be approximately $105.0 million for the full year, as compared to $109.1 million for 2021, as we continue with important innovation investments and building 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, including our contractual obligations and debt service requirements, for the next 12 months. We were in compliance with our debt covenants as of March 31, 2022, 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, 2022	2021	Change
Total revenue	$ 556,015	$ 441,264	26.0%

The increase in total revenue for the first quarter of 2022, as compared to the first quarter of 2021, was driven, in part, by the acquisition and strong performance of First American, which contributed revenue of $83.3 million for the first quarter of 2022. In addition, revenue grew from new business in all of our segments and strong ongoing demand for our products, reflecting the success of our One Deluxe strategy. Pricing actions in response to the current inflationary environment also contributed to the revenue increase, primarily in our Promotional Solutions and Checks segments. Partially offsetting these increases in revenue was the continuing secular decline in order volume for checks, business forms and some Promotional Solutions business accessories.

Service revenue represented 42.9% of total revenue for the first quarter of 2022 and 32.2% for the first quarter of 2021. 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 15: 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, 2022	2021
Payments	29.9 %	18.0 %
Cloud Solutions	12.5 %	14.1 %
Promotional Solutions	24.0 %	28.2 %
Checks	33.6 %	39.7 %
Total revenue	100.0 %	100.0 %

Consolidated Cost of Revenue

(in thousands)	Quarter Ended March 31, 2022	2021	Change
Total cost of revenue	$ 249,194	$ 178,509	39.6%
Total cost of revenue as a percentage of total revenue	44.8 %	40.5 %	4.3 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 increase in total cost of revenue for the first quarter of 2022, as compared to the first quarter of 2021, was driven, in part, by the additional costs resulting from the First American acquisition of $50.7 million, including acquisition amortization, as well as the revenue growth in all of our segments. In addition, we experienced some inflationary pressures on hourly wages, materials and delivery, and Promotional Solutions product mix resulted in the sale of higher cost outsourced products. Partially offsetting these increases in total cost of revenue were reduced revenue volumes from the continuing secular decline in checks, business forms and some Promotional Solutions business accessories. Total cost of revenue as a percentage of total revenue increased for the first quarter of 2022, as compared to the first quarter of 2021, driven by the First American acquisition, including acquisition amortization, as well as the inflationary pressures on our cost structure and product mix, partially offset by pricing actions in response to the current inflationary environment.

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

(in thousands)	Quarter Ended March 31, 2022	2021	Change
SG&A expense	$ 259,699	$ 212,436	22.2%
SG&A expense as a percentage of total revenue	46.7 %	48.1 %	(1.4) pts.

The increase in SG&A expense for the first quarter of 2022, as compared to the first quarter of 2021, was driven, in part, by the operating costs of First American of $17.7 million for the first quarter of 2022 and the related increase in acquisition amortization of $10.3 million, as compared to the first quarter of 2021. Additionally, costs related to our continued transformational investments increased, primarily driven by investments in our technology infrastructure, including sales and financial management tools. Commission expense also increased, primarily as a result of new clients in our Checks segment. Partially offsetting these increases in SG&A expense were various cost reduction actions, including workforce adjustments, real estate rationalization and marketing optimization.

Restructuring and Integration Expense

(in thousands)	Quarter Ended March 31, 2022	2021	Change
Restructuring and integration expense	$ 16,244	$ 14,313	$ 1,931

We continue to pursue several initiatives designed to focus our business behind our growth strategy, to increase our efficiency and to integrate acquired businesses. The amount of restructuring and integration expense is expected to vary from period to period as we execute these initiatives. Further information regarding these costs can be found in *Restructuring, Integration and Other Costs* in this MD&A discussion.

Interest Expense

(in thousands)	Quarter Ended March 31, 2022	2021	Change
Interest expense	$ 20,324	$ 4,524	349.2%
Weighted-average debt outstanding	1,696,720	840,165	102.0%
Weighted-average interest rate	4.3 %	2.0 %	2.3 pts.

The increase in interest expense for the first quarter of 2022, as compared to the first quarter of 2021, was driven primarily by the increase in our weighted-average interest rate for 2022, due in part to the $500.0 million notes issued in June 2021 with an interest rate of 8.0%. The increase in the amount of debt outstanding driven by the issuance of debt to fund the First American acquisition in June 2021 also negatively impacted interest expense. Further information regarding our debt can be found under the caption "Note 12: Debt" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report. Based on the daily average amount of variable-rate debt outstanding during the first quarter of 2022, a one percentage point change in the weighted-average interest rate would have resulted in a $2.5 million change in interest expense.

Income Tax Provision

(in thousands)	Quarter Ended March 31, 2022	2021	Change
Income tax provision	$ 2,878	$ 9,190	(68.7%)
Effective income tax rate	22.9 %	27.4 %	(4.5) pts.

The decrease in our effective income tax rate for the first quarter of 2022, as compared to the first quarter of 2021, was driven primarily by the recognition of a deferred tax asset during the first quarter of 2022 for the difference between the book and tax basis of the investment in our Australian web hosting business, which was sold in May 2022, partially offset by a related valuation allowance for the portion of the deferred tax asset we currently do not expect to realize. These impacts decreased income tax expense $2.2 million and decreased our effective income tax rate by 17.2 points for the first quarter of 2022. This decrease in our effective income tax rate was partially offset by a 9.6 point increase in the tax impact of share-based compensation, a 1.6 point increase related to nondeductible executive compensation and a 1.4 point increase from the repatriation of current year earnings from our Canadian subsidiaries.

Net Income / Diluted Earnings Per Share

(in thousands, except per share amounts)	Quarter Ended March 31, 2022	2021	Change
Net income	$ 9,680	$ 24,325	(60.2%)
Diluted earnings per share	0.22	0.57	(61.4%)
Adjusted diluted EPS[1]	1.05	1.26	(16.7%)

[1] Information regarding the calculation of adjusted diluted EPS can be found in the following section entitled *Reconciliation of Non-GAAP Financial Measures.*

The decreases in net income, diluted EPS and adjusted diluted EPS for the first quarter of 2022, as compared to the first quarter of 2021, were driven by the factors outlined in *Executive Overview - 2022 earnings vs. 2021.*

Adjusted EBITDA

(in thousands)	Quarter Ended March 31, 2022	2021	Change
Adjusted EBITDA[1]	$ 99,620	$ 90,505	10.1%
Adjusted EBITDA as a percentage of total revenue (adjusted EBITDA margin)	17.9 %	20.5 %	(2.6) pts.

[1] Information regarding the calculation of adjusted EBITDA and adjusted EBITDA margin can be found in the following section entitled *Reconciliation of Non-GAAP Financial Measures.*

Adjusted EBITDA for the first quarter of 2022 benefited from the contribution from the First American acquisition of $18.2 million, revenue growth in all of our segments, pricing actions in response to the current inflationary environment and actions taken to reduce costs as we continually evaluate our cost structure. Partially offsetting these increases in adjusted EBITDA were increased costs related to our continued transformational investments, primarily investments in our technology infrastructure, including sales and financial management tools; the continuing secular decline in checks, business forms and some business accessories; inflationary pressures on hourly wages, materials and delivery; and product mix within Promotional Solutions that resulted in the sale of higher cost outsourced products. Additionally, commission expense increased, primarily as a result of new clients in our Checks segment. Adjusted EBITDA margin decreased for the first quarter of 2022, as compared to the first quarter of 2021, driven by the planned technology investments, inflationary pressures, increased commissions and product mix, partially offset by pricing and cost savings actions. The lower adjusted EBITDA margin for the first quarter of 2022 was expected, and we anticipate that adjusted EBITDA margin will improve throughout the year, primarily due to the timing of certain employee benefit costs and investments and seasonality for some of our products and services.

Reconciliation of Non-GAAP Financial Measures

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. A limitation of using the free cash flow measure is that 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 dividends, mandatory and discretionary debt reduction, acquisitions or other strategic investments, and share repurchases.

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

(in thousands)	Quarter Ended March 31, 2022	2021
Net cash provided by operating activities	$ 34,265	$ 39,581
Purchases of capital assets	(20,844)	(21,670)
Free cash flow	$ 13,421	$ 17,911

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.

Total debt reconciles to net debt as follows:

(in thousands)	March 31, 2022	December 31, 2021
Total debt	$ 1,692,418	$ 1,682,949
Cash and cash equivalents	(44,059)	(41,231)
Net debt	$ 1,648,359	$ 1,641,718

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. Liquidity was as follows:

(in thousands)	March 31, 2022	December 31, 2021
Cash and cash equivalents	$ 44,059	$ 41,231
Amount available for borrowing under revolving credit facility	339,194	362,619
Liquidity	$ 383,253	$ 403,850

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 EPS reconciles to adjusted diluted EPS as follows:

(in thousands, except per share amounts)	Quarter Ended March 31, 2022	2021
Net income	$ 9,680	$ 24,325
Net income attributable to non-controlling interest	(36)	(33)
Net income attributable to Deluxe	9,644	24,292
Acquisition amortization	23,937	13,193
Restructuring, integration and other costs	16,303	15,212
Share-based compensation expense	8,142	6,742
Acquisition transaction costs	49	2,765
Certain legal-related expense	683	—
Adjustments, pretax	49,114	37,912
Income tax provision impact of pretax adjustments[1]	(10,974)	(8,456)
Income tax impact of Australian web hosting business held for sale[2]	(2,163)	—
Adjustments, net of tax	35,977	29,456
Adjusted net income attributable to Deluxe	45,621	53,748
Income allocated to participating securities	(33)	(41)
Re-measurement of share-based awards classified as liabilities	(40)	—
Adjusted income attributable to Deluxe available to common shareholders	$ 45,548	$ 53,707
Weighted average shares and potential common shares outstanding	43,232	42,504
Adjustment[3]	—	(32)
Adjusted weighted average shares and potential common shares outstanding	43,232	42,472
GAAP diluted EPS	$ 0.22	$ 0.57
Adjustments, net of tax	0.83	0.69
Adjusted diluted EPS	$ 1.05	$ 1.26

[1] The tax effect of the pretax 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 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] Represents the recognition of a deferred tax asset for the difference in the book and tax basis of the investment in our Australian web hosting business, which was classified as held for sale as of March 31, 2022, partially offset by a related valuation allowance against the deferred tax asset for the portion we do not currently expect to realize.

[3] The total of weighted-average shares and potential common shares outstanding used in the calculation of adjusted diluted EPS for the first quarter of 2021 differs from the GAAP calculation, due to differences in the amount of dilutive securities in each calculation.

Adjusted EBITDA and adjusted EBITDA margin – We believe that adjusted EBITDA and adjusted EBITDA margin are useful in evaluating our operating performance, as they eliminate 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 these measures 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 and adjusted EBITDA margin depict 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.

We have not reconciled our adjusted EBITDA margin outlook guidance for 2022 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 the 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 measures 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.

Net income reconciles to adjusted EBITDA and adjusted EBITDA margin as follows:

	Quarter Ended March 31,	
(in thousands)	**2022**	**2021**
Net income	$ 9,680	$ 24,325
Net income attributable to non-controlling interest	(36)	(33)
Depreciation and amortization expense	41,597	27,780
Interest expense	20,324	4,524
Income tax provision	2,878	9,190
Restructuring, integration and other costs	16,303	15,212
Share-based compensation expense	8,142	6,742
Acquisition transaction costs	49	2,765
Certain legal-related expense	683	—
Adjusted EBITDA	$ 99,620	$ 90,505
Adjusted EBITDA margin	17.9 %	20.5 %

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, 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 9: Restructuring and Integration Expense" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report.

The majority of the employee reductions included in our restructuring and integration accruals as of March 31, 2022, as well as the related severance payments, are expected to be completed by mid-2022. As a result of our employee reductions, we expect to realize cost savings of approximately $19.0 million in SG&A expense in 2022, in comparison to our 2021 results of operations. In addition, we anticipate cost savings from facility closures of approximately $4.0 million in 2022, in comparison to our 2021 results of operations. Note that these savings will be partially offset by increased labor and other costs, including costs associated with new employees as we restructure certain activities and strive for the optimal mix of employee skill sets that will continue to support our growth strategy.

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 manage the company. The financial information presented below for our reportable business segments is consistent with that presented under the caption "Note 15: 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:

(in thousands)	Quarter Ended March 31, 2022	2021	Change
Total revenue	$ 166,208	$ 79,438	109.2%
Adjusted EBITDA	36,435	18,329	98.8%
Adjusted EBITDA margin	21.9 %	23.1 %	(1.2) pts.

The increase in total revenue for the first quarter of 2022, as compared to the first quarter of 2021, was driven by the acquisition and strong performance of First American, which contributed revenue of $83.3 million for the first quarter of 2022, as well as growth in our core payments businesses, primarily digital payments and lockbox processing. Revenue also benefited from price increases in response to the current inflationary environment. Longer term, we expect high single-digit revenue growth for this segment.

The increase in adjusted EBITDA for the first quarter of 2022, as compared to the first quarter of 2021, was driven by the contribution of $18.2 million from the First American acquisition, as well as the revenue growth and pricing actions in our core payments businesses. These increases in adjusted EBITDA were partially offset by continued sales and information technology investments and inflationary pressures on our cost structure, primarily labor costs in our lockbox processing business. Adjusted EBITDA margin decreased for the first quarter of 2022, as compared to the first quarter of 2021, as the investments in the business and the inflationary pressures exceeded the benefit of the revenue increases. We expect adjusted EBITDA margin to be in the low 20% range for the full year.

Cloud Solutions

Results for our Cloud Solutions segment were as follows:

(in thousands)	Quarter Ended March 31, 2022	2021	Change
Total revenue	$ 69,497	$ 62,220	11.7%
Adjusted EBITDA	17,326	17,209	0.7%
Adjusted EBITDA margin	24.9 %	27.7 %	(2.8) pts.

The increase in total revenue for the first quarter of 2022, as compared to the first quarter of 2021, was driven by growth of 24.4% in data-driven marketing revenue resulting from new clients and increased marketing efforts by key clients. We continue to add new data-driven marketing clients, which will benefit revenue going forward. As discussed under *Executive Overview*, we sold our Australian web hosting business in May 2022. This business generated annual revenue of $23.8 million during 2021, which we expect will be partially offset by continued growth in data-driven marketing. For the full year, we expect a flat to low single-digit revenue decline rate, including the impact of this sale.

Adjusted EBITDA was virtually unchanged for the first quarter of 2022, as compared to the first quarter of 2021, as the impact of the revenue growth was offset by various investments in the business. Adjusted EBITDA margin decreased for the first quarter of 2022, as compared to the first quarter of 2021, driven by these investments and client mix. We expect that adjusted EBITDA margin will be in the low-to-mid 20% range for the full year.

Promotional Solutions

Results for our Promotional Solutions segment were as follows:

(in thousands)	Quarter Ended March 31, 2022	2021	Change
Total revenue	$ 133,243	$ 124,507	7.0%
Adjusted EBITDA	16,945	17,714	(4.3%)
Adjusted EBITDA margin	12.7 %	14.2 %	(1.5) pts.

The increase in total revenue for the first quarter of 2022, as compared to the first quarter of 2021, was driven primarily by strong ongoing demand for our products, including promotional and apparel products, as well as the impact of new clients and pricing actions in response to the current inflationary environment. Partially offsetting these revenue increases was the continuing secular decline in business forms and some accessories. We anticipate a revenue growth rate in the low-single digits for 2022.

Adjusted EBITDA for the first quarter of 2022 decreased compared to the first quarter of 2021, driven by changes in product mix that resulted in the sale of higher cost outsourced products and inflationary pressures on materials and delivery, as well as various information technology investments. These decreases in adjusted EBITDA were partially offset by pricing actions in response to the current inflationary environment and the revenue growth. Adjusted EBITDA margin decreased for the first quarter of 2022, as compared to the first quarter of 2021, as the impact of product mix, inflation and investments in the business exceeded the impact of the pricing actions. We anticipate that adjusted EBITDA margin for the full year will be in the mid-teens.

Checks

Results for our Checks segment were as follows:

	Quarter Ended March 31,		
(in thousands)	2022	2021	Change
Total revenue	$ 187,067	$ 175,099	6.8%
Adjusted EBITDA	82,797	83,534	(0.9%)
Adjusted EBITDA margin	44.3 %	47.7 %	(3.4) pts.

The increase in total revenue for the first quarter of 2022, as compared to the first quarter of 2021, was driven primarily by the impact of new client wins and pricing actions in response to the current inflationary environment. These increases in revenue were partially offset by the continuing secular decline in checks. We do not expect this level of growth throughout the remainder of 2022, as 2021 revenue benefited from onboarding new clients later in the year. For the remainder of the year, we anticipate that the percentage decline in revenue will be in the low-single digits.

Adjusted EBITDA was virtually unchanged for the first quarter of 2022, as compared to the first quarter of 2021, as the pricing actions, the impact of new client wins and various cost savings actions were offset by inflationary pressures on delivery and materials, the secular decline in checks and increased information technology investments. Adjusted EBITDA margin decreased for the first quarter of 2022, as compared to the first quarter of 2021, as increased commissions and other costs driven by new clients, inflationary pressures and investments in the business exceeded the benefit of the pricing and cost savings actions.

CASH FLOWS AND LIQUIDITY

As of March 31, 2022, we held cash and cash equivalents of $44.1 million, as well as restricted cash and restricted cash equivalents included in funds held for customers and other non-current assets of $146.3 million. The following table shows our cash flow activity for the quarters ended March 31, 2022 and 2021 and should be read in conjunction with the consolidated statements of cash flows appearing in Part I, Item 1 of this report.

	Quarter Ended March 31,		
(in thousands)	2022	2021	Change
Net cash provided by operating activities	$ 34,265	$ 39,581	$ (5,316)
Net cash used by investing activities	(20,329)	(21,850)	1,521
Net cash used by financing activities	(109,968)	(14,231)	(95,737)
Effect of exchange rate change on cash, cash equivalents, restricted cash and restricted cash equivalents	1,320	1,606	(286)
Net change in cash, cash equivalents, restricted cash and restricted cash equivalents	$ (94,712)	$ 5,106	$ (99,818)
Free cash flow[1]	$ 13,421	$ 17,911	$ (4,490)

[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 decreased $5.3 million for the first quarter of 2022, as compared to the first quarter of 2021, driven by a $22.7 million increase in employee cash bonus payments related to our 2021 operating performance. During 2021, a portion of our cash bonuses were paid in the form of restricted stock units and the bonus payments in 2021 were unusually low because of the impact of the COVID-19 pandemic on our 2020 performance. Operating cash flow was also negatively impacted by inflationary pressures, the continuing secular decline in checks, business forms and some business accessories and Promotional Solutions product mix. In addition, interest payments increased $3.9 million as a result of debt issued to complete the First American acquisition. We were able to substantially offset these impacts through the contribution of First American's operations, pricing actions in response to the current inflationary environment, new business wins and continued cost saving actions.

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

	Quarter Ended March 31,		
(in thousands)	**2022**	**2021**	**Change**
Performance-based compensation payments[1]	$ 34,865	$ 12,180	$ 22,685
Interest payments	7,902	4,033	3,869
Prepaid product discount payments	7,859	9,590	(1,731)
Income tax payments	5,139	3,330	1,809
Severance payments	3,759	5,701	(1,942)

[1] Amounts reflect compensation based on total company performance.

Net cash used by investing activities for the first quarter of 2022 was $1.5 million lower than the first quarter of 2021, driven primarily by a down payment received on the pending sale of one of our facilities.

Net cash used by financing activities for the first quarter of 2022 was $95.7 million higher than the first quarter of 2021, driven by the net change in customer funds obligations in each period, primarily related to the portion of First American's business under which property tax payments are collected in December and paid on behalf of customers in the following quarter. This increase in cash used by financing activities was partially offset by net borrowings of $8.6 million under our credit facility during the first quarter of 2022.

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

	Quarter Ended March 31,		
(in thousands)	**2022**	**2021**	**Change**
Net change in debt	$ 8,562	$ —	$ 8,562
Net change in customer funds obligations	(99,240)	1,659	(100,899)
Purchases of capital assets	(20,844)	(21,670)	826
Cash dividends paid to shareholders	(13,317)	(12,932)	(385)

As of March 31, 2022, our foreign subsidiaries held cash and cash equivalents of $44.2 million. During 2022, we will begin repatriating Canadian current year earnings on an annual basis, as we believe the accumulated and remaining cash of our Canadian subsidiaries is sufficient to meet their working capital needs. We intend to use the repatriated earnings to reduce outstanding debt. The historical unremitted Canadian earnings as of December 31, 2021, as well as the accumulated and future unremitted earnings of our European subsidiaries, will continue to be reinvested indefinitely in the operations of those subsidiaries. Deferred income taxes have not been recognized on these earnings as of March 31, 2022. In May 2022, we sold all of our Australian subsidiaries. If we were to repatriate our foreign cash and cash equivalents into the U.S. at one time, excluding the amount in Australia, we estimate that we would incur a foreign withholding tax liability of approximately $2.0 million, notwithstanding any tax planning strategies that might be available.

In assessing our cash needs, we must consider our debt service requirements, lease obligations, other contractual commitments and contingent liabilities. Information regarding the maturities of our long-term debt and contingent liabilities can found under the captions “Note 12: Debt” and "Note 13: Other Commitments and Contingencies," both of which appear in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report. Information regarding our lease obligations can be found under the caption "Note 15: Leases" in the Notes to Consolidated Financial Statements appearing in the 2021 Form 10-K, and information regarding our contractual obligations can be found in the MD&A section of the 2021 Form 10-K, under the section entitled *Cash Flows and Liquidity*. There were no significant changes in our lease or contractual obligations during the first quarter of 2022.

As of March 31, 2022, $339.2 million was available for borrowing under our revolving credit facility. 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, including our contractual obligations and debt service requirements, for the next 12 months. 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

The principal amount of our debt obligations was $1.71 billion as of March 31, 2022 and $1.70 billion as of December 31, 2021. Further information concerning our outstanding debt, including our debt service obligations, can be found under the caption “Note 12: 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:

	March 31, 2022		December 31, 2021		
(in thousands)	Amount	Weighted-average interest rate	Amount	Weighted-average interest rate	Change
Fixed interest rate[1]	$ 700,000	6.9 %	$ 700,000	6.9 %	$ —
Floating interest rate	1,010,687	2.8 %	1,002,125	2.4 %	8,562
Debt principal	1,710,687	4.5 %	1,702,125	4.2 %	8,562
Shareholders’ equity	579,015		574,598		4,417
Total capital	$ 2,289,702		$ 2,276,723		$ 12,979

[1] The fixed interest rate amount includes the amount of our variable-rate debt 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 our credit facility.

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. We have not repurchased any shares since the first quarter of 2020, when we suspended share repurchases in order to maintain liquidity during the COVID-19 pandemic. We will continue to evaluate future share repurchases on an opportunistic basis. As of March 31, 2022, $287.5 million remained available for repurchase under this authorization. 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, 2022, total commitments under our revolving credit facility were $500.0 million and the credit facility matures in June 2026. Our quarterly commitment fee ranges from 0.25% to 0.35%, based on our total leverage ratio, as defined in the credit agreement. Further information regarding the terms and maturities of our debt, as well as our debt covenants, can be found under the caption "Note 12: Debt" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report. Under the terms of our credit facility, if our consolidated total leverage ratio exceeds 2.75 to 1.00, the aggregate annual amount of permitted dividends and share repurchases is limited to $60.0 million. We were in compliance with our debt covenants as of March 31, 2022, and we anticipate that we will remain in compliance with our debt covenants throughout the next 12 months.

As of March 31, 2022, amounts were available for borrowing under our revolving credit facility as follows:

(in thousands)	Total available
Revolving credit facility commitment	$ 500,000
Amounts drawn on revolving credit facility	(153,000)
Outstanding letters of credit[1]	(7,806)
Net available for borrowing as of March 31, 2022	$ 339,194

[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.

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" appearing in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report.

Funds held for customers – Funds held for customers of $156.8 million as of March 31, 2022 decreased $98.0 million from December 31, 2021, and the related current liability for funds held for customers of $156.0 million as of March 31, 2022 decreased $100.3 million from December 31, 2021. These decreases were driven by the seasonal nature of a portion of First American's business under which property tax payments are collected in December and are paid on behalf of customers the following year.

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, 2022 and 2021 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 $7.9 million for the first quarter of 2022 and $9.6 million for the first quarter of 2021.

The number of checks 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 $8.3 million as of March 31, 2022 and $11.9 million as of December 31, 2021.

CRITICAL ACCOUNTING ESTIMATES

A description of our critical accounting estimates was provided in the MD&A section of the 2021 Form 10-K. There were no changes in the determination of these estimates during the first quarter of 2022.

New accounting pronouncement – Information regarding the new accounting pronouncement that we have not yet adopted can be found under the caption “Note 2: New Accounting Pronouncement” 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

Interest rate 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 and investments. 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.

Interest is payable on amounts outstanding under our credit facility at a fluctuating rate of interest determined by reference to the eurodollar rate plus an applicable margin ranging from 1.5% to 2.5%, depending on our total leverage ratio, as defined in the credit agreement. We also had $500.0 million of 8.0% senior, unsecured notes outstanding as of March 31, 2022. Including the related discount and debt issuance costs, the effective interest rate on these notes is 8.3%.

As of March 31, 2022, our total debt outstanding was as follows:

(in thousands)	Carrying amount[1]	Fair value[2]	Interest rate[3]
Senior, secured term loan facility	$ 1,047,973	$ 1,057,687	3.0 %
Senior, unsecured notes	491,445	509,045	8.0 %
Amounts drawn on revolving credit facility	153,000	153,000	3.0 %
Total debt	$ 1,692,418	$ 1,719,732	4.5 %

[1] The carrying amount has been reduced by unamortized discount and debt issuance costs of $18.3 million.

[2] For the amounts outstanding under our credit facility agreement, fair value approximates carrying value because the interest rate is variable and reflects current market rates. The fair value of the senior, unsecured notes is based on quoted prices in active markets for the identical liability when traded as an asset.

[3] The interest rate presented for total debt includes the impact of the interest rate swap discussed below.

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 our variable-rate debt. The interest rate swap, which terminates in March 2023, 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 $0.1 million as of March 31, 2022 and $3.0 million as of December 31, 2021 and was included in accrued liabilities and other non-current liabilities, respectively, on the consolidated balance sheets.

Based on the daily average amount of variable-rate debt outstanding during the first quarter of 2022, a one percentage point change in the weighted-average interest rate would have resulted in a $2.5 million change in interest expense.

Our credit agreement matures on June 1, 2026, at which time any amounts outstanding under the revolving credit facility must be repaid. The term loan facility requires periodic principal payments through June 1, 2026, and the senior, unsecured notes mature in June 2029. Information regarding the maturities of our long-term debt can be found under the caption "Note 12: Debt" in the Condensed Notes to Unaudited Consolidated Financial Statements appearing in Part I, Item 1 of this report.

Foreign currency exchange rate risk – 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, 2022 (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, 2022 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. As of March 31, 2022, 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 Part I, Item 1A of the 2021 Form 10-K. There have been no significant changes in these risk factors since we filed the 2021 Form 10-K.

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

The following table shows purchases of our common stock that were completed during the first quarter of 2022:

Period	Total number of shares purchased[1]	Average price paid per share[1]	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value of shares that may yet be purchased under the plans or programs[2]
January 1, 2022 – January 31, 2022	37,071	$ 29.67	—	$ 287,452,394
February 1, 2022 – February 28, 2022	62,926	31.32	—	287,452,394
March 1, 2022 – March 31, 2022	35,092	31.08	—	287,452,394
Total	135,089	30.80	—	287,452,394

[1] Under the terms of our 2020 Long-Term Incentive Plan, as well as our previous long-term incentive plans, participants may surrender 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 2022, we withheld 135,089 shares in conjunction with the vesting and exercise of equity-based awards.

[2] 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 under this authorization during the first quarter of 2022 and $287.5 million remained available for repurchase as of March 31, 2022.

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	Share Sale Agreement, dated as of March 8, 2022, between us and Web.com AUS Holdco Pty Ltd
2.2	Amendment Agreement, dated as of April 29, 2022, to the Share Sale Agreement between us and Web.com AUS Holdco Pty Ltd
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
104	Cover page interactive data file (formatted as Inline XBRL and contained in Exhibit 101)

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 6, 2022

/s/ Barry C. McCarthy

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

Date: May 6, 2022

/s/ Scott C. Bomar

Scott C. Bomar
Senior Vice President, Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Share sale agreement

Deluxe Small Business Sales, Inc.
Web.com AUS Holdco Pty Ltd

Contents

Date

Parties

Deluxe Small Business Sales, Inc. of 801 Marquette Ave. S., Minneapolis, MN 55402, United States (**Vendor**)

Web.com AUS Holdco Pty Ltd ACN 635 831 597 of c-/ Company Matters Pty Limited, Level 12, 680 George Street, Sydney NSW 2000 (Purchaser)

Recitals

A The Vendor is the legal and beneficial owner of the Shares.

B The Vendor has agreed to sell and the Purchaser has agreed to buy the Shares on the terms and conditions of this agreement.

The parties agree

1 Definitions and interpretation

1.1 Definitions

In this agreement:

Accounting Policies means the accounting policies adopted by the Group and set out in Schedule 4 .

Accounting Standards means:

(a) accounting standards approved under the Corporations Act and its requirements about the preparation and contents of accounts; and

(b) generally accepted accounting principles in Australia, except those inconsistent with the standards or requirements referred to in paragraph (a).

Accounts are the consolidated financial statements of the Group for the financial year ending on the Accounts Date copies of which are attached as Annexure A to this agreement.

Accounts Date means 31 December 2020.

Affiliate means, in relation to a party:

(a) a Related Entity of that party or a company in which that party or one or more Related Entities of that party beneficially owns at least 50% of the shares;

(b) a trust (whether a unit trust, discretionary trust or other form of trust) of which that party or one or more Related Entities of that party is a trustee or a beneficiary and, where the party or Related Entity is a beneficiary, from which that party or the Related Entity has received 50% or more of the distributions made from that trust in any year within the past three years; or

(c) where that party is an individual, the spouse, defacto spouse, former spouse, mother, father, brother, sister or child, whether by blood or adoption, over the age of 18 years of that party or of that party's spouse, defacto spouse, former spouse.

Agreed Form means a document in a form agreed between the Purchaser and the Vendor.

Anti-Bribery Laws means any anti-bribery and/or anti-corruption legislation, rules, regulations or policies with the force of law, that are applicable to the Group Companies in any jurisdiction, including but not limited to the *Criminal Code Act 1995* (Cth), the United States Foreign Corrupt Practices Act 1977 and the United Kingdom Bribery Act 2010.

ASIC means the Australian Securities & Investments Commission.

Assets means all of the tangible and intangible assets used by the Group that are necessary for the ordinary operation of the Business, including:

(a) Plant and Equipment;

(b) Owned Intellectual Property;

(c) the benefit of the Leases;

(d) the benefit of the Domain Names and the Business Names;

(e) the Records of the Vendor that relate only to the Group; and

(f) the goodwill of the Group in respect of the Business, but excluding the Retained IP.

Australia Retained IP has the meaning provided in clause 6.10.

Authorised Persons means, in relation to a party:

(a) the directors, secretary and any other person appointed to act as an authorised officer of that party;

(b) the employees of that party;

(c) the legal, financial and other advisers of that party; and

(d) the respective officers and employees of those legal, financial and other advisers.

Business means the business carried on by the Group of providing web hosting services, including hosting files and images, and registering and managing customers' domain names in Australia.

Business Activity Statement means an Australian activity statement relating to GST and required to be lodged with a Tax Authority.

Business Day means a day that is not a Saturday, Sunday or public holiday in the location from which the relevant act is to be done.

Business Name means the Australian Web24 business name in the name of Hostopia Australia Web Pty Ltd as set out in Part A of Schedule 10 .

Cash means the aggregate amount of any cash on hand or credited to an account with a bank or other financial institution and cash equivalents (as the term is defined in the Accounting Standards) to which the Group is beneficially entitled.

Cash Amount means the amount of Cash at Completion plus the Term Deposit.

Claim means a claim, action, proceeding, judgment or demand made or brought by or against a person, however arising and whether present, unascertained, future or contingent.

Company means the company described in part 1 of Schedule 1 .

Completion means completion of the sale and purchase of the Shares under clause 6.

Completion Balance Sheet means the balance sheet prepared as set out in clause 7.2 and in accordance with the Accounting Principles, and in the form of the Pro Forma Completion Accounts set out in Schedule 5 .

Completion Date means the date on which Completion occurs.

Completion Date Working Capital means, as at Completion, the current assets (excluding cash) less the current liabilities using the same line items as set out in the Pro Forma Completion Accounts.

Conditions Precedent means the conditions precedent specified in clause 4.

Confidential Information means:

(a) the terms of this agreement and its subject matter;

(b) Information disclosed to the Receiving Party or the Receiving Party's Authorised Persons, before or after the date of this agreement, that is expressly designated at the time of disclosure as confidential by the Disclosing Party; and

(c) Information that is not generally available in the public domain,

but does not include Information that:

(d) the Receiving Party can prove by contemporaneous written documentation was in the lawful possession of the Receiving Party before the Disclosing Party had any dealings with the Receiving Party or was independently generated by the Receiving Party or on its behalf;

(e) is in the public domain otherwise than as a result of a breach of clause 19 or any other obligation of confidentiality owed to the Disclosing Party; or

(f) was legally and properly obtained by the Receiving Party from any other source without restriction on further disclosure.

Consequential Loss means indirect Loss which is loss of opportunity, loss of profit or revenue, loss of future reputation or goodwill or adverse publicity or damage to credit rating, but does not mean:

(a) Loss arising naturally and in the usual course of things from the breach of a Vendor's Warranty or Warranty Indemnity (**Relevant Breach**); or

(b) diminution in the value of the Shares, arising naturally from a Relevant Breach.

Control means, in relation to a body corporate, control of any entity for the purposes of section 50AA of the Corporations Act.

Copyright means, in relation to the Group, all literary or artistic works or other subject matter protected under the *Copyright Act 1968* (Cth) used by the Group in the ordinary operation of the Business.

Corporations Act means the *Corporations Act 2001* (Cth).

Data Room means the data room hosted by Intralinks named 'Project White'.

Deed of Release means a deed of release and undertaking in respect of a security interest (as defined in the PPSA) on the PPSR substantially in the form set out in Annexure C, or such other form agreed between the parties.

Deferred Consideration Amount means USD $1,000,000.

Disclosing Party means a party who discloses Confidential Information to a Receiving Party.

Disclosure Letter means the letter from the Vendor addressed to the Purchaser by or on behalf of the Vendor prior to 5pm on the date that is three Business Days prior to the date of this agreement.

Disclosure Material means all Information or Documentation about the Business and the Assets that:

(a) the Purchaser or the Purchaser's Authorised Persons have had access to in the Data Room up to 5pm on the date that is three Business Days prior to the date of this agreement; or

(b) is disclosed in the Disclosure Letter.

Documentation means any document or material regardless of form that contains, refers to or stores Information including emails, abstracts, memoranda, notes, correspondence, records, photographs, drawings, plans, papers, magnetic tapes, computer software or any other documents or medium capable of recording or storing Information.

Domain Names means the rights to use all domain names, URLs and internet sites used by the Group in the ordinary operation of the Business (other than the Hostopia Domain Names), as listed in Part B of Schedule 10 .

Due Diligence means the enquiries and investigations into the Group, the Business and the Shares carried out by the Purchaser and the Purchaser's Authorised Persons.

EBITDA means earnings before income, tax, depreciation and amortisation.

Employee Records means all records relating to Employees that the Group is required to keep under the Fair Work Regulations at the time at which the connection between the Vendor and the Purchaser mentioned in section 311(1)(d) of the Fair Work Act occurs.

Employees means the employees of the Group on the date of this agreement, as set out in Schedule 9 .

Encumbrance includes:

(a) a security interest (as defined in the PPSA);

(b) any other right, interest or arrangement that secures, or which has the effect of securing, the payment of money or the performance of a debt, obligation or liability or which has the effect of giving a person a preferential interest or priority, including a mortgage, debenture, charge, lien, pledge, bill of sale, hypothecation, title retention arrangement, lease, hire purchase, trust, assignment or deposit by way of security, however described;

(c) any right, interest, power or arrangement which has the effect of providing a person with a priority, preference or advantage over another person, including arising from any option, equity, preferential interest, adverse interest or third party claim or right of any kind;

(d) a right that a person (other than the owner) has to remove something from an asset (known as profit á prendre), or to use or occupy the asset, including a lease or licence or a caveat, easement or restrictive or positive covenant affecting an asset, and any third party right or interest in any right arising as a consequence of the enforcement of a judgement, including a garnishee order or a writ of execution; and

(e) any agreement to give, create, grant or register any of the above or allow any of the above to exist without regard to the form of the transaction or agreement.

End Date means 30 June 2022.

Engage in means to participate, assist or otherwise be directly or indirectly involved, concerned or interested as a member, shareholder, unitholder, director, consultant, adviser, contractor, principal, agent, manager, employee, beneficiary, partner, practitioner, associate, trustee, investor, financier, fiduciary or in any other capacity.

Exchange Rate means the relevant rate of exchange at or about 11:00am Australian Eastern Standard Time (AEST) on a particular day as displayed by ICE Data Services as the "ask price", or as displayed on such other information service which publishes that rate of exchange from time to time in place of ICE Data Services (or if such service ceases to be available, the rate reasonably determined by the parties using any method of determination reasonably deemed appropriate).

Expert means a person appointed under clause 13.

Fair Work Act means the *Fair Work Act 2009* (Cth).

Fair Work Regulations means the Fair Work Regulations 2009 (Cth).

Fair Work Transitional Act means the *Fair Work (Transitional Provisions and Consequential Amendments) Act 2009* (Cth).

FATA means *Foreign Acquisitions and Takeovers Act 1975* (Cth).

FY21 Audited Accounts means the annual audited accounts of the Group for the financial year ending 31 December 2021.

FY21 Tax Refund means any refund or credit received by the Group or a Group Company from a Tax Authority due to the Group or a Group Company having prepaid Tax or paid Tax by way of instalments which is in excess of the Group or a Group Company's actual Tax liability for the Tax Period ending 31 December 2021.

Government Authority means any governmental, semi governmental, municipal, statutory, judicial or quasi judicial authority, department, agency, body, entity, organisation, commission or tribunal.

Group means the Company and each of the companies which are set out in part 3 of Schedule 1 , and **Group Company** means any one of them.

GST has the meaning given to it by the GST Act.

GST Act means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Hostopia Domain Names means:

(a) hostopia-diagnostics.com.au;

(b) hostopia.com.au;

(c) hostopians.com.au;

(d) hostopiaaustralia.com.au;

(e) hostopiaaustralia.net.au;

(f) hostopia-australia.com.au; and

(g) hostopia-australia.net.au.

Immediately Available Funds means cash, bank cheque or telegraphic or other electronic means of transfer of cleared funds into a bank account.

Industrial Instrument means any one of the following instruments as defined in the Fair Work Act and Fair Work Transitional Act:

(a) an enterprise agreement;

(b) a modern award;

(c) an Individual Flexibility Agreement;

(d) a High Income Guarantee;

(e) a pre reform Australian workplace agreement;

(f) a pre reform certified agreement;

(g) an Australian workplace agreement;

(h) an individual transitional employment agreement;

(i) a collective agreement;

(j) an award;

(k) a transitional award;

(l) a preserved state agreement;

(m) a notional agreement preserving state awards;

(n) a transitional Victorian reference award; or

(o) a state transitional instrument.

Information means information regardless of form relating to or developed in connection with the Disclosing Party or its business including financial affairs, projections, forecasts, accounts, prospects, strategies, business processes and system functionality, business operations, assets, liabilities, customers, personnel, suppliers, contracts, products and stock and sales information.

Initial Purchase Price means USD $22,000,000.

Insolvency Event means the occurrence of any one or more of the following events in relation to any person:

(a) an application is made to a court for an order, or an order is made, that it be wound up, declared bankrupt or that a provisional liquidator or receiver or receiver and manager be appointed, and the application is not withdrawn, struck out or dismissed within 15 Business Days of it being made;

(b) a liquidator or provisional liquidator is appointed;

(c) an administrator is appointed to it under sections 436A, 436B or 436C of the Corporations Act;

(d) a Controller (as defined in section 9 of the Corporations Act) is appointed to it or any of its assets;

(e) a receiver is appointed to it or any of its assets;

(f) it enters into an arrangement or composition with one or more of its creditors, or an assignment for the benefit of one or more of its creditors, in each case other than to carry out a reconstruction or amalgamation while solvent;

(g) it proposes a winding-up, dissolution or reorganisation, moratorium, deed of company arrangement or other administration involving one or more of its creditors;

(h) it is insolvent as disclosed in its accounts or otherwise, states that it is insolvent, is presumed to be insolvent under an applicable law (including under sub-section 459C(2) or section 585 of the Corporations Act) or otherwise is, or states that it is, unable to pay all its debts as and when they become due and payable;

(i) it is taken to have failed to comply with a statutory demand as a result of sub-section 459F(1) of the Corporations Act or any other applicable law;

(j) a notice is issued under sections 601AA or 601AB of the Corporations Act and not withdrawn or dismissed within 15 Business Days;

(k) a writ of execution is levied against it or a material part of its property which is not dismissed within 15 Business Days;

(l) it ceases to carry on business or threatens to do so; or

(m) anything occurs under the law of any jurisdiction which has a substantially similar effect to any of the events set out in the above paragraphs of this definition.

Insurance Policies means all insurance policies in which the Group has an interest as listed in Schedule 6 .

Intellectual Property Licences means all licences granted to the Group to use certain Intellectual Property Rights in the ordinary operation of the Business.

Intellectual Property Rights means all industrial and intellectual property rights of whatever nature throughout the world conferred under statute, common law or equity, whether existing now or at any time in the future, and includes rights in respect of or in connection with trade marks, copyright, inventions (including patents), formulae, databases, business processes and methods, plant varieties, service marks, trading names (including both business and company names), domain names, designs, confidential information, trade secrets and know-how, discoveries, geographical indications of origin, circuit layouts, programming tools, object code, source code, methods, techniques, recipes, formulae, algorithms, modules, libraries and databases, whether or not registered or registrable, and further includes the right to apply for the registration or grant of any such intellectual property.

Intercompany Loans means:

(a) the intercompany note document between the Company and the Vendor dated 30 June 2017; and

(b) the intercompany note document between the Company and the Vendor dated 31 August 2017.

Leased Premises means all leased premises used by the Group for the ordinary operation of the Business, as follows:

(a) Level 11, 201 Elizabeth Street, Sydney NSW 2000 (**Sydney Office**);

(b) 9/F and 10/F, Tower 4, World Trade Centre, 611 Flinders Street VIC 3005 (**Melbourne Office**);

(c) SY5 Data Centre, Sydney (**SY5 NSW**);

(d) SY3 Data Centre, Sydney (**SY3 NSW**); and

(e) ME2 Data Centre, Melbourne (**ME2 VIC**).

Leases means the leases relating to the Leased Premises.

Loss includes any loss, damages, cost (including legal costs and expenses of whatsoever nature or description), Claim, liability or expense and includes Taxes.

Material Adverse Change means a matter, event or circumstance that has caused, or could reasonably be expected to cause, individually, or when aggregated with other such matters, events or circumstances:

(a) a material adverse change in the value of the Group or the Shares or both;

(b) a material adverse effect on the business, operations, reputation or prospects of the Business or the Group (including as a result of any material breach of applicable laws);

(c) a reduction in the consolidated EBITDA of the Group of at least 25% as compared to what the consolidated EBITDA of the Group could reasonably be expected to have been but for the relevant events, occurrences or matters,

provided that any such change or effect resulting from any of the following shall not be considered when determining whether a Material Adverse Change has occurred;

(d) any change in economic conditions generally or capital or financial markets generally;

(e) any change in the industry in which the Business operates;

(f) any change in law or accounting standards announced after the date of this agreement;

(g) any acts of war, riots, civil unrest, terrorism or military actions;

(h) the COVID-19 virus (or any mutation, variation or derivative), or from any law, order, rule or direction of any Government Authority in relation thereto;

(i) any change resulting from the execution or consummation of the transactions contemplated by, or the performance of obligations under, this agreement (other than a breach of this agreement); and

(j) any matter fully and fairly disclosed in the Disclosure Material,

except, in the case of paragraphs (d)-(h), where such change has a disproportionately greater effect on the Group relative to its competitors.

Material Contracts means the contracts, agreements, deeds or other arrangements relating to the Business to which any Group Company is a party:

(a) that are integral to the Business and materially affect the financial position of the Group; or

(b) where the consideration paid or received is equal or greater than $100,000 per annum,

as listed in Schedule 8 .

Moral Rights means moral rights within the meaning of Part IX of the *Copyright Act 1968* (Cth) and any analogous rights arising under statute that exist, or may come to exist, anywhere in the world.

Open Source Materials means any software, code, programming or other content (Code) licensed from a third party (or derived from or developed with such third party materials) under terms that may require the human readable source code of the Code (or any part of it) to be made publicly available or that may require the Code (or any part of it) to be licensed under terms that allow for the modification of the Code (or any part of it) by future licensees. This includes any Code that is or has been distributed as:

(a) “open source software”, that is software distributed under any licence approved by the Open Source Initiative as set forth on www.opensource.org, or under any similar licensing model; or

(b) “free software” as defined by the Free Software Foundation whose website is at www.fsf.org.

Overlap Return means a Tax Return of the Group or a Group Company for a Tax Period commencing before but ending on or after Completion.

Owned Intellectual Property means all Intellectual Property Rights owned by the Group, including but not limited to the Business Name, Trade Marks, the Copyright and Domain Names but excluding Intellectual Property Rights in the Retained IP.

Owned Software means any Owned Intellectual Property Rights which is software.

Permitted Encumbrances means the following Encumbrances:

(a) registration number 201911280071693 (secured party: Fujifilm Leasing Australia Ltd); and

(b) registration number 201602100055108 (secured party: BOQ Finance (Aust) Limited).

Personal Information means 'personal information' as defined in the *Privacy Act 1988* (Cth) or such similar term used in any other Privacy Law.

Plant and Equipment means all plant, equipment, machinery, furniture, computer and communications hardware, consumables, spare parts, tools, maintenance items, office supplies, fixtures and fittings used by the Group for the ordinary operation of the Business.

PPSA means the *Personal Property Securities Act 2009* (Cth).

PPSR means the Personal Property Securities Register established under the PPSA.

Pre Completion Returns means a Tax Return of the Group or a Group Company for a Tax Period ending before Completion.

Privacy Laws means:

(a) the Privacy Act 1988 (Cth);

(b) the Spam Act 2003 (Cth);

(c) any other requirement under Australian law, industry code, policy or statement relating to the handling of Personal Information; and

(d) any other statute, regulation or law in any jurisdiction other than Australia relating to the protection of Personal Information that is applicable to the Group.

Pro Forma Completion Accounts means the accounts set out in Schedule 5 .

Proposed Premises means the premises at Suite 1, Level 4, 7 Macquarie Place, NSW 2000.

Purchaser Warranties means each of the representations and warranties given by the Purchaser referred to in clause 9 and set out in Schedule 3 .

Receiving Party means a party who receives Confidential Information from or on behalf of the Disclosing Party.

Records means all minute books, statutory books and registers, trading and financial records, financial reports, books of account, annual statements, copies of Tax Returns and other documents and papers, cheque books, registers, customer lists, supplier lists and documents of a similar nature regardless of form referrable to the Group and includes the Employee Records.

Related Body Corporate has the meaning given in section 50 of the Corporations Act.

Related Entity has the meaning given in section 9 of the Corporations Act.

Restraint Area means:

(a) Australia or, if a court holds this area to be unreasonable or invalid for any reason, then;

(b) any Australian state or territory in which the Business is conducted.

Restraint Period means:

(a) 24 months after Completion, or, if a court holds this period to be unreasonable or invalid for any reason, then;

(b) twelve months after Completion, or, if a court holds this period to be unreasonable or invalid for any reason, then;

(c) six months after Completion.

Retained IP means any trade mark, trading name, business name or domain name which comprises the words ‘Hostopia’ and/or ‘Hostopia Australia’.

Returns mean Pre Completion Returns, Overlap Returns and other relevant Tax returns.

Reverse TSA means a transition services agreement between the Company and the Vendor for the provision of services relating to managed.com by the Company to the Vendor following Completion, in the Agreed Form.

Senior Contractor means Louise Robinson.

Senior Employee means each of Darryn McCoskery, Phiroz Austin, Daphne Driessen, Joshua Chiswell, Joshua Mann, Paul Williamson, Samir Keshwani, Hendrik Kruizinga, Steven Groves, and Vedran Sukurma and, where referring to a future employee, means someone who would have equivalent seniority to any of those persons.

Shares means the shares of the Company described in part 2 of Schedule 1 .

Specific Indemnity means the indemnity given by the Vendor in clause 10.3.

Stamp Duty means any stamp, transaction or registration duty or similar charge, or notarisation fees and includes any interest, fine, penalty, charge or other amount which is imposed in relation to that duty, charge or fee.

Standard Tax Conditions means the conditions set out in the list of standard tax conditions published in FIRB Guidance 12 – Tax Conditions available on the FIRB website under “Guidance notes”.

Subsidiary means any subsidiary of the Company.

Subsidiary Shares means the shares in the capital of each Subsidiary.

Systems has the meaning given in paragraph 11.1(a) of Schedule 2 .

Target Working Capital means $1,850,000.

Tax means any tax, levy, charge, impost, fee, deduction, goods and services tax (including GST), value added tax or consumption tax, rate, stamp (including Stamp Duty), transaction or registration duty or other charge imposed, assessed or payable to any Government Authority, including the clawback or other repayment of any grant or other benefit provided by any Government Authority such as Jobkeeper payments, and includes any additional tax, interest, penalty, charge, fee or other amount imposed in relation to any of them.

Tax Authority means any Government Authority responsible for the collection of any Tax or administration of any Tax Law.

Tax Claim means a Claim in relation to any Tax matter.

Tax Indemnity means the indemnity given in clause 10.2.

Tax Law means any law relating to Tax.

Tax Period means an income year, tax year, franking year or a period of time set out under a Tax Law and/or tax period under the GST Act, as applicable.

Tax Return means any return relating to Tax, including any document which must be lodged with a Tax Authority or which a taxpayer must prepare and retain under a Tax Law.

Tax Warranty means a warranty given by the Vendor in relation to Tax matters as set out in Schedule 2 .

Term Deposit means the $330,159.29 attributed to a long-term asset term deposit account held by the Group.

Third Party Claim means any Claim brought by a person or entity (other than the Vendor, a Group Company or the Purchaser), other than a claim brought by any Tax Authority, which may give rise, or otherwise relates, to a Claim by the Purchaser against the Vendor.

Title and Capacity Warranties means the Vendor Warranties set out in paragraph 1 of Schedule 2 .

Total Purchase Price means the:

(a) the Initial Purchase Price; plus or minus

(b) the Working Capital Adjustment Amount; plus

(c) any portion of the Deferred Consideration Amount that the Vendor becomes entitled to receive under this agreement.

Trade Marks means all registered and pending trade marks owned by the Group as listed in Schedule 7 .

TSA means a transition services agreement between the Vendor and the Company for the provision of services by the Vendor to the Company following Completion, in the Agreed Form.

Vendor Warranties means each of the representations and warranties given by the Vendor referred to in clause 6.14 and set out in Schedule 2 , and **Vendor Warranty** has a corresponding meaning.

Warranty and Indemnity Expiry Date means:

(a) for Vendor Warranties, the Specific Indemnity and the Warranty Indemnity (other than to the extent either of those relate to Tax Warranties and Tax Indemnity), the date that is 24 months after Completion; and

(b) for Tax Warranties, the Warranty Indemnity (to the extent it relates to Tax Warranties) and the Tax Indemnity, the date that is the fifth anniversary of the Completion Date.

Warranty Indemnity means the indemnity given by the Vendor in clause 10.1.

Working Capital Adjustment Amount means the Completion Date Working Capital less the Target Working Capital in accordance with Schedule 5 .

1.2 Interpretation

In this agreement, headings are inserted for convenience only and do not affect the interpretation of this agreement and unless the context otherwise requires:

(a) the singular includes the plural and vice versa;

(b) a reference to the Group means one or more Group Companies, as the context requires;

(c) a gender includes all other genders;

(d) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;

(e) the meaning of general words is not limited by specific examples introduced by 'includes', 'including', 'for example', 'such as' or similar expressions;

(f) a reference to a document or instrument, including this agreement, includes all of its clauses, paragraphs, recitals, parts, schedules and annexures and includes the document or instrument as amended, varied, novated, supplemented or replaced from time to time;

(g) a reference to a statute, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;

(h) a reference to a party is to a party to this agreement and includes the party's successors and permitted transferees and assigns and if a party is an individual, includes executors and personal legal representatives;

(i) a reference to a person includes an individual, a partnership, a corporation or other corporate body, a joint venture, a firm, a trust, an association (whether incorporated or not), and a Government Authority;

(j) a reference to a group of persons or things is a reference to any two or more of them jointly and to each of them separately;

(k) an agreement, representation, warranty or indemnity by two or more persons binds them jointly and each of them separately;

(l) an agreement, representation, warranty or indemnity in favour of two or more persons is for the benefit of them jointly and each of them separately;

(m) no provision of this agreement will be construed to the disadvantage of a party merely because that party was responsible for the preparation of the agreement or the inclusion of the provision in the agreement;

(n) all monetary amounts are in Australian dollars, unless otherwise stated and a reference to payment means payment in Australian dollars;

(o) any monetary amount that is required to be converted from Australian dollars to a currency other than Australian dollars (or vice versa) is to be converted according to the Exchange Rate at the relevant time;

(p) if the day on or by which something must be done is not a Business Day, that thing must be done on the next Business Day;

(q) a period of time dating from a given day or the day of a given act or event is to be calculated exclusive of that day; and

(r) a reference in this agreement to the Vendor's knowledge or awareness (or similar phrase) is deemed to be a reference to the actual knowledge and awareness of Darryn McCoskery or Phiroz Austin, or which would have been within their knowledge had that person made reasonable enquiries, including enquiries of their reports who might be expected to have knowledge or awareness of the relevant matters.

2 Agreement to sell and purchase

2.1 Sale and purchase of Shares

The Vendor agrees to sell and the Purchaser agrees to purchase the Shares (together with all benefits, rights and entitlements attaching to the Shares on and from the Completion Date) on the terms and conditions of this agreement.

2.2 Shares must be free from Encumbrances

The Shares must be transferred to the Purchaser free from any Encumbrances.

2.3 Title and risk

The title to and risk in the Shares:

(a) remains solely with the Vendor until Completion; and

(b) passes to the Purchaser on and from Completion.

3 Payment of Total Purchase Price

3.1 Payment of Total Purchase Price

The Total Purchase Price is the consideration for the Shares and must be paid by the Purchaser as follows:

(a) the Initial Purchase Price at Completion as set out in clause 6.3(a);

(b) the Working Capital Adjustment Amount as set out in clause 7.5; and

(c) the Deferred Consideration Amount as set out in clause 3.2.

3.2 Deferred Consideration Amount

Subject to clause 35, any portion of the Deferred Consideration Amount that the Vendor becomes entitled to receive under this agreement shall be payable to the Vendor on the date that is 1 year after the Completion Date.

4 Conditions Precedent

4.1 Conditions Precedent

Clauses 2.1 and 6 are conditional on, and are not binding until:

(a) either:

(i) the Purchaser receiving a written notice under FATA from the Treasurer (or the Treasurer's delegate) stating or to the effect that the Commonwealth Government of Australia does not object to the transaction contemplated by this agreement either without condition (other than the Standard Tax Conditions) or otherwise on terms acceptable to the Purchaser acting reasonably; or

(ii) following the Purchaser giving notice of the proposed acquisition of the Shares to the Treasurer under FATA, the Treasurer ceases to be empowered to make any order under Division 2 of Part 3 of FATA;

(b) the Purchaser receiving notice in writing from the Australian Competition and Consumer Commission that it either (i) does not intend to conduct a public review or (ii) will not oppose the proposed acquisition either unconditionally or on terms which are acceptable to the Purchaser;

(c) on or before Completion, the Vendor and the Company entering into the TSA;

(d) on or before Completion, the Company and the Vendor entering into the Reverse TSA;

(e) on or before Completion, the Vendor ensuring that any Encumbrances over the Shares, whether registered or not, are released or discharged;

(f) on or before Completion, the release of the Vendor and, to the extent required, each Vendor Affiliate, from any guarantee, security or indemnity provided by the Vendor or a Vendor Affiliate relating to the Group or the Business; and

(g) before Completion, the Intercompany Loans owed by the Company to the Vendor are repaid.

4.2 Best endeavours

Each party must use its best endeavours to satisfy the Conditions Precedent by the End Date, including co-operating with each other and using its best endeavours to procure that any relevant third party carries out any act that is required to satisfy a Condition Precedent.

4.3 Obligations of co-operation

Without limiting clause 4.2, each party must do, or refrain from doing, each of the following to enable the Conditions Precedent to be fulfilled:

(a) make all necessary and appropriate applications to the relevant Government Authorities;

(b) not withdraw, or procure the withdrawal of, any application or information made or supplied under clause 4.3(a);

(c) the Vendor must provide the Purchaser with all assistance and information reasonably required by the Purchaser in connection with any notification or submission to be made by the Purchaser to FIRB or to the ACCC pursuant to this clause 4.3 in a timely manner (and in any event within a reasonable time before the Purchaser has to make such notification or submission);

(d) the parties must supply all the information requested by FIRB or the ACCC in a timely manner (and in any event before any deadline proposed or required by FIRB or the ACCC, unless otherwise agreed with FIRB or the ACCC);

(e) the parties must keep each other informed in a timely manner of:

(i) the status of any discussions or negotiations with relevant third parties about the Conditions Precedent; and

(ii) any circumstances that could result in any Condition Precedent not being satisfied on or before the End Date; and

(f) promptly give written notice to the other party if it discovers that any of the Conditions Precedent has become incapable of being satisfied on or before the End Date.

4.4 Waiver of Conditions Precedent

(a) The Conditions Precedent in clauses 4.1(a) and 4.1(b) are for the benefit of the Vendor and the Purchaser and may not be waived.

(b) The Conditions Precedent in clauses 4.1(d), and 4.1(f) are for the benefit of the Vendor and may only be waived, subject to any conditions that the Vendor wishes to impose, by the Vendor acting in its absolute discretion giving written notice to the Purchaser.

(c) The Conditions Precedent in clauses 4.1(c), 4.1(e), and 4.1(g) are for the benefit of the Purchaser and may only be waived, subject to any conditions that the Purchaser wishes to impose, by the Purchaser acting in its absolute discretion giving written notice to the Vendor.

4.5 Conditions Precedent not waived or satisfied

If any Condition Precedent is not:

(a) satisfied on or before the End Date; or

(b) waived under clause 4.4,

the party for whose benefit the relevant Condition Precedent is for may terminate this agreement by written notice at any time after the End Date but before all of the Conditions Precedent are satisfied or waived and provided that the terminating party is not in breach of a material obligation under this agreement.

5 Conduct before Completion

5.1 Conduct of the Group before Completion

Between the date of this agreement and close of business on the Completion Date, the Vendor must:

(a) manage and conduct the affairs of the Group:

(i) with all due care in the ordinary and usual course and in accordance with normal and prudent practice (having regard to the nature of the Business and the past practice of the Group);

(ii) as a going concern; and

(iii) to ensure that the Group comply with all applicable laws and regulations;

(b) not create any further Encumbrances over the Shares;

(c) procure that each Group Company uses its reasonable endeavours to preserve and protect its business, including the goodwill of its business and its current business relationships;

(d) procure that no Group Company:

(i) conducts a reorganisation of its share capital; or

(ii) acquires all or substantially all of the securities or the business or assets of any other person;

(e) ensure that no change is made to the constitution of any Group Company;

(f) procure that each Group Company does not:

(i) create any further Encumbrances over the securities or Assets;

(ii) reduce its share capital;

(iii) create or permit to exist any security interest (as defined under PPSA) over any such securities;

(iv) declare or pay a dividend, or make any other distribution or return of capital, including by way of repayment, redemption or repurchase of capital;

(v) enter into binding arrangements to incur any capital expenditure of more than $100,000 per arrangement and outside the ordinary course of business;

(vi) dispose of any material Asset, other than the Hostopia Domain Names; or

(vii) enter into (other than in the ordinary course of business), terminate or materially amend any Material Contract;

(g) procure that no Group Company

enters into any arrangement which is not on arm's length, commercial terms and in the ordinary course of business;

(h) procure that no Group Company enters into any joint venture, partnership, unincorporated association or similar arrangement;

(i) procure that insurance cover existing as at the date of this agreement for each Group Company is not terminated, and any premiums due in respect of such insurance cover are paid when due;

(j) procure that each Group Company maintains all licences, consents and authorisations of any nature whatsoever (public or private) existing at the date of this agreement which are material and necessary to carry on the business of the Group;

(k) procure that no Group Company:

(i) borrows any money;

(ii) accepts any financial facility or financial accommodation, other than an increase of an amount up to USD $250,000 to the facility provided by Exclusive Networks Pty Ltd to Anchor Systems Pty Ltd under the Exclusive Networks Credit Application dated 24 November 2021; or

(iii) makes or grants any loans, capital advance or any financial facility or financial accommodation;

(l) procure that no Group Company enters into any guarantee or indemnity on behalf of any person or provides any security for the obligations of any person;

(m) procure that no Group Company changes any accounting policies or practices unless such change is required by a change in the Accounting Standards, and to the extent a change is required by a change in the Accounting Standards, the Vendor must immediately notify the Purchaser of such change;

(n) procure that no Group Company makes any Tax election (including any change of residence), amends any Tax Return, adopts a position in relation to Tax, or settles or compromises any liability relating to Tax, unless:

(i) required by law;

(ii) supported by an opinion of counsel; or

(iii) in the ordinary course of business and is consistent with past practices;

(o) procure that no Group Company commences any Action other than for the collection of debts owing to that Group Company or in the ordinary course of its business;

(p) procure that no Group Company settles any Claim or Action;

(q) procure that no Group Company (nor any of their Officers):

(i) takes any action;

(ii) omits to take action; or

(iii) makes any statement or announcement about the Group or the business of the Group to any person,

which, in each case, would be reasonably likely to adversely affect the reputation of the Group, the business of the Group or the Purchaser;

(r) procure that no Group Company:

(i) offers employment to or terminates the employment of any Senior Employee or terminates the contract with the Senior Contractor, other than for cause; or

(ii) makes alterations to the terms and conditions of employment or contract (including benefits and remuneration) of any Senior Employee or Senior Contractor;

(s) procure that no Group Company grants any licence, assignment or other right or interest in respect of intellectual property, other than in the ordinary course of business;

(t) procure that no resolution is passed for the winding up or dissolution of any Group Company;

(u) procure that no Group Company authorises or agrees (conditionally or otherwise) to do any of the things which it is prevented from doing under this clause 5.1,

unless the Vendor receives the prior written consent of the Purchaser to do something to the contrary (which may be withheld in the Purchaser's absolute discretion).

5.2 Notice by Purchaser of new officers for Company

At least two Business Days before the Completion Date, the Purchaser must:

(a) notify the Vendor in writing of:

(i) the names and addresses of the people who will be appointed as directors, secretaries, public officers and authorised signatories of the bank accounts of each Group Company with effect from Completion;

(ii) the persons who will be required to resign as directors, secretaries and public officers of each Group Company with effect from Completion; and

(iii) any other matters that the Purchaser requires to be dealt with in a meeting of each Group Company or the directors of the Group Company; and

(b) make available to each Group Company sufficient instruments of consent to allow the Group Company to pass the resolutions required to appoint the directors, secretaries and public officers nominated by the Purchaser.

6 Completion

6.1 Time and place of Completion

Subject to clause 4, Completion will take place at the offices of Hall & Wilcox, Melbourne on or before 12:00 pm AEST on the day which is 5 Business Days after satisfaction or waiver of the last of the Conditions Precedent in accordance with clause 4.4, or any other time or place (and by any means, including electronic exchange of documents) agreed by the Vendor and the Purchaser.

6.2 Obligations of the Vendor at Completion

At Completion, the Vendor must:

(a) deliver to the Purchaser:

(i) the share certificates for the Shares (or in the case of any lost, stolen or destroyed certificate, an indemnity in respect of the relevant certificate on terms reasonably satisfactory to the Purchaser);

(ii) signed instruments of transfer of the Shares in favour of the Purchaser (or as it may direct) that are in registrable form;

(iii) evidence reasonably satisfactory to the Purchaser of releases of any Encumbrances other than the Permitted Encumbrances;

(iv) any other document that the Purchaser reasonably requires to obtain good title to the Shares and to enable the Purchaser to have the Shares registered in the Purchaser's name;

(v) written resignations in the Agreed Form by the persons that the Purchaser notifies to the Vendor under clause 5.2(a)(ii) who are to resign as director, company secretary and public officer (as applicable) of each Group Company, effective from Completion. Such resignations must include a release from each such person in favour of each relevant Group Company in relation to any current or future Claim against the Group Companies or any of their respective officers or employees in respect of that person's holding or ceasing to hold that office;

(vi) completed and signed authorities for the alteration of the signatories of each bank account in the manner required by the relevant bank, effective from Completion;

(vii) copies of the approvals in accordance with clause 6.2(b);

(viii) the certificate of incorporation of each Group Company and any certificates of incorporation on change of name of each Group Company;

(ix) the common seal and any duplicate common seal, share seal or official seal of each Group Company;

(x) all copies of the constitution of each Group Company in the Vendor's or the Group Company's possession;

(xi) an electronic copy of the Data Room;

(xii) the complete and up to date Records of each Group Company, including all Employee Records (other than those that the Vendor is entitled to retain under clause 6.12);

(xiii) the ASIC Corporate Key of each Group Company;

(xiv) a reconstituted copy of the share register of each Group Company that is compliant with the Corporations Act;

(xv) documents held by each Group Company about the ownership and use of the Leased Premises, or procure that control and access to those documents is transferred. Such documents include, without limitation, original executed and, where relevant, stamped and registered copies of the Leases; and

(xvi) the documents set out in Schedule 11 .

(b) procure that each relevant Group Company and each relevant Group Company's directors, to the extent required, hold duly convened meetings and resolutions are passed at those meetings that:

(i) approve the registration of the transfer of the Shares to the Purchaser, subject to payment of any Stamp Duty, if applicable;

(ii) approve the issue of a new share certificate for the Shares in the name of the Purchaser;

(iii) approve the cancellation of the existing share certificates in relation to the Shares;

(iv) approve a change in registered office of the Group Company, if required;

(v) appoint as directors, secretaries and public officers of the Group Company the persons nominated by the Purchaser under clause 5.2(a)(i) with effect from Completion;

(vi) accept the resignation of each existing director, secretary and public officer of the Group Company as notified by the Purchaser under clause 5.2(a)(ii) with effect from Completion;

(vii) as directed by the Purchaser, revoke all existing authorities to operate the Group Company's bank accounts and appoint as authorised signatories of the Group Company's bank accounts those persons nominated by the Purchaser under clause 5.2(a)(i) with effect from Completion; and

(viii) approve the transaction of any other business of which the Purchaser has given notice under clause 5.2(a)(iii); and

(c) do all other acts and execute all documents that are necessary to:

(i) transfer the Shares to the Purchaser;

(ii) complete any other transaction contemplated by this agreement; and

(iii) place the Purchaser in effective possession and control of the Group and the Business.

6.3 Obligations of the Purchaser at Completion

At Completion, the Purchaser must:

(a) pay into an account nominated by the Vendor an amount equal to the Initial Purchase Price; and

(b) do all other acts and execute all documents that are necessary to:

(i) transfer the Shares to the Purchaser;

(ii) complete any other transaction contemplated by this agreement; and

(iii) place the Purchaser in effective possession and control of the Group and the Business.

6.4 Simultaneous actions at Completion

At Completion:

(a) the obligations of the parties under this clause 6 are interdependent; and

(b) unless otherwise stated, all actions that must be performed are taken to have occurred simultaneously on the Completion Date but no delivery or payment is taken to have been made until all deliveries and payments have been made.

6.5 Non compliance with Completion obligations

(a) Completion will not occur unless all of the obligations of the parties to be performed at Completion under clauses 6.2 or 6.3 are complied with and are fully effective. If one action does not take place, then without prejudice to any rights available to any party as a consequence:

(i) there is no obligation on any party to undertake or perform any of the other actions; and

(ii) to the extent that such actions have already been undertaken, the parties must do everything reasonably required to reverse those actions.

(b) If a party fails to perform an action required by clauses 6.2 or 6.3, as applicable, and, despite that failure, the parties proceed with Completion so far as it is practical to do so:

(i) the participation of the party entitled to the benefit arising from the performance of the particular obligation at Completion does not constitute a waiver of that party's accrued rights under this agreement; and

(ii) the requirement of the other party to perform the relevant obligation does not merge on Completion and the relevant obligation remains in force.

6.6 Vendor's obligations until registration

After Completion and until the Shares are registered in the name of the Purchaser, the Vendor must take all action in its capacity as the registered holder of the Shares as the Purchaser may lawfully require from time to time.

6.7 Purchaser's obligation to register

The Purchaser must ensure that registration of the transfer of the Shares takes place as soon as practicable after Completion.

6.8 Obligations after Completion

If title to the Shares is not effectively vested in the Purchaser at Completion:

(a) the Vendor will hold the Shares for the Purchaser until title is effectively vested in the Purchaser;

(b) all income, profits, rights or benefits arising in respect of the Shares, the Group, or the Business on and from Completion will be held for the Purchaser; and

(c) the Vendor agrees to take any steps reasonably requested by the Purchaser to enforce or protect any rights accruing through or in respect of the Shares, the Group or the Business.

6.9 Company names

Subject to clauses 6.10 and 6.11, on and from Completion, the Vendor agrees that it will not use any business name, trading name, internet domain name, trade mark or logo that is substantially identical or deceptively similar to any Business Name, Domain Name or Trade Mark.

6.10 Transitional IP rights

(a) The Vendor grants the Purchaser a non-exclusive, non-transferrable, royalty-free licence to use:

(i) any trade mark, trading name, and business name which comprises the words 'Hostopia Australia'; and

(ii) the Hostopia Domain Names,

(together, the **Australia Retained IP**),

in the same manner and to the same extent used in the Business as at Completion for the period commencing at Completion and ending 31 December 2022, to allow the Group time to cease use of the Australia Retained IP. The Group's use of the Australia Retained IP during this transitional period accrues to the benefit of the Vendor.

(b) Subject to clause 6.11, the Vendor permits the Purchaser to re-direct the Hostopia Domain Names to a webpage nominated by Purchaser for a period commencing at Completion and ending 31 December 2022.

6.11 Branding phase out

By 31 December 2022, the Purchaser:

(a) must ensure that use of all Australia Retained IP (including any use of the 'Hostopia Australia' name and any re-direction of the Hostopia Domain Names under clause 6.10(b)) by the Group ceases; and

(b) will change the company names Hostopia Australia Pty Ltd and Hostopia Australia Web Pty Ltd to a company name which does not include the word 'Hostopia'.

6.12 Records

The Vendor may retain copies of any of the Records necessary for it to comply with any applicable law (including Tax law) and to prepare Tax or other returns required of it by law.

6.13 FY21 Tax Refund

Except to the extent that the FY21 Tax Refund is taken into account or assumed in computing the Working Capital Adjustment Amount, the Purchaser must pay an amount equal to any FY21 Tax Refund received by the Group or a Group Company after Completion less all reasonable third party costs and Tax incurred by a Group Company in obtaining such refund (if any) to the Vendor within five Business Days of receipt of that FY21 Tax Refund from the Tax Authority. On request from the Vendor, the Purchaser must provide the Vendor with any correspondence received by the Group or a Group Company from a Tax Authority in connection with such Tax Refund, including the notice of assessment issued from the Tax Authority.

6.14 Proposed Premises

Without limiting any other provision of this agreement, the Purchaser indemnifies the Vendor for any costs incurred by the Vendor in connection with the reversal of the decision to obtain a lease for the Proposed Premises.

6.15 Purchaser to assist with the FY21 Audited Accounts

Where the FY21 Audited Accounts have not been finalised on or after Completion, the Purchaser must:

(a) provide all information and assistance that may be requested by the Vendor or the Vendor's Authorised Persons in connection with the accounting audit;

(b) execute all documents and give or make all notices and declarations as the Vendor may reasonably require in connection with the accounting audit; and

(c) permit the Vendor and the Vendor's employees, agents or advisers to have access to and take extracts or copies from any of the Records in connection with the accounting audit;

(d) ensure that the Vendor or the Vendor's Authorised Persons are entitled to participate in any way in the conduct of the accounting audit; and

(e) work together in good faith to assist the Vendor or the Vendor's Authorised Persons in obtaining the necessary information required to finalise the FY21 Audited Accounts.

6.16 Purchaser to pay Cash Amount

The Purchaser must pay the Cash Amount to the Vendor no later than the date that is 10 Business Days after the Completion Balance Sheet is delivered by the Company to the Vendor under clause 7.2(b) of this agreement.

7 Working Capital Adjustment Amount

7.1 Calculation of Working Capital Adjustment Amount

The value of adjustments to the Initial Purchase Price will be the dollar amount determined by the Purchaser of the Working Capital Adjustment Amount.

7.2 Preparation of Completion Balance Sheet

The Purchaser must cause the Company to:

(a) prepare the draft Completion Balance Sheet;

(b) deliver the draft Completion Balance Sheet to the Vendor no more than 60 calendar days after the Completion Date; and

(c) bear all costs of preparing the Completion Balance Sheet.

7.3 Content of the Completion Balance Sheet

The Completion Balance Sheet must be:

(a) a balance sheet of the Group as at the close of business on the Completion Date;

(b) in the form of the Pro Forma Completion Accounts set out in Schedule 5 ;

(c) prepared in accordance with the Accounting Policies set out in Schedule 4 ; and

(d) accompanied by a statement that sets out clearly the Working Capital Adjustment Amount and how the amount was calculated.

7.4 Review of the Working Capital Adjustment Amount and Completion Balance Sheet

(a) The Vendor must review the draft Completion Balance Sheet and notify the Purchaser in writing whether it agrees or disagrees with the draft Completion Balance Sheet within 30 Business Days of receipt from the Purchaser.

(b) If the Vendor disagrees with the draft Completion Balance Sheet (or any item in the draft Completion Balance Sheet), the Vendor must notify the Purchaser in writing (**Dispute Notice**) setting out:

(i) full details of any matter in dispute (**Disputed Matters**) and the reasons why each of the Disputed Matters is disputed;

(ii) the Vendor's submissions as to the correct dollar value for each of the Disputed Matters; and

(iii) the Vendor's calculation of the Working Capital Adjustment Amount.

(c) If the Vendor notifies the Purchaser that it agrees with the draft Completion Balance Sheet or fails to deliver a Dispute Notice within the period in clause 7.4(a), the draft Completion Balance Sheet will be deemed to be the final Completion Balance Sheet and will be final and binding on the parties.

7.5 Payment of Working Capital Adjustment Amount

(a) Subject to clause 7.5(b), the Working Capital Adjustment Amount is payable no later than 10 Business Days after the date on which the Completion Balance Sheet is reviewed under clause 7.4(a), as follows:

(i) if the Working Capital Adjustment Amount is a positive number, it is an addition to the Initial Purchase Price and is payable by the Purchaser to the Vendor; and

(ii) if the Working Capital Adjustment Amount is a negative number, it is a reduction of the Initial Purchase Price and is payable by the Vendor to the Purchaser.

(b) If the Vendor disputes the Working Capital Adjustment Amount under clause 7.6, the amount, if any, that is determined to have been overpaid by the Vendor must be repaid by the Purchaser within two Business Days after the Working Capital Adjustment Amount becomes final and binding under clause 7.7.

7.6 Disputes about the Working Capital Adjustment Amount or Completion Balance Sheet

(a) If the Vendor wishes to dispute the Working Capital Adjustment Amount or an item in the Completion Balance Sheet:

(i) within 30 Business Days after the date that the Purchaser delivers the Completion Balance Sheet, the Vendor must give written notice (**Adjustments Dispute Notice**) to the Purchaser of:

(A) each amount or item that the Vendor disputes; and

(B) all relevant details of any act or omission that the Vendor relies on as giving rise to its objection;

(ii) senior representatives of the Purchaser and the Vendor must use all reasonable endeavours to negotiate in good faith to resolve the dispute within five Business Days; and

(iii) if the dispute is not resolved by the end of the period referred to in clause 7.7(b)(ii) within five further Business Days, either party may refer the dispute to an Expert to resolve the dispute under clause 12.

7.7 When the Working Capital Adjustment Amount is final and binding

(a) If the Vendor does not give an Adjustments Dispute Notice within the period referred to in clause 7.6(a)(i), the Vendor will be deemed to have accepted the correctness of the Completion Balance Sheet delivered by the Purchaser under clause 7.2(b) and the Working Capital Adjustment Amount that accompanies that Completion Balance Sheet will be final and binding on the parties at the end of the period referred to in clause 7.6(a)(i).

(b) If the Vendor does give an Adjustments Dispute Notice within the period referred to in clause 7.6(a)(i) and:

(i) the dispute is resolved by the Purchaser and the Vendor within the period referred to in clause 7.6(a)(ii), the Working Capital Adjustment Amount as agreed by the parties will be final and binding on the parties at the end of that period;

(ii) the dispute is not resolved but neither party refers the dispute to an Expert within the period referred to in clause 7.6(a)(iii), the Working Capital Adjustment Amount that accompanies the Completion Balance Sheet delivered by the Purchaser under clause 7.2(b) will be final and binding on the parties as at the end of that period; or

(iii) the dispute is not resolved and either party refers the dispute to an Expert within the period referred to in clause 7.6(a)(iii), the Working Capital Adjustment Amount as determined by the Expert will be final and binding on the parties on the date on which the Expert makes that determination.

7.8 Debt-like items

For the avoidance of doubt and despite any provision to the contrary, the parties agree that:

(a) debt-like items in the Completion Balance Sheet will reduce the Working Capital Adjustment Amount; and

(b) the accrued bonus will be considered as a debt-like item.

8 Vendor Warranties

8.1 Vendor Warranties

The Vendor:

(a) warrants and represents to the Purchaser that each Vendor Warranty is true and accurate, correct and not misleading; and

(b) acknowledges that:

(i) it has made and given the Vendor Warranties with the intention of inducing the Purchaser to enter into this agreement; and

(ii) the Purchaser has entered into this agreement in full reliance on the Vendor Warranties.

8.2 Application of Vendor Warranties

(a) Each Vendor Warranty is given as at the date of this agreement and immediately before Completion, except where a Vendor Warranty is expressed to be given as at a specific date and then that Vendor Warranty is given as at that date only.

(b) Where a Vendor Warranty is qualified by the expression “so far as the Vendor is aware” or any similar expression:

(i) the facts of which the Vendor is aware or that are within the Vendor’s knowledge includes all facts of which the Vendor’s Authorised Persons are actually aware at the relevant time, or which would have been within their knowledge had that person made reasonable enquiries, including enquiries of their reports that might be expected to have knowledge or awareness of the relevant matters; and

(ii) that Vendor Warranty is deemed to include an additional statement that it has been made after the Vendor has made all reasonable enquiries to ensure that all information given in that Vendor Warranty is true and accurate, complete and not misleading.

(c) A fact, matter, event or circumstance is "fairly disclosed" for the purposes of this agreement if sufficient information has been disclosed in the Disclosure Material that a reasonable person experienced in the industries in which the Group operates or transactions similar to the transactions contemplated by this agreement would be able to identify the nature and scope of the relevant fact, matter, event or circumstance.

8.3 Interpretation of Vendor Warranties

Each Vendor Warranty is to be construed separately and the meaning of each Vendor Warranty is in no way limited by reference to any other covenant, warranty or representation in this agreement.

8.4 No extinguishment

The Vendor Warranties are not extinguished or affected by any investigation made by or on behalf of the Purchaser into the affairs of the Group Companies or by any event or matter unless:

(a) the Purchaser has given a specific waiver or release; or

(b) the Claim relates to a matter which is fully, fairly and accurately disclosed in this agreement, or the Disclosure Material.

8.5 Duration of Vendor Warranties

Subject to clause 8.6, each Vendor Warranty survives Completion and remains in full force and effect until the relevant Warranty and Indemnity Expiry Date.

8.6 Continuation of Vendor Warranties

If the Purchaser gives the Vendor notice of a Claim under clause 8.14(a) for a breach of a Vendor Warranty, that Vendor Warranty does not cease on the relevant Warranty and

Indemnity Expiry Date but will continue to the extent required to enable the Purchaser to prosecute a Claim for breach of that Vendor Warranty.

8.7 No Claims after Warranty and Indemnity Expiry Date

No Claim may be brought for breach of a Vendor Warranty after the relevant Warranty and Indemnity Expiry Date and any Claim that is brought after the relevant Warranty and Indemnity Expiry Date will, for the purposes of this agreement, be deemed to be out of time, invalid and unenforceable.

8.8 Qualifications to the Vendor Warranties and Indemnities

Despite any other provision of this agreement but subject to clause 8.16, the Purchaser may not bring a Claim under this agreement, and the Vendor is not liable to make any payment whether by way of damages or otherwise, for any Claim for breach of a Vendor Warranty or under a Warranty Indemnity or a Specific Indemnity to the extent that the breach is based on any fact, matter or circumstance:

(a) expressly provided for in or expressly contemplated by this agreement;

(b) fully and fairly disclosed to the Purchaser in the Disclosure Material (other than to the extent either of those relate to Tax matters);

(c) specifically relating to any liability for which there is a specific provision or reserve in the Accounts or the final Completion Balance Sheet and to the extent that such provision or reserve has not already been used;

(d) specifically relating to any liability for which the Purchaser:

(i) is entitled to claim an indemnity against liability under the terms of any insurance policy of, or applicable to, the Purchaser; or

(ii) would have been entitled to claim an indemnity if the Purchaser had maintained in force the insurance policies that existed at Completion;

(e) that is within the actual knowledge or awareness of the Purchaser, or any of the Purchaser's Authorised Persons as at the date of this agreement, or which would have been within their knowledge had that person made reasonable enquiries of the Purchaser's representatives who might be expected to have knowledge or awareness of the relevant matters (other than to the extent either of those relate to Tax matters);

(f) that is the result of any act or omission, including a breach of this agreement, by or on behalf of the Purchaser or any of the Purchaser's Authorised Persons;

(g) that is ascertainable, as at the date that is two Business Days before the date of this agreement, by searches of public registers the PPSR and the registers maintained by ASIC, State and Federal Courts and IP Australia;

(h) otherwise provided or communicated by the Vendor in writing to the Purchaser or to the Purchaser's Authorised Persons prior to the date of this agreement; or

(i) relating to any Loss which is:

(i) a contingent Loss, unless and until the Loss becomes an actual Loss and becomes due and payable;

(ii) Consequential Loss; or

(iii) remediable, provided it is remedied by the Vendor to the satisfaction of the Purchaser, acting reasonably, within 20 Business Days after the Purchaser has given notice under clause 8.14(a).

(j) where the breach is a result of:

(i) a change in judicial interpretation of the law after the date of this agreement; or

(ii) legislation not in force at the date of this agreement, including legislation that takes effect retrospectively,

other than where such change or legislation was publicly announced prior to the date of this agreement.

8.9 Thresholds for Claims for breach

In addition to any other provision of this agreement, the Vendor is not liable for any breach of a Vendor Warranty (other than Tax Warranties) unless and until:

(a) the Purchaser has given notice under clause 8.14(a);

(b) a Claim made about a breach or series of breaches of a single Vendor Warranty exceeds $60,000; and

(c) the aggregate amount of all Claims for all breaches of Vendor Warranties is more than $350,000,

in which event the Vendor is liable for the full amount of such Claims, and not just the amount in excess of $350,000.

8.10 Maximum liability

(a) In addition to any other provision of this agreement, the Vendor’s maximum aggregate liability:

(i) for all breaches of any Vendor Warranties (excluding the Title and Capacity Warranties or Tax Warranties) or under any indemnity (excluding the Tax Indemnity) given under this agreement will not exceed 50% of the Total Purchase Price; and

(ii) for all breaches of the Title and Capacity Warranties, Tax Warranties, under the Tax Indemnity or otherwise arising under or in connection with this agreement will not exceed the Total Purchase Price,

and, for the avoidance of doubt, does not extend to Consequential Loss.

(b) For the avoidance of doubt, the Vendor’s maximum aggregate liability under clause 8.10(a) includes any liability arising from any resolved Claim between the parties under this agreement.

8.11 Payment for breach of Vendor Warranty Claim

If the Vendor makes a payment to the Purchaser in relation to any Claim for a breach of a Vendor Warranty, the amount of that payment is to be treated as a reduction to the Total Purchase Price received by the Vendor for the Shares.

8.12 Purchaser's acknowledgments and undertakings

The Purchaser acknowledges and agrees that:

(a) other than in respect of the Vendor Warranties, no representation, warranty or assurance of any kind is or has been given by or on behalf of any of the Vendor's Authorised Persons;

(b) no representation, warranty, advice, forecast, promise or assurance of any kind is or has been given by or on behalf of the Vendor in relation to:

(i) future matters, including future or forecast costs, prices, revenues or profits;

(ii) any economic, fiscal or other interpretations or evaluations by a Vendor; or

(iii) the regulation of the industry in which the Business operates and the principles to be applied by any Government Authority about the regulation of that industry;

(c) subject to any law to the contrary and except as expressly set out in this agreement, all warranties, terms, conditions and statements, whether express, implied, written, oral, collateral, statutory or otherwise, are excluded from this agreement and, to the maximum extent permitted by law, the Vendor disclaims all liability in relation to them;

(d) the Purchaser has had the opportunity to conduct its Due Diligence and has satisfied itself in relation to matters arising from the Due Diligence;

(e) at the time of entering into this agreement, neither the Purchaser nor any of the Purchaser's Authorised Persons are in possession of any Information that the Purchaser or the Purchaser's Authorised Persons, as the case may be, knows to be inconsistent with, or to constitute a breach of, any of the provisions of this agreement, including the Vendor Warranties;

(f) except as expressly set out in this agreement, the Vendor and the Vendor's Authorised Persons are not liable to the Purchaser if the Disclosure Material becomes inaccurate, incomplete or misleading in any way;

(g) the only remedy available to the Purchaser for a breach of a Vendor Warranty is damages; and

(h) to the maximum extent permitted by law, the Purchaser agrees not to make and waives any right it may have to make any Claim against the Vendor or the Vendor's Authorised Persons under any provision of the Corporations Act (including section 1041H), the Competition and Consumer Act 2010 (Cth) (including sections 4, 18 and 29 of Schedule 2 to that Act) or any similar provisions in the legislation of Australia and any Australian state or territory or in any other applicable law.

8.13 Breaches of Vendor Warranty on or before Completion

(a) The Vendor must immediately disclose to the Purchaser any information of which it becomes aware in the period between the date of this agreement and the Completion Date which may result in any of the Vendor Warranties being or becoming inaccurate.

(b) If, on or before Completion, the Purchaser becomes aware of anything that, in the Purchaser's reasonable opinion, has or could give rise to a breach of a Vendor Warranty, the Purchaser must give immediate written notice to the Vendor and allow the Vendor a reasonable opportunity to remedy the breach.

8.14 Procedure for Claims for breaches of Vendor Warranty after Completion

If, after Completion but on or before the relevant Warranty and Indemnity Expiry Date, the Purchaser becomes aware of a Claim or potential Claim for breach of any Vendor Warranty or Warranty Indemnity, the Purchaser must:

(a) within 10 Business Days after the date when the matter first comes to the Purchaser's attention, give written notice to the Vendor of all relevant details of any the Claim, including:

(i) any event, matter, act or omission that the Purchaser relies on as giving rise to the Claim;

(ii) the Vendor Warranty that is the subject of the Claim; and

(iii) an estimate of the amount of the Claim; and

(b) use its best endeavours to mitigate any liability that may give rise to a Claim against the Vendor for breach of a Vendor Warranty, including making a claim under an Insurance Policy to recover the liability if the liability is covered under an Insurance Policy and it would be commercially reasonable to do so.

8.15 Procedure for Third Party Claims

(a) If the Purchaser becomes aware of a Third Party Claim, or any events, matters or circumstances (including any potential threatened Third Party Claim) that may give rise to a Third Party Claim, the Purchaser must:

(i) within 10 Business Days after the date when the matter first comes to the Purchaser's attention give written notice to the Vendor of all relevant details of the actual or potential Third Party Claim, including:

(A) any event, matter, act or omission that the third party relies on as giving rise to the Third Party Claim; and

(B) an estimate of the amount of the Third Party Claim; and

(ii) use its best endeavours to mitigate any liability that may give rise to a Third Party Claim, including making a claim under an Insurance Policy to recover the liability if the liability is covered under an Insurance Policy and it would be commercially reasonable to do so.

(b) Within 15 Business Days after receipt of the written notice referred to in clause 8.15(a), the Vendor may give a written notice to the Purchaser that it wishes to assume conduct of the defence of the Third Party Claim, provided that such notice must include an irrevocable and unconditional agreement by the Vendor in favour of the Purchaser that:

(i) the Third Party Claim is one for which the Vendor has liability to the Purchaser under this agreement;

(ii) the Vendor indemnifies the Purchaser against all Losses which the Purchaser may reasonably incur as a result of the Vendor assuming conduct of the defence of the Third Party Claim.

(c) If the Vendor advises the Purchaser that it wishes to assume the conduct of the defence of the Third Party Claim, in accordance with clause 8.15(b), the Purchaser must:

(i) not make any admission of liability or enter into any agreement, settlement or compromise with any person in relation to the Third party Claim without obtaining the Vendor's prior written approval (which must not be unreasonably withheld or delayed); and

(ii) at the Vendor's expense, take all action that the Vendor, acting reasonably, directs to avoid, remedy or mitigate the breach including bringing legal proceedings and disputing, defending or appealing any Third Party Claim.

(d) Each party must in respect of any Third Party Claim:

(i) act in good faith;

(ii) liaise with the other party in relation to the defence of the Third Party Claim; and

(iii) provide the other party with reasonable access to a copy of any notice, correspondence or other document relating to the Third Party Claim.

8.16 Fraud

None of the limitations on the liability of the Vendor set out in this clause 8 apply to any Claim against the Vendor to the extent that the Claim arises from fraud on the part of the Vendor or any of the Vendor's Authorised Persons.

9 Purchaser Warranties

9.1 Purchaser Warranties

The Purchaser represents and warrants to the Vendor that each Purchaser Warranty is correct in all material respects.

9.2 Scope of Purchaser Warranties

Each Purchaser Warranty is given as at the date of this agreement and immediately before Completion, except where a Purchaser Warranty is expressed to be made as at a specific date and then that Purchaser Warranty is given as at that date only.

9.3 Purchaser's indemnity

The Purchaser indemnifies the Vendor in relation to any Claim against the Vendor and for any liability suffered by the Vendor arising from or in connection with any breach of a Purchaser Warranty.

9.4 Continuing obligation

The indemnity in clause 9.3 is a continuing obligation.

9.5 Interpretation of Purchaser Warranties

Each Purchaser Warranty is to be construed separately and the meaning of each Purchaser Warranty is in no way limited by reference to any other covenant, warranty or representation in this agreement.

10 Indemnities

10.1 Warranty Indemnity

(a) The Vendor indemnifies the Purchaser from and against any Loss that is suffered, incurred or sustained by the Purchaser in connection with a breach of a Vendor Warranty, or arising from the facts, matters or circumstances that make a Vendor Warranty untrue.

(b) In respect of any breach of a Vendor Warranty, without limiting the Purchaser's other rights or entitlements, Loss suffered or incurred by the Purchaser will be deemed to include Loss suffered or incurred by a Group Company.

10.2 Tax Indemnity

The Vendor indemnifies the Purchaser against, and must pay to the Purchaser the amount of, any:

(a) Tax payable by a Group Company, to the extent that the Tax relates to any period, or part period, up to and including Completion;

(b) Tax payable by a Group Company, to the extent that the Tax relates to any act, transaction, event or omission, or an instrument executed or performed, on or prior to Completion) other than any Tax to be paid by the Purchaser under clause 20.1; and

(c) Costs and expenses incurred by or on behalf of a Group Company, to the extent that those costs and expenses arise from or relate to any of the matters for which the Vendor may be liable under paragraphs (a) and (b) of this clause,

except to the extent that the Vendor's liability for the Tax is limited or qualified under clause 8.8.

10.3 Specific indemnity

The Vendor indemnifies and must keep indemnified the Purchaser in relation to any Loss suffered by the Purchaser arising from or in connection with the engagement of any person (whether directly or indirectly) as an independent contractor prior to Completion and who is held to be an employee of a Group Company for any purpose.

11 Tax matters

11.1 Tax Claims

The Vendor must pay in Immediately Available Funds the amount notified by the Purchaser to the Purchaser or Government Authority (as the Purchaser directs) with respect to a Tax Claim, the later of:

(a) 2 Business Days before the due date for payment to the Government Authority; or

(b) 10 Business Days after receipt of a notice.

11.2 Preparation of Pre Completion Returns by Vendor

(a) The Vendor will at its own cost and expense:

(i) prepare and file all Pre Completion Returns; and

(ii) bear all costs of preparing the Pre Completion Returns.

(b) The Vendor will fund any liability for Tax arising in relation to the filing of the Pre Completion Returns, except to the extent that the liability for Tax has been provided for in the Completion Balance Sheet or the payment of Tax has already been made to the relevant Tax Authority (which, for the avoidance of doubt, includes any PAYG instalments).

11.3 Purchaser's obligations relating to Pre Completion Returns

(a) The Purchaser must:

(i) provide all information and assistance that may be requested by the Vendor or the Vendor's Authorised Persons in connection with the preparation and filing of the Pre Completion Returns;

(ii) execute all documents and give or make all notices and declarations as the Vendor may reasonably require in connection with the preparation and filing of the Pre Completion Returns; and

(iii) permit the Vendor and the Vendor's Authorised Persons to have access to and take extracts or copies from any of the Records for the purpose of preparing the Pre Completion Returns.

(b) The Purchaser must not, unless the Vendor gives its prior written consent, with consent not to be unreasonably withheld or delayed:

(i) file any Pre Completion Return with the relevant Tax Authority;

(ii) amend, lodge any objection to or appeal any Pre Completion Return;

(iii) apply to relevant Tax Authority for any opinion, ruling or other determination in relation to any assessable income, event or omission covered by a Pre Completion Return or to any event or omission on or before Completion; or

(iv) furnish to relevant Tax Authority any information in relation to any Pre Completion Return or any event or omission on or before Completion, except as required by Tax Law and where required by Tax Law, the Purchaser must immediately inform the Vendor of the details of all furnished information.

11.4 Purchaser may review Pre Completion Returns

(a) The Vendor, as the party responsible for the preparation and filing of all Pre Completion Returns must deliver each Pre-Completion Return and supporting workpapers to the Purchaser as soon as it is available, but in any event at least 10 Business Days before it is due to be filed or at least five Business Days if it is a Business Activity Statement (or, in the case of a Pre Completion Return that is overdue, such other time period as agreed in writing between the Vendor and the Purchaser) for the Purchaser's review and comment.

(b) If the Purchaser objects to any items in any Pre Completion Return:

(i) the Purchaser must notify the Vendor of the objection as soon as it is aware of the objection but in any event no later than 5 Business Days before the Pre Completion Return is due to be filed; and

(ii) the parties must attempt in good faith to resolve the dispute.

11.5 Preparation of Overlap Returns by Purchaser

The Purchaser:

(a) will prepare and file all Overlap Returns, including to the extent that any Overlap Returns relate to assessable income derived on or before Completion; and

(b) bear all costs of preparing the Overlap Returns.

11.6 Vendor may review Overlap Returns

Despite clause 11.5, if the Vendor has given written notice that it wishes to review an Overlap Return, the Purchaser must:

(a) provide a copy of the Overlap Return and supporting calculations to the Vendor no later than:

(i) 10 Business Days prior to the due date for lodgement for a Business Activity Statement; and

(ii) 30 Business Days prior to the due date for lodgement for any other Tax Return;

(b) permit the Vendor and the Vendor's Authorised Persons to have access to any of the Records used to prepare the part of the Overlap Return that relates to assessable income derived on or before Completion;

(c) if the Vendor objects to any item in a relevant Overlap Return, the Vendor must notify the Purchaser of the objection no later than 3 Business Days prior to the due date for lodgement for a Business Activity Statement and no later than 10 Business Days prior to lodgement for any other Overlap Return and the parties must attempt in good faith to resolve the dispute;

(d) if the parties cannot resolve the dispute by agreement by the due date for lodgement of the Tax Return, the Purchaser (or the Purchaser's Authorised Persons) will:

(i) lodge the Tax Return as prepared by the due date for lodgement;

(ii) appoint an Expert to resolve the dispute; and

(iii) if required as a result of the Expert's determination, make, file, lodge or submit an amended Tax Return which reflects the resolution of the disputed.

(e) the costs of the Expert will be borne by the Vendor and the Purchaser equally, unless determined otherwise by the Expert.

11.7 Use of deductions

The Purchaser must ensure that the Purchaser or the Group (**Taxpayer**) uses any deduction, rebate, credit, allowance, rollover, refund or other relief of any kind to the fullest effect in respect of Tax that is reasonably available to reduce, limit, defer or otherwise mitigate a liability to Tax that would or may otherwise give rise to a breach of a Tax Warranty.

11.8 Tax audits, reviews and investigations

If the Taxpayer is notified or becomes aware of a current or proposed Tax audit, review, dispute or other investigation by any Tax Authority of the Group or a Group Company after Completion that relates to any event or omission on or before Completion or any period or part period before Completion:

(a) the Purchaser must procure that the Taxpayer:

(i) provides written notice to the Vendor within 10 Business Days of the Taxpayer receiving notice of or becoming aware of the Tax audit, review, dispute or investigation; and

(ii) provide copies of any Tax demand, assessment, correspondence or other document received from the Tax Authority within 10 Business Days of the Taxpayer receiving the relevant document, including copies of any response(s) provided to the Tax Authority.

(b) the Vendor or the Vendor's Authorised Persons can choose to assume control and discretion over all action taken by the Taxpayer in connection with the Tax audit, review, dispute or other investigation (to the extent that the matter relates to any period, or part period, up to and including Completion) at its sole cost and must:

(i) provide to the Purchaser written notice of its choice within 5 Business Days of receiving the written notice under clause 11.8(a), except where the Vendor has requested further information from the Purchaser or Taxpayer that remains outstanding (in which case, written notice can be provided 5 Business Days commencing from the date of receiving the requested information);

(ii) keep the Purchaser informed during the conduct of the relevant matter and the status of any negotiations with the relevant Tax Authority relating to the relevant matter, and before any agreement in respect of the relevant matter is reached with the relevant Tax Authority, details of the proposed agreement shall be given by the Vendor to the Purchaser in sufficient time before the conclusion of such agreement to enable the Purchaser or its advisors to comment on such agreement;

(iii) include the Purchaser on all correspondence between the Vendor and the Tax Authority in connection with the relevant matter and ensure that such correspondence between the Vendor and the Tax Authority does not adversely affect the Purchaser or any Group Company;

(iv) ensure that the Purchaser is entitled to participate in any way in the conduct of the Tax audit, review, dispute, or other investigation including participation in any meetings with the relevant Tax Authority;

(v) provide the Purchaser with a copy of any documents to be submitted by the Vendor to the relevant Tax Authority in connection with the relevant matter at least 7 Business Days before the documents are submitted to the Tax Authority to allow the Purchaser to review, consider, comment and make any suggested amendments to the submission; and

(vi) observe, consider and follow the Purchaser's reasonable instructions or comments (where applicable) in connection with the relevant matter.

(c) if the Vendor has notified the Purchaser that it does not choose to assume control pursuant to the notice in clause 11.8(b), the Purchaser will assume control and discretion over all action taken by the Taxpayer in connection with the Tax audit, review, dispute or other investigation, and:

(i) following receipt of a notice in respect of a Tax audit, review, dispute or investigation:

(A) the Vendor may, by written notice to the Purchaser, provide direction and instructions over reasonable action taken by the Purchaser, Group Company or Taxpayer in connection with the Tax audit, review, dispute or other investigation at its sole cost, to the extent that such action would not adversely affect the Purchaser or any Group Company and only to the extent that such Tax Audit, review or dispute would result in the Vendor having liability to the Purchaser under this agreement;

(B) all reasonable comments from the Vendor or its advisors received by Purchaser or Taxpayer within a reasonable and sufficient time before any applicable due date or deadline, must be given reasonable consideration and followed in preparing the relevant documents to be submitted to the relevant Tax Authority; and

(ii) if the Vendor provides direction and instructions to the Purchaser over all action taken by the Taxpayer in connection with the Tax audit, review, dispute or other investigation, provided that the Vendor provides the Purchaser with a written indemnity against all Loss which the Purchaser could reasonably incur as a result of acting in accordance with the Vendor's direction and instructions, the Purchaser must procure that the Taxpayer:

(A) provide all information and assistance that may be requested by the Vendor or the Vendor's Authorised Persons in connection with the Tax audit, review, dispute or other investigation;

(B) execute all documents and give or make all notices and declarations as the Vendor may reasonably require in connection with the Tax audit, review, dispute or other investigation;

(C) permit the Vendor and the Vendor's employees, agents or advisers to have access to and take extracts or copies from any of the Records in connection with the Tax audit, review, dispute or other investigation;

(D) ensures that the Vendor or the Vendor's Authorised Persons are entitled to participate in any way in the conduct of the Tax audit, review, dispute, or other investigation including participation in any meetings with the relevant Tax Authority; and

(E) ensures that the Vendor must be kept informed about the status of any negotiations with the relevant Tax Authority relating to the relevant matter, and before any agreement in respect of the relevant matter is reached with the relevant Tax Authority, details of the proposed agreement shall be given by the Purchaser or Taxpayer to the Vendor in sufficient time before the conclusion of such agreement to enable the Vendor or its advisors to comment on such agreement.

(d) If the Vendor and the Purchaser are unable to reach agreement in respect of any of the matters contained in this clause 11.8, the parties must follow the procedures in clause 13 to refer the disagreement for Expert determination.

11.9 Confidentiality

Any information obtained by the Vendor or any of the Vendor's Authorised Persons under this clause 11 after Completion is taken to be Confidential Information for the purposes of clause 14.

12 Restraint of trade

12.1 Restraint during the Restraint Period

During the Restraint Period, the Vendor must not and must ensure that each of its Affiliates does not, directly or indirectly, do any of the following without the prior written consent of the Purchaser (which it may withhold in its complete discretion):

(a) subject to clause 12.7, Engage in a business that competes with or is similar to the Business in a Restraint Area;

(b) whether on its own account or for the benefit for another party:

(i) solicit or attempt to solicit the custom of, or perform any work with, any person who was a customer, client or supplier of the Group or the Business in the 12 month period before Completion;

(ii) solicit, entice or persuade or attempt to solicit, entice or persuade a customer, client or supplier of the Group or a person who becomes a customer of the Group to stop or reduce its business with the Group or the Purchaser; or

(iii) induce, entice or persuade or attempt to induce, entice or persuade an employee or consultant of the Group or a person who later becomes an employee or consultant of the Group to cease his or her employment or consultancy with the Group.

12.2 Restraint at any time

At all times, unless with the prior written consent of the Purchaser, the Vendor must not and the Vendor must ensure that each of its Affiliates does not, whether on its own account or for the benefit of another party:

(a) directly or indirectly use, or disclose to a third party, any Confidential Information relating to the Business that is not generally known or available in the market place or that would not be generally known or available in the market place except for a breach of this clause 12; or

(b) use a logo, symbol, trade mark, or business name substantially identical or deceptively similar to a Trade Mark or Business Name.

12.3 Construction

(a) Each restraint in this clause 12 (resulting from any combination of the wording in clauses 12.1 and 12.2 with each paragraph of the definition of Restraint Period and combining such combination with each paragraph of the definition of the Restraint Area) constitutes a separate restraint that is severable from the other restraints and is a separate and independent obligation from the other restraint obligations imposed, but they are cumulative in effect.

(b) If any of the separate resulting clauses referred to in clause 12.3(a) is invalid and unenforceable for any reason, that clause may be severed from each other resulting clause and its invalidity or unenforceability does not prejudice or in any way affect the validity or enforceability of any other separate resulting clause.

(c) If any part of the restraint goes beyond what is reasonable in the circumstances and necessary to protect the goodwill of the Business but would be reasonable and necessary if any activity were deleted or a period or area were reduced, then the restraint applies with that activity deleted or period or area reduced by the minimum amount necessary to make the restraint reasonable in the circumstances.

(d) The parties intend the restraints to operate to their maximum effect.

12.4 Value of Business

The Vendor acknowledge and agrees that:

(a) each restraint in this clause 12 is necessary and reasonable in its scope and duration and goes no further than is necessary to protect the Purchaser, the Group and the goodwill of the Business; and

(b) any failure to comply with this clause 12 will diminish the value of the Group and Business.

12.5 Legal advice

The Vendor acknowledges and agrees that it has received legal advice or has had the opportunity of obtaining legal advice in relation to this clause 12.

12.6 Relief

The Vendor acknowledges and agrees that:

(a) monetary damages alone will not be adequate compensation to the Purchaser for a breach of this clause 12; and

(b) the Purchaser may seek an injunction from a court of competent jurisdiction if the Vendor breaches this clause 12 or threatens to do so, or the Purchaser has reason to believe the Vendor will breach this clause 12.

12.7 Restrictions do not apply

The prohibitions and restraints in this clause 12 do not prohibit the Vendor or its Affiliates from holding up to a maximum of 5% of the securities of any entity admitted to the official list of the Australian Securities Exchange.

13 Expert determination

13.1 Appointing an Expert

(a) If a party wishes to refer a disagreement regarding or arising out of this agreement for Expert determination, the parties must appoint a person to act as Expert. If the parties are unable to agree on who should be appointed within five Business Days of the Dispute Notice Date, the Expert will be a person who is either of the following (as appropriate):

(i) nominated by the then current President of the Institute of Arbitrators and Mediators Australia; or

(ii) an independent accountant nominated by the President of the Chartered Accountants Australia and New Zealand.

(b) The parties agree that the Expert must be an independent person with appropriate expertise in the matter that is the subject of the dispute and that an independent person means a person who has not had any business dealings with any party in the three years before the date of their appointment.

13.2 Referring a disagreement to the Expert

A party referring a disagreement to an Expert must:

(a) give a written notice (**Dispute Notice**) to the Expert:

(i) setting out the matters about which the Expert is requested to make a decision;

(ii) setting out the estimated value for each item that is the subject of the disagreement;

(iii) where appropriate, requiring the Expert to make a decision on the disagreement applying accounting policies and practices consistent with the Corporations Act, applicable Australian accounting standards, the Accounting Policies and all other applicable laws; and

(iv) requiring the Expert to make the decision as soon as practicable and, in any event, within 10 Business Days after the Expert receives the Dispute Notice;

(b) give the other party a copy of the Dispute Notice;

(c) share the costs of appointing the Expert equally with the other party; and

(d) give the other party a reasonable opportunity to make submissions to the Expert about the subject of the disagreement.

13.3 Parties to assist the Expert

If necessary, the parties:

(a) must give the Expert full access to their books, records and working papers and any information the Expert reasonably requests to make a decision; and

(b) may make submissions about the matters the subject of the disagreement.

13.4 Expert's decision to be binding on the parties

The Expert's decision will be final and binding on the parties, in the absence of manifest error.

13.5 Expert's role

In making a decision, the Expert acts as an expert and not as an arbitrator.

13.6 Survival of clause

This clause 13 survives the termination of this agreement.

14 Confidentiality

14.1 Obligation of confidence

The Receiving Party must:

(a) maintain the confidential nature of the Confidential Information;

(b) not disclose or otherwise provide any Confidential Information to any person except under clauses 14.2 and 14.3 or with the prior written consent of the Disclosing Party;

(c) not use the Confidential Information for the Receiving Party's own or another's advantage, or to the competitive disadvantage of the Disclosing Party; and

(d) not copy or duplicate or allow the copying or duplication of any Confidential Information.

14.2 Disclosure to Authorised Persons

The Receiving Party may disclose Confidential Information to an Authorised Person provided that:

(a) the Authorised Person has a need to know and then only to the extent that the Authorised Person has a need to know;

(b) before disclosure, the Receiving Party has notified the Disclosing Party in writing of the name of the Authorised Person, the nature and extent of the Confidential Information to be disclosed and any other particulars as may be reasonably required by the Disclosing Party;

(c) before disclosure, the Receiving Party has made the Authorised Person fully aware of the confidential nature of the Confidential Information and the terms of this clause 14.2; and

(d) if requested by the Disclosing Party, the Receiving Party ensures that the Authorised Person gives a confidentiality undertaking containing confidentiality obligations that are substantially the same as those impose on the Receiving Party by this clause 14.

14.3 Permitted disclosure

The obligations of confidence do not apply where the Receiving Party is required by law or the rules of a securities exchange to disclose specific Confidential Information, provided that, the Receiving Party must (except to the extent explicitly prohibited by any Government Authority or law) give the Disclosing Party reasonable prior notice of any proposed disclosure of Confidential Information including the form and content of the disclosure to be made.

14.4 Other exceptions

The Purchaser may disclose Confidential Information to:

(a) a bona fide potential buyer of the shares of the Purchaser or the Purchaser's business;

(b) the members of any investment committee or advisory committee of the Purchaser or any Affiliate of the Purchaser;

(c) to any potential or actual equity or debt financier of the Purchaser or, after Completion, any Group Company; or

(d) as is necessary or desirable to facilitate a potential initial public offering of the Purchaser or any Affiliate of the Purchaser or any Group Company,

in each case on a confidential basis.

14.5 Receiving Party's obligations

If the Receiving Party discloses Confidential Information to any person, including an Authorised Person, the Receiving Party must ensure that the person receiving the Confidential Information:

(a) maintains its confidential nature and complies with the terms of this clause 14.5 as if that person were the Receiving Party;

(b) does not do or omit to do anything that, if done by the Receiving Party, would constitute a breach of its obligations of confidence under this clause 14.5; or

(c) does not do or omit to do anything that would cause that person to be in breach of the undertaking required to be entered into under clause 14.2(d).

14.6 Security and control

The Receiving Party must:

(a) take all reasonable proper and effective precautions to maintain the confidential nature of the Confidential Information; and

(b) immediately notify the Disclosing Party of any potential, suspected or actual unauthorised access, disclosure, copying or use or breach of this clause 14.

14.7 Return and destruction

If requested to do so by the Disclosing Party, the Receiving Party must immediately cease all use of the Confidential Information and must, at its own expense:

(a) return to the Disclosing Party or destroy, as the Disclosing Party directs, all Documentation, whether prepared by the Receiving Party or for the Receiving Party as is in the possession, power or control of the Receiving Party or the Receiving Party's Authorised Persons;

(b) delete any Confidential Information that has been entered into a computer, database or other electronic means of data or information storage by the Receiving Party or the Receiving Party's Authorised Persons; and

(c) provide to the Disclosing Party a statutory declaration duly executed by the Receiving Party confirming that the Receiving Party has complied with all of its obligations under this clause 14.7 regarding the return or destruction of Documentation and Confidential Information, as applicable.

14.8 No release

Return or destruction of Documentation and Confidential Information does not release the Receiving Party from its obligations of confidence under this clause 14.

14.9 Use and disclosure of Business related Confidential Information after Completion

On and from Completion, all Confidential Information relating to the Business will be deemed to be the Confidential Information of the Purchaser for the purposes of this agreement. The provisions of this agreement will then apply to that Confidential Information as though the Confidential Information were disclosed by the Purchaser to the Vendor.

14.10 No disclosure under the PPSA

Unless specifically permitted under this clause 14 or otherwise agreed between the parties, the parties agree not to disclose, or authorise the disclosure of, information of the kind referred to in section 275 of the PPSA, in respect of a security interest (as defined in the PPSA) created under or in connection with this agreement, to an interested person (as defined in section 275(9) of the PPSA) or any other person requested by such interested person.

15 Publicity and public announcements

15.1 Media announcements

A party must not make or authorise the making of any press release or other public announcement relating to the negotiations of the parties, the subject matter of this agreement or any of the transactions contemplated by this agreement unless:

(a) it has the prior written approval of the other party (which must not be unreasonably withheld or delayed); or

(b) the release or announcement is required to be made by law or the rules of a securities exchange, in which case, the party making the release or announcement must, if practicable, give the other party a reasonable opportunity (not exceeding 2 Business Days) to comment on the contents of the release or announcement before its release.

15.2 Employee communication

The parties will, as soon as reasonably practicable after the date of this agreement, agree on an announcement or communication concerning the transactions referred to in this agreement to be provided to employees of the Group.

16 GST

16.1 Interpretation

Words and expressions used in this clause 16 and any other provision of this agreement which are not defined in this agreement, but which are defined in the GST Act, have the meaning given to them in the GST Act.

16.2 GST exclusive

All amounts payable or other consideration to be provided under or in connection with this agreement do not include an amount for GST.

16.3 Recovery of GST

If GST is or becomes payable on any supply made under or in connection with this agreement, the party required to provide the consideration for the supply must pay, in addition to and at the same time as the consideration is provided, an amount equal to the amount of GST on the supply.

16.4 Adjustment of amount recovered for GST

If the amount for GST recovered by a party under clause 16.3 differs from the amount of GST payable by the party or its representative member on the supply, the amount of the difference must be paid to or refunded by the party (as the case requires).

16.5 Reimbursement or indemnity payments

If a party is required under this agreement to reimburse or indemnify another party for any amount incurred by the other party, the amount to be reimbursed or paid by the party will be the amount incurred reduced by an amount equal to any input tax credit that the other party or its representative member is entitled to claim for the amount incurred and increased by the amount of any GST payable in respect of the reimbursement or payment.

16.6 Tax invoice

The party making a taxable supply under or in connection with this agreement must issue a tax invoice to the recipient as a pre-condition to payment of the GST amount.

17 Method of payment

Any payment to be made under this agreement must be made by one of the following methods:

(a) a bank draft or a bank cheque;

(b) by credit of cleared funds to the bank account specified by the payee at least two Business Days before the anticipated date of the payment; or

(c) any other lawful form of payment that the parties agree in writing.

18 Interest on default

18.1 Default

If a party does not pay an amount due under this agreement on time, that party is in default.

18.2 Interest

A defaulting party must pay interest on the amount in default:

(a) from the time that amount is due until that amount is paid in full; and

(b) at the rate fixed from time to time by the Attorney General under the *Penalty Interest Rates Act 1983* (Vic).

18.3 No effect on other rights

A party's right to require payment of interest does not affect any other rights and remedies it may have regarding the default.

19 Costs and Stamp Duty

19.1 Purchaser to pay Stamp Duty

The Purchaser must pay all Stamp Duty that is payable on, or relating to, the execution of this agreement and on, or relating to, any instrument signed under this agreement and any transaction contemplated by this agreement.

19.2 Costs

Except where clause 19.1 applies, each party must pay its own costs of negotiating, preparing and executing this agreement and performing its obligations under this agreement.

20 Termination

20.1 Vendor's right to terminate before Completion

The Vendor may terminate this agreement by written notice to the Purchaser at any time before Completion if:

(a) the Purchaser commits any material breach of any of the material provisions of this agreement and the breach is incapable of remedy or, where the breach is capable of remedy, fails to remedy that breach within 10 Business Days of notice from the Vendor requesting that the Purchaser do so;

(b) the Vendor exercises its rights under clause 4.5; or

(c) the Purchaser is subject to an Insolvency Event,

and, in each case, the Vendor is not in breach of this agreement.

20.2 Purchaser's right to terminate before Completion

The Purchaser may terminate this agreement by written notice to the Vendor at any time before Completion if:

(a) the Vendor commits any material breach of any of the material provisions of this agreement and the breach is incapable of remedy or, where the breach is capable of remedy, fails to remedy that breach within 10 Business Days of notice from the Purchaser requesting that the Vendor do so;

(b) the Purchaser exercises its rights under clause 4.5;

(c) a Material Adverse Change has occurred; or

(d) the Vendor is subject to an Insolvency Event, and, in each case, the Purchaser is not in breach of this agreement.

20.3 Effect of termination

If this agreement is terminated, then in addition to any other rights or remedies provided by law:

(a) each party is released from its obligations under this agreement, other than in relation to clauses 9.3, 12, 14, 15, 16 and 19;

(b) each party retains any rights, entitlements or remedies it has accrued before termination; and

(c) each party must cease and ensure its Authorised Persons cease using all Documentation that is in its possession, power or control that contain Information, including Confidential Information, about that other party and at the other party's option:

(i) return;

(ii) destroy and certify in writing to the other party the destruction of; or

(iii) destroy and permit a representative of the other party to witness the destruction of,

all Documentation.

21 Notices

21.1 General

Unless this agreement expressly states otherwise, a notice, consent, approval, waiver or other communication (**notice**) in connection with this agreement must be in writing and signed by the sender or a person authorised by the sender. A notice may be given by hand delivery, prepaid post or by electronic mail to the recipient's current address for service for notices as set out in this agreement or as amended by notice from time to time.

21.2 When effective

A notice given under clause 21.1 will be deemed to be received:

(a) if hand delivered, at the time of delivery;

(b) if sent by pre paid post, three Business Days after the date of posting or seven Business Days after the date of posting if posted to or from a place outside Australia;

(c) if sent by electronic mail, when the sender receives an automated message confirming delivery or eight hours after the message has been sent (as recorded on the device from which the sender sent the message) unless the sender receives an automated message that the electronic mail was not delivered or the sender knows or reasonably should know that there is a network failure and accordingly knows or suspects that the electronic mail was not delivered, unless a notice is received after 5.00 pm on a Business Day in the place of receipt or at any time on a non Business Day, in which case, that notice is deemed to have been received at 9.00 am on the next Business Day.

21.3 Electronic notices

Despite clause 21.2(c), the following notices must not be sent by electronic mail:

(a) a notice of breach of this agreement; or

(b) a notice terminating this agreement.

21.4 Addresses for notices

The addresses and details for delivery of notices are:

Purchaser

Address:	5335 Gate Parkway, Jacksonville, Florida 32256, United States
Email:	jeffrey.neace@newfold.com
Attention:	Jeffrey S. Neace, General Counsel

with copies (which will not constitute notice) to:

Sidley Austin LLP

Address:	1999 Avenue of the Stars, 17th Floor, Los Angeles, CA 90067
Email:	mkhodadad@sidley.com and mstoker@sidley.com
Attention:	Mehdi Khodadad and Matthew Stoker

and

Gilbert + Tobin

Address:	L35, Tower 2 International Towers Sydney, 200 Barangaroo Avenue, Barangaroo, NSW 2000
Email:	kko@gtlaw.com.au
Attention:	Kevin Ko

Vendor

Address:	801 South Marquette Avenue, Minneapolis MN 55402, United States
Email:	jeff.cotter@deluxe.com
Attention:	Jeffrey L. Cotter, Senior Vice President and General Counsel

22 Assignment

A party may not assign or otherwise deal with any of its rights or obligations under this agreement without the prior written consent of the other party that must not be unreasonably withheld.

23 Amendment

This agreement may only be amended or varied in writing signed by each party.

24 Waiver

24.1 No waiver

No failure to exercise or delay in exercising any right given by or under this agreement to a party constitutes a waiver and the party may still exercise that right in the future.

24.2 Waiver must be in writing

Waiver of any provision of this agreement or a right created under it must be in writing signed by the party giving the waiver and is only effective to the extent set out in that written waiver.

25 Approval or consent

25.1 Giving consent

Unless this agreement expressly states otherwise, a party may not unreasonably withhold or unduly delay any approval or consent that the party may be requested to give under this agreement.

25.2 No warranty or representation

By giving its approval or consent about any matter dealt with in this agreement, a party does not make or give any warranty, representation or undertaking about any circumstances relating to the subject matter of the consent or approval.

26 Counterparts

This agreement may be signed in any number of counterparts. All signed counterparts taken together constitute one agreement.

27 Electronic signature and exchange

27.1 Definitions

In this clause, electronic signature means a digital signature or other visual representation of a person’s handwritten signature or mark placed or typed on a copy of this agreement by electronic or mechanical means (or any other means of electronic signing this agreement used by agreement between the parties) and electronically signed has a corresponding meaning.

27.2 Electronic signature of agreement

(a) The parties consent to this agreement being signed by or on behalf of a party by electronic signature.

(b) Where this agreement is electronically signed by or on behalf of a party, the party warrants and agrees that the electronic signature has been used to identify the person signing and to indicate that the party intends to be bound by this agreement.

27.3 Electronic exchange of agreement

(a) This agreement may be electronically signed in any number of counterparts which together will constitute one document.

(b) Each party consents to the exchange of counterparts of this agreement by delivery by email to the party or its legal representative or other electronic means of exchange as the parties may agree.

27.4 Delivery of physical counterpart

On request, each party must deliver a physical counterpart of this agreement with the handwritten signature or signatures of the party and any written evidence of the authority of a person signing on their behalf, but a failure to comply with this request will not affect the validity of this agreement.

28 Severability

If any provision of this agreement is void, voidable by a party, unenforceable, invalid or illegal and would not be so if a word or words were omitted, then that word or those words are to be severed and if this cannot be done, the entire provision is to be severed from this agreement without affecting the validity or enforceability of the remaining provisions of this agreement.

29 No merger

On completion or termination of the transactions contemplated by this agreement, the rights and obligations of the parties set out in this agreement will not merge and any provision that has not been fulfilled remains in force.

30 Further steps

Each party agrees to promptly do all things reasonably necessary or desirable to give full effect to this agreement and the transactions contemplated by it, including obtaining consents and signing documents.

31 PPSR

No party will register any security interest (as defined under the PPSA) that arises out of or in connection with this agreement on the PPSR without first obtaining the written consent of the other party which may not be unreasonably withheld.

32 Time of the essence

Time is of the essence of this agreement.

33 Entire agreement

This agreement constitutes the entire agreement between the parties about its subject matter and supersedes all previous communications, representations, understandings or agreements between the parties on the subject matter.

34 Governing law and jurisdiction

34.1 Governing law

This agreement is governed by the laws of Victoria, Australia.

34.2 Jurisdiction of courts

The parties submit to the nonexclusive jurisdiction of the courts of Victoria and the Federal Court of Australia and any courts that may hear appeals from those courts about any proceedings in connection with this agreement.

35 Foreign resident capital gains withholding – Vendor declaration

(a) For the purposes of this clause, **Withholding Amount** means an amount (if any) that the Purchaser is required to pay to the Australian Taxation Office, determined in accordance with subsection 14-200(3) of Schedule 1 to the *Tax Administration Act 1953* (Cth) (**TAA**).

(b) For the purposes of subsections 14-210(3) and 14-225(2) of Schedule 1 to the TAA, the Vendor declares that the Shares are not indirect Australian real property interests (as that term is defined in section 855-25 of the Tax Act).

(c) In respect of any amounts, including the Deferred Consideration Amount, to be paid to the Vendor, the Purchaser acknowledges and agrees, on the basis of the declaration of the Vendor in clause 35(b) above, that the Purchaser:

(i) is not required to pay a Withholding Amount; and

(ii) will not withhold an amount from, and will pay in full, any and all amounts (including the Deferred Consideration Amount) payable to a Vendor.

EXECUTED as an agreement.

Signing page

EXECUTED for and on behalf of **DELUXE SMALL BUSINESS SALES INC.** by its duly authorised representative:

/s/ Jorge Carvalho

Signature of authorised representative

Jorge Carvalho

Name of authorised representative *(please print)*

EXECUTED by **WEB.COM AUS HOLDCO PTY LTD ACN 635 831 597** in accordance with section 127 of the *Corporations Act 2001* (Cth) by being signed by the following officers:

/s/ Christina L. Clohecy

Signature of director

Christina Clohecy

Name of director *(please print)*

/s/ Jeffrey Neace

Signature of director/company secretary

Jeffrey Neace

Name of director/company secretary *(please print)*

Exhibit 2.2

Amendment Agreement

Deluxe Small Business Sales, Inc (**Vendor**)

Web.com AUS Holdco Pty Ltd (**Purchaser**)

Contents

Date: **29 April 2022**

Parties

Deluxe Small Business Sales, Inc. of 801 Marquette Ave. S., Minneapolis, MN 55402, United States (**Vendor**)

Web.com AUS Holdco Pty Ltd ACN 635 831 597 of c-/ Company Matters Pty Limited, Level 12, 680 George Street, Sydney NSW 2000 (**Purchaser**)

The parties agree

Background

A. The parties to this agreement are parties to a share sale agreement dated 8 March 2022 (**Share Sale Agreement**).

B. The parties wish to vary the Share Sale Agreement in the manner set out in this agreement.

1 Defined terms

A term or expression starting with a capital letter which is not defined in this agreement has the meaning given to it in the Share Sale Agreement.

2 Variation of Share Sale Agreement

On and from the date of this agreement, pursuant to clause 23 of the Share Sale Agreement, the parties agree that the Share Sale Agreement is varied as follows:

(a) In clause 1.1 by substituting the definition of Initial Purchase Price with the following:

Initial Purchase Price *means USD $18,500,000.*

(b) In clause 1.1 by substituting the definition of Deferred Consideration Amount with the following:

Deferred Consideration Amount *means USD $1,500,000*

(c) In part 2 of Schedule 1 by substituting Number of Shares held with the following:

2,196,650,785 ordinary shares

3 Affirmation of Share Sale Agreement and effect of amendment

(a) Each party confirms that on and from this date, the Share Sale Agreement continues in full force and effect, subject only to variations made by this agreement.

(b) The variations to the Share Sale Agreement made by this agreement do not affect the validity or enforceability of the Share Sale Agreement.

(c) Nothing in this agreement:

  (i) prejudices or adversely affects any right, power, authority, discretion or remedy arising under the Share Sale Agreement before this date; or

  (ii) discharges, releases or otherwise affects any liability or obligation arising under the Share Sale Agreement before this date.

(d) With effect on and from this date this date, each party is bound by the Share Sale Agreement as varied by this agreement.

(e) Each party agrees that this agreement and the variations provided for in it are made or provided in accordance with all requirements of the Share Sale Agreement.

(f) The parties acknowledge and agree that if there is a conflict between the Share Sale Agreement and this agreement, the terms of this agreement prevail.

4 Notices

Clause 21 of the Share Sale Agreement applies to this agreement, *mutatis mutandis*.

5 General

5.1 Governing law

This agreement is governed by the laws of Victoria, Australia.

5.2 Choice of jurisdiction

The parties submit to the nonexclusive jurisdiction of the courts of Victoria and the Federal Court of Australia and any courts that may hear appeals from those courts about any proceedings in connection with this agreement.

5.3 Counterparts

This agreement may be signed in any number of counterparts. All signed counterparts taken together constitute one agreement.

5.4 Electronic signature and exchange

Clause 27 of the Share Sale Agreement applies as if set out in this agreement in full.

5.5 Costs and expenses

Except as expressly provided in this agreement, each Party must pay its own costs and expenses of negotiating, preparing and executing this agreement and any other instrument executed under this agreement.

5.6 Further assurances

Except as expressly provided in this agreement, each Party must, at its own expense, do all things reasonably necessary to give full effect to this agreement and the matters contemplated by it.

5.7 Cumulative rights

Except as expressly provided in this agreement, the rights of a party under this agreement are in addition to and do not exclude or limit any other rights or remedies provided by law.

5.8 Severability

Any term of this agreement which is wholly or partially void or unenforceable is severed to the extent that it is void or unenforceable. The validity or enforceability of the remainder of this agreement is not affected.

5.9 Variation

No variation of this agreement is effective unless made in writing and signed by each party.

5.10 Entire agreement

This agreement, together with the Share Sale Agreement (as varied by this agreement) supersedes all previous agreements, understandings and negotiations about its subject matter and embodies the entire agreement between the parties about its subject matter.

Execution page

Executed as an agreement.

Signed by **DELUXE SMALL BUSINESS SALES INC.** by its duly authorised representative:

/s/ Jorge Carvalho	Jorge Carvalho
Signature of authorised representative	Name of authorised representative (print)

Signed by **WEB.COM AUS HOLDCO PTY LTD ACN 635 831 597** in accordance with section 127 of the *Corporations Act 2001* (Cth) by:

/s/ Christina L. Clohecy	/s/ Jeffrey Neace
Signature of director	Signature of director/secretary
Christina Clohecy	Jeffrey Neace
Name of director (print)	Name of director/secretary (print)

Exhibit 31.1

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 6, 2022

/s/ Barry C. McCarthy

Barry C. McCarthy
President and Chief Executive Officer

Exhibit 31.2

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

I, Scott C. Bomar, 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 6, 2022

/s/ Scott C. Bomar
Scott C. Bomar
Senior Vice President, Chief Financial Officer

Exhibit 32.1

CEO AND CFO CERTIFICATION OF PERIODIC REPORT

We, Barry C. McCarthy, President and Chief Executive Officer of Deluxe Corporation (the “Company”), and Scott C. Bomar, 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, 2022 (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 6, 2022

/s/ Barry C. McCarthy
Barry C. McCarthy
President and Chief Executive Officer

/s/ Scott C. Bomar
Scott C. Bomar
Senior Vice President, Chief Financial Officer