

August 31, 2018

**Dear clients and colleagues,**

The word technology means different things to different people. Some think smartphones and the internet, while others think advanced robotics and artificial intelligence. No matter where your mind goes first, one thing is certain, technology is changing our lives in profound ways. And for better or for worse, the revolution is well underway.

Take, for example, the once-simple process of ordering a pizza for your family. Did you know that, thanks to technology there are at least eight different ways to get a Domino's pizza delivered to your house? You can place an order by phone, online or through the Domino's app, Amazon Echo, Google Home, your smart watch, smart TV or smart car. Once you've ordered, you can track what stage of the cooking process the pizza is at, from assembly to baking, and see when it's in the car on the way to your house. You can even give encouragement to the people making your pizza through Twitter, Facebook or the Domino's app.

Domino's is leading the way in using technology to build brand loyalty and establishing more personalized interactions with customers. It has fully embraced the concept of omni-channel engagement, and in doing so it has dramatically enhanced its identity as more than a simple purveyor of pizza. As its CIO says, "We are a technology company that happens to sell pizza".

### **How is our portfolio positioned to benefit from powerful technological trends?**

Let's not forget that the final and most crucial step of ordering your pizza is making the payment, and that is where one of our holdings, ACI Worldwide (ACIW), plays a key role. ACIW's solutions enable payments across multiple channels on a single platform.

In today's world, where data security is a top concern for any retailer, you can't open the doors to a fun and flexible ordering process without first locking down a secure payment platform. ACIW accomplishes this by providing security and tokenization and helps to prevent credit card numbers floating through all those different ordering channels.

#### **ACI Worldwide**

[www.aciworldwide.com](http://www.aciworldwide.com)

#### ***Business Overview***

ACIW is a pure software company offering unified payment solutions that enable any-to-any payment transactions regardless of time, location or type. Every time a customer uses a credit or debit card, a number of systems are involved, including the merchant's processor, the customer's card company (Visa, MasterCard or an ATM) and the card issuer's systems. ACIW's software essentially provides the "electronic handshake" that connects these systems quickly and securely.

### ***Target Market***

ACIW operates in a \$1.1 trillion transaction market that is expected to grow to \$1.6 trillion by 2022 as cash transactions are replaced with electronic payments around the world. According to Visa, cash transactions still accounts for over \$11 trillion globally.

### ***Competitive Advantages***

- Sticky business as installation is large and complex
- High customer retention rate (attrition in the low single digits)
- Long-term license (5 -10 year contracts)
- With over 12,000 endpoints, they have the largest ability to process a payment from one point to another

### ***Growth Strategy***

- Cross-selling
- Lead payments transformation with Universal Payments Platform
- Geographical expansion

### ***Risks***

- Integration of large acquisitions
- Execution on sales pipeline

ACIW offers many payment solutions and endpoints, which can be thought of as Lego blocks. They can be put together in various ways, depending on the client's requirements and budget. Think about how Lego progressed from selling generic boxes of blocks to selling prepackaged kits for much higher prices. Similarly, through cross-selling, ACIW can market customized, pre-built payment solutions to a wide range of customers.

So remember, the next time you order a pizza or buy something online, there is a high probability that your purchase was powered by ACI Worldwide.

We currently own several key technology players like ACIW and will continue to seek out companies that are driving innovation in this space.

Wishing you a great weekend,

The Global Alpha Team