

Kofax Acquires 170 Systems

Transaction Positions the Company for Leadership in the Rapidly Growing Invoice Processing Market

IRVINE, Calif.--(BUSINESS WIRE)--Kofax plc (LSE: KFX), the leading provider of document driven business process automation solutions, today announced it has acquired 170 Systems, Inc., a leading provider of financial process automation software, for consideration of \$32.9 million, net of cash held by the company. The transaction is consistent with Kofax's stated acquisition strategy and both management and the Board believe it should position the Company for leadership in the rapidly growing invoice processing market.

170 Systems is privately held, venture capital funded company headquartered in Boston, MA and has approximately 140 employees. The company's flagship product, the 170 MarkView® Financial Suite, is a proven workflow solution for invoice processing and related accounts payable (A/P) functions that is fully integrated and certified for use with both SAP's and Oracle's enterprise resource planning (ERP) software and typically delivers a return on investment (ROI) of less than one year. This is complemented by 170 MarkView Advisor, a real time financial process performance management and cash flow optimization software, and SupplierExpress, a hosted software application that streamlines supplier interaction and enables timely, accurate payments. The company's customers include Bank of Montreal, BT, ConAgra, France Telecom, Juniper Networks, Reader's Digest, Sandia National Laboratories, Select Medical, Thomson Reuters, University of Pennsylvania, Verizon Wireless and over 150 other companies.

Commenting on the acquisition, Reynolds C. Bish, Chief Executive Officer of Kofax, said: "This acquisition is in line with our strategy of augmenting our organic growth with the acquisition of synergistic technologies or complementary companies that increase our competitive advantage or expand our market reach. In this specific case it addresses a significant competitive disadvantage we've publicly acknowledged and discussed in some detail over the past year, and should therefore allow us to better pursue our revenue growth strategies."

He continued: "Our continuing profitability and strong balance sheet allowed us to effect this transaction from a position of strength. As a result, we're able to maintain a comfortable cash position and our \$16 million working capital line of credit remains available through September of 2011. Furthermore, excluding non cash charges, we expect this acquisition to be earnings neutral this financial year and accretive in subsequent periods."

By acquiring 170 Systems Kofax has achieved the ability to deliver a complete invoice processing solution that incorporates paper as well as electronic invoice capture and A/P workflow capabilities. Kofax's management and Board believe this should allow Kofax to gain a larger share of the invoice processing market which, according to Paystream Advisors, is forecasted to grow from \$1.1 billion in 2008 to over \$1.8 billion in 2012 at an 18.3% compound annual growth rate (CAGR).

Kofax should realize additional revenue growth opportunities by pursuing the following selling strategies:

- Less than 20% of 170 Systems' customers currently utilize capture software. Kofax's capture software is already integrated with the 170 MarkView® Financial Suite and Kofax intends to market its capture software to those companies.
- According to Paystream Advisors electronic invoice processing is forecasted to be the fastest growing segment of the invoice processing market, growing at a

27.0% CAGR, and most of 170 Systems' customers do not yet utilize electronic invoice processing software. Kofax's electronic invoice processing software is already integrated with the 170 MarkView® Financial Suite and Kofax intends to also market this software to those companies.

- Most Kofax customers do not have an invoice processing solution and the few that do utilize older or proprietary solutions. Kofax intends to market 170 Systems' software and solutions to those companies.
- Most of 170's Systems' sales resources and customers are located in the United States. Kofax intends to market 170 Systems' software on a global basis through its hybrid go-to-market strategy, which supports both direct customer engagements and indirect sales through over 1,000 channel partners in more than 30 countries.
- The 170 MarkView® Financial Suite is a proven workflow solution for A/P functions that can also serve as a flexible platform for automating other financial processes, such as "Quote-to-Cash" or Accounts Receivable (A/R) functions and other departmental activities within large companies. Kofax intends to develop and market additional solutions to further expand its market reach.

170 Systems' audited financial statements for the year ended December 31, 2008 reported revenues of \$28.1 million, a net loss from operations of \$2.6 million and gross assets of \$20.9 million. During the latter part of 2008 the company restructured its operations with the goal of approximately breaking even on the same level of revenues during 2009 and, on an unaudited basis and excluding expenses relating to this transaction, the company achieved that objective during the first six months of 2009. Kofax expects to effect additional cost savings made possible by its acquisition of the company between now and December 31, 2009.

To acquire 170 Systems, Kofax paid total consideration of \$43.0 million or net consideration of \$32.9 million after deducting \$10.1 million of cash held by the company. Of the total consideration \$29.7 million was in cash, \$9.0 million was in the form of a note payable due on September 4, 2010, bearing interest at the rate of five percent per annum and guaranteed by Kofax's bank and \$4.3 million in the form of a hold back, with \$2.3 million to be released on September 4, 2010 and the remainder on September 4, 2011, subject to certain indemnification terms and conditions.

About Kofax

Kofax plc (LSE: KFX) is the leading provider of document driven business process automation solutions. For more than 20 years, Kofax has provided award winning solutions that streamline the flow of information throughout an organization by managing the capture, transformation and exchange of business critical information arising in paper, fax and electronic formats in a more accurate, timely and cost effective manner. These solutions provide a rapid return on investment to thousands of customers in financial services, government, business process outsourcing, healthcare, supply chain and other markets. Kofax delivers these solutions through its own sales and service organizations, and a global network of more than 1,000 authorized partners in more than 60 countries throughout the Americas, EMEA and Asia Pacific. For more information, visit www.kofax.com.

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