

THE WALL STREET TRANSCRIPT

Questioning Market Leaders For Long Term Investors

THE FOLLOWING REPORT IS EXCERPTED FROM
THE WALL STREET TRANSCRIPT

CEO/COMPANY INTERVIEW

JOHN C. DORMAN
Digital Insight Corporation

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Digital Insight Corp. (DGIN)



JOHN C. DORMAN is the President and CEO of Digital Insight Corporation. Prior to his appointment as President and CEO of Digital Insight, Mr. Dorman was Senior Vice President for Oracle Worldwide Financial Services, with responsibility for developing Oracle's product and marketing strategies for the financial services industry. Prior to joining Oracle, Mr. Dorman was founder, President, and CEO of Treasury Services Corporation, the

leading provider of management information solutions to the financial services industry worldwide. TSC began as a specialized consulting firm for asset and liability management, funds transfer pricing and profitability measurement in 1983. Over the course of 14 years, TSC grew into one of the largest providers of integrated systems and services solutions for organizational, product and customer profitability; funds transfer pricing; budgeting & planning; asset/liability management; advanced risk analysis and marketing. In 1997, Oracle purchased TSC, and the software became the foundation for Oracle's Financial Services Applications. Prior to starting TSC, Mr. Dorman spent 12 years in the banking industry as a senior financial executive for Union Bank of California. Mr. Dorman was appointed Treasurer, with overall responsibility for funding, investment portfolio management, funds transfer pricing, capital markets trading, derivatives, offshore branches, and foreign exchange dealing.

SECTOR — IT SERVICES

(JAX219) TWST: Could we start out with a brief overview and a quick history of Digital Insight?

Mr. Dorman: Digital Insight is the leading provider of outsourced Internet banking solutions for community financial institutions. We provide a full-service capability to enable banks, credit unions, and savings and loans to serve both their retail and business customers over the Internet.

TWST: What are some of the products?

Mr. Dorman: There is AXIS™ Internet banking, which is a product that enables retail customers to connect to their bank over the Internet. From their bank's website they can

check account balances, account history, transfer funds, pay bills and so forth. We also have AXIS Cash Management, a commercial product that is oriented toward banks' business customers. AXIS Cash Management enables business customers to check their account balances, to look at their account statements and account histories, pay bills, and send wire transfers over the Internet. AXIS Cash Management can also initiate automated clearinghouse transactions, or ACH, to do such things as automated payroll deposit and so forth. Integrating with both those products is AXIS Target Marketing, which enables the financial institution to use the Internet as a channel for cross-selling products and services to their customers.

Investors Brief



Ticker (exchange)

DGIN (NASDAQ)

Price close 5/1/00

41 1/2

12 Months Price Range

19 - 86

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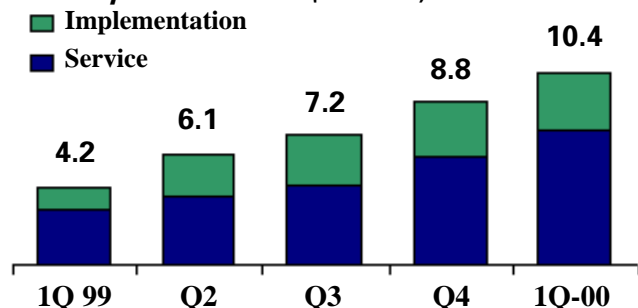
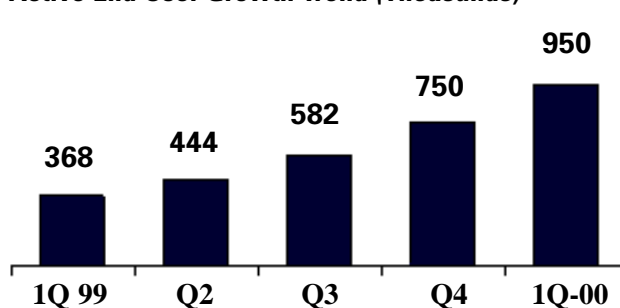
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Corporate Officers**John Dorman**
Chairman, President, CEO**Paul Fiore**
EVP, New Ventures**Meheriar Hasan**
SVP, Product Management
and Engineering**Daniel Jacoby**
SVP, Technology, New Ventures**Kevin McDonnell**
SVP, Finance and Administration,
CFO, Secretary**Steven Reich**
SVP, Sales and Marketing**Stephen Zarate**
SVP, CIO**Digital Insight. Beyond Internet Banking.****PRESS HIGHLIGHTS****May 1:** DIGITAL INSIGHT, CALIFORNIA COMMERCE BANK GOING ONLINE IN SPANISH – First in a series of Bilingual Internet Banking Initiatives**April 27:** DIGITAL INSIGHT REPORTS RECORD FIRST QUARTER RESULTS – Record Quarterly Revenues of \$10.4 Million, up 150% Exceeds Consensus Estimates by 2 Cents Per Share**April 11:** DIGITAL INSIGHT DELIVERS TWO MORE NEW PROFITABILITY-BOOSTING PRODUCTS FOR FINANCIAL INSTITUTIONS – Leading Internet Banking Provider Fulfills Promise of Taking Financial Institution Clients “Beyond Internet Banking”**April 11:** DIGITAL INSIGHT UNVEILS AXIS® ADVANCED TARGET MARKETING – Comprehensive Online Marketing System and Sophisticated Data Mining and Predictive Modeling Services Improve Clients’ Marketing Efficiency**April 11:** DIGITAL INSIGHT LAUNCHES AXIS® eCOMMERCE – Financial institution clients can now offer branded, one-stop financial web portals to their customers**April 10:** DIGITAL INSIGHT AGREES TO ACQUIRE 1VIEW NETWORK – Leading Provider of Internet Banking Solutions to Expand Capabilities into Online Content Aggregation and Electronic Bill Presentment & Payment**March 31:** DIGITAL INSIGHT ACQUIRES ANYTIME ACCESS® TO ENTER THE OUTSOURCED LENDING MARKET TO OFFER MULTI-CHANNEL LENDING SERVICES – Acquisition of AnyTime Access and Integration of HNC Software’s Capstone® Decision Manager Enables Comprehensive Lending Capabilities**March 23:** DIGITAL INSIGHT BRINGS FIRST NATIONAL BANK OF OTTAWA ONLINE IN JUST THREE WEEKS – Leading Internet Banking Provider Gathers Reputation for Fast Time-to-Market**March 15:** DIGITAL INSIGHT ADDS ONLINE CHECK IMAGING FUNCTIONALITY TO AXIS® INTERNET BANKING AND AXIS CASH MANAGEMENT – By Allowing End-Users to View Checks Online, Financial Institutions Can Reduce Costs, Improve Customer Service**March 9:** DIGITAL INSIGHT UNVEILS WIRELESS STRATEGY, OFFERING REMOTE ACCESS FOR INTERNET BANKING SERVICES – Alliance with Air2Web Enables Leading Internet Banking Provider to Deliver Services via Digital Cellular Phones, PDAs and WAP-enabled Devices**February 28:** DIGITAL INSIGHT UNVEILS COMBINED DIGITAL INSIGHT/nFRONT INTERNET BANKING PRODUCT LINE – AXIS® Internet Banking and Cash Management to Offer Best Capabilities of Both Product Lines, Provide Choice of Batch or RealTime Processing**February 22:** ABA AFFIRMS ENDORSEMENT OF DIGITAL INSIGHT FOR “BEST IN CLASS” INTERNET BANKING – ABA Announcement Follows Digital Insight’s Merger This Month with nFront**Corporate Profile**

Digital Insight® empowers financial institutions to provide Internet-based financial solutions to their retail and commercial customers via a cost-effective, outsourced service. There are over 22,000 community institutions in the U.S., less than 10 per cent of these institutions offer Internet banking today. Digital Insight’s unique AXIS® architecture is the only application service provider (ASP) system designed to communicate in either real time or batch, based on the institution’s core data processing system. AXIS is template-based, enabling retail and commercial Internet banking in multiple languages and across multiple access devices. Along with Internet Banking, Bill Payment and Cash Management, Digital Insight continues to offer more to its clients. Profit generating opportunities are offered through the following product lines: AXIS eCommerce, a financial web portal; AXIS Online Lending, a completely automated lending solution; and AXIS Advanced Target Marketing with its sophisticated data mining and predictive modeling capabilities. All of Digital Insight’s products and services are secure, reliable, and scalable.

Digital Insight is the leading provider of Internet banking services to financial institutions. The Company generates revenues from its financial institution customers in the form of implementation fees for establishing Internet banking services, and recurring service fees based on end user adoption and web maintenance. More than 880 financial institutions have contracted with Digital Insight for one or more of the Company’s products and services. More than 950,000 customers of these institutions are actively using Digital Insight for their Internet banking. In addition to being an application service provider, Digital Insight also offers website design, maintenance and hosting; customer service training and support; and marketing consulting services.

Quarterly Revenue Trend (Millions)**Active End User Growth Trend (Thousands)**

We recently announced three new products, AXIS Online Lending, AXIS eCommerce, and AXIS Advanced Target Marketing. AXIS Online Lending enables financial institutions to do full end-to-end online automated underwriting of consumer and mortgage loans for their customers. AXIS eCommerce enables financial institutions to use their website as a portal that offers news, weather, stock quotes, typical eCommerce shopping and buying services, as well as online trading, retirement planning information, etc. AXIS Advanced Target Marketing allows the financial institution to take advantage of more sophisticated data mining and predictive modeling tools in addition to basic Internet marketing capabilities.

TWST: It sounds like you are keeping busy.

Mr. Dorman: Very, very busy.

TWST: With whom are you competing with in this space?

Mr. Dorman: The competition remains quite fragmented. There are a large number of small competitors in various sectors, either geographically, or by size of company. There's no one competitor that we see in more than about say 15% of the competitive situation. The public companies that we would see the most would be Online Resources and S1 Corporation. S1 specializes in serving the largest financial institutions, recently acquired Q-Up, a smaller competitor that we sometimes run into in the market. However, at this time, it's still a very frag-

mented, competitive environment, and Digital Insight is by far, the largest in terms of serving our target market.

TWST: It would appear to be a substantial market, why is the competition so fragmented?

Mr. Dorman: The main reason is that, in terms of development, it's still an early market. You are correct that it is a very large market; but the market has just visibly emerged in the last two years as having high potential and high

growth. Companies like Digital Insight that are in the lead in penetration are in the process of acquiring smaller competitors to consolidate the market. When it first started, there were many smaller companies. With us acquiring nFront a few months ago and S1 recently acquiring Q-Up, this is a market of continuing consolidation where the smaller players are being acquired by the larger ones.

TWST: And you intend to remain an acquirer?

Mr. Dorman: Yes. We're, by far, the biggest in this market and so it makes sense for us to continue to look for opportunities to acquire. On March 31st we announced an acquisition, not of a direct competitor, but of a complementary product—AnyTime Access, that is in the online lending arena. Its service is very complementary to the online lending product that we released. It made sense to us to extend our product and client base. Then on April 10, Digital Insight announced plans to acquire IView Network, a provider of electronic bill payment and presentment (EBPP) as well as financial account aggregation and consolidation technol-

Highlights

Digital Insight offers fully outsourced Internet banking for community financial institutions with assets of less than \$10 billion. It basically provides all of the software, infrastructure and services to enable clients to connect and serve their customers over the Internet. CEO John C. Dorman says that the company is a clear leader in a fast-growing market. The company has a proven business model based on multiple drivers of revenue growth and a high percentage of recurring revenue. He feels that Digital Insight has the best management team in the industry, so there really is the ability to execute in a fast-changing, high-growth environment.

ogy. This was another acquisition of a company whose product complements our product line.

TWST: When you look for acquisitions, what are you looking for, is it product extension?

Mr. Dorman: We're looking at market share consolidation as well as product extension. Our acquisition of *nFront* didn't extend our product line—it expanded our market share; whereas the acquisition of AnyTime Access and 1View Network will expand our product base. Actually, in the case of AnyTime Access, the transaction expands our market share as well. The company has 170 financial institutions of which only about 35 were existing Digital Insight clients. So it does expand our market share, but the primary motivator of that acquisition was to extend our product line. We'll continue to look at both market consolidation and product extension. We see a lot of opportunities in the market. It's a very rapidly changing arena and with our strong market leadership, we're in a good position to see all the opportunities that come along.

TWST: Is one of your big advantages: being a first mover in this marketplace?

Mr. Dorman: Yes, definitely, because that attracts the capital that allows us to invest in enhancing the product. We continue to enhance the product line in a way that's difficult for smaller competitors to match.

TWST: As in so many of these marketplaces these days, I guess. We've been hearing about online banking for a long time. As you look out over the next two or three years, what is really going to be the catalyst to get it moving rapidly?

By many standards it already is moving rapidly. We've added more than 130 new financial institutions in the fourth quarter of last year alone. On April 27, we announced 151 new clients signed in 1Q 2000. So the market is growing very rapidly.

Furthermore, our number of active end users is also growing at a considerable pace; more than 950,000 to date. As to your question: "Is there something that's going to cause it to just take off?" I think the biggest factor that most experts are looking to is widespread electronic bill presentment availability. That's the consensus among experts in this market. When that happens you'll see a substantial acceleration in the adoption of online banking, because it would be a major convenience factor that customers can pay more of their bills electronically. It should happen over the next few years. I don't think that electronic bill presentment is going to become huge overnight; I think it's going to be more gradual. But even without that, the market is growing well over 100% a year.

TWST: So not a traffic growth rate even with that.

We had last 12 month growth year-over-year in excess of 148%, so it's pretty high growth, even without that.

TWST: As we look out over the next couple of years, what kind of growth should investors expect from Digital Insight?

Mr. Dorman: Wall Street analysts are generally projecting the next five years at 70% or higher continuously, and we believe that's conservative.

TWST: And do you have the management team in place to support that kind of growth?

Mr. Dorman: Yes, we do. One of the strengths of our company is that we built a solid management team in advance of going public, and we've selectively strengthen that team with some complementary talents from the acquisitions we've chosen. We definitely believe we've got the right team in place to manage continuing high growth.

TWST: And is the growth you are talking about, is that internal or does that include acquisitions?

Mr. Dorman: In the last 12 months, 148% growth has been internal and the forward projection from analysts of 70% or higher also refers to internal growth. Acquisitions would be layered on top of that.

TWST: Fairly impressive. For investors looking at the industry, what should they worry about? Where's the risk in this story, other than the general economy?

Mr. Dorman: The general economy would be the biggest one. Then there are all the usual execution risks. We're running a service bureau business in a highly secure environment. Investors looking at these companies need to pay attention to the investments in infrastructure, at reliability and security, at redundancy and data centers, and other things of that nature. We believe that we're managed and positioned to have good answers to all those risks. If you look at the risk factors that underwriters' counsel would point out on prospectuses and so forth, they are principally all in the areas of execution and security, reliability and redundancy of data centers, and so forth. This is expected because we're in the business of connecting banks to their customers over the Internet.

TWST: Always offer some interesting risks.

Mr. Dorman: Yes, and then general economic dislocation or downdraft would likely slow the growth of the business, but it wouldn't necessarily present a serious risk to the business, it simply would lengthen out the growth curve.

TWST: Is there any technology risk of suddenly somebody coming up with a better mousetrap?

Mr. Dorman: In any technology business

that's always something you look at, and we do and consider it quite carefully. But if you look at what our technology consists of, we are really in the middle of connecting two main technologies. We're connecting the Internet end users, who are connecting via browsers or via wireless devices, (we announced wireless access technology for our clients in March) to their banks' core data processing systems. We're operating right in the mainstream of technology for driving information over web browsers or wireless devices. On the back end, we're connecting to the banks' core data processing systems. Those systems have been stable for nearly thirty years. There really hasn't been any major technological shift in how they process bank accounts, and that basic account processing hasn't been heavily impacted by major shifts in technology. It went from mainframe, then some went to AS 400 and mini computers, and some went to client servers. However, the reality is the way accounts are processed is still pretty fundamentally the same. So if you look at what our business is, it's really not that vulnerable to shifts in technology.

TWST: At least nothing rapid that's going to make a big difference in your world?

Mr. Dorman: No.

TWST: How do you feel about the value the market is currently putting on your company?

Mr. Dorman: I think like any CEO. We believe that there's value in the company that still needs to be better understood by the market. We look at our value more from the perspective of running a marathon than running a sprint, so how the value looks day to day isn't something I concern myself with that much. In relative terms, we are valued with multiples that are relatively high for enablers of Internet financial services. We be-

lieve that's not only appropriate, but that as our story becomes better known and the strength of our business model becomes better known, investors will believe that even higher relative valuations are appropriate.

TWST: Do you think the market understands what you are doing?

Mr. Dorman: I think an increasing body of investors is coming to understand what we're doing. But it's still early in this market and there's still a lot of education to be done about the various companies and the strengths of one business model versus another.

TWST: If you are sitting down with some potential longer-term investors, what two or three reasons would you give them to go out and buy your stock?

Mr. Dorman: First, I would emphasize the high growth and the multiple drivers of revenue growth that are inherent in our business model; there's a strong assurance of continuing growth. Secondly, I would emphasize that the business model is very proven, that we have a high percentage of recurring revenues, and strong and continuously improving gross margins; our margins are already showing a steady improvement with scale. We're different than a great deal of Internet companies in that we have a very strong cash position, and we run very conservatively financially. Furthermore, we're the market leader with a clear dominant lead in terms of the metrics that matter the most: we're actually getting financial institutions and their customers, both retail and business, to use Internet banking. We have a very dominant lead on those metrics. When you add up all those factors, I believe it makes for a very compelling investment story.

TWST: When might investors begin to see earnings?

Mr. Dorman: Wall Street analysts are generally projecting that we'll be profitable by the fourth quarter of 2001, and we're comfortable with that.

TWST: And ultimately what kind of a margin should you be able to generate in this type of business?

Mr. Dorman: 20% or higher operating profit.

TWST: So a very significant level then.

Mr. Dorman: Yes, it has the potential to be a very profitable business.

TWST: Good! Is there anything else that we should have touched on and haven't?

Mr. Dorman: I think it's important to note that the acquisition of AnyTime Access enables Digital Insight to offer end-to-end online loan origination for our client-financial institutions, and that has never been done before in this arena.

TWST: Yes, it's really a first, I guess.

Mr. Dorman: Yes.

TWST: How quickly can you get that out into the marketplace and what do you think the reaction will be?

Mr. Dorman: We expect to be selling it to our clients by next quarter and we already have, based on the product that we were developing in advance of doing this acquisition, we already have a backlog of demand from our clients. What financial institutions are seeing with these new products is the opportunity to use the Internet as a way to generate more revenues and drive up profits, that it creates a much more compelling reason for a bank or credit union to make the investment to go online.

TWST: So it really kind of feeds on itself.

Mr. Dorman: Yes.

TWST: So that will be out there very quickly. How big of a piece of your business is that likely to become?

Mr. Dorman: It's projected this year to be around 17% of combined total revenues and it would be reasonable to expect that percentage to increase over time.

TWST: And I would think increase fairly rapidly.

Mr. Dorman: Yes.

TWST: Thank you.

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Each Executive who is the featured subject of a TWST Interview is offered the opportunity to include an Investors Brief or other highlight material to be provided and sponsored by and for the company. This interview with John C. Dorman, Chairman, President & CEO, Digital Insight Corp., is accompanied by an Investors Brief containing corporate information.
