



News---For Immediate Release

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ONLINE RESOURCES POSTS SECOND QUARTER 2007 RESULTS

Core Earnings Strong Sequentially; Company Announces Agreement to Acquire Biller Service Provider

CHANTILLY, Va., July 26, 2007 – Online Resources Corporation (Nasdaq: ORCC), a leading provider of web-based financial services, today reported financial and operating results for the three months ended June 30, 2007.

The following results include the impact of the acquisition of Princeton eCom on July 3, 2006, and reflect material additional revenue and costs, including \$3.6 million in acquisition financing costs, not included in core net income in 2006.

- Revenue was \$31.9 million, up 84 percent from \$17.4 million in second quarter 2006.
- Earnings before interest, taxes, depreciation and amortization (Ebitda), a non-GAAP measure, was \$7.8 million, an increase of 89 percent compared to \$4.1 million in the prior year.
- Net loss available to common stockholders was \$1.2 million, or \$0.04 per diluted share, compared to net income of \$1.4 million, or \$0.05 per diluted share, in the prior year.
- Core net income, a non-GAAP measure, was \$1.9 million, or \$0.07 per diluted share, compared to \$2.2 million, or \$0.08 per diluted share, in the prior year.

“Second quarter fundamentals were strong,” stated Matthew P. Lawlor, chairman and chief executive officer of the Company. “Core earnings were up significantly from first quarter 2007 and Ebitda margin expanded as expected. Our performance was driven by continued revenue growth on seasonally appropriate bill pay transactions, leverage in our business model, and the absence of one-time accounting charges we incurred last quarter.”

Lawlor added, “In the second half of the year, we see continued strong billpay growth and expanding Ebitda margin, although we have been impacted by a lengthening new client sales cycle and the previously announced migration of several clients off our platform.”

In a separate announcement, the Company stated it has signed a definitive agreement to acquire Internet Transaction Solutions, Inc. (ITS), a biller service provider, for \$45 million in stock and cash.

“The acquisition of ITS further positions the Company to drive shareholder value by creating some exciting new distribution channels,” said Lawlor. “Additionally, the Princeton integration is behind us. Cost synergies have been achieved, our reorganization is complete and related new product initiatives are progressing well. While we are cautious about the timing and impact level of these opportunities, we expect them to provide strong revenue and core earnings expansion in 2008.”

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2007 Business Outlook

The Company provided guidance for the third quarter and updated its full year 2007 guidance, including the impact of its pending acquisition of ITS. Guidance does not assume the release of any additional tax valuation allowance in 2007, though the Company may do so. These statements are forward-looking, and actual results may differ materially.

	Third Quarter			Full Year		
	2006 Actual	2007 Guidance	% Change	2006 Actual	2007 Guidance	% Change
Revenue (\$ millions)	\$28.3	\$33.5-34.5	20%	\$91.7	\$135.0-138.0	49%
Ebitda (a)(b)	\$5.9	\$8.3-8.9	46%	\$20.5	\$33.0-34.5	65%
Earnings (\$ per share)						
Net Loss to Common (c)	\$(0.13)	\$(0.06)-(0.04)	n/a	\$(0.16)	\$(0.42)-(0.39)	n/a
Core Net (Loss) Income (a)(d)(e)	\$(0.01)	\$0.06-0.08	n/a	\$0.16	\$0.28-0.31	84%
Share Count (millions)						
Basic	25.6	27.5	7%	25.5	27.1	6%
Fully Diluted Shares (f)	27.0	29.7	10%	27.0	29.2	8%

- (a) The Company uses non-GAAP (Generally Accepted Accounting Principles) financial measures, including Ebitda and core net (loss) income, to evaluate performance and establish goals. It believes that these measures are valuable to investors in assessing the Company's operating results when viewed in conjunction with GAAP results.
- (b) Ebitda is defined as earnings before interest, taxes, depreciation, amortization, preferred stock accretion and equity compensation expense.
- (c) Third quarters 2007 and 2006 and full years 2007 and 2006 net loss available to common stockholders per share is calculated using the number of weighted-average shares outstanding (basic), not fully diluted shares.
- (d) Excludes amortization of acquisition-related intangible assets of approximately \$1.8 and \$2.3 million for the third quarters of 2007 and 2006, respectively, and \$8.6 and \$5.0 million for the years 2007 and 2006, respectively. Excludes equity compensation expense of approximately \$1.3 and \$0.6 million for the third quarters of 2007 and 2006, respectively, and \$3.7 and \$2.5 million for the years 2007 and 2006, respectively. Excludes write-off of fees and other expenses related to senior debt refinancing of approximately \$5.6 million in the full year 2007. Excludes preferred stock accretion related to the redemption premium of \$0.4 million for the third quarters of 2007 and 2006 and \$1.5 and \$0.8 million for the years 2007 and 2006, respectively. Excludes costs related to the fair market valuation of the escalation accrual on the preferred stock of \$0.1 million for the third quarters of 2007 and 2006 and \$0.3 and \$0.2 million for the full years 2007 and 2006, respectively. Includes preferred stock accretion of approximately \$1.8 million for the third quarters of 2007 and 2006 and \$7.0 and \$3.5 million for the years 2007 and 2006, respectively.
- (e) Core net (loss) income is defined as net loss available to common stockholders before the amortization of acquisition-related intangible assets, equity compensation expense, merger-related charges, restructuring-related charges, impairment charges, cumulative effect of change in accounting methods, income tax benefit from the release of valuation allowance, non-recurring tax charges, costs related to the escalation accrual on the preferred stock and preferred stock accretion related to the redemption premium. Some or all of these items may not be applicable in any given reporting period.
- (f) Only used for the purposes of calculating core net (loss) income per share.

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Today's Conference Call and Web Cast

The Company's management will host a conference call to discuss the results today at 5:00 p.m. ET. The conference call dial-in number is (800) 938-1087 for domestic participants and (706) 679-7266 for international participants. Alternatively, a live web cast of the call will be available through the "Investors" section of Online Resources' web site at www.orcc.com. The call and web cast will be recorded and available for playback from 8:00 p.m. ET on July 26th until midnight on Thursday, August 2nd. For the conference call playback, dial (800) 642-1687 for domestic participants and (706) 645-9291 for international participants and enter code 6346632. For web cast replay, go to the "Investors" section of www.orcc.com.

About Online Resources

Online Resources powers web-based financial services for 2700 financial institutions, billers and credit service providers. Its proprietary suite of account presentation and payment services are branded to its clients, and augmented by marketing services to drive consumer and business end-user adoption. The Company serves over 10 million end-users and processes \$100 billion in bill payments annually. Founded in 1989, Online Resources (Nasdaq: ORCC; www.orcc.com) is recognized as one of the nation's fastest growing companies.

This news release contains statements about future events and expectations, which are "forward-looking statements." Any statement in this release that is not a statement of historical fact may be deemed to be a forward-looking statement. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Specifically factors that might cause such a difference include, but are not limited to: the company's history of losses and anticipation of future losses; the company's dependence on the marketing efforts of third parties; the potential fluctuations in the company's operating results; the company's potential need for additional capital; the company's potential inability to expand the company's services and related products in the event of substantial increases in demand for these services and related products; the company's competition; the company's ability to attract and retain skilled personnel; the company's reliance on the company's patents and other intellectual property; the early stage of market adoption of the services it offers; consolidation of the banking and financial services industry; and those risks and uncertainties discussed in filings made by the company with the Securities and Exchange Commission, including those risks and uncertainties contained under the heading "Risk Factors" in the company's Form 10-K, latest 10-Q, and S-3 as filed with the Securities and Exchange Commission. These factors should be considered in evaluating the forward-looking statements, and undue reliance should not be placed on such statements.

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Online Resources Corporation Quarterly Operating Data (Unaudited)

	Total					% Change	
	2Q06	3Q06 ¹	4Q06 ¹	1Q07	2Q07	2Q07 vs. 1Q07	2Q07 vs. 2Q06
BANKING SERVICES							
Users (#K)	1,666	3,638	3,836	3,899	4,317	11%	159%
Account Presentation (#K)	776	849	916	826	989	20%	27%
Payments (#K) ²	1,054	2,962	3,097	3,260	3,522	8%	234%
Adoption Rate (%)							
Account Presentation ³	25.2%	26.3%	26.5%	26.4%	27.7%	5%	10%
Payments ⁴	9.7%	5.7%	6.0%	6.3%	6.7%	6%	-31%
Full Service ⁴	9.2%	9.5%	9.9%	10.3%	10.7%	4%	16%
Remittance Only ⁴	10.4%	4.9%	5.2%	5.5%	5.8%	5%	-44%
Same Store ⁵	10.5%	11.0%	11.3%	11.6%	12.0%	3%	14%
Other Metrics							
Bill Payment Transactions (#M)	14.2	36.0	38.0	40.8	42.1	3%	196%
Clients	877	2,344	2,360	2,381	2,425	2%	177%
eCOMMERCE SERVICES							
Users (#K) ²	1,740	4,474	5,001	5,610	6,143	10%	253%
Account Presentation (#K)	1,740	1,960	2,375	2,598	2,709	4%	56%
Payments (#K)	0	2,514	2,626	3,012	3,434	14%	nm
Other Metrics							
Bill Payment Transactions (#M)	0.0	5.3	5.7	6.7	7.7	13%	nm
Clients ⁶	9	244	258	278	295	6%	3178%
TOTAL COMPANY							
Users (#K) ²	3,406	8,112	8,837	9,509	10,460	10%	207%
Bill Payment Transactions (#M)	14.2	41.3	43.7	47.5	49.8	5%	250%
Clients	886	2,588	2,618	2,659	2,720	2%	207%

Notes:

¹Excludes Citizens Bank of Rhode Island, a legacy Princeton eCom client that departed in December 2006.

²Only includes users that have been active over the past 90 days or were otherwise billable.

³The number of account presentation end-users with checking accounts divided by the 2.1 million total launched checking accounts held with our account presentation banking services clients.

⁴The number of payment services end-users divided by the total launched checking accounts held with all of our banking services payments clients (36.2 million), our banking services full service payments clients (6.7 million) and our banking services remittance only payments clients (29.5 million). The calculation only includes banking services payments clients for which we are the exclusive processor of the type of bill payment(s) we process for the client.

⁵The number of payment services end-users divided by the 8.2 million total launched checking accounts held with our banking services payments clients that were launched on or before December 31, 2004. The calculation only includes banking services payments clients for which we are the exclusive processor of the type of bill payment(s) we process for the client.

⁶Does not include 2,298 direct biller endpoints, bringing our total number of biller relationships to 2,584.

Online Resources Corporation
Consolidated Statement of Operations
(In thousands, except per share amounts)
(Unaudited)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2007	2006	2007	2006
Revenues:				
Account presentation services	\$ 2,203	\$ 1,956	\$ 4,465	\$ 3,884
Payment services	23,880	10,849	47,260	21,244
Relationship management services	2,061	2,058	4,224	4,155
Professional services and other	3,797	2,496	6,841	4,793
Total revenues	<u>31,941</u>	<u>17,359</u>	<u>62,790</u>	<u>34,076</u>
Expenses:				
Cost of revenues	<u>14,677</u>	<u>7,591</u>	<u>29,762</u>	<u>15,253</u>
Gross profit	17,264	9,768	33,028	18,823
General and administrative	6,440	4,284	13,526	8,708
Selling and marketing	6,090	2,850	11,822	5,558
Systems and development	2,123	1,064	4,451	2,207
Total expenses	<u>14,653</u>	<u>8,198</u>	<u>29,799</u>	<u>16,473</u>
Income from operations	2,611	1,570	3,229	2,350
Other (expense) income				
Interest income	400	682	737	1,280
Interest expense and write-off of debt issuance costs	(1,960)	-	(4,499)	(1)
Loss on extinguishment of debt	-	-	(5,625)	-
Total other (expense) income	<u>(1,560)</u>	<u>682</u>	<u>(9,387)</u>	<u>1,279</u>
Income (loss) before taxes	1,051	2,252	(6,158)	3,629
Income tax provision	81	855	291	1,475
Net income (loss)	970	1,397	(6,449)	2,154
Preferred stock accretion	2,128	-	4,163	-
Net (loss) income available to common stockholders	<u>\$ (1,158)</u>	<u>\$ 1,397</u>	<u>\$ (10,612)</u>	<u>\$ 2,154</u>
Net (loss) income available to common stockholders per share				
Basic	\$ (0.04)	\$ 0.05	\$ (0.41)	\$ 0.08
Diluted	\$ (0.04)	\$ 0.05	\$ (0.41)	\$ 0.08
Shares used in calculation of net (loss) income available to common stockholders per share:				
Basic	26,184	25,523	26,056	25,410
Diluted	26,184	27,527	26,056	27,553
Reconciliation of net (loss) income to Ebitda (See Note 1):				
Net income (loss)	\$ 970	\$ 1,397	\$ (6,449)	\$ 2,154
Depreciation and amortization (incl. loss on disposal of assets)	4,927	1,911	9,749	3,657
Equity compensation expense	219	616	1,199	1,233
Other expense (income)	1,560	(682)	9,387	(1,279)
Income tax provision	81	855	291	1,475
Ebitda (See Note 1)	<u>\$ 7,757</u>	<u>\$ 4,097</u>	<u>\$ 14,177</u>	<u>\$ 7,240</u>
Reconciliation of net (loss) income available to common stockholders to core net income (See Note 2):				
Net (loss) income available to common stockholders	\$ (1,158)	\$ 1,397	\$ (10,612)	\$ 2,154
Loss on extinguishment of debt	-	-	5,625	-
Preferred stock accretion related to redemption premium	381	-	700	-
Escalation accrual fair market valuation adjustment	61	-	134	-
Equity compensation expense	219	616	1,199	1,233
Amortization of intangible assets	2,347	138	4,693	276
Core net income (see Note 2)	<u>\$ 1,850</u>	<u>\$ 2,151</u>	<u>\$ 1,739</u>	<u>\$ 3,663</u>

Notes:

- Ebitda is defined as earnings before interest, taxes, depreciation and amortization, preferred stock accretion and equity compensation expense.
- Core net income is defined as net income available to common stockholders before the amortization of acquisition-related intangible assets, equity compensation expense, merger-related charges, restructuring-related charges, impairment charges, cumulative effect of change in accounting methods, income tax benefit from the release of valuation allowance, non-recurring tax charges, costs related to the fair market valuation of the escalation accrual on the preferred stock and preferred stock accretion related to the redemption premium. Some or all of these items may not be applicable in any given reporting period.

Online Resources Corporation Condensed Consolidated Balance Sheets

(In thousands)
(Unaudited)

	<u>JUNE 30,</u> <u>2007</u>	<u>DECEMBER 31,</u> <u>2006</u>
ASSETS		
Current assets:		
Cash, cash equivalents and short-term investments	\$ 31,791	\$ 32,154
Restricted cash	1,533	3,919
Accounts receivable, net	15,552	14,291
Deferred implementation costs	1,353	1,598
Deferred tax asset	1,095	2,561
Debt issuance cost	294	890
Prepaid expenses and other current assets	2,891	2,653
Total current assets	54,509	58,066
Property and equipment, net	20,992	19,110
Deferred tax asset	11,635	11,635
Goodwill	167,920	168,085
Intangible assets	20,439	25,128
Deferred implementation costs, less current portion	1,397	1,015
Debt issuance cost, less current portion	1,079	3,116
Other assets	785	436
Total assets	\$ 278,756	\$ 286,591
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$ 7,288	\$ 8,672
Deferred revenues	4,975	4,919
Deferred rent obligation	184	304
Interest payable	39	2,688
Total current liabilities	12,486	16,583
Notes payable, senior secured debt	85,000	85,000
Deferred revenues, less current portion	3,571	3,374
Deferred rent obligation, less current portion	2,079	2,144
Other long-term liabilities	2,495	4,047
Total liabilities	105,631	111,148
Redeemable convertible preferred stock	76,271	72,108
Stockholders' equity	96,854	103,335
Total liabilities and stockholders' equity	\$ 278,756	\$ 286,591

Online Resources Corporation
Condensed Consolidated Statement of Cash Flows
(In thousands)
(Unaudited)

	THREE MONTHS ENDED	
	JUNE 30,	
	2007	2006
Operating activities:		
Net (loss) income	\$ (6,449)	\$ 2,154
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	9,583	3,657
Loss on preferred stock derivative security	134	-
Loss on cash flow hedge derivative security	142	-
Loss on disposal of assets	166	-
Provision for losses on accounts receivable	(64)	-
Write off and amortization of debt issuance costs	4,111	-
Equity compensation expense	1,199	1,233
Deferred tax expense	1,466	1,473
Changes in operating assets and liabilities, net of acquisitions	(5,035)	(3,391)
Net cash provided by operating activities	<u>5,253</u>	<u>5,126</u>
Investing activities:		
Purchases of property and equipment	(6,816)	(5,395)
Net cash used by investing activities	<u>(6,816)</u>	<u>(5,395)</u>
Financing activities:		
Proceeds from the issuance of common stock	2,731	2,543
Purchase of derivative	(121)	-
Sale of derivative	23	-
Debt issuance costs on refinancing of long-term debt	(1,443)	-
Repayment of 2006 Notes	(85,000)	-
Proceeds from issuance of 2007 Notes	85,000	-
Repayment of capital lease obligations	(20)	(8)
Net cash provided by financing activities	<u>1,170</u>	<u>2,535</u>
Net (decrease) increase in cash and cash equivalents	(393)	2,266
Cash and cash equivalents at beginning of period	31,189	55,864
Cash and cash equivalents at end of period	<u>\$ 30,796</u>	<u>\$ 58,130</u>