DELUXE CORP
Form 10-K
February 28, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

þ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2013

Commission file number: 1-7945

DELUXE CORPORATION
(Exact name of registrant as specified in its charter)

Minnesota (State or other jurisdiction of incorporation or organization)	41-0216800 (I.R.S. Employer Identification No.)
3680 Victoria St. N., Shoreview, Minnesota (Address of principal executive offices)	55126-2966 (Zip Code)

Registrant’s telephone number, including area code: (651) 483-7111

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $1.00 per share	New York Stock Exchange
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. þ Yes o No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes þ No

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. þ Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). o Yes þ No

The aggregate market value of the voting stock held by non-affiliates of the registrant is $1,726,122,182 based on the last sales price of the registrant's common stock on the New York Stock Exchange on June 28, 2013. The number of outstanding shares of the registrant's common stock as of February 17, 2014, was 50,423,988.

Documents Incorporated by Reference: Portions of our definitive proxy statement to be filed within 120 days after our fiscal year-end are incorporated by reference in Part III.

DELUXE CORPORATION
FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2013

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PART I

Item 1. Business.

Deluxe Corporation was incorporated under the laws of the State of Minnesota in 1920. From 1920 until 1988, our company was named Deluxe Check Printers, Incorporated. Our principal corporate offices are located at 3680 Victoria Street North, Shoreview, Minnesota 55126-2966. Our main telephone number is (651) 483-7111.

COMPANY OVERVIEW

Our vision is to be the best at helping small businesses and financial institutions grow. Through our various businesses and brands, we help small businesses and financial institutions grow, operate and protect their businesses. We employ a multi-channel strategy to provide a suite of life-cycle driven solutions to our customers. We use printed and electronic marketing, a direct sales force, financial institution and telecommunication client referrals, purchased search results from online search engines, and independent distributors and dealers to promote and sell a wide range of customized products and services. Over the past 24 months, our Small Business Services segment has provided products and services to over 4.5 million small business customers and our Direct Checks segment has provided products and services to more than six million consumers. Through our Financial Services segment, we provide products and services to approximately 5,500 financial institution clients. Our product and service offerings are comprised of the following:

Checks – We remain one of the largest providers of checks in the United States, both in terms of revenue and the number of checks produced. Checks account for the majority of the revenue in our Financial Services and Direct Checks segments and represented 43.2% of our Small Business Services segment's revenue in 2013.

Forms – Our Small Business Services segment is a leading provider of printed forms to small businesses, including deposit tickets, billing forms, work orders, job proposals, purchase orders, invoices and personnel forms. This segment also offers computer forms compatible with accounting software packages commonly used by small businesses. Forms sold by our Financial Services and Direct Checks segments include deposit tickets and check registers.

Accessories and other products – Small Business Services offers products designed to provide small business owners with the customized documents necessary to efficiently manage their business, including envelopes, office supplies, stamps and labels, as well as retail packaging supplies. Our Financial Services and Direct Checks segments offer checkbook covers and stamps.

Marketing solutions – All three of our segments offer products and services that help small businesses and/or financial institutions promote their businesses and acquire customers. Our Small Business Services segment offers services designed to fulfill the sales and marketing needs of small businesses, including web design, hosting and other web services; search engine optimization; marketing services, including email, mobile, social media and other self-service marketing solutions; digital printing services; and logo design. In addition, Small Business Services offers products such as promotional products, postcards, brochures, apparel, greeting cards and business cards. Financial Services offers various customer acquisition programs, marketing communications services and rewards and loyalty programs. Direct Checks provides package insert programs under which companies' marketing materials are included in our check packages.

Other services – All three of our segments provide fraud protection and security services. In addition, our Small Business Services segment offers payroll services and health care enrollment solutions, and Financial Services provides financial institution profitability and risk management services.

Revenue, by product and service category, as a percentage of consolidated revenue for the years ended December 31 was as follows:

	2013	2012	2011
Checks, including contract settlements	55.8 %	58.7 %	61.5 %
Marketing solutions, including services	15.7 %	13.6 %	10.6 %
Forms	12.6 %	13.2 %	13.8 %
Accessories and other products	9.9 %	9.2 %	9.0 %
Other services	6.0 %	5.3 %	5.1 %
Total revenue	100.0 %	100.0 %	100.0 %

BUSINESS SEGMENTS

Our business segments are generally organized by type of customer and reflect the way we manage the company. Additional information concerning our segments appears under the caption “Note 16: Business segment information” of the Notes to Consolidated Financial Statements appearing in Item 8 of this report.

Small Business Services

Small Business Services operates under various brands including Deluxe®, NEBS®, Safeguard®, PsPrint®, Hostopia®, Logo Mojo®, Aplus.net℠, OrangeSoda℠ and VerticalResponse®. This is our largest segment in terms of revenue and operating income and we are concentrating on profitably growing this segment. Small Business Services strives to be a leading supplier to small businesses by providing personalized products and services that help them grow, operate and protect their businesses. This segment sells products and services to small businesses in North America and portions of South America and Europe.

The majority of Small Business Services products are distributed through more than one channel. Our primary channels are direct response mail and internet advertising, referrals from financial institutions and telecommunications clients, Safeguard distributors, a network of independent local dealers, and a direct sales force which focuses on major accounts. These efforts are supplemented by the account development efforts of an outbound telemarketing group. Customer service for initial order support, product reorders and routine service is provided by a network of call center representatives located throughout the United States and Canada.

Our strategies within Small Business Services are as follows:

- Effectively acquire and retain customers by optimizing each of our sales channels;
- Expand sales of higher growth marketing solutions and other services;
- Increase our share of the amount small businesses spend on the types of products and services in our portfolio through increased brand awareness and improved customer segmentation and analytics; and
- Continue to optimize our cost and expense structure.

We continue to invest in several key enablers to achieve our strategies and reposition Small Business Services as not just a provider of business checks and printed forms, but also as a provider of higher growth marketing solutions and other services. These key enablers include attracting new customers, strengthening our portfolio of products and services, improving our use of technology, growing our distributor channel, and enhancing brand awareness and positioning.

We have focused on identifying opportunities to expand sales to our existing customers and to acquire new customers. The small business customer referrals we receive through our Deluxe Business Advantage® program continue to be important to our growth. This program provides a fast and simple way for financial institutions to offer expanded personalized service to small businesses. Our relationships with financial institutions are important in helping us more deeply serve unique customer segments such as contractors, retailers and professional services firms. In addition, we continue to leverage customer referrals from our telecommunications clients, we continue to invest in our e-commerce platforms to increase opportunities to market and sell on-line, and we continue to utilize various marketing initiatives, including television, internet and direct mail solicitations. We have also acquired the operations of several small business distributors with the intention of increasing our customer base and growing revenue in our distributor channel. These distributors primarily sell checks, accessories, forms and promotional products.

We continuously evaluate ways to strengthen our portfolio of products and services. In recent years, we have grown our base of partnerships and we have acquired companies which allow us to expand our marketing solutions and other services offerings, including additional web services, web-to-print capabilities, internet marketing services and electronic checks. We expect sales of these higher growth products and services will continue to represent an increasing portion of our revenue. Specifically, during June 2013, we acquired VerticalResponse, Inc., a provider of self-service marketing solutions for small businesses, including e-mail marketing, social media, on-line event marketing, postcard marketing and on-line surveys. In May 2012, we acquired OrangeSoda, Inc., a provider of internet marketing services specializing in search, mobile and social media campaign strategies for small businesses, and in July 2011, we acquired PsPrint, LLC a web-to-print solutions company that provides online print marketing and promotional services for small businesses.

During the past several years, we have invested in promoting and strengthening the Deluxe brand to increase brand awareness and loyalty. In late 2012, we implemented an advertising campaign intended to encourage small business owners to view us as a business partner who can provide many of the key elements they need to operate and promote their business, so the owners can focus instead on doing what they love. This campaign continued throughout 2013 and into 2014. We examined our marketing strategies, held focus groups, analyzed research studies, and shadowed small business owners while they worked. Through these efforts, we learned that the primary motivator for today's small business owner has shifted from business growth to personal satisfaction. This insight formed the basis of our brand awareness campaign, the redesign of our Deluxe.com website and updated training for our call center sales representatives. We completed a small business brand awareness study late in the fourth quarter of 2013, which showed positive improvements in areas such as brand awareness, buying consideration, and likelihood to recommend. For example, for existing customers, the study showed double-digit percentage improvements in familiarity with Deluxe as a website design and hosting services provider. Our intent for 2014 is to continue our brand awareness campaign, including television, online digital and print media. We plan to increase our focus on direct response marketing, as well as drive a more targeted local market concentration.

As in our other two business segments, we continue our efforts within Small Business Services to simplify processes, eliminate complexity and lower costs. Small Business Services outsources the production of some of its products, including certain business forms, promotional products and apparel. In conjunction with our cost reduction initiatives, we continually seek to further enhance our strategic supplier sourcing arrangements within this segment. In addition, the expertise we have developed in logistics, productivity and inventory management has allowed us to reduce the number of production facilities while still meeting client requirements. During the fourth quarter of 2013, we closed our New Albany, Indiana manufacturing facility and moved its operations into another facility. In 2012, we closed our Rockford, Illinois printing facility and consolidated the work into other facilities and in 2011, we closed our Crystal Lake, Illinois business products fulfillment center, moving its operations into another facility.

Financial Services

Financial Services' products and services are sold primarily through a direct sales force, which executes supply contracts with our financial institution clients nationwide, including banks, credit unions and financial services companies. Check supply contracts usually range in duration from three to six years. As part of our check programs, we provide enhanced services such as customized reporting, file management, expedited account conversion support, trackable delivery and billing services. Consumers typically submit their check order to their financial institution, which then forwards the order to us. Consumers may also submit their check orders over the phone or internet. We process the order and ship it directly to the consumer. Financial Services produces a wide range of check designs, with many consumers preferring one of the dozens of licensed or cause-related designs we offer, including Disney®, Warner Brothers®, Garfield®, Harley-Davidson®, NASCAR®, PGA TOUR®, Thomas Kinkade®, Susan G. Komen for the Cure® and National Arbor Day Foundation®.

Our strategies within Financial Services are as follows:

- Optimize core check revenue streams and acquire new clients;
- Expand sales of higher growth marketing solutions and other services that differentiate us from the competition; and
- Continue to optimize our cost and expense structure.

We continue to focus on maintaining high client retention and on acquiring new clients. We added new large financial institution clients in the third quarter of 2013, the first quarter of 2012 and in the third quarter of 2010. We are also advancing our marketing solutions and other services offerings with customer acquisition, risk management, and other new services. In December 2013, we acquired the assets of Destination Rewards, a rewards and loyalty program provider, in August 2013, we acquired the assets of Acton Marketing, LLC, a provider of direct marketing services for financial institutions, and in April 2011, we acquired the assets of Banker's Dashboard, LLC, which provides online financial management tools that provide banks with a comprehensive daily view of their financial picture. We also continue to leverage our Deluxe Business Advantage program which is designed to maximize financial institution business check programs. It offers the products and services of our Small Business Services segment to the small business customers of financial institutions through a number of service level options. The revenue from the products and services sold through this program is reflected in our Small Business Services segment.

In our efforts to expand beyond check-related products, we offer several marketing solutions and other services offerings, including:

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- Marketing solutions – a variety of strategic marketing solutions which help financial institutions acquire new customers, deepen existing customer relationships and retain customers, including Cornerstone Solutions[SM]; the service offerings of Acton Marketing; Destination Rewards® proprietary customer loyalty, incentive and engagement solutions; analytics-driven direct marketing programs; and SwitchAgent[SM], a proprietary service allowing consumers to easily switch from one financial institution to another.
- Banker's Dashboard® – online financial management tools that provide financial institutions with a comprehensive daily view of their financial picture.
- Deluxe Provent[SM] – a comprehensive suite of identity protection services.
- Deluxe Detect® – an account applicant screening tool.

We expect providing products and services that differentiate us from the competition will help partially offset the impacts of the decline in check usage and the competitive pricing pressures we are experiencing in our check programs. As such, we also continue to focus on accelerating the pace at which we introduce new products and services.

As in our other two business segments, Financial Services continues to simplify processes, eliminate complexity and lower costs. During 2013, we integrated our customer call center leadership structure with Small Business Services to leverage internal best practices, processes and resources, and during 2011, we closed our Financial Services customer call center located in Phoenix, Arizona, moving the work to other facilities.

Direct Checks

Direct Checks is the nation's leading direct-to-consumer check supplier, selling under various brand names including Checks Unlimited®, Designer® Checks, Checks.com, Check Gallery®, The Styles Check Company®, and Artistic Checks®, among others. Through these brands, we sell our products and services directly to consumers using direct response marketing.

We use a variety of direct marketing techniques to acquire new customers, including newspaper inserts, in-package advertising, statement stuffers and co-op advertising. We also use search engine marketing and search engine optimization strategies to direct traffic to our websites, which include: checksunlimited.com, designerchecks.com, checks.com, 4checks.com, checkgallery.com, styleschecks.com, and artisticchecks.com, among others.

Direct Checks competes primarily on price and design. We believe that pricing in the direct-to-consumer channel is generally lower than retail prices charged to consumers in the financial institution channel. We compete on design by seeking to offer the most attractive selection of images with high consumer appeal, many of which are licensed from well-known artists and organizations such as Disney, Warner Brothers, Harley Davidson and Thomas Kinkade.

Our strategies within Direct Checks are as follows:

- Maximize the lifetime value of customers by selling new features, accessories and products;
- Continue to optimize our cost and expense structure; and
- Optimize cash flow.

We continue to actively market our products and services through targeted advertising, including a continued focus on the internet channel. We continue to explore avenues to increase sales to existing customers. One example is the check protection service we offer in partnership with EZShield, Inc., which provides reimbursement to consumers for losses resulting from forged signatures or endorsements and altered checks. As in our other two business segments, Direct Checks continues to simplify processes, eliminate complexity and lower costs. During 2012, we consolidated our Little Rock, Arkansas and Joppa, Maryland call centers into our Colorado Springs, Colorado call center and closed our Joppa, Maryland printing facility, moving the production to other facilities. We continue to identify additional opportunities to lower our cost and expense structure in all functional areas, particularly in the areas of marketing and fulfillment.

MANUFACTURING AND FULFILLMENT

We continue to focus on improving the customer experience by providing excellent service and quality, reducing costs and increasing productivity. We accomplish this by embedding lean operating principles in all processes while emphasizing a culture of continuous improvement. Under this approach, employees work together to produce products, rather than working on individual tasks in a linear fashion. Because employees assume more ownership of the end product, the results are improved productivity and lower costs.

We have demonstrated our commitment to innovative technology solutions by implementing a fully automated flat check delivery package, for which we have a patent pending, to mitigate the effect of postal rate increases. We also continue to sponsor “sustainability” initiatives which encompass environmentally friendly practices. We have aligned with suppliers that promote sustainable business practices and we continually seek opportunities to eliminate wasted material, reduce cycle times and use more environmentally friendly materials. More than 90% of our check and form paper is purchased from Forest Stewardship Council certified supplier mills, our vinyl checkbook covers are produced utilizing a minimum of 45% post-industrial recycled material and we use environmentally friendly janitorial supplies. Our sustainability initiatives have also benefited our results of operations over the past several years as we focused on reducing our consumption of water, electricity and natural gas and improved our transportation efficiency. We continue efforts to reduce solid waste sent to landfills, and we have been a member of the Environmental Protection Agency's Green Power Leadership Club since 2010. The green power that we purchased during 2013 amounted to more than 65% of our annual U.S. electricity needs.

The expertise we have developed in logistics, productivity and inventory management has allowed us to reduce the number of production facilities while still meeting client requirements. During 2013, we closed our New Albany, Indiana manufacturing facility and moved its operations into another facility. In 2012, we closed our Rockford, Illinois and Joppa, Maryland fulfillment facilities, relocating the operations and assets of those facilities to existing locations, and during 2011, we closed our Crystal Lake, Illinois business products fulfillment center and moved its operations into another facility. We have also expanded our use of digital printing processes, and the 2011 acquisition of PsPrint, LLC, a web-to-print solutions company, allowed us to enhance our web-to-print capabilities.

In manufacturing, we have a shared services approach which allows our three business segments to leverage shared manufacturing facilities to optimize capacity utilization, enhance operational excellence and foster a culture of continuous improvement. We continue to reduce costs by utilizing our assets and printing technologies more efficiently and by enabling employees to better leverage their capabilities and talents.

INDUSTRY OVERVIEW

Checks

According to a Federal Reserve study released in December 2013, debit card, credit card and ACH payments all exceeded the number of checks written in 2012. Approximately 21.0 billion checks were written in 2012, accounting for approximately 17% of all non-cash payment transactions. This is a reduction from the Federal Reserve Study released in December 2010 when checks accounted for approximately 25% of all non-cash payment transactions. The Federal Reserve estimates that checks written declined approximately 8.8% percent per year between 2009 and 2012. Although, we experienced a slightly lower decline in our check order volume than the Federal Reserve estimate, we expect that the number of checks written will continue to decline. However, we cannot predict the rate at which this decline will continue in the long-term. In addition, we believe that turmoil in the financial services industry between 2009 and 2011 had a negative impact on our check volumes, as some of our clients experienced higher than normal customer attrition. However, our Financial Services check order decline rates did return to pre-recessionary levels in 2013 and 2012.

In addition to the shift to electronic payment methods, consumer spending, employment levels and housing stock also impact the number of checks consumers use. Weak growth in consumer spending during 2013, along with only modest private sector growth in employment, continued to negatively impact our personal check businesses. Consumer spending did improve in the fourth quarter of 2013, which may foreshadow a positive impact in 2014. Partially offsetting the negative impact of employment levels and consumer spending in 2013 was an improvement in housing stock. An increase in housing stock has a positive impact on the number of checks purchased, as new households typically are in need of new checks. According to statistics released by the U.S. Census Bureau in January 2014, housing units completed during 2013 increased 17.4% as compared to 2012. We cannot predict whether these economic trends will improve, stay the same or worsen in the near future.

Small Business Customers

The Small Business Administration's Office of Advocacy defines a small business as an independent business having fewer than 500 employees. According to data published by the U.S. Census Bureau, in 2011, the most recent period for which information is available, there were approximately 28.2 million small businesses in the United States. According to the Small Business Branch of Industry Canada, there are just over one million small businesses in Canada with employees, and 98% of businesses in Canada have fewer than 100 employees.

The small business market is impacted by general economic conditions and the rate of small business formations. The index of small business optimism published by the National Federation of Independent Business (NFIB) was 88.0 in December 2012 and ended 2013 at 93.9. Although this shows improvement, the December 2013 index was down 0.6 from its strongest reading in this recovery. A poll conducted by Gallup and Wells Fargo during October 2013 found that 23% of small business owners are more optimistic about the future of their businesses going into 2014 than they were at the same time the previous year. Roughly half or 49%, felt neither more nor less optimistic, and 28% were less optimistic. While slightly more small business owners are optimistic about 2014 compared to the results going into 2012, when the figure was 21%, we cannot assume there will be a significant improvement in economic conditions in 2014. On a positive note, according to data published by the U.S. Census Bureau, there was a slight increase in the number of small businesses created in 2011, as compared to 2010, the most recent information available. We believe small businesses are more likely to be significantly affected by economic downturns than larger, more established companies. During a sluggish economy, it may be more difficult for small businesses to obtain credit and small businesses may choose to spend their limited funds on items other than our products and services. In recent years, we believe the economy negatively impacted our operating results and/or our growth opportunities. We cannot predict whether these economic trends will improve, stay the same or worsen in the near future.

The business checks and forms portion of the markets serviced by Small Business Services has been declining, and we expect this trend to continue. In addition to the decrease in the use of checks due to the availability of alternative payment methods, continual technological improvements also provide small business customers with alternative means to enact and record business transactions. For example, because of the lower price and higher performance capabilities of personal computers, printers and mobile devices, small businesses now have alternate means to print many business forms. Additionally, electronic transaction systems, off-the-shelf business software applications and mobile applications have been designed to replace pre-printed business forms products. It is difficult to predict the pace at which these alternative products and services will gain widespread acceptance.

Financial Institution Clients

Checks are most commonly ordered through financial institutions, including banks, credit unions and other financial services companies. As such, several developments related to financial institutions have affected the check printing portion of the payments industry.

Financial institutions seek to maintain the profits they have historically generated from their check programs, despite the decline in check usage. This continues to put significant pricing pressure on check printers. When financial institutions consolidate through mergers and acquisitions, often the newly combined entity seeks to reduce costs by leveraging economies of scale in purchasing, including its check supply contracts. This results in check providers competing intensely on price in order to retain not only their previous business with one of the financial institutions, but also to gain the business of the other financial institution in the merger/acquisition. Financial institution mergers and acquisitions can also impact the duration of our contracts. Normally, the length of our supply contracts with financial institutions ranges from three to six years. However, contracts may be renegotiated or bought out mid-term due to a consolidation of financial institutions. Banks, especially larger ones, may request pre-paid product discounts in the form of cash incentives payable at the beginning of a contract. These contract acquisition payments negatively impact check producers' cash flows at the beginning of these contracts.

Turmoil in the financial services industry, which began in late 2008, led to increases in bank failures and consolidations over the past several years. To the extent any financial institution failures and consolidations impact large portions of our customer base, this could have a significant impact on our financial institution check programs.

Direct Mail Response Rates

Direct Checks and portions of Small Business Services have, at times, experienced declines in response rates related to direct mail promotional materials. While we believe that media response rates have declined across a wide variety of products and services, we believe that the declines we have experienced are also attributable to the decline in check usage, the gradual obsolescence of standardized forms products and increasing utilization of e-commerce by both consumers and small businesses. We continually evaluate our marketing techniques in order to utilize the most effective and affordable advertising media.

Competition

The small business forms and supplies market and the small business marketing solutions and other services markets are highly fragmented with many small local suppliers, large national retailers and internet-based providers. We believe we are well-positioned in this competitive landscape through our broad customer base, the breadth of our small business product and service offerings, multiple distribution channels, established relationships with our financial institution and telecommunications clients, competitive prices, high quality and dependable service.

In the small business forms and supplies market, the competitive factors influencing a customer's purchase decision are breadth of product line, speed of delivery, product quality, price, convenience, customer service and past experience with the supplier. Our primary competitors are office product superstores, local printers, business forms dealers and internet-based suppliers. Local printers provide personalization and customization and offer a local relationship, but typically have a limited variety of products and services, as well as limited printing sophistication. Office superstores offer a variety of products at competitive prices, but provide limited personalization and customization. We are aware of numerous competitors offering printed products and business supplies to small businesses through the internet, direct mail, distributors or a direct sales force.

Many of our marketing solutions and other services offerings also face intense competition, including competition from numerous internet-based service providers. We expect the intensity of competition to increase in the future from other established and emerging companies due to the relatively low barriers to entry for the services we offer, as well as small businesses' increasing use of the internet which allows service providers to work directly with small businesses as opposed to using intermediaries. The competitive factors affecting marketing solutions and other services offerings include the breadth, quality and ease of use of web and other services, price, and the responsiveness and quality of customer support.

In the check printing portion of the payments industry, we face considerable competition from other check printers, and we expect competition to remain intense as check usage continues to decline. We also face competition from check printing software vendors. Moreover, the check product must compete with alternative payment methods, including credit cards, debit cards, direct deposit, wire transfers and internet-based bill paying services, as well as automated teller machines, which make cash a more readily available alternative.

In the financial institution check printing business, there are two large primary providers, one of which is Deluxe. The principal factors on which we compete are product and service breadth, price, quality and check merchandising program management. We believe the key items which differentiate us from our competition include our fully automated flat check delivery package, our online performance dashboard and portal analytics tools for financial institution branches, our personalized customer call center experience, and our Deluxe Business Advantage program, which provides a fast and simple way for financial institutions to offer expanded personalized service to small businesses.

At times, check suppliers have reduced the prices of their products during the supplier selection process in an attempt to gain greater volume. The corresponding pricing pressure has negatively impacted our profit margins. Pricing pressure will continue to impact our results of operations through lower pricing levels or client losses. Additionally, product discounts in the form of cash incentives payable to financial institutions upon contract execution are a common practice within the industry. Both the number of financial institution clients requesting these payments and the size of the payments has fluctuated significantly in recent years. These up-front payments negatively impact check printers' cash flows at the beginning of the contracts. Our goal is to reduce the use of up-front product discounts by structuring new contracts with alternative incentives throughout the duration of the contract.

Seasonality

We experience seasonal trends in sales of some of our products. For example, holiday card and retail packaging sales typically are stronger in the fourth quarter of the year due to the holiday season, as are health care enrollment solutions. Sales of tax forms are stronger in the first and fourth quarters of the year, and check sales for our Direct Checks segment have historically been stronger in the first quarter of the year.

Raw Materials, Supplies and Service Providers

The principal raw materials used in producing our main products are paper, plastics, ink, cartons and printing plate material, which we purchase from various sources. We also purchase stock business forms produced by third parties. We believe that we will be able to obtain an adequate supply of materials from current or alternative suppliers.

We have entered into agreements with third party providers for information technology services, including telecommunications and network server and transaction processing services. In addition, we have agreements with companies to provide services such as electronic checks and on-line payment solutions. We believe we would be able to obtain an alternative source of supply if one or more of our service providers failed to perform.

Governmental Regulation

We are subject to regulations implementing the privacy and information security requirements of the federal financial modernization law known as the Gramm-Leach-Bliley Act, as well as the Electronic Communications Privacy Act and other federal and foreign regulation and state law regarding the protection of consumer information. These laws and regulations require us to develop, implement and maintain policies and procedures to protect the security and confidentiality of consumers' nonpublic personal information. We are also subject to additional requirements in certain of our contracts with financial institution clients, which are often more restrictive than the regulations, as well as confidentiality clauses in certain of our communication service provider contracts that cover small businesses' customer information. These regulations and agreements limit our ability to use or disclose nonpublic personal information for other than the purposes originally intended, which could limit business opportunities. The complexity of compliance with these regulations may also increase the cost of doing business.

Due to our increasing use of the internet for sales and marketing, laws specifically governing the internet, e-commerce, behavioral advertising and email marketing may have an impact on our business. Existing and future laws governing issues such as privacy, consumer protection or commercial email may impede the growth of the internet and our ability to market and provide our products and services. It is not always clear how existing laws governing these and other issues apply to the internet and e-commerce, as the vast majority of applicable laws were adopted before the advent of the internet and do not contemplate or address the unique issues raised by e-commerce. Those laws that do reference the internet, such as the U.S. CAN-SPAM Act of 2003 and the U.S. Digital Millennium Copyright Act, are only beginning to be interpreted by the courts. More restrictive legislation, such as new privacy laws, search engine marketing restrictions or “anti-spam” regulations, could decrease traffic to our websites, decrease marketing opportunities and increase the cost of obtaining new customers.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act") was enacted in 2010. The Act implements changes that affect the oversight and supervision of financial institutions, creates a new agency responsible for implementing and enforcing compliance with consumer financial laws and introduces more stringent regulatory capital requirements. The full impact of the Act and/or any additional related regulatory changes remains unclear due to the pace at which formal rulemaking is finalized. It is likely that the Act has and will have a negative

impact on the profitability of our financial institution clients as they incur costs to comply with the new regulations. In spite of these additional costs, financial institutions may seek to maintain the profits they have historically generated, and they may put significant pricing pressure on their suppliers, including their check and service providers. The increase in cost and profit pressure may also lead to further consolidation of financial institutions. Additionally, the Act gave the Consumer Financial Protection Bureau (CFPB) the authority to pursue financial institutions engaged in unfair, deceptive or abusive practices. The CFPB's rule-making and enforcement power may also extend to financial institutions' service providers. This has made some financial institutions wary of offering add-on services, such as fraud/identity protection or expedited check delivery, to their customers. It would have an adverse impact on our results of operations if we were unable to market such services to consumers or small businesses through our financial institution clients.
At this time, we are not aware of any changes in these laws or regulations which will have a significant impact on our business during 2014.

Intellectual Property

We rely on a combination of trademark and copyright laws, trade secret and patent protection, and confidentiality and license agreements to protect our trademarks, software and other intellectual property. These protective measures afford only limited protection. Despite our efforts to protect our intellectual property, third parties may infringe or misappropriate our intellectual property or otherwise independently develop substantially equivalent products or services which do not infringe on our intellectual property rights. In addition, we may be the target of aggressive and opportunistic enforcement of patents by third parties, including non-practicing entities. Check designs exclusively licensed from third parties account for a portion of our revenue. These license agreements generally average three years in duration. There can be no guarantee that such licenses will be available to us indefinitely or under terms that would allow us to continue to sell the licensed products profitably.

EMPLOYEES

As of December 31, 2013, we employed 5,006 employees in the United States and 569 employees in Canada. None of our employees are represented by labor unions, and we consider our employee relations to be good.

AVAILABILITY OF COMMISSION FILINGS

We make available through our investor relations website, Deluxe.com/investor, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after these items are electronically filed with or furnished to the Securities and Exchange Commission (SEC). These reports can also be accessed via the SEC website, sec.gov, or via the SEC's Public Reference Room located at 100 F Street N.E., Washington, D.C. 20549. Information concerning the operation of the SEC's Public Reference Room can be obtained by calling 1-800-SEC-0330.

A printed copy of this report may be obtained without charge by calling 651-787-1068, by sending a written request to the attention of Investor Relations, Deluxe Corporation, P.O. Box 64235, St. Paul, Minnesota 55164-0235, or by sending an email request to investorrelations@deluxe.com.

Further information about Deluxe Corporation is also available at Deluxe.com, facebook.com/deluxecorp and twitter.com/deluxecorp.

CODE OF ETHICS AND CORPORATE GOVERNANCE GUIDELINES

We have adopted a Code of Ethics and Business Conduct which applies to all of our employees and our board of directors. The Code of Ethics and Business Conduct is available on our investor relations website, Deluxe.com/investor, and also can be obtained free of charge upon written request to the attention of Investor Relations, Deluxe Corporation, P.O. Box 64235, St. Paul, Minnesota 55164-0235. Any changes or waivers of the Code of Ethics and Business Conduct will be disclosed on our website. In addition, our Corporate Governance Guidelines and the charters of the Audit, Compensation, Corporate Governance and Finance Committees of our board of directors are available on our website or upon written request.

One of the policies supporting our Code of Ethics and Business Conduct addresses political contributions. It is not our practice to make political contributions. We permit political contributions only upon written approval by our most senior management in their capacity as the corporate Compliance Committee under our ethics and compliance program. The Compliance Committee has not approved any such contributions. We are a member of various trade groups that represent the interests of specified industries. However, as a part of those memberships, we have not provided funds designated for political contributions.

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EXECUTIVE OFFICERS OF THE REGISTRANT

Our executive officers are elected by the board of directors each year. The following summarizes our executive officers and their positions.

Name	Age	Present Position	Executive Officer Since
Anthony Scarfone	52	Senior Vice President, General Counsel and Secretary	2000
Terry Peterson	49	Senior Vice President, Chief Financial Officer	2005
Lee Schram	52	Chief Executive Officer	2006
Pete Godich	49	Senior Vice President, Fulfillment	2008
Julie Loosbrock	54	Senior Vice President, Human Resources	2008
Malcolm McRoberts	49	Senior Vice President, Small Business Services	2008
John Filby	51	Senior Vice President, Financial Services	2012
Jeffrey Bata	48	Vice President, Controller and Chief Accounting Officer	2012
Tracey Engelhardt	49	Vice President, Direct-to-Consumer	2012
Michael Mathews	41	Vice-President, Chief Information Officer	2013
Amanda Brinkman	34	Vice-President, Chief Brand and Communications Officer	2014

Anthony Scarfone has served as Senior Vice President, General Counsel and Secretary since joining us in September 2000.

Terry Peterson was named Senior Vice President, Chief Financial Officer in November 2009. Mr. Peterson served as Chief Accounting Officer from March 2005 to October 2009. From October 2006 through October 2009, Mr. Peterson also served as Vice President of Investor Relations.

Lee Schram has served as Chief Executive Officer since joining us in May 2006.

Pete Godich was named Senior Vice President, Fulfillment in March 2011. From May 2008 to March 2011, Mr. Godich served as Vice President, Fulfillment.

Julie Loosbrock was named Senior Vice President, Human Resources in September 2008.

Malcolm McRoberts was named Senior Vice President, Small Business Services in February 2011. From September 2010 to February 2011, Mr. McRoberts served as Senior Vice President, Chief Information and Technology Officer. Mr. McRoberts joined us in May 2008 and served as Senior Vice President, Chief Information Officer until September 2010.

John Filby joined us in April 2012 as Senior Vice President, Financial Services. From May 2008 to April 2012, Mr. Filby served as President of the risk and compliance division of Fiserv, Inc., a global provider of technology solutions to the financial services industry.

Jeffrey Bata joined us in June 2012 as Vice President, Controller and Chief Accounting Officer. Prior to joining us, Mr. Bata served as Vice President and Chief Financial Officer for Carlson Marketing Worldwide, Inc. (CMW) from August 2009 to February 2011. CMW is a global loyalty marketing services, engagement and events provider, and a division of Aimia, Inc., a Canadian-based, publicly traded loyalty management company. Prior to this, Mr. Bata held a variety of leadership positions at Carlson Companies, Inc., a global hospitality and travel company, including Vice President and Chief Accounting Officer for Carlson Companies from April 2008 to August 2009.

Tracey Engelhardt was named Vice President, Direct-to-Consumer in July 2012. From August 2011 to July 2012, Ms. Engelhardt served as Vice President, e-commerce for Small Business Services. Prior to this, Ms. Engelhardt served as Executive Director of e-commerce for Small Business Services from January 2010 to August 2011 and as Director of e-commerce for Direct Checks from August 2007 to December 2009.

Michael Mathews joined us in May 2013 as Vice President, Chief Information Officer. Prior to joining us, Mr. Mathews served as Senior Vice President, Strategy and Enterprise Programs for UnitedHealth Group from July 2009 to May 2013. UnitedHealth Group is a publicly-traded diversified health and well-being company which provides health care coverage and benefits services and information and technology-enabled health services. From April 2007 to July 2009, Mr. Mathews served as Global Head of Strategy and Delivery for Technology and Operations for the Global Wealth and Investment Management group of Merrill Lynch & Co., Inc., one of the world's leading capital markets, advisory and wealth management companies.

Amanda Brinkman joined us in January 2014 as Vice President, Chief Brand and Communications Officer. Prior to joining us, Ms. Brinkman was self-employed, operating her own brand agency from January 2013 to December 2013. From August 2009 to December 2012, Ms. Brinkman served as Vice President, Brand and Creative Services for Allianz Life Insurance Company of North America. From June 2007 to August 2009, Ms. Brinkman served as Vice President, Creative Services for UnitedHealth Group.

Item 1A. Risk Factors.

Our business, consolidated results of operations, financial condition and cash flows could be adversely affected by various risks and uncertainties. These risks include, but are not limited to, the principal factors listed below and the other matters set forth in this Annual Report on Form 10-K. We have disclosed all known material risks. Additional risks not presently known to us, or that we currently believe are immaterial, may also adversely affect our business, results of operations, financial condition and cash flows. You should carefully consider all of these risks and uncertainties before investing in our common stock or other securities.

The following important factors could cause our actual results to differ materially from the statements we make from time to time regarding our expected future results, including, but not limited to, forecasts regarding estimated revenue, earnings per share or cash provided by operating activities. Any forecast regarding our future performance reflects various assumptions which are subject to significant uncertainties and, as a matter of course, may prove to be incorrect. Further, the achievement of any forecast depends on numerous factors which are beyond our control. Consequently, no forward-looking statement can be guaranteed and the variation of actual results or events from such statements may be material and adverse. You are cautioned not to base your entire analysis of our business and prospects upon isolated statements, and are encouraged to use the entire mix of historical and forward-looking information made available by us, and other information affecting us and our products and services, including the following factors.

We may not be successful at implementing our growth strategies.

We continue to execute strategies intended to drive sustained revenue and earnings growth, including our focus on increasing marketing solutions and other services revenue, which we believe represents our most significant revenue growth opportunity. We have and will continue to invest in several key enablers to achieve our strategies, including strengthening our portfolio of products and services, enhancing brand awareness and positioning, attracting and retaining customers, growing our distributor, dealer and major accounts networks, improving the customer experience and investing in small to medium-sized acquisitions. Our business strategies could fall short of our expectations for many reasons, including, among others:

- the failure to anticipate and overcome obstacles to achieving our goals;
- the decision to forgo intended investments because the investments are more costly than we anticipated or because we are unable to devote the necessary operational or financial resources;
- the inability to promote, strengthen and protect our brand;
- the failure to acquire new customers, retain our current customers and sell more products and services to current and new customers;
- unanticipated changes in our business, markets, industry or the competitive landscape;
- the failure to generate profitable revenue growth; and
- challenging general economic conditions.

We can provide no assurance that our growth strategies will be successful either in the short-term or in the long-term, that they will generate a positive return on our investment, or that they will not dilute our operating margins. Additionally, if our strategies are not successful, or if there is market perception that our strategies are not successful, our reputation and brand may be damaged and the price of our shares may decline.

We face intense competition in all areas of our business.

Although we are one of the leading check printers in the United States, we face considerable competition. In addition to competition from alternative payment methods, we also face intense competition from another large check printer in our traditional financial institution sales channel, from direct mail and internet-based sellers of personal and business checks, and from check printing software vendors. The markets for small business products and services are also intensely competitive, highly fragmented and geographically dispersed. Current and potential competitors include traditional storefront printing companies; office superstores; companies offering website design and hosting; wholesale printers; online printing companies; email marketing services companies; suppliers of custom apparel, promotional products and customized gifts; and numerous internet firms and retailers.
We can provide no assurance that we will be able to compete effectively against current and future competitors. In recent years, our revenue has benefited from price increases in all three of our business segments. We can provide no assurance that we will be able to increase prices in the future while remaining competitive. Continued competition could result in price reductions, reduced profit margins, loss of customers and brand recognition, and an increase in up-front cash payments to

financial institutions upon contract execution or renewal, all of which would have an adverse effect on our results of operations and cash flows.

The check printing portion of the payments industry is mature and, if check usage declines faster than expected, it could have an adverse impact on our operating results.

Check printing is, and is expected to continue to be, an essential part of our business. We sell checks for personal and small business use and believe that there will continue to be a substantial demand for these checks for the foreseeable future. However, the total number of checks written in the United States has been in decline since the mid-1990's. According to a Federal Reserve study released in December 2013, the total number of checks written declined 8.8% each year between 2009 and 2012, and we expect the decline to continue. We believe that the number of checks written will continue to fall due to the increasing use of alternative payment methods, including credit cards, debit cards, direct deposit, wire transfers and internet-based bill paying services, as well as automated teller machines, which make cash a more readily available alternative. However, the rate and the extent to which alternative payment methods will achieve acceptance and replace checks, whether as a result of legislative developments, personal preference or otherwise, cannot be predicted with certainty. A surge in the popularity of any of these alternative payment methods, or our inability to successfully offset the decline in check usage with other sources of revenue, would have an adverse effect on our business and results of operations.

Small Business Services' standardized business forms and related products face technological obsolescence and changing customer preferences.

Continual technological improvements provide small business customers with alternative means to enact and record business transactions. For example, because of the lower price and higher performance capabilities of personal computers, printers and mobile devices, small businesses now have alternate means to print many business forms. Additionally, electronic transaction systems, off-the-shelf business software applications and mobile applications have been designed to replace pre-printed business forms products. It is difficult to predict the pace at which these alternative products and services will gain widespread acceptance. If small business preferences change rapidly and we are unable to develop new products and services with comparable profit margins, our results of operations would be adversely affected.

If we are unable to attract customers in a cost effective manner, our business and results of operations could be adversely affected.

We rely on a variety of methods to promote our products and services, including direct mail advertising, e-mail marketing, purchased search results from online search engines, broadcast media, and advertising banners and other online links. The profitability of our Direct Checks segment depends in large part on our ability to secure adequate advertising media placements at acceptable rates. We can provide no assurance regarding the future cost, effectiveness and/or availability of suitable advertising media. Additionally, our Direct Checks segment and portions of our Small Business Services segment have, at times, experienced declines in response rates related to direct mail promotional materials. While we believe that media response rates have declined across a wide variety of products and services, we believe that the declines we have experienced are also attributable to the decline in check usage, the gradual obsolescence of standardized forms products and increasing utilization of e-commerce by both consumers and small businesses. In an attempt to offset these impacts, we continually modify our marketing and sales efforts and have shifted a greater portion of our advertising investment to the internet. Competitive pressure may inhibit our ability to reflect increased costs in the prices of our products and new marketing strategies may not be successful. We can provide no assurance that we will be able to offset a decline in response rates, even with additional marketing and sales efforts.

Future legislation could affect our ability to advertise via direct mail or e-mail. Congress has contemplated enacting “anti-spam” legislation in response to consumer complaints about unsolicited e-mail advertisements. If anti-spam legislation is enacted and/or if similar legislation is enacted for direct mail advertisers, we may be unable to sustain our current levels of profitability.

In addition to print and e-mail advertising, many customers access our websites through internet search engines. Search engines typically provide two types of search results, algorithmic and purchased listings. Algorithmic listings are not purchased, but are determined and displayed solely by a set of formulas designed by the search engine.

Purchased listings can be bought to attract users to our websites. We rely on both algorithmic and purchased listings to attract customers to our websites. Search engines revise their algorithms from time to time in an attempt to optimize their search results listings and to maximize the advertising revenue generated by those listings. If search engines on which we rely for algorithmic listings modify their algorithms, this could result in fewer customers going to our websites. Additionally, one or more of the search engines on which we rely for purchased listings could modify or terminate their relationship with us. As we analyze our overall advertising strategy, we may have to resort to more costly resources to replace lost internet traffic, which would adversely affect our results of operations. In addition, the cost of purchased search engine listings could increase as demand for them continues to grow, and further cost increases could negatively affect our profitability.

Another trend impacting our business is that the use of smart phone and tablet computing devices is increasing. According to the International Data Corporation (IDC) Worldwide Quarterly Smart Connected Device Tracker report published in September 2013, 87% of connected device sales by 2017 will be tablets and smart phones. As current and potential customers increase their use of mobile devices, visits to our websites via traditional computers may decline. Designing and purchasing custom products on mobile devices is more difficult than doing so with a traditional computer due to limited screen sizes and bandwidth. Beyond these difficulties, our technology may not be optimized for mobile devices, and the development of mobile-oriented user interfaces and other technologies is complex. Although we are constantly making investments to update our technology, we cannot predict the success of these investments. If the market shift to mobile devices accelerates faster than we are able to make the necessary changes, we could find it increasingly difficult to attract new and repeat visitors to our websites and convert these visitors to customers, which would result in decreased revenue.

We may not succeed in promoting and strengthening our brand, which could prevent us from acquiring customers and increasing revenue.

The success of Small Business Services depends, in part, on our ability to attract new and repeat customers. For this reason, a component of our business strategy is the promotion and strengthening of the Deluxe brand. We believe that the importance of brand recognition is essential for the success of our service offerings because of the level of competition for these services. Customer awareness of our brand, as well as the perceived value of our brand, will depend largely on the success of our marketing efforts and our ability to provide a consistent, high quality customer experience. To promote our brand, we have incurred and will continue to incur expense related to advertising and other marketing efforts. We can provide no assurance that we will realize a positive return on this investment.

A component of our brand promotion strategy is establishing a relationship of trust with our customers, which we believe can be achieved by providing a high quality customer experience. We have invested, and will continue to invest, resources in website development, design and technology, and customer service and production operations. Our ability to provide a high quality customer experience is also dependent on external factors including the reliability and performance of our suppliers, telecommunications providers and third-party carriers. If we are unable to provide a high quality customer experience for any reason, our reputation would be harmed and our efforts to develop brand loyalty would be adversely impacted. The failure of our brand promotion activities could adversely affect our ability to attract new customers and maintain customer relationships, which would adversely harm our business and results of operations.

We face uncertainty regarding the success of recent and future acquisitions, which could have an adverse impact on our operating results.

During 2013, we acquired VerticalResponse, Inc. and substantially all of the assets of Acton Marketing, LLC and Destination Rewards, Inc. During 2012, we acquired OrangeSoda, Inc., and during 2011, we acquired substantially all of the assets of PsPrint, LLC and Banker's Dashboard, LLC. We have invested in acquisitions that offer marketing solutions and other services and extend the range of products and services we offer to financial institutions and small businesses. In addition, we have purchased the operations of several small business distributors with the intention of growing revenue in our Small Business Services distributor channel. The integration of any acquisition involves numerous risks, including: difficulties and/or delays in assimilating operations, technologies and products; failure to realize expected synergies; diversion of management's attention from other business concerns; potential loss of key employees; potential exposure to unknown liabilities; and possible loss of our customers or the customers of the acquired businesses. One or more of these factors could impact our ability to successfully integrate an acquisition and could negatively affect our results of operations.

We may continue to invest in small to medium-sized acquisitions. We cannot predict whether suitable acquisition candidates can be acquired on acceptable terms or whether any acquired products, technologies or businesses will contribute to our revenue or earnings to any material extent. Significant acquisitions typically result in additional contingent liabilities and/or additional amortization expense related to acquired intangible assets, and thus, could adversely affect our business, results of operations and financial condition.

Security breaches involving customer data, or the perception that e-commerce is not secure, could adversely affect our reputation and business.

Online commerce and communications depend on the secure transmission of confidential information over public networks. Web-based channels collect customers’ bank account information and bill our customers’ credit card accounts. Within Small Business Services, we provide internet-based marketing services, including web hosting services which we provide directly to small businesses and through wholesale partners. We rely on various security procedures and systems to ensure the secure storage and transmission of data, including encryption and authentication technology licensed from third parties, to effect secure transmission of confidential information. Computer networks and the internet are, by nature, vulnerable to unauthorized access. An accidental or willful security breach could result in unauthorized access and/or use of customer data, including consumers' nonpublic personal information. Our security measures could be breached by a third-party action, computer viruses, accidents, employee error or malfeasance, or design flaws in our systems could be exposed and exploited. Because techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventive measures. Although we encounter threats from time to time, none of which have materially impacted us, and we maintain a system of information security and controls, the impact of a material event could damage our reputation, deter clients and consumers from ordering our products and services, and result in the termination of client contracts, all of which would adversely affect our business and operating results. We could also be exposed to time-consuming and expensive litigation. If we are unsuccessful in defending a lawsuit regarding security breaches, we may be forced to pay damages which would have an adverse effect on our operating results.

In addition, there are federal, state and foreign laws requiring companies to notify individuals of data security breaches involving their personal data. These mandatory disclosures regarding a security breach often lead to widespread negative publicity. If we were required to make such a disclosure, it may cause our clients and customers to lose confidence in the effectiveness of our data security measures. Likewise, general publicity regarding security breaches at other companies could lead to the perception among the general public that e-commerce is not secure. This could decrease traffic to our websites and limit future business opportunities.

Interruptions to our website operations or information technology systems could damage our reputation and harm our business.

The satisfactory performance, reliability and availability of our information technology systems is critical to our reputation and our ability to attract and retain customers. We could experience temporary interruptions in our websites, transaction processing systems, network infrastructure, printing production facilities or customer service operations for a variety of reasons including, among others: human error, software errors, security breaches, power loss, telecommunications failures, fire, flood, extreme weather and other events beyond our control. In addition, our technology, infrastructure and processes may contain undetected errors or design faults which may cause our websites or operating systems to fail. The failure of our systems could interfere with the delivery of services to our customers and impede our customers' ability to do business. In addition to the potential loss of customers, we may be required to incur additional development costs, divert technical and other resources, and we may be the subject of negative publicity and/or liability claims, all of which would adversely affect our reputation and operating results.

The cost and availability of materials, delivery services and energy could adversely affect our operating results.

We are subject to risks associated with the cost and availability of paper, plastics, ink, other raw materials, delivery services, and energy. There are relatively few paper suppliers. As such, when our suppliers increase paper prices, we may not be able to obtain better pricing from alternative suppliers. Postal rates have increased in recent years and the United States Postal Service (USPS) has incurred significant financial losses. This may result in changes to the breadth and/or frequency of USPS mail delivery services in the future. Also, fuel costs have fluctuated over the past several years, sometimes resulting in fuel surcharges for delivery services. Competitive pressures and/or contractual arrangements may inhibit our ability to reflect increased costs in the price of our products.

Paper costs represent a significant portion of our materials cost. Historically, we have not been negatively impacted by paper shortages because of our relationships with paper suppliers. However, we can provide no assurance that we will be able to purchase sufficient quantities of paper if such a shortage were to occur. Additionally, we depend upon third party providers for delivery services. Events resulting in the inability of these service providers to perform their obligations, such as extended labor strikes, could adversely impact our results of operations by requiring us to secure alternate providers at higher costs.

If we do not adapt to changes in technology, our ability to sustain and grow our business could be adversely affected.

Changes in the way the internet operates or in how it is used by small businesses and their customers may occur rapidly. The introduction of competing products and services using new technologies, the evolution of industry standards or the introduction of more attractive products or services could make some or all of our web-based products and services less desirable, or even obsolete. To be successful, our web-based products and services must keep pace with technological developments and evolving industry standards and address the ever-changing and increasingly sophisticated needs of our customers. We could lose current and potential customers if we are unable to develop products and services that meet these changing demands in a timely manner. Additionally, our operating results could be adversely affected if we are required to incur substantial costs to keep pace with technological advances.

Asset impairment charges would have a negative impact on our consolidated results of operations.

Goodwill and an indefinite-lived trade name represented 54% of our total assets as of December 31, 2013. On at least an annual basis, we assess whether the carrying value of these assets is impaired. This analysis considers factors including, but not limited to, economic, market and industry conditions. For example, if our stock price were to decline for a sustained period, if a downturn in economic conditions were to negatively affect our actual and forecasted operating results, or if order volume declines for our Direct Checks segment were to accelerate, these situations could indicate a decline in the fair value of one or more of our reporting units. This may require us to record an impairment charge for a portion of goodwill and/or our indefinite-lived trade name. We are also required to assess the carrying value of other long-lived assets, including intangibles and assets held for sale. If we were required to record an asset impairment charge for any reason, our consolidated results of operations would be adversely affected.

Governmental regulation could limit or harm our business.

We are subject to regulations implementing the privacy and information security requirements of the federal financial modernization law known as the Gramm-Leach-Bliley Act, as well as the Electronic Communications Privacy Act and other federal and foreign regulation and state law regarding the protection of consumer information. These laws and regulations require us to develop, implement and maintain policies and procedures to protect the security and confidentiality of consumers' nonpublic personal information. We are also subject to additional requirements in certain of our contracts with financial institution clients, which are often more restrictive than the regulations, as well as confidentiality clauses in certain of our communication service provider contracts that cover small businesses' customer information. These regulations and agreements limit our ability to use or disclose nonpublic personal information for other than the purposes originally intended, which could limit business opportunities. The complexity of compliance with these regulations may also increase the cost of doing business.

Due to our increasing use of the internet for sales and marketing, laws specifically governing the internet, e-commerce, behavioral advertising and email marketing may have an impact on our business. Existing and future laws governing issues such as privacy, consumer protection or commercial email may impede the growth of the internet and our ability to market and provide our products and services. It is not always clear how existing laws governing these and other issues apply to the internet and e-commerce, as the vast majority of applicable laws were adopted before the advent of the internet and do not contemplate or address the unique issues raised by e-commerce. Those laws that do reference the internet, such as the U.S. CAN-SPAM Act of 2003 and the U.S. Digital Millennium Copyright Act, are only beginning to be interpreted by the courts. More restrictive legislation, such as new privacy laws, search engine marketing restrictions or "anti-spam" regulations, could decrease traffic to our websites, decrease marketing opportunities and increase the cost of obtaining new customers.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act") was enacted in 2010. The Act implements changes that affect the oversight and supervision of financial institutions, creates a new agency responsible for implementing and enforcing compliance with consumer financial laws and introduces more stringent regulatory capital requirements. The full impact of the Act and/or any additional related regulatory changes remains unclear due to the pace at which formal rulemaking is finalized. It is likely that the Act has and will have a negative impact on the profitability of our financial institution clients as they incur costs to comply with the new regulations. In spite of these additional costs, financial institutions may seek to maintain the profits they have historically generated, and they may put significant pricing pressure on their suppliers, including their check and service providers. The increase in cost and profit pressure may also lead to further consolidation of financial institutions. Additionally, the Act gave the Consumer Financial Protection Bureau (CFPB) the authority to pursue financial institutions engaged in unfair, deceptive or abusive practices. The CFPB's rule-making and enforcement power may also extend to financial institutions' service providers. This has made some financial institutions wary of offering add-on services, such as fraud/identity protection or expedited check delivery, to their customers. It would have an adverse impact on our results of operations if we were unable to market such services to consumers or small businesses through our financial institution clients.

Economic conditions could continue to have an adverse effect on our operating results in each of our business segments.

Domestic and global economic conditions have affected and, most likely, will continue to affect our results of operations and financial position. Current and future economic conditions that affect consumer and business spending, including unemployment levels, the availability of credit and small business confidence, as well as the financial condition and growth prospects of our customers, may adversely affect our business and results of operations.

A significant portion of our business relies on small business spending. As such, the level of small business confidence and the rate of small business formations and closures impact our business. In recent years, below average small business optimism, as well as declines in small business formations and increases in small business closures, negatively impacted our results of operations and/or our growth opportunities in Small Business Services. We believe small businesses are more likely to be significantly affected by economic downturns than larger, more established companies. During a sluggish economy, it may be more difficult for small businesses to obtain credit and small businesses may choose to spend their limited funds on items other than our products and services. Within our personal check printing businesses, consumer spending, employment levels and housing stock impact the number of checks consumers use. Weak growth in consumer spending during 2013, along with only modest private sector growth in employment, continued to negatively impact our personal check businesses. Partially offsetting the negative impact of employment levels and consumer spending in 2013 was an improvement in housing stock. An increase in housing stock has a positive impact on the number of checks purchased, as new households typically are in need of new checks. We cannot predict whether these economic trends will improve, stay the same or worsen in the near future.

As a result of global economic conditions in recent years, a number of financial institutions sought additional capital, merged with other financial institutions and, in some cases, failed. This turmoil in the financial services industry affected and may continue to affect our results of operations in a number of ways.

Our experience indicates that financial institution failures, as well as the consolidation of companies within the financial services industry, may have caused some larger financial institutions to lose customers, and this trend appears to be continuing. A study published by cg42, a management consulting firm, in July 2013 indicated that 26% of the top 10 retail banks' customers expressed that they are frustrated with their primary banks, and 15% of these customers are actively pursuing a change in their banking relationship. The loss of customers for some financial institutions may reduce our order volume when those customers

move their accounts to financial institutions that are not our clients, or customers may reduce or delay their check purchases while they are considering changing banks.
The failure of one or more of our larger financial institution clients, or large portions of our customer base, could adversely affect our operating results. In addition to the possibility of losing a significant client, the inability to recover contract acquisition payments made to one or more of our larger financial institution clients, or the inability to collect accounts receivable or contractually required contract termination payments, could have a significant negative impact on our results of operations.
There may be an increase in financial institution mergers and acquisitions during periods of economic uncertainty. Such an increase could adversely affect our operating results. Often the newly combined entity seeks to reduce costs by leveraging economies of scale in purchasing, including its check supply contracts. This results in check providers competing intensely on price in order to retain not only their previous business with one of the financial institutions, but also to gain the business of the other party in the merger/acquisition.
Although we devote considerable effort toward the development of a competitively-priced, high-quality suite of products and services for the financial services industry, there can be no assurance that significant financial institution clients will be retained or that the impact of the loss of a significant client can be offset through the addition of new clients or by expanded sales to our remaining clients.
The severity and length of the present sluggish global economy is unknown. A further deterioration in financial markets and in general business conditions in 2014 could negatively affect our operating results.
The failure to reduce costs could have an adverse impact on our operating results.
Intense competition, declines in the use of checks and business forms, and sluggish economic conditions compel us to continually improve our operating efficiency in order to maintain or improve profitability. We have significantly reduced costs over the past several years, primarily within sales, marketing and our shared services functions, including fulfillment, information technology, real estate, finance and human resources. We realized net cost reductions of approximately $55 million in 2013, as compared to our 2012 results of operations, and we will continue to explore ways to simplify our business processes and reduce our cost and expense structure. Cost reduction initiatives have required and will continue to require up-front expenditures related to items such as redesigning and streamlining processes, consolidating information technology platforms, standardizing technology applications, improving real estate utilization and funding employee severance benefits. We can provide no assurance that we will achieve future cost reductions or that we will do so without incurring unexpected or greater than anticipated expenditures. Moreover, we may find that we are unable to achieve business simplification and/or cost reduction goals without disrupting our business and, as a result, may choose to delay or forgo certain cost reductions as business conditions require. Failure to continue to improve our operating efficiency could adversely affect our business if we are unable to remain competitive.
We may be unable to maintain our licenses to use third party intellectual property on favorable terms, which would affect our ability to offer licensed products to our customers, and thus, adversely affect our operating results.
Check designs licensed from third parties account for a portion of our revenue. These license agreements generally average two to three years in duration. There can be no guarantee that such licenses will be available to us indefinitely or under terms that would allow us to continue to sell the licensed products profitably, which would adversely impact our results of operations.
A third party could assert that we are infringing its intellectual property rights, which could result in costly litigation or require us to obtain licenses.
The e-commerce channel is characterized by the existence of a large number of patents, trademarks and copyrights, and by increasing litigation based on allegations of infringement or other violations of intellectual property rights. Third parties may assert patent and other intellectual property infringement claims against us, which could include aggressive and opportunistic enforcement of patents by non-practicing entities. These claims, whether successful or not, could divert management's attention, result in costly and time-consuming litigation, require us to enter into royalty or licensing agreements, or require us to redesign our software or services to avoid infringement. If we fail to obtain a required license or we are unable to design around a third party's patent, we may be unable to effectively conduct certain business activities. Consequently, third party intellectual property claims could result in increased

expense or could limit our ability to generate revenue.

If we are unable to attract and retain key personnel and other qualified employees, our business could suffer.

The success of our business depends on the contributions and abilities of key employees, especially in the areas of sales, marketing, product management, and information technology. If we are unable to retain our existing employees and attract qualified personnel, we may not be able to grow and manage our business effectively. We can provide no assurance that we will be successful in attracting and retaining such personnel.

We may be subject to sales and other taxes which could have an adverse effect on our business.
In accordance with existing state and local tax laws, we currently collect sales, use or other similar taxes in state and local jurisdictions where each legal entity has a physical presence. One or more state or local jurisdiction may seek to impose sales tax collection obligations on out-of-state companies which engage in remote or online commerce. Further, tax law and the interpretation of constitutional limitations thereon is subject to change, including pending federal legislation which would allow a state to impose collection requirements on entities which make sales into that state but lack physical presence in that state. In addition, cross-marketing and other affiliate support activities between our direct-to-consumer businesses and any of our other entities which have a physical presence in numerous states, could subject shipments of goods by our direct-to-consumer businesses to sales tax collection under current and/or future state statutes. If one or more state or local jurisdiction successfully asserts that we must collect sales or other taxes in the future beyond our current practices, this could have an adverse effect on our business if it discourages customers from purchasing our products or services. Additionally, we could incur a substantial tax liability if one or more state or local jurisdiction successfully asserts we should have collected sales or other taxes in the past, but did not.
If third party providers of certain significant information technology needs are unable to provide services, our business could be disrupted and the cost of such services could increase.
We have entered into agreements with third party providers for information technology services, including telecommunications, network server and transaction processing services. In addition, we have agreements with companies to provide services such as electronic checks and on-line payment solutions. A service provider's ability to provide services could be disrupted for a variety of reasons, including unauthorized access, computer viruses, accidental or intentional actions, electrical disruptions, or other extreme conditions. In the event that one or more of our service providers is unable to provide adequate or timely information technology services, our ability to deliver products and services to our customers could be adversely affected. Although we believe we have taken adequate steps to protect our business through contractual arrangements with our service providers, we cannot completely eliminate the risk of disruption in service. Any significant disruption could harm our business, including damage to our brand and loss of customers. Additionally, although we believe that information technology services are available from numerous sources, a failure to perform by one or more of our service providers could cause a disruption in our business while we obtain an alternative source of supply. The use of substitute third party providers could also result in increased expense.
A decline in the value of our postretirement medical plan assets and/or a significant change in the number of participants in our postretirement medical plan could adversely affect our operating results and cash flows.
The fair value of our postretirement medical plan assets is subject to various risks, including credit, interest and overall market volatility risk. If the equity markets were to experience a significant decline in value, the fair value of our plan assets would decrease. This would affect the funded status of our plan and result in higher postretirement benefit expense in the future. Although our obligation is limited to funding benefits as they become payable, future declines in the fair value of our plan assets would also result in the need to contribute increased amounts of cash to fund benefits payable under the plan.

There is uncertainty surrounding the impact that the Patient Protection and Affordable Care Act of 2010 will have on the number of people participating in our postretirement medical plan. It is unclear at this time whether this legislation will result in more people electing to participate in our plan. The legislation could also result in fewer people participating in our plan or it could have no impact. For the 2014 plan year, 47% of those eligible to participate in our postretirement medical plan had elected not to participate. If a significant portion of those not participating were to opt-in to our plan, our benefit obligation would increase, which would result in increased expense. Although our plan is currently overfunded, a significant increase in plan participants could also require us to contribute increased amounts of cash to fund benefits payable under the plan.

We may be unable to protect our rights in intellectual property, which could harm our business and ability to compete.

We rely on a combination of trademark and copyright laws, trade secret and patent protection, and confidentiality and license agreements to protect our trademarks, software and other intellectual property. These protective measures afford only limited protection. Despite our efforts to protect our intellectual property, third parties may infringe or misappropriate our intellectual property or otherwise independently develop substantially equivalent products and services which do not infringe on our intellectual property rights. We may be required to spend significant resources to protect our trade secrets and to monitor and police our intellectual property rights. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection could harm our business and ability to compete.

We are subject to environmental risks which, if realized, could have an adverse impact on our operating results.

Our printing facilities are subject to many federal and state regulations designed to protect the environment. We have sold former printing facilities to third parties and, in some instances, have agreed to indemnify the buyer of the facility for certain environmental liabilities. Unforeseen conditions at current or former facilities could result in additional liability and expense beyond our insurance coverage.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our principal executive office is an owned property located in Shoreview, Minnesota. As of December 31, 2013, we occupied 30 facilities throughout the United States and six facilities in Canada where we conduct printing and fulfillment, call center, data center and administrative functions. We also had one data center located in Ireland. 41% of our facilities are owned, while the remaining 59% are leased. These facilities have a combined floor space of approximately 2.6 million square feet. We believe that our properties are sufficiently maintained and are adequate and suitable for our business needs as presently conducted.

Item 3. Legal Proceedings.

We record provisions 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. 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, either individually or in the aggregate, will materially affect our financial position, results of operations or liquidity upon resolution.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the New York Stock Exchange under the symbol DLX. Dividends are declared by our board of directors on a current basis and therefore, are subject to change in the future. As of December 31, 2013, the number of shareholders of record was 6,709. The table below shows the per share closing price ranges of our common stock for the past two fiscal years as quoted on the New York Stock Exchange, as well as the quarterly dividend amount for each period.

		Stock price		
	Dividend	High	Low	Close
2013				
Quarter 4	$0.25	$52.69	$41.61	$52.19
Quarter 3	0.25	43.49	34.67	41.66
Quarter 2	0.25	42.43	33.37	34.65
Quarter 1	0.25	42.50	32.32	41.40
2012				

Quarter 4	$0.25	$32.58	$28.33	$32.24
Quarter 3	0.25	32.39	25.02	30.56
Quarter 2	0.25	25.25	21.40	24.94
Quarter 1	0.25	26.90	22.53	23.42

The following table shows purchases of our own equity securities, based on trade date, which we completed during the fourth quarter of 2013.

Period	Total number of shares (or units) purchased	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
October 1, 2013 - October 31, 2013	—	$—	—	3,396,828
November 1, 2013 - November 30, 2013	104,584	47.81	104,584	3,292,244
December 1, 2013 - December 31, 2013	196,782	50.82	196,782	3,095,462
Total	301,366	49.77	301,366	3,095,462

In August 2003, our board of directors approved an authorization to purchase up to 10 million shares of our common stock. This authorization has no expiration date and 3.1 million shares remained available for purchase under this authorization as of December 31, 2013.

While not considered repurchases of shares, we do at times withhold shares that would otherwise be issued under equity-based awards to cover the withholding taxes due as a result of the exercise or vesting of such awards. During the fourth quarter of 2013, we withheld 26,311 shares in conjunction with the vesting and exercise of equity-based awards.

Absent certain defined events of default under our debt instruments, and as long as our ratio of earnings before interest, taxes, depreciation and amortization (EBITDA) to interest expense, as defined in such instruments, is in excess of two to one, our debt covenants do not restrict our ability to pay cash dividends at our current rate. There are currently no limitations on the amount of dividends and share repurchases under the terms of our amended credit facility agreement executed in February 2014. However, if our leverage ratio, defined as total debt less unrestricted cash to EBITDA, should exceed 2.75 to 1, there would be an annual limitation on the amount of dividends and share repurchases under the terms of the credit facility.

The table below compares the cumulative total shareholder return on our common stock for the last five fiscal years with the cumulative total return of the S&P MidCap 400 Index and the Dow Jones U.S. Support Services (DJUSIS) Index.

* The graph assumes that $100 was invested on December 31, 2008 in each of Deluxe common stock, the S&P MidCap 400 Index and the DJUSIS Index, and that all dividends were reinvested.

Item 6. Selected Financial Data.

The following table shows certain selected financial data for the five years ended December 31, 2013. This information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in Item 7 of this report and our consolidated financial statements appearing in Item 8 of this report.

(dollars and orders in thousands, except per share and per order amounts)	2013		2012		2011		2010		2009	
Statement of Income Data:										
Total revenue	$1,584,824		$1,514,917		$1,417,596		$1,402,237		$1,344,195	
As a percentage of total revenue:										
Gross profit	64.6	%	65.4	%	65.2	%	65.2	%	62.4	%
Selling, general and administrative expense	43.6	%	44.9	%	45.2	%	44.5	%	45.9	%
Operating income	20.1	%	19.9	%	19.1	%	20.1	%	14.2	%
Operating income	$317,914		$302,028		$271,058		$281,544		$190,589	
Income from continuing operations:	186,652		170,492		144,595		153,395		99,365	
Per share - basic	3.68		3.33		2.82		2.98		1.94	
Per share - diluted	3.65		3.32		2.80		2.97		1.94	
Cash dividends per share	1.00		1.00		1.00		1.00		1.00	
Balance Sheet Data:										
Cash and cash equivalents	$121,089		$45,435		$28,687		$17,383		$12,789	
Return on average assets[(1)]	12.5	%	12.2	%	10.7	%	12.1	%	8.2	%
Total assets	$1,569,529		$1,412,440		$1,388,809		$1,308,691		$1,211,210	
Long-term obligations[(2)]	640,704		652,581		741,706		748,122		742,753	
Total debt[(3)]	640,704		652,581		741,706		755,122		768,753	
Statement of Cash Flows Data:										
Net cash provided by operating activities of continuing operations	$261,502		$244,077		$235,367		$212,615		$206,438	
Net cash used by investing activities of continuing operations	(101,050	)	(68,513	)	(131,785	)	(136,170	)	(81,788	)
Net cash used by financing activities of continuing operations	(82,297	)	(159,510	)	(91,702	)	(72,541	)	(128,545	)
Purchases of capital assets	(37,459	)	(35,193	)	(35,506	)	(43,932	)	(44,266	)
Payments for acquisitions, net of cash acquired	(69,709	)	(34,172	)	(85,641	)	(98,621	)	(30,825	)
Payments for common shares repurchased	(48,798	)	(27,155	)	(23,620	)	(2,999	)	(1,319	)
Other Data (continuing operations):										

Orders[4]	52,584	53,216	54,348	56,736	59,174
Revenue per order[4]	$30.14	$28.47	$26.08	$24.72	$22.72
Number of employees	5,575	5,476	5,565	5,765	6,089
Number of printing/fulfillment facilities	14	14	16	15	14
Number of call center facilities	16	13	13	14	12

(1) Return on average assets is calculated as net income divided by average assets for the period.
(2) Long-term obligations include both the current and long-term portions of our long-term debt obligations, including capital leases.
(3) Total debt in 2010 and 2009 includes amounts outstanding under our credit facility.
(4) Orders is our company-wide measure of volume and includes both products and services.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

EXECUTIVE OVERVIEW

We employ a multi-channel strategy to provide a suite of life-cycle driven solutions to our customers. We use printed and electronic marketing, a direct sales force, financial institution and telecommunication client referrals, purchased search results from online search engines, and independent distributors and dealers to promote and sell a wide range of customized products and services. Over the past 24 months, our Small Business Services segment has provided products and services to over 4.5 million small business customers and our Direct Checks segment has provided products and services to more than six million consumers. Through our Financial Services segment, we provide products and services to approximately 5,500 financial institution clients. We operate primarily in the United States. Small Business Services also has operations in Canada and portions of Europe. Our product and service offerings are comprised of the following:

Checks – We remain one of the largest providers of checks in the United States, both in terms of revenue and the number of checks produced. Checks account for the majority of the revenue in our Financial Services and Direct Checks segments and represented 43.2% of our Small Business Services segment's revenue in 2013.

Forms – Our Small Business Services segment is a leading provider of printed forms to small businesses, including deposit tickets, billing forms, work orders, job proposals, purchase orders, invoices and personnel forms. This segment also offers computer forms compatible with accounting software packages commonly used by small businesses. Forms sold by our Financial Services and Direct Checks segments include deposit tickets and check registers.

Accessories and other products – Small Business Services offers products designed to provide small business owners with the customized documents necessary to efficiently manage their business including envelopes, office supplies, stamps and labels, as well as retail packaging supplies. Our Financial Services and Direct Checks segments offer checkbook covers and stamps.

Marketing solutions – All three of our segments offer products and services that help small businesses and/or financial institutions promote their businesses and acquire customers. Our Small Business Services segment offers services designed to fulfill the sales and marketing needs of small businesses, including web design, hosting and other web services; search engine optimization; marketing services, including email, mobile, social media and other self-service marketing solutions; digital printing services; and logo design. In addition, Small Business Services offers products such as promotional products, postcards, brochures, apparel, greeting cards and business cards. Financial Services offers various customer acquisition programs, marketing communications services and rewards and loyalty programs. Direct Checks provides package insert programs under which companies' marketing materials are included in our check packages.

Other services – All three of our segments provide fraud protection and security services. In addition, our Small Business Services segment offers payroll services and health care enrollment solutions, and Financial Services provides financial institution profitability and risk management services.

Throughout the past several years, we have focused on opportunities to increase revenue and operating income, while maintaining strong operating margins. These opportunities have included new product and service offerings, brand awareness and positioning initiatives, investing in technology for our service offerings, enhancing our internet capabilities, improving customer segmentation, adding new small business customers, and reducing costs. In addition, we invested in various acquisitions that extend the range of products and services we offer to our customers, including marketing solutions and other services offerings. During 2014, we will continue our focus in these areas, with an emphasis on profitable revenue growth, increasing revenue from our marketing solutions and other services offerings for small businesses and financial institutions, and assessing small to medium-sized acquisitions that complement our large customer bases, with a focus on marketing solutions and other services.

Earnings for 2013, as compared to 2012, benefited from price increases in all three segments and continuing initiatives to reduce our cost structure, primarily within our fulfillment, sales and marketing, and information technology organizations. Additionally, earnings benefited from lower interest expense driven by the refinancing of a portion of our long-term debt in the fourth quarter of 2012, as well as lower performance-based compensation and medical expense. These increases in earnings were partially offset by volume reductions for our personal check businesses due primarily to the continuing decline in check usage, as well as increased investments in revenue growth opportunities, including brand awareness advertising, marketing solutions and other services offers, and enhanced e-commerce capabilities.

Our Strategies

Small Business Services – Our strategies within Small Business Services are as follows:

- Effectively acquire and retain customers by optimizing each of our sales channels;
- Expand sales of higher growth marketing solutions and other services;
- Increase our share of the amount small businesses spend on the types of products and services in our portfolio through increased brand awareness and improved customer segmentation and analytics; and
- Continue to optimize our cost and expense structure.

We continue to invest in several key enablers to achieve our strategies and reposition Small Business Services as not just a provider of business checks and printed forms, but also as a provider of higher growth marketing solutions and other services. These key enablers include attracting new customers, strengthening our portfolio of products and services, improving our use of technology, growing our distributor channel, and enhancing brand awareness and positioning.

We have focused on identifying opportunities to expand sales to our existing customers and to acquire new customers. The small business customer referrals we receive through our Deluxe Business Advantage® program continue to be important to our growth. This program provides a fast and simple way for financial institutions to offer expanded personalized service to small businesses. Our relationships with financial institutions are important in helping us more deeply serve unique customer segments such as contractors, retailers and professional services firms. In addition, we continue to leverage customer referrals from our telecommunications clients, we continue to invest in our e-commerce platforms to increase opportunities to market and sell on-line, and we continue to utilize various marketing initiatives, including television, internet and direct mail solicitations. We have also acquired the operations of several small business distributors with the intention of increasing our customer base and growing revenue in our distributor channel. These distributors primarily sell checks, accessories, forms and promotional products.

We continuously evaluate ways to strengthen our portfolio of products and services. In recent years, we have grown our base of partnerships and we have acquired companies which allow us to expand our marketing solutions and other services offerings, including additional web services, web-to-print capabilities, internet marketing services and electronic checks. We expect sales of these higher growth products and services will continue to represent an increasing portion of our revenue. Specifically, during June 2013, we acquired VerticalResponse, Inc., a provider of of self-service marketing solutions for small businesses, including email marketing, social media, online event marketing, postcard marketing and on-line surveys, for cash of $27.3 million, net of cash acquired. In May 2012, we acquired OrangeSoda, Inc., a provider of internet marketing services specializing in search, mobile and social media campaign strategies for small businesses, for cash of $26.7 million, net of cash acquired. In July 2011, we acquired substantially all of the assets of PsPrint, LLC, for cash of $45.5 million, net of cash acquired. PsPrint is a web-to-print solutions company that provides online print marketing and promotional services for small businesses.

During the past several years, we have invested in promoting and strengthening the Deluxe brand to increase brand awareness and loyalty. In late 2012, we implemented an advertising campaign intended to encourage small business owners to view us as a business partner who can provide many of the key elements they need to operate and promote their business, so the owners can focus instead on doing what they love. This campaign continued throughout 2013 and into 2014. We examined our marketing strategies, held focus groups, analyzed research studies, and shadowed small business owners while they worked. Through these efforts, we learned that the primary motivator for today's small business owner has shifted from business growth to personal satisfaction. This insight formed the basis of our brand awareness campaign, the redesign of our Deluxe.com website and updated training for our call center sales representatives. We completed a small business brand awareness study late in the fourth quarter of 2013, which showed positive improvements in areas such as brand awareness, buying consideration, and likelihood to recommend.

For example, with existing customers, the study showed double-digit percentage improvements in familiarity with Deluxe as a website design and hosting services provider. Our intent for 2014 is to continue our brand awareness campaign, including television, online digital and print media. We plan to increase our focus on direct response marketing, as well as drive a more targeted local market concentration.

As in our other two business segments, we continue our efforts within Small Business Services to simplify processes, eliminate complexity and lower costs. Small Business Services outsources the production of some of its products, including certain business forms, promotional products and apparel. In conjunction with our cost reduction initiatives, we continually seek to further enhance our strategic supplier sourcing arrangements within this segment. In addition, the expertise we have developed in logistics, productivity and inventory management has allowed us to reduce the number of production facilities while still meeting client requirements. During the fourth quarter of 2013, we closed our New Albany, Indiana manufacturing facility and moved its operations into another facility. In 2012, we closed our Rockford, Illinois printing facility and consolidated the work into other facilities and in 2011, we closed our Crystal Lake, Illinois business products fulfillment center, moving its operations into another facility.

Financial Services – Our strategies within Financial Services are as follows:

- Optimize core check revenue streams and acquire new clients;
- Expand sales of higher growth marketing solutions and other services that differentiate us from the competition; and
- Continue to optimize our cost and expense structure.

We continue to focus on maintaining high client retention and on acquiring new clients. We added new large financial institution clients in the third quarter of 2013, the first quarter of 2012 and in the third quarter of 2010. We are also advancing our marketing solutions and other services offerings with customer acquisition, risk management, and other new services. In December 2013, we acquired substantially all of the assets of Destination Rewards, a rewards and loyalty program provider, in a cash transaction for $20.1 million, net of cash acquired. In August 2013, we acquired substantially all of the assets of Acton Marketing, LLC in cash transaction for $4.1 million, net of cash acquired. Acton Marketing is a provider of direct marketing services for financial institutions. In April 2011, we acquired substantially all of the assets of Banker's Dashboard, LLC, for $39.7 million, comprised of $35.0 million of cash and $4.7 million of shares of our common stock plus related dividend equivalent payments. Banker's Dashboard provides online financial management tools that provide banks with a comprehensive daily view of their financial picture. We also continue to leverage our Deluxe Business Advantage program which is designed to maximize financial institution business check programs. It offers the products and services of our Small Business Services segment to the small business customers of financial institutions through a number of service level options. The revenue from the products and services sold through this program is reflected in our Small Business Services segment.

In our efforts to expand beyond check-related products, we offer several marketing solutions and other services offerings, including:

- Marketing solutions – a variety of strategic marketing solutions which help financial institutions acquire new customers, deepen existing customer relationships and retain customers, including Cornerstone Solutions^{SM}; the service offerings of Acton Marketing; Destination Rewards® proprietary customer loyalty, incentive and engagement solutions; analytics-driven direct marketing programs; and SwitchAgent^{SM}, a proprietary service allowing consumers to easily switch from one financial institution to another.
- Banker's Dashboard® – online financial management tools that provide financial institutions with a comprehensive daily view of their financial picture.
- Deluxe Provent^{SM} – a comprehensive suite of identity protection services.
- Deluxe Detect® – an account applicant screening tool.

We expect providing products and services that differentiate us from the competition will help partially offset the impacts of the decline in check usage and the competitive pricing pressures we are experiencing in our check programs. As such, we also continue to focus on accelerating the pace at which we introduce new products and services.

As in our other two business segments, Financial Services continues to simplify processes, eliminate complexity and lower costs. During 2013, we integrated our customer call center leadership structure with Small Business Services to leverage internal best practices, processes and resources, and during 2011, we closed our Financial Services customer call center located in Phoenix, Arizona, moving the work to other facilities.

Direct Checks – Our strategies within Direct Checks are as follows:

- Maximize the lifetime value of customers by selling new features, accessories and products;
- Continue to optimize our cost and expense structure; and
- Optimize cash flow.

We continue to actively market our products and services through targeted advertising, including a continued focus on the internet channel. We continue to explore avenues to increase sales to existing customers. One example is the check protection service we offer in partnership with EZShield, Inc., which provides reimbursement to consumers for losses resulting from forged signatures or endorsements and altered checks. As in our other two business segments, Direct Checks continues to simplify processes, eliminate complexity and lower costs. During 2012, we consolidated our Little Rock, Arkansas and Joppa, Maryland call centers into our Colorado Springs, Colorado call center and closed our Joppa, Maryland printing facility, moving the production to other facilities. We continue to identify additional opportunities to lower our cost and expense structure in all functional areas, particularly in the areas of marketing and fulfillment.

Cost Reduction Initiatives

For several years we have been pursuing cost reduction and business simplification initiatives, including: reducing shared services infrastructure costs; streamlining our call center and fulfillment activities; eliminating system and work stream redundancies; and strengthening our ability to quickly develop new products and services and bring them to market. We have reduced stock-keeping units (SKUs), standardized products and services and improved the sourcing of third-party goods and services. As a result of all of these efforts, we realized net cost savings of approximately $55 million during 2013, as compared to our 2012 results of operations, generated primarily by our sales and marketing, fulfillment, and information technology organizations. Approximately 70% of these savings impacted selling, general and administrative (SG&A) expense, with the remaining 30% affecting cost of revenue. We anticipate that we will realize additional net cost reductions of approximately $55 million in 2014, as compared to our 2013 results of operations, which will be generated primarily by our sales, marketing and fulfillment organizations. Approximately, 70% of these savings are expected to impact SG&A expense, with the remaining 30% affecting cost of revenue.

Outlook for 2014

We anticipate that consolidated revenue will be between $1.610 billion and $1.650 billion for 2014, compared to $1.585 billion for 2013. In Small Business Services, we expect revenue to increase between 6% and 8% compared to 2013 revenue of $1.050 billion, as volume declines in core business products are expected to be more than offset by benefits from our e-commerce investments, price increases and growth in our distributor, dealer and major accounts channels and in our marketing solutions and other services offerings. The anticipated revenue increase includes incremental revenue from the VerticalResponse acquisition. In Financial Services, we expect revenue to be close to flat compared to 2013 revenue of $343.2 million. We expect that check order declines of approximately 6%, as well as pricing pressure on contract renewals, will be offset by continued growth from non-check revenue streams, including incremental revenue from the Acton Marketing and Destination Rewards acquisitions, as well as higher revenue per order and a full year of revenue from a new large financial institution client acquired in the third quarter of 2013. In Direct Checks, we expect revenue to decline between 10% and 11% compared to 2013 revenue of $191.4 million, driven by check order volume declines.

We expect that 2014 diluted earnings per share will be between $3.90 and $4.10, compared to $3.65 for 2013, which included total charges of $0.22 per share related to restructuring-related costs, an asset impairment charge and transaction costs related to acquisitions. We expect that the benefits of additional cost reduction activities and lower interest expense will be partially offset by increases in medical expenses, material costs and delivery rates, as well as continued investments in revenue growth opportunities, including brand awareness, marketing solutions and other services offers, and enhanced internet capabilities. We estimate that our annual effective tax rate for 2014 will be approximately 34%, compared to 33.6% for 2013. A number of discrete credits to income tax expense in 2013 collectively reduced our 2013 tax rate by 0.7 points.

We anticipate that net cash provided by operating activities will be between $260 million and $275 million in 2014, compared to $262 million in 2013, driven by higher earnings, lower contributions to our trust used to fund medical benefits, and lower employee profit sharing/cash bonus payments, partially offset by higher contract acquisition and income tax payments. We anticipate contract acquisition payments of approximately $25 million in 2014, and we estimate that capital spending will be approximately $40 million in 2014 as we continue to invest in key revenue growth initiatives and order fulfillment and information technology infrastructure.

We believe that cash generated by operating activities, along with availability under our credit facility, will be sufficient to support our operations in 2014, including required interest and principal payments related to our long-term debt, dividend payments, capital expenditures and possible small-to-medium-sized acquisitions. We are focused on a disciplined approach to capital deployment that focuses on our need to continue investing in initiatives to drive revenue growth, including small-to-medium-sized acquisitions and continued expansion of our distributor channel. We also anticipate that our board of directors will maintain our current dividend level. However, dividends are approved by the board of directors on a quarterly basis, and thus are subject to change. We also anticipate that we will repurchase shares to offset the dilutive impact of shares issued under our employee stock incentive plan. To the extent we generate cash flow in excess of these priorities, we plan to accumulate cash in advance of our October 2014 senior note maturity of $253.5 million. In February 2014, we increased the amount available for borrowing under our credit facility from $200.0 million to $350.0 million, along with extending the term of the agreement from February

2017 to February 2019. We currently anticipate using cash on hand and our credit facility to meet the October 2014 debt obligation. We may also, from time to time, consider retiring outstanding debt through open market purchases, privately negotiated transactions or other means.

BUSINESS CHALLENGES/MARKET RISKS

Market for checks and business forms

The market for checks, which is our largest product, is very competitive. The check product is mature and its use has been declining. The total number of checks written in the United States has been in decline for many years as a result of alternative payment methods, including credit cards, debit cards, direct deposit, wire transfers and internet-based bill paying services, as well as automated teller machines, which make cash a more readily available alternative. According to a Federal Reserve study released in December 2013, debit card, credit card and ACH payments all exceeded the number of checks written in 2012. Approximately 21.0 billion checks were written in 2012, accounting for approximately 17% of all non-cash payment transactions. This is a reduction from the Federal Reserve Study released in December 2010 when checks accounted for approximately 25% of all non-cash payment transactions. The Federal Reserve estimates that checks written declined approximately 8.8% percent per year between 2009 and 2012. Although, we experienced a slightly lower decline in our check order volume than the Federal Reserve estimate, we expect that the number of checks written will continue to decline. However, we cannot predict the rate at which this decline will continue in the long-term.

In addition to the decline in check usage, the use of business forms is also under pressure. Continual technological improvements provide small business customers with alternative means to enact and record business transactions. For example, because of the lower price and higher performance capabilities of personal computers, printers and mobile devices, small businesses now have alternate means to print many business forms. Additionally, electronic transaction systems, off-the-shelf business software applications and mobile applications have been designed to replace pre-printed business forms products. It is difficult to predict the pace at which these alternative products and services will gain widespread acceptance.

Financial institution clients

Because check usage is declining, we have been encountering significant pricing pressure when negotiating contracts with our financial institution clients. Financial institutions seek to maintain the profits they have historically generated from their check programs, despite the decline in check usage. Our traditional financial institution relationships are typically formalized through check supply contracts averaging three to six years in duration. As we compete to retain and acquire new financial institution business, the resulting pricing pressure, combined with declining check usage in the marketplace, has negatively impacted our revenue and profit margins. We expect these trends to continue.

As a result of global economic conditions in recent years, a number of financial institutions sought additional capital, merged with other financial institutions and, in some cases, failed. This turmoil in the financial services industry affected and may continue to affect our results of operations in a number of ways.
There could be a significant impact on our consolidated results of operations if we were to lose a significant amount of business and/or we were unable to recover the value of unamortized contract acquisition costs or accounts receivable. As of December 31, 2013, unamortized contract acquisition costs totaled $35.4 million, while liabilities for contract acquisition costs not paid as of December 31, 2013 were $6.3 million. The inability to recover amounts paid to one or more of our larger financial institution clients could have a significant negative impact on our consolidated results of operations.

The consolidation of financial institutions may also impact our results of operations. In the past we have occasionally acquired new clients as financial institutions that were not our clients consolidated with our clients. When two of our financial institution clients consolidate, the increase in general negotiating leverage possessed by the consolidated entity could result in a new contract which is not as favorable to us as those historically negotiated with the clients individually. However, we may also generate non-recurring conversion revenue when obsolete checks have to be replaced after one financial institution merges with or acquires another. Conversely, we have also lost financial institution clients when they consolidated with financial institutions which were not our clients. If we were to lose a significant amount of business in this manner, it could have a significant negative impact on our consolidated results of operations. In such situations, we have typically collected contract termination payments and we may be able to do so in similar circumstances in the future.

Recent legislation has impacted our financial institution clients. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act") was enacted in 2010. The Act implements changes that affect the oversight and supervision of financial institutions, creates a new agency responsible for implementing and enforcing compliance with consumer financial laws and introduces more stringent regulatory capital requirements. The full impact of the Act and/or any additional related regulatory changes remains unclear due to the pace at which formal rulemaking is finalized. It is likely that the Act has and will have a negative impact on the profitability of our financial institution clients as they incur costs to comply with the new regulations. In spite of these additional costs, financial institutions may seek to maintain the profits they have historically generated, and they may put significant pricing pressure on their suppliers, including their check and service providers. The increase in cost and profit pressure may also lead to further consolidation of financial institutions. Additionally, the Act gave the Consumer Financial Protection Bureau (CFPB) the authority to pursue financial institutions engaged in unfair, deceptive or abusive practices. The CFPB's rule-making and enforcement power may also extend to financial institutions' service providers. This has made some financial institutions wary of offering add-on services, such as fraud/identity protection or expedited check delivery, to their customers. It would have an adverse impact on our results of operations if we were unable to market such services to consumers or small businesses through our financial institution clients.

Competition

The small business forms and supplies market and the small business marketing solutions and other services markets are highly fragmented with many small local suppliers, large national retailers and internet-based providers. In the small business forms and supplies market, the competitive factors influencing a customer's purchase decision are breadth of product line, speed of delivery, product quality, price, convenience, customer service and past experience with the supplier. Our primary competitors are office product superstores, local printers, business forms dealers and internet-based suppliers. We are aware of numerous competitors offering printed products and business supplies to small businesses through the internet, direct mail, distributors or a direct sales force. We believe we are well-positioned in this competitive landscape through our broad customer base, the breadth of our small business product and service offerings, multiple distribution channels, established relationships with our financial institution and telecommunications clients, competitive prices, high quality and dependable service.

Many of our marketing solutions and other services offerings also face intense competition, including competition from numerous internet-based service providers. We expect the intensity of competition to increase in the future from other established and emerging companies due to the relatively low barriers to entry for the services we offer, as well as small businesses' increasing use of the internet which allows service providers to work directly with small businesses as opposed to using intermediaries. The competitive factors affecting marketing solutions and other services offerings include the breadth, quality and ease of use of web and other services, price, and the responsiveness and quality of customer support.

In the check printing portion of the payments industry, we face considerable competition from other check printers, and we expect competition to remain intense as check usage continues to decline. We also face competition from check printing software vendors. Moreover, the check product must compete with alternative payment methods, including credit cards, debit cards, direct deposit, wire transfers and internet-based bill paying services, as well as automated teller machines, which make cash a more readily available alternative.

In the financial institution check printing business, there are two large primary providers, one of which is Deluxe. The principal factors on which we compete are product and service breadth, price, quality and check merchandising program management. We believe the key items which differentiate us from our competition include our fully automated flat check delivery package, our online performance dashboard and portal analytics tools for financial institution branches, our personalized customer call center experience, and our Deluxe Business Advantage program, which provides a fast and simple way for financial institutions to offer expanded personalized service to small businesses.

At times, check suppliers have reduced the prices of their products during the supplier selection process in an attempt to gain greater volume. The corresponding pricing pressure has negatively impacted our profit margins. Pricing pressure will continue to impact our results of operations through lower pricing levels or client losses. Additionally, product discounts in the form of cash incentives payable to financial institutions upon contract execution are a common practice within the industry. Both the number of financial institution clients requesting these payments and the size of the payments has fluctuated significantly in recent years. These up-front payments negatively impact check printers' cash flows at the beginning of the contract. Our goal is to reduce the use of up-front product discounts by structuring new contracts with alternative incentives throughout the duration of the contract.

We can provide no assurance that we will be able to compete effectively against current and future competitors. In recent years, our revenue has benefited from price increases in all three of our business segments. We can provide no assurance that we will be able to increase prices in the future while remaining competitive. Continued competition could result in price reductions, reduced profit margins, loss of customers and brand recognition, and an increase in up-front cash payments to financial institutions upon contract execution or renewal, all of which would have an adverse effect on our results of operations and cash flows.

Economic conditions

Domestic and global economic conditions have affected and, most likely, will continue to affect our results of operations and financial position. Current and future economic conditions that affect consumer and business spending, including unemployment levels, the availability of credit and small business confidence, as well as the financial condition and growth prospects of our customers, may adversely affect our business and results of operations.

A significant portion of our business relies on small business spending. As such, the level of small business confidence and the rate of small business formations and closures impact our business. In recent years, below average small business optimism, as well as declines in small business formations and increases in small business closures, negatively impacted our results of operations and/or our growth opportunities in Small Business Services. We believe small businesses are more likely to be significantly affected by economic downturns than larger, more established companies. During a sluggish economy, it may be more difficult for small businesses to obtain credit and small businesses may choose to spend their limited funds on items other than our products and services. Within our personal check printing businesses, consumer spending, employment levels and housing stock impact the number of checks consumers use. Weak growth in consumer spending during 2013, along with only modest private sector growth in employment, continued to negatively impact our personal check businesses. Partially offsetting the negative impact of employment levels and consumer spending in 2013 was an improvement in housing stock. An increase in housing stock has a positive impact on the number of checks purchased, as new households typically are in need of new checks.

We cannot predict whether these negative economic trends will improve, stay the same or worsen in the near future. We believe that in recent years the economy negatively impacted our operating results and/or our growth opportunities, and we expect the economic environment will continue to be challenging in 2014.

CONSOLIDATED RESULTS OF OPERATIONS

Consolidated Revenue

(in thousands, except per order amounts)	2013	2012	2011	Change 2013 vs. 2012	2012 vs. 2011
Total revenue	$1,584,824	$1,514,917	$1,417,596	4.6 %	6.9 %
Orders	52,584	53,216	54,348	(1.2 %)	(2.1 %)
Revenue per order	$30.14	$28.47	$26.08	5.9 %	9.2 %

The increase in total revenue for 2013, as compared to 2012, was primarily due to price increases in all three segments and growth in marketing solutions and other services revenue, including incremental revenue of $27.9 million from businesses acquired during 2013 and 2012, as well as growth in our Small Business Services distributor channel. These revenue increases were partially offset by lower order volume for our personal check businesses and continued pricing pressure on contract renewals within Financial Services.

The increase in total revenue for 2012, as compared to 2011, was primarily due to price increases in all three segments, incremental revenue of $36.8 million generated by the businesses acquired during 2012 and 2011, growth in our Small Business Services distributor channel and in marketing solutions and other services, and revenue from a new large financial institution client. These revenue increases were partially offset by lower order volume for our personal check businesses and continued pricing pressure on contract renewals within Financial Services.

Service revenue represented 13.6% of total revenue in 2013, 11.2% in 2012 and 9.7% in 2011. As such, the majority of our revenue is generated by product sales. We do not manage our business based on product versus service revenue. Instead we analyze our products and services based on the following categories:

	2013	2012	2011	Change 2013 vs. 2012	2012 vs. 2011
Checks, including contract settlements	55.8 %	58.7 %	61.5 %	(2.9) pt.	(2.8) pt.
Marketing solutions, including services	15.7 %	13.6 %	10.6 %	2.1 pt.	3.0 pt.
Forms	12.6 %	13.2 %	13.8 %	(0.6) pt.	(0.6) pt.
Accessories and other products	9.9 %	9.2 %	9.0 %	0.7 pt.	0.2 pt.
Other services	6.0 %	5.3 %	5.1 %	0.7 pt.	0.2 pt.
Total revenue	100.0 %	100.0 %	100.0 %	—	—

The number of orders decreased in each of the past two years due primarily to the continuing decline in check and forms usage, partially offset by growth in the Small Business Services distributor channel and in marketing solutions and other services. Revenue per order increased in each of the past two years primarily due to the benefit of price increases in all three segments, as well as a shift from personal check orders to higher dollar Small Business Services orders. At the same time, Financial Services continues to experience pricing pressure on contract renewals.

Consolidated Gross Margin

(in thousands)	2013	2012	2011	Change 2013 vs. 2012	2012 vs. 2011
Gross profit	$1,023,708	$990,542	$924,194	3.3 %	7.2 %
Gross margin	64.6 %	65.4 %	65.2		