

Fourth Quarter and Full Year 2019 Financial Results Conference Call

February 4, 2020

Forward-Looking Statements and Non-GAAP Financial Measures

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding anticipated internal revenue growth, adjusted EPS, adjusted EPS growth, free cash flow conversion, adjusted operating margin and adjusted operating margin expansion. Statements can generally be identified as forward-looking because they include words such as “believes,” “anticipates,” “expects,” “could,” “should” or words of similar meaning. Statements that describe the company’s future plans, objectives or goals are also forward-looking statements. Forward-looking statements are subject to assumptions, risks and uncertainties that may cause actual results to differ materially from those contemplated by such forward-looking statements. The factors that could cause the company’s actual results to differ materially include, among others: the possibility that the company may be unable to achieve expected synergies and operating efficiencies from the acquisition of First Data within the expected time frames or at all or to successfully integrate the operations of First Data into the company’s operations; such integration may be more difficult, time-consuming or costly than expected; profitability following the transaction may be lower than expected, including due to unexpected costs, charges or expenses resulting from the transaction; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected following the transaction; unforeseen risks relating to the company’s liabilities or those of First Data may exist; the company’s ability to meet expectations regarding the accounting and tax treatments of the transaction; the company’s ability to compete effectively against new and existing competitors and to continue to introduce competitive new products and services on a timely, cost-effective basis; changes in customer demand for the company’s products and services; rapid technological developments and changes, and the ability of the company’s technology to keep pace with a rapidly evolving marketplace; the successful management of the company’s merchant alliance program which involves several alliances not under its sole control; the impact of a security breach or operational failure on the company’s business including disruptions at other participants in the global financial system; the failure of the company’s third party vendors and merchants to satisfy their obligations; the successful management of credit and fraud risks in the company’s business units and merchant alliances; changes in local, regional, national and international economic or political conditions and the impact they may have on the company and its customers; the effect of proposed and enacted legislative and regulatory actions affecting the financial services industry as a whole and/or the company; the company’s ability to comply with government regulations and applicable card association and network rules; the protection and validity of intellectual property rights; the outcome of pending and future litigation and governmental proceedings; the company’s ability to successfully identify, complete and integrate acquisitions, and to realize the anticipated benefits associated with the same; the impact of the company’s strategic initiatives; the company’s ability to attract and retain key personnel; changes in the interest rate environment that increase interest on the company’s borrowings or the interest rate at which the company can refinance its borrowings; adverse impacts from currency exchange rates or currency controls imposed by any government or otherwise; and other factors included in “Risk Factors” in the company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2019, and in other documents that the company files with the SEC, which are available at <http://www.sec.gov>. You should consider these factors carefully in evaluating forward-looking statements and are cautioned not to place undue reliance on such statements. The company assumes no obligation to update any forward-looking statements, which speak only as of the date of this presentation.

Use of Non-GAAP Financial Measures

This presentation includes non-GAAP financial measures. Additional information about these measures, reconciliations to the nearest GAAP financial measures, to the extent available, and additional information about the basis of the presentation of our quarterly and full year financial results are provided in the appendix to this presentation.

4Q-19 Key Financial Metrics

	Adjusted Revenue	Internal Revenue	Adjusted EPS
4Q-19	\$3,712	\$3,670	\$1.13
4Q-18	\$3,586	\$3,511	\$0.96
Change	4%	5%	18%

\$ in millions, except per share amounts.

See appendix for information regarding non-GAAP measures.

2019 Key Financial Metrics

	Adjusted Revenue	Internal Revenue	Adjusted EPS
2019	\$14,445	\$14,417	\$4.00
2018	\$13,902	\$13,619	\$3.44
Change	4%	6%	16%

\$ in millions, except per share amounts.

See appendix for information regarding non-GAAP measures.

Other Financial Metrics

	Free Cash Flow Conversion	Adjusted Operating Margin
2019	118%	29.7%
2018	117%	28.7%
Change ¹	1%	100 bps

See appendix for information regarding non-GAAP measures.

¹ Free cash flow conversion change represents the change in percentage points.

Internal Revenue Growth by Segment

Segment	4Q-19	2019
First Data	6%	7%
Payments	4%	5%
Financial	—	3%
Total Company	5%	6%

Internal revenue growth is calculated on a constant currency basis.

See appendix for information regarding non-GAAP measures.

4Q-19 Adjusted Operating Margin

Segment	4Q-19	4Q-18	Change (bps)
First Data	31.9%	31.4%	50
Payments	39.2%	36.7%	250
Financial	34.1%	33.7%	40
<hr/>			
Total Company	31.4%	30.4%	100

See appendix for information regarding non-GAAP measures.

2019 Adjusted Operating Margin

Segment	2019	2018	Change (bps)
First Data	30.7%	30.2%	50
Payments	36.3%	35.6%	70
Financial	33.5%	33.3%	20
Total Company	29.7%	28.7%	100

See appendix for information regarding non-GAAP measures.

2020 Performance Outlook

Key Financial Metrics

Growth

Internal Revenue

6% - 8%

Adjusted EPS¹

23% - 27%

Other Financial Metrics

Target

Free Cash Flow Conversion

> 112%

Adjusted Operating Margin Expansion

> 250 bps

The company's outlook for 2020 reflects performance as compared to 2019 adjusted on a combined company basis for the July 29, 2019 acquisition of First Data Corporation ("First Data").

¹ The company expects adjusted earnings per share growth of 23% to 27%, which translates to \$4.86 to \$5.02 compared to \$3.95 for 2019 as adjusted for the sale of 60% of the company's Investment Services Business ("Investment Services Transaction") and other divestitures. See page 15 for more information regarding 2020 adjusted earnings per share guidance.



Appendix

Non-GAAP Financial Measures

Use of Non-GAAP Financial Measures

Due to the financial impact of the First Data acquisition, the company's non-GAAP financial performance measures have been recalculated in this presentation on a combined company basis for the fourth quarter of 2018 and the full years 2019 and 2018. The combined financial information has been prepared by making certain adjustments to the sum of historical First Data financial information determined in accordance with generally accepted accounting principles ("GAAP") and historical Fiserv financial information determined in accordance with GAAP. The historical combined financial information includes various estimates and is not necessarily indicative of the operating results of the combined companies had the transaction been completed at the assumed dates or of the combined companies in the future. The historical combined financial information does not reflect any cost savings or other synergies anticipated as a result of the acquisition. In addition, the historical combined adjusted financial information does not reflect the impact of any purchase accounting adjustments that may arise from the acquisition as those impacts would be excluded in the preparation of the combined financial information. The combined financial information is not pro forma information prepared in accordance with Article 11 of Regulation S-X of the Securities and Exchange Commission, and the preparation of information in accordance with Article 11 would result in a significantly different presentation.

This presentation includes the following non-GAAP financial measures: "combined revenue," "adjusted revenue," "internal revenue," "internal revenue growth," "combined operating income," "adjusted operating income," "adjusted operating margin," "adjusted operating margin expansion," "combined net income attributable to Fiserv," "adjusted net income," "combined earnings per share," "adjusted earnings per share," "combined net cash provided by operating activities," "free cash flow," and "free cash flow conversion." Management believes that providing combined historical financial information, making adjustments for certain non-cash or other items and excluding certain pass-through revenue and expenses with respect to such combined information should enhance shareholders' ability to evaluate the combined company's performance, including providing a reasonable basis of comparison with its results for post-acquisition periods and providing additional insights into the factors and trends affecting the combined company's business. Additional information about these measures and reconciliations to the nearest GAAP financial measures, to the extent available, are provided in this appendix.

Internal Revenue Growth

	Three Months Ended December 31,			Year Ended December 31,		
	2019	2018	Growth	2019	2018	Growth
Total Company						
Adjusted revenue	\$ 3,712	\$ 3,586		\$ 14,445	\$ 13,902	
Currency impact	38	—		231	—	
Acquisition adjustments	(27)	—		(178)	—	
Divestiture adjustments	(53)	(75)		(81)	(283)	
Internal revenue	<u>\$ 3,670</u>	<u>\$ 3,511</u>	5%	<u>\$ 14,417</u>	<u>\$ 13,619</u>	6%
First Data						
Adjusted revenue	\$ 2,216	\$ 2,120		\$ 8,632	\$ 8,387	
Currency impact	38	—		224	—	
Acquisition adjustments	(11)	—		(31)	—	
Divestiture adjustments	—	(8)		—	(142)	
Internal revenue	<u>\$ 2,243</u>	<u>\$ 2,112</u>	6%	<u>\$ 8,825</u>	<u>\$ 8,245</u>	7%
Payments						
Adjusted revenue	\$ 902	\$ 859		\$ 3,448	\$ 3,159	
Currency impact	—	—		4	—	
Acquisition adjustments	(16)	—		(147)	—	
Divestiture adjustments	(42)	(48)		(42)	(48)	
Internal revenue	<u>\$ 844</u>	<u>\$ 811</u>	4%	<u>\$ 3,263</u>	<u>\$ 3,111</u>	5%
Financial						
Adjusted revenue	\$ 609	\$ 615		\$ 2,407	\$ 2,395	
Currency impact	—	—		3	—	
Divestiture adjustments	(6)	(11)		(7)	(65)	
Internal revenue	<u>\$ 603</u>	<u>\$ 604</u>	—%	<u>\$ 2,403</u>	<u>\$ 2,330</u>	3%
Corporate and Other						
Adjusted revenue	\$ (15)	\$ (8)		\$ (42)	\$ (39)	
Divestiture adjustments	(5)	(8)		(32)	(28)	
Internal revenue	<u>\$ (20)</u>	<u>\$ (16)</u>	n/m	<u>\$ (74)</u>	<u>\$ (67)</u>	n/m

Internal revenue growth is calculated using actual, unrounded amounts. See page 11 for information regarding non-GAAP financial measures.

Internal revenue growth is measured as the increase in adjusted revenue (see pages 19-23) for the current period excluding the impact of foreign currency fluctuations and revenue attributable to acquisitions (except for revenue attributable to First Data which is presented on a combined company basis) and dispositions, divided by adjusted revenue from the prior period excluding revenue attributable to dispositions. Revenue attributable to dispositions includes transition services revenue within Corporate and Other. Currency impact is measured as the increase or decrease in adjusted revenue for the current period by applying prior period foreign currency exchange rates to present a constant currency comparison to prior periods.

Adjusted EPS

	4Q-19	4Q-18	2019	2018
GAAP EPS ¹	\$ 0.36	\$ 0.71	\$ 1.71	\$ 2.87
Combined EPS ¹	\$ 0.36	\$ 0.64	\$ 1.72	\$ 3.10
Combined adjustments - net of income taxes:				
Merger and integration costs ²	0.16	0.01	0.52	0.06
Severance and restructuring costs ³	0.08	0.04	0.17	0.17
Amortization of acquisition-related intangible assets ⁴	0.59	0.16	1.36	0.65
Debt financing activities ⁵	—	0.17	0.32	0.18
Impact of divestitures ⁶	—	—	—	(0.03)
Non wholly-owned entity activities ⁷	(0.04)	(0.01)	(0.06)	(0.04)
Gain on sale of businesses ⁶	(0.01)	—	(0.01)	(0.48)
Discrete tax items ⁸	(0.02)	(0.06)	(0.01)	(0.18)
Adjusted EPS	<u>\$ 1.13</u>	<u>\$ 0.96</u>	<u>\$ 4.00</u>	<u>\$ 3.44</u>

Earnings per share is calculated using actual, unrounded amounts.

See page 11 for information regarding non-GAAP financial measures.

¹ GAAP earnings per share is computed by dividing GAAP net income by the weighted-average number of common shares outstanding - diluted during the period. Combined earnings per share is computed by dividing combined net income attributable to Fiserv by the combined weighted average common shares outstanding - diluted during the period. The combined weighted average common shares outstanding - diluted is computed based on the historical Fiserv weighted average shares outstanding - diluted determined in accordance with GAAP, adjusted to include the Fiserv shares issued as merger consideration and shares subject to First Data equity awards assumed by Fiserv in connection with the First Data acquisition for all periods presented.

² Represents acquisition and related integration costs incurred as a result of the company's various acquisitions. Merger and integration costs include \$128 million and \$408 million in the fourth quarter and full year 2019, respectively, related to the acquisition of First Data and primarily consist of legal and other professional service fees and incremental share-based compensation including the fair value of stock awards assumed by Fiserv in connection with the First Data acquisition. Legal and other professional service fees were \$37 million and \$199 million in the fourth quarter and full year 2019, respectively. Incremental share-based compensation including the fair value of assumed stock awards was \$51 million and \$108 million in the fourth quarter and full year 2019, respectively.

Adjusted EPS (cont.)

- ³ Represents severance and other costs associated with the achievement of ongoing expense management initiatives, including real estate and data center consolidation activities. Severance and restructuring costs includes a non-cash impairment charge of \$48 million in both the fourth quarter and full year 2019 primarily related to an international core processing platform.
- ⁴ Represents amortization of intangible assets acquired through various acquisitions, including customer relationships, software/technology, and trade names. This adjustment does not exclude the amortization of other intangible assets such as contract assets (sales commissions and deferred conversion costs), capitalized and purchased software, and financing costs and debt discounts. See additional information on page 24 for an analysis of the company's amortization expense.
- ⁵ Represents losses on early debt extinguishments and other costs associated with the refinancing of certain indebtedness, including that of First Data in 2019. Debt financing activities in 2019 include \$220 million of early debt extinguishment costs and \$98 million of bridge term loan facility expenses, partially offset by \$50 million of net currency transaction gains related to foreign currency denominated debt. Debt financing activities in 2018 represent the loss on early debt extinguishment associated with the company's cash tender offer for and redemption of its \$450 million aggregate principal amount of 4.625% senior notes.
- ⁶ Represents the earnings attributable to divested businesses and the gain on the associated divestiture transactions. The divested businesses include First Data's card processing business in Central and Southeastern Europe, First Data's remittance processing business, and a 55% interest in Fiserv's Lending Solutions business in September 2018, August 2018 and March 2018, respectively.
- ⁷ Represents the company's share of amortization of acquisition-related intangible assets at its unconsolidated affiliates, as well as the minority interest share of amortization of acquisition-related intangible assets at its subsidiaries in which it holds a controlling financial interest. This adjustment also includes a \$14 million net gain on the merger of a joint venture that occurred in the third quarter of 2019.
- ⁸ Represents certain discrete tax items, such as tax effects associated with U.S. federal tax reform, deferred tax on basis difference related to the Investment Services Transaction and tax impacts from valuation allowance releases, tax reserves and non-deductible transaction costs associated with the acquisition of First Data.

Adjusted EPS Excluding the Impact of Divestitures

2019 adjusted earnings per share ¹	\$	4.00
Net impact from divestitures, including the Investment Services Transaction		(0.05)
2019 adjusted earnings per share, as adjusted for divestitures	\$	<u>3.95</u>
2020 adjusted earnings per share outlook		<u>\$4.86 - \$5.02</u>
2020 adjusted earnings per share growth outlook		23% - 27%

See page 11 for information regarding non-GAAP financial measures.

¹ See pages 13-14 for a reconciliation of GAAP earnings per share to adjusted earnings per share.

Adjusted Net Income

	4Q-19	4Q-18	2019	2018
GAAP net income	\$ 247	\$ 286	\$ 893	\$ 1,187
GAAP net income attributable to First Data ¹	—	162	303	1,005
Combined net income attributable to Fiserv	<u>247</u>	<u>448</u>	<u>1,196</u>	<u>2,192</u>
Combined adjustments:				
Merger and integration costs ²	148	5	467	55
Severance and restructuring costs ³	75	31	150	155
Amortization of acquisition-related intangible assets ⁴	533	149	1,222	594
Debt financing activities ⁵	—	156	287	167
Impact of divestitures ⁶	—	—	—	(28)
Non wholly-owned entity activities ⁷	(33)	(7)	(53)	(33)
Tax impact of adjustments ⁸	(169)	(76)	(480)	(209)
(Gain) loss on sale of businesses ⁶	(5)	5	(12)	(424)
Tax impact of (gain) loss on sale of businesses ⁸	1	(1)	3	90
Discrete tax items ⁹	(13)	(39)	(5)	(127)
Adjusted net income	<u>\$ 784</u>	<u>\$ 671</u>	<u>\$ 2,775</u>	<u>\$ 2,432</u>
Weighted average common shares outstanding - diluted	694.7	404.7	522.6	413.7
Issuance of shares for combination	—	286.3	167.0	286.3
Dilutive impact of exchanged equity awards	—	7.8	4.5	7.8
Combined weighted average common shares outstanding - diluted ¹⁰	<u>694.7</u>	<u>698.8</u>	<u>694.1</u>	<u>707.8</u>
GAAP earnings per share ¹⁰	\$ 0.36	\$ 0.71	\$ 1.71	\$ 2.87
Combined earnings per share ¹⁰	\$ 0.36	\$ 0.64	\$ 1.72	\$ 3.10

\$ in millions, except per share amounts. See page 11 for information regarding non-GAAP financial measures.

Adjusted Net Income (cont.)

- ¹ Represents the financial results of First Data prior to the date of acquisition. For the year ended December 31, 2019, this includes the results of First Data from January 1, 2019 through July 28, 2019. For the three months and year ended December 31, 2018, this includes the results of First Data from October 1, 2018 through December 31, 2018 and from January 1, 2018 through December 31, 2018, respectively.
- ² Represents acquisition and related integration costs incurred as a result of the company's various acquisitions. Merger and integration costs include \$128 million and \$408 million in the fourth quarter and full year 2019, respectively, related to the acquisition of First Data and primarily consist of legal and other professional service fees and incremental share-based compensation including the fair value of stock awards assumed by Fiserv in connection with the First Data acquisition. Legal and other professional service fees were \$37 million and \$199 million in the fourth quarter and full year 2019, respectively. Incremental share-based compensation including the fair value of assumed stock awards was \$51 million and \$108 million in the fourth quarter and full year 2019, respectively.
- ³ Represents severance and other costs associated with the achievement of ongoing expense management initiatives, including real estate and data center consolidation activities. Severance and restructuring costs includes a non-cash impairment charge of \$48 million in both the fourth quarter and full year 2019 primarily related to an international core processing platform.
- ⁴ Represents amortization of intangible assets acquired through various acquisitions, including customer relationships, software/technology, and trade names. This adjustment does not exclude the amortization of other intangible assets such as contract assets (sales commissions and deferred conversion costs), capitalized and purchased software, and financing costs and debt discounts. See additional information on page 24 for an analysis of the company's amortization expense.
- ⁵ Represents losses on early debt extinguishments and other costs associated with the refinancing of certain indebtedness, including that of First Data in 2019. Debt financing activities in 2019 include \$220 million of early debt extinguishment costs and \$98 million of bridge term loan facility expenses, partially offset by \$50 million of net currency transaction gains related to foreign currency denominated debt. Debt financing activities in 2018 represent the loss on early debt extinguishment associated with the company's cash tender offer for and redemption of its \$450 million aggregate principal amount of 4.625% senior notes.
- ⁶ Represents the earnings attributable to divested businesses and the gain on the associated divestiture transactions. The divested businesses include First Data's card processing business in Central and Southeastern Europe, First Data's remittance processing business, and a 55% interest in Fiserv's Lending Solutions business in September 2018, August 2018 and March 2018, respectively.
- ⁷ Represents the company's share of amortization of acquisition-related intangible assets at its unconsolidated affiliates, as well as the minority interest share of amortization of acquisition-related intangible assets at its subsidiaries in which it holds a controlling financial interest. This adjustment also includes a \$14 million net gain on the merger of a joint venture that occurred in the third quarter of 2019.
- ⁸ The tax impact of adjustments is calculated using a tax rate of 23%, which approximates the combined company's annual effective tax rate, exclusive of the actual tax impacts associated with the net (gain) loss on sale of businesses.
- ⁹ Represents certain discrete tax items, such as tax effects associated with U.S. federal tax reform, deferred tax on basis difference related to the Investment Services Transaction and tax impacts from valuation allowance releases, tax reserves and non-deductible transaction costs associated with the acquisition of First Data.
- ¹⁰ GAAP earnings per share is computed by dividing GAAP net income by the weighted-average number of common shares outstanding - diluted during the period. Combined earnings per share is computed by dividing combined net income attributable to Fiserv by the combined weighted average common shares outstanding - diluted during the period. The combined weighted average common shares outstanding - diluted is computed based on the historical Fiserv weighted average shares outstanding - diluted determined in accordance with GAAP, adjusted to include the Fiserv shares issued as merger consideration and shares subject to First Data equity awards assumed by Fiserv in connection with the First Data acquisition for all periods presented.

Free Cash Flow Conversion

	2019	2018
Net cash provided by operating activities	\$ 2,795	\$ 1,552
First Data net cash provided by operating activities ¹	1,370	2,307
First Data payments for contract assets ²	(51)	(78)
Combined net cash provided by operating activities	4,114	3,781
Combined capital expenditures	(1,118)	(886)
Combined adjustments:		
Distributions paid to noncontrolling interests and redeemable noncontrolling interests	(271)	(255)
Distributions from unconsolidated affiliates ³	113	—
Severance, restructuring, merger and integration payments	375	209
Settlement of interest rate hedge contracts	183	—
Tax reform payments	—	23
Tax payments on adjustments and debt financing	(105)	(35)
Other	(4)	(2)
Free cash flow	<u>\$ 3,287</u>	<u>\$ 2,835</u>
Adjusted net income	<u>2,775</u>	<u>2,432</u>
Free cash flow conversion	<u>118%</u>	<u>117%</u>
GAAP net income	<u>\$ 893</u>	<u>\$ 1,187</u>
Ratio of net cash provided by operating activities to GAAP net income	<u>313%</u>	<u>131%</u>

\$ in millions. Free cash flow conversion is defined as free cash flow divided by adjusted net income.

See page 11 for information regarding non-GAAP financial measures. See pages 16-17 for adjusted net income reconciliation.

¹ Represents the financial results of First Data prior to the date of acquisition. For the year ended December 31, 2019, this includes the results of First Data from January 1, 2019 through July 28, 2019. For the year ended December 31, 2018, this includes the results of First Data from January 1, 2018 through December 31, 2018.

² Represents the conformity of First Data's historical classification of payments for contract assets to be consistent with the company's classification and treatment.

³ Distributions from unconsolidated affiliates totaled \$234 million and \$255 million in 2019 and 2018, respectively, of which \$121 million and \$255 million of the distributions are recorded within First Data net cash provided by operating activities.

Adjusted Revenue and Adjusted Operating Income

Total Company

	4Q-19	4Q-18	2019	2018
Revenue	\$ 4,045	\$ 1,551	\$ 10,187	\$ 5,823
First Data revenue ¹	—	2,399	5,609	9,498
Combined revenue	<u>4,045</u>	<u>3,950</u>	<u>15,796</u>	<u>15,321</u>
Combined adjustments:				
Intercompany eliminations ²	—	(3)	(4)	(9)
Output Solutions postage reimbursements ³	(248)	(261)	(978)	(1,016)
Deferred revenue purchase accounting adjustments	12	—	18	3
Merchant Services adjustment ⁴	(97)	(100)	(387)	(397)
Adjusted revenue	<u>\$ 3,712</u>	<u>\$ 3,586</u>	<u>\$ 14,445</u>	<u>\$ 13,902</u>
Operating income	\$ 478	\$ 431	\$ 1,609	\$ 1,753
First Data operating income ¹	—	529	1,088	2,092
Combined operating income	<u>478</u>	<u>960</u>	<u>2,697</u>	<u>3,845</u>
Combined adjustments:				
Merger and integration costs	148	5	467	55
Severance and restructuring costs	75	31	150	155
Amortization of acquisition-related intangible assets	533	149	1,222	594
Merchant Services adjustment ⁴	(61)	(60)	(230)	(232)
(Gain) loss on sale of businesses	(5)	5	(12)	(424)
Adjusted operating income	<u>\$ 1,168</u>	<u>\$ 1,090</u>	<u>\$ 4,294</u>	<u>\$ 3,993</u>
Operating margin	11.8%	27.8%	15.8%	30.1%
Adjusted operating margin	31.4%	30.4%	29.7%	28.7%

\$ in millions. Operating margin percentages are calculated using actual, unrounded amounts.

See page 11 for information regarding non-GAAP financial measures.

Adjusted Revenue and Adjusted Operating Income (cont.)

- ¹ Represents the financial results of First Data prior to the date of acquisition. For the year ended December 31, 2019, this includes the results of First Data from January 1, 2019 through July 28, 2019. For the three months and year ended December 31, 2018, this includes the results of First Data from October 1, 2018 through December 31, 2018 and from January 1, 2018 through December 31, 2018, respectively.
- ² Represents the elimination of intercompany revenue and expense between First Data and the company.
- ³ Adjustment reflects the conformity of historical amounts to be consistent with the combined company's Output Solutions postage reimbursements.
- ⁴ Represents an adjustment primarily related to the company's joint venture with Bank of America. The company and Bank of America jointly announced the dissolution of the Banc of America Merchant Services joint venture ("BAMS"), to be effective June 2020. The company owns 51% of BAMS and BAMS' financial results are 100% consolidated into the company's financial statements for GAAP reporting purposes. Upon dissolution of the joint venture, the company is entitled to receive a 51% share of the joint venture's value via an agreed upon contractual separation process. In addition, Bank of America has the right to require the company to continue providing merchant processing and related services to the joint venture clients allocated to Bank of America in the dissolution of the joint venture through June 2023 at current pricing. The company anticipates an ongoing relationship with Bank of America to provide processing and other support services to other Bank of America merchant clients following the joint venture's dissolution. The non-GAAP adjustment reduces adjusted revenue and adjusted operating income by the joint venture revenue and expense that is not expected to be retained by the company upon dissolution and is partially offset by an increase to processing and services revenue.

Adjusted Revenue and Adjusted Operating Income by Segment

First Data Segment³

	4Q-19	4Q-18	2019	2018
First Data revenue	\$ 2,464	\$ 2,399	\$ 9,687	\$ 9,498
Adjustments:				
Intercompany eliminations ¹	—	(2)	(2)	(6)
Output Solutions postage reimbursements	(163)	(177)	(684)	(708)
Deferred revenue purchase accounting adjustments	12	—	18	—
Merchant Services adjustment ²	(97)	(100)	(387)	(397)
First Data adjusted revenue	<u>\$ 2,216</u>	<u>\$ 2,120</u>	<u>\$ 8,632</u>	<u>\$ 8,387</u>
First Data operating income	\$ 635	\$ 599	\$ 2,410	\$ 2,345
Adjustments:				
Merger and integration costs	30	—	60	3
Severance and restructuring costs	7	16	14	70
Amortization of acquisition-related intangible assets	97	106	397	431
Merchant Services adjustment ²	(61)	(60)	(230)	(232)
(Gain) loss on sale of businesses	—	5	—	(83)
First Data adjusted operating income	<u>\$ 708</u>	<u>\$ 666</u>	<u>\$ 2,651</u>	<u>\$ 2,534</u>
First Data operating margin	25.8%	25.0%	24.9%	24.7%
First Data adjusted operating margin	31.9%	31.4%	30.7%	30.2%

\$ in millions. Operating margin percentages are calculated using actual, unrounded amounts.

See page 11 for information regarding non-GAAP financial measures.

¹ Represents the elimination of intercompany revenue and expense between First Data and the company.

² Represents an adjustment primarily related to the company's joint venture with Bank of America. The company and Bank of America jointly announced the dissolution of the Banc of America Merchant Services joint venture ("BAMS"), to be effective June 2020. The company owns 51% of BAMS and BAMS' financial results are 100% consolidated into the company's financial statements for GAAP reporting purposes. Upon dissolution of the joint venture, the company is entitled to receive a 51% share of the joint venture's value via an agreed upon contractual separation process. In addition, Bank of America has the right to require the company to continue providing merchant processing and related services to the joint venture clients allocated to Bank of America in the dissolution of the joint venture through June 2023 at current pricing. The company anticipates an ongoing relationship with Bank of America to provide processing and other support services to other Bank of America merchant clients following the joint venture's dissolution. The non-GAAP adjustment reduces adjusted revenue and adjusted operating income by the joint venture revenue and expense that is not expected to be retained by the company upon dissolution and is partially offset by an increase to processing and services revenue.

³ Represents the results of First Data less amounts included in Corporate and Other consisting of intercompany eliminations, unallocated corporate expenses and other activities that are not considered when management evaluates First Data segment performance.

Adjusted Revenue and Adjusted Operating Income by Segment

Payments Segment

	4Q-19	4Q-18	2019	2018
Revenue	\$ 987	\$ 944	\$ 3,744	\$ 3,467
Adjustments:				
Intercompany eliminations ¹	—	(1)	(2)	(3)
Output Solutions postage reimbursements ²	(85)	(84)	(294)	(308)
Deferred revenue purchase accounting adjustments	—	—	—	3
Adjusted revenue	<u>\$ 902</u>	<u>\$ 859</u>	<u>\$ 3,448</u>	<u>\$ 3,159</u>
Operating income	\$ 353	\$ 315	\$ 1,252	\$ 1,122
Adjustments:				
Merger and integration costs	—	—	—	2
Adjusted operating income	<u>\$ 353</u>	<u>\$ 315</u>	<u>\$ 1,252</u>	<u>\$ 1,124</u>
Operating margin	35.8%	33.4%	33.4%	32.3%
Adjusted operating margin	39.2%	36.7%	36.3%	35.6%

\$ in millions. Operating margin percentages are calculated using actual, unrounded amounts.

See page 11 for information regarding non-GAAP financial measures.

¹ Represents the elimination of intercompany revenue and expense between First Data and the company.

² Adjustment reflects the conformity of historical amounts to be consistent with the combined company's Output Solutions postage reimbursements.

Adjusted Revenue and Adjusted Operating Income by Segment

Financial Segment

	<u>4Q-19</u>	<u>4Q-18</u>	<u>2019</u>	<u>2018</u>
Revenue	\$ 609	\$ 615	\$ 2,407	\$ 2,395
Operating income	\$ 207	\$ 208	\$ 805	\$ 798
Operating margin	34.1%	33.7%	33.5%	33.3%

\$ in millions. Operating margin percentages are calculated using actual, unrounded amounts.

For all periods presented in the Financial Segment, there were no adjustments to GAAP measures presented and thus the adjusted measures are equal to the GAAP measures presented.

See page 11 for information regarding non-GAAP financial measures.

Additional Information – Amortization Expense

Total Amortization ¹	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Acquisition-related intangible assets	\$ 560	\$ 43	\$ 1,036	\$ 163
Capitalized software	43	36	160	137
Purchased software	46	12	103	47
Financing costs, debt discounts and other	11	2	127	11
Sales commissions	22	20	83	78
Deferred conversion costs	6	13	22	28
Total amortization	<u>\$ 688</u>	<u>\$ 126</u>	<u>\$ 1,531</u>	<u>\$ 464</u>
First Data acquisition-related intangible assets	\$ —	\$ 106	\$ 233	\$ 431
First Data capitalized software	—	26	62	94
First Data purchased software	—	34	72	123
First Data financing costs, debt discounts and other	—	4	7	17
First Data sales commissions	—	—	—	—
First Data deferred conversion costs	—	11	22	41
Total First Data amortization ²	<u>\$ —</u>	<u>\$ 181</u>	<u>\$ 396</u>	<u>\$ 706</u>
Combined acquisition-related intangible assets	\$ 560	\$ 149	\$ 1,269	\$ 594
Combined capitalized software	43	62	222	231
Combined purchased software	46	46	175	170
Combined financing costs, debt discounts and other	11	6	134	28
Combined sales commissions	22	20	83	78
Combined deferred conversion costs	6	24	44	69
Total combined amortization	<u>\$ 688</u>	<u>\$ 307</u>	<u>\$ 1,927</u>	<u>\$ 1,170</u>

¹ The company adjusts its non-GAAP results to exclude amortization of acquisition-related intangible assets as such amounts are inconsistent in amount and frequency and are significantly impacted by the timing and/or size of acquisitions (see corresponding adjustment on pages 13-17). The adjustment for acquired First Data software/technology excludes only the incremental amortization related to the fair value purchase accounting allocation. Management believes that the adjustment of acquisition-related intangible asset amortization supplements the GAAP information with a measure that can be used to assess the comparability of operating performance. Although the company excludes amortization from acquisition-related intangible assets from its non-GAAP expenses, management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation. Amortization of intangible assets that relate to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Any future acquisitions may result in the amortization of additional intangible assets.

² Represents the financial results of First Data prior to the date of acquisition. For the year ended December 31, 2019, this includes the results of First Data from January 1, 2019 through July 28, 2019. For the three months and year ended December 31, 2018, this includes the results of First Data from October 1, 2018 through December 31, 2018 and from January 1, 2018 through December 31, 2018, respectively.