

**Operator:**

Good afternoon and welcome to the Wolf Research Fireside Chat with Global Payments, hosted by Wolfe senior analyst covering payments, processors, and IT services, Darrin Peller. All attendees will remain on listen only mode throughout the call. If you'd like to ask a question, please find the questions icon in the menu on your screen. And now I hand the call over to Darrin.

**Darrin Peller:**

All right, thanks Winnie. And thank you everybody for joining us. I know there's a lot still dialing on as we speak, pretty much by the second. But look, I want to, first of all, just hope everybody out there is doing well and is safe and healthy. And hopefully you've seen by now, we published the deep dive report this morning on Global Payments and its omni-channel offerings, which really raised the eyebrows for even us, some of the findings we had in the channel checks on some of the differentiated offerings.

And so, we really are excited to have Jeff with us to go through some of their differentiation on omni-channel. So Jeff, thank you very much for joining us. Again, glad to hear you and your family and everyone is doing well.

**Jeffrey Sloan:**

Thanks, Darrin. Good afternoon, everybody.

**Darrin Peller:**

All right. Well, why don't we just, before we get started on the main topic of the discussion on omni-channel, look, we're obviously getting a ton of questions on some of the recent trends you're seeing relative to the end of March and into April. And maybe if you don't mind giving us any type of thoughts on what you're seeing now, like any new trends either by vertical or volume trends, and if you've seen some positive indications of recovery. And then maybe even just add on how you expect the recovery to look like. Is it still similar to the card networks or any other color?

**Jeffrey Sloan:**

Sure. Thanks, Darrin. So, we said in our call in early May that performance in our merchant business in North America, and that was through April, had been tracking pretty consistent with the US credit card trends report by Visa. And that was through the end of April. And of course, Visa came out the other day, I think just two or three days ago, and gave an update. And at this point, our preliminary data in May mirrors the data that Visa recently reported two days ago. So, we're very much consistent with the market data as presented by Visa, which indicates pretty substantial sequential improvements week by week, as we saw in April throughout May.

I also tell you as an aside, here in Georgia, which is a market that opened about a month ago, call it the end of April, we've seen more dramatic improvement in Georgia that we saw in the rest of the United States. So certainly we've seen as markets have reopened state by state here in the United States, we've seen improvement consistent with Visa's US credit trends, but especially here in Georgia, an earlier opening market, we've substantial improvement and really sequential acceleration weekly as you saw by Visa.

The other thing I'll say in terms of your commentary or your question around vertical markets and appropriate for this call, as it relates to our e-comm omni data, which we said in early May, Darrin, grew 10% year over year in April excluding T&E. We continue to see that acceleration into May, so continued positive results there, and accelerating relative to the May results. Which I think is also similar, it's hard to tell from the chart that Visa had, but similar with what Visa saw in card not present ex T&E. So, we're very pleased with where we are. We continue to see improvement there in our merchant business. As we said on the May call, we expected to see and have seen very substantial improvement in Netspend obviously as it relates to the disbursements that we've gotten as part of the CARES act. And our trends of course are mirrored in what I said in our issuing business, which obviously looks a lot like Visa and MasterCard.

**Darrin Peller:**

All right. That's helpful. Thanks. You previously mentioned the health of your merchant portfolio. Any update you can also give us while we're on the topic of just what the trends you're seeing, but specifically to your SMB merchants, any indications on how their faring so far?

**Jeffrey Sloan:**

Yeah, so I would say it's important just to note before we get started that the average processing volume of our SMB merchant base is about half a million dollars US a year. So it's important to note that we have generally larger customers than people would surmise when you hear SMB. And it's especially larger than some of the other folks we compete with who are really drawn to micro merchants. So, we're really not in that business.

But going back to what I said a minute ago about the card networks, especially the Visa data, because a couple days ago, it's so recent, as I mentioned before, our performance really mirrors in May, in April and May, but May mirrors what Visa said in the US and shows those similar improvement trends. So as a result sitting here today preliminarily, I don't think we had any disproportionate impact on our merchant base because to be honest it really looks like the Visa data. So, we're really tracking very specifically to that data. And I think that makes sense, given our average merchant size.

**Darrin Peller:**

Okay, okay. So, from your perspective, it's nothing out of the ordinary in terms of insolvency levels or attrition levels versus what we're seeing in the overall card industry or even other cycles perhaps?

**Jeffrey Sloan:**

Yeah, that's correct. We've seen pretty dramatic improvement in how our merchants are doing. Again, it really just mirrors the data you see in the industry, both in terms of the absent numbers, as well as the sequential improvement. As I said a minute ago, those markets that have been open longer show more improvement. It's not going to be disproportionate to anything you're seeing from [inaudible 00:05:44] the programs.

**Darrin Peller:**

This is probably going to start to pivot into the omni-channel, but is there anything you're seeing in demand and from a consumer behavior shift standpoint that may have changed enough to

affect your business, some potential positives or negatives that you're seeing embedded in your business from consumer behavioral shifts?

**Jeffrey Sloan:**

Yeah, absolutely. And I think it does dovetail with the e-comm omni. I'll just call it omni because I think one of the key and obvious trends is the need to go omni-channel. And the classic examples of that are really enterprise quick service restaurants, so think Burger King, Popeye's, Tim Horton's and the like. And for those folks, the ability to have their customers order remotely, either on their phones or online, and to have that delivered or available for curbside pickup really is an acceleration of the trends that we were already experiencing.

Because I think PayPal has had really a pull forward of demand. So that business for us, as I mentioned a few minutes ago, was from double digits in April, ex T&E. We continued to see trends like that, as I mentioned a minute ago, into May. And I really don't think that's going to change going forward. I think we've morphed that, Darrin, from not just contact-less commerce, probably early on in the virus we would have said, and I think the networks have talked about this, the rise of contact-less commerce and contact-less card acceptance.

And now I'd say what we're really calling it is safe commerce, meaning, especially in the case of enterprise restaurants, not just tapping your card for tap and go, it also means that if you're going to a physical location like a restaurant, we're sending you a text saying, "Hey, there's no queue. You don't have to wait in a queue here. Come on in. It's safe to come in. We're also provisioning the menus online onto your phones, so there's no physical handing out of menus." And of course the checkout process, as I mentioned a minute ago, was either QR codes or contact-less. It's completely changed. So that's really a good example of what we're calling safe commerce. And I think in the consumer's mind, that's really changed. And to be honest, I don't think there's any real going back from here as a result. Our omni-channel markets, where we've said historically that we think that that's a mid-teens, kind of a 15% grower over time, I think that's going to permanently accelerate probably closer to 20%. I think those trends I just described, I don't really see changing coming out of the post-virus period. I expect that to be a really nice tailwind as it is today, a tailwind for our business continuing.

**Darrin Peller:**

The whole behavioral shift towards buy online, pickup in store, and omni in general is... I think the surveys we're seeing are suggesting consumers are over a third, in some cases 75% of consumers are saying they're going to keep doing these behaviors after COVID in the sense of instead of just waiting until you're there, buying ahead of time. Which in our view, as we mentioned in our report also, really does mean something for the companies that have the tech that can offer that. I mean, in that regard, you're probably, as you mentioned, you're seeing a pull forward from some years ahead in demand from merchants for these technologies. Any sense of what kind of demand there is in the merchant base right now that doesn't already have something. And are you able to take share? Are you seeing a market share opportunity in terms of merchants coming to you for help because of tech needs?

**Jeffrey Sloan:**

Yeah, the answer is absolutely yes. And I think we said some of this on our May call, but we've signed up thousands of new restaurants. And I think as of a month ago, it was almost 2,000 new

restaurants just in the month of April using what we call our omni. Unfortunately we call our restaurant offering omni, just like we call everything else omni-channel, so it's a little confusing. But we've added thousands of new restaurants to our online omni ordering platform, just since the outbreak of the virus over the last number of weeks.

And we think we've got a huge opportunity set in front of us to enable existing customers with the same type of capability. So I think there's an enormous market out there. Those are net new customers in the first instance, but we've actually gone back and across all the existing customer base as well. And those are thousands of customers we're describing. So, I think it's an enormous tailwind for our business, and we're very excited about it. I think our long history of blending the virtual as well as the physical environments, of owning the software and the digital wallets, so that you can see the menu online, pay with your face, or pay with your thumb. We integrate to all the major delivery services, so you can have it delivered to your home, or you can do it in a drive through, you can pick it up on the curb. I think our long history of doing that has put us really in the driver's seat in terms of expanding our business into those markets.

**Darrin Peller:**

Okay. So it sounds like it's a lot of new merchants, not just existing merchants that you're turning on, although it's probably a combination of both. I mean, I guess on that note, what percentage of your merchants do you think you have that still don't have the same omni-channel that you can bring them? In other words, your existing merchant base that they're still in white space, an opportunity to upsell. And then do you have any sense how much of the new business you're seeing is e-comm specific, e-comm only, versus omni e-comm?

**Jeffrey Sloan:**

Yeah, I'd say to your second question, Darrin, it's mostly e-comm omni because it's mostly physical folks who want to add an e-comm/omni solution. Now we absolutely do e-comm only business, just to be clear. But as you know from your research and your experience in the business, stuff that's pure e-comm or is mostly gateway and relatively little acquiring, I think we're a pretty competitive commoditized business already. We tend to play to our strengths, having the physical as well as the virtual presence, selling the software, doing it in multiple markets, having feet on the street on the ground on a licensed basis where we're licensed in those markets for local operating people. So we absolutely do e-comm only, but our bread and butter is really the omni-channel area. And the nice thing about where we are is that's really where the market is heading. I think increasingly people view omni-channel acceptance as table fees, rather than, "Gee, I just do eCommerce," or, "Gee, I just do physical," they really all become one and the same. As I said a minute ago, I think the virus has really pulled that forward. And the world is really coming into our direction.

**Jeffrey Sloan:**

I'd say to your first question, the vast majority of it is new customer saw us, and I think it's dramatically under-penetrated. And the numbers you see by third party consultants is something like 75% of retail sales is non e-comm even in the current environment. So at the end of the day, I think there is plenty of ample opportunity for us to continue to capture share. And look, I've been on the phone with the CEOs of most of our large enterprise specifically the restaurant customers over the last couple of months. And I think the safe commerce pitch really sells. I

think we're one of the few guys pitching it. While we've been busy growing that business, and it hits budget in the first quarter, as I said on the May call, and a number of our private competitors, as you know, have been announcing substantial layoffs in that area. So I think we're gaining customers and gaining share with our new products and offerings.

**Darrin Peller:**

Yeah, for sure in certain verticals like restaurants, we've been hearing about layoffs to some degree. I mean, are there other verticals though that, beyond the ones that you've traditionally been strong and you see as an opportunity?

**Jeffrey Sloan:**

Oh, absolutely. So one that we don't talk a lot about because it's relatively small, but it's timely for today, is our gaming business. So for us, that's like \$125 million of revenue kind of in a normal period. And most of our business is not in Las Vegas. Most of our business is in state-based casinos. So I think 90% of the casinos that are our customers are drivable, meaning 90% of their business drives up to the casinos. So we have one or two things on the strip in Las Vegas, very little. But the reason I give you that as an example is that business, as it relates to safe commerce and digitalization of the business that was previously very cash based is going to be booming. So what we've seen with those casinos that have reopened, and I think, probably at this point, 30 to 40% of our bases reopened, those volumes are approximating up to 80% of what they were historically, before the casinos were closed in the first place. That's just over a period of a few weeks.

**Jeffrey Sloan:**

The reason I think that that's an interesting example is we have an iGaming business there where you can ... If you're in a given state, on an intrastate basis, do it online on your phone that we can check through geolocation technologies. We've also released digital wallets into those environments for cashless acceptance. That's just been business historically, unlike the rest of our business, in that was already focused on cash acceptance. That business very quickly is going to translate into safe commerce where no one's touching any cash. I think that plays directly to our advantages in our technology stack, as well as iGaming, which is a relatively small business for us. I think, just like restaurants, that's another example where the technology has really accelerated. The last thing I'd say, on your question is, really our unified commerce platform where we have cross channel tokenization. So, our ability to take your transaction online, consummated in the physical store to pick up at the curb or have it delivered or have to return those packages if you don't like the color of the clothing or the size. Our ability to do that seamlessly, well, this is the perfect environment via UCP to do that globally. We, of course, announced the city partnership in the fall, that businesses is up and running on multiple continents worldwide. We're seeing really good traction in that business, as well, and there are, of course, used to UCP and we're leading with technology.

**Darrin Peller:**

Okay, that's helpful. Just before we get into the background and eComm differentiation, just size it again for us. I know you guys have done this before, but as a quick reminder for everyone on the call, percentage of your total business, that's omni and econ, right now.

**Jeffrey Sloan:**

Sure. So, the good news is that number is about 20%, is econ-omni of our merchant revenue. It's important to understand that we are only counting the econ piece of that, meaning if you order something online, but you pick it up at the retailer physically, you don't count it in that number. So, it's 20% of the overall revenue of merchant today. Our target, if you go back to our last investor day in March of 2018, I think it was 12 or 14%, or something like that, two and a half years ago. Our goal as of March of '18, our last investor day, was to have that be 20% of the business by the end of 2020, post TSYS post organic growth, and obviously post the virus. I'm pleased to say today that 20% of our merchant business globally is econ-omni. The other thing that's very interesting is that does not count our issuer or Netspend business. It's a very healthy dose of our issuer business is authorizations relating to individuals consummating transactions online. To give you a sense of the size of that, it's very similar to the card not present volumes, as a percentage of the total that you see from the card network. So, it's a pretty healthy piece of our authorization volumes, and of course our Netspend business, we have both online signups, but also people using our cards at Netspend to buy things online, which, as you can imagine, is something that's surging right now in light of the virus. So, that's the high 20% in our Netspend business in terms of purchases that are being done online, and that number is not surprisingly post the virus has actually increased, right? As people order groceries online or shopped online and not gone into a physical store. By the way, none of those things in issuer or Netspend are in that 20%. Now, that 20% is really just of our merchant business. So, we've got very significant exposure, really across all three of our business segments into online, and very pleased that we accomplish our goal, whatever that is six or seven months early at the goal that we set out in March of '18.

**Darrin Peller:**

Okay. All right let's get into the key areas and what the investments are that brought you to where you are, now in terms of your stack of offerings. Maybe starting with... You can take a quick reminder review of the assets you're either a part of our invested. So, start with Realex or Heartland assets, some of the software assets, anything else you want to touch on. Then, I really want to ask you if you think there are things, holes you need to fill, missing pieces to your stack that you think should be there versus competitors.

**Jeffrey Sloan:**

Sure. So, we bought Realex in 2015 and we brought the assets and the capabilities from Realex really to all of our other major markets around the globe, and Dublin, which is where Realex is based, has really become our center of excellence, from omni-channel investing in the real estate itself, is at the core of our econ on the technology. So, I think Realex is really where we started in terms of building next generation technologies for omnichannel business. Also, about two years ago now, we started to invest very significantly in what we called our unified commerce platform or UCP. Historically, we were very successful in selling a more traditional model of stitching together physical and virtual markets, largely because of our footprint. A lot of that technology came from our partnership with HSBC in the United Kingdom, which was 2008 or 2009. The difference before UCP, Darrin, is that you had to spend generally a couple of months certifying to our platforms, they really get the virtual and physical worldwide acceptance. What we've done with UCP is a single API sign-on. So, you can get access to almost all of our markets via the UCP today and do it really in a matter of a day or two. So, we've taken something from

the [inaudible 00:20:07] process that took, call it two months to do, to go globally with us virtually and physically. We've condensed that to a day or two, and you can largely do that on your own with our published API. So, that's really the advantage of UCP, which we started going out in the calendar of '18, and went live in almost all of our major markets in the back half of calendar '19.

**Jeffrey Sloan:**

The other thing I want to mention is that we've had a terrific payment facilitation business for a very long time, primarily outside the United States, especially cross border in Europe, in cross border in Asia. As you know, one of our large customers is one of the largest payment facilitators globally, and we do the lion's share of their business cross-border today in Europe and America, sorry, in Asia. But our partnership with TSYS, just about a year ago, announced last week has really enabled us to accelerate that facilitation business here into the United States with the TSYS Propay asset. So, a pretty significant ad was ProPay. As we announced our call in May, we were able to add new customers coming out of that. We looked at integrate OpenEdge further with ProPay, as well as with Genius, which is something else that we talked about on our calls. So, I think TSYS has given us a lot more scale and hat in our econ omni business, especially as it relates to capabilities here in the United States. If you go in reverse, I'd say probably HSBC in the UK in 08 09, REALEX in 2015, and of course, TSYS in 2019 with a nice dose of organic investment in things like a UCP. Those are really the sum total of the things that we have used to build our econ omni-business.

**Darrin Peller:**

So, it doesn't sound like there's a real hole, but is there anything left that you think you're really glaringly missing from your offering set?

**Jeffrey Sloan:**

No, I think you're exactly right. From a technology and a solution set perspective, we believe our capabilities are really market-leading and vertically integrated, meaning we own them all. So, I think your point, very unlikely for us to make acquisitions to fill any gaps, either in tech or products, but, as you know, our pipeline is full and what we look at all the time is, while we think we've got all the tech products, ops that you would need in our econ omni-business, we certainly look for additional geographies. We're conducting this business today in 38 countries physically, and about 60 virtually. So, if we found things that brought additional geographies, either virtually or physically, if we found things that brought us additional distribution, just meaning additional scale talent to the key for us here is how do we continue to dramatically expand that business in terms of distribution? Scale as a good thing and a scaled business, so we'd like more of it. Those are the types of things that we look at. But no, I think you're right. In the context of do we need products, tech ops, licensing sales, so we've got all that. It's trying to get more scale-to-scale business, and that's what we look for.

**Darrin Peller:**

Yeah. You mentioned the 38 countries. I want to go there, because probably the biggest finding, or one of the biggest findings in our research over the past few weeks on this, was really that being in 38 countries of feet on the ground, or almost 40, and 60 countries for electronic, it's

differentiated specifically with a service you can provide to each of those. Some of those are very hard to reach, hard to service markets. That was some of the findings we had, is that global has more feet on the ground and more countries around the world, especially focused on SMBs with a tech stack that competes versus something like 80% of SMBs, using their local bank or their legacy tech bank for acquiring, which is really not going to live up to what's needed in this kind of a pandemic. So, A, I just want to make sure, does that resonate with what you hear in your sales force and is that really a key differentiator here? Then we'll talk about the unified commerce platform and some of the tech differentiation, as well.

**Jeffrey Sloan:**

Well, listen, I think Darrin, you're actually right. So, the first thing I'd say is I really think we're uniquely positioned, because of our ability to deliver local sales and operational support physically in 38 countries and cross border services into 60. It's very expensive to replicate the things I just described. So, to be locally licensed to local regulators, to have people onsite physically as a language, cultural matter, providing ops, market leading ops, technology and services domestically in those markets is very expensive to do. I think you said in your notes, we have more people in the United Kingdom than Adyen has as a total company. That just gives you a sense as to the size and scope of what we're doing. We're generally in most markets, especially for purposes of omni-channel acceptance, we're generally direct members of Visa and MasterCard and the car brands and the payment schemes, wherever you can be. Wherever it's really allowed by law. We're directly regulated by the government in most of those markets. Obviously, there's licensing. In technical matter that is very expensive to deal with, very hard to do and it's taken us a long time, over 50 years, really to assemble a footprint that looks like that.

**Jeffrey Sloan:**

So, the answer is absolutely. When we get our leads from selective MNCs asking us about our services, those are things that we obviously lead with from a sales point. There are very few folks, and this is why I like our chances in those markets, you talk about target service markets like Taiwan, Singapore, Malaysia, markets like Hungary, Austria, Czech Republic. There's going to be a lot of people who really checked the boxes on these RFPs to say, "Can you provide all these services and all these regions and countries domestically, virtually as well as physically that we hear about?" The answer is, in those areas, we're going to be one of one, one of two, which is why I like our chances there. Then, we'll get to this in a second, as you said, but when you graph on top of that market leading technologies like UCP, there's really no reason not to choose us, I think at the end of the day. That's how we think about the business.

**Darrin Peller:**

It does seem like still, even in the U.S., there's obviously a lot of... There's competition and you guys have differentiated yourselves in a lot of verticals in software, in different ways. Internationally, it really does seem like the banks, the legacy bank, with legacy tech, are still the vast majority of what SMBs are using, which I would imagine is going to give you guys a pretty decent runway. All right. Why don't we shift just to the unified commerce? Because I think we still get a lot of questions from investors, trying to understand what that really is, the differentiation around it. What does it do for you guys? I know you talk about it as a one-stop integration, one-recording. Can you give us a little more explanation as to why that's such a big deal?

**Jeffrey Sloan:**

Sure. So, it's not just us. If you think about some of our competitors who have newer technologies in this marketplace, what I think customers want is a single point of integration for much or anybody else. They get them everything they want everywhere in the world, physical as well as virtual and that's what UCP is. We're not the only people with that idea. There are other people out there, especially people on the econ side, who pitch the same thing, which is, "I want a single API that folks can code into." They can code into it once; they can do it a couple of days and they get every service in every market we offer. I think the difference with us, Darrin, is we've coupled that virtual acceptance with physical acceptance in those 38 countries that we described, with local support licensing ops service, all those things we went through a few minutes ago. So, the difference with us is you get a heck of a lot more than a single integration just into an econ environment, the physical acceptance. At its core, that's what it is.

**Jeffrey Sloan:**

Now, we hang off that UCP, but I also consider to be market lead services with that new architecture. Let me give you a few more examples, so in a bit detail, we offer cloud-native solutions for chargebacks, for reporting, data analytics at scale in nearly every market that merchants care about. So, what does that mean? So if you're doing business with us in Taiwan and you're also want to do business with us in continental Europe, you want one scalable interface that's cloud-based, that you can work with on the chargeback side. We offer that today. And I think it's market lead. And the same thing's true about reporting. Same thing's true data analytics. Because it's hosted in the cloud, we can render it anywhere in the world or whatever language you want. It's infinitely scalable and resilient. In those examples it's hosted by Google cloud who's our tech partner in doing some of those things. Don't have any issues with capacity and scalability. So, in that environment, I think we're really unique. So in addition to UCP itself, which I think is one of one or one of two, depending how you define the virtual, as well as, physical wall, but we also offer all the supplemental services I just described, which are really market-leading. I'd also say if you combine that with the TSYS does on the issuing side, we further differentiate our offering by market-leading fraud prevention activities. In the case of Europe, with SCA having come or coming. Depending on the market you're in, we can do in-house authorizations without having to go out to the networks, providing enhanced outcomes, we lower for losses for merchants and issuers, better authorization, data analytics, opportunities for transaction optimization. So, I would say UCP is core to what we do. And I would say in my mind, it's table stakes for where the world has done, but you also have to consider the ecosystem that we've provided. And I think you combine that with the ecosystem and it's a really short list of people who I think can do what we do every single day.

**Darrin Peller:**

Well, let me touch on that actually from a competitive landscape standpoint around e-comm or really more omni. There's a lot of traditional players and then there's the new Fintech entrants. The landscape is changing obviously. I mean, how do you view the competitive landscape now? Who are your biggest competitors? I mean, we hear a lot about obviously the other big three names, like FIS. Or the other big two rather, FIS, Fiserv. But then there is the e-com-centrics whether it's Stripe or Adyen. Can you give us some color on your view on the competitive landscape first?

**Jeffrey Sloan:**

Yeah, the first thing I'd say, and I've said this before, is all of our businesses are competitive, but this area is a dog fight. I mean, there's no doubt that this is an area of innovation, tremendous competition. The mode of competition though is mostly doing our industry really varies by geography, vertical market and whether you need omnichannel acceptance meaning virtual, as well as, physical. So I'm going to describe the competitors really in that context. As it relates to Adyen, very good competitor. We frequently see them in Europe. I would say relative to Adyen, we are more focused on SMB and omnichannel acceptance. They're more large corporate and primarily e-com. They are also focused on high volume merchants with limited service. They're essentially just licensing their customers the software. As I mentioned before, we've got work team members in the UK than they have the whole company worldwide. That just gives you a sense as to the different needs or service among their customer base. And they typically have a very short-term out relations contracts and they're typically in a multi-acquired environment. We generally don't do those things. We have real contracts with real duration where we like to be one of one as a service provider, as an ideal thing to do. So very good company, but obviously approaches their business slightly different. I was very much heartened to see they also want to go into issuer processing and into net spend market, so I think you must be doing something right there and that they're coming our way competitively. So that's kind of good to hear.

**Jeffrey Sloan:**

Stripe, we also see probably more worldwide than we would see Adyen, which is primarily in Europe. But in the context of Stripe, we typically see Stripe when we do deeper, smaller touchpoints via developers. We've got a very good developer solution as well. So does Stripe. But we typically win against Stripe when small companies look to expand multi-nationally or they reach a certain maturity level in terms of needs, really needing, for example, customer service. So, it's very common for us to go into a company that says, "We built up at Stripe for a long time, but my customer service and geographic needs have outpaced what they can provide. Can you help me?" That's a very common conversation to have. And much like the micro-merchants, on the merchant side, we have a very good developer offering at the end of the day, but there's a certain customer size that we're just not going to make enough money on and we're not going to concentrate on. So, we let those percolate with Stripe and then we take those customers when they reach a certain level of maturity. As it relates Fidelity...

**Darrin Peller:**

All right. That's helpful. Yeah. That is.

**Jeffrey Sloan:**

As it relates to Fidelity Worldpay, again, geographically, we primarily see Worldpay in the United Kingdom and Western Europe. We don't see them on the continent in Europe in a significant way. We don't see them in the United States or really in Asia-Pacific. And much like Adyen, because that's the legacy, that's what they started with Vivid, they tend to be higher volume based, higher volume focused and they tend to target, as you've heard from Fidelity, they tend to target T&E, which as I understand what they've said publicly is 25% of their revenue. As we've said publicly, it's less than 3% of ours. And I think a lot of their airline business in their

markets in Western Europe is undoubtedly coming through the Worldpay gateway, that is not really a business that we're in. So that's a competitive difference between us and Worldpay.

**Jeffrey Sloan:**

Those are our primary competitors in the business. To be honest, we really don't see Fiserv First Data in those businesses in a concentrated way. When we do, they primarily just compete on price relative to some of the technology differences and geographical differences as mentioned. I think as you know publicly, the pro-pharma is 90, 95% in United States. So almost by definition, we're not going to see them much in Europe, Canada or Asia or Asia-Pacific. So that's really the competitive landscape you mentioned before. It's very competitive, but with our business growing the way it's growing, having taken the share of our revenue from 12 or 13% two and a half years ago up to 20%, obviously we think we're winning more than our fair share.

**Darrin Peller:**

Yeah. That makes sense. Look, I think when we look at the world again, it does seem like there's a lot of companies that do different things well, but from an SMB focus in the number of markets you service, that's probably a huge differentiator when you have the tech stack that you guys have versus many others for the SMB purpose. I guess on that note, what is it so hard for those banks or someone else, some legacy provider, to catch up? I mean, it seems like you really have spent a lot of time and effort building out different assets over the years. So, what is so difficult about going online for an SMB that makes you guys help them more than others? Is it just the customer service that's helping you win? Or again, is it actually the tech stack that's differentiating?

**Jeffrey Sloan:**

Yeah. So, I think hit the nail on the head in the lean in the question, which is to say in many markets around the globe, our principal competitor is a local financial institution. So, let me just give you an example. In Taiwan, a number of years ago, one of the largest, if not the largest, technology companies in the world ran an RFP for online virtual, as well as, physical acceptance for their first store, online, as well as, physical store, in Taiwan. We were one of two people to make the next round in the RFP. It was us and a local national bank in Taiwan. And I liked our odds when we're one of two to begin with and I really like our odds when our competition is a legacy local financial institution, for all the reasons we just been describing, that namely we lead with technology, we lead with support, we lead with service, we lead with fantastic tools from data analytics, chargeback reporting. Local financial institutions really either going to partner with us as Citi did, obviously which is multi-national, but they're really going to partner with us across our solutions or they're just not going to have them. So, I like our chances when that's who our competition is. And I would say in many cases, particularly domestic within a given market for SMBs, to get back to your question, that's exactly who our competition is. And that's why I think we're as successful as we are winning share relative to the local banks. The second thing I'll say, and it's particular to financial institutions, but also applies for our broader competitors, is our geographic footprint across the enterprise. So, for example, when Louis Vuitton wants an RFP and is looking for eight countries in Europe and four countries in Asia, well, that's a very short list. Say about banks for a second. That's a very short list of folks who can really satisfy the geographic physical, as well as, virtual presence. So I think, Darrin, you put those things together, which is who our competition is for domestic SMB online, offline, coupled with the

geographic necessity of providing services to all those markets so our clients can have one throat to choke in case something goes wrong and it's a very limited group of people with which we're competing. And that's why we like our chances.

**Darrin Peller:**

You talked a minute ago about chargebacks, or you touched on it and look, we're obviously doing a lot of work on e-com trends also driving with it a lot more fraud and a lot more just risk to deal with for payments. Can you just touch on what you're seeing in terms of some of those trends? And I think being both an issuer and an acquirer, eventually you might even further differentiate issuer processor and an acquirer, might even further differentiate global. But just give us a little color on what you're seeing in the market around either fraud or even chargebacks, auth rates, in this environment and what you guys can do that's maybe differentiating around it.

**Jeffrey Sloan:**

Sure. Well, fraud as you know, has migrated online with EMV. As the fraud trends have gone on the physical world, they've gone up obviously in the virtual world. But look, that trend is not new. And we have within our four walls market-leading fraud tools designed to minimize those risks. And I think our results highlight the success. One of the first things people ask in order to get responses, if they're MMTs, is, "What are your authorization rates?" So if you're not in a good place relative to competitors, you're not going to win that business. They're all going to say plus TSYS is working on combining our issuer business with our UCP business, which is to say technologically, and FCA is a great example in PSD too, our ability within the four walls of Global Payments plus TSYS to give you that real time authorization and to do it on a cost-efficient and effective way technologically and not have to go out to the brands to approve it is absolutely a competitive advantage, I believe in the coming months for a combined Global Payments TSYS. So I think combining the issuer business, which in some markets has 80% market share, like in Western Europe, which is to say north of the market share of the car brands on a combined basis in those markets. We'll see eight out of 10 transactions on the issuing side and we'll combine that with our MNC acquiring business. That puts us in a great position to innovate on the product side, especially around fraud. As it relates to security more generally, let's just be honest, security is table stakes for us or any of our competitors as a leading payment technology company. And we sell. Of course, we do. We sell security as a service. It's not nice to have. It's a requirement. As I mentioned before, just like with flood detection and protection, we're completely vertically integrated there as well, meaning we do all those things on our own. So I like where we are on those things. And to be honest, I think to the extent that fraud has maybe migrated online, post an EMV environment, that just really speaks to our strength.

**Darrin Peller:**

I mean, I think the data analytics and the differentiation being the issuer and the acquirer is still something that the markets are trying to understand and wait to see, but certainly it's something that a handful of companies have and can do now. I mean, is that what it is? Is that authorization rates, you think that that's really going to improve? Are there other big synergies that going back in the synergies of the deal, I guess specifically around e-com that that drives?

**Jeffrey Sloan:**

Yeah. So I think the first one is the one you just mentioned, which is combining issuing and acquiring in a way that gets better authorization ways. But I think the other thing that corporates really care about is single consolidated reporting across channels. And regardless of the geographic mix is also table stakes I believe, for large specific customers. I mentioned before, we do this in the cloud with market-leading solutions. So they're scalable and can be accessed anywhere in the world. And that is something large customers absolutely require. We've extensive data legs. We did at Global Payments. Standalone TSYS does as well. And I think that is a market-leading, critical solution for complicated merchants and also increasingly for SMBs. And what we've done, Darrin, is combine that reporting with machine learning and artificial intelligence, and we can customize those reports and give a small merchants top three takeaways based on what we're seeing from the data. So they can go off and use those in a market useful matters. So we provide market-leading solutions and consolidated reporting, as well as, in customer engagement. I think those are a key competitive advantages for us and our position plus TSYS.

**Darrin Peller:**

Okay. All right. I wanted to try to keep you to the 2:45 mark, but there's a lot more questions. I'll try to keep you to the 2:45 mark, but there's a lot more questions. I'll try to just get to a couple real quick ones. One is, we've gotten this question from investors. When omnichannel's offered, and you're offering that with your SMBs, what type of attrition levels do those relationships come with versus the relationship-led, direct traditional legacy acquiring?

**Jeffrey Sloan:**

Well, there's no doubt that the more technology we inject into a vertical market, the more retentive it is. So, attrition does tend to vary by channel. I think you know this from us for a long time, Darrin, given your knowledge of our business, but our integrated for example, the combined Global Payments integrated business, which is our OpenEdge and TSYS' Cayan business, retention there is much, much higher than it is in a number of our other channels. I think our unified commerce provides the same thing, obviously, with large MNCs. So there's an inherent stickiness, the more technology we're selling into a channel. Let's be honest, as I mentioned a minute ago, I don't think that very many people could do the stuff that we do in the markets that we're in as it relates to the eComm omni. That just drives less attrition because while price is relevant, it's not all about price. Service is relevant, valuated services, products, and support is relevant. So, at the end of the day, that absolutely drives a higher retention.

**Darrin Peller:**

Okay. That makes sense. Then a bigger picture question that we always get is just your view on the market in terms of what's out there to buy and what vertical. I know you touched a little bit on this in terms of not necessarily needing pure additions for the tech stack, but you're still among the best leverage levels in the industry. What's your appetite to buy something now versus focus on other capital allocation priorities?

**Jeffrey Sloan:**

Our priorities really haven't changed, either pre-virus or for that matter pre-TSYS. It's really to invest and deliver more differentiated technologies in distributions in the most attractive markets.

That's really still the same. As I mentioned on the call about a month ago, we continue to have a full pipeline of opportunities that we're currently assessing. Sitting here today, Darrin, we've got four and a half billion dollars of liquidity, which includes our own cash on the balance sheet and availability on the revolver, which is completely undrawn. As I think Paul said in one of his comments on the May call, we generated well into the nine figures of free cashflow, even in the month of April. So, to be candid, one of my principle focal points is to make sure that we don't end up with a year with too much cash on the balance sheet. We have 400 billion a day. I don't want to end up in a position where we've got a lot more than that coming into the end of the year. So I think if we can find an environment where there's stability in the capital markets, in the macroeconomic environment, we certainly feel that we've made substantial progress on integrating partnership with TSYS. I certainly feel like we're ready for more. Certainly, from a capital point of view, we can do that today. I don't think there's anything we need to wait for to do it. That 245 will be well into the low twos if we don't do anything differently between now and the end of the year, which is not a position I want to be in. So, I think we're ready to do that today. If we can see some of that stability then I would look for us to do something sooner rather than later, but obviously time will tell and we'll take a leap from what the markets are telling us. We felt the same way heading into March. I think had we not had the virus, I certainly think the end of April, early May, it probably would have been a time that you would have seen us take some action, but clearly in light of what we saw in March and in April, we decided the right thing to do was instead be conservative and build a cash balance. To the extent that those facts change, then we'll go over the facts later.

**Darrin Peller:**

Okay. That makes sense. Wendy, do we have time for one or two more quick ones? I know there's a lot from the, you've got a handful from the audience, but you tell me.

**Jeffrey Sloan:**

Yeah, of course.

**Darrin Peller:**

Okay. Well, one question is, I think it's a good question is, what was the differentiation you guys had that allowed you to win the Citi deal? Then, in that same question is, what did PayPal see that enabled them to use you guys in all those regions outside of North America, Canada, Europe, and others?

**Jeffrey Sloan:**

I didn't hear. I got the first question on Citi. What was your second question? On PayPal.

**Darrin Peller:**

Maybe for an explanation around your relationship with PayPal, yeah.

**Jeffrey Sloan:**

Okay. All right. Sure. First on the Citi side, I actually think Citi did a good job of articulating this back at their conference because they went through... I think it was in November, I can't remember when, but they went through kind of the RFP, and it was an RFP. Actually ironically,

we were busy pitching this. UCP, which is what they're using. That's the platform they're using with a bunch of large financial institutions, really the back half of 2018. We were very close with one bank, a very large bank in early '19. They decided to put it on hold, but as soon as they put it on hold, like a week later we got the RFP for Citi and we said, well this is like a sign from above that this is the right idea and good timing. Then we won that business in August 2019, announced in October with Citi. I think the answer to the question is everything we've just been describing. So, let's just go through that. The first thing is multinational reach. This is really for MNC customers of Citi, primarily outside the United States. Typically, those guys who want multiple geographies, physical as well as virtual. As we said during the course of this call, if you go with that as a bunch of criteria, you're not going to have a lot of people who actually meet all those things at the same time. So that's really what Citi was looking for. That's point number one.

**Jeffrey Sloan:**

Point number two on Citi was they're looking for a referenceable customer base of people who've done extensive work with large complicated FIs around the world. So think about our business more generally, Darrin, whether it's TSYS or Global Payments. As we said at the time of the merger announcements, we've got 1,300 worldwide financial institutions who do business with us today. If you think about some of those banks, think about HSBC, think about Caixa, think about Erste. Obviously think about Citi. Think about RBC. Think about BMO. Go down the list of financial institutions with which we do business around the world. These are some of the largest, most sophisticated financial institutions.

**Jeffrey Sloan:**

I have a lot of respect for the pure technology companies, but financial institutions, rightly so, are very focused on regulation, compliance, reputation, and they should absolutely be focusing on those things. Think about the number of service providers like Global Payments who sit in the tech role that's selling market-lean technology, but also are audited as we are every year by the Federal Reserve as a transaction service advisor for the services that we provide to banks, and we're subject to regulation in most of our markets by the local payment scheme regulators that I mentioned a minute ago that were direct members of the networks in pretty much every market around the world where you could be.

**Jeffrey Sloan:**

There aren't going to be a lot of people that meet the first set of criteria in the technology side. At the end, the second set which is referenceable, large, complex FI bases where you're highly regulated and you can deliver technology that's auditable and referenceable, boy, that's a really small list. So, I think that speaks to the Citi stuff with the [inaudible 00:49:16] and everything else.

**Jeffrey Sloan:**

As it relates to PayPal, our relationship started with them in 2008 and 2009 because they were a customer of HSBC in the United Kingdom, which is where that business is situated cross-border in Europe. And in Asia, when we did the JV in '08 and bought out the remaining interest from HSBC in 2009. We've renewed that contract a number of times, but I think the way to think

about it is, many of their technologies cross border in Asia for acceptance and cross order in Europe is really a wholesaling of our technologies.

**Jeffrey Sloan:**

We also have a relationship with them now in TSYS. NetSpend does a lot of work with PayPal too so we're very proud of our relationship with PayPal. I think Dan has done a great job and I think it's a fantastic company, and we're very fortunate to be able to continue that relationship from '08 and '09 to where it is today, where I think we've processed the lion share of their volume.

**Darrin Peller:**

Okay. Why don't we make this the last question, just because we're over our time. A couple of people are asking about when you think about your portfolio, it seems like a lot of assets. Obviously, you've done great investments to bring this omni where it is. Anything you want to change? Obviously, NetSpend is coming up as an asset that seems to be actually pretty relevant right now, but your thought process over that asset in terms of long term or any other parts of your portfolio you'd consider moving around, moving in or out of the business. And thanks again.

**Jeffrey Sloan:**

Darrin, when we look at all of our businesses all the time. Meaning, we get calls, as you imagine, for private equity firms on tons of our businesses. Not just NetSpend, but all of our businesses around the world, so we look at things pretty frequently. As you know us, if we don't think we can create excess returns for our shareholders, we'll look at anything.

**Jeffrey Sloan:**

Having said that though, I would say based on where we are today, we think that everything we have today is a pretty good fit and complementary to what we have. Now, as facts change, we'll change with the facts. Certainly, we've been benefited, as we said in the May call this quarter, the disbursements under CARES here in the United States with NetSpend. There are synergies with NetSpend as I mentioned a minute ago with PayPal, but synergies are in gaming business with their prepaid cards and with their pay cards across Heartland, so we certainly have things.

**Jeffrey Sloan:**

Of course, we announced the money to pay joint venture with Caixa with NetSpend, which brings that business into Europe. So, we'll continue to assess how businesses are performing. Certainly, going back to your prior questions, as we look at other deals, particularly up there our size, we rethink the portfolio all the time.

**Jeffrey Sloan:**

Back to your M&A question, if we were to do a substantial acquisition, of course we'd looked at all of our businesses and say, "All right, light of that and light of our new mix." Kind of, what does that mean? But we think we're pretty good stewards of capital and we think it's been able to drive value in all the businesses we own today beyond market rates of return. But listen, as things change, we'll take a look at changing with where the facts go. The one thing we're not

going to do is rest on our laurels or sit on a lot of lazy cash on our balance sheet. We're going to redeploy that in a way that is additive for our shareholders, and you know us well enough to know that that's how we think about it.

**Darrin Peller:**

Yeah. Despite the world looking maybe a little better in the last month, I mean nothing's changed. This is another question we're getting. Nothing has changed on your cost plans that you had laid out recently in terms of incremental costs, say, down to handle this environment.

**Jeffrey Sloan:**

Yeah, absolutely not. As we said in our call in May, we've already taken the steps to facilitate the \$400 million of annualized savings. About a hundred million a quarter. Those actions were taken in March and April so those actions have already been executed.

**Darrin Peller:**

Okay.

**Jeffrey Sloan:**

There's no further thing. Now, obviously we'll look at future contingencies and we look at data every day as to how things are going. So, we'll continue to reassess those and as things change, we'll look at it again, but no. We've already executed on the actions to deliver the 400 million, just like we're already at least 350 million of expense saved on the TSYS merger and at least nine figures, as we said publicly, on the revenue side too. So those actions have already been undertaken.

**Darrin Peller:**

That's great. All right. Jeff, this has been extremely helpful. I already took more of your time than we asked for, so thank you so much for that. If anyone has any follow up questions, feel free to shoot us an email. I know Winnie is always around as well. Jeff, Winnie, please be safe and thank you guys for the time.

**Winnie Smith:**

Thanks, Darrin.

**Jeffrey Sloan:**

Thanks a lot Darrin, we appreciate your time and your hard work. Thanks to everybody for joining us this afternoon.

**Darrin Peller:**

All right guys take care. Thanks again.