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# Global Payments, Inc. (GPN)

JP Morgan Global Technology, Media and Communications Conference

# CORPORATE PARTICIPANTS

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

# MANAGEMENT DISCUSSION SECTION

### Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Tien-Tsin Huang from JPMorgan, cover payments, processing and IT services. So always a pleasure to have with us from Global Payments, Cameron Bready who I've spent a lot of time with, I feel like, on stage and asking a lot of questions. So thanks for coming back. There's actually a lot to talk about so thanks for being here, Cameron.

### Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

Yeah, thanks very much for having us and thank you very much for your interest in Global Payments. It's very nice to have all of you here today.

# QUESTION AND ANSWER SECTION

#### Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

So there's a lot – we've heard from a lot of different merchant acquirers, we've heard from the networks, some of the digital providers and there's definitely this race towards tech-enabled. And I'd say Global Payments has been pretty forward with that, forward thinking in that. So maybe let's start with that. How do you define tech-enabled for those that are less familiar with the name and why is Global Payments going to win that race versus incumbents

#### Cameron M. Bready

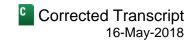
Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

as well as upstarts on tech-enabled side?

So I think your thesis is right. Obviously, there's a lot of focus on technology enablement in the marketplace today. A couple of things I would say about our business and how we think about technology enablement, it's really in two channels for us. It's our integrated and vertical markets business and that's our e-comm and omni solutions business.

But its heart, Generally, we think about technology enablement being that we are selling a technology solution to our customers. It's not about delivering a commoditized payment experience. It's about delivering them a technology-enabled capability that delivers additional value added services wrapped around that transaction whether it's software, analytics, engagement, those types of things. It's our ability to deliver technology solutions

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that are differentiated in the marketplace, drives enhanced value for our customers, obviously drives better margins better returns for us.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Sure.

Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.



That's very differentiated and distinctive from the traditional merchant acquiring experience that we would have with a customer. So in the integrated space we really think about that channel as having three broad categories associated with it. There's what you would call semi-integrated solutions. Those are sort of cheap, easy payment applications embedded at the point-of-sale solution. Most of our competitors have those. We do as well. And I think we compete very effectively in that space particularly through our Heartland distribution channel.

More than 50% of new sales through that channel is at a minimum semi-integrated which I think is something that most people don't appreciate. We're quickly moving away from sort of deploying bricks on counters and having traditional merchant relationships with customers where we're deploying a terminal, they're processing through that terminal. At a minimum, we're moving more towards that semi-integrated solution.

The second channel for us is integration with a partner. So that involves deep levels of integration of payment applications and technologies into software solutions with partner software providers and then going market collectively with that software provider to deliver those solutions to customers. Very different from semi-integrated solution, and here the payment application rests within the software itself. It's deeply integrated into the software and we're delivering that combined software payment functionality to the market with a software partner.

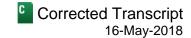
We're in that channel. A couple of our competitors have moved over the course of time into that channel. I think what is unique about Global Payments in that particular channel is the breadth and depth of penetration we have in that market today. We're in over 70 different verticals with over 2,000 software partners. We, Global Payments have been at that business since 2012. So we're not new to the space. And I think our ability to integrate and to develop an ecosystem around our partnership models that supports the ISV as well as our own business very effectively in the marketplace is a real differentiated factor for us.

And the last part of integrated that I think is very unique to Global Payments is our ownership of software in specific vertical markets that we find attractive, where there's a strong nexus between the software and the payment experience. We own software in five or six different vertical markets here and looking to expand those into other markets around the globe, as we've already done with a couple of those assets.

And there, we really are unique because none of our competitors today, I think, own their own software solutions in vertical markets where we're integrating our payment technology into our own software solutions and delivering those to the marketplace. So that's how we think about kind of the integrated channel, which is obviously technology-enabled for us.

On the e-comm and omni side, again, kind of break the market down into three broad categories. The first would be sort of e-comm-only. Those are, to some degree, businesses like an Adyen who's focused on sort of enterprise-wide e-comm customers globally; Stripe, who tends to be focused on more sort of app developer micro merchant, for lack of better term.

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#### Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Yeah.

Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

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Then you have, what we would call, regional omni capabilities, so solution providers who can deliver e-comm and face-to-face solutions, but more on a regional basis. And then we have what we characterize as sort of full global omni capabilities, and I think, again, that's where Global Payments is a little bit unique.

Our ability to deliver face-to-face merchant acquiring solutions, combined with e-comm globally, and I think a real distinct development of our footprint is our ability to deliver those solutions in Asia. Our ability to combine those capabilities and deliver them on a full omni-channel spectrum on a global basis is very much unique. And that's how we're differentiated in the market, coupled with our focus on small and medium-sized merchants.

So you have some e-comm players who are very focused on the enterprise level, as I mentioned, some that are focused on more the smaller kind of app developer side of e-comm. I think we're very much, like many of our businesses globally, focused on that small to medium-sized merchant. I think that's where we're also distinctive in the e-comm and omni place arena.

#### Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Right. It's your sweet spot. So your differentiation in the owned software piece, let's talk about that. So I think I even asked it at your Investor Day, so I'll ask it again.

#### Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

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Sure.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC



So your confidence in owning software and maintaining the culture of a software company, right, with legacy processing roots, seems like a really hard thing to do, Cameron. So what's your comfort level in doing that? Is the distribution so powerful that that overcomes sort of the risk around maintaining culture? What are your thoughts?

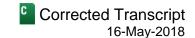
#### Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.



Yeah, and it's a great question. It's one we get asked, I would say, fairly regularly. I'd start with we've been morphing our culture obviously away from being a traditional transaction-based company, as we were historically as a merchant acquirer, to more of a technology-forward and certainly software-focused business for many years now. This really started with the acquisition of APT back in 2012. Those are really software businesses. They're working with software providers, they're coding our payment technologies into software environment, they're very much software businesses today.

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So we have a long history, I think, of being able to integrate software businesses effectively into Global Payments culture. We've been morphing our culture, as a combined company, over the course of time. And I think our culture today is far more technology-oriented, technology-leaning than a traditional merchant acquirer would be.

The other thing I would say is we're not buying software for software's sake. We're buying software businesses or looking to acquire software businesses where there's a very strong nexus between the software itself and the payment experience for the consumer. So many of the businesses that we're looking to acquire in the software space are quasi-payments companies, to begin with.

So our ability to bring scale from a payment standpoint and expertise to those businesses around payments is a real value-add for those underlying software businesses. That coupled with the distribution that you referenced before, our ability to leverage our distribution to drive faster rates of top line growth for those businesses, scale them more effectively, introduce them to international markets where there's good expansion opportunities, that's a value-add for those businesses as well.

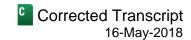
And the last thing I'd say is we put a lot of emphasis upfront on making sure that we're acquiring businesses that are good cultural fit for Global Payments. We've passed on a number of opportunities where the cultural fit just wasn't there, that the nature of those businesses wouldn't be a good fit for our culture or maybe not even a good fit for a public company culture. So we put a lot of focus on making sure that when we decide to partner with one of these businesses that the cultural fit is good, and I think our track record really speaks for itself.

I think in every one of the software-oriented, technology-oriented acquisitions we've made over the course of time, we've been able to drive faster rates of revenue growth. Leadership teams are, by and large, still in place or the leaders today came up through those businesses. We've been able to scale those businesses more effectively. And I think it's part of what gives us confidence in our ability to continue to do that.

The last comment I would make is we generally don't try to break something that's working. So we're very careful when we're integrating these businesses. They're leveraging our corporate support functions. They're leveraging our technology environment for payments. But the software side of the businesses kind of continued to run as they had prior to our partnership or acquisition. So, we're very careful not to break the software side of the business, but we also make sure that we allow those businesses to leverage what's best to Global Payments, our core processing and technology capability for payments and obviously the scale and distribution that we have globally. Understood?

Tien-Tsin Huang Analyst, JPMorgan Securities LLC	Q		
Understood. So given that good summary of tech-enabled, I think you're 40% today tech-enabled. You're aiming for 60%.			
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A		
Right.			
Tien-Tsin Huang	Q		

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So, how do you see – do you need to add more assets inorganically to get to that 60%? But on the organic side, how do you see those various channels driving towards that 60%. Is one going to significantly lead over the other?

#### Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

A

Yeah. I would say the – maybe starting with the organic side of the equation, as we laid out on our investor conference back in March and I would encourage everyone, I don't know that I can do justice to the entirety of the thesis around our software-driven payments and our full omni-channel capabilities, I think our investor presentation does a nice job of that.

On the organic side of the business, both of those channels for us are nice double digit growers. I would not say that one is significantly outpacing the other. We generally look at the collective technology-enabled business. Our target rates of growth for that business are going to be in the double-digit range, a low double-digit range. Different mixes of businesses in there, different markets all growing at different rates. But, by and large, we expect that business to grow generally in that double-digit pace organically.

So, as we fast forward to entering 2021, kind of the end of our three-year cycle, as we think about it, we expect the technology-enabled businesses to comprise closer to 60% of our business than relative to 40% today. So, organic growth is going to drive a good portion of that. But obviously, the math would suggest a fairly meaningful amount has to come through in a non-organic growth through acquisitions, further partnerships of technology-enabled software businesses that fit our thesis, that we think obviously would fit culturally and allow us to generate the types of returns we think appropriate for the business.

#### Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

So, would this look more like an ACTIVE Network in terms of a more software-oriented or not necessarily? Maybe it's a good chance to just give us sort of an update on how ACTIVE is performing sort of versus your expectations and any kind of revenue synergies that you've earlier identified?

#### Cameron M. Bready

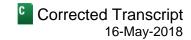
Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.



Yes. So, I would say, first and foremost, adding more businesses with the characteristics or attributes of ACTIVE certainly fits the M&A profile very nicely. And I think ACTIVE actually is a fantastic manifestation of the nexus between software and payments that we talk about. If you think about ACTIVE, it provides registration software to event organizers and community organizations around the world. But every event, every registration generally drags a payment. So, the payment experience for the end user and the software experience for the end user is inextricably linked. So, it's a great representation of, again, a software driven payment model.

We couldn't be more pleased with how that asset has been performing since we closed on it back in September. We see great opportunity over the course of time to leverage again our distribution to drive faster rates of growth in that business or sustain higher levels of growth in that business for a longer period of time. We think we can scale the business very effectively by, again, leveraging distribution in markets globally where they're not active today, pardon the pun. And I think we're very much off to a good start in our efforts to do that.

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So, acquiring more businesses with the same thesis as ACTIVE, the interconnection and nexus between payments and software, is certainly an element of what would drive in our minds the inorganic aspects of growth in our technology-enabled channel.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Okay, good. So we will get a chance to open up to the audience but let me get to the business a little bit. Cameron, so I don't want to have you rehash all of Q1 but maybe I thought it be worthwhile to have you walk around the globe quickly and call out anything that's sort of over performed or underperformed and any

consideration we should have as the year sort of plays out.

Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

Yeah, so I would say as an opening matter, Q1 was a fantastic quarter for us; so a nice momentum in the business; good acceleration of growth, really around the globe. And obviously, I think the financial results largely speak for themselves, 17% top line growth, 33% earnings growth, scaling margins well above our target in the first quarter. So overall financial performance, we were very, very pleased with, one of the best quarters we've produced, we think, as a management team since we've been running the company.

So, I'll start here in North America. I'd say a couple of things that obviously we were delighted to see in the first quarter, our direct businesses here in the U.S. in particular which is a combination of our relationship-led channel or Heartland channel, and our technology-enabled businesses, they accelerated growth from the fourth quarter, really the back half of 2017 frankly. In the first quarter, grew in the low-double digits organically in the first quarter which was a nice tailwind to drive higher level of organic growth in North America than what we saw on the back half of 2017. And that's absorbing a little bit more of a headwind from our wholesale business which we're, as you well know, actively working to exit over a period of time.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Right.

Cameron M. Bready

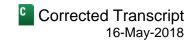
Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

So, the direct businesses in U.S. had a really terrific quarter. Our integrated and vertical markets business grew in the low-double digits. Our relationship-led channels grew in the high-single digits; on average, grew in the low-double digits organically, which was very nice to see.

Canada continues a great track record of performance. I think they're going on probably 20 quarters of consistent performance, either low to mid-single digit growth organically, which is our target for that market and we target actually low-single digit in that market. So it's nice to see the same strong consistent performance coming out of our Canadian management team in the first quarter as well.

So North America accelerated growth from the fourth quarter which was our expectation, so what we predicted kind of going into the first quarter. So we're very pleased with the overall performance in North America, our largest segment.





Europe had a very nice quarter as well, yet again. We've had, I think as we talked about before, great performance in Europe here over the course of the last couple years. I'll do a quick tour around the region because our business in Europe is comprised of several different business units. But in the UK, we continue to grow nicely in that market despite what obviously has proven to be a pretty challenging GDP environment, or certainly not quite the robust GDP growth we would hope for in the UK in the first quarter.

But we continue to gain share. I think our market strategy, obviously focusing on small to medium-sized businesses, has been effective. I think we had some differentiated product solutions and offerings in that market that have helped position us nicely to continue to gain share, notwithstanding the GDP environment. So we're very pleased with that performance.

Spain had a fantastic quarter, accelerating off of Q4, where a little bit of the unrest in Catalonia had dampened growth. And it's all relative in Spain. Dampened growth was low-double digits as opposed to teens. So we accelerated kind of back to the teens in the first quarter, which was very nice to see stability in that market. Hopefully, much of that is now behind us.

Can't say enough positive things about our partner in Spain, CaixaBank, fantastic distribution capabilities, very tech-focused bank and technology-forward bank. And, again, we continue to have leading market share, growing well above rates of market growth, and just could not be more delighted with that partnership.

And then mainly – or lastly in Europe, I'd comment on our joint venture in Central Europe with Erste Bank. That's in the Czech Republic, Romania and Slovakia. That is performing very nicely. We've largely completed the integration of that business, migrated them on to our technology platforms. That enables us the capability to deliver a more differentiated product and offerings to these markets that have nice secular growth trends to begin with.

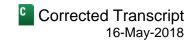
So we can differentiate ourselves in those markets with Erste who has great market position and distribution capabilities, and that has allowed us to grow those businesses nicely as well and they had a very strong first quarter. So, obviously, we had a good currency tailwind in Europe in the first quarter as well that contributed to reported 22% growth for the first quarter.

And then, Asia had a terrific quarter, growing 15%, really, constant currency in that market. I would hesitate to quote the exact number of quarters, but going on a couple years now, consistent double-digit growth in the Asian markets. We've made a lot of investments in Asia over the course of the last several years to diversify our businesses away from the Greater China markets.

The partnership we have with BPI Bank in the Philippines, the investments we've made in Australia, the investments we've made in bringing product and new technology to that market, have really helped to create: one, a more scalable business, and you see that manifest itself in the margin profile of Asia; but perhaps, more importantly, our ability to sustain double-digit top line growth which is our target in Asia over the course of a fairly long period of time now. And I would say the outlook remains very good to continue to sustain that going forward.

So, all in all, around the globe, I think terrific execution in the first quarter, outstanding financial performance, really got the year off to a great start, gives us a lot of confidence as we look forward through the balance of the year. Sitting here today, we remain just as, I think, optimistic as it relates to how the business is going to perform and the execution within our businesses around the globe for the balance of the year.

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Obviously, currency, the dollar has staged quite a rally here in the last month or so. So that's something that I do monitor very closely. But beyond that, I would say, the overall macro environment and certainly our own business execution is continuing to trend very nicely.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

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Europe has been sort of the biggest surprise for me, I would say. It's done really, really well despite some of the macro, as you called out. Mastercard was here earlier. Ajay was very bullish on Europe and some of the things going on in payments. But you also have this PSD2 thing, which I'm sure you're getting a lot of questions on. Your model is to partner with banks, right, and to help banks with their payments distribution. And that's worked very well. But with PSD2 and sort of open banking as a concept, what kind of a threat or opportunity does that pose for Global Payments? And the example that everyone wants me to ask you is the one on Deutsche Bank working with the airlines to create this low-cost alternative push payments around banking that's supposed to be cheaper than credit cards. How real is that or other things that might come about, which piggyback off of PSD2?

Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.



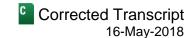
Yeah. Maybe I'll talk about PSD2 more broadly and then I'll touch on the specific use case that you mentioned a moment ago. So I would say we view PSD2 as really an opportunity for us. We're not a bank in that marketplace to begin with. We do have bank partnerships and bank relationships, but we're not a bank. And I think it really just creates another opportunity for us to add value to our customers in that market, by enabling to the extent that they desire to do so, the ability for them to take payments in the manner in which PSD2 describes, without using the network rails.

But ultimately, we would be in a position to facilitate that opportunity for our customers. So again, our customers and part of our strategic focus globally is on small to medium-sized businesses. I can tell you small medium sized businesses aren't thinking about PSD2 and how do I engage in facilitating PSD2? How do I enable it? They're not thinking about that at all. That's what we do. We bring that capability to them. We're working to be able to do that, to the extent that there is market demand for that capability. And that's really going to be driven by consumers and it's whether or not consumers really are demanding from merchants the ability to pay in a different manner than what they've traditionally used with those particular enterprises.

So, anything that relies, in my mind, on changing consumer behavior typically has a long tail associated with it. And I think it's going to take quite a while for that to really manifest itself into changes in the marketplace. So, I'm a little skeptical as to how much change, I actually think there's going to be in the market driven by PSD2. But I think whatever there is gives us an opportunity to create more value for our customers, facilitate that opportunity for our customers to take payments in those ways to the extent consumers demand it. So, I think for us it's really nothing but good news and a tailwind for our business to be able to deliver more value-added services to customers over time.

The specific use case you described, we're not really in that industry to begin with, number one. We don't really have airline as customers because of some of the credit risk associated with those types of businesses. We'll see. I think it's a little too early to tell as to whether that specific use case has merits and whether or not it will gain a lot of traction. Again, I think it goes back to my earlier comments which is changing consumer behavior is hard. And there's not that much benefit for the consumer. So, whether or not you can really convince merchants, particularly small merchants to drive consumers at a particular direction remains to be seen. Again, I would put that in the same category I described earlier, a little bit skeptical that's going to have that much fundamental impact on the marketplace.

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### Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Yeah. No, fair enough, I would agree with that. So in Europe just to close it out, your margins are very high, right, in the call it mid to high-40s.

### Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

Yeah.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

I think that's a function of you working with bank partners and that model is very, very efficient. But again, with PSD2 creating a level playing field, is it going to be harder to expand margins in Europe either organically or maybe on some of the deals that you might be considering?

#### Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

Yeah. So I would start by saying our objective in Europe is largely to sustain the level of margins that we have.

#### Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Okay.

#### Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

So if you think about the corporate average margins that we have in the low 30% range today, Europe is obviously much higher than at the mid to high-40s. Our objective is really not to expand margins in Europe to a great degree. We're really trying to sustain margins at those levels. Margin expansion for the total company is really going to be driven more by North America and probably, to a lesser degree, Asia as their margin profiles obviously are lower than what we're experiencing in Europe today.

I would say Europe is a combination of variety of different businesses with a variety of different margin profiles. So there are businesses in Europe where we are expanding margins. There are businesses in Europe where it is harder to expand margins given the starting point. Your overall thesis is right. Some of the margin profiles of the businesses we have in Europe stem from obviously how those businesses came to us and the banking relationships and partnerships that we have.

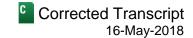
But I'd say overall, in Europe, if we can sustain margins in the mid to high-40% range while we're still growing top line the way that we have them, I think we're delighted with that outcome, and that's what we're trying to achieve.

### Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Got it, very good. So let me let me stop there and take questions from the audience, if there are any. We're also taking questions in the portal as well. I don't see any yet, but happy to take questions there as well. Anyone? Otherwise, I can keep going.

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So let's do Asia really quickly. So you talked about moving away from China, Greater China. I know there's a lot of activity there with all Alipay and Tenpay and what have you. So what's the differentiation that Global Payments brings in Asia-Pac? We've seen the margins go up pretty quickly, probably through scale and obviously the growth is accelerating. Is it bringing tech-enabled there through some of the deals that you've done? Just trying to understand where you fit.

Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

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Yeah. I would say there's a few different things that we have in Asia that are unique. One is, it's leveraging the global scale that we have and our ability to bring solutions at scale to what are somewhat smaller Asian markets. So we're in 13 different markets in Asia. Some of those are markets where it's very hard to have scale. So our ability to leverage Global Payments' capabilities, technology environments globally to deliver scale to markets in Asia, I think, has proven to be very effective to us.

The other benefit of being able to leverage that technology capability globally is the ability to bring product and solution to markets in Asia that are truly distinctive and differentiated, relative to many of our peers. So if we think about innovation in payments, everything tends to move East over time. So, ultimately, the more mature markets in the West, ultimately, those payment capabilities and products and solutions tend to move East, including into the Asian markets.

So our ability to deploy those at scale, be first to market with them, deliver that type of capability to customers, is very differentiated relative to most of our competitors in Asia which tends to be on a market-by-market basis and predominantly local banks in those markets with whom we compete. So I think that's a large part of what has, I think, been successful for us in Asia.

Our expansion into Australia into more technology-enabled capabilities through Ezidebit and eWAY, I think, have also been very beneficial to our Asian business. Our businesses on Australia are growing roughly 20% top line organically; again, technology-enabled. Australia is a very much tech-forward market where we've had great success in growing and scaling those software technology businesses as we discussed earlier at rates of growth that were superior to what they were even growing when we acquired them.

So feel very good about how our expansion further into Australia has improved our scale, improved our technology capabilities, and obviously helped drive higher rates of top line growth across our Asia-Pacific business over the last several years.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

So to grow internationally, Asia, Europe, is the model organically to do more bank deals, JVs, like you did with HSBC? Or is it potentially more M&A, buying products to leverage the existing bank channels that you have?

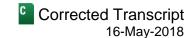
Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

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Yeah, it may be some of both. It really depends on the market. Typically, as we're entering into a new market, this business – don't tell anyone – it's relatively simple. At its heart, it's the combination and the marriage of technology and distribution. So as we're looking at entering into a new market, it's usually about acquiring distribution or partnering with a bank that brings you distribution in a marketplace. We can then bring that

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technology on top of that and obviously create a differentiated solution set in the marketplace that leverages the distribution that we either acquire or we partner with a bank to be able to provide.

So depending on the market, if we're looking at expanding into the new market, it's typically going to be acquiring distribution. In some cases, like as it was the case with Ezidebit, you can acquire technology and distribution together. That's great. Those are a little harder to find sometimes. So usually, as we're entering into a new market, it's acquiring distribution and then we bring the technology capabilities of Global Payments to bear on that market through that distribution channel.

In markets that we're already in, we may look to acquire more technology, more software in particular. If you look at a market again like Australia that's very technology-forward in nature – in fact, Australia is a little bit like California in terms of technology development. So there are pockets around the globe where we think there's going to be opportunities aligned with our software-driven payments thesis to acquire software businesses that obviously have a strong payment nexus that we can then leverage our existing distribution to grow and scale more effectively. So as we look at the M&A pipeline globally today, it's a little bit of both of those opportunities.

### Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Okay. Any other questions? So lead generation, you talked a little bit about it, but Vista is one of the partners that you're working with and that could be a good source of leads, especially on the software side. Can you discuss what else you can do potentially with Vista? Or are there other alternatives where you can source some of these software and tech deals? I'm guessing you're getting a lot, given your scale.

### Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

We are getting a lot, given our scale. We get a lot of inbounds, as you can imagine, because I think everyone recognizes our strategy and recognizes that we're a good buyer of assets. So, we do get a fair amount of inbound. As it relates to Vista specifically, I could not ask, again, for a better partner. We obviously acquired ACTIVE from Vista back in September. As part of that, they took equity, still hold a substantial portion of equity in Global Payments. And I had dinner with Robert Smith last week, and he seemed to be a delighted shareholder. So that was obviously nice.

In connection with that transaction, as you referenced, we entered into a strategic partnership with Vista whereby we are working to integrate our payment technology capabilities into their own software businesses where, again, there's a good nexus between payments and software where we can drive, as I mentioned before, that partnership model, we can drive very effectively through their vertical market software businesses today.

In the last three quarters, in each of the quarters, we have announced that we had signed one of their portfolio companies to a new payments partnership arrangement. So we're kind of three for three quarter-wise signing partnership arrangement with Vista portfolio companies, and we still have a big portion of the portfolio to work our way through.

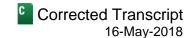
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Analyst, JPMorgan Securities LLC

Okay.



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### Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

So, it's been a very good partnership. I think it's a testament to Global Payments and our model, that Vista, number one, would take equity in Global Payments for an asset; and then, two, at same time, want to drive this type of strategic relationship to route their portfolio companies monetize the payment opportunities that are naturally embedded in those businesses.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

All right, good. So a couple more I wanted to make sure I asked, pricing spreads. I may have asked it on the earnings call as well, Cameron, but I'll ask it again maybe in a different way. With spreads, it feels like there's such a wide variance on spreads, right? It's where north of 100 bps. I think the industry average is sort of in the 30 to 40 bps zone. It feels like you're skewing up more for mix as opposed to just straight up taking prices. But how would you view the pricing environment for payments in general today especially with this shift towards techenabled? It feels like payments can hide inside of the bigger offering which helps a business run their store better.

Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

Yeah. And I think you somewhat answered your own question. To our [indiscernible] (32:21) I think spread is a function of the level of value you're delivering to your customers. So the more value we can wrap around a transaction, the less focus there is on the specific cost of processing that transaction and the more there is on what are you delivering to me, what value-added services am I getting, how are you helping me drive more traffic through my store, how are you helping me to run my business more efficiently. Do I care if I'm paying you 35 or 40 basis points on volume for the pure processing? Not so much. I care about the value you're delivering to me and obviously what I'm able to achieve with the solution set that you're providing.

So, clearly, our overarching thesis is to wrap as much value as we can around that core payment experience. We all know that core payment experience has been commoditized times for years and we know what happens in commoditized businesses to prices. So the more we can deliver, again, differentiated solutions, software-driven solutions, other analytic engagement capabilities, lot of the themes we touched on at our investor conference a couple of months ago, I think the more we're going to be able to drive obviously better returns, better spreads for us overall and obviously better margins in our business and faster rates of growth.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

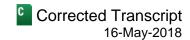
We have 90 seconds. Last chance to ask a question. Anyone? All right, I'll get you out of here on one last question, just a macro one. Things are obviously in a good place. It seems like macro's in a good place. What potentially could change, that we might need to pay attention into? It seems like FX could be a little bit of a delta, anywhere else?

Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

Yeah. I mean, I think the macro is in a fairly healthy place globally, overall. I think FX is, it is what it is. I don't know that that really drives our view around the macro environment. The dollar strengthens from time to time. It weakens from time-to-time. So that is just something as it relates to the balance of the year, we keep a close eye

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on. I think our guidance range more than, I think, would accommodate changes in FX rates that we've seen here over the last month or so.

So I would say overall, we couldn't be more pleased with the momentum we have in the business. I think the macro environment by and large globally, with maybe a couple of exceptions here or there, is generally fairly favorable. Certainly, here in our home market, it feels good. The consumer feels very resilient. Volumes are healthy. So I would say the macro backdrop for the business by and large around the globe is very good. And you graft on top of that, I think our differentiated strategy, the execution that we've been able to deliver over the last several years as a management team, and I'd say we certainly are fairly bullish, the prospects for our business for the coming years.

### Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

All right, that's great. Cameron, thank you for the update. Thank you for being here.

### Cameron M. Bready

Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

Thanks very much for having us. Good to see you. Thanks.

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