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# Global Payments, Inc. (GPN)

Citi Financial Technology Conference

#### CORPORATE PARTICIPANTS

#### Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

#### Cameron M. Bready

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

#### MANAGEMENT DISCUSSION SECTION

[Abrupt Start]

#### Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

...you're probably going to hear me say this about 35 times in the next two days, Citi's payments, processes and IT services analyst. It's my pleasure to welcome Global Payments next, and from Global Payments we have Cameron Bready who is the CFO as many of you know. Cameron, welcome.

#### Cameron M. Bready

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

Thank you.

#### Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Thank you for coming.

#### Cameron M. Bready

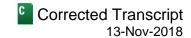
Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

Well, thank you very much for having us.

# **QUESTION AND ANSWER SECTION**

Ashwin Shirvaikar  Analyst, Citigroup Global Markets, Inc.	Q
Looking forward to the conversation. Yeah. Let me start with sort of a level set type of a question. No you guys at least the direction you're heading in within payments is reasonably unique, partly because sizable investments in direct ownership of software. And this is one of the pillars of your strategy, yout, there's no confusion that it is. But it is the most frequent question I get about Global Payments a of Global Payments.	se you made u've laid it
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc. Sure.	А
Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	Q
What does it mean to have a tech enabled software driven payment strategy, and what is the value owning the software stack?	of actually
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	Д
Sure. So, I would say a few different things. But first, I would say, thank you very much for joining us for your interest in Global Payments. We think generally about our technology enabled distribution stone that is highly defensible, highly distinctive and very differentiated in terms of how we can deliver and our solutions to our customers. And increasingly, we think software obviously is an important me we will be able to do that.	trategy being our services
I think as we look at the market overall, I think our thesis is the market is becoming more verticalized and more our customers are looking for vertically fluent solutions, and we believe software is the best which or one of the best means by which we'd be able to deliver that capability to our customers are globe.	st means by
As it relates to owning versus partnering, we obviously have both models today and both have been aspects of our strategy over the course of time and both have their merits. There are certain vertical where we think the attributes are such that by owning the underlying software, we can drive faster rain the business. We believe that we can control our own destiny in terms of how to bring those integraphilities to other markets outside of the U.S.	markets ates of growth
Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	Q
Yeah.	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	Д

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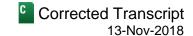
Where we see that very strong nexus between payments and software, where again owning the underlying software we think gives us a distinctive competitive advantage relative to simply trying to partner with someone to exploit what we view as a good market opportunity.

The other aspect of owning that I think is probably underappreciated is, I believe it fundamentally changes the risk profile of the business. Software and particularly enterprise software for vertical markets is less exposed to macroeconomic trends. I think it's more defensible, it's more predictable as a revenue stream matter. So if you have a softer economic environment, volume and transaction trends may not be as favorable. But enterprises are going to continue to pay their monthly subscription fee for software that is important to running the enterprise.

So I think it's also an element of the business that de-risks the business and changes the risk profile of the business for the good as we move forward in time.

·	
Ashwin Shirvaikar  Analyst, Citigroup Global Markets, Inc.	Q
Okay. Okay. The thing that investors often say is that just running one software co you've taken on three that you own in addition to all the other stuff	mpany is tough enough. And
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc. Sure.	A
Ashwin Shirvaikar  Analyst, Citigroup Global Markets, Inc. that you do.	Q
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc. Yeah.	A
Ashwin Shirvaikar  Analyst, Citigroup Global Markets, Inc.	Q
So in terms of maintaining competitiveness over time within these different types of approach? Just kind of a day in the life of, if you will, managing diverse software as	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
Sure, and we get this question a fair amount. And it's a very fair question I think the really starts with buying the right business to begin with.	at we get asked. I would say it
Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	Q
Right.	
Cameron M. Bready Spring Frequency Virg Provident & Chief Financial Officer, Global Payments, Inc.	A

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Our approach is we want to make sure that when we buy right – buy a software asset, we're buying that management team, we're buying that underlying IP. We want to make sure that we're buying the right type of business that are going to fit well in Global Payments. But more importantly, that that management team is going to stay and continue to drive growth and investment in the software solution that has made them successful up until the point that we choose to acquire the business to begin with.

So a lot of our strategy is focused on making sure that we're buying the right kind of business, buying the right management team, incentivizing that management team to stay with us. And continuing to support the investment in the underlying software moving forward.

We manage the business as a technology matter a little bit from what we'd characterize as a core and edge approach. The edge software businesses are really responsible for continuing to keep the software contemporary. They're the ones that best know their customers. They're the ones that best know the needs of the market.

Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	C
Yeah.	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer. Global Payments. Inc.	Δ

They're the ones closest to the market to be able to make the decisions around the investments and feature functionality that continues – or that needs to be added to the solution or maintained in the solution over time to ensure it is a market leading capability.

We leverage our core capabilities from a technology standpoint in a number of different areas to try to improve the efficiency and scale of the businesses. But the running of the software business itself is really left to the experts, which is the management team that we acquire as part of these businesses. We support them in every way we can, largely with capital and frankly more of a focus on R&D to continue to grow and drive faster rates of software growth in the business over time.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Okay. Okay. So just to be clear, the incremental share of ongoing payments volume, that's nice to have, it made the acquisition more defensive in some sense. But that wasn't the primary intent. The primary intent was verticalized expertise. And keeping and growing a competitive software asset in the market

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

Well, I would say it's a little bit of both. I wouldn't say that the payment isn't important. We're obviously focused on those vertical markets where there's a strong nexus between software and payments.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.
Right.

Cameron M. Bready

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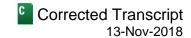
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Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
Where we think by owning the payment we can drive more payment volume and mo opportunity that exists within these businesses, obviously better than the current mathings that we bring to bear on these businesses is payment expertise. I hope we bring the control of the control	nagement team. One of the
Ashwin Shirvaikar  Analyst, Citigroup Global Markets, Inc.  Right.	Q
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
And I think by and large obviously we do. And it's the ability to monetize that payme scale that business more effectively, that allows us to believe we can drive faster rat business, and drive the types of returns that we expect to achieve out of these acquired.	tes of growth, scale the
Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	Q
Okay. Okay. And my sense is just looking across the room, most people in the room software assets are but it may be worthwhile to kind of spend two, three minutes just about ACTIVE, AdvancedMD, SICOM. Just quick overviews.	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.  Of each business.	A
Ashwin Shirvaikar  Analyst, Citigroup Global Markets, Inc.  Of each, yeah.	Q
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
Yeah. Sure. I'll be happy to. But maybe I would start by saying before we made the last September we already had a book of business, the software businesses many of the Heartland acquisition back in 2016. So we were in higher education, lower educations the Heartland acquisition. We since added to that portfolio of soft ACTIVE Network.	of which came to us through ation, and restaurant and
Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	Q

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

Right

Cameron M. Bready

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Which provides event management and participant management software solutions to the sports and community vertical markets. We acquired AdvancedMD. AdvancedMD provides end-to-end physician management software to small, to medium sized physician practices, ambulatory physician practices here in the U.S. market.

And most recently we acquired a business called SICOM, which provides again end-to-end technology solutions, SaaS solutions to quick service restaurants, predominantly enterprise quick service restaurants, as well as food service management businesses as well. Each of these businesses is again enterprise software designed to the specific needs of the vertical markets in which they operate today. In each of these markets, we think there is a strong nexus, obviously between the underlying enterprise software being used to run these businesses and the payment opportunity. These are all B2C businesses. And clearly, there's a strong payment opportunity in each of the underlying assets that we've acquired. Each of them is growing at a faster rate than sort of Global Payments on average; all of the assets that I mentioned are growing in the low double digit pace, and we believe fit the software driven payment thesis that we have very nicely.

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Okay. Okay. And in terms just kind of future disclosures on these software assets. Are you kind of going to make more disclosures, say about bookings or is there an intent to change your disclosure...

Cameron M. Bready

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

Yeah.

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

...to help investors kind of track what's going on with the portfolio?

Cameron M. Bready

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

Yeah, I think this is all a very calculated strategy. I think we're getting to the point where software has enough critical mass as part of the business, as we head into 2019, I expect software to approach almost 20% of our revenue base now. So once we get it to what I would characterize as a bit of a critical mass, I think it is important that we start sharing more metrics, more data about the underlying software businesses themselves. So over the course of the time, you should expect that our disclosures will evolve and look and feel a lot like what other sort of pure software businesses provide, all with an eye towards again continuing to provide that level of transparency into the business and how the business is evolving, obviously and shifting more towards software as we continue to execute against the strategy.

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Okay, okay. And the tech enabled piece that – that's – I mean, it's supposed to be 60% software by fiscal 2020.

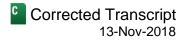
Cameron M. Bready

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

By the end of 2020, heading into 2021.



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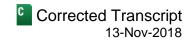
Ashwin Shirvaikar  Analyst, Citigroup Global Markets, Inc.	Q
Heading into 2021, you're at roughly 45% right?	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
Right.	
Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	Q
Is that – I mean – is the 60% sort of directional or does this require another acquisition to get there, I you be terribly annoyed if you end at 58%	mean would
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
No I don't think, I would be horribly disappointed if we ended at 58%. It's not meant to be a hard and is meant to be directionally where we're driving the business, although sitting here today, we were at level kind of at the end of last year, we expect to be heading into 2019 close 45%. So I think, we're we towards meeting that objective, it was always – that target always premised on both inorganic and or in the business.	the 40% ell on track
So I would expect as we continue to grow and expand the business over the coming years, that a lot deploy will be towards driving more of the business towards technology enablement, that's been obvi part of our thesis and will remain so. And I think sitting here today we feel confident in our ability to so the targets that we set out last March at our investor conference about how much of the business will technology enabled, as we sort of exit 2020 and head into kind of 2021 timeframe.	ously a core ort of achieve
But one thing I would say is, we set targets that roughly 40% would be software and 20% would be e omni, I think those are probably less concerning to me as to the relative split between the two versus more of the business toward that overall 60% technology enablement target that we have established because the lines between the two can be a bit blurry at time, you look at a business like ACTIVE Ne example. It's a software business for us, it's providing enterprise software to those vertical markets as before. But all of their payments related activity is e-comm. Every registration is online. So is that an obusiness? Is it a software business?	just driving I. Largely twork for s I mentioned
Ashwin Shirvaikar  Analyst, Citigroup Global Markets, Inc.  Right.	Q
- tagric	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
Does it really matter? Not so much to us. We characterize it as a software business but clearly it has	

characteristics of e-comm as well.

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

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Got it. Got it. And you at your Investor Day a few months back or a few – a couple of quarters back. You did provide long term guidance or sort of outlook as to how the financial structure of the company would look. That just to be clear, envisioned this path towards being more tech enabled, more fully software driven so on.

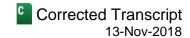
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
Correct.	
Ashwin Shirvaikar  Analyst, Citigroup Global Markets, Inc.	Q
It was already in the number, right, so	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
Yes. Yeah. And then I would just remind you that we raised those cycle targets.	
Ashwin Shirvaikar  Analyst, Citigroup Global Markets, Inc.	Q
Right.	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
At that investor conference, largely with that backdrop, right, we're driving the business to m driving the business towards channels that we believe have a faster rate of growth.	ore technology. We're
Ashwin Shirvaikar  Analyst, Citigroup Global Markets, Inc.	Q
Right.	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
Than the more traditional merchant acquiring relationship led distribution channels that we of the business into more faster growth markets around the globe, again which have the potentailwind to revenue growth.	
That whole strategy we think is accretive to our ability to expand margins in the business.	
Ashwin Shirvaikar  Analyst, Citigroup Global Markets, Inc.	Q
Yeah.	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
And obviously will drive, given stronger top line growth, stronger bottom line growth as well.	

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Analyst, Citigroup Global Markets, Inc.	Q
Okay. Okay. Understood. The – within your tech enabled channels, you do have obviously as you me software and the ecommerce. The target merchant for that, I mean, can you talk a little bit about what spot is in terms of whom you're going after?	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
Yeah.	
Ashwin Shirvaikar  Analyst, Citigroup Global Markets, Inc.	Q
And that ramp I guess in the U.S. and then internationally, if you could just give us some idea of what	to expect.
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc. Sure.	A
Ashwin Shirvaikar  Analyst, Citigroup Global Markets, Inc.	Q
With regards to ramp.	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
So I think we like to say in the e-comm and omni space, we really do stick to our knitting to a large de around the globe, we're predominantly focused on that small to medium size merchant.	gree. And
Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	Q
Yeah.	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
We think the sales experience we offer, the support experience we offer, the business model we're or globally is really geared towards serving that small to medium side of the market. That's also where we value opportunity, quite frankly. And our e-comm and omni business is really no different.	•
Ashwin Shirvaikar  Analyst, Citigroup Global Markets, Inc.	Q
Yeah.	
Cameron M. Bready	Δ
Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	/ \

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So the lion's share of what comprises that business today is going to be small to medium size merchants, either selling online or in a physical brick-and-mortar location domestically within a market. Or maybe to some degree cross-border, more so in say Europe, where the barriers obviously to commerce across border aren't very high.

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Yeah.

Cameron M. Bready

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

Because of the EU structure and some of the other regulatory occurrences over the course of time. But that's the sweet spot for that business.

Now we do go up market. We do serve larger multinational corporations who are looking for what we would characterize as a unified commerce experience in both their physical locations around the globe, as well as selling online.

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Yeah.

Cameron M. Bready

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

We typically go up market and when there's a circumstance where we think we can get paid fairly and appropriately for the level of value and service we're delivering. And that's often connected to a difficult to serve market, often in Asia.

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Right.

Cameron M. Bready

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

So very targeted in kind of how we go up market to serve larger multinational customers. That's not usually the sweet spot for our business. But there are select situations where we think the value proposition is attractive. And we have a skillset or a capability that's distinctive that allows us to get paid appropriately for that.

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Right. Right. Now with earnings, you guys put what I thought was a useful presentation on the e-commerce side of the business.

Cameron M. Bready

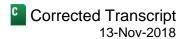
Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

Thank you.

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Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	Q
And one question I had with regards to that is, one of your competitors for example does talk about they focus a lot on the cross-border element of it.	ut e-commerce,
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
Yep.	
Ashwin Shirvaikar  Analyst, Citigroup Global Markets, Inc.	Q
Could you breakdown the e-commerce market for us in terms of where you're focused, how you to market, where the opportunities are?	think of the
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	А
Yeah. So I think it depends on the region. In North America, a lot of our e-comm and omni today domestic here in the U.S. market.	is going to be
Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	Q
Right.	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
There's not a tremendous amount of cross-border with the small to medium size merchants that we that are the sweet spot for the e-comm and omni business here in North America.	we're focused on
If you move to Europe, as I was sort of alluding to earlier, I think the cross-border opportunity is fa meaningful. And the volumes that make up the e-comm and omni business for us today are going driven by cross-border than even domestic trends.	
And that's again a function of the market to a large degree. The entire premise of EU from a com is really to eliminate the barriers to commerce across EU member countries. CEFTA has contributed. Lowering interchange or harmonizing interchange between domestic levels and cross-borde facilitated that also.	ited to that as
So certainly in Europe, we see higher levels of cross-border activity across all segments of the m multinational corporations all the way down to small-to-medium sized customers who can find it v cross-border in the EU market.	-
Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	Q
Right.	

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Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
And Asia is a little bit of a mix. There is cross-border activities I would say between what we would character as the Greater China markets, they're relatively harmonized.	cterize
Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	Q
Yeah.	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	Α
Whether it's Greater China, Macau, Taiwan, Hong Kong.	
Other markets you're going to find cross-border volumes a little more sporadic, just because there are more barriers to transacting and barriers to commerce on a cross-border basis in other markets outside of Asia is a little bit of a mix.	
Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	Q
Right. So just to be clear, when you said harmonized, were you speaking of the market itself? Or were yo speaking of your product set, things like Realex have been transferred to those other markets and are harmonized across the market. Which one were you talking	u
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	А
Yeah. I was really referring to the market, but I'm glad you raised her own sort of technology environment much been harmonized across those markets today. We acquired Realex back in 2015 and if you think at e-comm and omni offering today, really it's Realex at the heart of what we're calling our unified commerce platform	bout our
Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	Q
Okay.	

Cameron M. Bready

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

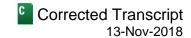
...providing that e-comm capability, we've brought that assets or that capability to most of the major markets around the globe in which we operate today outside of Asia, where we're really using the eWAY asset that we acquired in Australia a couple of years back. But Realex is really at the heart of our unified commerce platform from an e-comm standpoint and really what powers Global Payments e-commerce today in the European markets in which we operate here in the U.S., in Canada as well. So, we really use that asset to form the foundation of what is our e-comm and omni business.

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.



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Yeah. Yeah. I was going to – at your Investor Day, you kind of laid things out in terms of just a tech enabled piece but then also there was this wrapping value around the transaction, which I kind of think of as just the increased reach of value add services that you provide to merchants. Normally in the context of just both the software and services part of what you do, where do you stand today with just broadly value added services? And do you agree or what has your experience been with regards to revenue per transaction growth using value-add services?

Cameron M. Bready

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

A

Yeah. I think it's a great question. I think we're making really great strides in terms of increasing our ability to deliver value-added services to our customers. We've invested significantly in data and analytic capabilities...

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Yeah.

Cameron M. Bready

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

А

...that are being used to obviously deliver new solutions, new services to customers. I think we think about it less through the lens of increasing revenue per transaction, I think mathematically you can obviously look at it that way. We're really thinking about it more through the lens of delivering distinctive capabilities to our customers that make us more relevant to them and also allow us to diversify our revenue streams away from pure transaction and volume trends.

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Yeah.

Cameron M. Bready

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

So, the capabilities we're providing today, many of them are priced in very different manners than spread on a amount of volume or a cost per transaction metric, so we're really moving the revenue model away from, again, things that are tied to transaction volume trends or tied to obviously the value that we're delivering to that customer. So analytic platforms, social media, reputation management, engagement capabilities, marketing campaigns, software – the software solutions themselves, I think, are critical to delivering value-added services to our customers, all of that's with an eye towards again increasing our relevancy to our customers, making us more integral to running their business, helping them drive more traffic through their doors or to manage their business more efficiently, more effectively, all these things I think increase again our importance to every individual customer in terms of the running of their business.

Ashwin Shirvaikar

Q

Analyst, Citigroup Global Markets, Inc.

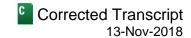
Okay. Okay. Could you – in terms of just kind of breaking out your revenue dependency on how much is – or what percentage rev per tran versus other factors, is there a easy way to look at it?

Cameron M. Bready

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

A

Citi Financial Technology Conference



Yeah, I mean, I would say roughly and this is a pretty rough metric, somewhere a little north of 20% of the revenue today in the business is driven by things outside of pure transaction volume trends and that's growing...

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

And that's growing fast...

Cameron M. Bready

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

...and that's growing over time. Yeah, absolutely. And software is obviously core to that, as I mentioned before, but other value added services that we deliver that are priced in different manners than on a pure transaction volume basis are critical as well.

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Okay. Okay and the piece that is not determined by rev per tran type of volume trends, is that – about two-thirds of that is software type [ph] revenues (00:22:15).

Cameron M. Bready

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

Yeah, I would say the majority of that's going to be software and there's other services in there as well, including our payroll business, which is obviously priced differently than volume and transaction. It's still a somewhat volume based pricing because it's priced per – typically per payroll run. So it's still tied to some sort of volume metrics but the lion's share of that's going to be software.

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Okay.

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

With other value added services obviously growing, particularly our data and analytic capabilities which we think is an important driver of growth in the business over time.

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

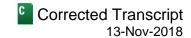
Yeah. Yeah. The suggestions you're making are kind of working because I'm going to ask you about data and analytics next, because you said that at least three times in the last five minutes. So can you talk about data and my question with data is, who – you can help us to start with to whom does it belong? I mean – and who is it to use and then you kind of start thinking about data privacy rules, particularly coming from the EU and such and we do have other sessions as part of this conference, you talked about data and data monetization and so on, but where do you guys stand and how do you look at data and can you talk about your data capabilities?

Cameron M. Bready

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

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Sure. I would start by saying, I think data is integral to a lot of what we're trying to do from a value added service standpoint but data in and of itself really isn't sufficient. It's our ability to enrich the data and provide the data back to merchant customers in a manner that allows them again to either to drive more throughput in their business or run their business more efficiently, that's largely what we're focused on at a macro level but clearly data is critical to that.

As to your question is who owns the data, it really depends on the data element itself. Obviously merchants own their data with respect to SKUs and the particular elements that they're selling into the marketplace. The customer own their data in terms of what they're buying, how often they're buying and there's certain element of the payment data that we own obviously and we utilize to do things like help keep fraud out of the payment ecosystem to some degree. So it really depends on what element of the data that you're referring to as to who owns the data.

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Okay

Cameron M. Bready

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

I think as we think about utilizing data and analytics is using the merchant's own data, enriching that data, providing that data back to them in a very usable simple way to again help them drive more throughput into the business through things like email marketing campaigns, helping them understand the right time to do that when they're seeing trends in the business that would suggest, for example, recurring customers or – are declining, might be a good time for an email marketing campaign, make it very easy for them to do that by simply clicking a button. Those are the types of things that we're doing with data today, helping small to medium sized merchants run their businesses better.

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Okay. Okay. And on the topic of data, and I don't think that this is a big business for you. But the recent data localization questions and issues that have come up in India.

Cameron M. Bready

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

Yeah.

Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

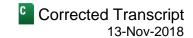
Is that a factor? I mean do you have to invest there?

Cameron M. Bready

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

I think whether it's GDPR or this data localization requirement in India, I think all of these are not necessarily barriers. They're just making the environment more complex by which to deliver these solutions back to customers.

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So I really think it's something we've become very adept at managing. We have resources in all of these different markets around the globe that are managing these local requirements around data.

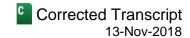
So I think it makes it a more complex environment. But something we've done I think a very good job of managing and navigating, such that we can continue to deliver the types of solutions we want to deliver and the services we want to deliver that are driven by data to our customers without really limitation.

Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	Q
Right. Okay. Okay. Couple more questions with regards to this, the value-add service nature of stuff. And you talked about price optimization, is that still an opportunity for you? I mean are we through with selective use of Heartland portfolio? Are there other price optimization opportunities, you can talk about that?	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
Yeah. I would say, as we look at the Heartland portfolio in general, we still view it as somewhat underpriced relative to the market today.	
Ashwin Shirvaikar  Analyst, Citigroup Global Markets, Inc.	Q
Yeah.	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
And largely that's driven by our view as to the level of value, service, product that we're delivering to our customers. And where we see pricing in that portfolio relative to the market overall.	
So we've done very little, I would say, from a pricing standpoint at this point.	
Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	Q
Yeah.	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	Д
A lot of our effort has been focused on where are we selling that net new incremental customer.	
Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	Q
Yeah.	
Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A

And are we selling that at a level that we think is appropriate relative to the value and service that we're delivering

to them.

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And as customers renew, naturally we look at those renewals as well through the lens of, is that customer kind of meeting their volume commitments to us? What's the level of product and service that they're taking from us? And do we feel that that relationship is priced appropriately relative to that?

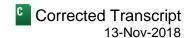
So we've always sort of viewed the Heartland pricing opportunity as a bit of a break glass option in the event that things aren't going well.

Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc. Okay. Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc. The reality is things have gone very well. And there really hasn't been a need to lean into pricing more. And I think we've been very surgical as to how we've tried to go about, overall, improving the yield on the portfolio gradually over the course of time. Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc. Okay, okay. And just on this topic, final question from me on this topic is, with regards to the value of owning hardware or just a portal. Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc. Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc. Right. Square has this. PayPal has bought iZettle. You do have - First Data has Clover. Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc. Yeah. Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc. And it does have certain value in order to kind of get an application stack out there to the market. What's your view on that? Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

So I think there is a market for the sleeker kind of sexier looking terminal that can bring some limited applications

at the point of sale. And we have that capability today.

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Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	
Yeah.	
Cameron M. Bready Soniar Evacution Vice President & Chief Financial Officer, Clobal Payments, Inc.	

I would say by and large we're driving our business for growth more in the software enabled channels. We think over the time, the more or the better opportunity is more vertically fluent solutions that are very much tailored to the needs of a specific vertical market. And we think software is the right way to deliver that capability.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

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

Yeah.

Analyst, Citigroup Global Markets, Inc.

But there is a market for that. And I think we're filling that market today kind of with our own solutions. But that's not at the heart, I would say, of our strategy overall as a corporation.

Ashwin Shirvaikar

Okay, but you don't view it as a threat to not have that?

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

I don't really view it as a threat. I think more and more customers are looking for, as I've mentioned a couple times, vertically fluent solutions.

And I think the sort of simple one size fits all horizontal solutions at the point of sale, again, there is a market for that. But I don't think it's a competitive threat to what we're trying to accomplish from a vertical market standpoint. I think the far better opportunities are in the vertical market, software channels that we're pursuing.

Ashwin Shirvaikar
Analyst, Citigroup Global Markets, Inc.

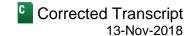
Got it. Okay. I did want to give the opportunity to ask questions to the audience. There is someone with a mic – oh, mic is coming if you don't mind just waiting just a second.

I'm curious for your thoughts on contactless payments? And what the opportunity there might be for your company over the next few years?

Cameron M. Bready

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

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Yeah. That's a great question. We see contactless outside of the U.S. very regularly. In the UK, it's one of the biggest drivers of volume and transaction growth.

So I think it's nothing but positive news for our business, because typically what contactless is displacing is paper based transactions today or transactions that have historically been more predominated by cash.

So from our standpoint, more contactless, more opportunities for customers to utilize digital payments in a frictionless manner, whether it's contactless or more evolving QR code type payment mechanisms like we see in Asia. Anything that really drives more payment volume towards digital forms of payment, I think are good for our business. Unlike a number of our peers, we're not an issuer, we're not an issuer in processing. We're really focused on an environment where more and more payments are being digitized and we help our merchants to allow their consumers to be able to pay in whatever digital form of transaction or currency they want to be able to utilize and all those are good positive catalysts for our business.

Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.	C
Any other questions. Oh, there's a question right here.	
	C

Just general question, it's a topic of hardware versus software. So, the software obviously, you will have less stickiness with the customers because of the competition. So, how do you approach that, I mean going forward obviously?

#### Cameron M. Bready

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

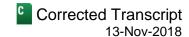
Yeah. I would say – I would argue the opposite. I think software creates a far stickier relationship with the customer because once you are the enterprise software running that business it's very hard to get you out. So if you're delivering software as a service, as a cloud based application, once you are the system of record running that small to medium sized business, it's very hard to get you out. So, I think it's far sticker and I think if you look at the retention rates in our software businesses around their customers, I think those rates are extraordinarily high because of that typically when the software is being delivered as a cloud-based software-as-a-service application.

I think conversely hardware is easy to rip out, right? I can rip out a terminal and replace it with another one tomorrow, it's not that expensive, it's not that distinctive and it's not integrated in a way that's hard to remove. So we actually believe software creates that stickier customer relationship, it has higher rates of retention, allows you to deliver more distinctive capabilities to that customer and creates more and more value-added longer term relationship and greater life time value from that customer than hardware ever could.

# Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.

I did want to ask you on integrated payments obviously partly because you've been doing things like OpenEdge now for about six years.

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Cameron	Μ.	Bready	1
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Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.

Yeah. Since 2012, yeah.

#### Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Yeah. So it's sort of an old thing but you also have more experience with it, with what happens on renewals and what happens with regards to trying to roll it out across different countries. So sort of multifaceted question, when these things are first introduced as a concept, the idea was that on renewals, it would help? It would help with regards to pricing as well, has that actually transpired?

#### Cameron M. Bready

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

Do you mean renewals of ISV relationships or renewals of customer relationships?

#### Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Both.

#### Cameron M. Bready

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

Both. Well, I would say certainly on the customer side undoubtedly, the value of integration, I think, is very powerful. And we talk a lot recently about our own software strategy sometimes to the exclusion of our partnership strategy which is also a great business for us and has been to your point for six plus years now. So OpenEdge continues to be a very strong driver of growth in our business that strategy – partnership strategy continues to have a lot of merit from our standpoint.

#### Ashwin Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Yeah.

#### Cameron M. Bready

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

We still see a lot of opportunities to grow and expand that business over the course of time and there are certain vertical markets where we think owning is the right strategy and we're going to pursue that as we have, but there is also plenty of other vertical markets where we think partnering continues to be the right way to pursue the opportunity. And I think those models can co-exist very nicely. We're very careful in terms of how we manage any potential channel risk that might arise in an owned and partnered strategy. And I think we're adept at being able to do that. So, the OpenEdge model will continue to be a strong driver of growth and a strong part of our business for years to come.

As we think about the value proposition, as I said before, the value of the integration is very powerful. Customers realize that they're willing to pay for at their retention rates from a payment standpoint, when you're integrated are extraordinarily high. And I'd say the value proposition from a customer standpoint hasn't changed at all over the course of time.

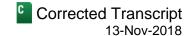
## Global Payments, Inc. (GPN) Corrected Transcript Citi Financial Technology Conference 13-Nov-2018 Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc. Right. Right. Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc. From a partnership standpoint, I think pricing in that market remains rational... Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc. Yeah. Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc. ...and reasonable. Naturally as you renew partnership relationships, sometimes as revenue shares will creep up, but the volume that you're getting and the marginal economics of the business can absorb that and that's just part of - that's part of the equation from our standpoint. So, I think and that's a market where the partners are far more focused on who can deliver the breadth and depth of capability, who can deliver the integrated ecosystem and they're not as focused. You have to be competitive from a price standpoint from a revenue share point standpoint, but they're not solely making a price decision which is why we've had such a high degree of success and continuing to renew partners in that channel. Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc. Right. And the ability to go roll out in other countries obviously, you started Canada many years ago, UK... Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc. Yeah. Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc. ...what's the success of that path in other countries? Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc. I think it's been good thus far. We have brought OpenEdge to Canada and this is different than saying I want to go with the U.S. partner ... Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.

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

Right.

Cameron M. Bready

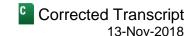
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...to sell into merchants in Canada. This is creating or replicating that integrated ecosystem into market working with Canadian ISVs... Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc. Right. Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc. ...doing the same thing in the UK. So you're starting from ground zero, but I think the traction we've seen is very good. Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc. Okay. Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc. And we're pleased with the progress that has been made thus far. The reality is outside of the U.S., the landscape for kind of enterprise software solutions is very different. There's just far fewer of them... Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc. Yeah. Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc. ...far less opportunity. Part of what we liked about the owned strategy is we control our own destiny in terms of bringing these solutions to market outside of the U.S. So we're able to bring our own integrated capability, software and payment functionality to markets outside of the U.S. We're doing that today with TouchNet, our higher education business. We're doing it with Xenial, we're doing it with ACTIVE. Those are the opportunities that we see that are truly differentiated in terms of our ability to bring kind of integrated capabilities to markets that in control our investment needs to how and when and at what pace we choose to do so. Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc. Got it, absolutely. And with that we're out of time. So I want to thank you, Cameron for... Cameron M. Bready Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc. Thanks very much for having us. Ashwin Shirvaikar Analyst, Citigroup Global Markets, Inc.

Thanks.

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