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Global Payments, Inc. (GPN)

Q1 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. Welcome to Global Payments' First Quarter 2023 Earnings Conference Call. At this time all participants are in a listen-only mode. Later we'll open up the lines for question and answers. [Operator Instructions] . As a reminder this conference is being recorded.

At this time I'd like to turn the conference over to your host, Senior Vice President Investor Relations, Winnie Smith. Please go ahead, Winnie.

Winnie Smith

Senior Vice President-Investor Relations & Corporate Sustainability, Global Payments, Inc.

Good morning, and welcome to Global Payments' first quarter 2023 conference call. Our earnings release and the slides that accompany this call can be found on the Investor Relations area of our website at www.globalpayments.com. Before we begin, I'd like to remind you that some of the comments made by management during today's conference call contain forward-looking statements about, among other matters, expected operating and financial results.

These statements are subject to risks, uncertainties, and other factors including the impact of economic conditions on our future operations that could cause actual results to differ materially from expectations. Certain risk factors inherent in our business are set forth in filings with the SEC including our most recent 10-K and subsequent filings.

We caution you not to place undue reliance on these statements. Forward-looking statements during this call speak only as of the date of this call and we undertake no obligation to update them.

We will also be referring to several non-GAAP financial measures which we believe are more reflective of our ongoing performance. For a full reconciliation of the non-GAAP financial measures discussed in this call to the most comparable GAAP measure in accordance with SEC regulations, please see our press release furnished as an exhibit to our Form 8-K filed this morning and our supplemental materials available on the Investor Relations section of our website.

Joining me on the call are Jeff Sloan, CEO; Cameron Bready, President and COO and Josh Whipple, Senior Executive Vice-President and CFO. Now I'll turn the call over to Jeff.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Winnie. We are pleased to have delivered our best first quarter in four years, exceeding our expectations to start 2023 despite continuing macro uncertainties. Our ongoing businesses produced adjusted net revenue growth, adjusted operating margin expansion, and adjusted earnings per share growth consistent with our cycle guidance once again.

This performance reflects the wisdom of our strategies and our consistent focus on execution. We accomplished these results, while also turning the page on our strategic initiatives. First we are delighted to have closed our acquisitions of EVO Payments in late March and we are already off to a strong start. Cameron will provide more details on our integration efforts now underway, but let me preface his comments by saying we remain as excited about the many opportunities we have together as we were at the time we announced the transaction nine months ago.

I am delighted to officially welcome EVO's valued team members to the Global Payments family. We are pleased to have also recently have completed the divestitures of Netspend's consumer assets and our Gaming Solutions business. With the successful execution of these transactions, we are focused on managing our go-forward business composition with Merchant Solutions representing approximately 75% of our adjusted net revenue, and Issuer Solutions, including B2B, comprising roughly 25%.

This platform provides us the ideal fit, core capabilities from which to grow for many years to come. Both Issuer and Merchant posted exceptional results for the first quarter.

Starting with Issuer Solutions, our core business again generated substantial sequential financial and operating improvement achieving high single digit growth and marking its best quarterly performance in more than five years. It is worth highlighting that our core customer base consists of money center and systemically important financial institutions globally.

We believe that we've been the beneficiary of incremental depositary flows for larger institutions, combined with several significant implementations during the quarter, which we expect to provide tailwinds for some time to come.

Year-over-year, consumer transaction volumes grew into the double digits. Our commercial core business also continued to perform with transactions growing nearly 25% in the first quarter as cross-border and domestic corporate travel continued its recovery trajectory. Traditional accounts on file increased by roughly 20 million

sequentially and double digits from the prior year to a new record, due to strong conversion execution of new accounts and growth with existing customers.

Our decade-long strategy of aligning with market share winners continues to bear fruit and I think it's clear at this point that the legacy versus FinTech hypothesis from 2021 has now been thoroughly debunked and turned on its head. We are delighted that we successfully converted a significant portion of one of the top 10 commercial banks in the United States in early March.

This win was a double competitive takeaway, early after the announcement of our merger. We also completed the conversion of the Postbank portfolio in April and in collaboration with AWS, we successfully deployed our cloud-based data and analytics platform for a leading financial institution partner in the United States.

Finally, we are pleased to have signed multiyear extensions with M&T Bank as well as another long-standing US-based FI partner during the quarter. We currently have nine letters of intent with institutions worldwide, nearly all of which were achieved through a competitive RFP process.

Turning to B2B, we continue to drive strong growth with, both, corporates and financial institutions, as we leverage our virtual card, MineralTree AP automation and employer solution capabilities. This quarter we achieved record supplier enrollments, as middle market companies further digitized their payments. It's worth noting that MineralTree delivered normalized growth of roughly 20% for the period and we continue to expect near 30% growth for this business in calendar 2023.

We are proud of the resiliency of our Merchant business which delivered double-digit growth, excluding dispositions and the one-week contribution from EVO. This performance was achieved despite incremental macro uncertainties driven by the banking crisis that developed in the latter part of the quarter.

Stand outs for the period again include our worldwide e-commerce and omni-channel businesses where growth accelerated to the high teens. Speaking of UCP, we are making great progress on our partnership with Spring by Citi that now spans North America, the UK, and continental Europe. We are currently live across 14 countries and run rating at more than 100 million transactions and over \$3 billion in volume annually. And based on our pipeline with many of Citi's largest treasury and trade solutions customers, we are on track to more than double our volume together by the end of 2023.

We also continue to see strong trends in our Integrated business in the US which grew at a mid-teens rate with sustained rates of accelerated growth. We also produced a record quarter for new sales in this channel, demonstrating ongoing strong demand for our solutions.

Additionally vertical markets achieved double-digit growth led by School Solutions, Zego in real estate and Xenial in quick service restaurants and stadiums. After announcing our partnerships with the Braves last quarter, we are excited to have gone live with our Xenial Cloud Point of Sale solutions on April 6th, opening day for Truist Park.

And we are pleased to have reached an agreement with a leading parks and entertainment company to provide both our Xenial food and beverage solutions as well as our retail solutions at all of its theme park locations across the United States. Our pipeline remains full across our fixed service restaurant and sports and entertainment businesses. Stay tuned.

Outside of the United States, our Asia Pacific business produced its best first quarter since 2018. Its COVID-related restrictions were lifted at the end of 2022, including in Greater China. We continue to see strong trends in

other faster growth geographies such as Spain and Central Europe and we are excited to enhance our scale with EVO in these markets.

We also had several successful product launches during the quarter in Europe including our point of sale solution in Central Europe and our Tap on Phone solution in the UK. These all bode well for the cross-sell opportunities with EVO.

Before I turn over to Cameron, I'd like to address the announcement of my departure as CEO of Global Payments effective June 1st and the appointment of Cameron Bready as our next CEO. I've known Cameron personally for nine years, and he's held the most senior and trusted positions at our company during that time, first as our CFO and today as our President and COO. Cameron is an outstanding leader and the right person to succeed me. I have every confidence in his and our company's continued future success and will do everything I can to ensure a smooth transition to Cameron over the coming weeks.

Now is the right time for us to execute on our succession plans. We recently closed on all three of our strategic transactions and we produced our best first quarter in four years with our first beat-and-raise in 18 months. Our businesses are exceptionally healthy. We delivered on our heightened cycle guidance in 2022 and are poised to do the same in 2023, excluding of course dispositions. While challenges undoubtedly remain, we are on a path to return to normalcy, as I suggested and hoped for on our February call.

When we arrived at Global Payments 13 years ago, we had many strengths, but lacked direct distribution, scale in e-commerce, a B2B strategy and we had much legacy technology debt to repay. Now roughly 10 years after I became CEO, we have distinctive software assets owned and partnered, a market-leading e-comm and omnichannel presence, enhanced exposure to faster growth markets and sizable B2B assets. We couple distinctive distribution with a solid technology footprint and unique multiyear collaborations with both AWS and Google.

Finally and importantly, over the last nine-and-a-half years since we've been running the company, GPN's stock has compounded at nearly 16.5% annually, 650 basis points in excess of the S&P 500 Index and 300 basis points in excess of our peers, despite all the turmoil over the last three years. Simply put, we've accomplished our goals.

I'll now turn the call to Cameron.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Thanks, Jeff, and good morning. Let me start by acknowledging what an honor and privilege it is for me to be named the next CEO of Global Payments. I'm grateful for the board's confidence in me leading the company going forward and I look forward to working with all of you in this capacity, continuing what has been a long history of outstanding leadership at Global Payments.

On behalf of the 27,000 team members of Global Payments, I also want to thank Jeff for his leadership as CEO over the past decade. The transformation of the business under his stewardship has been remarkable and has shaped the company into the payments technology powerhouse it is today.

Further, on a more personal note, I want to express my sincere appreciation for his mentorship and friendship during my time here at Global Payments. Jeff and I have worked side-by-side over my nine years at the company and importantly have been completely aligned on the four-pillared strategy we articulated at our investor conference roughly 18 months ago.

We remain committed to this strategy as we endeavor to build the leading technology-enabled, software-driven payments business worldwide. Having now closed the acquisition of EVO and the divestitures of our Netspend consumer and Gaming Solutions businesses, we have completed our strategic pivot.

I am delighted to be taking over at a time when our business now reflects the simpler model more geared towards our corporate customers we've been foreshadowing since August of last year.

Over the next month, Jeff and I will work closely to ensure a smooth and orderly transition. I look forward to continuing the company's rich history of investing strategically to drive differentiated growth and value for our shareholders, customers and team members, while fostering a culture that is second-to-none and enhancing our corporate citizenship in the communities in which we live and work around the globe.

With that, I would like to echo Jeff's remarks welcoming EVO team members to Global Payments. While we are still in the early days, we have made substantial progress on our integration and remain enthusiastic about the synergy opportunities available. Since announcing the transaction in August, we have had ample time to formulate integration plans and prepare for day one, allowing us to truly hit the ground running.

We have established a robust leadership and governance structure as we do with all of our acquisitions, which has resulted in a smooth transition and enabled us to implement early actions that align with our targets. I am pleased to report that we currently have executable plans to achieve the run rate EBITDA synergy target of at least \$125 million within two years that we committed to at the time of the announcement.

The substantial expense synergy opportunities are expected to come primarily from aligning our business operations and go-to-market strategies, streamlining technology infrastructure, eliminating duplicative corporate and operational support structures and realizing scale efficiencies. As always, we remain focused on sizing expense synergy expectations with an eye towards ensuring that we maintain momentum in the combined business and that it is well-positioned to continue to grow and expand in the future.

And regarding the potential revenue enhancements, I will start by reiterating that as one company we are uniquely positioned to deliver an unmatched suite of distinctive software and payment solutions to our combined customer base globally. More specifically, I would highlight three broad categories that we believe provide us with ample run rate to drive revenue synergies from the acquisition.

First, we see significant opportunity to bring further value to EVO's relationships by leveraging our extensive distribution platforms and product portfolio, as well as our unique partner integration capabilities. This includes our point-of-sale technologies, commerce enablement solutions and vertical market software offerings.

As one example, we are bringing our point-of-sale software to key international markets where we overlap with EVO including the UK, Spain and Central Europe. We plan to cross-sell our point-of-sale software into EVO's customer base in these geographies as well as bring these capabilities to EVO markets where we do not overlap today including Mexico, Ireland, Poland, and Greece.

Second, we expect to capitalize on our ability to provide EVO's multinational customers e-commerce and omni-channel solutions across markets and geographies seamlessly blending their physical and virtual requirements.

With our combined physical presence in over 40 countries globally and the ability to transact in over 170 virtually, we can significantly expand EVO's value proposition to its existing customers. We have already initiated

discussion with some of EVO's largest MNC clients to explore opportunities to support them in additional markets around the world.

Third, EVO's accounts receivable automation software and B2B payments solutions augment our existing accounts payable automation and other capabilities rounding out our full suite of B2B offerings. Together with EVO, we are well positioned to further grow and scale our B2B portfolio, particularly on the acceptance side which includes leveraging EVO's extensive proprietary integrations to some of the most widely used ERP environments in the marketplace through its PayFabric platform.

We could not be more excited about the many opportunities we have together with EVO given its alignment with our overarching strategy, further reinforcing our position as the preeminent payments technology company with extensive scale and unmatched global reach.

Josh?

Joshua Whipple

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

Thanks, Cameron. We are pleased with our strong financial performance in the first quarter which exceeded our expectations despite ongoing macro concerns, highlighting the strength and durability of our business. Specifically, we delivered adjusted net revenue of \$2.05 billion, an increase of 6.5% from the same period in the prior year on a constant currency basis.

Excluding the impact of dispositions and roughly one-week of contribution from EVO, adjusted net revenue increased 9% on a constant currency basis. Adjusted operating margin for the quarter increased 200 basis points to 43.1%. The net result was adjusted earnings per share of \$2.40, an increase of 18% on a constant currency basis compared to the same period in 2022.

Taking a closer look at performance by segment, Merchant Solutions achieved adjusted net revenue of \$1.46 billion for the first quarter with constant currency growth of 10%, excluding dispositions and the contribution from EVO. This performance was led by the ongoing strength of our technology-enabled businesses, while we benefited from the recovery in Asia Pacific, as COVID restrictions eased across Greater China markets.

We also saw consistent double-digit growth from our Vertical Market, POS and Payroll businesses. This strength was partially offset by ongoing headwinds from adverse foreign currency exchange rates along with macro softness in limited geographies including the UK. We delivered an adjusted operating margin of 47.3% in the segment, consistent with last year. Excluding the impact of EVO's close in March, adjusted operating margin expanded 25 basis points and was in line with our expectations.

We are pleased with the fundamental performance of our Issuer Solutions business in the first quarter, which produced adjusted net revenue of \$490 million reflecting growth of 7.2% on a constant currency basis. Notably, core Issuer grew high single digits this quarter, excluding the impact of FX, which was over 300-basis-point acceleration sequentially.

As Jeff highlighted, traditional accounts on file increased by approximately 20 million sequentially, driven by strong account growth from our major consumer portfolio customers as well as several portfolio conversions we successfully completed during the period. Transactions also grew double digits compared to the first quarter of 2022, with strong contributions coming from both commercial and consumer card transactions. Finally, we

delivered adjusted operating margins of 43.9%, an increase of 80 basis points from the prior year fueled by our accelerated growth.

As for adjusted free cash flow, consistent with the prior period, we converted approximately 80% of adjusted earnings into adjusted free cash flow. We continue to target converting roughly 100% of adjusted earnings for the full year, excluding the impact of the timing change related to recognition of research and development tax credits. We expect our adjusted free cash flow conversion for the year to follow a similar trajectory as 2022. We invested \$162 million in capital expenditures during the quarter and continue to expect capital spending to be around \$630 million in 2023 consistent with our long-term targets.

This quarter we repurchased approximately 2.1 million of our shares for roughly \$200 million, which was executed prior to the closing of our acquisition of EVO Payments on March 24th.

To help fund the EVO transaction, in early March, we successfully priced an €800 million inaugural European debt offering at a fixed rate coupon of 4.875% due in 2031. With this transaction, we continue to evolve our capital structure to align with our global operations and gain access to a broader investor base and new sources of capital.

Separately, in January, we established a \$2 billion commercial paper program. The CP program is supported by a revolving credit agreement. At the end of the quarter, we had approximately \$1 billion of commercial paper outstanding.

We currently have an excess of \$3 billion of available liquidity. Following the aforementioned capital markets transaction and drawing on the revolver to close EVO, our total indebtedness is approximately 90% fixed with a weighted average cost of debt of 3.8%. We are also delighted to have closed both the divestiture of Netspend's consumer assets and the sale of the Gaming Solutions business in April.

Following all of these transactions, our balance sheet remains healthy and our leverage position is roughly 3.8 times currently. We continue to expect to return to a similar leverage level to where we ended 2022 by year-end 2023, while maintaining existing investment-grade ratings.

We are pleased with how our business is positioned, following our first quarter performance and we are raising our financial outlook for the year. We now expect reported adjusted net revenue to range from \$8.635 billion to \$8.735 billion reflecting growth of 7% to 8% over 2022, an increase from 6% to 7% previously.

We continue to forecast annual adjusted operating margin to expand by up to 120 basis points for 2023. As a reminder, this is above our cycle guidance for margin expansion of 50 basis points to 75 basis points annually driven by benefits to our business mix from our ongoing shift towards technology enablement and the divestiture of Netspend, partially offset by the lower margin profile of EVO prior to full synergy realization.

To provide color at the segment level, we continue to anticipate our Merchant segment to report adjusted net revenue growth of roughly 15% to 16% for the full year, but now expect to be towards the higher end of that range.

We continue to expect more than 100 basis points of adjusted operating margin expansion from the existing Global Payments Merchant business, excluding dispositions in 2023, which again is ahead of our cycle guide. We expect this expansion will be more than offset beginning in the second quarter with the absorption of the lower

margin profile of EVO Payments. We anticipate this impact to be mitigated by synergy realization as the year progresses.

As a result, we are forecasting margin contraction in the second and third quarters, and then margin expansion in Q4 as synergies ramp for our Merchant business. The net result will be a modest decline in our total Merchant business reported adjusted operating margin for the year consistent with our prior guidance.

Moving to Issuer Solutions, we now expect to deliver adjusted net revenue growth in the 5% to 6% range up from 4.5% to 5.5% previously for the full year compared to 2022. This outlook reflects our better-than-expected performance in the first quarter and the benefit we anticipate from our conversion pipeline.

Specifically, we now expect core Issuer to grow about 5% and continue to expect MineralTree and Netspend's B2B businesses to grow low double digits. We anticipate adjusted operating margin for the Issuer business to expand by up to 60 basis points consistent with our prior outlook, as we benefit from the natural operating leverage in the business.

In terms of quarterly phasing, there are two continuing items to note. First, while we expect foreign exchange rates to be roughly neutral for the full year, we still anticipate a currency headwind to adjusted net revenue of up to 100 basis points in the second quarter. Second, we expect the successful closing of the sale of Netspend for the end of April to add roughly \$25 million of incremental revenue to the second quarter versus our prior expectation with no change to our expected earnings per share dilution impact for the year.

Moving to a couple of non-operating items. We expect net interest expense to be roughly \$550 million, a modest \$10 million increase from our prior guide in light of yield curve movements and for our adjusted effective tax rate to be in the range of 19% to 19.5% consistent with our prior guidance. For modeling purposes, we continue to assume excess cash is used to pay down indebtedness in 2023 until we return to our targeted leverage levels toward the end of the year with minimal share repurchases until then.

Putting it all together, we now expect adjusted earnings per share for the full year to be in the range of \$10.32 to \$10.44 reflecting growth of 11% to 12% over 2022, up from 10% to 11% previously. Excluding dispositions, adjusted earnings per share growth is expected to be 16% to 17% for 2023. This is consistent with our updated 2021 cycle guide, despite incremental adverse changes in the macro environment since then.

Our first quarter results represent roughly a \$0.05 adjusted earnings per share beat relative to our internal forecast. Our raised guidance for calendar 2023 essentially rolls the beat plus a couple of cents for the year in light of the uncertainties of the current environment.

Similar to what you've heard from others, we saw strength across our markets in January and February which moderated somewhat in a number of our businesses in March. Our Issuer business did not experience any discernible moderation as our large money center bank customers benefited from the regional banking crisis that developed in March. Trends in this business continued to remain resilient through April and similar to March levels of activity.

Our updated outlook today presumes a worldwide macroeconomic backdrop that is consistent with the current environment throughout the remainder of calendar year 2023.

And with that, I'll turn the call back over to Jeff.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Josh. I couldn't be more proud of what we've achieved as a management team together over the last near decade with more than 27,000 team members across 40-plus countries. I'm also very pleased with our long history of management depth and succession planning. Cameron is only the third CEO of Global Payments in nearly a-quarter century.

He has my complete confidence and I look forward to working with him closely to effect a smooth transition over the coming weeks. I personally thank all our team members for what they do for us every day as well as our millions of customers and thousands of partners and shareholders for the trust you've put into us and in me over the last 13 years. The future is bright at Global Payments. Winnie?

Winnie Smith

Senior Vice President-Investor Relations & Corporate Sustainability, Global Payments, Inc.

Thanks, Jeff. Before we begin our question-and-answer session, I'd like to ask everyone to limit their questions to one with one follow-up to accommodate everyone in the queue. Thank you.

Operator, we will now go to questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We'll now begin holding a question-and-answer session. [Operator Instructions] . Our first question today is coming from Ashwin Shirvaikar from Citi. Your line is now live.

Ashwin Vassant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Thank you. And congratulations on the good quarter. And, Jeff, happy for you. It's been a pleasure. And Cameron, congratulations on the promotion.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Ashwin.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Thanks, Ashwin.

Ashwin Vassant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Yeah. Let me start with Merchant. If you could kind of provide a more detailed geographical walkthrough as you consider macro and other factors. US and the Americas now includes a couple of new geographies for you. Europe, including the EVO footprint, how should we think of, sort of, normalized growth rate? And Asia-Pac recovery as well, if you could sort of unpack that for us, that would be great.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Hey, Ashwin. It's Cameron. Why don't I go ahead and start? I'll ask Jeff to chime in with any other color he'd like to provide as well.

So, I think if you look at the overall backdrop for the Merchant business, I think we feel pretty good about, obviously, our performance in the first quarter and how we're positioned for the full year as evidenced by obviously a reiteration of our guide and an increase, so to speak, up through the high end of our growth expectation for the Merchant business for the full year.

Starting here at home in the US, we continue to see good trends, kind of, across the business. I think like others who have reported already, January and February were very strong months for us. We obviously saw a little bit of a pullback in March and we see April kind of looking similar to March right now.

So, assuming a relatively consistent macro based on where we are today for the balance of the year, I think our US business is really well-positioned to grow nicely over the course of the year and obviously it's the biggest component of our portfolio. So, as it goes generally the rest of the Merchant business goes. So, I think we feel very good about where we are in the US.

I'll weave in EVO into that conversation really by saying the B2B portfolio that EVO has today, the capabilities they bring us across acceptance with AR automation solutions integrated into the largest enterprise ERP solutions in the US for mid-market-type enterprises is a really powerful addition to the portfolio of assets we have here in the US. And obviously, there's a lot that we think we can do with that over the course of time. So, more to come on that.

I think Europe is overall a good story. Obviously, a mix of various geographies there. We continue to see very strong trends in Central Europe and Spain, obviously two important markets for us. EVO will add to that with the addition of Poland and Greece both of which again are strong secular markets with good long-term growth fundamentals that we're very attracted to now be in through the acquisition of EVO.

Obviously, the UK remains soft. Their GDP was effectively flat for the first quarter continuing a pretty consistent trend coming off the back half of last year as the implications of Brexit really take hold as well as sky high inflation in that market. So, the UK remains a little bit of a headwind for us. But I think as we look at Europe overall, we're obviously pretty excited about the long-term prospects there.

And then lastly in Asia Pacific, as Jeff highlighted in his prepared remarks, we had our best first quarter in Asia since 2018. We saw mid to high-teens growth as we finally got re-openings across really all of the Asia Pacific markets in which we operate. We're starting to see more intra-Asia cross-border activity which is good for our business. Yet to see meaningful sort of inter-Asia cross-border but obviously that's the next leg of the stool as Asia fully reopens and we get back to full normalcy in that market.

But I think as we step back and look at the Merchant business, we accelerated a point sequentially versus the fourth quarter from a top line growth matter before factoring in obviously the addition of EVO for roughly one week of the quarter. So, feel very good about the trends kind of coming off of the quarter and remain very poised I think for the balance of the year to achieve the updated guidance that we provided this morning.

Ashwin Vasant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Q

That's very useful. Thank you very much. And then sticking with Merchant, adjusted rev growth was greater than volume growth, I think probably for the first time in a couple of years. What's driving that? Is that value-added services? Is there sort of different business model with more subscription revenue or something like that or do you expect that to sustain?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah, it's really mix, Ashwin, more than anything else. Our vertical market businesses which are predominantly software-driven had a strong quarter, which obviously contributes a little bit more to the top line than it does to the volume-related metrics.

But you're talking a few tens of basis points difference between the two, one rounded up, one rounded down. That's kind of the difference. So, I wouldn't put too much weight to the 11 versus the 10. It's going to fluctuate. Sometimes it'll be on top of each other, sometimes volume may be a little bit better, sometimes revenue growth may be a little bit better.

I think what we step back and look at fundamentally is are those two moving in correlation to each other and is that gap relatively minimal. 10 to 11 is very tight versus others in the marketplace. So, I think fundamentally looking at the underlying volume growth of the business we're very happy with how things are trending and obviously the revenue demonstrates that as well.

Ashwin Vasant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Q

Understood. Congratulations again. Thank you.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, Ashwin.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Thanks, Ashwin.

Operator: Thank you. Next question is coming from Darrin Peller from Wolfe Research. Your line is now live.

Darrin Peller

Analyst, Wolfe Research LLC

Q

Hey, guys. Thanks. First of all, Jeff and Cameron, congrats to both of you on the transition. Jeff, if it's possible to give us a sense of where you – the timing and why now and maybe a little more on your thought process of what's to come for you as well as what you're most excited about when you look at GPN going forward. Just curious if you can give a little more color on the change.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Darrin, it's Jeff. Thanks for saying that. Let me just start by saying, Cameron and I have worked closely together for nine years and probably in his judgment, nine years too late. Probably where I'd start.

But, look, I would say, as we said in the press release and our prepared remarks that, look we just posted the best first quarter since 2019. We had talked about in February hoping that we were back in an environment of normalcy. I think we're there today. We've got our first real beat-and-raise in 18 months.

And then really importantly, Darrin, we've said publicly for 12 months that we're focused on closing EVO, closing Netspend, closing the sale of Gaming Solutions. But not surprising to you, those probably started like 18 months ago, right, and it's like the last 12 to 14 months they really kind of ramped up. So, just speaking for me, I mean, the board and I agreed that I think with these important strategic transactions behind us, I just would thank Cameron for putting up with me for all this period of time until we got these things done.

And then I'd also say, it's important, I talked about the return to normalcy, but I wanted to make sure we had a stable macroeconomic environment. And really this is the first period since probably 2019 that we've had any kind of real stability, normalcy. Our businesses are operating at very good levels. So, I think the timing is right. And I'll probably be sitting on a beach. That's what I plan on doing. And, Darrin, if you're ever in South Florida, just come visit me.

Darrin Peller

Analyst, Wolfe Research LLC

Q

Thanks, Jeff. Well, congrats again. I guess my quick follow-up would just be on thinking about pricing in the industry. We've now seen – I know you talked a lot, Cameron, you just talked a little more about value-added services and mix and it being pretty tight, but we've seen now between Fiserv and just across the industry, Visa as well, showing pricing changes. And so after having seen quite a bit of cost inflation for a couple years, we would think there could be some opportunity on the price front. Any comment on that or any thoughts?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah, Darrin, I think our perspective around pricing really hasn't changed and the philosophy that we have has been pretty consistent for many years now. We try to price our services to reflect the level of value and capability that we're bringing to the market, which we do think in many ways is differentiated from our competitors.

I think we work very hard to try to optimize our pricing and have for, again, the past several years to make sure that we're constantly looking at sort of the price points and how we're packaging a variety of different value-added services and capabilities we can bring along with obviously the peer payment acceptance solutions that we offer to the marketplace.

So, our perspective is, look, I think overall more people are being, I'd say, on the more aggressive side perhaps, for lack of a better term, with their pricing strategies more recently. I think that bodes well as it relates to the competitive landscape and particularly how we've tried to position our business over a long period of time.

So, nothing unusual coming from us as a pricing matter. I would say it's more of the same, looking at portfolio optimization and pricing strategies again to try to reflect the value and service that we bring to the customer, but

obviously the backdrop with other people doing that makes it a little bit easier for those to stick is probably the point I would make end of day.

Darrin Peller

Analyst, Wolfe Research LLC

Great. Nice job on the quarter, guys. Congrats again. Thanks.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Darrin.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Thanks, Darrin.

Operator: Thank you. Next question is coming from James Faucette from Morgan Stanley. Your line is now live.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Great. Thank you very much. And want to add my congratulations to both you, Jeff, and Cameron. Wanted to follow-up on Darrin's question there about timing. And maybe, Cameron, with a few key things now accomplished and closed, how are you thinking about strategically next steps, especially given you're still in very good capital position? And is it still time to keep looking at doing other acquisitions or does your prioritization change to integration and incorporating everything that the recent acquisitions including EVO payments brings?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Yeah, James, great question. So, I would say first and foremost, Jeff and I have pretty much been locked at the hip for the last nine years, so you shouldn't expect a radical deviation in strategy. And quite the contrary, you should expect a continued focus on the four-pillared strategy we articulated 18 months ago at our investor conference.

I'm very much 100% behind that strategy. Jeff and I worked closely to build that strategy together over many years and I absolutely think it's the right strategy for us as a business matter going forward. So, my highest priority will continue to be to execute against that strategy as we move forward.

I think from a capital allocation perspective and priority perspective, as Josh highlighted in his prepared remarks, we're very focused on getting back to our targeted leverage ratio by the end of this year. That is a priority of the capital allocation matter as well as make sure that we integrate EVO effectively over that same period of time.

We have a saying here that we like to do the things we've already committed to well before we try to take on the next thing. So, I think as it relates to the next, call it, nine months, our focus is clearly going to be on getting leverage back to the targeted level, integrating EVO effectively, making sure that that's off to a good start.

And then as a go-forward matter I think our capital allocation priorities will remain relatively unchanged. We're going to continue to try to strike the right balance between obviously investing to grow the business.

Our priority is finding ways to invest in the business to grow and expand our footprint to support the various pillars of the strategy that we're pursuing and find ways to augment that through inorganic activities as well as organic investment in the business.

And absent meaningful opportunities to do that in a way that drives value and returns for our shareholders, we'll look to return capital as we have over a long period of time. So, I don't think the overall philosophy or approach to capital allocation is going to change dramatically. I think it's going to be more of the same. And I think more of the same will be very good for our shareholders over a long period of time.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Q

Got it. And then just revisiting a little bit the outlook, when you came into the year, your planning assumption had been really no slowdown or economic recession. We've seen a little bit of a slowdown in consumer spending as you mentioned in late March and through April.

It seemed like at least some of the qualitative commentary was a little more cautious really through the year in spite of the guidance increase. How are you thinking about the macro conditions now versus three months ago and has there been much change there? Thanks.

Joshua Whipple

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

A

Yeah. So, I'll go ahead and take that. So, as we thought about the guide, the outlook assumes the macro backdrop, as I said in my prepared remarks, is consistent with the current environment. And really there's really two primary changes to the guide.

What I would say is the first change is the outperformance that we saw in Q1 which was approximately \$40 million from a revenue perspective and EPS was about \$0.05 or \$0.06, better relative to our internal forecast. And then secondly, it's the \$25 million that we expect or that we received from Netspend in the month of April.

Other than that, nothing has really changed relative to our guide that we went through on the February call and laid out very specifically by quarters.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

James, just to add some color to the math that Josh went through, we're looking at current volumes and transactions in April. So, that already reflects to your point, and I think Josh said this in his prepared remarks, what you've heard from Visa, Mastercard and some of the other folks. So, I think that incorporates the current environment. Yet despite that, we've been able to raise our outlook a little bit better than the beat internally, as Josh described. So, we're very comfortable with where we are.

And as I mentioned a minute ago too, in my prepared remarks, particularly in the Issuer business, we're the beneficiaries of the tailwinds coming from some of the consolidation from regional banks into the money center and SIFIs. So, of course, you saw the JPM announcement today with First Republic. I would just say that our Issuer business in particular hasn't seen any discernible moderation.

Obviously, we've pointed to acceleration today in our outlook, and that very much reflects current events. I mentioned minute ago, our trends through April sitting here today from a KPI point of view in Issuer are very strong, right, and that's before some of the more recent consolidation. So, it may not be great for the broader macroeconomic environment, but certainly the trend toward larger FIs globally is nothing but good news for our Issuer business.

James E. Faucette*Analyst, Morgan Stanley & Co. LLC*

Great. Thanks for all the detail.

Q

Jeffrey S. Sloan*Chief Executive Officer & Director, Global Payments, Inc.*

Thanks, James.

A

Cameron M. Bready*President & Chief Operating Officer, Global Payments, Inc.*

Thanks, James.

A

Operator: Thank you. The next question is coming from Jason Kupferberg from Bank of America. Your line is now live.

Jason Kupferberg*Analyst, BofA Securities, Inc.*

Good morning. Congrats to everybody. And just wanted to ask about kind of quarterly revenue and margin cadence for the last three quarters of the year. I know last quarter you laid out a pretty detailed outlook by quarter and just wanted to see, if there's any little tweaks there so that we get the quarterly modeling right.

Q

For example, I think in Merchant we had talked about organic kind of being in that 9% to 10%, range pretty consistent each quarter. But if you can just take us through some of those quarterly pieces, that would be helpful. Thank you.

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

Yeah. Absolutely. Look, what I would say is, in February, we gave you specific quarterly growth rates on revenue and earnings per share and I would say Q2 through Q4 nothing has really changed. So, if you go back to the earnings presentation that we put out there, we said adjusted net revenue reported 5% to 6% Q2, 8% to 9% in Q3 and Q4.

A

We did obviously raise the overall outlook to 7% to 8% based on the performance that we saw in Q1 and which I just outlined. And then from a margin perspective, look, we saw really good margin expansion in Q1 of 200 basis points, exactly what we said we would do. And from Q2 through Q4, we expect 100 basis points margin expansion which we laid out on the February call.

And then from an EPS perspective again we're right in that 9% to 10% range for Q2 through Q4 which we outlined in February. So, again nothing has changed as it relates to Q2 through Q4 relative to what we discussed on the February call.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Good to hear. Okay. And just as a follow-up in Merchant, I think in the past you guys have talk about the portfolio, at least on the acquiring side, putting software on the side, roughly half discretionary, half more non-discretionary spending. Is that still the right breakdown post EVO closing? And if you can just talk about what you're seeing in terms of relative growth rates between the discretionary and the non-discretionary spending volumes in Merchant.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah, Jason. It's Cameron. I'll jump in there. I would say that overall split holds roughly pretty well post EVO. Obviously, I don't think at this stage we've kind of aggregated all the different geographies around the globe in terms of what the volume mix is across every single vertical that they have exposure to.

But given the size of EVO relative to our existing Merchant footprint globally, it's not going to move the needle a great deal one way or the other, even if their split is slightly different.

I would say, and I'll use the US as kind of example, you sort of saw the trend around retail sales in the US which is really food and kind of retail more broadly. In the first quarter, January was very strong and February slowed down relative to January and March kind of slowed down relative to February.

But I would say overall from a spending perspective, we continue to see spending skewed toward more services and experiences and less sort of retail goods and food to some degree. So, a little better trends in the non-discretionary categories that we are heavy in, particularly as it relates to services, healthcare, etcetera, and a little lighter trends in the traditional kind of retail food and beverage, etcetera.

But overall the portfolios, I think came together pretty well. I don't think the trends we're seeing in our business are any different than what you heard from Visa, Mastercard as relates to March and April activity more broadly which we talked about already.

But I like obviously the diversification we have across nearly 70 different vertical markets. I like the split and sort of weighting that we have across discretionary and non-discretionary categories. So, I think we're well positioned obviously for the macro environment as it continues to evolve through the balance of the year.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Okay. Appreciate the thoughts.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, Jason.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Thanks, Jason.

Operator: Thank you. Next question is from Ramsey El-Assal from Barclays. Your line is now live.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

Q

Hi there. Thanks so much for taking my question. I will add my congratulations as well to both of you. I wanted to ask if you could provide a little bit more commentary on the timing of the revenue synergies with EVO. When did those start flowing in? Is there any work that needs to be done in order to unlock those? And how long might that take?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah, Ramsey. It's a great question. I tried in my opening comments to give a little bit of color on the types of revenue synergies that we're pursuing with EVO.

Naturally all of those involve some levels of investment. I wish more than anything else we could flip a switch and start distributing our products and capabilities through their distribution pipes overnight or bring some of our capabilities to markets that they operate in today that don't have them, but as you can imagine there's a significant amount of work to stand those up, to integrate those environments into different platforms that EVO operates under, to make sure that we have distribution to support obviously the product that we're bringing to market, etcetera, to be able to light EVO multinational customers up in new markets on different platforms takes time as well.

So, there's a lot of work that goes into driving kind of the revenue synergy potential that we see in the EVO business over a longer period of time. That's why, near term, much of the emphasis we talk about as it relates to synergies is really around the expense side.

That's much more actionable in the short to medium-term. We have clear line of sight of to the \$125 million expense synergies that we highlighted earlier today, and obviously that drives a meaningful amount obviously of the accretion that we expect from the EVO deal in years one, two and three.

I think revenue synergies create nice tailwinds, kind of, as we get into the outer years. We certainly think we can add a point or two on top of EVO's existing kind of run rate revenue north of \$600 million, so you're talking at least \$10 million to probably \$15 million of revenue synergies from the EVO business once we're able to get up and running with respect to the various levels of revenue synergy activities that I've talked about earlier on in my prepared remarks.

So, we see good potential to drive incremental revenue in that business. I think increasing their revenue growth by a point or two on top of what they're already doing is a good target for that business. And obviously we're very confident over a period of time that we'll deliver on that if not more, once we're able to light up all those opportunities.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

Q

Got it. Okay. And one follow-up for me. Could you give us an update on value-added services and how that part of your business is evolving? I'm just curious how important value-added services have become to things like sales or retention and how like attach rates are trending?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah, I would say it's an incredibly important part of our strategy, as we talked about back at our investor conference a little over a year-and-a-half ago. I think as I look at it, there's clearly an element of attracting new merchants to our portfolio by virtue of the breadth and depth of capabilities that we bring.

I think there is a retention element in terms of being able to deliver more product and capability and differentiation to our customers by virtue of the value-added services we're able to offer. And I think thirdly on the integrated side, we've seen great success in retaining partners and bringing in new partners at what I would consider to be relatively attractive referral rates largely based on the portfolio capability that we can bring to bear on their customer base.

So, we offer just much more than the pure payment experience that a lot of integrated providers are able to offer their customers. I think the breadth of value-added service we can bring is a differentiator in terms of working with our integrated partners, and it's been a big reason we've continued to see the strength in that business that we have over the last many quarters.

So, it's an increasingly important part of the value proposition that we're delivering to our customers. It's an important part of the growth profile over a longer-term period. And again I think we've done a very good job of utilizing the capabilities we have to drive differentiation and distinction in the market.

And it's even more important as we look at markets outside of the US. Bringing some of the capabilities that we have in the US to markets like Central Europe, to the UK, Spain, etcetera, drives even greater levels of differentiation relative to what others in those markets can offer today, and they've been significant tailwinds for those businesses as well.

So, long term, it's an incredibly important part of our strategy. It's why we spent so much time talking about it at the investor conference, and it's something we're going to continue to build on as we move forward in time.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

Thanks so much.

Q

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Ramsey.

A

Operator: Thank you. Next question is coming from Bryan Keane from Deutsche Bank. Your line is now live.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Hi, guys. Good morning and congratulations of course to both you guys. Just thinking about the Merchant margins. They were up 80 basis points I think last year and they came in more flat in the quarter. Anything to call out in the quarter in particular, even before we integrate EVO just thinking about organic margin expansion opportunities in the Merchant segment?

Q

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah, Bryan. This is Cameron. I'll just start at a macro level and I'll let Josh maybe jump in if he has any additional color to add. I would say, we got to look at margin profile in Q1 ex-EVO because EVO comes in at a lower margin profile than our core business. So, in Q1 we expanded margins ex-EVO by around 25 basis points. That's pretty consistent with where we ended up in Q4.

As you can imagine, mix probably impacts that more than anything else. So, we've got mix movement as the vertical market businesses continue to perform well and recover in some of those verticals relative to what they experienced during the pandemic. That tends to come in at a lower margin profile, which from a mix matter kind of weighs to the overall margin expansion we're seeing in the business. But I would say for Q1, we delivered margin expansion for the Merchant business ex-EVO exactly on top of our plans.

And I'll remind you, those margins are at sort of north of 47%. So, as we think about margin expansion in the business over a longer period of time when we're already at margins of 47%, 48% in that business. Obviously, as we look at margin expansion for the company overall, more of that will be driven through gaining better scale across our corporate functions and obviously continue to see those expenses as a percentage of revenue not grow at the same pace.

And then secondly obviously in the Issuer business that has a little more runway I think around margin expansion over the near to medium-term.

So, Merchant was exactly what we expected for the quarter. We still expect the same expectation for the full year, as Josh articulated in his prepared remarks around Merchant margins. As we bring EVO in, it comes in at a lower margin profile. As we continue to build synergies over time, we'll get back to kind of pre-EVO levels and then of course look to expand from there.

Joshua Whipple

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

A

Yeah. The only thing I would add is, as it relates to Q2 and Q3, we'll see some margin contraction, as Cameron mentioned by bringing in EVO which is coming in at a lower profile and then we'll start to see some margin expansion in Q4. And then the net result of this will just be a modest decline in Merchant margins for the full year, which is again consistent with the guide that we outlined on the February call.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Q

Got it. No. That's really helpful. And then just as a follow-up, just thinking about the trends in Issuer, I know you guys raised the Issuer segment revenue growth for the year. But the trends obviously are pointing in your favor towards, the movement towards assets towards larger banks and I think it was nine LOIs. So, just thinking even about longer term, are you guys feeling a little bit more positive about maybe the Issuer outlook even beyond 2023 as a result of some of these trends?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah. Bryan, it's Jeff. I couldn't be more positive about where we are in Issuer. I mean I think this is the fourth quarter in a row of significant sequential acceleration in the rate of growth of that business. B2B has been part of it now for probably nine months or something and that provides a whole another leg of growth. And I think I said last quarter, added like 50 basis points or something of incremental growth relative to the core Issuer business.

So, yes, I would say, not in the nine RFP number are other things that are going on in terms of large financial institutions looking to select either new providers for the first time or switch providers. I think we're very well positioned there. As I said on the call in February the cloud sells, right. So, when we first started this, we weren't sure a number of years ago of the receptivity. And now you walk into a meeting and it's kind of table stakes. And I think with AWS we're in a very strong position.

So, very excited about where we are. These are the things that I've been talking about for a year-and-a-half kind of rolling in. And I think as difficult as it may be for the broader macro economy, even today's announcement at JPM, yeah, it's good news, right. So, I think the more we see toward money center and SIFI, I think the more confidence we have in the tailwinds over the next number of periods. And those aren't going to reverse themselves immediately. So, I think you've got a very nice tailwind heading into the next period of time.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Okay. Great. Congrats again.

Q

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Bryan.

A

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Thanks, Bryan.

A

Operator: Thank you. Our final question today is coming from Vasu Govil from KBW. Your line is now live.

Vasundhara Govil

Analyst, Keefe, Bruyette & Woods, Inc.

Thank you very much. And congratulations to you both. I want to add that as well.

Q

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Thanks, Vasu.

A

Vasundhara Govil

Analyst, Keefe, Bruyette & Woods, Inc.

My first question is for you, Jeff. I think you mentioned MineralTree grew 20% in the quarter and you're expecting it to grow 30% for the year. So, just wanted some color on what's sort of is going to drive that acceleration. And if you could also give us more broadly an update on the cross-sell efforts you're seeing for that piece of the business into your Merchant base.

Q

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Yeah, it's a great question, Vasu. So, we really couldn't be more excited about where we are in B2B. And by the way I know you asked about MineralTree but of course EVO is now rolled in too from the end of March, so obviously that's an incremental tailwind to kind of what we're doing.

A

So look, I think the answer to your question is, there is a long and deep pipeline that we've been selling over at MineralTree for quite some time. The person running our business now started last summer. I think it was right around July 1st. So, he's been very busy building that pipeline. We're seeing the benefit of that now. We're also seeing a very substantial benefit from cross-sell of virtual card where TSYS is one of the largest virtual card providers on the planet into our core business and that's growing at rates well north of 20%.

So, I just think, Vasu, to answer your questions, it's the mathematics of selling recurring cloud SaaS business. The deeper the pipeline is, the more it rolls in. It's obviously very visible on the cross-sell and attach rate from virtual cards into the core on the software sale is very high. So, it's really just the mathematics of what we've built.

In terms of notable wins, I think we said those, to be honest, on the February call. I think we talked about US Bank. I think we talked about Citizens. Those are obviously two notable wins. And I expect, over the balance of the year, Cameron and Josh and team will be describing more. But we couldn't be more pleased with where that business is and its trajectory and look, increasing the rate of growth from 20% to 30%, or 50% increase, I think is evidence of our confidence in it.

Vasundhara Govil

Analyst, Keefe, Bruyette & Woods, Inc.

Q

That's great. And then just my follow-up on just the macro backdrop. I know you guys are sort of assuming that macro stays stable from here. But I think the risk of a recession is probably higher today than it was three months ago. So, just can you just talk about the sensitivity in both the Merchant and Issuer revenues to the extent we do see a slowdown and also cost levers that you might have? Thank you very much.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah. I'll start, Vasu, and I'll ask Cameron and Josh to comment. So let me just start by saying kind of what we've assumed. So, we've assumed where we are today, I guess May 1 – I was going to say April, but today is May 1, so we're taking the current environment meaning today, so to answer your question just initially, the macro level, we're not looking back to where we were on our February 10 call. We're actually going with what the current trends are today.

And I think we said, as it relates to the Issuer business, we obviously have KPIs through the vast majority of April. And there as we said in our prepared remarks, we don't see any discernible moderation in what we're doing. So, we don't assume things get better. We don't assume things were the way they were two, three months ago in February, rather we're taking kind of where they are today. And obviously our raised outlook for today reflects the current environment. Cameron, you want to comment on Merchant a bit? And, Josh, you too?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah. Vasu, it's Cameron. And I think I mentioned this before. Obviously, to Jeff's point earlier, we saw strong trends January, February; March, kind of slowed down a little bit relative to that, and April has been more of the same relative to what we saw in March. So, that's the expectation we kind of have as we look towards the balance of the year.

As I've said, kind of, many times in the past, we don't need perfection for the balance of the year relative to our current outlook to obviously achieve the expectations that we've set forth today. So, I think we feel good about

how we're positioned to deliver on the overall guide that we've shared. And obviously that can withstand, I would say, relatively slight deviations, I'd say, in the overall macro environment that we're anticipating for the balance of the year.

If things fall off precipitously, then obviously we'll revisit it. If things obviously improve more than we anticipate, obviously that creates some upside opportunity. So, I think we feel good about obviously how the business is positioned for the balance of the year. The guide, I think, today reflects that. And we're looking forward to continuing to execute against that.

Vasundhara Govil

Analyst, Keefe, Bruyette & Woods, Inc.

Great. Thank you very much.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Thanks, Vasu.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

On behalf of Global Payments, thanks you for your interest in us and for joining us this morning.

Operator: Thank you. That does conclude today's teleconference and webcast. You may disconnect your line at this time and have a wonderful day. We thank you for your participation today.

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