Global Payments Inc at Wolfe Research FinTech Forum (Virtual)

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PRESENTATION

Darrin David Peller, Wolfe Research, LLC - MD & Senior Analyst

All right. Good afternoon, and thanks, everybody, again for joining at our -- one of our keynote sessions today with Global Payments. As you know, I'm Darrin Peller, the payments analyst at Wolfe Research. I'm on the second day of our Wolfe FinTech Forum, our 3-day conference.

So first of all, really happy to have you with us Jeff. As I know, it's not what I would have liked to do versus in-person shaking hands, but it's great to have you with us in this format, and at least we get to reach so many people around the world in this format as well, so I appreciate having you with us.

Jeffrey S. Sloan, Global Payments Inc. - CEO & Director

Well, Darrin, thanks for having us. It's great to be with you here virtually, but we look forward to the day when you and I and everybody can be together face-to-face.

QUESTIONS AND ANSWERS

Analyst: Darrin David Peller, Wolfe Research, LLC - MD & Senior Analyst

Question – Darrin David Peller: Great. Let's just start off, if you can give us a sense of your view and vision of Global's positioning now and long term. Obviously, the -- last year was a tough year for the industry overall. I think you guys really did showcase some pretty amazing metrics on new growth on bookings, on metrics around new merchant growth rates despite that. But if you can help us understand your view of your positioning versus the competitive industry and just where you think that should be, if you have enough of the right assets in place to help revenue acceleration going forward?

Answer – Jeffrey S. Sloan: Well, Darrin, you're certainly right about 2020 being a challenging macro, but we're really pleased with how we've moved the ball strategically down the field last year as well as with our relative performance. We really lapped the field on all those points relative to our direct competitors and the networks, which we believe collectively really represent the market.

And most significantly, in my opinion, we really substantially expanded our strategic moat in 2020. We didn't wait around hoping for a better macro and kind of hoping for a sunnier day. And I want to give full credit to our 24,000 team members for their commitment to our culture and our values, our customers, our communities and each other. I think that was really the secret sauce to our success last year.

So 2020 was a terrific year of accomplishments really for us in any environment. We signed Truist, sixth largest commercial bank in the United States, which was a competitive win twice over. We entered a new collaboration with AWS, our preferred provider of issuer cloud services, to launch a unique go-to-market distribution strategy, we expanded and extended our partnership with CaixaBank by increasing ownership of our JV and executing a new referral agreement through 2040.

By the way, Darrin, by the time we hit 2040, I think I'll be 67 years old or something like that. So we can kind of revisit that. We renewed agreements with a number of the most complex and sophisticated FIs globally, including TD Bank in North America, HSBC in Europe and CIBC in Canada. We assisted in the rapid distribution of more than $2.5 billion in stimulus funds through Netspend. And of course, most recently, Darrin, we announced in February of '21, a new partnership with Google, which I'll talk more about in a little bit. So we accomplished a heck of a lot in '20.

And how did we do it? And I think the real secret in the sauce there is we reached our target of 60% of our business coming from technology enablement in July of 2020, which is a goal that we had set at our last Investor Day, Darrin, in March of 2018 for year-end 2020. We tend to go through these 3 year planning cycles, and we'll have another Investor Day later this year where we'll talk about the new cycle. And it's important to give you a few metrics beyond the 60%.

Today, roughly 25% of our revenue comes from e-commerce and omnichannel businesses. That's across the whole company. 40% of our issuer transactions come through card-not-present channels and nearly 30% of our Netspend transactions are online. And in the merchant business, which, as you know, is 2/3 of the company, 60% of our revenue is driven by 3 equally sized segments, our e-commerce business, our own software business and our partnered software business. And each one of these businesses, Darrin, is architected for double-digit organic growth.

And as far as your question about whether we have the right assets to proceed, I mean, I think, really, the proof's in the pudding, and the short answer is yes. The pandemic really accelerated the shift toward digitization by 3 to 5 years, in our opinion, and really catalyzed new business formation, especially here in the United States, our largest market. And our diverse positions in omnichannel and commerce, owned and partnered software and exposure to faster-growth markets enabled us to perform orders of magnitude better than most of our markets in 2020. So COVID-19 as difficult a period, as you say, as it was, further validated our business model really rather than kind of upending it.

And I'll just conclude on this question with the 2 unique technology and distribution partnerships, Darrin, that we noted in the last year with AWS and with Google that we added to our arsenal in July and February to further differentiate our businesses and really position us well for digital success. And it's worth noting that in the last 6 months with those 2 guys, Darrin, we've struck significant partnerships with 2 of the world's largest and most respected technology companies with a combined market cap of nearly $3 trillion. So first, for the payments technology industry, and we did this in the midst of a once in a century pandemic. So I think at the end of the day, Darrin, that gives you a sense as to how well we're positioned, kind of what we did in 2020.

And we stand here kind of midway, a little bit more midway through the first quarter having already repurchased $1 billion in stock from November of '20, when we got back to the repurchase market through the ASR in mid-February, driving net leverage down 2.6x and constructing a full pipeline of M&A while delivering organic results that really lap the market. So we think we exited '20 in a better position than we entered it.

Question – Darrin David Peller: All right. That's great. And I honestly think, after all those metrics you just gave, it's still relatively underappreciated by some. So I think it's really helpful to hear you go through that again. If you can give us a sense, Jeff, just start off with some of the recent trends. Maybe go back to Q4, but also if you can give us even qualitatively, anything you're seeing year-to-date. I think that would be helpful for folks.

And then I mean, I know you mentioned in January, volume trends improving from December, and positive decoupling from Visa's credit card trends as well. Just if you could help us understand if that's continued into February or March, perhaps?

Answer – Jeffrey S. Sloan: Sure. It's a great question. So listen, the simple and short answer is that the trend line today, Darrin, is better than we assumed in January and early February. Specifically, we didn't expect as many states and countries to reopen or loosen restrictions on the time line that they have in the last month or so. And for example, California, New York, Texas, Connecticut, Hong Kong, which were reopened in mid to end January, Darrin, and the U.K., which I think early reopened a little bit this week, are just a few examples of how where we are today is actually better than what we expected in January and early February on our last earnings call.

I think it's also important to point out that our annual guidance assumes that the trajectory continues to improve from January, but we don't expect the trend line to be linear throughout the year. So when you see Visa and Mastercard folks come out and talk about the weather, we're paid to manage through that stuff. So we absorb that kind of thing all the time. And I don't expect that to really present any unique issues for us, notwithstanding how often it's talked about kind of in the interim with data. We also don't assume perfection when we guide. So those types of speed bumps are something that we're used to deal with in our business.

I'd also say, based on your question, it's important to say here that we also expect to continue the positive decoupling. So of course, you saw Visa come out last night with CreditStacks. And I expect the trends that you saw from us, Darrin, from kind of the summer through December, those types of positive decouplings to continue into the first quarter and for the rest of the year in 2021.

And just to go a little bit by segment because you asked a little bit about the detail, the fourth quarter and beyond and kind of into January, starting with our merchant business, which is 2/3 of the company. We're pleased that volumes in January were better than December and were consistent with our expectations. And December, as you know, of course, was also better than November. I tell you, our omnichannel business, our integrated business and a number of our own software businesses grew absolutely in the fourth quarter and December, just as one [SI]. And I know you'll ask about it later, but our integrated business grew high single digits organically in revenue in the fourth quarter. And believe it or not, Darrin, that actually accelerated into January into double digits, January of 2021, which obviously is fantastic.

And then, of course, as you cited, the bookings numbers, new sales in our integrated business for calendar '20 actually exceeded our pre-pandemic budget, which is saying something, which is a terrific accomplishment. Our Heartland business actually grew, year-on-year '20 over '19, grew recurring revenue sales year-over-year despite the pandemic. And I think as we said in a bunch of our calls throughout the year, Darrin, we actually had record months. It wasn't just absolute growth. We actually posted record sales in a number of months in calendar '20 at Heartland.

And in our vertical markets owned software businesses, bookings were generally strong across the portfolio, including AdvancedMD bookings growth at 15% year-over-year. And Xenial SaaS, which, of course, is our QSR restaurant business, those bookings were up 20% year-over-year in 2020.

And I think Cameron said, Darrin, in our earnings call in February that Heartland POS SaaS sales were also up 20% year-over-year, and Canada in merchant was up 20% year-over-year in bookings as well. So really just a tremendous accomplishment during a choppy year with the pandemic.

Of course, moving over to Issuer, that business delivered low single-digit growth in the fourth quarter, if you exclude the commercial card. Commercial card is 20% of that business, and it's really corporate travel. So 20% of the business is down 30%. If you back that out, that actually grew low single digits in the quarter. And our guide, of course, does not assume that, that's going to come back this year.

So to the extent that trends are running ahead of what we expected, that would be an incremental positive, but our guide does not assume that today. And we also won to a ton of new business in our Issuer business, Darrin, last year, and we talked about this in our February call. But we have 11 LOIs. And in financial institutional land, LOI is basically there. Lots of contract, 11 LOIs, 6 of which were competitive takeaways. In the last 18 months, we've had 36 competitive wins in our Issuer business.

And then lastly, our Business and Consumer segment also had a very good year. Even if you back out the stimulus, we still grew that business -- the stimulus from 2020, Darrin. We still grew in the business year-over-year. And in fact, through the first quarter, as we said in the call, in February, accounts were up 29% year-over-year, that compares to pre-pandemic versus post-pandemic. And our guide only assumes the December stimulus, does not assume the current -- assuming the current legislation gets passed into law, does not assume that, that's in the guide, either for the company or Netspend, so that would be an incremental tailwind.

And then finally, in terms of timing, the bookings in merchant, you generally only get kind of a half year impact, just on a half year basis of the bookings in merchant in any given year. Just the way the flow-through works. So all that stuff that we saw last year, Darrin, is really business that will be recognized revenue-wise this year in calendar '21. So we're off to a good start. It's a little bit more of a lag on the Issuer side, depending on the size of the bank. It could be 12 to 24 months. Smaller banks tend to be in-year. Bigger banks obviously are more of a conversion process, but we're really pleased with where that business sits today.

Question – Darrin David Peller: Yes. I mean, when you think about the magnitude of growth you've had on your bookings and the -- even the number of merchants overall, the mid numbers you mentioned on the call as well, it does feel like a bit of a coiled spring ready to go, right, when people are out in the market again. And obviously, that's backdrop supported by your omnichannel and e-comm positioning. Just quickly, I mean, when you think about your guidance, and you touched on this a little bit just a second ago, but how much of a recovery is truly built into that guidance relative to what we might see with pent-up demand coming back?

Answer – Jeffrey S. Sloan: Well, we essentially assumed in the guidance of roughly 8, which by the way, is kind of what we said in October and what we reaffirmed, Darrin, in February. We assume continued progression kind of in more or less a linear fashion, but we don't assume it's a straight line. So we don't assume it's better every month. We don't assume the weather is perfect. As I said a few minutes ago, we don't assume that there's -- on July 1, magically, it's better. We don't assume that at all. Just a steady progression.

As I mentioned a minute ago, Darrin, in response to your last question, sitting here today, things are actually better than we assumed, right? So go back kind of 4, 6 weeks ago, things today are better than we thought they would be, largely because of the early reopenings as well as obviously the pending stimulus, and that stuff's obviously not in our guide, as I mentioned a minute ago.

Going by segment in terms of what our expectations are and kind of what supports our assumptions. So we're targeting for our Merchant business or 2/3 of the company, mid- to high-teens growth in that business. And if you think about the phasing, Darrin, the first quarter of '21 is going to be fairly muted because if you go back to the first quarter of '20, 5/6 of the first quarter of '20 was pre-COVID. So it wasn't until kind of mid-March, obviously, that we had any kind of COVID impact.

So if you think about all of our businesses, but for this purpose, Merchant, our mid- to high-teens guide assumes a first quarter that's pretty flat. They'll be up a bit, but pretty flat. By the way, they're up a bit compared to Visa's, whatever they said last night, minus 6 or 4. So the decoupling continues, right, in terms of what we think we can do with our business.

But when you think about the math, Darrin, which is why I raised it, mid- to high-teens with a relatively flat first quarter means well into the 20s, right, for the remaining -- just mathematically for the remaining 3 quarters. So it gives us a lot of confidence, to your point about coiled spring, that we're in a really good position.

Our Issuer business, our second largest business, the underlying trends are in the mid- to high single-digit range, which is at the wide end, if not a bit higher than our long-term range guide. There are 2 headwinds, though, we need to look at that Paul mentioned in February. The first is what I said a minute ago, which is our commercial card business, we're not assuming that, that comes back. So 20% of Issuer is a commercial card for corporate travel. That's been down roughly 30%, 35%. So that's kind of a 6-point headwind. It's a couple of points, if you take out the anniversarying of last year. And then the second one is more of our customers sold their portfolio to a bank. That bank in-sources that business. They don't outsource, they in-source. So that's another equally sized headwind. But the underlying trends are in the mid- to high single digits.

And then lastly, very excited about Netspend and our B2C business for a few reasons. First of all, we're expecting mid-single digits growth. But if you anniversary the CARES Act, which was a bigger stimulus than the December stimulus, you actually get to mid to high underlying single-digit growth. And Netspend was our best-performing segment, even as the stimulus grew absolutely year-over-year. And we'll talk about it later, but our partnership with Caixa and MoneyToPay, which is a deal we did last October, and our Netspend business is performing better than expectations as we look to expand the TAM in that business. So I think we're in a really good place.

And then lastly, our margins, the underlying margin trend is plus 450 basis points. It's kind of what we're assuming when you anniversary some of the emergency COVID actions, which have already reverted, the reported margin will be up about 2 50. But underlying, that's up about 4 50, which obviously is fantastic growth. And don't hold me to this, Paul is not here, so I'll kind of make it up as we go and he'll correct me later. But I think when we did the TSYS merger pro forma, we might have been a 37%, 38% kind of pro forma margin when TSYS entered a couple of years ago. And now we're looking at margins that are 400, 500 basis points north in a couple of years in the middle of a pandemic. So we're super pleased about kind of where we are and the actions we've taken to make sure that we're best positioned for success.

Question – Darrin David Peller: And those are sustainable, even after some of the cost initiatives that you did and that everyone trying to take during the pandemic may somewhat have to come back into the business, those kinds of level?

Answer – Jeffrey S. Sloan: Yes, that's already in -- Darrin, that's already in the number. So that's the difference between 4 50 and 2 50, so we expect to report 2 50. Our model is for like 50 bps a year, up to 50 bps a year once we'll stop anniversaries. But this year, because we're still in the midst of the merger, we're still ramping our synergy targets that we've talked about publicly, we're going to report 2 50, and then underlying is closer to 4 50.

Question – Darrin David Peller: That's helpful. When we think about looking beyond now for a minute, I mean, again, 65% of your business is tech-enabled as of all the transition you've made. So looking at long-term strategy, if you could just touch on what that means from a profile standpoint when the world normalizes. Thinking about barriers to entry, vertical focus, domain differentiation, recurring revenue, again, I still think there's more that we can do. And again, I'm glad you guys are having an Investor Day later in the year because there's so much to talk about with some of the evolution the company has gone through. But really, the positioning now, I'd love to hear your thoughts.

Answer – Jeffrey S. Sloan: Yes, it's a great question. Look, I don't want to steal all the thunder probably from the Investor Day, so we'll have to do a bit of a tease, and then we'll kind of come back to it, obviously, when that comes. But I would say the short answer to what you asked is that the strategy and the growth targets that we have really haven't changed coming out of the pandemic. In fact, I think that COVID-19 have really validated the wisdom of our strategy and really accelerated our focus on tech enablement.

In fact, if you look at the stuff, Darrin, that (inaudible) quickly, our omnichannel business, our own software, our partner software, those were all the tech assets that we invested in over the last 5 years that really are emerging from the pandemic in an even better position than we've been into. And that's because we think the changes coming out of COVID-19 really accelerated probably by 3 to 5 years the digitization of our businesses, contactless commerce, software differentiation and really omnichannel prevalence. And we're well positioned, as you know, along all those axes.

So let's talk first about the Merchant business. Our e-comm, omni business historically was a mid-teens grower. We've said in the last couple of calls, Darrin, that it's now up to high teens 20%, excluding the T&E part. Obviously, that kind of is what it is. COVID's really accelerated that shift, Darrin, and I don't expect that to revert when the pandemic is behind us. Our partnered software business, or Global Payments Integrated, actually generated full year revenue growth, believe it or not, in calendar '20, and high single-digit revenue growth in the fourth quarter, that accelerated actually to January, went into double digits of 2021.

And I mentioned a minute ago in response to your previous question, that new sales in that business actually exceeded the pre-pandemic target. And partner signings, which is a leading indicator of new business, doubled actually in '20 over '19. And then lastly, our owned software portfolio has a number of businesses that are more resilient, including our leading SaaS businesses in health care, higher education and QSR.

And I've already mentioned the booking trends in response to your other question previously, which are fantastic. So if we put all this stuff together, we think we're very well positioned for sustainable double-digit growth. And of course, our guide this year is for 11% to 13% growth.

I'd also say, in our relationship-led businesses like Heartland, we're leading the technology. Heartland did a great sales here, as I mentioned a minute ago, so more in '20 than '19, notwithstanding the pandemic. And we think 3 quarters of what Heartland folks are selling are tech-driven as well. I already mentioned the Heartland point of sales SaaS sales being up 20% year-over-year.

So overall, as we look at it, I think our business is well positioned for double-digit growth in Merchant. And of course, in Issuer, you have the partnership with AWS, which we think will accelerate growth. We're disclosing what the pipeline looks like with those guys. And in Netspend with geographic expansion, ongoing digitization coming from the pandemic and some B2B investment, I think we're really well positioned there, too.

So we've taken the opportunity during the pandemic to kind of focus on those things that we think are consistent with our thesis, and we're fortunate to be in a position where if you think about our 9% to 11% long-term organic revenue growth targets, we're probably closer to 10% to 11% mathematically, than we are 9% to 10% because of the shift during the pandemic toward technology, a better mix among the assets that we have, we should see durable and sustainable growth at the wider end of our businesses over time.

Question – Darrin David Peller: Right. That mix shift, obviously, is going to have an impact long-term on growth profile. It's great to hear. When we think about -- I mean, just to set the record straight, I mean, on the call last time around, you guys said you did grow the number of merchants or merchant ID numbers. And that's segment-wide. I mean a lot of folks came to us wondering, is that just for Heartland? Is that just for...

Answer – Jeffrey S. Sloan: No, that's across all of our markets.

Question – Darrin David Peller: That's the entire business, right, globally. And so when we think about with that being, again, back to the coiled spring, you obviously held your market share or gained market share in (inaudible) despite with SMB, people wonder about how SMB resilience showed up. That's a pretty big data point. And so to be clear, I just want to make sure to set the record straight for investors, given we have had some questions on that.

Answer – Jeffrey S. Sloan: Yes, we grew our net count across all markets generally. That's not specific just to Heartland, that's not just the United States, that kind of thing. It's across all of our major markets by categories.

Question – Darrin David Peller: Good. That's good. Good to hear. Look, let's shift gears for a minute and just dive in a little deeper onto your e-comm and omni and your UCP platform. If we can touch on the competitive position in that area. We obviously get a lot of questions on what it really means. What is the UCP really doing for you guys. We hear about it, whether it's an Adyen or Stripe or -- just if you can talk to what kind of success you're having with it so far? It's still relatively early, but you had some pretty good success already in that.

Answer – Jeffrey S. Sloan: Yes. We're really pleased with the business. So we're especially delighted with the years of investment in technology that we put into our e-comm. It's really now omni, Darrin, because -- but post the pandemic, it was kind of e-comm, omni before. Post the pandemic, all customers want to talk about is omni.

It's got to be both virtual as well as physical. So we really call it omni. So revenue grew in the mid-teens for 2020 in that business and nearly 20% during the fourth quarter, so it accelerated, excluding T&E. So it accelerated into the fourth quarter. And we really think we have a number of unique value propositions, going back to your conversation or question about competition that makes us different.

And so, really, what are those. I would just say it's a very competitive business kind of in the first place. But the way we think about it is relative to Adyen, for example, Adyen is primarily e-commerce only, with relatively little physical presence geographically. We're in customer service. I don't know why Adyen does this, Darrin, but when they have their investor days and they put their FTE by country, we have more people at Global Payments and TSYS in the United Kingdom than they have in the whole company, just to give you a sense. And they'll probably churn, like Canada has 4 people, we have 400. So put the chart, Asia, they have 4 people in Singapore. We have 500 in China alone, right? We have 400 in Australia, right? So clearly, we compete on the basis of being physically present with local bins, platforms, customer service, local dialogue, et cetera, physically in 38 countries and then cross-border in 100.

So really just a different ball of wax in terms of how we go to market. And that's how we won, Darrin, Uber and Uber Eats in Taiwan. They were previously an Adyen customer and we just took it from them. And the reason for that is they were looking for the type of service really that we can provide. They're a very good competitor at Adyen. But I would say our value proposition is much more around touch, physical, virtual service in market and region in language. And I think that's how you have to really think about those guys.

I would say, if you think about Stripe, stripe is, again, mostly e-commerce and it's primarily targeted at developers, which is obviously a great place to be. But again, I would make the differentiating point of physical versus virtual, selective MNCs like in Uber, Uber Eats and Apple in Taiwan versus domestic SMBs looking to go online in market, or in market plus another like U.S. and Canada, which is really our bread and butter.

And Worldpay also is a very good competitor with some omnichannel presence. But as we all know, that's primarily focused in the U.K., Western Europe and the United States. We don't really see them in Canada. We don't see them all much in Spain. We don't see them in Czech Republic. We don't really see them in Asia, right? So people have to pick their places. It's hard to be all things to all people kind of in all markets.

And I think that the area that we've really carved out is the area where you see Uber, Uber Eats, LVMH, Tiffanys, FedEx, all the wins that we announced during the course of 2020 into '21. That's what those folks are picking us for. And then you look at Citi, at the end of the day, Citi ran RFA. Something of that size, obviously, is very competitive. We were fortunate enough to partner with Citi, and now we have 5 of the top 25 corporate accounts that we've targeted with Citi who are onboarding on to Global Payment and speak multinationally. Again, that's a distinctive place to be. And more to come there, and we expect to make more announcements in the future.

Question – Darrin David Peller: That's great. So the Citi partnership is really showing some fruit now.

Answer – Jeffrey S. Sloan: It's absolutely fantastic. And again, I think that's something that's distinctive to Global Payments and TSYS. We've got relationships with 1,300 FIs globally. I think it's very distinctive to us. Our ability to match issuing plus acquiring multinationally is very unique to us, and that's something that banks really value globally.

Question – Darrin David Peller: But I think at the end of the day, I mean, having the feet on the ground in a world of omni, not just e-comm and not just physical, but really both sides, is showing to be a differentiator. And more than I think maybe some investors have appreciated.

Answer – Jeffrey S. Sloan: I think that's right, Darrin. And I hate to say it because you don't want to pin anything good on COVID at the end of the day. But what COVID managed to do, at least in our businesses, it took the conversation around from the old legacy gateway business of just doing e-comm into the world of, okay, it's not just the gateway, it's the physical plus the virtual in all the markets that you care about.

And that's why I think when people run RFPs like that, like the FedExs, like the LVMHs, like the Tiffanys, we're kind of 1 of 2, 1 of 3 people who can really do what I said globally, and that's what's distinctive about us.

Question – Darrin David Peller: Just in the interest of time, I wanted to jump to integrated payments, which is an area that I have spent years on, whether it's owning software or it's frankly, partnering with ISVs, you've really invested in those areas. And so when we think about the trends there, and also, Jeff, the competitive landscape because we hear it from a lot of other companies now also more and more. Can you just touch on where you stand now and where you see the competitive landscape shaping up?

Answer – Jeffrey S. Sloan: Yes. Sure. So as I said before, again, we're absolutely thrilled with the performance of our integrated business in 2020 continuing into '21. We grew revenue in that business, high single digits in the fourth quarter, notwithstanding the epidemic, and actually accelerated, as I mentioned a minute ago, into January of '21.

New partner production set a record in calendar '20. We've doubled the number of new partners added in '20 versus '19, despite COVID-19. One interesting stat there is that revenue retention in January of '21 in Global Payments Integrated was higher than it was pre-pandemic, similar with our NPS scores. So imagine that having higher NPS and having higher revenue retention in January of '21, pre-pandemic. It's a pretty shocking series of executions by the folks in our business.

And I think the reason we win in our business is the exposure in more vertical markets with more partnerships, 70 vertical markets and 4,000 partnerships and a long tenured team that's running that business that fits nicely our geographical footprint more than really anybody else.

And there's intense competition in that business, but we're generally not the low price leader. Instead, we lead with product, we lead with a fantastic management, great customer service. We won a JD Power award, really the first in the payments industry for outstanding customer service. Look at the NPS that I mentioned a minute ago, look at the retention stats that I mentioned a minute ago.

So we saw a V-shaped recovery in that business. It literally, Darrin, is a V from March and April with very good same-store sales growth in that business coming thereafter. So I think we're firing on all cylinders there. And the trends that people are concerned about, price competition is always something we deal with in all of our businesses. But generally, good technology, good service, good product wins out as long as you're competitive on price. I mentioned a minute ago, we're generally not the low price leader.

And the second thing is, we already power a lot of PayFacs. So our largest PayFacs, the world or Paypal is our customer, for the purposes of wholesaling our technology in our e-commerce, omnichannel area. We have a lot of experience with PayFacs. But when we bought APT 8.5 years ago, we heard a lot about the rise of the VAR/ISO or the PayFac or whatever you call it.

The truth is that really hasn't made a dent in our business. You can see it from our numbers, this is a business that actually accelerated growth next 7 or 8 years after we bought it from low teens to mid-teens. And now it's back to teens again, notwithstanding a tough comparison with the pandemic.

Question – Darrin David Peller: So what you're seeing is, I mean ISVs are still just focused on doing good software, basically, not as focused on trying to take commission share or in the PayFac enablement size and (inaudible)

Answer – Jeffrey S. Sloan: Yes. Look, I mean commission shares go up when things renew, but they don't go up as fast as the rate of volume growth, which is how our business has worked since the 1970. So 8.5 years in to having purchased APT, we couldn't be more delighted with where our integrated business is.

Question – Darrin David Peller: Okay. Jeff, we really should hit on AWS and Google. When we think about pretty big -- potentially transformative changes the company is seeing and adopting. Tell us again what that means for, a, for you; and then for your customers, potentially?

Answer – Jeffrey S. Sloan: Yes. So they're similar but different at the same time. The first thing I'll say is what I said up front, Darrin, which is it's really a seminal event in the payments industry. I mean, signing up unique and exclusive distribution partnerships with 2 of the largest companies in technology with a combined market cap of $3 trillion during a once in a 102-year pandemic is really quite an accomplishment and really a testament of the hard work of all of our teams and the great work they did during this period.

And it goes back to what I said before, Darrin, really advancing the ball down the field, notwithstanding a very difficult macro environment, expanding our competitive moat. So let me take each one in turn because they're very similar, but slightly different.

So in the case of AWS, Darrin, it's really a lift and a shift. So AWS is really a modernization of code over a TSYS. So TSYS issuer had a relationship with AWS before we did the merger with TSYS in September of 2019. TSYS' code was being cloud enabled, but it wasn't cloud native. So with AWS first is helping us deal on the technology side, on the issuing area is to cloud nativize the underlying code, move it away from legacy programming languages, make it cloud-native and then shift it, that's kind of the lift, and then shift it over to reside in the cloud with AWS. That's kind of the first point in terms of what they're doing.

The second thing is what we've been disclosing, Darrin, in terms of co-sales. So we've given detail in the last couple of quarters about the numbers of LOIs in terms of bank targeting. We already have one under LOI. We have 3 more that we mentioned last month that we think that we'll win in the next period of time. But AWS is a very large sales force, as you would imagine, and FI is one of their big vertical markets. And here's where our exclusive distribution partnership comes into play. So in the case of both AWS and Google, we have take-or-pay referral relationships with those guys. So we're ultimately going to get paid one way or other from AWS and Google.

But obviously, we prefer that we both expand the size on the addressable pie by bringing in more customers to AWS and the FI side and more customers into Global Payments' thesis. Hence, our disclosure of the LOI plus 3 additional banks that we're in the final stages of pursuing. Over time, that will include neobank, startups, fintechs, all those other things.

But we're very pleased with the initial co-sale relationships with AWS. And of course, AWS itself is a large merchant. So our ability to go have efficient license in the case of AWS and try to expand our footprint with them, especially outside the United States, is something else we're also very excited about.

In the case of Google, it's similar but different. Our merchant business has a long history with Google. Our technologies like our Merchant portal and our data and analytics have been in the Google Cloud for years already. So it's more of a shift, Darrin. It's not a lift. We don't have to redo the underlying technology. Rather, we just kind of shift it over from hosting it ourselves in the cloud to hosting it over at Google in the cloud. But there, we've also got an exclusive distribution partnership with Google, and that means a few things. Number one, Google has a very firm focus on mid- to large-sized enterprise accounts using Google Services and the like. Hopefully, that will be referred over to us because there's also a take-or-pay relationship with Google, point number one.

Point number two, we have the sole right to use, in our Merchant portal, Google's products for small to mid-sized businesses. So for example, Google My business is one, Google Workplace scheduler is another. So if you want or a calendar that use Google for it to function in a way that's integrated into someone's merchant portal, that can only be done through Global Payments going forward. And then lastly, much like AWS, Google itself is a big merchant with 3 billion transactions a year, and we intend to get some portion of that business, which would be a competitive takeaway from some of our competitors in that business over time.

Google is happening -- both are happening right now, both have revenue starting right now because of our take-or-pay. But like Google is faster to market because we don't have to do the lift. It's just a shift. And we'll consolidate from 30 data centers down to 3. And all that incremental data center work will go over to Google Cloud.

Question – Darrin David Peller: Okay. Really helpful. Just in interest of -- we're pretty much out of time. So let me see I could squeeze in just one quick -- 1 or 2 quick ones. The first is in line with what we wanted to talk about around M&A anyway. So just think about strategy, your updated thoughts on M&A, people are asking about whether the pipeline is tougher given evaluations or specs or -- but if you can just comment quickly on your thoughts.

Answer – Jeffrey S. Sloan: Yes. So our pipeline, as we said in February, Darrin, is still -- it's full. So whenever we do a deal with somebody, whether it's now or 5 years ago or expect 5 years in the future, those deals are always competitive. I don't think the stacks are an issue. Those are fundamentally a different way of doing things. You need a public vote and all that other stuff. So I think it's very different.

But our businesses have been competitive to buy things all the time. We generally view ourselves as somebody who pays a fair if not slightly better than fair value, but we're a strategic partner. We have a low cost of capital. So take a look at the financing we did last month, 1.2% fixed for 5-year money. Take a look at the free cash flow we generated in the fourth quarter, nearly $3 billion run rate of free cash flow, which was a high number for us, but we got plenty of free cash. Revolver is untapped at $3 billion of capacity.

So take the $3 billion revolver, a couple billion-plus of free cash flow remaining, you've got $5 billion of availability like lying around. So really not worried about competing on either liquidity or the ability to make capital. And then we took the period from November to February to buy back 1 billion of stock at prices below where the stock is trading today really in the low $190s on a weighted average basis because we think the stock was and still is cheap from our point of view.

So we did the right thing. That is all the guide of $8 implied, was the 1 billion that we've already done. Any additional buybacks remedy is additive to the $8 total there. And so we think we're in a great place.

Our pipeline is filled. That's mostly with software assets here in the United States. Time will tell if we get one or more of those over the finish line in May when we next report. But we're very excited about those opportunities to continue on the path on accelerated growth.

Question – Darrin David Peller: Okay. That was really helpful, Jeff. We're going to have to wrap it up there. But guys, I know there are more questions, feel free to shoot an e-mail, I'll get them over to Winnie and team. And thank you so much, Jeff. Really great to see you. Really happy to hear about some of the developments you guys are making right now, and look forward to shaking your hand and (inaudible) again soon.

Answer – Jeffrey S. Sloan: Thanks for having us. We appreciate being here.

Question – Darrin David Peller: All right. Thanks again, guys. Everyone, the next sessions are at 1:40. There's actually 2 at the next LPL as well as a panel on (inaudible) on payback software and payments. So tune in there as well. All right. Thanks, and be safe, everyone.

Answer – Jeffrey S. Sloan: Thank you.
