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Global Payments, Inc. (GPN)

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CORPORATE PARTICIPANTS

Winnie Smith
Vice President-Investor Relations, Global Payments, Inc.

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

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

OTHER PARTICIPANTS

David Mark Togut
Analyst, Evercore Group LLC

Brett Huff
Analyst, Stephens, Inc.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.

Robert Napoli
Analyst, William Blair & Co. LLC

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

James Schneider
Analyst, Goldman Sachs & Co. LLC

Chris Brendler
Analyst, The Buckingham Research Group, Inc.

Bryan C. Keane
Analyst, Deutsche Bank Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, and welcome to Global Payments 2018 Fourth Quarter Year-End Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we will open the lines for questions-and-answers. [Operator Instructions] And as a reminder, today's conference will be recorded.

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

Winnie Smith
Vice President-Investor Relations, Global Payments, Inc.

Good morning and welcome to Global Payments' Fourth Quarter and Fiscal Year 2018 Conference Call. 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 which are subject to risks and uncertainties discussed in our SEC filing, including our most recent 10-K and any subsequent filings.

These risks and uncertainties could cause actual results to differ materially. 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. Some of the comments made refer to non-GAAP measures such as adjusted net revenue, adjusted net revenue plus network fees, adjusted operating margins and adjusted earnings per share, which we believe are more reflective of our ongoing performance.

For a full reconciliation of these and other non-GAAP financial measures to the most comparable GAAP measures in accordance with SEC regulations please see our press release furnished as an exhibit to our Form 8-K filed this morning and our trended financial highlights, both of which are available in the Investor Relations area of our website at www.globalpaymentsinc.com. Joining me on the call are Jeff Sloan CEO; and Cameron Bready, 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. 2018 was an outstanding year for Global Payments strategically, operationally and financially. We generated the highest adjusted net revenues plus network fees, adjusted operating margin, and adjusted earnings per share in our company's history. We also continued to execute on our technology-enabled software-driven payment strategy, further widening our competitive moat.

In addition, we delivered double-digit organic constant-currency growth and strong margin expansion across all markets each quarter, while also producing the fastest rate of earnings per share growth for the year that we have yet achieved. These results exceeded the raised cycle targets we outlined at our investor conference last March, as well as the initial 2018 guidance we provided at this time last year.

Further we are especially pleased that we were able to build upon the success of our 2017 results which had set a record for our performance at that time. We have a consistent track record of delivering on our commitments and 2018 was no exception.

Turning to the fourth quarter specifically; we maintained the strong top-line momentum we experienced all year, again delivering double-digit constant-currency organic growth. Notably, we witnessed peak holiday transactional volume during the quarter led by our U.S. direct and ecomm omnichannel businesses.

We also expanded adjusted operating margin by 80 basis points and produced adjusted earnings per share growth of over 24% rounding out a fantastic 2018. Results this quarter and year were again fueled by our unwavering focus on the three pillars of our growth strategy and broad-based strength across our technology businesses.

As a reminder, we expect technology-enabled distribution to represent 60% of our revenue and drive a significant portion of our growth by the end of 2020 with a balanced portfolio across owned SaaS, partnered software, and ecomm and omnichannel assets. We made substantial progress against this objective in 2018 and our results highlight the successes our strategic initiatives have produced to-date.

As it relates to our software-driven payment strategy, we meaningfully enhanced our portfolio during 2018 with the addition of two marquee vertical markets businesses SICOM and AdvancedMD. It is worth noting that we have a long track record of integrating technology businesses over many years, while also retaining and motivating leadership and accelerating growth.

Beginning with APT in 2012, followed by PayPros in 2014 and Heartland in 2016, we have proven our ability to sustain momentum in technology enablement. Our investments have created a differentiated, defensible, resilient and more predictable model and we fully expect to do the same going forward as we continue to advance this strategy.

The integration of SICOM with Xenial is well underway. We are already going to market with combined solutions and initial customer reception has been overwhelmingly positive. One early data point, we recently signed a large coffee chain with more than 300 locations in the Pacific Northwest to our existing roster of 50,000 quick service restaurants or QSRs.

The restaurant vertical is the quintessential example of the type of market we target; sizable, worldwide in scope, distinctive, recession-resistant and relatively insulated from disintermediation, especially at the QSR level. Through the combination of Xenial and SICOM the end-to-end SaaS capabilities we offer to every customer segment of the vertical, uniquely position as a one-stop-shop for software, mobile and payment services in this $4 billion target addressable market worldwide.

Our footprint is broad and diverse spanning restaurants and food service management providers across 60-plus countries; more to come on our market-leading suite of tech solutions on our first quarter 2019 call.

Turning to AdvancedMD, or AMD, referrals by its specialized sales force to OpenEdge increased 50% year-on-year in the month of January alone, while the team also made hundreds of referrals to Heartland payroll in the first 60 days post-close. At the same time, the Heartland sales organization has begun leveraging existing relationships with physician practices in the communities they serve to bring new customer opportunities to AMD.

The proof is in the performance and AMD had terrific sales results in the fourth quarter with bookings up nearly 50% year-over-year to the highest level in its history. As we expected when we announced the transaction in August 2018, the outlook for this business could not be brighter. Finally ACTIVE also had strong bookings momentum once again in the fourth quarter as it continues to acquire new logos and expand business with existing partners, building on a very strong sales performance in the back half of 2018.

It's been year-and-a-half since we partnered with ACTIVE and the business is on track with the financial expectations we outlined at the time of the deal. The fantastic results we have delivered across these assets demonstrate that our approach to managing software businesses is highly effective and bolsters our confidence in our software strategy as we enter 2019.

How have we achieved such progress across these businesses? It starts with our disciplined approach to acquisition and our unwavering focus on identifying opportunities that align strategically and culturally, while also allowing us to generate attractive returns. Once we close an acquisition, we follow a core and edge approach to integrating and operating those businesses.

Let's take the second one first. Our edge businesses continue to do what they do best, which is ensuring their software solutions maintain market leadership position. The management teams we retain know their customers, understand the product needs of their markets, and are equipped to make the best decisions to drive innovation and improve functionality.

Global Payments supports these priorities at scale with extensive experience in onshore and offshore development and we provide efficient sources of capital to invest in growth.

At the core, we also leverage our capabilities to expand and monetize the payments opportunities transactionally that are inherent in these businesses on a local and global basis. In addition, we provide support through scale technology infrastructure and architecture, compliance and information security, just to name a few.

Lastly and importantly, we bring worldwide distribution and significant cross-selling opportunities with localized product offerings and a global sales force to accelerate standalone growth.

By marrying our distribution capabilities with their technologies, we are better equipped collectively to enhance rates of sustained growth and scale the combined businesses more effectively.

Moving to our partnership business at OpenEdge, I am delighted to report that we signed a record number of new ISV partners in 2018. Notable wins include ChiroTouch, a leading chiropractic practice management software solution; and Tyler Technologies, a software leader in the municipality and local government vertical.

And I'm pleased to announce that this momentum has continued into 2019 with the recent signing of one of our largest partners' to-date in ASI, a leading provider of software solutions to member-based non-profit organizations worldwide. This partnership highlights the competitive differentiation of our integrated payment technologies in combination with our single API capabilities across our markets.

ChiroTouch, Tyler and ASI are all examples of recent competitive wins for OpenEdge, reinforcing our superior growth proposition in the most attractive vertical markets in integrated payments.

Finally, we continue to add Vista Equity portfolio companies as partners, including most recently with PowerSchool in the educational market. PowerSchool provides an innovative K-12 education technology platform fueling school operations, classroom management, student growth, and family engagement. We remain excited about the pipeline of future opportunities in Vista's portfolio.

The second pillar of our strategy, our worldwide ecommerce and omnichannel businesses, continued its track record of strong growth in the fourth quarter. Adjusted net revenues plus network fees for this business have more than doubled over the past three years. Last quarter, we detailed our unique ability to deliver high-value-add solutions globally in the virtual and physical worlds for our core SMB customers as well as for sophisticated multinationals.

And with the rollout of our Unified Commerce Platform later this month, we'll be able to provide a single payment solution worldwide through a sole instance of one API. We expect some of the largest and most complex omnichannel customers globally to code to this specification, which should drive higher acceptance and lower fees globally.

The third element of our strategy is our ongoing commitment to expanding our presence into faster-growth payments markets with attractive fundamentals. To that end, we are delighted to announce the official launch of our joint venture in January with our long-standing partner HSBC in Mexico.

We are already beginning to leverage our best-in-class sales capabilities and we expect to bring leading technologies to Mexico in future periods, as we have successfully done worldwide. This new partnership highlights the durability and the continued expansion of our relationships with some of the most complex financial institutions globally, a key competitive point of differentiation for Global Payments.

The success of our existing bank joint ventures in markets like Central Europe with Erste Bank and Spain with CaixaBank makes us the partner of choice for the most sophisticated financial institution counterparts.

One final thought on recent industry trends, technology is transforming our industry and we believe that we are at the forefront of leading that change. Externally, we go to market with a balanced mix of owned SaaS and partnered software assets with substantial exposure to trends in ecommerce and omnichannel businesses against the backdrop of faster-growth payments markets.

Internally, we utilize cloud-based SaaS technologies across nearly all of our infrastructure, from sales management to data analytics to finance, accounting and human resources. In fact, we believe we are the largest user of Google Cloud in financial technology globally as just one point of reference.

Over the last 5-plus years, we've invested more than $2 billion organically in our technology environments, complemented by substantial investments in inorganic partnerships. Competitors without the technological and financial capacity to make those types of investments will increasingly find themselves on the outside looking in, and will remain consistent share donors. And they will find their alternatives to be less attractive as time goes on.

With that, I'll turn the call over to Cameron.

Cameron M. Bready

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

Thanks, Jeff, and good morning, everyone. 2018 was another outstanding year for Global Payments. Consistent strong execution of our growth strategy and a constructive macro backdrop allowed us to deliver financial results exceeding our expectations, despite greater-than-anticipated incremental headwinds from foreign currency in the back half of the year, particularly in the fourth quarter.

For the full year, total company adjusted net revenue plus network fees was $3.97 billion, reflecting growth of nearly 15% over 2017, predominantly driven by low double-digit constant-currency organic growth. Importantly, we delivered consistent growth performance across all four quarters, highlighting our top-line durability supported by our technology-enabled software-driven payment strategy.

Adjusted operating margin expanded 130 basis points to 31.7% and adjusted earnings per share increased 29.4% to $5.19. We are delighted with the results we were able to achieve, which were not only solidly ahead of our cycle guidance, but delivered while also successfully executing on a full M&A pipeline, including the completion of three software acquisitions and our strategic partnership with HSBC in Mexico.

For the fourth quarter, total company adjusted net revenues plus network fees was $1.04 billion a 12% increase over the fourth quarter of 2017, which includes an approximately 200 basis point headwind from foreign currency, nearly 100 basis points worse than we expected when we guided back in October.

Adjusted operating margin expanded 80 basis points to 31.6% and adjusted earnings per share grew 24.3% to $1.33. Adverse foreign currency exchange rates impacted margin expansion in the quarter by approximately 20 to 30 basis points and adjusted earnings per share by approximately $0.03 to $0.04. North America adjusted net revenue plus network fees was $765 million, reflecting growth of 14% which included an approximately 100 basis point headwind from the Canadian dollar.

In the U.S. our direct businesses again contributed low double-digit organic growth led by continued strength in our integrated and vertical markets business. AdvancedMD and SICOM's contribution in the quarter was at the higher end of our prior guidance.

Our wholesale business declined mid-teens consistent with our expectations and stated strategy to pivot away from this distribution channel. Similar to last quarter, our Canadian business was significantly impacted by weakness in the Canadian dollar, resulting in a reported decline of nearly 4%. North American adjusted operating margin expanded by 160 basis points to 32.3%, despite some pressure from our recent acquisitions, as expected, and adverse foreign currency exchange rates.

Moving to Europe; reported adjusted net revenue plus network fees grew 8% or approximately 12% on a constant-currency basis, well ahead of our high single-digit targeted growth rate. Our UK business continues to perform well despite a challenging GDP growth environment delivering mid-single-digit local currency growth for the quarter.

Our Spanish business produced another exceptional quarter generating mid-teens growth in local currency aided by a constructive market environment and terrific execution and collaboration with our partner Caixa.

Likewise, our Erste JV again delivered strong local currency growth as our ability to bring new technology and solutions to the Czech Republic, Slovakia and Romania is driving growth well in excess of the market and meaningfully ahead of our own expectations. Our ecommerce and omnichannel solutions business in Europe again grew mid-teens as we continue to enhance our differentiated offering in Unified Commerce Platform.

European adjusted operating margin was 47.7% for the quarter, roughly flat as compared against 2017, largely due to the impact of foreign currency headwinds.

Finally our Asia Pacific business reported adjusted net revenue plus network fees growth of 10% or nearly 14% on a constant-currency basis. Strength was once again broad-based across our key markets in Asia including Hong Kong, Malaysia, Singapore, and Australia. Adjusted operating margin in Asia expanded 30 basis points to 34.4% as strong organic growth was partially offset by significantly adverse foreign currency exchange rates and reinvestment in the business.

Capital investments for the full year 2018 totaled $213 million and again included substantial investments in new product innovation that support future growth opportunities. The strong financial performance we delivered across our businesses and geographies drove adjusted free cash flow of approximately $270 million for the quarter and approximately $860 million for the full year, excluding acquisition and integration costs.

This free cash flow generation supported an ambitious capital location plan in 2018. During the year, we invested $1.2 billion in M&A to advance our technology-enabled strategy including our acquisitions of AdvancedMD and SICOM as well as Centro Education, a small acquisition in Australia we completed in late Q4.

Centro is the leading provider of cloud-based enterprise SaaS solutions to K-12 schools in Australia, a vertical market we know well and one where we have already demonstrated the efficacy of our ownership strategy. In addition to acquisitions, we also executed a total of approximately $200 million of share repurchases to return capital to shareholders.

Perhaps most importantly, we executed against this capital allocation plan while still ending the year at a leverage ratio of 3.5 times, positioning the business with a strong balance sheet and meaningful investment capacity as we enter 2019. Additionally, we executed a total of $1.25 billion of interest rate swaps in the fourth quarter, further reducing our exposure to rising rates.

Our debt portfolio is approximately 40% hedged and we continue to expect to be nearly 50% hedged by the end of 2019. Going forward, our priority from a capital allocation standpoint remains investment in the business to support our growth initiatives including M&A. That said, given our current leverage and expected free cash flow generation in 2019, absent any near-term opportunities to reinvest in our business, you should expect us to additionally return capital to shareholders through share repurchases.

To that end our board recently approved an increase to our existing share repurchase authorization raising the total available to $750 million. As we look ahead to 2019, the momentum in our business positions us to deliver another year of exceptional financial results. For 2019, we expect adjusted net revenue plus network fees to range from $4.43 billion to $4.49 billion, reflecting growth of 12% to 13% over 2018 or 13% to 15% on a constant-currency basis.

This outlook reflects low double-digit normalized organic constant-currency growth, excluding our wholesale business at the high end of our cycle guidance. It also reflects a 100 to 200-basis-point headwind from current foreign currency exchange rates which we anticipate will be heavily weighted to the first half of the year.

We expect adjusted operating margin to expand by up to 70 basis points, which is also consistent with our cycle guidance notwithstanding the negative impact of anticipated [audio gap] (23:20) as well as slight pressure from our recent acquisitions as we previously communicated. Absent these items, margin expansion would be in excess of 100 basis points well ahead of our cycle guidance.

With respect to the more detailed assumptions underlying this outlook, we expect North America adjusted net revenue plus network fees to grow low to mid-teens in 2019 which includes anticipated headwind from the Canadian dollar, predominantly in the first half of the year. This reflects low double-digit normalized growth in our U.S. direct channels which will be partially offset by a mid-teens decline in our wholesale business.

We anticipate AdvancedMD and SICOM will contribute approximately $125 million and $100 million respectively in adjusted net revenue plus network fees in 2019 consistent with our initial guidance. Further, we expect low single-digit growth in local currency in Canada which we anticipate will be more than offset by pressure from the Canadian dollar exchange rates.

In Europe, we are forecasting adjusted net revenue plus network fees on a local-currency basis to grow high single digits. Based on current exchange rates, our outlook reflects an approximately 500-basis-point headwind from foreign currency in 2019, again with much of this impacting the first half of the year.

Adjusted operating margin in Europe is expected to be roughly flat for the year, largely due to the impacts of currency headwinds and further investments we are making to expand our Erste partnership into new markets.

Asia Pacific is expected to deliver local-currency organic growth in the low double digits, while we anticipate currency exchange rates will be a headwind of approximately 300 to 400 basis points. Centro will add approximately 200 basis points to growth for the year. Adjusted operating margin is expected to expand in 2019, although will be somewhat negatively impacted by adverse foreign currency exchange rates.

We expect net interest expense of approximately $230 million for the year, which reflects our hedging strategy and the forward curve for interest rates. And we are forecasting an effective tax rate of approximately 20% for 2019.

Putting it all together, we currently expect 2019 adjusted earnings per share to be in the range of $5.90 to $6.10 reflecting growth of 14% to 18% over 2018. This includes an approximately $0.10 to $0.15 headwind from adverse foreign currency exchange rates. Absent this headwind, we would expect adjusted earnings per share in the range of $6 to $6.25 or 16% to 20% growth over 2018.

Lastly, we expect capital investments for the year of approximately $230 million. Based on this level of reinvestment and the strong financial performance we are forecasting, we expect to generate adjusted free cash flow of approximately $1 billion in 2019, a significant milestone for Global Payments.

We are delighted with the financial and operational results we delivered in 2018, while also making substantial progress on our strategy. We added leading software assets to our portfolio with AdvancedMD, SICOM and Centro; made investments to further differentiate our ecomm and omnichannel platform; and expanded our longstanding partnerships into new faster-growing markets. We look forward to building on our successes and delivering another year of strong performance in 2019.

With that I'll turn the call back over to Jeff.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks Cameron. The differentiated nature of our business model has never been clearer and those companies not on the forefront of technological innovation in our industry will find it difficult to sustain market rates of growth with increasingly few alternatives. Our record performance in 2018 and our expectations for 2019 underscore how deep the moat we have constructed has become.

We don't need a litany of excuses to justify our results. Rather our performance speaks for itself. 2017 was a year of integration. 2018 was a year of investment and 2019 will be a year of reaping what we have sown. We could not be more optimistic about our future prospects. We look forward to delivering on our commitment today, tomorrow and in the years ahead. Winnie?

Winnie Smith

Vice President-Investor Relations, Global Payments, Inc.

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: [Operator Instructions] Thank you. Our first question will come from the line of David Togut with Evercore ISI. Your line is open.

David Mark Togut
Analyst, Evercore Group LLC

Q

Thank you, good morning and congrats on the strong results.

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

A

Thanks David.

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

A

Thanks David.

David Mark Togut
Analyst, Evercore Group LLC

Q

What impact, if any, do you see long-term from the announced Pfizer-First Data merger specifically on the U.S. merchant acquiring business? Is there anything that they'd be able to do as a combined company in merchant acquiring that you think they're not doing today?

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

A

Thanks, David it's Jeff. I'll start and I'll ask Cameron to join as well. So, I would say the first thing is that it really validates our focus on technology-enabled distribution that we've been following really now for the last five years. If you think about the context of where that combined company is today and what they've announced and where they are heading, they are much more focused on really domestic-only bank-based relationship distribution.

And I think we have shown, through our investments in technology north of $2 billion over the last five-plus years, our consistent ability to offer enhanced value-added services to our customer base. I would say that – well you asked about the United States. If you take the model that we've built, it is particularly attractive to worldwide financial institutions outside the United States, so where we've seen tremendous success, as Cameron outlined in his financial commentary, is really in the areas of Spain with Caixa and Continental Europe, Central Europe with Erste and in Europe with HSBC where what's really selling with those complicated large financial institutions globally is our technology-enhanced solutions, in particular our vertical market software-based solutions.

And I think that those trends are ultimately going to come right here to the United States, particularly towards the larger FIs. So, what I would say is, if you don't have the financial and technical capacity, David, to make those investments, then I think getting additional scale in relationship-based businesses is going to make sense. I don't think that that has particular implications for us, given our technology [ph] bent (30:50). But for others in the industry who haven't been able to make those technology investments, then certainly I think heightened competition in the relationship-based area domestically in the United States is something they're going to have to look at a number of years down the road. I think for us, though, it's an opportunity and really a validation of the investments we've made over the last five years.

David Mark Togut
Analyst, Evercore Group LLC

Q

Understood. Thanks so much.

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

A

Thanks, David.

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

A

Thanks, Dave.

Operator: Our next question comes from the line of Brett Huff with Stephens. Your line is open.

Brett Huff
Analyst, Stephens, Inc.

Q

Good morning, guys. Congrats on a nice quarter.

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

A

Thanks.

Brett Huff
Analyst, Stephens, Inc.

Q

Cameron, I don't know if you went through this, but did you tell us what the full year margin expansion would have been ex the M&A and FX hits? I think you said it was 120 or 130 reported, but did you give us that, kind of, tweaked number?

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

A

No, I didn't. That's a good question, Brett. So for the full year, I talked about it for the fourth quarter, for the full year, the 130 probably [ph] would've been (31:54) 140, 150, something in that ballpark, absent the FX headwinds we saw in the back half of the year and a little bit of pressure from the recent M&A that we've executed.

Brett Huff
Analyst, Stephens, Inc.

Q

So that I think you said the adjusted, kind of, similar number would be a little over 100 basis points going into this year.

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

A

That's right.

Brett Huff
Analyst, Stephens, Inc.

Q

What are we spending extra on the 50 bps? Is it worse FX? Or is it a stepped up investment? Are we taking advantage of, sort of, a market leadership position here to put the pedal to the metal on investments and leave folks a little bit further behind? Or kind of what's the reason for that decel?

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

A

It's a great question, Brett. I would reference back to Jeff's comments. We continue to invest heavily in the business, particularly in our technology environments, in our products and innovation to drive a differentiated model. And I think we've seen, over the course of time, that that has proved to be a very wise thing to do as we continue to widen the moat, we believe, as it relates to our business versus competitors in the space.

As it relates to 2019 in particular, I think you have a couple things. We're always balancing, obviously, reinvestment back into the business with what we want to flow through to the bottom-line. Secondly, if you recall in 2018, we had a little bit of a tailwind from the adoption of ASC 606. That obviously anniversaried at the end of 2018, so a little bit of the benefits you saw in margin in 2018 from that don't exist in 2019.

So, 2019 is a pretty pure year to look at relative to our cycle guidance, which is up 75 basis points annually. We're getting a little bit of pressure from the acquisitions, as we talked about previously. But, again, absent that, absent FX, we would have been north of 100, which is the relative comparison against a 75 basis point target. So we feel really good about the balance, I think, we're striking in 2019 as it relates to reinvestment in the business as well as obviously continuing to drive strong bottom-line growth.

Brett Huff
Analyst, Stephens, Inc.

Q

Great. Appreciate the detail.

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

A

Thanks, Brett.

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

A

Thanks, Brett.

Operator: Thank you. And our next question comes from the line of Andrew Jeffrey with SunTrust. Your line is open.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Hi. Good morning. Thanks for taking the question. Jeff, could you elaborate a little bit on your commentary regarding the rest of world vertical software momentum? Given that Europe, in particular, I think is somewhat behind the U.S. in terms of integrated and vertical software, could 2019 be a year where we reach a tipping point in terms of adoption? It sounds like maybe you're talking about or suggesting there might be some other FI partnerships out there for you, too.

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

A

Yeah. Sure, Andrew. Thanks. It's Jeff and I'll start. So, listen, I think we're in the first or second inning really in Europe, in both the partnered as well as the owned software model. If you look at the number of ISV partnerships we have in the United States, just Global Payments, those probably exceed the entireties of most of the individual markets that we look at.

If you look at our owned software businesses in the United States, I think you'd probably see a pretty similar stream. What I was really referring to was when you talk to our large complex financial institution partners outside the United States, Andrew, what they want to talk about is vertical market software. So, I do think what you'll see at Global Payments in 2019 and beyond is a lot of progress on things like our restaurant and food service strategy.

So one of the things we said in our prepared remarks is that the combined Xenial-SICOM business is already in 60-plus countries with restaurants. So it's already been nativized. Restaurants are going to sell in all those markets. We have a lot of restaurants in Europe, and a lot of restaurants in Asia, and a lot of restaurants in Canada and also to come in Mexico. So that is something we're certainly going to march ahead on in 2019.

By the way, as an aside, we've already been selling before 2019, our Xenial products for data and analytics and customer engagement to those restaurants outside the United States already. And I'd also say we've been very successful with our education, particularly, our university business, outside the United States with announced wins in Canada, Europe and Asia over the last 12 months.

So, what I was really referring to in response to David's question is, we're getting incremental traction, additional traction from our large FI partners outside the U.S. in wanting to talk about our vertical market software in those countries. So yes, we'll see continued progress in those markets. But I think you have to step back and say, at the end of the day, that's really in the first or second inning for those countries, and we're further along here in the United States.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay.

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

A

And, Andrew, it's Cameron. Let me just add one point to that if I could. If you recall, part of the thesis around owning our own software from an integrated payment standpoint is controlling our own destiny with respect to internationalizing those solutions. So, when we own the software, we don't have to rely on a partner, obviously, in terms of what we want to bring to markets outside the U.S., how we want to bring them, and when we want to bring them.

So, I think as it relates to the vertical markets, again, where we own our owned software outright today, we are really driving, kind of, the growth and expansion of integrated payments in these markets by bringing our own solutions, and obviously utilizing the distribution capabilities we have in those markets obviously to drive incremental growth, and to drive again an incremental and differentiated solution set relative to competitors in those local foreign markets.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.

Q

That's helpful. Thanks, Cameron.

Operator: Thank you. And our next question comes from the line of Bob Napoli with William Blair. Your line is open.

Robert Napoli
Analyst, William Blair & Co. LLC

Q

Thank you, and good morning. Jeff, Cameron, maybe for both of you. The biggest concern that I get from investors, as it relates to global, with your software strategy is how you're able to – and I know you've heard this before, but I'd like to hear a little bit more color on how you're building the organization to manage the various software businesses protecting yourself from loss of key management and also making sure that you're developing the software in line, because it's a lot of different businesses? So, I'd just like a little bit of color. Because that's the – I mean the numbers speak for themselves over time. And I appreciate Jeff, the color you gave on each of the businesses upfront, but if you could give a little more color on that I think it would be helpful.

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

A

Sure, Bob. It's Jeff, and I'll start. So as we said in our prepared remarks, we manage all of our businesses, but in particular our software technology businesses along a core and an edge strategy, which means those things that are customer-facing that are specific to the markets. So, for example in the case of healthcare, in AdvancedMD, those elements of the software that are specific to the healthcare market are really managed at the edge or locally by the folks over at AdvancedMD.

What do we apply to their management? We apply our own views on security, compliance, regulatory. We apply our own views on architecture of those distribution chains. And we rely on our oversight, coupled with local management who we've retained and grown over time to run those businesses effectively for us.

The best indicator of how we're doing along those lines is the track record that you referenced that we've been able to produce, certainly going back with this management team to 2012 with APT. So, the people running APT today are the people who are running APT and PayPros in 2012 and 2014. AdvancedMD is more recent. The people running AdvancedMD today are the people who were running it in August and September of 2018 when we did the deal in the first place.

We also then apply our own view of core functionality, which is, to say in the case of AdvancedMD for example, their integration with the payments, infrastructure and architecture that they already have, we set the time of the deal. That's about 20% penetrated. And we'd like to increase that to a much higher percentage. I gave you statistics in my prepared comments about where that sits today. So, expanding and monetizing that payments base is a core functionality that we bring.

And then, of course, we also layer on our own sales capabilities, I also referenced this in my prepared remarks, our ability to generate more sales, more physician sales through Heartland, for example, our ability to generate more payroll referrals, which I also referenced, and our ability, of course, to sell some more payments via OpenEdge in the case of AdvancedMD, are things that we're all focused on.

And to be honest, when you put it together and you look at our guidance for 2019, building on the success for 2018, but for these purposes 2019, one of the ways that we get to double-digit organic revenue growth guidance in the United States in our direct business is because of those effective cross-sells that I just described. So those are some of the ways we think about managing and extending and expanding those businesses.

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

And Bob its Cameron. And I'll just...

Robert Napoli Q
Analyst, William Blair & Co. LLC

Thank you.

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

...add...

Robert Napoli Q
Analyst, William Blair & Co. LLC

Sure.

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

...one point to that, which is I wouldn't underestimate the importance of our approach to M&A as it relates to the success we've had with the transactions we consummated over the course of time. We spend a tremendous amount of time, obviously, vetting these businesses upfront, strategically, culturally. And in particular certainly as it relates to the returns we expect to be able to generate from them.

But as it relates to the cultural point, that's one of the key elements that we address just going into a transaction. How that management team is going to be able to adapt to Global Payments? Are they going to be effective in the environment in which we operate? Are they going to be able to obviously keep up with the cadence of the business that we run today? And are they well positioned to obviously understand what we're trying to achieve as a company as it relates to both our strategy and the expectations we've set for the investment community? And I think we've got tremendous success with that to-date with really every one of the acquisitions that we've executed over the course of the last several years.

Robert Napoli Q
Analyst, William Blair & Co. LLC

Thank you. And just a follow-up, are you seeing a continued – significant amount of opportunities to acquire in new verticals. As you try to avoid competing with your partnership business?

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

Yeah. Bob it's Jeff. I would say the answer is absolutely yes to what you said. So, our pipeline remains full. That's not just a vertical markets commentary. That's a commentary about new geographies and other businesses as well more broadly for our FI and other related businesses. So the answer is yes. The pipeline is full. Some of our markets like restaurants are changing very rapidly. And of course we've made significant investments in the form of SICOM in 2018 to accelerate our rates of growth in those businesses.

So we're not applying these skill sets against a static pool rather these markets are changing all the time. But no there's no limit on the pipeline potential that we're seeing. Now having said that, though, we've just done a number of acquisitions in the back half of 2018, we just closed our joint venture with HSBC in Mexico a couple of weeks ago. So obviously, we're very focused on executing and integrating those businesses to deliver on the commitments that we're making.

Robert Napoli
Analyst, William Blair & Co. LLC

Q

Thank you. I appreciate it.

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

A

Thanks Bob.

Operator: Thank you. Our next question comes from the line of Tien-Tsin Huang with JPMorgan. Your line is open.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Hey, thanks, good morning. What stood out to me were the AMD bookings up 50% I think you said. So I'm curious is this a result of maybe low-hanging fruit being picked early or it seems like you haven't really put in full effort yet on the sales side. Just trying to understand how sustainable this booking level is?

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

A

Well, Tien-Tsin, it's Jeff. I put in full effort. I can't speak for Cameron, but in the scheme of things, listen I think at the end of the day, and of course, I'm joking on that because Cameron is sitting opposite me. But at the end of the day, listen I think, it goes back to what Cameron said. When we're really looking at partnerships, and AdvancedMD is a very good example of them, we're really focused on does it fit our strategy? What's the culture of the business that we're partnering with? And what are the financial outcomes that we're trying to solve? So, it's been great growth at AdvancedMD.

Is that growth in excess of what we hoped would happen? Of course, not. At the end of the day, we have an opinion as to what we think we can do with that business and this stuff's not an accident. We spent a lot of time cross-selling, monetizing and managing those relationships which we think is critically important to what we do.

So, no, I think we are very pleased with where we are, but those things are really by design. Now can that accelerate further? Well, we certainly hope with the cross-selling and the globalization opportunities we have, restaurants in particular, some of the vertical markets that we're in that, that we can continue to accelerate growth. But I think it's important for us to give you increasing evidence about how we're doing to show you how pleased we are with the investments that we made on behalf of our shareholders.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Yeah, that's a good sign. I asked that. I know you're kidding, but I know it takes time to get the sales on board with such a new vertical. So, that's why I was curious about the sustainability. So, my follow-up just on SICOM and Xenial going well, you mentioned a large signing there. I'm curious in the aggregate, the pricing on these deals, both on the product side, as well as on the payment side or spread, any surprise there as you go to market especially moving maybe up market a little bit?

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

A

No, Tien-Tsin. It's Jeff. We haven't had any surprises there. We're really pleased, as I said in my prepared remarks about SICOM. Restaurants is one of our biggest vertical markets. And, of course, we've also added food service management, which is a large market that we weren't in directly at Global before as part of the partnership.

If you step back for a second, what we really like about the SICOM partnership is that, the old Global really through Heartland and Xenial had 25,000 QSRs before the deal and we've doubled that with 50,000. But if you step back for a second, the bread-and-butter of Xenial was really the enterprise level of QSR, Tien-Tsin, and that's exactly what SICOM does. So, it's a very nice product overlap. And that legacy Global and Heartland really hit the front-of-the-house solutions, SICOM brought with it, not just front-of-the-house which is where some of the overlaps are, but middle-of-the-house and back-of-house for enterprise customers, as well as the globalization of those businesses.

So, no, we're not surprised by any of the trends. We're already in that business. I think it gives us additional scale in one of the most attractive vertical markets that we're in globally. It's what our bank partners outside the United States want and talk about. And the restaurant market as I said before is very rapidly changing today. And it's very nice to work on the forefront of that with leading technologies to do that globally.

So, we give an indication in my prepared remarks of our recent win. I would say more to come, that business has a lot of momentum and this is a business, to go back to one of the prior questions, where software is the leading strategy. So, forget about Global Payments for a second, many of our competitors in that business are also leading with technology and leading with software. And I think that really is, as I said in response to David's first question, a validation honestly of the approach that we are taking in our technology-enablement.

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

A

And the only thing I would add to that Tien-Tsin is, I think what we've seen in SICOM thus far, consistent with what we've seen in Xenial historically more proves the thesis around leading with software and obviously utilizing software as a means by which to drive incremental value from customers and drag payments has proven to be a very effective – economically opportunity for us.

So I think thus far, the ability to bring solutions that SICOM brings to bear front-of-the-house, middle-of-house, back-of-house again the middle-of-house and back-of-house being very distinctive relative to anyone else in the space. The ability to use that software platform again to drive the payment volume as well again has proven to be a very valuable strategy and a very effective strategy from an economic standpoint.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Thank you for the responses.

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

A

Thank you, Tien-Tsin.

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

A

Thanks Tien-Tsin.

Operator: Thank you. And our next question comes from the line of Jim Schneider with Goldman Sachs. Your line is open.

James Schneider
Analyst, Goldman Sachs & Co. LLC

Q

Good morning. Thanks for taking my question. I was wondering if could maybe, kind of, address the outlook you see for kind of extending the plan for partnerships especially, internationally. It's been a while since you did Erste at this point. So maybe kind of looking forward – what's the landscape look like? How rich is the target environment? And how do you feel about the valuations in that space?

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

A

Hey, Jim, it's Jeff. So I'll go ahead and start. So, I would say our pipeline is pretty full inside, but also outside the United States about FI partnerships. So, if you think about what we're looking for, we certainly see more opportunities in Asia in that area, more opportunities in Latin America in that area sitting here today. I think what's interesting if anything else is the tone of those conversations.

So the tone of those conversations today has moved from compliance which is where it was a number of years ago, meaning EMV and that type of thing and investments in those types of security assets into, how do you help me grow my business by way vertical market. So, if you think about one of the assets that we bring that we haven't talked much about on the call today, it's really our Unified Commerce Platform and our ecommerce and omnichannel businesses. That is selling – ecommerce and cross-border is selling really well for example in Spain with CaixaBank, it's selling well in Continental Europe with Erste Bank. And of course it's selling well across Asia as Cameron described in his remarks.

With the release of our next-generation platform which is in imminent in Unified Commerce, that is a conversation that the most sophisticated financial institutions globally are very interested in having particularly in the area of omnichannel acceptance which very few people have. So, I think differentiated technology products that we're selling today. We've seen significant increase in demand from financial institutions globally to have those conversations and the conversation has shifted from pure compliance into how do you help me grow my revenue both by vertical market via software as well as cross-border via ecommerce.

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

A

And Jim, it's Cameron. Just to add another point to that quickly. I think Jeff mentioned obviously in his prepared remarks, we just closed our joint venture with HSBC in Mexico. So we're busy working to extend in that market as well. In addition to what Jeff said, the other interesting thing I think in the pipeline for us is obviously a fair number of new FI opportunity, partnership opportunities around the globe but also more and more conversations with existing partners about expanding into new markets, and particularly with Erste in Central Europe looking at opportunities to expand further with them given the success we've able to have already in markets, in working in collaboration with them. So I think we're really delighted to see that the strength of our partnerships and the success of our partnerships overtime is allowing us to have further dialogue about extensions of those and expansions of those into different markets where we think we can replicate the same success.

James Schneider
Analyst, Goldman Sachs & Co. LLC

Q

Great. That's helpful. And maybe just a follow-up. Can you maybe just address your relationship with Vista and the Vista software portfolio companies going forward, given they've disposed of their equity stake in the company? Maybe talk about any changes you're seeing there? Is there any change at all to the relationship and maybe can you talk a little bit about how it's gone so far?

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

A

So, Jim, I'll start, and then ask Jeff to add any comments that he would like. So, I would say our relationship with Vista remains very strong, and we've had great success already, mining opportunities in their existing portfolio of companies that have now become payment partners of ours over the course of the last, call it, 18 months since we really established this relationship with Vista.

So I think it's clear to say from our standpoint, we couldn't be more pleased with how things have gone thus far. We still see a lot of opportunity to continue to mine, the relationship for further payment partnerships given their portfolio of assets. Some of their most recent transactions as well, I think fit nicely as it relates to our ability to work with them to drive incremental value for both us and them. And we continue to have very strong dialogue with them around those types of opportunities, and we're continuing to work through a pipeline of opportunities to partner with the existing portfolio of companies in that business.

As it relates to them selling their stake in Global Payments that they acquired by virtue of the ACTIVE acquisition, I would start by saying they're a financial buyer and a financial enterprise. And ultimately, I think they looked being able to realize a very good return on that investment as it relates to the Global Payments stock, and as they're out in the market fundraising and looking to clean-up prior funds, it was a very logical thing for them to do, because it doesn't in any way change, I think, the nature of our relationship and the partnership that we have with the various portfolio of companies that they operate today.

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

A

Yeah. Jim, it's Jeff. I would just add that we have a lot of respect for Vista. I think they've done a fantastic job, but that is just one of a number of private equity and financial firms with whom we have a relationship and an ongoing dialogue. So, I think the most interesting thing is we have a differentiated sales proposition going into that line of business. We approach private equity firms as a whole rather than each one of their individual companies, and we [ph] seek, kind of, warm leads, (53:16) as we did with Vista, with those companies.

I think in that, we're distinctive. I know we are distinctive relative to our peers. So, more to come there over time, but I would view this as the initial step towards a broader-based PE-related distribution strategy, particularly here in the United States.

James Schneider
Analyst, Goldman Sachs & Co. LLC
Q

Thank you.

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

Thank you.

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

Thanks, Jim.

Operator: Thank you. And our next question comes from the line of Chris Brendler with Buckingham. Your line is open.

Chris Brendler
Analyst, The Buckingham Research Group, Inc.
Q

Hey, thanks, good morning, guys, and great results.

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

Thanks, Chris.

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

Thanks, Chris.

Chris Brendler
Analyst, The Buckingham Research Group, Inc.
Q

Sure. I'd like to just focus on the U.S. business for a little bit. If you could give us a little bit more detail; lots of conversations about the software ownership and certainly we can see the results of these acquisitions really starting to fit well with the existing organization. I'd like to talk about the other side of that business for a second, just the partnership channel on the ISV side, and how that's going and how competition potentially may be increasing in that space, and what you're seeing sort of at the front lines as you're trying to sign new ISVs? And I have a follow-up. Thanks.

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

Yeah, Chris. This is Jeff, and I'll start. So, if you step back for a second, we said this in the press release, and I said this in our prepared commentary, really what we're focused on is a balanced approach across the technology-enablement spectrum. So, that means not just partnered software, but owned software, partnered software, ecomm and omni assets in faster-growth markets. So, sometimes you get lost in the sauce and we talk a lot about, kind of, owned software, particularly in vertical markets like restaurants, where it's kind of a hot topic.

But we shouldn't lose sight of the fact that we had fantastic performance last quarter and last year, and our expectations are also high in 2019 for our partnered business, particularly in the context of OpenEdge. I gave a fair amount of detail in my prepared comments with our wins. But really, Chris, three marquee wins, those were all competitive in nature and we won all three of them.

So, our point of view there is, the proof is in the pudding, and the results are what they are. To sign up the largest chain of chiropractors and the largest municipal [ph] and statement billing (55:10) facilities, and one of the largest not-for-profit ISV providers, I think tells you all you need to know about our competitive positioning, because we won those and others did not.

Putting that aside for a second, that business has always been competitive. So, if you go back to when we got into it, in 2012, in our business more generally, but for these purposes in OpenEdge, it's always the case that as renewals come up and new customers are competitive, that we need to continue to evolve that business, where we're offering more and more value and we're providing more and more scale in what we do.

But to answer your question, there's not been a sea change in the way we go to market in that business competitively or by way of pricing over the last year or so. Our business has always been competitive, since we got into it in 2012. It's not like Mercury wasn't a good competitor back in 2012. It's not like the assets that First Data bought over the last year or two or TSYS, it's not they weren't good competitors in their own rights.

I think what is different about us, as we said in our prepared comments, is our ability to offer a single technology solution and provide more value-add for our partners which is part of the wins that we had in the three that I mentioned. The other thing that's distinctive is the ability to globalize and take these into multinational geographies, which I think we're either unique or one of two really doing today.

So, they're really hasn't been a sea change, Chris, in the way the economics work in those businesses. I think we talked about the great performance we had in the fourth quarter at OpenEdge. And I think the recent wins that we highlighted by name, I think, prove that.

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

Yeah, and just to put a little finer point on that, Chris, from my perspective, if you look at the backdrop of obviously a lot of discussion and more competition in the integrated space, OpenEdge had its best year in terms of new partner signings in 2018; ended the year again with mid-teens growth for the fourth quarter, which obviously positions it well heading into 2019.

The last thing I would say is, if you look at our guide for the U.S. direct business in 2019, again we're guiding to double-digit organic growth in our U.S. direct business. We wouldn't do that or couldn't do that to the extent our partnership business was not performing at the level that it's performing today and helping to drive the overall rate of revenue growth for that U.S. direct business.

So, that should signal, I think, to a large degree, the amount of confidence we have with the durability of the partnership model. And, obviously, I think one of the strengths that we have and, again, where we're differentiated, is the optionality we have to own or partner, depending on the vertical and depending on the fit. So

I think that again positions us extraordinarily well kind of heading into 2019 and for years to come as we continue to execute on that strategy.

Chris Brendler
Analyst, The Buckingham Research Group, Inc.

Q

That's really helpful. It's great color. I am more thinking about how you are doing so well and what appears to be a lot of your competitors trying to follow. And I think they're still following at this point.

My follow-up question was on Europe. Just amazing results as you put up yet another quarter of constant-currency low double-digit. Your guidance for high single-digit next year, is that any macro potential slowdowns, [ph] because we hear (58:22) a lot of concerns from investors about Europe?

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

A

Yes. Chris, it's Cameron, so I'll touch on that one. I would say we've had fantastic performance in Europe above our own cycle guidance, frankly, for that region. And that's really been driven by strength in our Spanish business, strength in our Central European business and strength in our ecomm omnichannel business across Continental Europe.

So, I think we're delighted with what we've been able to achieve. Now, if you think back to 2018, we had good growth in our UK domestic business for the better part of the year. And obviously that was something that was helpful to the overall European results for the year.

As we look to 2019 and as I mentioned in my prepared remarks, we're guiding the UK to kind of mid-single-digit rate of growth and consequently overall Europe do a high single-digit rate of growth for the year. We think that's a prudent approach to take getting into the year particularly with Brexit on the forefront of everyone's mind, I would say our guide assumes effectively a muddle through, for lack of a better term, outcome as it relates to Brexit.

So we are not assuming that the economy in the UK is going to fall off the cliff, I'd say we're effectively assuming something like what you saw in Q4, which was very, very low GDP growth, if any I think it was 0.2% for Q4. That's kind of the outlook that we're expecting in the UK for the rest of 2019. Obviously, it remains to be seen how Brexit will play out and we'll adapt accordingly, but that's what our assumptions reflect today as it relates to the UK.

I think the rest of Europe, we continue to assume a macro environment fairly similar to what we saw in 2018. There's a little bit of softness in the few spots in Europe, but the markets that we're in, in particular Spain, Czech Republic, Slovakia, Romania and again the strength driven by our ecomm and omni business in that market I think gives us a lot of confidence, we're still going to be able to go Europe notwithstanding the UK at that high single-digit rate for 2019.

Chris Brendler
Analyst, The Buckingham Research Group, Inc.

Q

Awesome. Thanks so much and congratulations again.

Operator: Thank you. And our last question will come from the line of Bryan Keane with Deutsche Bank. Your line is open.

Bryan C. Keane
Analyst, Deutsche Bank Securities, Inc.

Q

Hey, guys. Thanks for fitting me in. Wanted to ask, a lot of payment players saw a slowdown in volume in fourth quarter and in particular saw weakness in cross-border. It doesn't feel like you guys saw some of that same weakness, maybe the model is a little bit different with mix. Can you just give us a little bit of help when thinking about that?

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

A

Yeah, Bryan. It's Cameron. I'll jump in and ask Jeff to add any color that he may like as well. I would just as your opening comment, I would say across the board we generally saw volumes pretty consistent in Q4 with what we saw in Q3. Obviously, the UK was a little slower than we saw in Q3 and that's a function of the GDP environment. And I think that's pretty obvious to anyone who's paying attention to, kind of, what's happening in the UK and obviously the GDP results coming out of the UK

Putting that aside, I would say in the rest of the markets around the globe, I would say volumes held up very well. And I think, again, that's to your own point somewhat a function of our own strategy, how we go to market, the diversity of distribution that we have today and obviously our ability to lead with the technology in most of those distribution channels.

As it relates to cross-border volume in particular, we really didn't see the slowdown, obviously, that was reported by the networks and then some other players in the market as well on a cross-border basis, if you look at our European ecomm and omni business which is really at the heart of where we see the majority of our cross-border volumes. We continue to see mid-teens growth in that business in the fourth quarter and volume trends that were relatively consistent, I would say, with what we saw throughout the course of 2018.

So, no real meaningful slowdown in our portfolio of businesses Bryan, but it's obviously something we continue to monitor closely heading into 2019, but I think we have a lot of confidence. That's evidenced again by the guide that we've provided for 2019 as how those businesses are going to hold up.

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

A

Yeah, Bryan, it's Jeff. I think Cameron is right and I also think it speaks to the distinctiveness of our model. Our focus is on SMB's domestically including in Europe in those markets and selectively focus on, first of all, MNCs where we think we can add value-added solutions and differences and not just based on price .

And B in those markets, those faster growth markets where we think it's the most attractive to offer ecomm and omni. So unlike the card networks, we're not the entirety of the market in every market that we're in. And like some of other competitors we have been deliberately targeted some of the markets that Cameron and I described because we think are more attractive and we think they are more resilient. So, actually the time will tell, but I think you can see the results in our fourth quarter and what our guidance reflects.

Bryan C. Keane
Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Great. And just a quick follow-up. Cameron, can you help us with the impact of the HSBC JV in Mexico and how fast you guys think it'll take for you guys to start gaining share in that market? Thanks so much and congrats on the results.

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

A

Yes, Bryan, it's Cameron. So if you recall in my prepared remarks, I gave an estimate for, sort of, net interest expense. That's obviously net of other income as well whether you'll see the impact of the HSBC Mexico joint venture for 2018. So, as we said when we announced that joint venture, we think it's certainly in the near-term or more important strategically than it perhaps is a financially.

Now over the course of time as we scale that business, we expect it to be a nice contributor obviously of income to the company through our 50% ownership in the joint venture. I would not expect that to be a material amount in 2019 given the fact that we're just getting the joint venture off the ground. And obviously it's going to take a little bit of time to scale.

As it relates to our ability to gain share, part of what we like about that market and obviously working with our partner HSBC is they have a far greater percentage of the commercial banking market today in Mexico than they do in the merchant acquired market. So there's a lot of room I think in that portfolio to capture share just with the existing book of business that HSBC Mexico is supporting today from a commercial banking standpoint before you even get into taking share from other competitors who may not be HSBC commercial banking customers today.

So I think we have a lot of confidence in the ability to grow that business. I would say our forecast for growth in that business is robust. Obviously, we'll take a little bit of time to just get it off the ground and start to scale the business effectively, so more to come on that, particularly as we head into 2020 and 2021. But for 2019 it's not going to be a material impact to our overall financial results.

Bryan C. Keane
Analyst, Deutsche Bank Securities, Inc.

Q

Great, thanks guys.

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

A

Thanks, Bryan.

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

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

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program. You may all disconnect. Everyone have a great day.