

06-May-2020

Global Payments, Inc. (GPN)

Q1 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, and welcome to the Global Payments First Quarter 2020 Earnings Call. At this time, all participants are in a listen-only mode. Later, we'll open the lines for question-and-answers. [Operator Instructions] As a reminder, today's conference will be recorded.

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

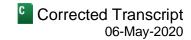
Winnie Smith

Senior Vice President of Investor Relations, Global Payments, Inc.

Good morning, and welcome to Global Payments first quarter 2020 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 about expected operating and financial results. These statements are subject to risks, uncertainties and other factors, including the impact of COVID-19 and economic conditions on our future operations that could cause actual results to differ materially from our expectations. Certain risk factors inherent in our business are set forth in filings with the SEC including our most recent 10-K and subsequent filings. We caution you not to place undue reliance on these statements.

Forward-looking statements during this call, speak only as of the date of this call, and we undertake no obligation to update them. Some of the comments may refer to non-GAAP financial measures such as adjusted net revenue, adjusted operating margins and adjusted earnings per share, which we believe are more reflective of our ongoing performance.

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For a full reconciliation of these and other non-GAAP financial measures to the most comparable GAAP measure in accordance with SEC regulations, please see our press release furnished as an exhibit to our Form 8-K filed this morning and our 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; Cameron Bready, President and COO; and Paul Todd, Senior Executive Vice President and CFO.

Now I'll turn the call over to Jeff.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Winnie. We entered 2020 with our business as healthy as it has ever been during my tenure at Global Payments and our performance in the first quarter, prior to the impact of COVID-19 reflected that strength, the soundness of our strategy and the consistency of our execution. We believe that these underlying trends will position Global Payments to resume its track record of market-leading growth when the worldwide economy inevitably returns.

The company's results in January, February and through the first two weeks of March exceeded our internal expectations excluding the impact from COVID-19 in our Asia Pacific region. However, starting in mid-March, the virus began to impact the company's results significantly in North America and Europe, as governments took actions to encourage social distancing and implement shelter in place directives. The deterioration accelerated toward the end of March, as the number of countries and localities adopting restrictive measures meaningfully increased.

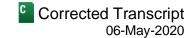
Notwithstanding the impact of the virus, we were successful in winning meaningful new business in the first quarter. These competitive takeaways highlight that the underlying strength of our pure-play payments model is being recognized by some of the most complex and sophisticated customers. They also provide us with continued confidence in further sustained share gains as the partner of choice at scale for cutting-edge companies.

First, we are delighted to announce that Truist Financial Corporation has selected Global Payments to be its provider of issuer processing services for its combined businesses. Truist is the sixth largest commercial bank in the United States serving approximately 12 million consumer households and a full range of business clients with leading market share in many of the most attractive, high-growth markets in the country.

Importantly, Truist has a bold vision to meaningfully increase investment in innovative technology and to create distinctive client experiences. Truist's strategy to transform its payments businesses via technology aligns perfectly with our TSYS issuer business and provides further validation of our market-leading technologies, product, services and the quality and competitiveness of our team members. We could not be more pleased to welcome Truist to the Global Payments family of partners and launch our new services in the future.

Our issuer business has a strong track record of innovation to the benefit of our customers. Contactless is a great example and we have seen near 30% year-on-year growth in recent periods. We also are partnering with the card brands and digital wallet providers to further accelerate contactless growth in light of the virus. In addition, TSYS will be the first issuer technology partner to offer Visa's new installment solution at the point-of-sale as an enhancement to our existing capabilities.

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Second, we are very pleased to announce that Synovus Financial Corp. has selected Global Payments to be its new exclusive merchant acquiring partner. Synovus is a leading regional commercial bank with 299 branches in the Southeast region of the United States. Our new partnership with Synovus confirms the wisdom of the Global Payments and TSYS merger. We do not believe that either company individually would have been positioned to win this business. We already launched our partnership with Synovus on April 1.

Third, we continue to notch significant sales wins in our technology-enabled businesses during the quarter. Our partner software business, which we recently rebranded as Global Payments Integrated launched 30 new partners in the first few months of 2020. We are tracking well ahead of where we were this time in 2019, which was a year that marked a record for new partner production. Cameron will provide more details shortly.

We also saw significant new business successes across our own software portfolio. For example, we are delighted to announce new wins with inspire brands and focus brands, including Auntie Anne's, CKE Restaurants and Arby's. In addition, we continue to make meaningful progress with the rollout of our Xenial QSR cloud-based SaaS point-of-sale solution to new and existing customers such as Long John Silver's and Dutch Bros.

We've also begun testing this solution for potential placement throughout the restaurant brands international family of more than 26,000 global restaurants. These wins contribute to Xenial achieving record new bookings for its QSR business this quarter. It is worth highlighting that Xenial provides enterprise QSR customers with cutting-edge software, digital wallets, drive through technologies, mobile ordering capabilities and integrations with leading delivery partners through our omni product. In fact, for the first quarter, the number of omni mobile and online orders processed for Xenial customers increased over 50% sequentially as QSRs shifted toward online fulfillment.

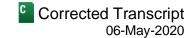
Fourth and finally, we continue to make progress with our e-commerce and omni-channel businesses which generated impressive new sales wins including a large multinational telecommunications carrier for markets outside the United States, one of the largest multi-national package delivery companies in Asia and a leading worldwide food services delivery business. These businesses produced the best financial result for us in the quarter highlighting our leading position in worldwide e-commerce and omni-channel acceptance. And that trend has continued into April with absolute growth year-over-year in a number of virtual markets.

During this challenging time, our top priority remains the health and safety of our team members, customers, partners, and the communities in which we live and work. I want to thank our nearly 24,000 team members for their tremendous efforts and unwavering focus on our customers during this unprecedented crisis. It has allowed our business and operations to continue to perform normal. While these are difficult times, we are well-positioned given the strength of our business model and the dedication and focus of our employees.

I am especially proud of our Netspend business, which is facilitating the rapid distribution of much needed funds under the CARES Act. We believe that Netspend was one of the first companies to provide stimulus funds to customers ahead of both financial technology peers and financial institutions. Those critical funds were made available on average four days before most of the other providers in the market and ahead of its normal two days faster operating model for typical paychecks, because Netspend has the end-to-end infrastructure already in place to process government ACH files upon receipt. During April, we processed over 0.5 million deposits accounting for over \$1.2 billion in stimulus payments to American consumers disbursed by the IRS.

In the coming weeks, we expect additional governmental programs to fund and a number of our partners will assist consumers, who'll receive paper checks by enabling deposits into existing or new Netspend accounts through our mobile app or directly onto their phones virtually via our Samsung partnership. As just one example,

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together with Mastercard, we have helped facilitate 7-Eleven's new Trans@ct Prepaid product to enable under and unbanked individuals and families to receive much needed funds faster in a paper check through 7-Eleven stores.

Our powerful combination with TSYS provides us with multiple levers to mitigate headwinds that we may face from the pandemic. We made significant strides on our integration this quarter and we continue to anticipate delivering at least \$125 million in annual run rate revenue synergies and at least \$350 million in annual run rate expense synergies within three years of the merger close.

In addition to the merger synergies, we have now implemented additional cost initiatives to help address the anticipated impact of COVID-19 on our business. We expect these actions to deliver at least an incremental \$400 million of annualized savings over the next 12 months. These amounts represent a more than doubling of the three-year annualized merger expense synergy benefit in just one year.

We have already initiated these expense actions in a series of ways beginning early in the second quarter. As you will hear from Paul, our liquidity, free cash flow and balance sheet are healthy. These efforts are intended to best position Global Payments to weather near-term disruptions and emerge from the crisis in the same strong position with which we entered it. And we continue to invest in our businesses despite the impact of the virus on the worldwide economy. Our long-term plans to grow our technology-enabled businesses, expand our omni-channel efforts and target the most attractive markets have not changed. The uniqueness of our business mix, which is dramatically different today than it was during the last recession, has been a source of strength during the current crisis.

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

Cameron M. Bready

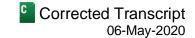
President & Chief Operating Officer, Global Payments, Inc.

Thanks, Jeff, and good morning, everyone. I would also like to express my sincere appreciation to all of our team members who've provided exemplary support to our customers during this challenging time. As Jeff mentioned, even with the vast majority of our nearly 24,000 team members worldwide working from home since mid-March, our business has continued to operate seamlessly. For the relatively few team members, whose job function requires them to be in one of our offices, we have implemented appropriate social distancing practices, made antibacterial hand sanitizers and masks widely available, and increased the frequency of cleaning of key areas.

Throughout this crisis, we have continued to put the health and well-being of our team members first, while also supporting our customers and safeguarding our business. Over the past several years, we have made significant investments in modernizing the operating environments and technology that support day-to-day execution in our business. The largely cloud-based systems and collaboration tools we use globally facilitated a smooth transition of our operations to business continuity mode with significant utilization of work from home arrangements. This has allowed us to sustain outstanding service to our customers while also enabling continued strong execution of our pure play payment strategy. As evidenced by the significant new wins in the quarter.

In our Merchant Solutions business, Global Payments integrated is off to a record start to the year in terms of new partner wins and is already seeing benefits of our merger with TSYS. We recently signed a new partnership agreement with a large multinational software provider based on our ability to deliver the Genius POS solution together with our best-in-class ecosystem, while also enabling its customers to support electronic tips by the Netspend PayCard product.

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Global Payments was uniquely positioned to provide this comprehensive solution, which reflects the powerful combination of highly complementary capabilities brought together by our merger with TSYS. Our strategy of delivering the full value stack in key vertical markets continues to produce deeper, richer and more value-added relationships with our customers. In addition to the Xenial highlights that Jeff already provided, our higher education business had its strongest ever bookings performance in March, and AdvancedMD saw bookings increase 35% year-on-year for the first quarter, largely due to our ability to deliver cloud-based technology solutions, including telemedicine capabilities to physician practices throughout the US.

In our Heartland business, we delivered outstanding growth of over 30% in online payments during the first quarter as we continue to see strong customer demand for our omni-channel solutions. Notably, this growth accelerated in March as we installed three times as many new e-commerce merchants as anticipated, largely due to significant demand for online ordering capabilities. We also began deploying Vital POS through our Heartland distribution channel in early March exactly as we said we would. And we remain confident in our ability to execute on our sales plan for this distinctive solution.

Further, we now plan to deliver Vital POS to Canada later this quarter, an acceleration from our original target of a third quarter launch. In Canada, our new partnership with Desjardins is off to a terrific start. Merchant migration and lead referrals from all branches commenced at the beginning of March and we received nearly 1,500 referrals before the current disruption. Our early successes reinforce our confidence in this new partnership that combines Global Payments' differentiated technologies and payments capabilities with Desjardins' market-leading position in Québec.

In Europe, we successfully launched our social commerce solution in key markets, enabling our customers to accept payments through social networks. In the last few weeks, we launched this product with a new leading national veterinary chain and a high-end restaurant group in the UK and also signed Hyundai, which is currently deploying the solution to all of its dealerships in the region.

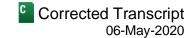
Additionally, we recently secured a competitive takeaway in the UK by enabling a leading building society with call center payment solutions for work from home environments. We successfully executed a new acquiring contract with this customer and distributed software to its call center staff and mortgage brokers from start to finish in less than three days.

And in Asia, we saw strong new sales performance, particularly in our e-commerce business despite COVID-19 gripping that region for the majority of the quarter. We have enabled several of our large retail customers to accelerate their shift to e-commerce and sign new e-commerce partnerships with two large multinational health and wellness companies.

Turning to our issuer business, in addition to the Truist win, we finalized an agreement with Scotiabank to convert its Canadian consumer credit card and loan accounts, and we have executed a multi-year renewal agreement for its North American consumer and commercial credit card business. Additionally, we successfully signed a new multi-year processing and managed services agreement with UK base JAJA, encompassing their recently acquired credit card portfolio and extended several other existing client agreements including with Barclay card and Bank of Montreal.

We also converted over 300,000 accounts during the period and have a robust pipeline with implementation stage throughout the year and into 2021. Delivering superior support to our customers is the key pillar of our business model and we have continued to do so in this unprecedented environment without exception. Throughout this

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pandemic, we've remained focused on supporting customers across all of our businesses, including our small to medium-sized merchant customers in the markets most impacted by the virus.

We have worked tirelessly to assist these customers by enabling new capabilities to support their business operations, including rapidly equipping merchants who did not previously sell online with a full omni solution, particularly in the restaurant vertical market.

In fact, in North America alone, we have added over 1,800 new restaurants to our online ordering platform since mid-March. Likewise, we have been facilitating social distancing and no contact commerce by enabling mobile pay, contactless and mobile wallet acceptance at merchants who had not previously accepted these form factors.

As a worldwide leader in NFC deployment, we rapidly enabled contactless acceptance for our merchant customers, which also positions us well for future as we expect the secular shift from cash to electronic forms of payments to accelerate post the pandemic. We have also provided customers the markets worldwide with virtual terminals to allow them to accept orders over the phone.

For healthcare customers of AdvancedMD, we have enabled nearly 1,500 practices with telemedicine capabilities, delivering the technology for more than 80,000 virtual visits in the last two weeks of March alone. In addition to these efforts, we are providing economic relief in a variety of forms to our customers, including waiving certain fees such as SaaS and POS payments, as well as online ordering fees.

We have also granted free trial or reduced fees for newly enabled services and established a charitable program targeted at our most vulnerable merchant customers that provides preloaded pay cards that can be used to support their staff at no cost. Further, we are waiving setup fees in the first 90 days of subscription fees for our virtual card add-on solution to brick-and-mortar gift card customers, and have extended free trial period of our analytics and customer engagement platform that we're deploying in our Heartland business.

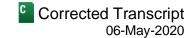
Lastly, we've been leveraging our relationship with our lending partner in the US to facilitate Payroll Protection Program loans for customers across our distribution platforms. To-date, our lending partner has [ph] deployed (20:10) thousands of PPP loans for our customers. Our issuer business has also maintained strong operational stability in its call centers, as we work to support our issuer clients during a period of very high call volumes.

Additionally, we're working with issuers to enable cardholder and small business relief programs, including supporting the delivery of a range of payment options as consumers and businesses seek predictable ways to manage budgets and expenses during this challenging time.

While we continue to manage through this situation, with the typical relentless focus on execution you have come to expect from Global Payments, we also have an eye on the future and are working to ensure the business is well-positioned for the inevitable recovery. We're revamping sales and marketing strategies to align with our expectations for market re-openings around the globe, and to emphasize those solutions most in demand.

In the US, we are also aggressively recruiting and onboarding new sales professionals into our Heartland channel, which we can do in a cost effective manner, given our model. And while we are reducing expenses where appropriate, we continue to invest in products and capabilities that will further differentiate Global Payments in the future.

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There is no question the competitive environment will look different on the other side of this crisis, and we are poised to benefit in the long term, due to the distinctiveness of our technology enabled, pure-play payment strategy.

With that, let me turn the call over to Paul.

Paul Michael Todd

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

Thanks, Cameron. I want to reiterate how pleased we are with the way in which our team members have responded during this crucial time to ensure business continuity, deliver the highest standard of support and execution for our customers and allow for us to achieve strong financial performance.

For the first quarter, total company adjusted net revenue was \$1.73 billion, reflecting growth of 108% over 2019 and ahead of our preliminary expectations on April 6. On a combined basis, our revenue increased slightly from the prior year, including a roughly 50 basis point headwind from the impact of negative foreign currency exchange rates.

Adjusted operating margins expanded an impressive 300 basis points to 39% for the quarter and well above the 250 basis point annual expansion target we mentioned on our last call. As a result, we were able to deliver strong adjusted earnings per share growth of 18% to \$1.58, which also includes a roughly 100 basis point impact from adverse foreign currency exchange rate movements.

This first quarter bottom line performance was better-than-anticipated when we previewed our first quarter on April 6. Notably, from the start of the quarter through the first two weeks of March, our performance was exceeding our growth expectations compared to last year, excluding the impact of the virus we were already experiencing in the Asia Pacific region.

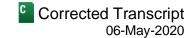
Our Merchant Solutions business drove the outperformance, while results for our Issuer and Business Consumer segments were tracking relatively in line with our expectations through that period. However, in the second half of March, the spread of COVID-19 began to impact our results meaningfully in North America and Europe in addition to Asia Pacific.

As Jeff and Cameron both mentioned, it was a dynamic quarter for all of our businesses, and I want to provide some color on each segment. First, adjusted net revenue in Merchant Solutions increased 2% on a combined basis to \$1.1 billion for the first quarter which includes nearly a 100 basis point headwind from currency, while adjusted operating margin improved 180 basis points to 45.4%.

Before the spread of COVID-19, we were experiencing low double-digit adjusted net revenue growth in this segment excluding the impact of COVID-19 in Asia Pacific, which negatively impacted results consistent with the \$15 million drag we had previously disclosed. This strength was largely attributable to our technology-enabled businesses, including Global Payments Integrated which was tracking toward mid-teens growth for the lion's share of the quarter. This business continues to benefit from record new wins, strong same-store sales and low attrition rates driven by our ability to provide a truly integrated ecosystem across more vertical markets and more geographies than our peers.

We also maintained our consistent track record of strong growth in our vertical market software portfolio ahead of the COVID-19 impact. As Jeff and Cameron indicated, booking trends across the portfolio remain strong with record achievements at several of our businesses during the period. Our relationship-led businesses were also

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seeing good momentum outside of Asia Pacific before the spread of COVID-19. Notably, in North America, adjusted net revenue was tracking up low double-digits, ahead of our expectations, and our European businesses were delivering high single-digit growth.

For the full quarter, as in-store volumes came under pressure, our e-commerce and omni-channel businesses served as a partial hedge. As Cameron noted, we delivered strong growth in online sales at Heartland during the quarter, while in Europe we saw high single-digit growth in the UK and roughly 20% growth in Spain as more spending moved online. E-comm omni revenue was also up double digits in APAC during the first quarter.

Moving to Issuer Solutions, we delivered a record \$442 million in adjusted net revenue for the first quarter, representing growth of a 150 basis points on a constant currency basis. As I mentioned previously, this business was tracking in line with our expectations through early March for roughly 3% growth with underlying trends to that point, remaining consistent with our long-term outlook for mid single-digit growth.

Adjusted segment operating margin expanded a very strong 430 basis points to 39.5% as we continued to drive efficiencies and make the pivot toward the cloud in this business. We also added over 13 million accounts on file this quarter, producing yet another record. Transaction growth was in the mid single-digits. We experienced strong volumes in managed services as cardholders ramped up the frequency of their interactions with trusted financial institutions in the quarter.

Finally, our Business and Consumer Solutions segment delivered adjusted net revenue of \$204 million, down nearly 7% from the prior year, primarily due to headwinds from the CFPB prepaid rule and seasonal tax impacts. Absent that, adjusted net revenue was roughly flat for the quarter, marking a continuation of the underlying trends from the fourth quarter of 2019.

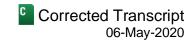
Adjusted operating margin for the quarter for this segment was 25.7%, and was again, better than our expectation. We continue to be pleased by the performance of our DDA products with account growth of over 30% from the prior year period. As Jeff mentioned, we saw substantial benefit in early April from the processing of stimulus payments in this segment. In sum, we delivered solid operating performance across all our segments through outstanding execution, and we also benefited from the early and rapid cost actions we took to position our company given the current environment and for the eventual recovery.

As it relates to cost actions, as Jeff highlighted, we have already implemented expense initiatives that will translate to roughly \$100 million per quarter in incremental cost benefits for the balance of 2020. Our focus has been to streamline discretionary spend that includes cuts to G&E and marketing budgets, reductions in executive pay and other salary initiatives, and additional targeted actions across the organization. We have also been intentional about these measures to allow our strong growth momentum to continue when a more normalized operating environment resumes.

From a cash flow standpoint for the quarter, we generated adjusted free cash flow of approximately \$400 million, which was in line with our expectation. We also exited Q1 with roughly \$1.3 billion of available cash, including \$640 million in excess of our operating cash needs. This excess cash increased approximately \$300 million from year-end. We have adjusted our capital spending outlook for the year from the high \$500 million to low \$600 million range we talked about on our last call, and now expect to be in the \$400 million to \$500 million range or roughly \$100 million less for the year.

We invested \$105 million of cash in the first quarter that was focused on new products and technologies to ensure we continue to build upon our leading portfolio of pure-play payment solutions, which is consistent with our newly

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revised estimates. Earlier in the quarter, we finished the buyback activity started in the fourth quarter, purchasing 2.1 million of our shares for approximately \$400 million. We did, however, suspend repurchases in early March. We ended the quarter with a leverage position of roughly 2.45 times on a net debt basis or roughly 2.75 times on a gross basis consistent with year-end.

Our strong investment-grade balance sheet, in combination with our stable free cash flow generation, provides us with ample capital and financial flexibility to navigate through this challenging time. With \$2.9 billion of liquidity, including our available cash and undrawn revolver and no significant required debt repayments until our maturity in April 2021, we are truly in a position of financial strength. We will continue to monitor and leverage market opportunities to maintain that strong position over the long-term.

Although trends are dynamic, we have seen some stabilization and improvement in late April from the lower levels we have seen several weeks ago. Specifically, volume trends in our merchant business have held fairly steady and begun to recover modestly, led by our technology-enabled businesses. In addition, markets that have recently reopened such as China and in Central Europe have seen similar stabilization and improvement trends in domestic volumes. Our Issuer Solutions business remains resilient as bundle pricing and managed services volumes are helping to mitigate the impact of transaction level declines. Our international issuing business also remains a bright spot with absolute growth in the low single digits, despite the macroeconomic environment. These trends have been offset in part by what we are seeing in our commercial card area, due to limited travel spending by corporations and governments. Similar to our experience in merchant, issuing trends have stabilized and recovered somewhat in selected verticals over the last several weeks.

Finally, Business and Consumer Solutions has benefited from processing substantial stimulus funds, and we do expect to recapture some of the lost revenue from last quarter related to the extended tax deadline over the next several months. Additionally, April is the first month where we do not have CFPB headwinds for comparison.

And while we are not providing guidance at this time, I think, it's worth parsing our business in light of the current environment. First, we have several businesses that have been relatively more resilient through this period. This includes both our Issuer and Business Consumer segments, which combined account for roughly 35% of our adjusted net revenue.

Additionally, roughly half of Merchant Solutions adjusted net revenue has been generally less economically sensitive. This includes our omni-channel business, Global Payments Integrated and certain vertical market solutions like Xenial, AMD and our university business. So two-thirds of our businesses have been somewhat insulated from fluctuating consumer spending trends.

With that said, it is difficult to predict when and how the current environment will change. However, we are confident we will emerge stronger due to the significant cost initiatives being implemented to protect our earnings, cash flows and investment-grade balance sheet. All in all, we are pleased with how we are positioned given the unprecedented times we are operating in as a company.

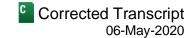
And with that, I'll turn the call back over to Jeff.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Paul. Our recent significant wins highlight the wisdom of our partnership with TSYS and the strength of our combined business. We have already taken and will continue to take actions to best position our company for

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success as the worldwide economy returns to growth. In the interim, we are fortunate to be confronting this crisis from a position of strength.

The competitive landscape will no doubt change as a result of this crisis, and we believe that we will capitalize on those changes and continue to gain share organically and through further consolidation. We believe that the virus will continue to accelerate the ongoing shift towards further digitization of payments and the movement toward online commerce globally.

We are also grateful for our market-leading position in software across multiple vertical markets, highlighting the diversity of our business mix. We believe that we will continue to be the beneficiary of trends that will be further catalyzed by COVID-19.

While we are not immune to the current economic climate, we are as well-positioned as we have ever been with a balanced portfolio in payments and vertical market software at scale. We expect our strategy of leading with software owned and partnered with an emphasis on premier omni-channel solutions in the most attractive markets will serve us well into future. Winnie?

Winnie Smith

Senior Vice President of Investor Relations, Global Payments, Inc.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Bryan Keane of Deutsche Bank. Your line is open.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

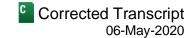
Hi, guys. Good morning. Just thinking about the adjusted operating margin as we go into the second quarter, how should we think about modeling given that it's likely the second quarter will be hopefully the bottom of the impact or will be the worst of the impact in the second quarter? And with that thinking about the \$400 million of additional cost saves, where is that coming from exactly? And is that sustainable post the COVID-19 impact after we get a year out? Thanks.

Paul Michael Todd

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

Yeah. So, Bryan, this is Paul. As it relates to the margin, I'd say a couple of things. One, obviously, we're very pleased to have the margin expansion at the 300 basis point level that we had in Q1. So that kind of give you a run rate of where we were at from a total quarter standpoint. The second thing I'd point to is this additional cost takeouts. And if you kind of look at that on a year-over-year basis, you could see that, that's roughly about 6.5% or so, if you took that \$100 million per quarter and put those in the quarters, that would kind of give you the first addition there that you would make on what we would do on the margin side.

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And then last, as you just kind of make your assumptions as it relates to what volume would do from a revenue side and kind of the incremental kind of cost there, you would just try to take those margins and kind of play through the various businesses. And that would give you kind of the margin picture you were looking for. You are right in the sense that 2Q particularly in light of the recovery in volumes that we're seeing would be the trough from a margin standpoint. But we certainly are moving into this quarter here in a very strong position with the cost initiatives that we already have in place.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

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And I'd say, on your second question, Bryan, about the \$400 million and the – how it looks going forward, I would say probably about half that, call about \$200 million, I would say are permanent ongoing reductions. The other \$200 million are really things that we've done like salary reductions and everything else in light of the virus. Having said that, though, if we were to face a situation where things didn't continue to improve, obviously, we'd do other things to get back to the \$400 million in the first place. So I believe at the end of the day, it's going to depend on what we see. As Paul mentioned, we continue to see stabilization and improvement in the volumes. But if we don't continue to see that, then I'm confident that we'll take other actions to return to the \$400 million in the first place.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Got it. And just as a quick follow-up. Can you talk a little bit, Jeff, maybe about the health of the base? Do you expect bankruptcies to rise? And how much do you think the PPP program will help?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.



Yeah. I'll start. And I'll ask Cameron to join in, of course, as well. So I would say that we've already seen stabilization in April. As we mentioned in the press release and Paul commented on and we've seen kind of continuing improvement by week really throughout April into early May. So I think the answer is, we like the trends that we're seeing in terms of improvement. It's kind of too early to say. Really what the permanent impact is going to be. But we have seen through the end of April, and early May continuing improvement and that's obviously very good to see. As we also said in our prepared comments, Bryan, in those markets that were a bit ahead of the United States like in Continental Europe, for example, that have reopened earlier than some of the states in United States, we've seen pretty significant improvement in those markets as well. So while I say it's too early to tell what the long-term impact really is, we do like the sequential improvement that we've been experiencing.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.



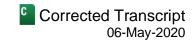
Yeah. Bryan, it's Cameron. The only thing I would add to that is, although our business skews towards SMB sort of globally, it's not really micro merchant. So our average merchant processing volume is pretty healthy. As we've talked about historically, somewhere in that \$0.5 billion a year – or excuse me, \$0.5 million a year range or above. So if you look at the overall health of the portfolio, I think, we'll be generally in a pretty good place overall given the nature of the businesses that we typically serve around the globe size-wise.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Got it. Thanks and stay healthy.

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Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Α

Thanks, Bryan.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Α

Thanks, Bryan.

Operator: Thank you. Our next question comes from David Togut of Evercore ISI. Your line is open.

David Mark Togut

Analyst, Evercore Group LLC

C

Thank you. Good morning. Glad to hear your voices. Glad you are all well. Just to start off, could you help us dimension the revenue you expect from the Truist contract and associated timing? And then I'll just ask my follow-up upfront on capital allocation priorities. Jeff, at the time you announced the TSYS acquisition, you focused on the fact that it was all equity because you wanted to keep a strong balance sheet. How are you thinking about deploying capital in this environment when seller expectations are likely coming down?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.



Yeah, David, it's Jeff. I'll start on both those questions. And of course, I'll ask Paul to comment, too. So what I'd say about Truist in terms of timing is we expect that a conversion will happen toward the tail-end of 2021 and then we have some kind of a full launch early in 2022. So that's the timing on Truist. We really are not going to publicly comment on the revenue or the size of it. But what I would say, as we said in our prepared comments this morning, is it's the sixth largest commercial bank in United States with 12 million consumer households and many businesses. So obviously, a top six bank in the US is a pretty big deal. Obviously, we have more to say on that as we get further down the path, and it's more appropriate to comment on beyond what we said today.

As it relates to capital allocation, I think Paul said it well in his prepared remarks. We're 2.45 today times net levered. We generated substantial free cash flow in the month of March, just to take one recent example. And we did \$400 million adjusted, as Paul said, in the first quarter. So we feel very good about our capital position. So I think our thesis at the time of the merger you just restated, I think, is completely accurate. What we're really looking for is really just some stability in the capital markets and the economic environments globally. But our priorities haven't changed.

Our first priority is to reinvest in the business, primarily through M&A. And if we don't find attractive opportunities there, return that capital to our shareholders as we by the way continued to do in December, January, February, up until early March. Our pipeline remains very full to your point. We think this is a great time to be opportunistic. But we do want to make sure that we're continuing to see the benefits of stabilization and return to normalization that we've seen over the last couple weeks, obviously, before we make any kind of final decision. Paul, you want to add anything?

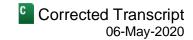
Paul Michael Todd

Д

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

Yeah. The only thing I would add, David, is the Truist win, obviously, is huge. We talked for several quarters now around the robust pipeline in issuing. And this is just another market test around the superiority of our platform

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and the success that we've had in winning those kind of pipeline opportunities. And so I think that's point one. The second point on capital allocation. The only thing I would just add is, none of the priorities on capital allocation have changed. And so obviously, what we're doing from a dividend standpoint, we are -- we have built up a little bit more cash, as I commented in my prepared remarks, but no change on the capital priority standpoint.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

I want to add to what Paul said, David, because it's important. It was in our prepared remarks, so I want to point it out. So, we also think our win with Scotiabank was really important, one of the last remaining banks in Canada that was on an in-sourced model basis. We did have other business with Scotiabank in markets like Latin America, but we did not - they did on their own in Canada. I want to point out how important that is and what a great win that was, in fact, to Paul's point about backlog in issuing for our teams.

David Mark Togut

Analyst, Evercore Group LLC

Understood. Thanks so much.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, David.

Operator: Thank you. Our next question comes from Andrew Jeffrey of SunTrust. Your line is open.

Andrew W. Jeffrey



Analyst, SunTrust Robinson Humphrey, Inc.

Hi. Thanks. Good morning, all. Appreciate you taking the question. I wanted to follow-up or maybe Jeff ask you to elaborate a little bit on, Bryan's question about sort of the health of the install base and churn.

We've been thinking a lot about, the creation of new businesses and especially in restaurants, on the other side of this cycle. And I wonder, if you could characterize Global's position to win a disproportionate amount of new share.

It sounds like you're kind of already doing that. But I wonder about your positioning, and how do you frame it up versus some of the disruptors out there that are offering full stack software suites and so forth?

Jeffrey Steven Sloan

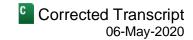


Chief Executive Officer & Director, Global Payments, Inc.

Yeah. I'm going to start, Andrew, and ask Cameron to jump in. And we spent a lot of time in our prepared remarks talking about the wins at Xenial that we're very proud of this quarter. So I would say, let me just start first with the enterprise QSR business.

As we said in our prepared remarks with the additional Xenial wins, we also had a number of wins with our omni solutions and omni -- for better or worse, it's the same name we're using at Xenial, that we're using for our omnichannel businesses, which is to say it's online ordering,

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and we have integrations with all delivery services that you would imagine that we do. And those businesses, I think I said, were 50% up, sequentially. And I'll tell you that in the first quarter, including through March, of course, and by the way, also into April, our Xenial businesses were right on budget. So forget about the virus for a second.

Those businesses are really hardware, software, selling technology-based. And unlike what you've seen from some of our competitors that are laying off substantial people in the enterprise QSR level, I just told you that our businesses were on budget at Xenial in the first quarter, and that continued through the month of April.

So obviously, I think as it relates to where the enterprise business is it's in an incredibly healthy place. And we're very proud of it. And I think, the list of customers testifies to how strong that business is and it's a point of competitive differentiation. Cameron, do you want to talk a little bit about, some of our other businesses away from enterprise QSR?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Yeah, I'd be happy to. I think, we're seeing the same level of success, Bryan, as you go into the mid-market and to the small end of the restaurant space as well, largely because, again, we compete on the basis of technology, not really competing on the basis of price.

And to Jeff's point, our ability to enable our restaurant customers, particularly the mid-market customers and smaller customers to move to online order acceptance for delivery and takeout quickly on the heels of the pandemic starting to spread here in the US market.

I think, I mentioned in my prepared remarks, we had 1,800 new restaurant customers on our online ordering platform, which in the Heartland channel has the same integrations that Jeff described, with the major five delivery services in the US market.

So, we're actually seeing relatively good performance, in our restaurant business overall, particularly if you compare it to the overall trends in the restaurant business in the market.

I've seen market data around restaurants, in aggregate, including QSR, mid-market and small kind of being down in the 50%, 60% range from a volume standpoint. We're not seeing anything near that, as it relates to the health of our restaurant business from a revenue matter.

So I think we feel very good about how we're positioned in that space. To Jeff's point, the competitive landscape is shifting, throughout this pandemic environment. And I think when we get to the other side of that, you're going to continue to see us grow our position and grow market share with a very healthy restaurant business.

Again, that's leading with technology. And I think that's the important differentiator for our business versus a number of the other competitors we face.

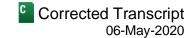
Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

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And I think Cameron is exactly right, Andrew. This is an area as we referred to in our remarks, where I really think we're going to pickup incremental share. I think, our products are fantastic.

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As I said last quarter, we invested \$50 million – 5-0 million – of capital in Xenial to bring it into production and commercialization. It's there today. We expect to have thousands of locations up and running. We have many day by the end of this quarter, we really couldn't be more pleased. And I do think if you look at some of the fintechs or small private companies that raised a lot of capital over the last couple of years in that space, they are bringing out massive layoffs and weren't profitable in the first place in a good economic environment, that's kind of what we were referring to in our prepared remarks when we talked about gaining share coming through the crisis.

Andrew W. Jeffrey

Analyst, SunTrust Robinson Humphrey, Inc.

Okay. That's really helpful color. And as a follow-up, the Truist win is a nice one, obviously near and dear to my heart. Congratulations. Is that – would you characterize that as an event specific win given the merger or do you think it signals more of a trend for banks to be reconsidering their issuing tech platforms broadly?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Well, listen, I think, at the end of the day, I think, Truist said this at the time of their merger, the scale required for technology investing, whether you're a financial services company or a fintech startup or whatever it is, that bar is only going up. So I think, the idea of trying to find the best in market provider for all these things, which we believe and hope, and this also validates that we are, I don't think the idea is going away. I think, the idea is really gaining steam on the technology side.

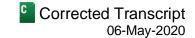
So I think, this is a continuation of the trend. Go back to what I said to David a minute ago. Look at Scotiabank. So Scotiabank in Canada, as I mentioned, had in-sourced their business for many years on the consumer and commercial side. That was a very significant win for our business. And here is somebody who in-source, Truist had already outsourced. But here's somebody who in-sourced, who decided to go outsourced as probably were the last remaining large Canadian financial institutions to do that.

As Paul said, our pipeline is very full, and it's full in the mix of things kind of globally. So, I do think you'll see ongoing outsourcing as the scale and technology required to compete effectively in that business goes up. We'll be making more announcements probably in our second quarter call in July and August about the investments we're making in cloud-based technology in our issuer business. And I think, I will just give you a taste as to what the complexity is and what the value is for providing market-leading solutions to the most complicated customers.

| Ramsey El-Assal | \cap |
|---|--------|
| Operator: Thank you. Our next question comes from Ramsey El-Assal. Your line is open. | |
| Thanks, Andrew. | |
| Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc. | A |
| Thank you. | |
| Andrew W. Jeffrey Analyst, SunTrust Robinson Humphrey, Inc. | Q |
| | |

Analyst, Barclays Capital, Inc.

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Hi, guys, and thanks so much for taking my question. You had a really impressive quarter from a business development perspective. Obviously, you announced tons of new wins across the business. But in the context of the virus, have you had to adjust your sales process and is sales productivity being impacted kind of for the next couple quarters in terms of having to move to a more virtual model? And just sort of as a follow-on question, in terms of rolling out the deals you signed, are there extended timelines? Is there any change in terms of the typical cadence of signing something and actually getting it to market?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

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Hey, Ramsey, good morning, it's Cameron. I'll start maybe on the first side, and I'll talk a little bit specifically about merchant. As you know, the sales cycle there is a little bit shorter than obviously in the issuing business. So it's probably the one that's most relevant to the question you're asking. I would say, naturally, as you would expect, with our sales professionals working from home with a lot of businesses closed or at least operating in a reduced environment during the pandemic, certainly, sales productivity has been impacted.

What I would tell you is, overall, we've really been very pleased. And I would say even somewhat surprised with the level of productivity we've been able to achieve, notwithstanding the pandemic. In our integrated business, I would say, new sales are running at about 80% of plan. In the last half of March and for the month of April in our relationship-led business, we're somewhere in the 60% to 70% range of plan. So obviously, a little bit of an impact relative to what our budget expectations would have been. But I would say quite frankly, very strong performance in the overall sales channels in all of our business throughout the pandemic. It's amazing how resilient and adaptable. Our team members are who are on the frontline of sales every single day. They're finding new ways to sell. We're obviously emphasizing products that are most in-demand in the market that we're in today, including and of course in AdvancedMD, telemedicine, where our bookings were up 35% year-over-year in the first quarter. They were up 64% in April.

So we are finding ways to win. We are finding ways to sell. We're keeping the business momentum going as best we can through this challenging environment. And I'd say, we've been delighted with the success we've been able to have. I would say new sales across the board is one of the highlights I would certainly want to focus on for our first quarter performance, notwithstanding, obviously, the pandemic impacts. And I think that trend has continued in April. Obviously, relative to what reasonable expectations would be in this environment.

Jeffrey Steven Sloan

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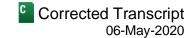
Chief Executive Officer & Director, Global Payments, Inc.

I'll add to what Cameron said, before I go into the timeline question, Ramsey, that just in light – in our general payments business, only 3% to 5% of revenue in a given year is what is sold in that year and recognized that year. So I think, you have to keep it in perspective, most of what we're selling has relatively little economic impact in that year instead it carries over, obviously, into the following year.

As it relates to extended timelines, it just depends on the business. Clearly, the Truist decision, the Scotiabank decision and Issuer those I don't expect to be impacted. Truist has goals coming out of its merger. And this timeline is that competitive takeaway started well before the virus. That timeline has not changed in terms of what their goals are. I'd say the same thing on Scotiabank.

There are businesses though, of course, as Cameron mentioned, like enterprise QSR certainly our plans heading into this year, we probably would have sold lot more hardware, software and equipment this year. And my guess is a lot of the 26,000 franchisees of our restaurant brands international, just to pick one, my guess is some of

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those will be deferred as people are just uncertain about the economic environment. And that goes a little bit that obviously dovetails with what Cameron just said about what the new sales impact is.

You've kind of sold it, but they're going to wait a little bit on CapEx spending just to make sure that the environment is stable. Conversely, though, you have businesses like our omni-product in Xenial and our Xenial point-of-sales product, where the demand is high enough for online ordering where that's zooming ahead, which is why Cameron said, well in excess of what we assume. So undoubtedly, there'll be some impact, but it's really a tale of the vertical market and the geography that you're talking about.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

That's super helpful. Thank you. And then a quick follow-up along similar lines is on revenue synergies, on merger revenue synergies and just how you've had to kind of think through the realization of merger synergies in a climate where in some parts of your business volumes and to some limited degree, sales productivity and things like that are impacted. Has there been any type of reframing internally in terms of how you recognize the same synergies? Super impressive that you kept the number regardless, but just curious if the virus has had any impact on the timing cadence, pace, or style of revenue synergy realization here?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

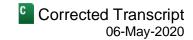
No. Randy, it's Cameron. I'll touch on that. I'll ask Paul to jump in if he has anything to add as well. I would say, by and large, the revenue synergy expectations we had in the 2020 budget weren't that significant to begin with. I would say the tactical synergies that we are working to execute against in the near term, things like selling Vital through the Heartland channel, cross-selling payroll into the legacy TSYS business, cross-selling our analytics and customer engagement platform into the legacy TSYS business. All of those initiatives remain very much on track.

As I mentioned in my prepared comments, we did roll out Vital into the Heartland channel in the first quarter, just as we said we would do. We're bringing it to Canada on an earlier timeframe than we had originally anticipated, now the second quarter versus the third quarter. A lot of the investments we continue to make in the business, notwithstanding the pandemic environment are really geared towards ensuring that we can cross-sell and deliver products across the distribution channels we operate, both in the US market as well as internationally as well, which will yield future revenue synergies that are part of the plan.

And then I would say the discussions that really, we believe, will be important to achieving the longer term expectations, \$125 million over the three-year timeframe. All of those continue. The transaction optimization initiatives that we have and are pursuing with a number of our large partners outside of the US, those continue to progress, notwithstanding the environment we're operating in. Opportunities to cross-sell our issuing platform into our existing acquiring customer and partner base outside of the US and vice versa. Those conversations continue to persist as well.

So I think sitting here today, the conclusion is we remain highly confident in our ability to achieve at least \$125 million of revenue synergies and within the three year timeframe we set out when we announced the merger last year. And I would say, importantly, we gain confidence every single day in – as it relates to the momentum we can build by collaborating and leveraging the broad base of product and capabilities that we have by virtue of the merger. I think, the OpenEdge – excuse me, Global Payment Integrated example we gave in the prepared remarks, as it relates to our ability to combine Cayan with the OpenEdge platform and Netspend to win a

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significantly large international, multinational software partner in that channel. That just gives you a flavor for the types of capabilities that we have today that really have come out of the merger.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

That's terrific. Thanks so much for answering my questions.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Thank you.

Operator: Thank you. Our next question comes from Darrin Peller of Wolfe Research. Your line is open.

Darrin Peller

Analyst, Wolfe Research LLC

Hey, thanks. Glad to hear you're doing okay. Look, I mean, I guess, when we think about looking through the second quarter in 2020, to some degree, even now, given a lot of folks are doing that. I think, you do sound like structurally, you're going to potentially come out on the other side of this stronger given the wins you're having and the omni-channel capabilities. Can you, Jeff, and Cameron, maybe just revisit the types of revenue you have that you think are resilient in what we would call a normal recessionary environment?

Not today, but what type of revenue do you think you have that actually is more -- what percentage is either software-centric or defensive in some ways just because I think it's very different in a normal – even a tough downturn than today. And how – like how would you think you guys would perform on revenues versus that environment, let's say versus what you would have thought pre-COVID-19?

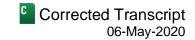
Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Yeah, Darrin, I'll start. I may have said this when we were together last time in terms of what a normal environment would look like. Obviously, we're not in a normal environment today. So let's just start with our software businesses. And by that, I really want to start with Issuer first. So our Issuer business, I think what we said, and Paul can obviously provide additional color here. But if you go back to the last recession and if you – in 2008 and 2009, and if you exclude those financial institutions that went out of business, so they don't – didn't exist thereafter. Our Issuer business grew through the last recessionary environment. So if our long-term target is mid single-digits, let's just call it five to pick a round number, I would say 2% to 3% growth, so kind of call it 2.5% is what I would expect from issuer growth in a normal recessionary environment, which is what Paul saw, I believe, in 2008 – in 2008 and 2009.

Business and Consumer, we really haven't had either company, TSYS or Global, going back to the recession. I do understand that Netspend did grow substantially through the last recession. But as you know, that market and that environment, obviously, today has changed. And in fact, as we said in our prepared comments, that business is doing very well in April as you would imagine with 1.2 billion of stimulus funds being used on groceries and pharmacies and essentials being used in April. That is going – that produced a very big number for that business in April, right. So obviously, it's not a normal environment is the point I'm trying to make for that business. So it's kind of harder to say on Netspend. So between Issuer and Netspend, you're talking about 35% of the revenue of the company.

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Now let's pivot to Merchant, which is two-thirds of the revenue of the business. Let's start with our own software businesses, call it, by and large, about \$800 million, \$900 million of revenue or kind of thereabouts or about 10% of the company. I would say in a normal environment, those are pretty resilient. We have differences today. What are the differences? The difference today is that K-12 schools, a fantastic business for us, software and payments, obviously, K-12 schools have been closed. So we haven't had K-12 schools open for quite some time. Two-thirds of our revenue in our education, that K-12 is payments based. The other third is pure software sales in that business. So obviously, this is a different ball of wax to your point than we're used to, but in a normal recessionary environment, if that's a term you want to use, that business is pretty well-insulated. And of course, we all expect our kids to be back at school in August and for that to recover.

Obviously, Cameron commented on our AMD business, very healthy today. I think, he gave you numbers on that, our university business, online or offline. Very healthy today. So I'd say a normal recessionary environment, that \$800 million to \$900 million of owned software revenue is very resilient. We already gave you commentary on Enterprise QSR is actually already hitting [indiscernible] (01:00:46), right? And those are hardware and software sales

And then our integrated business, it just depends on the vertical market. That's the other piece of the business, call that 20%, plus or minus 15%, 20% of revenue of the company. In ordinary recession, going back to your question, people go to the dentist, they go to the chiropractor, they go to their health professional. They go to nail salons. They go to self-storage. So in a normal recessionary environment, that's pretty protected as well.

So when you bring that all together, I think what I said, Darrin, at your conference is our normal model call it ballpark 10% organic constant currency revenue growth, plus or minus, because we say [ph] 9/11, (01:01:23) that probably adds up to call it 5 or whatever the math is, in a normal recessionary environment. Obviously, that's not the environment we're in with K-12 schools closed and everything else that we've been describing on the call.

But I would say ordinarily, we're well into the mid-single digits in revenue, even in normal recessionary environment with the pieces I just gave you and well into the teens, if you compare it to our kind of typical 2016 to 2018 guide in earnings ex-mergers. Obviously, we are doing better than that.

Darrin Peller

Analyst, Wolfe Research LLC

Okay.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

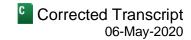
As Paul articulated, we just produced 2019 constant currency, obviously, with the virus for the first quarter. But in a normal environment, you're well into the teens on earnings as well. And that's kind of what a normal recession looks like. And I think, it's similar to what I said in your conference last month. Sorry.

Darrin Peller

Analyst, Wolfe Research LLC

Yeah. I think it's helpful to revisit that. Just one quick follow-up we're getting from clients is just when we think about April, I know you guys said it's slightly better or it's shown an inflection, obviously, and some improvements. I mean, is there any data points you can give us in terms of second half March specific growth rates versus let's call it, the last week of April growth rates in each of the key segments of your business? And then we'll just leave it there. Thanks, guys.

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Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Yeah, absolutely. Darrin, it's Cameron. I'll jump in on that, and I'll ask Paul maybe to provide a little bit more color around some of the specifics. Maybe I'll start in jumping off from Jeff's earlier commentary, if you look at our Issuer business and our Consumer business, which is about a third of our overall business. I think, we've generally seen those businesses roughly around flat to maybe down slightly in the current environment.

Our Issuer business is largely bundled pricing. We obviously do have some revenues that are exposed to transaction volumes. But by and large, that business is a pretty resilient business. And I think we saw that play out largely over the course of late March and the month of April as well.

Same thing on the Business and Consumer segment. We're seeing that business benefit from the stimulus spending. It is a debit oriented business. Debit skews towards consumer non-discretionary, obviously, that provides benefits for our Business and Consumer segment. So again, when you put that together with Issuer, the combined 35% of the company coming out of those two segments, really, by and large, is going to be around sort of flattish, which I think is a very, very good sign for the overall health of the business. And I think it speaks to the resiliency of the overall model we have.

Now pivoting over to the Merchant business, and I was pleased to see that Visa, Mastercard was able to put out some market data last week, because I think that provides a very good barometer for how the market is trending, and I think, it creates a good backdrop for how we're thinking about our own business performance, I would say our own data is trending very similarly to what you're seeing coming out of the networks.

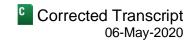
If we look globally across all of our merchant businesses, more specifically, as you talk about North America, which is about 80% of our business today, I think our business overall as a revenue matters, is trending reasonably well relative to the metrics provided by Visa, in particular, around the credit trends. And I think those credit trends probably are a pretty good proxy for our overall North American business as a performance matter for the month of April.

Here's really why. I think credit is probably a better metric for us than the combined or the debit trends they're providing. Our business in North America skews towards more credit than debit. Where we do have debit, it tends to be more in the petroleum space, and that's obviously been impacted by a variety of different factors, not just the pandemic over the first quarter. We do have good debit exposure, obviously, in the consumer business, as we talked about previously, which is a nice offset to that. But in Merchant specific, we tend to skew towards more credit than we do debit to begin with.

I would say secondly, our business does differ from the market. Visa and Mastercard represent the market. Obviously, we're more vertically focused. So we're not in travel, we're not in a lot of delayed delivery elements of the market that have been more heavily impacted. But the flipside of that is we're not in large supermarkets. We're not in pharmacy, large pharmacy change to a large degree. We're not in Walmart or Target, those types of large retail environments. So we haven't seen some of the positive trends on that side, but we certainly haven't seen more of the disastrous, negative trends in travel as well.

The other thing, I would say about our business and I mentioned this earlier, is we're skewed more towards the SMB. And those have been slightly more impacted I'd say, in this environment, some of the larger retailers. As you think about our portfolio. But I would say that is more than offset by the fact that, as Jeff highlighted, we have vertical market businesses that have been very resilient. Certainly, healthcare, higher education, our enterprise

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QSR business have performed really well in this environment. That has served to offset some of the more SMB skewing that we have in the portfolio overall.

So a bit of a long-winded answer, but I hope it gives you a sense of some of the color that we're seeing in the North American market. I think, when you blend all that together, it's trending reasonably well and the Visa credit, that is a good proxy for the performance we've seen in the North America business. Not surprisingly outside of North America, consistent with what you saw from Mastercard in particular, I would say volumes are trending a little bit worse than what we're seeing in North America.

In Europe, the UK and Spanish markets have been in lockdown, remain largely in lockdown now. Asia is a bit of a mixed bag. Obviously, you've been dealing with it for a more prolonged period of time. Some markets are starting to reopen, some remain closed. But I think if you look at all that together, it's a little bit worse than North America, and I think that's consistent with what you saw coming out of Visa and Mastercard. So hopefully, that gives you a sense as to what we're seeing in April overall, I think the business is holding up really well, all things considered. Particularly, when compared to the market data that we're seeing coming out of the networks.

Paul Michael Todd

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

Yeah. And the only thing I would add on to that is, if you look at it from a margin standpoint, the cost actions that we took, we were on the front foot of this to move quickly as it relates to the cost actions. And if you even look at first quarter, the majority of the margin expansion came from our Issuer Solutions business which also has a defensive aspect to it from a revenue standpoint. So as we go throughout the quarters, throughout the rest of this year, you'll see margin expansion in Issuer, you'll see margin expansion in Business and Consumer. And we're going to continue to kind of manage the margin as Jeff said earlier around the dynamics of the recovery. But we've already laid out a very aggressive and implemented plan around margin expansion that positions us well for this environment.

Operator: Thank you. Our last question comes from Timothy Chiodo of Credit Suisse. Your line is open.

Timothy Chiodo

Analyst, Credit Suisse Securities (USA) LLC

Good morning. Thank you for taking my question. There seems to be an increasing emphasis on both e-com and omni, both in the near-term and the long term, what are the themes thus far? I bring that up just in light of the recent Citi Global e-com omni win that you had last fall, I believe it went live in December. Just wanted to see if you could maybe add some commentary. Maybe not specific to that deal. If you can, great. If not, just in general, if there's a pipeline of potentially other large banks that are now looking for a similar type partner on a global e-com and omni basis?

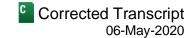
Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Yes, Tim, it's Jeff. I'll take a crack at that. So first of all, we're delighted with our relationship with Citi. The US and UK bins are live. Those transactions are being piloted now and we're very pleased with where we are. But if you take a step back for a second, we tried saying this in our prepared remarks; we've had a really good run in the first quarter and into April on e-com omni. So the first thing I think I said in the prepared remarks is that was one of our best-performing business, and up absolutely, I think, mid-single digits for the first quarter globally of 2020. That trend has continued into April.



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So worldwide ex-T&E. And as Cameron said, only 2% to 3% of our company revenue-wise worldwide anywhere is in T&E. So we're not really exposed there. But ex-T&E, our e-com omni businesses in April were up double digits, right around 10%. And for the month of April. So I think – and we gave a list in our prepared remarks, Cameron and I both did the wins that we've had in that business.

So we're really fortunate to be in the position we're in. I think, it's showing in the first quarter, it's showing in April. But importantly, I think, if Visa and MasterCard called out and we did as well, I just think the virus and everything else is going to continue to shift toward further digitization of payments, further migration online. We gave a bunch of examples. Cameron and I did in our prepared remarks about what's going on with online ordering, digital walls [indiscernible] (01:10:02) and while we're not in the delivery business, we are integrated into all the delivery services. So, I think, you're asking the right question. Those businesses have performed best for us in the first quarter, and continue to perform that way worldwide into April.

Timothy Chiodo

Analyst, Credit Suisse Securities (USA) LLC

Thank you very much.



Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks a lot, Tim. Well, on behalf of Global Payments, thank you very much for joining us this morning. Stay healthy and safe, and have a great day.

Operator: Ladies and gentlemen, thank you for joining. Have a great day.

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