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Global Payments, Inc. (GPN)

Q3 2020 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. And welcome to Global Payments' Third Quarter 2020 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, Senior Vice President, Investor Relations, Winnie Smith. Please go ahead.

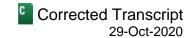
Winnie Smith

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

Good morning, and welcome to Global Payments' third 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 the 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 made refer to non-GAAP financial measures, such as adjusted net revenue, adjusted operating margin and adjusted earnings per share, which we believe are more reflective of our ongoing

Q3 2020 Earnings Call



performance. For a full reconciliation of these and other non-GAAP financial measures to the most comparable GAAP measure in accordance with the SEC regulation, 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 at 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 delivered third quarter results that substantially exceeded our expectations because of our differentiated strategy and technology enablement to drive digital growth. Each of adjusted net revenue, adjusted operating margin and adjusted earnings per share significantly outperformed the targets we put in place post the pandemic outbreak, and we continue to gain share relative to our markets. We thank our team members for their hard work and dedication to our customers, to each other and to the communities in which we live and work during these most difficult times.

We are particularly pleased with the significant level of operating margin expansion that we generated in the quarter. These results validate the actions we took at the beginning of the outbreak of COVID-19, both in timing and quantum. As a result, we are delighted to have returned to earnings growth in the third quarter of 2020. Our expectations are for continued progress in the fourth quarter, providing meaningful momentum heading into 2021.

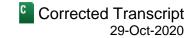
We are also pleased to continue to make substantial progress on our strategic goals this year, extending our lead and deepening our competitive moat. Year-to-date, we entered into a landmark collaboration with Amazon Web Services, our preferred provider of cloud services for our issuer business. We crossed the 60% threshold of our business coming from technology enablement, a goal we set in March 2018 for year-end 2020, and purchased an additional 29% of our joint venture in October with CaixaBank in Spain and Portugal, two of the most attractive domestic markets in Europe. And we did all this during a once-in-a-century pandemic, while meaningfully expanding market share by signing marquee competitive takeaways including Truist, the sixth largest bank in the United States, and by extending relationships with some of the largest, most sophisticated and complex financial institutions worldwide, including HSBC, CIBC, TD Bank and Wells Fargo.

Turning to our merchant business, our technology-enabled portfolio consists of three roughly equally sized channels. Our omni-channel, partner software and owned software vertical markets businesses collectively represent nearly 60% of merchant revenue. Our relationship-led businesses make up the remaining portion and continue to differentiate themselves in the markets we serve, based on the strength of our technology offerings.

Starting with our market-leading omni-channel capabilities, we are unique in our ability to offer local sales and operational support at scale physically in 38 countries and to provide services cross-border virtually into 100. That scale and reach, particularly in many of the harder served markets we operate in today is a significant competitive advantage. Volumes in this channel grew in the mid-teens during the third quarter compared to the prior year, excluding travel and entertainment. With changing consumer preferences as a tailwind, we believe that we will sustain higher levels of growth in our omni-channel businesses on an ongoing basis coming out of the pandemic, as channel shift and market share gains continue.

Our ability to seamlessly provide the full spectrum of payment solutions drove new wins this quarter, with large multinationals including Yves Saint Laurent, Alexander McQueen, and FedEx, each of which spans multiple geographies. Additionally, we recently signed a new multi-year partnership with Uber in Taiwan to provide

Q3 2020 Earnings Call



payment solutions for both Uber Rides and Uber Eats. The Uber agreement was won as a result of the strength of our domestic capabilities. We are also excited to expand our current relationship with global store solutions company, PODS, beyond North America and Canada into Australia. We went live with Citi in Canada this quarter on our Unified Commerce Platform or UCP, and we are now pursuing customers jointly across North America and the United Kingdom. We are also pleased to announce that we have agreed to expand our partnership with Citi across Continental Europe, and we expect to launch those new UCP markets in the first half of 2021.

Global Payments Integrated, GPI, returned to growth in the third quarter because of the unrivalled breadth of our partnership portfolio, with over 4,000 ISVs in the most attractive vertical markets. Prior to COVID-19, our Integrated business consistently delivered double-digit organic revenue growth through market share gains and terrific ongoing execution. Through our merger with TSYS, we meaningfully increased the scale of the partner portfolio and enhanced our capabilities with additional assets like Genius and ProPay.

The strength of our combined integrated offerings allow this business to achieve its budgeted new sales forecast for the third quarter, with new partner production increasing over 70% versus 2019. Notable new wins include partnerships with CDK Global, a leading provider of automated software solutions to more than 20,000 dealerships around the world, as well as with Sandhills, a large private auction software provider focused on the industrial equipment and machinery market. We also signed Pentair, a leader in software solutions for field service providers, including Pentair's own 17,000 plus dealers in addition to independent service companies.

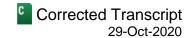
Our own software businesses represent the remaining roughly 20% of our technology-enabled merchant revenue. And our leading SaaS solutions in healthcare, higher education and quick service restaurant or QSR have been more resilient in the current environment. Even in our businesses that have been more impacted by the pandemic, including ACTIVE and our K-12 primary education and gaming businesses, we are seeing sequential improvement, giving us increased confidence for 2021. Our strategy of delivering the full value stack in key verticals continues to produce deeper, richer and more value-added relationships with customers and is becoming table stakes in the markets we serve.

Our enterprise QSR business continued its success with Xenial's online ordering and delivery solutions, which has now enabled more than 62 million orders and greater than \$1 billion in sales in 2020. We also completed the rollout of our cloud-based SaaS point-of-sale solution with Dutch Bros, and we are currently installing our POS solutions in all Long John Silver's locations in the United States. And we have now integrated our Genius payment solutions from TSYS into our Xenial offerings, significantly expanding our cross-sell capabilities.

Today, we lead with technology and innovative solutions across all of our merchant businesses. This includes our relationship channels where we continue to see strong new sales performance fueled by our suite of differentiated products and solutions. For example, in our Heartland business, nearly two-thirds of new sales are technology-driven, including our leading POS software and online ordering solutions. We have seen strong demand for these offerings during the pandemic. Heartland delivered record new sales performance in the third quarter. And while we continue to focus on new technologies and markets, we have not lost sight of our long-standing partnerships with some of the largest, most sophisticated and complex financial institutions worldwide. We are delighted to announce that we have renewed our relationship with HSBC in the United Kingdom for merchant services. This comes a little over a decade after we entered that market with our joint venture.

We also recently executed a new merchant referral agreement with CIBC in Canada, a partnership that began right before our IPO in early 2001. Extended relationships in Europe with HSBC and in Canada with CIBC closely follow the expansion of our partnership with CaixaBank in Spain and Portugal. We are thrilled to have closed in early October on the agreement to purchase an additional 29% of Comercia, increasing our ownership stake to

Q3 2020 Earnings Call



80%. Our exclusive referral relationship now extends through 2040, 30 years after the initial joint venture date. We are humbled by the confidence that our partners place in us every day.

Regarding our issuer business, we announced last quarter a transformational go-to-market collaboration with Amazon Web Services or AWS to provide an industry-leading cloud-based issuer processing platform for customers, regardless of size, location, or processing preference. This is a game-changer for three reasons. First, it levels the playing field by bringing leading-edge technologies previously available only to new entrants to financial institutions and retailers of all sizes worldwide. Second, it triples our target addressable market by extending our geographic footprint and transforming our technologies to attract new market entrants, while dramatically expanding our distribution assets with AWS' sales force globally on a unique basis.

Third, it brings significant benefit to our customers and their consumers by enabling frictionless digital experiences in a safe commerce environment. Our collaboration with AWS is already bearing fruit. We are pleased to announce our first joint competitive takeaway, a financial institution customer in Asia currently with a legacy competitor to be boarded on our cloud-based solution in 2021. We also have recently been awarded new business with a large domestic financial institution in Europe on a cloud basis. Our issuer technology transformation is now fully underway and on track.

As we continue to gain share through our unique collaboration, we will capitalize on the broad and deep pipeline we have the good fortune to have in our issuer business. We currently have 11 letters of intent with financial institutions worldwide, 7 of which are competitive takeaways.

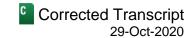
In the last 18 months, we have had 33 competitive wins across North America and international markets. These market share gains are occurring right now in the midst of a pandemic and prior to full implementation of our cloud-native solutions with AWS. All of this is, of course, in addition to significant renewal agreements that we executed this past quarter, including with TD Bank, Wells Fargo and Advanzia in Europe. We are also pleased to announce that we have secured long-term extensions with Arvest Bank as well as with Banco Popular de Puerto Rico and that we have finalized an agreement with Scotiabank to convert its Canadian consumer credit card and loan accounts.

Our Business and Consumer segment delivered high-single-digit growth, achieving record third quarter revenues in a challenging macroeconomic environment and well after the April stimulus. This business also substantially expanded operating margins, which we drove by disciplined focus on expense management and execution since the merger. The shift to cashless solutions is benefiting us across the Business and Consumer portfolio, with customers remaining active longer and utilizing more of our products. As just one example, we are seeing rapid adoption of our TIPS solution with a number of customer locations using us for disbursement up five-fold since the beginning of the pandemic.

We also signed a new strategic relationship with Austin Football Club, the newest MLS franchise, and we are working with the team and the stadium to develop a cashless payment account and processing ecosystem, while also leveraging brand and sponsorship opportunities. We closed on our new joint venture with MoneyToPay on October 1, which expands our target addressable market to include Continental Europe for the first time.

We have no better partner than CaixaBank and we believe the combination will offer significant growth opportunities for this business segment in the future. The new venture also validates the types of revenue synergies we anticipated at the time of our TSYS merger.

Q3 2020 Earnings Call



Finally, the underlying strength of our businesses has enabled us to now return our focus towards a traditional capital allocation priority that we have employed over the last seven years, return capital to shareholders and select M&A. We have put those initiatives on hold at the beginning of the COVID outbreak. It would have been difficult in March to imagine we would be in the position that we are in today. As a result, we look for more activity going forward subject, of course, to the capital markets environment and outlook.

Now, over to Paul.

Paul Michael Todd

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

Thanks, Jeff. I'm extremely proud of the financial performance we achieved this quarter that once again exceeded our expectations, driven by strong execution of our differentiated technology-enabled strategy. Adjusted net revenue for the quarter was \$1.75 billion, reflecting growth of 64% over 2019. Adjusted net revenue compared to the prior year on a combined basis was down just 4%, a meaningful improvement from the second quarter.

Importantly, our adjusted operating margin increased an impressive 250 basis points to 41.1%, as we benefited from the broad expense actions we took to address the impact of the pandemic and the realizations of cost synergies related to the merger, which continued to track ahead of plan. The net result was adjusted earnings per share of \$1.71 for the third quarter, which compares to \$1.70 in the prior-year period, an impressive outcome that highlights the durability and resiliency of our model.

These results include an accrual for non-executive bonuses, as our performance for the quarter substantially exceeded our expectations. We're pleased to be in a position to begin to reward our team members around the world who continue to deliver the highest standard of service to our customers.

At our Merchant Solutions segment, we achieved adjusted net revenue of \$1.13 billion for the third quarter, a 6% decline from the prior year on a combined basis and significant improvement from the second quarter. Notably, we delivered an adjusted operating margin of 47.3% in this segment, an improvement of roughly 40 basis points, as our cost initiatives and the underlying strength of our business mix more than offset top line headwinds from the macro environment. Our technology-enabled portfolio was relatively resilient once again, with several of our businesses delivering year-over-year growth in the third quarter on a combined basis.

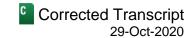
Specifically, our worldwide omni-channel e-commerce volumes, excluding T&E, grew mid-teens as our unique value proposition, including our Unified Commerce Platform or UCP, continues to resonate with customers. Also, Global Payments Integrated delivered adjusted net revenue growth in the quarter on a combined basis, while the leading scale and scope of our ecosystem has this business on pace to deliver another record year for new partner production.

As for our owned software portfolio, AdvancedMD remained a bright spot, producing strong adjusted net revenue growth and once again delivering record bookings during the third quarter.

Moving to our relationship-led businesses, we are pleased to have realized solid sequential improvement across geographies this quarter and payment volumes continued to recover around the world. Once again, execution in these businesses remained very strong this quarter, as evidenced by the new sales performance Jeff highlighted earlier and share gains we have realized.

Turning to Issuer Solutions, we delivered \$433 million in adjusted net revenue for the third quarter, representing a 2.5% decline from the prior-year period on a combined basis. As transaction volumes are recovering, traditional

Q3 2020 Earnings Call



accounts on file continued to grow in the mid-single digits and set a new record for the quarter and our bundled pricing model, including value-added products and services, benefits performance. In fact, excluding our commercial card business, which represents approximately 20% of our issue portfolio and is being impacted by limited corporate travel, this segment delivered low single-digit growth for the quarter on a combined basis. Adjusted segment operating margin for Issuer expanded a very strong 500 basis points to 43.3%, compared to the prior year on a combined basis, as we continue to benefit from our efforts to drive efficiencies in the business.

Finally, our Business and Consumer Solutions segment delivered adjusted net revenue of \$204 million, a record third-quarter result, representing growth of more than 7% from the prior year. Netspend continues to benefit from strong trends in gross dollar volume, which increased 12% for the quarter, and impressive outcome in light of the environment and in the absence of incremental stimulus. We are pleased that Netspend customers remain active and are utilizing our products for purchases, as we are seeing a shift to cashless spending in this channel as well. We are particularly pleased by trends with our DDA products with active account growth increasing 24% from the prior year. Adjusted operating margin for this segment improved 710 basis points to 25.6%, as we benefited from the efforts, we have made over the past year to streamline costs and drive greater operational efficiencies in this business.

The powerful combination of Global Payments and TSYS has provided us with multiple levers to mitigate the headwinds we have faced from the pandemic. We are making great progress on our integration, which I mentioned continues to track ahead of plan. It has been just over one year since we closed our merger, and we have the confidence to again raise our estimate for annual run-rate expense synergies from the merger to at least \$375 million within three years, up from our previous estimate of \$350 million. This marks the third time we have increased our cost synergy expectations. We also remain confident in our ability to deliver at least \$125 million in annual run-rate revenue synergies and a \$400 million in additional annual run-rate expense savings related to the pandemic, which is incremental to the TSYS merger synergies.

As we sit here today, our business is healthy, and we are able to return to our capital allocation priorities. We generated roughly \$500 million in adjusted free cash flow this quarter, essentially funding our purchase of an additional 29% stake in our joint venture with CaixaBank. We reinvested approximately \$120 million of CapEx back into the business. We ended the quarter with roughly \$3 billion of liquidity and a leverage position of roughly 2.5 times on a net debt basis. Given our strong liquidity and balance sheet strength, we are pleased to announce that our board of directors has increased our share repurchase authorization to \$1.25 billion, while we continue executing against a full pipeline of merger and acquisition opportunities.

While we are not providing guidance at this time, we currently expect to have margin expansion and earnings per share growth for the fourth quarter, providing us with strong momentum heading into 2021. Additionally, assuming the recovery continues to progress, and we see a more normal environment in 2021, we are currently targeting adjusted earnings per share of roughly \$8 for next year. We are grateful for our market leadership and global scale in payments, while the proliferation of technology and software in our industry should allow us to continue to drive meaningful share gains well into the future.

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

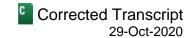
Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

I'm very proud of all that we have accomplished thus far in 2020, as we execute on our strategic initiatives. This will be a remarkable year regardless of the macroeconomic environment, but it is all the more notable in the face of a 100-year pandemic. AWS, CaixaBank and crossing the 60% digital enablement threshold just to name a few



Q3 2020 Earnings Call



of the noteworthy accomplishments. Our new collaborations with market-leading technology companies such as AWS combined with distinctive partnerships with some of the largest and most complex institutions in the world such as HSBC, CIBC and CaixaBank provide further validation of the wisdom of our differentiated strategies. We are enthusiastic about the future, as we continue to advance our technology-enabled, software-driven goals, building upon our competitive advantages to widen our moat and to create significant long-term value for our shareholders. Winnie?

Winnie Smith

Senior 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: Thank you. Your first question comes from the line of Darrin Peller with Wolfe Research. Darrin, your line is open.

Darrin Peller

Analyst, Wolfe Research LLC

All right. Hey, thanks, guys. Jeff, I just want to start off with your strategy around acquisitions and really the technologies and capabilities you really think you can use to fill out what's already obviously showing to hold up its own pretty well. And then just on top of that, any data points you can give us on how you're kind of filling the funnel on the top in terms of bookings, new business trends in the merchant business versus any attrition levels would be great. Thanks.

Jeffrey Steven Sloan

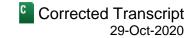
Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Darrin. It's Jeff. And I'll start and I'm sure Cameron and Paul can comment on your second question. But on your first question, listen, our strategy has not changed as a company probably over the last number of years. And that is to say that we have three legs to the stool. Those legs to the stool include owned and partner software, include e-commerce and omni-channel businesses and exposure to faster growth markets. So, I'd say pretty much all the deals that we look at fall into one or more of those three buckets.

We're really pleased about where we are today. And Paul of course mentioned this in his prepared comments is that we sit here today in as healthy position as we've ever been, but particularly, much healthier than we would have guessed probably back in March or April. As Paul said, we're levered today on a net basis 2.5 times and we have \$3 billion of liquidity. Our M&A pipeline is pretty full, but obviously some of that depends on some stability of course in the capital markets. You saw our announcement today about our board thankfully increasing our share repurchase authorizations, for the time being the best investment I think is us, given our performance and where the markets have been.

Having said though, we continue to execute against that pipeline, and we're well capitalized to pursue this opportunity. So, I think we're in a really happy place, Darrin, and I would say our strategy has not changed. And you probably saw this in our release as well as our prepared comments. We've actually now crossed the 60% threshold of our merchant business coming from digital trends, which is something that we started talking about in

Q3 2020 Earnings Call



2015 and 2018. We set that target in our last Investor Day in 2018 for the end of this year, and we crossed that threshold in the third quarter. So, I think that's worked really well for us. I don't really see that changing. And if we were to do additional acquisitions subject to market conditions, they would probably fall along the lines of those three buckets. Cameron, you want to talk a little bit about the second question?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah. Sure, Darrin. Good morning. I'll touch on that. I'm going to focus on North America since that represents about 80% of our merchant business. But I would tell you the one thing that we tried to do during the midst of the pandemic is focus on the things that we can control. And that starts with new sales. And I would say the new sales performance across our businesses have really been exceptional. Heartland had a record new sales production period in the third quarter, up double-digits year-over-year, up 25% sequentially versus the second quarter. Again, the strongest new sales performance period in the history of that business. Our integrated business as we noted in our prepared comments is tracking to budget for the year, notwithstanding the pandemic. New partner production is up 70% year-over-year. And I would say the overall partner pipeline is as strong as it's ever been in that business. And we're pretty optimistic about the momentum we have heading into Q4 and 2021 in our integrated channel.

In vertical markets, we saw particular strength in AdvancedMD. That's a continuing theme, obviously we touched on throughout the pandemic. Their new bookings were up 15% year-over-year. In Xenial, our QSR enterprise business, we saw new SaaS sales up 30% year-over-year. And in our higher education business, new bookings are tracking at a consistent level with 2019 despite a number of campuses being closed during the midst of the pandemic. So, we're pleased with that performance as well. Canada saw new sales up 12% year-over-year in the quarter – or excuse me, year-over-year year-to-date. They're up 28% in Q3. So again, continued strong strength in the Canadian market, largely on the heels of our new partnership with Desjardins, which continues to bear fruit for us in that market.

And Europe and Asia overall, I'll just touch on briefly. I think their performance has been very strong notwithstanding the environment they've been operating in. New sales remained solid in all those markets. The UK has had some significant new wins this quarter that we're particularly pleased with. Spain continues to be a strong performer for us. Mid count is up in Spain year-over-year. Domestic volumes are up 5%, 6% in Spain year-over-year. We see particular strength in that market as well. And then Asia again new sales performance has been very good. Obviously, the overall macro in Asia continues to be a bit soft given the impact of the pandemic. But I would say just overall in the business, going back to my opening comments, we're exceptionally pleased with the pace of new sales and how we've executed with new sales and bookings throughout the pandemic, but particularly in Q3.

Darrin Peller

Analyst, Wolfe Research LLC

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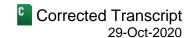
That's really helpful, guys. Great detail. I mean it sounds like – and I'll leave it at this – but it sounds like overall the technology offers you have is enabling, you guys have been gaining share to a degree that you come out of the pandemic potentially in line or larger than you could have been before. Is that fair just based on the type of differentiation you're seeing versus maybe some of the banks out there?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

А

Q3 2020 Earnings Call



Yeah. I think we're certainly – our opinion, you look at Visa, Mastercard, yesterday Darrin, which on a combined basis I view as kind of the market. And these numbers obviously are multiples better than those numbers. So, with that I think supports our thesis that we're rapidly gaining share in pretty much every one of our businesses as we look at it, especially for these purposes, our merchant business. So, I think what you said is exactly right, and that in addition to the bookings numbers which are great leading indicators that Cameron alluded to make us feel really good about the trajectory of the business.

Darrin Peller Analyst, Wolfe Research LLC	Q
Yeah, great to see. All right. Thanks, guys.	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	А
Thanks, Darrin.	
Cameron M. Bready President & Chief Operating Officer, Global Payments, Inc.	A
Thanks, Darrin.	
Operator: Your next question comes from the line of Dave Koning with Baird. Dave, your line is open.	
David John Koning Analyst, Robert W. Baird & Co., Inc.	Q
Hi. Thanks. And nice job.	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
Thanks, Dave.	
David John Koning Analyst, Robert W. Baird & Co., Inc.	Q
Yeah, maybe could you review monthly trends, especially in merchant? Maybe – I know you did down 6% over-year, but did that improve throughout the quarter? And maybe how is that setting up into October?	% year-

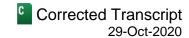
Paul Michael Todd

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

Yeah, so maybe I'll start, and Cameron can give a little more insight. Yeah, the monthly trends continued to kind of have good both stabilization and kind of sequential monthly growth. And so, we had said for some time now that from a merchant standpoint, our volumes looked a lot like the Visa credit volumes but has recently started positively decoupling from those volumes and trending better. And we saw that obviously in the third quarter relative to the Visa volumes that came back yesterday. And we're continuing to see that improvement in the several weeks here of October that we've seen so far. So, yeah, the trends continue to be positive that commensurate with kind of how we've described them, and obviously the results flowed through from those relative to the financial performance for the quarter.

Cameron, do you want to add to that?

Q3 2020 Earnings Call



Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

look at the merchant business in a couple ways.

Yeah, I would just add a couple things. I think if you look at Q3, we saw obviously continued improvement throughout the quarter. I think the pace of recovery, as we've seen over the last couple months, has begun to slow and I think that's pretty consistent with the industry data that has been published as well. We see October trending a little bit better than September. But as it relates to the Asia rate for September. I think it's important to

One is, if you exclude our vertical market businesses that have been most heavily impacted during the pandemic, lower education where schools are largely closed, our ACTIVE business, where obviously endurance and sporting events have been largely shut down, and gaming, where obviously our casino business has been heavily impacted by the pandemic. If you exclude those, our merchant business for the quarter in the US was roughly flat, down a point or so. So, I called that roughly flat for the quarter.

And in Asia, September, essentially flat. So, I think we have good momentum heading into October in that business, and obviously, that's a strong sequential improvement over where we were in the second quarter. So certainly, as it relates to North America again, which is 80% of the merchant business, the trends we've seen are positive. October is a slight improvement over September. We're obviously monitoring that closely as I think the entire world continues to struggle with the pandemic. But the trends we've seen thus far are encouraging, as we continue to grind higher as a recovery matter heading into 2021.

David John Koning

Analyst, Robert W. Baird & Co., Inc.

Great. Thanks. And just a quick follow-up. Normally in Q4 merchants, the seasonality of merchant is for revenues to come in a little bit sequentially and margins to be down a bit. But given kind of the recovery that's playing out and all the synergies, could we decouple kind of from that normal seasonality or should we still have a little bit of it?

Paul Michael Todd

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

Yeah. No. I think in light of the environment we're in, we would see some of the decoupling from that normalcy and actually sequential quarter improvement, both from a revenue standpoint and a margin standpoint, particularly on the margin side, given the cost actions that we're taking. So, yeah, that kind of normal kind of seasonality doesn't necessarily hold this year given the pandemic.

David John Koning

Analyst, Robert W. Baird & Co., Inc.

Sounds great. Hey, thanks, guys.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

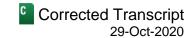
Thanks, Dave.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Thanks, Dave.

Q3 2020 Earnings Call



Operator: Your next question comes from the line of Ramsey El-Assal with Barclays. Ramsey, your line is open.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

Q

Merger revenue synergies realization and kind of your thoughts on any challenges or opportunities coming from the impact of the pandemic. Sort of what are your latest thoughts on prioritization and timing of the revenue synergies realization coming out of the merger?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.



Yeah, Ramsey. We missed the first part of your question, but I think it relates to what we're seeing from a merger synergy standpoint on the revenue side, how that's pacing and what our expectations are as we continue to push forward. So, I would say we're very pleased with the early progress we've seen from a revenue synergy standpoint, as evidenced at least partly today by our re-iterance of our expectation of \$125 million of annual run rate synergies by the time we get the three years out from the closing of the merger.

We've launched a number of initiatives in our merchant business to realize those synergies today. Tactically, we are cross-selling our analytics and customer engagement platform now across the TSYS base of business. We've introduced Vital Plus into the Heartland channel. We've also brought that solution to Canada as well.

We're leveraging the capabilities of ProPay now in the Heartland business. We're also bringing that to Canada. Those revenue synergies are well on-track and pacing relatively consistent with our original expectations for them, notwithstanding obviously the impacts of the pandemic. There's longer tail revenue synergies obviously that continue to progress as well. A number of those are really focused on our ability to cross-sell our issuance solutions into our base of existing merchant-FI relationships outside of the US.

I would say those discussions continue to be very fruitful and are progressing. Obviously, the pandemic has had some impact on the pace of those conversations, but we remain very optimistic and bullish as it relates to our ability to be successful in cross-selling issuer into those relationships and vice versa. We're having a number of conversations today about new merchant relationships that could come from existing TSYS issuing FI partnerships outside of the US as well.

And then lastly, we're making great headway on what we would characterize as our transaction optimization opportunities, where we can better blend the capabilities of our issuing and acquiring business to deliver unique distinctive solutions to the marketplace. A lot of that focus continues to be on Europe and markets outside of the US. And then, I think we're reasonably optimistic that we'll have some positive news to announce on that in the coming months.

So, I would say, all-in-all, we're delighted with the progress we're making. We continue to track well against those synergy targets. I'm more optimistic today than I was at the beginning of the merger as it relates to our ability to drive revenue synergies from the combination and I would say the early success we're seeing is very positive.

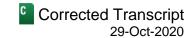
Ramsey El-Assal

Analyst, Barclays Capital, Inc.



That's great. That's terrific. One follow-up for me. I just wanted to ask about margins. The outperformance in the quarter was obviously great to see. Can you talk to us about the drivers of the beat this quarter and how they'll compare to what we're going to see next quarter? You mentioned a potential incremental margin expansion next

Q3 2020 Earnings Call



quarter. Is this more from synergies realization? Is it just operating leverage as the business comes back online? Just any commentary on the color, on the drivers of the beat this quarter and what might be flowing into next quarter as well will be helpful.

Paul Michael Todd

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

Yeah. Sure. Ramsey. It's Paul. I'd characterize it as both better kind of optimization from the synergies as we talked about. We raised our synergy target to \$375 million. So we are seeing kind of better realization on the synergies front. We clearly achieved the \$100 million of run-rate cost take-outs relative to the pandemic and so we're seeing that benefit come through. And just in general, as we're getting incremental revenue, the incremental margins of that revenue is coming in at a higher incremental rate than we had originally planned, because we kind of locked down the expense base.

So it's really those three drivers. I would say, as it relates to fourth quarter and the margin expansion there specifically talking about the Merchant segment when I referenced kind of the expansion there, I would also say, and I mentioned this in the prepared remarks, the margin expansion we would have had this quarter would have been higher had we not used some of the excess incremental revenue at the incremental margin to set aside for accrual of non-executive bonuses. So actually on a core fundamental basis, margin performance was actually even better than the 250 basis points that we realized.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

Perfect. Thanks so much for taking my question.

Paul Michael Todd

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

Thank you.

Operator: Your next guestion comes from the line of Bryan Keane with Deutsche Bank. Bryan, your line is open.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Thanks. I just want to follow up, Jeff, and ask about the M&A pipeline. There's a lot of people trying to speculate on what deals you guys would look at. In particular, I guess I'm trying to understand your preference between a scale kind of a cost synergy versus looking at a growth asset that would supplement your growth rate or even take it higher. Just any thoughts on a preference between those two types of assets.

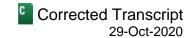
Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Hey, Bryan. Thanks for your question. It's Jeff. So, let me just start with the criteria that we always apply to kind of every deal and then I'll work backwards to kind of address your question more directly. So, as you said for some time, we look at strategic fit, cultural fit and financial returns when we look at new mergers and acquisitions. Very few things that we look at actually meet all three of those hurdles.

And I would tell you that we vary the financial return hurdle based on risk, not surprisingly, which includes geographic and country risk and also will reflect the volatility that we see in the capital markets currently and that

Q3 2020 Earnings Call



may or may not persist. Time will tell. As I said a minute ago, given what I just said, at current price levels, we believe buying back our stock is really a compelling opportunity, hence the announcement today of the share repurchase increment authorization and a return to capital allocation which we put on hold in March when COVID initially started.

I'd also say another corollary coming out of what I just said is most of our focus now in our pipeline as well as Paul said, most of our focus now is on deals in the United States. So if you look at the criteria I listed and you think about macroeconomic risk, country risk, regional risk and everything else, it shouldn't be a surprise to anyone that unless pricing environments drop that our focus is largely within the United States market, which is about 70% of the company. So it probably shouldn't surprise anybody.

As it relates to scale versus growth assets, listen, our pipeline is filled with both of them. What I would tell you at the end of the day, though, is I think it's unlikely in the immediate term that we do something outside the United States. Within the United States, we're looking at both software assets as well as traditional processing assets. But if nothing changes from here, I would expect us to do more repurchase, just to be candid at these prices, unless inorganic investment. But obviously that's subject to the facts, and as the facts change our opinions will change.

The other thing I want to mention in response the your question is, as Paul said is, at 2.5 times net leverage and \$3 billion of liquidity we have plenty of financial firepower to do what we need to do on our own. Should we need access to additional capital, and we have a use of proceeds for it, then obviously we'll revisit the composition of our businesses. But I would say sitting here today we think we're particularly well capitalized to execute on our strategies, and I don't see us shedding any assets to do that absent the distinct use of proceeds which we don't have today.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

That's super helpful. Thanks for that color. And just as a quick follow-up, on the Issuer Solutions business, it seems like its trending well and came in kind of a little bit ahead of where we were looking for. Just thinking about the outlook there and the pipeline in Issuer, if you can make some comments there. Thanks so much.

Jeffrey Steven Sloan

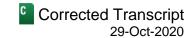
Chief Executive Officer & Director, Global Payments, Inc.

Yeah, Bryan. I'll start, and Paul can contribute also. But let me just start. So I would say it's a real bright spot as we said sequentially pretty significant improvement, return to better growth in the third quarter ex-the commercial card which is largely corporate travel related as Paul described in his prepared remarks.

Look, our pipeline is full. I think we said in our prepared remarks, 11 deals in our pipeline, seven of which are competitive takeaways, in the last 18 months 33 competitive wins. So it's hard not to look at that and be really pleased with how we're executing. And some of the things we mentioned initially are AWS collaboration which is unique to us, really starting to bear fruit. We had our first joint win in Asia. And that's someone going – a competitive takeaway from someone else, from a legacy provider into a cloud-based environment coming in 2021.

So now we have market validation from a customer base as to how we're doing. And our strategy there is a little bit different than everybody else is. So if you look at our strategy in Issuer which is bearing fruit, it's to marry great technology with folks like AWS, to marry that with servicing the largest and most complex financial institutions globally. And the reason we go after that market base – and it's not to the exclusion of everything else, but the

Q3 2020 Earnings Call



reason we go after that market – that place in the market, is that those are the folks who are gaining share in their own right. So as they gain share, we gain share with them.

And I don't think you have to look further than announcements, for example, that Cap One has made and other folks over time about picking up additional portfolios to see that if we're successful when our partners are successful. So that's why our focus is where it is. So we're pretty optimistic in that business. Obviously some of that depends on the macro. As I think Paul pointed out in his commentary and you look at the Visa, Mastercard numbers last night, our business was – I mean if someone can do the math, it's 6 times better than the market rates of growth, whatever the math was, embedded in the Visa, Mastercard commentary last night.

So ex-T&E low single-digit growth with T&E in there and commercial card minus 2%, whatever it was. But that compares to whatever they announced last night, minus 7% to minus 12% or wherever the revenue was, minus 14% to minus 17%. So clearly I think we represent the market on Issuing, and I think it goes to show the length of differentiation, the unique value play. We have the value-added services like fraud analytics and loyalty in our businesses. And that stuff obviously is winning. Paul, do you want to comment a little?

Paul Michael Todd

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

Yeah. I would. I would just say that we are going to see continued growth there and the recovery that is happening in that business is very good from a top line standpoint. I would say the other thing is the efficiencies we're getting in that business, to get 500 basis points of margin expansion this quarter just speaks volumes to how we're managing the cost base in the environment we're in.

And then finally, we're doing all that in an environment where we're investing in modernization, as Jeff just talked about. So really kind of hitting all three levers of the business of the growth side, from the top line, the new wins, the pipeline, the cost base efficiency and then investing to position the business for the future.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Got it. Thanks so much, and congrats on the progress.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Bryan.

Operator: Your next question comes from the line of David Togut with Evercore ISI. David, your line is open.

David Mark Togut

Analyst, Evercore ISI

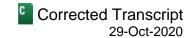
Thank you. Good morning. Good to see the major initiatives in Europe, particularly the reestablishment of the HSBC JV and going up to 80% on La Caixa. I'm curious why move forward on both of these initiatives now? And does control of the La Caixa JV allow you to do things that you couldn't do previously?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

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Q3 2020 Earnings Call



Yeah, David. It's Jeff. I'll start and I'm sure Cameron will comment as well. So listen, those businesses are both performing really well in the current environment. I think you have to parse out the nature of our business in Europe relative to the nature of the markets themselves or in particular Visa and Mastercard's proxies for the market. So our businesses in those markets, which is to say Western Europe or the UK and Spain and Portugal have a very heavy domestic component in those markets. And our businesses are growing there absolutely on a domestic basis year-over-year.

And I'm thinking about Caixa particularly and cross border while a piece of our business -it's a relatively small piece of our business and is nowhere near the driver of revenue growth that you have in Visa and Mastercard.

So the answer to your question, from my point of view, we have fantastic partners in HSBC and Caixa using the networks as a proxy. We're growing leaps and bounds ahead of where they're growing in those markets. Our ability to invest and capture more share in those businesses, Cameron talked about the bookings totals in some of our markets. We've had really good results in terms of new sales in those businesses, while in Spain for example we're growing absolutely year-over-year into October on a domestic basis. So I actually think it's a fantastic time for us to continue to invest in those businesses and support our partners.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

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Yeah, I agree with that, Dave. I don't have a ton to add. I would say I don't think there's ever a bad time to extend the relationship with a partner like HSBC, someone we've worked with over 50 years in our business in some form or fashion and certainly for the entirety of our existence in the UK market. They're a fantastic partner. They have a number of initiatives from a digital engagement standpoint that align very well with what our strategy is in that market.

And we've worked together extensively for years and are delighted to have the opportunity to extend our existing relationship and even broaden it into new avenues as we move forward in time. So we could not be more pleased to have executed that with them. As it relates to Spain, I completely agree with Jeff comments, Spain and Portugal were two of the most attractive domestic markets in Spain, excuse me, in Europe as I mentioned previously, Spain returned to volume growth domestically in the quarter, and that has continued in October, even with some reintroduction of restrictions to impact or to combat the Corona virus spread. So we're delighted with the overall performance of that business.

And certainly as Caixa continues to look to expand in Spain as well through its merger with Bankia, we think there will be incremental opportunities for us and obviously owning more of the joint venture I think will yield better returns longer term as we think about that investment. So clearly the valuation that underpinned – and the forecast that underpinned the valuation for that business reflects the environment that we're in today. We're outperforming that valuation and that forecast as we sit here today, and again, any time you have an opportunity to invest further in a joint venture that's been as successful as ours has been with Caixa in Spain, certainly we jumped at the opportunity to do it.

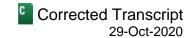
David Mark Togut

Analyst, Evercore ISI



Understood. Just as a quick follow-up, if I could, you made a number of important announcements both in the current quarter and previously, the 11 LOIs with financial institutions globally. You've got the AWS partnership, the Truist win, which you announced earlier this year. Can you help us dimension what this might mean for 2021 or 2022 revenue or earnings growth, recognizing companies aren't giving guidance in this environment? But maybe give us some framework with which to think about it?

Q3 2020 Earnings Call



Paul Michael Todd

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

Yeah. So, David, this is Paul. I think we gave you a little bit of a framework to think about our thinking as it relates to 2021 with the adjusted earnings per share target that we have right now on our budgeting process of roughly \$8. And so that's how we're currently thinking about next year. All of those things you just mentioned are obviously dynamics in that overall planning kind of cycle that we're in right now. But as it relates to the next year, that's kind of the best indicator we can give you as to our thinking of what next year might look like, assuming a much more normalized and kind of more normal operating environment.

David Mark Togut

Analyst, Evercore ISI

Understood. Thank you.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

And Dave, the only thing I would add to that is just I think it gives us a lot of confidence around the momentum we have in the underlying business. The macro is the macro, and the impact of the virus is what it is. And obviously that will eventually play out. But as it relates to how we're executing in the business, the underlying momentum we have from a new sales product in servicing standpoint, I think it just gives us a tremendous amount of confidence as to directionally where the business is heading over time. And as the macro continues to recovery, obviously that will bear out in the financial results that we produce.

David Mark Togut

Analyst, Evercore ISI

Understood. Thanks very much.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Dave.

Operator: Your next question comes from the line of Ashwin Shirvaikar with Citi. Ashwin, your line is open.

Ashwin Vassant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

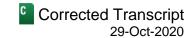
Thank you. Hey, Jeff, Cameron. Hi, Paul. Congratulations on the quarter. Good comments here. I want to actually start with something that I didn't quite grab, your adjusted free cash flow, almost \$0.5 billion, quite impressive. Are there one-timers in there that help, what should we look for in the full year and any comments on this net income to free cash flow conversion going forward?

Paul Michael Todd

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

Yeah. So, Ashwin, yeah, this is Paul. As it relates to — we've always had as our goal to kind of convert roughly 100% of adjusted earnings into free cash flow. And we were right at that goal for the third quarter. As it relates to timing, there isn't any really unique timing items in the quarter that I'd point to. You always have timing things that kind of flow in and out of a quarter, but nothing that I would specifically call out. And, yeah, as it relates to kind of

Q3 2020 Earnings Call



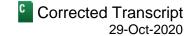
the forward look, we've said that kind of a \$1.6 billion to \$2 billion run-rate on a full-year basis is kind of a zone that we're producing against from a free cash flow standpoint. And if you look over kind of the last three-quarters, we're playing right in that zone. And so, there wouldn't be anything else there. We continue to obviously manage our capital expenditures in a very efficient sort of way while still investing for growth of the initiatives that we talked about. But there isn't anything from a unique kind of one-time standpoint that I would point to in the quarter.

about. But there isn't anything from a unique kind of one-time standpoint that I w	ould point to in the quarter.
Ashwin Vassant Shirvaikar Analyst, Citigroup Global Markets, Inc.	C
Okay. Got it. So really great to hear the competitive wins continue. Any comment these wins to revenues? Are financial institutions, merchants committed to prompushed out? And maybe even pulled forward given sort of strategic urgency? And have implications for the future?	ised timelines? Are they being
Paul Michael Todd Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	Δ
Yeah, Ashwin, there isn't anything really from an overall standpoint that I would so frealization of those opportunities. Now, obviously each client might have a diff happens when you're dealing with clients. But there isn't one theme or any kind either speeding up or slowing down kind of the normalized kind of realization of the opportunities converted into revenue. I would say from a conversion standpoint, which has the longest kind of cycle to bring those, our commercial pipeline is relapportunities are kind of being paced into that pipeline with that full nature. But the play around acceleration or delaying of those opportunities.	ferent dynamic, that always of a particular dynamic at play of being able to get those particularly on the issuing side, atively full. And so, new
Ashwin Vassant Shirvaikar Analyst, Citigroup Global Markets, Inc.	C
And that would translate to good visibility I would imagine?	
Paul Michael Todd Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A
Yeah.	
Ashwin Vassant Shirvaikar Analyst, Citigroup Global Markets, Inc.	C
Got it. Thank you, guys.	
Oot it. Thank you, guys.	
Paul Michael Todd Senior Executive Vice President & Chief Financial Officer, Global Payments, Inc.	A

open.

Jason Kupferberg Analyst, BofA Securities, Inc.

Q3 2020 Earnings Call



Hey, thanks. Good morning, guys. I thought I'd just follow up on the comment around the targeting \$8 of EPS for next year. I know you said that assumes a more normalized macro environment, but I was hoping maybe you could outline just a little bit more about some of the expectations that are embedded behind that target. For example, would you have the flexibility to drive even more cost takeout if necessary to get there? Does it also assume some meaningful amount of capital deployment?

Paul Michael Todd

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

A

Yeah. So, Jason, obviously, we're in this budget process right now. We obviously have always a lot of dynamics at play when we're in a budgeting process that kind of plays through various scenarios of what the revenue picture looks like and then what the cost side looks like. And, yes, we have obviously one set of plans as it relates to our cost initiatives. And then, under a different set of revenue assumptions, we would have a different set of plans.

Do we have additional cost opportunities? The answer to that is, yes. There's always this balancing of those realization of cost opportunities with what that does on the revenue side. And all of this is kind of wrapped in the overall environment that we're operating in. And we're going to need the next obviously several months to kind of play itself out relative to the overall operating environment. And we'll sync the cost base relative to that operating environment. But, yeah, I mean I wouldn't give you any more color really than that, other than to say that we are in our budgeting cycle and we play through all those dynamics in every year. This is a more unique year obviously given the pandemic and the dynamics at play with the pandemic.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

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Jason, this is Cameron. The only thing I would add to that, it obviously assumes that the path we're on as it relates to recovery continues and certainly doesn't anticipate a meaningful retrenchment, particularly as it relates to shutdowns or significant restrictions around commerce that we saw obviously earlier this year. So, it's not assuming a heroic pace of recovery. It sort of assumes we're continuing on the pace we're on today.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Okay. Thanks, guys. And just a follow-up on M&A, I mean I think historically you guys have been pretty clear that acquisitions need to be at least breakeven, but more likely accretive to year one adjusted EPS. So, is that still the case? And would you do a deal that actually dilutes your organic revenue growth even if it gives you a lot of year one EPS accretion?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

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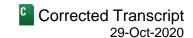
Yes, it's Jeff. Jason, the answer is no, we do not do that. So we're very focused on our long-term model that we rearticulated and reaffirmed at the time of our partnership with TSYS about a year and a half ago now. So, no, I don't see us doing deals that are dilutive to the rate of organic revenue growth. It doesn't make any sense to push a boulder up a further hill. I think we've invested very substantially to get our business to be 60% technology-enabled. We're very pleased with the success of that strategy. You see it in our differentiated results, which are multiples better than networks last night. I don't see us going backwards on that.

Jason Kupferberg

Analyst, BofA Securities, Inc.



Q3 2020 Earnings Call



Okay. Perfect. Thank you.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks.

Operator: Your final question comes from the line of Andrew Jeffrey with Truist Securities. Andrew, your line is open

Andrew Jeffrey

Analyst, Truist Securities, Inc.

Thank you. Good morning. I appreciate you squeezing me in at the end here. Jeff, you spent a lot of time talking about your software technology-enabled businesses, which I think is a key differentiator. I wonder if you could drill down a little bit into hospitality, where it seems like there's a tremendous amount of tech change, whether it's delivery order ahead with QR code. You made a couple comments about Xenial, including the integration of Genius. I just wondered if you could maybe flesh out a little bit volume growth in that vertical, share gains, from whom you're taking share, where you think your competitive advantage is, et cetera.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

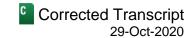
Yeah, I'll start, Andrew. And I'm sure Cameron will comment as well. So listen, we're very pleased with our Xenial business. As you referenced, we gave additional disclosure today about how that business is performing. We did \$62 million I think online orders as well as \$1 billion of volume coming out of that business in the most recent period. I think Cameron commented on 30% increase in SaaS sales in that business in the most recent quarter.

So, he can give you more detail, but we're very pleased about where that business is. But if you step back for a second, you talked about the overall competitive landscape. I don't think there's anybody who has got the full stack of vertical capabilities that we do in that business. Our pipeline today, Andrew, is filled with cross-sells in that business. So, we mentioned Dutch Bros. We mentioned Long John Silver's today and previous calls. We've mentioned RBI with Burger King, Popeyes, et cetera. We mentioned Auntie Anne's and the folks that inspire our Focus Brands. So we've got an enormous pipeline in that business.

I would say what's changed a little bit and this is very good news for us and validation of our strategy is that in the last six months or so, we've been getting a lot of RFPs from either folks who were never customers of ours or exchanged in that pipeline. And I think that's because they see what we're seeing, which is we call it the restaurant of the future, the QSR of the future, which obviously now includes safer commerce. But looking to RFP their payments business and these are businesses that are not with us today, with competitors who are primarily rifle shot payments companies. They are looking to RFP their payments businesses and they're coming to us and I'm sure others and saying can you do that while you're doing everything else that we need at the QSR level including safer commerce?

And I think that go-to-market with us, Andrew, is distinctive and unique to us and that includes both competitive takeaways, being brand new brands and I think we have 26 of the top 50 today, but we don't have all of them. So it includes brand-new brands, but it also includes guys who are customers of us just for a portion of their business. So I think that cross-sell strategy is really working. And we're very fortunate to be in that position we're in.

Q3 2020 Earnings Call



Cameron, you want to talk a little bit about some of the sub detail?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Sure. And I'll be happy to. I think, Bryan (sic) [Andrew] (59:50), it's important to segment the market as we always do here, particularly in restaurant, maybe more than other vertical markets. So at the enterprise end, Jeff, I think, described well our position with Xenial and the success we're seeing with Xenial. I will comment obviously that the integration with Cayan really opens up the avenue for cross-selling payments into that channel. I think that you know SICOM, a legacy business we acquired a couple years ago had no real payment volume in that business. And by integrating Cayan in, we're opening up a significant new avenue for payment cross-sell which is obviously consistent with our overarching strategy.

As you move down-market into the mid-market channel which we really attack through the Heartland business, we're delighted with the success we're seeing with our Heartland restaurant solution. That is geared towards what I would characterize as the restaurant mid-market channel. Sales of that were up 26% sequentially from Q2, 20% year-over-year. We're continuing to see a significant uptake of our software as a solution, software-as-a-service solutions through the point-of-sales system in that channel and could not be more pleased with the progress in the mid-market.

And then lastly in the smaller end of the market, we introduced our omni-channel version of our registered product in this quarter which we sell into the small end of the restaurants as well as small end of just the merchant base more broadly. We're seeing uptake of that being particularly good as we've integrated our online ordering capabilities into our traditional point-of-sale software solution for the small end of the market. So I think we have better product, better capability, better solutions across the spectrum of the restaurant vertical, across all segments of that market. And I think as a result of that, we continue to win and we continue to take share in that channel.

Andrew Jeffrey

Analyst, Truist Securities, Inc.

Q

All right. That's helpful color. And then one quick follow-up on the issuer business. You mentioned a number of competitive wins. Can you just discuss – are those takeaways from existing vendors or internal flips?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

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Yeah, they're largely the former, Andrew. We said that – what we announced with our script this morning. So Scotiabank in Canada was an in-sourcing model. So that actually is conversion in-sourcing, out-sourcing. So that's a flip from in to out. But other than that, the mention on the prepared remarks, seven of the 11 are competitive takeaways from existing providers. And the new one with AWS in Asia is also a takeaway from a legacy incumbent. So the vast majority are takeaways, but Scotiabank would be the exception.

Andrew Jeffrey

Analyst, Truist Securities, Inc.

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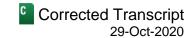
Great. Thank you.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks very much.

Q3 2020 Earnings Call



Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

On behalf of Global Payments, thank you very much for joining us this morning.

Operator: Ladies and gentlemen, this concludes today's conference call. You may now disconnect.

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