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Global Payments, Inc. (GPN)

Q1 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, and welcome to Global Payments First Quarter 2021 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' first quarter 2021 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 the 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 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 performance. For a full reconciliation of these and other non-GAAP financial measures to the most comparable GAAP measure in accordance with 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 in the Investor Relations area of our website at www.globalpayments.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 our best performance since the end of 2019 because of our focus on technology enablement coupled with excellence in execution. Our results demonstrated strong sequential momentum from the fourth quarter of 2020 and improved monthly throughout the first quarter of 2021.

We are encouraged by the overall run rate we are seeing in the business. We exited the first quarter in a better position than we entered it. We are delighted with the return to growth in the first quarter of 2021. We were able to deliver revenue, margin and earnings per share growth, despite facing difficult year-over-year comparisons, as the pandemic did not begin to impact our business until mid-March 2020.

None of this would have been possible without the dedication of our exceptional team-members, and we thank them for their commitment to our customers, our communities and each other. And we continue to expand our competitive moat.

We are pleased today to announce two strategic acquisitions for approximately \$1 billion in total that further our software driven, technology enabled strategy, and deepen our presence in the most attractive markets globally. We expect to continue to gain market share and extend our lead.

In combination with the roughly \$1 billion in share repurchases we've effected since returning to our capital allocation strategy at the end of last year, we continue to balance appropriately reinvestment in the future growth of our business with efficient return of capital.

First, with our agreement to acquire Zego, we enter one of the largest and most attractive vertical markets worldwide. Real estate is the quintessence of the type of market that we seek: sizable, global in scope, fragmented and ripe for further software, digital commerce and payments penetration. And COVID-19 has accelerated the underlying changes that make this \$6.5 billion target addressable market so attractive.

Zego is a leading software and payments technology company with significant scale, delivering a comprehensive real estate technology platform to 7,300 customers, representing more than 11 million residential units in the United States.

Zego's digital omnichannel solutions support property managers and residents throughout the real estate life cycle, from leasing and onboarding, to work orders, utility management, resident communications, renewals, offboarding, and, of course, payments.

Through its integrated payments offering, Zego processes approximately \$30 billion in payments annually in a market with a volume opportunity that exceeds \$1 trillion. The company delivers its full value stack through a cloud-native SaaS platform to enable seamless digital property management and best-in-class resident engagement and omnichannel experiences.

It is a highly scalable and predictable flywheel with compelling recurring revenue, strong retention rates, booking trends and lifetime customer value returns with double-digit organic revenue growth. Importantly, we have significant opportunities to accelerate Zego's growth.

We intend to leverage Global Payments' scale and digital expertise to further payments penetration into Zego's base, generate incremental property and software partner referrals to our more than 3,500 sales and sales support professionals, expand its footprint outside the United States and generate meaningful cross-selling opportunities into its vertical market, including innovative products we already deliver into our merchant business, like payroll, data and analytics and reputation management.

We could not be more excited about further capitalizing on the convergence of software and payments, and we look forward to welcoming Zego team members to Global Payments.

Second, we are excited to have reached an agreement through our Erste joint venture to purchase Worldline's PAYONE business in Austria, consisting of roughly 8,000 primarily SMB merchant customers in Erste Bank's home market.

We entered Austria through organic market expansion of our Continental European joint venture roughly 18 months ago. This pending acquisition enables us to bring our distinctive distribution and market-leading technologies at scale to yet another attractive market.

In addition to these strategic accomplishments in early 2021, we also produced a solid first quarter results across our existing businesses. First, in our Merchant segment, we delivered significant sequential improvement fueled by our technology-enabled focus and the conversion of last year's share and bookings gains into revenue.

And we generated these results, while absorbing ongoing lockdowns in Canada and renewed restrictions in selected markets in Europe and Asia Pacific.

Some highlights in the first quarter of 2021 include: record new sales in our Global Payments Integrated business in March and in our US relationship-led business for the quarter; record revenue growth at GPI for the quarter well in excess of pre-pandemic levels; record bookings at Xenial for our cloud-based restaurant POS software and solutions; and continued sequential acceleration in our omnichannel businesses.

It is worth highlighting that volumes accelerated throughout the quarter, a trend that has continued into April. Key customer wins include Subway, CKE Restaurants, A&W Foods and Bojangles. It's also notable that several of these businesses that were most impacted by COVID-19 saw substantial sequential growth in revenue and bookings in the first quarter, as our home market entered recovery.

For example, ACTIVE and Gaming achieved significant improvement, as better macro trends, strong execution and solid bookings over the course of 2020 benefited performance in 2021. In fact, we have continued to see positive booking trends across our software portfolio as the ability to deliver a full value stack is increasingly becoming table stakes in the markets we serve.

We also made considerable progress on the partnership with Google that we announced in February. We expect to board Google as a merchant customer in select Asian markets in the third quarter, with North America to follow shortly thereafter.

We have initiated our co-sell program, and are beginning to see referrals from Google, on a number of their enterprise cloud clients. We anticipate launching our Run and Grow My Business product that integrates Google Solutions with our innovative capabilities in our digital portal environment in the fourth quarter of this year. And we have launched our co-innovation efforts to develop new commerce enablement tools for our merchant customers.

Second, our Issuer business continues to benefit from strong relationships with market leaders. And we are excited to announce today that we have entered into a multiyear renewal with Barclays Consumer Bank in the United States. Barclays is one of our largest customers globally. And we provide a range of processing and support technologies for both Barclay's consumer and commercial credit card portfolios.

We look forward to working with Barclays to enable a best-in-class customer experience with unparalleled levels of security and resiliency for its newest partner, The Gap and its portfolio of accounts, yet another competitive takeaway.

Partnering with issuers that are gaining share in the marketplace is a key element of our strategy. We were also pleased to have signed agreements with Mission Lane and UMB Financial, with the latter being a competitive takeaway in which the prior processing relationship had spanned decades.

In collaboration with AWS, UMB will adopt our cloud-based data and analytics platform, which we also successfully deployed during the quarter for a multicountry customer in Latin America.

We continue to capitalize on the broad and deep pipeline we have the good fortune to have in our Issuer business. Today, we have 12 letters of intent with financial institutions worldwide, 6 of which are competitive takeaways.

Turning to AWS, we expect to go live with our first joint takeaway with a multinational financial institution in Asia, by the end of the year. Our cloud prime instance is now up and running currently in that market in preparation for the launch.

We have another dozen active customers in our pipeline with AWS, up from 4 at the end of 2020. Third, our Business and Consumer segment delivered record revenue growth. I am very proud that Netspend once again facilitated the rapid distribution of stimulus funds to customers most in need. Since late December 2020, we have processed more than 2 million deposits, accounting for over \$3.5 billion in stimulus payments disbursed by the IRS to American consumers.

And this was done days in advance of many of our traditional financial institutions and financial and technology peers. In combination with the 2020 stimulus payments, we have disbursed more than \$5 billion in aid to customers through the first quarter of 2021.

The pandemic accelerated move to our cashless solutions is also benefiting Netspend. For example, we are seeing rapid adoption of our Tips solution, and we reached a new agreement with Flynn Restaurant Group for its Pizza Hut and Wendy's franchise locations, which will drive additional pay card and potential Tips opportunities across a combined footprint of more than 1,000 restaurants.

We also launched our cashless Stadium Card linked to a digital wallet with the Phoenix Suns at the Phoenix Suns Arena. These achievements serve as proof points of our differentiated strategy that includes product extensions into the P2P, B2B and B2C segments.

I could not be more pleased with all that we accomplished across our businesses this quarter. In March, we returned to year-over-year growth in each of our three segments, and the underlying trajectories are tracking for our longer-term goals, just as we predicted they would, despite the impact of ongoing restrictions and lockdowns in some of our markets outside the United States.

Paul?

Paul Michael Todd

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

Thanks, Jeff. We are pleased with our financial performance in the first quarter of 2021, which demonstrated meaningful sequential momentum and reflected our ongoing strong execution across the business. Specifically, we delivered adjusted net revenue of \$1.81 billion, representing 5% growth compared to the prior year and marking an 800 basis point improvement relative to the performance we reported in the fourth quarter of 2020.

Adjusted operating margin for the first quarter was 40.6%, a 160 basis point improvement from the prior year that was achieved despite the return of certain costs we temporarily reduced at the onset of the pandemic. On a comparable basis, underlying margin trends would have improved approximately 300 basis points.

Adjusted earnings per share were \$1.82 for the quarter, an increase of 15% compared to the prior year period and was especially impressive in light of the difficult year-on-year comparison due to COVID-19. The pandemic did not begin to impact our business meaningfully until the second half of March of last year. And as a reminder, we delivered 18% adjusted earnings per share growth in the first quarter of 2020.

Taking a closer look at our performance by segment. Merchant Solutions achieved adjusted net revenue of \$1.15 billion for the first quarter, a 4.4% improvement from the prior year which marked a nearly 900 basis point improvement from the fourth quarter. We delivered an adjusted operating margin of 46.3% in this segment, an increase of 90 basis points from the same period in 2020 as we continue to benefit from our improving technology-enabled business mix.

Global Payments Integrated produced a stellar quarter, generating in excess of 20% adjusted net revenue improvement, which is ahead of the levels of growth this business was delivering pre-pandemic. Additionally, our worldwide e-commerce and omnichannel businesses, excluding T&E, delivered roughly 20% growth as our value proposition that seamlessly spans both the physical and virtual worlds continues to resonate with customers.

As for our owned software portfolio, we are encouraged to see that several of our businesses most impacted by the pandemic improved meaningfully sequentially, as Jeff mentioned. And it is worth highlighting that our gaming business returned to growth this quarter.

And across our vertical markets' portfolio, bookings continued to prove resilient in the first quarter, providing us with a positive tailwind for the balance of 2021. We are also pleased that our US relationship-led business generated high single-digit adjusted net revenue growth for the first quarter, which is consistent with our long-term targeted growth rate for this channel, despite a difficult comparison to the first quarter of 2020.

And notwithstanding a challenging environment in several of our international markets, our portfolio of businesses across Europe and Asia improved significantly and delivered adjusted net revenue that was essentially flat with last year for the quarter.

Importantly, because our international businesses are largely focused on domestic spending in the markets in which we operate, we are seeing improvement in these businesses well in advance of cross-border commerce recovering.

Moving to Issuer Solutions, we delivered \$439 million in adjusted net revenue for the first quarter, which was roughly flat versus the prior year period and exceeded our expectations given traditional fourth quarter to first quarter sequential trends.

Excluding the commercial card business, our Issuer segment grew in the low single digits for the quarter. And in the month of March, Issuer delivered growth in aggregate despite continued commercial card headwinds as we benefited from the ongoing recovery in transaction volumes across many of our markets.

We also saw non-volume-based revenue increased mid-single digits in the first quarter. Notably, our Issuer business achieved record first quarter adjusted operating income and adjusted segment operating margin expanded 370 basis points from the prior year, also reaching a new first quarter record of 43.2% as we continue to benefit from our efforts to drive efficiencies in the business.

Additionally, our Issuer team signed three long-term contract extensions and three new contracts since the start of the year, and our strong pipeline bodes well for future performance, consistent with our long-term expectations.

Finally, our Business and Consumer Solutions segment delivered record adjusted net revenue of \$244 million, representing growth of nearly 20% from the prior year. Gross dollar volume increased 26% or \$2.5 billion as we benefited from the stimulus we dispersed to our customers.

Trends within our DDA products were also very strong, helped by the stimulus, and we realized an acceleration in active account growth of more than 45% compared to the prior year. Excluding the impact of stimulus payments and tax, we believe that this business achieved underlying growth in the roughly mid-single-digit range, in line with our long-term targets.

Adjusted operating margin for this segment improved an impressive 750 basis points to a record 33.2% as the benefits of the stimulus and long-term cost initiatives post merger took effect.

The solid performance we delivered across our segments highlights the resiliency of our technology-enabled portfolio, consistency of our execution and the strong tailwinds in our business coming out of the pandemic.

We are also pleased that our integration continues to progress well, and we remain on track to achieve our increased goals from the TSYS merger of annual run rate expense synergies of at least \$400 million and annual run rate revenue synergies of at least \$150 million within three years.

From a cash flow standpoint, we generated adjusted first quarter free cash flow of roughly \$583 million after reinvesting \$86 million in capital expenditures. We expect adjusted free cash flow of more than \$2 billion and capital expenditures to be in the \$500 million to \$600 million range for the full year.

In mid-February, we successfully issued \$1.1 billion in senior unsecured notes maturing in 2026 at an attractive interest rate of 1.2%.

The transaction was credit neutral, with the proceeds used to redeem \$750 million of notes outstanding with a rate of 3.8% due in April 2021. The balance of the proceeds were used to reduce our outstanding revolver. We have no significant maturities until 2023.

Our strong cash generation and healthy balance sheet have enabled us to create significant value, through our capital allocation strategy to the benefit of our shareholders.

We are pleased to have repurchased roughly 4 million of our shares for approximately \$783 million during the first quarter, which includes the execution of the \$500 million accelerated share repurchase program, we announced last quarter.

We ended the quarter with roughly \$3 billion of liquidity and a leverage position of roughly 2.6 times on a net debt basis. And we are excited to announce that we have reached agreements to make additional investments in our technology-enabled strategy and market expansion.

As Jeff highlighted, we executed a definitive agreement to acquire Zego and Worldline's PAYONE business in Austria, for an aggregate of approximately \$1 billion.

We expect to finance these transactions using cash on hand and our existing credit facility. We are targeting closing the Zego transaction by the end of the second quarter and the Worldline acquisition in the second half of 2021, both subject to regulatory approvals.

Upon completion of both transactions, given our current cash balance and strong cash generation, we expect our leverage position will be relatively consistent with current levels, leaving us with ample continuing firepower.

Based on our current expectations for continued recovery from the COVID-19 pandemic worldwide, we have increased our guidance for adjusted net revenue to now be in a range of \$7.55 billion to \$7.625 billion, reflecting growth of 12% to 13% over 2020.

We expect adjusted operating margin expansion of up to 250 basis points, compared to 2020 levels. This outlook is consistent, with an adjusted operating margin expansion of up to 450 basis points on a normalized basis, given the operating leverage in our business and expense synergy actions related to the TSYS merger.

However, this is being partially offset by the reinstatement of certain expenses in 2021 that were temporarily reduced at the on-set of COVID-19 for most of 2020.

At the segment level, we have increased our expectations for adjusted net revenue growth for our Merchant Solutions segment to be in the high teens, which assumes the current pace of recovery continues worldwide.

We expect underlying trends in our issuing business to be in the mid to high-single digit range and above our mid-single digit growth target. It is worth noting that our issuer business generated high-single digit growth on a normalized basis for the month of March, as we began to lap the pandemic impact.

As we discussed last quarter, Issuer is being impacted by two distinct and relatively equal-sized headwinds. First, we are not anticipating a recovery in our commercial card business, as we expect corporate travel to remain depressed throughout 2021.

Second, we are absorbing a portfolio sale by one of our customers which will impact us for the remainder of the year. Taking these two items into account, we forecast our Issuer business to deliver adjusted net revenue growth in the low-single digit range for the year.

Lastly, incorporating the benefits of the incremental March stimulus, we are now forecasting adjusted net revenue growth for our Business and Consumer segment to be in the mid to high single digits for the full year, consistent with our long-term expectations for this business. This guidance takes into account lapping the benefits of the 2020 CARES Act, which will provide for a more difficult comparison in the second quarter of 2021.

Regarding segment margins, we expect the up to 250 basis points of adjusted operating margin improvement for the total company to be driven largely by Merchant Solutions, while we expect Issuer and Business and Consumer to deliver normalized margin expansion consistent with the underlying profiles of these businesses. This follows the 500 basis points and 400 basis points of adjusted operating margin expansion delivered by Issuer and Business and Consumer, respectively, in 2020.

From a quarterly phasing perspective, having now lapped muted growth characteristics in the first quarter given the start of the pandemic in mid-March 2020, we will experience the opposite effect in the second quarter before returning to more normalized rates of growth in the back half of the year.

I highlight that while we expect to achieve our strongest adjusted revenue growth, adjusted margin expansion and adjusted earnings per share growth for the total company in the second quarter, our Business and Consumer segment will be lapping the impact of the CARES Act stimulus last year.

While we anticipate Netspend to deliver modest adjusted net revenue growth for the second quarter, we expect adjusted operating margins to decline for that segment year-on-year as a result. On an absolute basis, we would expect Business and Consumer adjusted operating margins for the second quarter to be consistent with the levels achieved in the fourth quarter of 2020, a period that also saw more limited benefits from stimulus.

Moving to non-operating items. We continue to expect net interest expense to be slightly lower in 2021 relative to 2020, while we anticipate our adjusted tax rate will be relatively consistent with last year. Putting it all together, we now have increased our expected adjusted earnings per share for the full year to a range of \$7.87 to \$8.07, reflecting growth of 23% to 26% over 2020.

Our raised outlook presumes we remain on a path toward recovery worldwide over the balance of the year, and it does not include any impact from the Zego and Worldline Austrian business acquisitions we announced today. We will further update our guidance when these transactions close, but it is worth noting now that we do not expect these transactions to have a discernible impact on adjusted earnings per share for 2021.

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 business is run rating at accelerated levels. The trends of digitization, commerce enablement, software differentiation and omnichannel prevalence driving our performance will serve to catalyze future growth.

We said over the course of the last year that we would not stand still or wait for a better day to continue to deepen our competitive moat despite one of the most challenging periods any of us had seen.

As a result of our team members' terrific efforts, 2020 bookings have begun to translate into 2021 outsized revenue gains. The announcements today of our return to strategic investments will provide further avenues for future growth. And all that is playing out against the backdrop of recovery, further differentiation from technology enablement, deeper penetration into attractive markets, sustained share gains and substantial and efficient returns of capital. We now look forward to continuing progress for the remainder of 2021, 2022 and beyond. 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. [Operator Instructions] The first question comes from Andrew Jeffrey of Truist Securities. Your line is open.

Andrew Jeffrey

Analyst, Truist Securities, Inc.

Q

Thank you. Good morning. Appreciate all the detail, especially regarding the outlook. I wonder, Jeff, if you could talk a little bit about where you're seeing particular strength in integrated and omni, both geo and vertical markets? Because it seems like that's really more than offsetting some of the challenges you're seeing in Europe and APAC.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah. Thanks, Andrew. It's Jeff, and I'll start and maybe Cameron and Paul will join me thereafter. It's hard to say with any certainty because we've had the integrated business now at legacy Global Payments for probably 8.5 years. But I would say that our Global Payments Integrated business just delivered its best quarter ever from a revenue point of view, and that's especially noteworthy when we haven't lapped the majority in the first quarter of 2021 the majority of the growover from the first quarter of 2020.

So, I think what you're really seeing in the integrated business is the solid bookings growth, the new partner additions that we saw last year really flowing into revenue, and I think we have a flywheel on that business really just right. So, we couldn't be more pleased with our team on integrated.

I'd say on the omnichannel business, really pretty much the same thing. Our business accelerated sequentially in the first quarter of 2021, relative to the fourth quarter of 2020 and grew absolutely at the rate, as Paul described, 20% year-over-year, again without lapping the pandemic pretty much from the first quarter of 2020. So, we feel really good about that performance as well. So, we couldn't be more pleased.

Listen, our home market is the United States. It's 70% to 75% of the company. You really have to go, and you're pointing about the rest of geographies and the rest of the market, you really have to go kind of country-by-country to see what's happening. I would say we do see areas of growth in Asia Pacific, but, of course, India and Philippines are more difficult, as I'm sure everyone has been reading about the difficult – the terrible situation in India.

Canada, really, at the end of the quarter and really post the quarter, has enacted pretty strict lockdowns. But that's probably about 3% or 4% of the company, Andrew, just to kind of quantify what the size of that market is. And in Europe, it's really a mixed bag. I would say our business in Spain domestically is growing at very high rates. Notwithstanding broader macro issues across the European Union, the UK has really started to recover. But there are other markets, like in Continental Europe and our Czech Republic business, of course, we announced the deal today with Erste Bank, but that market also remains under substantial lockdown.

So, listen, I think, the good news for us is we're growing right through it. We did mention today that ACTIVE and Gaming in some of our markets here in the United States, have recovered pretty substantially. They still present some headwinds relative to the rate of growth that we just announced today, but to be able to show 900 basis points of sequential expansion from the fourth to the first quarter of 2021 in our Merchant business, I think, is one of the most noteworthy things of today. Cameron and Paul, you guys want to add to that?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

I think that actually covers it pretty well. The only other point I would make, just to top that off, Andrew, is just as it relates to new sales. In both of those businesses that you highlighted, in particular, integrated and omni, continue to be very, very strong.

In our e-com business here in the US market, our e-com sales were up something like, 330% year-over-year, so clearly demonstrating that the trends we've seen around consumer buying patterns as well as merchant adoption of omnichannel and e-commerce capabilities continues to be quite strong, even a year after, obviously, the onset of the pandemic.

So, we think that's a very positive sign as it relates to the future growth of the e-com and omni business. And then on the integrated front, again, our new sales in the quarter were 120% of our target, up something like 120% kind of year-over-year.

So again, we're seeing great momentum in the business continuing as we enter the second quarter as well. So, as Jeff highlighted, I think, the strong new bookings and new sales performance we saw last year clearly contributed to the performance in Q1, and we – it's nice to see that, that same execution has continued into 2021 as well.

Andrew Jeffrey

Analyst, Truist Securities, Inc.

Q

Thanks. I appreciate that. Just as a follow-up on Zego, can you offer a little insight as to revenue mix there? How much of that is, payments or merchant discount versus software and subscriptions?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah, Bryan – It's Cameron. Sorry, Andrew, it's Cameron again. So, the business is a mix of software and payments today. It really started as a payments business but has moved more into software over the course of time, in particular, driving more resident experience solutions through its software platform.

So, it's still a majority payments today, but the software elements of the business are growing more rapidly, and I would expect overtime that they will flip and become the majority of the business long term. So, it's about \$30 billion of payment volume today. It's a very healthy portfolio from a payment standpoint.

The nice thing about the business is, it's not that penetrated within its existing customer base from a payment's perspective. And obviously, the ability to cross-sell software into that base of existing partners today as well as to take global payments software and sell into that environment with our own value-added services drive some meaningful revenue tailwinds, we think, for the business in the future.

Andrew Jeffrey

Analyst, Truist Securities, Inc.

Thank you.

Q

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Andrew.

A

Operator: Your next question comes from David Togut with Evercore ISI. Your line is open. David, your line is open, you maybe on mute.

David Mark Togut

Analyst, Evercore ISI

Oh, thank you. You've underscored very strong trends at e-com, omni and integrated. And I'm curious, as the year evolves, how would you expect consumer behavior to change? Do you think we'll see continued strong e-com trends and debit funding?

Q

Or do you think the consumer will return more to the physical point-of-sale and start to use credit cards more? And related to that, how would you see that flowing through your tech-enabled solutions businesses and some of the key verticals that make those up?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Yeah, Dave, it's Jeff. I'll start and ask Cameron to join in. But, let me just start by saying by, kind of not answering the question, but I do want to call out our relationship-led businesses.

A

So, they also had a very good quarter. So, we produced high single-digit growth in our relationship-led businesses compared to the first quarter of 2020, for which 85% in the first quarter of 2020 had no pandemic. So, I want to call that out.

As we also said in our prepared remarks, we had record new sales in our relationship-led businesses in the first quarter of 2021, again, coming out of pandemic. So, I don't want to lose sight of that, before we address your question more directly.

Second, as it relates to your question, look, I don't think consumers are going to go backward. I don't think people are going to say, I want to spend more time in line. Where can I find the ATM to get more cash? There is no bull market for cash.

I think what we've seen the pandemic do is accelerates three to five years of behavioral change at the consumer side. Cameron just went through a minute ago, in response to Andrew's question, the bookings growth in our e-com, omni businesses which is, I guess, extraordinary, again, not lapping the pandemic for the first quarter of 2020. So, listen, I think, at the end of the day, in my opinion, the answer to your question is, I just don't see the trends of safer commerce, contactless commerce, omnichannel acceptance, I don't see folks moving backwards. I think, it's going to accelerate the underlying trends that we've seen over time.

I'd also say relative to kind of credit-debit mix, I don't see that changing either. The only time that we've really seen debit cannibalize credit was back in the early 2009 recession when credit was really tapped. So, all that was left out was debit. We really haven't seen that here. I do think you'll see alternative means of payment, of course, in Europe, where I know you're focused in particularly. We've got assets, account-to-account transactions. We've got real-time payments, that kind of thing.

Of course, we've got afterpay and those types of installment payment plans, which I think we're a market leader in, both in our issuing business and our acquiring business. So I think, there may be mix changes in terms of how people actually pay for things, but I don't think we're going to see debit cannibalize credit like we saw in 2008, we have not seen that really throughout the pandemic, and I don't see people kind of going backwards on convenience of use.

David Mark Togut*Analyst, Evercore ISI*

Q

Thanks for that. Just as a quick follow-up. You've had a lot of success in Europe with bank JVs like HSBC, la Caixa, Erste, how does the acquisition of Worldline PAYONE in Austria sync up with your Erste JV? Is that – are those two operating independently entirely? Or do you see some synergies potentially between the both?

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

A

No. David, it's Cameron. I'll jump in on that. So, this is actually a great opportunity to extend our joint venture with Erste. We're actually purchasing that business through the joint venture with our partners at Erste and – excuse me, Caixa as well. So, this is an extension of our existing partnership with Erste. They were very excited about the opportunity to grow and expand our business in their home market of Austria.

As you'll recall, and I think, we mentioned in our prepared remarks, we initiated a business in that market about 18 months ago. We've had very good success building essentially a greenfield acquiring business with our partners. And this adds significant scale and, obviously, an opportunity to grow and expand that business more rapidly going forward. So, this is very much a part of the joint venture that we have with Erste in Central Europe today.

David Mark Togut*Analyst, Evercore ISI*

Q

Understood. Thank you very much.

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

A

Thanks, David.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Thanks, David.

A

Operator: Your next question comes from Tien-Tsin Huang of JPMorgan. Your line is open.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Thank you. Good morning. I really like the property management acquisition. I'm curious if it's – if we were to compare it to the EHR space, easier, harder to monetize than that? Just trying to get a sense of how the timeline of potential payment penetration. And did you give the revenue run rate and growth before synergies? Thanks.

Q

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

So, Tien-Tsin, it's Cameron. Good morning. So, I would say, on balance, I would think it's probably easier to monetize the payment opportunity in the real estate space. There's obviously secular trends there that we think are very powerful around the digitization of the payment stream within real estate, whether it's recurring monthly rental payments, HOA fees or other one-off fees that lessees need to pay. So, we think the opportunity to drive better penetration from a payment standpoint in that market is going to be easier than some of the other vertical markets we've been in.

A

I think we view real estate really as the quintessential vertical market, where you have the intersection of software and payments where that nexus is very strong and obviously creates a significant opportunity for us to drive meaningful growth and share gains and, obviously, margin expansion over a period of time.

We expect the business, to your second question, to generate roughly \$100 million of revenue in 2021. It's growing double digits nicely. It, sort of, fits the rule of 40 for a software business very nicely today. And obviously, we think we can do a variety of things to accelerate that rate of revenue growth over time and scale the business more effectively by leveraging the broader Global Payments ecosystem.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Wonderful. No, I like it. I think, it's great. If you don't mind, maybe a quick one, just on the merchant revenue growth, building on Dave's question, it did positively decouple from Visa, Mastercard credit volume. So, just from a benchmarking standpoint, what do you expect going forward here? It sounds like SMB spend is coming back, relationship is doing great. Anything to add?

Q

Paul Michael Todd

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

Yeah. So, Tien-Tsin, this is Paul, and Cameron may want to add. But we've been talking for several quarters now about this positive decoupling. And obviously, we saw in a more dramatic way, certainly on the positive side, this last quarter. And so, yeah, we continue to kind of see that positive decoupling continue, and we would expect that to continue.

A

For the same reason, as we had outlined before, when we said that we expected that positive decoupling to occur once things got to a much more kind of normalized basis. The only other thing I would highlight is, as you look at that overall revenue growth number, do recall that we have probably 300 basis points of headwind related to those three vertical market businesses that are still, while they've improved from the depths of the pandemic and we highlighted Gaming as being now an absolute grower, we're still seeing some meaningful headwind related to the ACTIVE, the school business and the Gaming business, that if you kind of looked at it ex those, you kind of add 300 basis points to the overall growth rate. And then, if you do that, you can see really some, on a volume-to-volume basis, some very positive decouple. And Cameron, I don't know if you've anything to add to that.

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

A

No. The only other thing I would say just on top of that is the international markets continue to be a bit of a drag as well. So, if you really look at US payments and our growth in US payments, it was probably high single digits, maybe almost 10%, pure payments in the US market in the first quarter. So, even more decoupling than I think the sort of highlights represents.

And the other thing I would say is, over time, I expect that decoupling continue, partially because our international businesses are more exposed to domestic trends in those markets. So, as those markets reopen, we're not as reliant upon the cross-border volume to drive revenue growth in those businesses. As domestic markets reopen internationally, we'll obviously see a nice tailwind as a result of that.

Tien-Tsin Huang*Analyst, JPMorgan Securities LLC*

Q

Great. Thanks for the answers. Great content.

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

A

Thanks, Tien-Tsin.

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

Ramsey El-Assal*Analyst, Barclays Capital, Inc.*

Q

Hi. Thanks for taking my question this morning. I wanted to ask about – kind of a higher-level question about whether the pandemic will have any lasting effect on your sales process, particularly in merchant, given the increasing importance of e-commerce and omni and digital. Have you had to change your kind of go-to-market or sales approach? Or do you contemplate having to do so? And then if you could also just comment on bookings trends more generally as we head into Q2. That would be great.

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

A

Yeah, sure. I'll start. It's Cameron, and then I'll ask Paul maybe to jump in with a little bit more color as well. So, I would say, maybe to start, even well before the pandemic, we've been equipping our sales professionals around the globe with the best technology, the best capabilities to be able to sell. And obviously, we think that paid meaningful dividends through the course of the pandemic in our ability to continue to sell at very strong levels, notwithstanding, obviously, the impact of the pandemic.

And I think partly a credit to our sales teams in particular, they found new and innovative ways to continue to sell in a difficult environment. In particular our relationship-led sales professionals here in the US market that really operate under a commission-only model, they were very motivated and incentivized to go out and find creative ways to be able to sell into the marketplace.

So, the use of technology and deploying more technology towards the sales process itself, as well as, the ingenuity, I would say, of our sales professionals, I don't expect that to change post-pandemic.

And I think a lot of the lessons we've learned through this process will allow us to continue to be very effective and very productive from a new sales point of view as a go-forward matter.

I'll call out a few particular highlights on the first quarter bookings performance, and I'll ask Paul maybe to jump in. If I start with our US relationship-led business, we had a record sales quarter, as Jeff and Paul highlighted in the prepared remarks.

It was about 5% higher than our old record and up about 27% year-over-year, which I think is a really important metric as well, given that, again, 10 of the 12 weeks of the first quarter of 2020 were really not impacted by the pandemic.

So very strong performance from a new sales point, again, with particular strength in our e-commerce, bill pay, Text by Pay solutions within our relationship-led channel. We also had great new booking performance in our payroll business as well.

We had record sales in that business, up again 42% year-over-year, so very strong performance in our US relationship-led payments and payroll business in the first quarter.

Integrated, as I mentioned previously, they were above plan and well above last year's new sales performance and bookings performance in the first quarter as well. Within our vertical market business, we saw very strong, I'd say, booking trends across the business.

TouchNet had record first quarter bookings performance, which I think is a very good sign as it relates to the university environment heading into the fall. We actually started to see some thawing of new sales in our schools business, our lower school K through 12.

We had three significant new wins in the quarter from a new sales point of view. Obviously, we're still waiting and relying upon kids getting back in K through 12 environment for that business to recover fully.

But obviously, it was encouraging to see new sales begin to thaw in that business in the first quarter as well. And we also had record bookings in our enterprise SaaS QSR business in the first quarter as well.

So again, good trends across the board, I would say, in our vertical market business. And if we look internationally, again, despite the macro environment being challenging in some of the markets that we operate in, I would characterize new sales performance across the board internationally, and I'm sort of aggregating a bunch of different markets there, it was above plan for the first quarter above last year. Canada, for example, was up 40% year-over-year. So again, the trend of new booking performance being very strong continued well into the first quarter. And thus far in the second quarter as well. Paul, I don't know if you'd add any detail.

Paul Michael Todd

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

A

Well, yeah, the only thing I would add, Ramsey, is that we've been talking about the sales figures for the last two quarters.

And I think you're seeing it in the performance today that, that sales production is producing kind of outsized results for us to be able to grow our integrated business at better than kind of the long-term target rate in an environment that's still not normalized.

And the same thing, as Jeff just mentioned about our relationship-led business, to be growing in the high single digits, I mean, kind of speaks to the fact that the sales success we're having is leading to kind of additive performance in the environment that we're operating in.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

Q

That's terrific. It sounds like things are really turning in the right direction. So, I appreciate your answers. I'll hop back in queue. Thanks.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, Ramsey.

Operator: Your next question comes from George Mihalos of Cowen. Your line is open.

George Mihalos

Analyst, Cowen and Company

Q

Great. Good morning, guys, and thank you for taking my questions. Wanted to start off on the Issuer side of the business. Again, it sounds like you're seeing some real momentum if we look at it on sort of a normalized basis, up high single digits. But, Paul, just wanted to ask, the 20% that is commercial, was that down again, sort of, another 30% in the first quarter? And now how are you thinking about that as – I understand, it's not going to recover, but the comparison should start to ease, sort of, going forward.

Paul Michael Todd

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

A

Yeah. That's right. So, yeah, we were down north of 30% in the quarter as it relates to the overall environment there. And yes, you are right in the sense that the comparisons do ease as we move out now into the remaining three quarters. But just as a kind of an overall, kind of, headwind relative to our – back to our, kind of, more normalized growth rate, that's still providing roughly about half of that headwind that we called out in the prepared remarks.

George Mihalos

Analyst, Cowen and Company

Q

Okay. That's helpful. And then specifically looking at the acceleration in Merchant, which again seems to really be – sort of, started taking hold across the board and the outlook for, sort of, the high teens rate of growth, again, should we be, sort of, thinking for modeling purposes, that we're talking about a growth rate in the second quarter that's sort of in that 30% plus range for the Merchant business?

Paul Michael Todd

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

A

Yeah, George. I mean, yeah, you're thinking about that right. That's exactly, kind of, the right range to be thinking about.

George Mihalos

Analyst, Cowen and Company

Q

Okay. Great. Thanks, guys.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, George.

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

Darrin Peller

Analyst, Wolfe Research LLC

Q

All right. Thanks, guys. When we look at the guidance and the increase, it's obviously nice to see beat the first quarter and then buybacks are also helping. Can you just touch on what's implied or what's embedded in the guide outlook in terms of macro assumptions from here on out? Just looks like the trends in the current trajectory should allow for potentially more upside than we've even raised so far. So just really where are you keeping some elements of conservatism in the outlook versus including some mix? Thanks.

Paul Michael Todd

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

A

Yeah, Darrin. So, this is Paul, and I'll ask – Cameron may want to add as well, particularly as it relates to Merchant. But I think our outlook is consistent with, to some degree, what we outlined the last time, which is that the trajectory that we were on going into the year and the trajectory that we kind of continue on is, as we've kind of said before, kind of a slow grind higher. And we continue to – while we're very optimistic about the future and very pleased with the results, we also want to kind of see how things play out as it relates to particularly around the world where we have different kind of dynamics playing around the different geographies.

But we've said before and it's still true, the top end of the range is not perfection. It does not assume any type of – just kind of some massive, kind of, kick back to normal. But instead, a grind back to normal, with the third and fourth quarter kind of being a much more normal, kind of, – or more normal environment.

You know, I would say as it relates to just March, we were very pleased with the kind of overall growth rates that we saw in March, and those were sequentially better on a monthly basis than, obviously, what we saw in February and January and particularly, some, kind of, more normalized kind of growth rate there. But that's the way I always frame it from an overall standpoint. Cameron, do you have anything to add on that?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

I mean, I think that covers it well. I would just highlight, to Paul's point earlier, I don't think we have to see perfection to get to the high end of that range. Again, the guidance doesn't assume that. We assume that the

trends that we're seeing in the business continue to flow through, through the balance of the year. We're encouraged by the performance in the first quarter and the underlying trends.

Obviously, we remain very mindful of the fact that some markets around the globe are slower to recover or appear to be slower to recover from the pandemic than others, and those are markets that we have reasonably sizable businesses in. But, I think, as we sit here today, the trends in the business are quite favorable, and we're very optimistic about how we're positioned to perform through the balance of the year.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Hey, Darrin, it's Jeff. I would just say the thought on Paul and Cameron, relayed Paul's commentary. So, in March, revenue for the business, which did not really lap at least for half the month of pandemic, aggregate revenue was up in the 20% plus range and earnings were up near 30% per share. So, just to give you a sense as to kind of what we saw in March. Obviously, time will tell, but that's kind of the run rate.

Darrin Peller

Analyst, Wolfe Research LLC

Q

All right. That's really helpful. Guys, a follow-up is on the tech-enabled businesses. When you think about the mix now with Zego, and again great to see more software acquisitions, you combine that with what you have, first of all, Jeff, I mean, where do you feel the company is positioned now in terms of its software presence versus your long-term strategy? Do you need to do more? Do you want to do more near term or long-term?

And then, Cameron as well, on the AWS or the Google relationships on the cloud, I mean, it's something we focused on. It sounds like you're winning good business there. Could you just give us a little more color on how that's been trending just in the context of all the tech-enabled opportunities.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah. Darrin, it's Jeff. I'll start. So, you're stealing our thunder from the Investor Day that we're going to have in September. But I would say that, and we'll set out a new target for what percentage of the business is coming from tech-enabled the next few years then. But I would say, generally, we crossed that 60% threshold last summer, six months earlier than we thought.

These deals will add a point or two to that number. But obviously, we're targeting well north of 70%, 75% of the company. Think about just directionally up from 60%, last summer, where we'd like to be longer-term. And that's percentage of revenue, which means the vast majority of the growth, by definition, is coming from those areas. So, we're really pleased.

Our pipeline is full, and that includes a whole array of things, post Zego, post PAYONE, our pipeline remains full. It includes more software assets in it. So, time will tell, if we get those over the finish line. But I think, you're directionally right in where we're going.

I'll start with AWS and Cameron can comment on Google. Look, we couldn't have been more pleased with our relationship with AWS. We're absolutely on track for all the things that we outlined last August, when we announced the relationship. In the first place, that stuff sells, we talked today about UMB competitive takeaway, client of somebody else for three decades.

They're going to be our first instance in data and analytics in the cloud jointly with AWS. The Asian Bank we've referred to now, that testing environment is live. We'll go live in a year, another competitive takeaway. And I think what we said in our prepared remarks is we tripled the number of LOIs jointly with Amazon that were mid-to-late stages today versus where we were at year-end of 2020.

So, I think, you're right to say that we're firing on all cylinders there, and we really couldn't be more pleased with the transition we've made there to cloud based environment. Cameron, do you want to comment on Google a bit?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Well, I think, the comment for Google is very much the same as Jeff highlighted for AWS. We couldn't be more pleased and delighted with the partnership we have with Google and how they have performed heretofore, recognizing we are obviously early in that relationship and really building momentum as we sit here today. So, everything that we outlined on our year-end call, back in February, as it relates to the partnership is very much on track.

As it relates to the go-to-market strategies, we're obviously in market with them already. We're already in the midst of having conversations with a variety of medium to enterprise-sized customers who are leveraging Google Cloud services today.

And very optimistic about the future of that technology-enabled distribution strategy and how it will augment, obviously, our existing go-to-market strategies in the Merchant space.

Darrin Peller

Analyst, Wolfe Research LLC

Q

Okay. That's really helpful. Thanks guys.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, Darrin.

Operator: Your next question comes from Jason Kupferberg with Bank of America. Your line is open.

Jason Kupferberg

Analyst, Bank of America Merrill Lynch

Q

Hey, great. Thanks, guys. So, appreciate that disclosure on the month of March there, Jeff, with regard to revenue and EPS growth. Could we get those numbers for the month of April as well and have any breakdown by segment that you would give us on revenue growth by segment, again, for the month of April?

Paul Michael Todd

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

A

Yeah, Jason, we wouldn't have that to give on a call like this right now. So, I think, generically speaking, as a volume matter, we are seeing sequential improvement on the volume side in the month of April.

And so obviously, and that's kind of what we expected in the trends we saw in March. So, we're very pleased from an overall volume perspective. But as it relates to the financial results for April, we wouldn't have that.

Jason Kupferberg

Analyst, Bank of America Merrill Lynch

Q

Okay. Okay. Just as a follow-up, kind of a bigger picture question. Wondering what you're seeing in terms of merchant demand around the world to accept crypto, and just general thoughts on longer-term implications of the growth in the crypto ecosystem for Global Payments and the merchant acquiring industry more generally?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah. It's Cameron. I'll jump in on that. So, I would say, certainly, it may be a commentary on the merchants that make up our business and the merchants we're targeting, there's really zero demand amongst our merchant base to accept crypto.

Obviously, overtime, things can evolve, if you have more central banks developing their own crypto currencies that really just become a digital form of their domestic currencies, then obviously that environment can change today.

But I think as it relates to utilizing cryptocurrency for the sake of effectuating commerce amongst merchants in our businesses around the globe, there's really no demand for that today.

Crypto is really not a currency for commerce. It's a security. And as a result of that, we're really not seeing a significant demand or uptake of that in our business at all.

Jason Kupferberg

Analyst, Bank of America Merrill Lynch

Q

Okay. Thank you, guys.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, Jason.

Operator: Our final question comes from Dan Perlin of RBC. Your line is open.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

Q

Thanks, guys. And I appreciate you squeezing me in at the end here. The question I have is really around in the – embedded in the guidance, can you just kind of help us parse out really what stimulus is actually driving in terms of the increase that you've seen?

I mean, I think I recall that, you guys said you had contemplated the first round embedded in the first quarter? But maybe hadn't been thinking about the second and most recent rounds.

And so now that those are contemplated, I'm trying to understand how much you think that actually is influencing the increase in guidance? And how many quarters do you think it takes to kind of payout? Visa seems to imply a couple of quarters of benefit. So, I would just love to get your thoughts there.

Paul Michael Todd

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

A

Yeah. So, maybe we'll kind of answer that kind of two respects. One, what stimulus has as it relates to our Business and Consumer business, and then the second, as it relates to stimulus across really all three of our segments.

As it relates to stimulus in our Business and Consumer, it is a piece and the driving piece around us, as it relates to our overall revenue outlook for that segment of moving to that kind of from mid-single digits kind of mid to mid-to-high.

So that's kind of – we want to try to kind of quantify the impact of additional stimulus net of the effect that stimulus has on other products, on yield, the overall tax, season picture, so that gives you kind of the quantification of kind of that difference between – kind of mid-single digit growth for that business in that kind of more mid to high kind of single digit growth as it relates to just a revenue matter.

And we've obviously kind of talked about the margin impact we saw what we had from a marginal impact in the first quarter. And then obviously that will play through in the second quarter the other direction as we grow over the stimulus in 2Q of last year of roughly kind of from a margin standpoint of kind of a similar size.

I would say as it relates to stimulus across our overall business, I think, time will tell. Clearly, you're getting some impact in volumes related to stimulus. We're just seeing it kind of, across the board. I think it gets a little bit harder to kind of piece, part that into the overall volume picture, and say, well, how much is stimulus, how much is unemployment benefits, what all that kind of looks like.

And so, when we're looking at the overall volume landscape, obviously, we're taking some of that versus what we saw last year and the impact of stimulus and kind of embedding that into our overall picture. But outside of our Business and Consumer segment, it's very hard to kind of get discrete around what kind of revenue impact that's discretely having.

Cameron, I don't know if you have anything to add to that?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

No, I think if you look at the Merchant business more broadly, it's not driven that much by stimulus. If you think about it and we've talked about this before, we're more exposed to credit than we are debit in our Merchant business, and stimulus isn't really driving incremental credit spend. What we're really seeing in the Merchant business, I think, obviously, is the impact of the recovery, as well as the fact that savings rates are at generational highs and there's a lot of pent-up demand.

And obviously, we expect that trend to continue, obviously as we progress through the end of 2021 and probably well into 2022, sitting here today. So certainly, on the margin, putting more dollars in consumers' pockets, it's going to be helpful to the merchant business. But I don't view, sort of, the expansion we saw in Q4 to Q1 to really be driven predominantly by stimulus. I think, it's more just a macro recovery in general, and the fact that, obviously, consumers are very well-positioned to be able to spend in the current environment as the recovery progresses.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

Q

And that's great to hear. Just a quick follow-up on margins. I know you called out 250 basis points for the full year. I think, you said normalized underlying basis is like a 450 basis point improvement. When we think about the cadence of that throughout the year, I think, we originally thought maybe \$50 million per quarter of, kind of, reinstated cost is done. Is there any reason to believe that, that shouldn't be pretty ratable? Or is there going to be some higher costs as these rebounds really start to kick in into the second half? Thank you.

Paul Michael Todd

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

A

Yeah. No, I wouldn't call out anything unique from a timing standpoint. I think, the thing that we have highlighted is this dynamic that we're having obviously in 2Q as it relates to the margin. So, we're going to have outsized margin expansion in 2Q particularly as it relates to not only just the incremental kind of cost add-backs, but also just the comparison to 2Q of last year and then more normalized, kind of, margin expansion in that third and fourth quarter. So yeah, nothing I would call out unique from a timing standpoint other than that 2Q comp.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

Q

That's great. Thank you all.

Paul Michael Todd

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

A

Yes.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

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

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