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Global Payments, Inc. (GPN)

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, and welcome to Global Payments' Fourth Quarter and Full Year 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 fourth quarter and full year 2021 conference call. Our earnings release and the slides that accompany this call can be found on the Investor Relations area of our website at www.globalpayments.com.

Before we begin, I'd like to remind you that some of the comments made by management during today's conference call contain forward-looking statements about expected operating and financial results. These statements are subject to risks, uncertainties and other factors, including the impact of COVID-19 and economic conditions on our future operations that could cause actual results to differ materially from our expectations. Certain risk factors inherent in our business are set forth in filings with the SEC, including our most recent 10-K and subsequent filings.

We caution you not to place undue reliance on these statements. Forward-looking statements during this call speak only as of the date of this call, and we undertake no obligation to update them. We will also be referring to several non-GAAP financial measures, which we believe are more reflective of our ongoing performance. For a full reconciliation of the non-GAAP financial measures discussed in this call to the most comparable GAAP measure in accordance with SEC regulations, please see our press release furnished as an exhibit to our Form 8-K filed this morning and our supplemental materials.

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 record fourth quarter and full year 2021 results that exceeded our expectations, highlighting the resilience of our business model. We achieved record transactions across the business in the fourth quarter, including a new peak during the holidays, despite the incremental impact of COVID-19 variants. And we expect another record year in 2022 based on today's guidance with strong revenue growth, margin enhancement, earnings to free cash flow conversion and leverage capacity.

We accomplished a great deal over the course of 2021, as we continued to advance our differentiated strategies for growth. This includes our partnership with Google to deliver innovative and seamless digital services to all manner of merchants worldwide; the expansion of our collaboration with AWS; our preferred issuer technology solutions partner for an unique distribution and cutting-edge technologies; our successful acquisitions of Zego and MineralTree to advance our software leadership position with unmatched worldwide payments expertise; a strategic alliance with Virgin Money and our first use-case post-merger combining issuing and acquiring capabilities; and our partnership with Mercedes-Benz Stadium to enable its multi-channel commerce ecosystem.

And we're carrying that momentum into 2022 as we successfully executed on our goal to redefine the future of digital commerce, extending our lead, continuing to gain share and deepening our competitive moat. Specifically, we are delighted to announce that we've been chosen by CaixaBank, as the finalist company in their selection process for a technology partner for its European card issuing business comprising nearly 30 million cards. We expect to finalize contract negotiations over the coming weeks.

Caixa is the largest domestic bank in Spain, serving tens of millions of households and a full range of business clients across multiple countries in Europe. This latest achievement is yet another example of the enhanced revenue opportunities derived from our merger with TSYS just over two years ago. When this goes live, as anticipated in the back half of next year, we expect this initiative to be among the first legacy direct-to-cloud transformations in card issuing technologies among major financial institutions, and it will be the first entry of TSYS into the highly attractive Iberian marketplace. Together with our recently announced partnership with Virgin Money, we believe Global Payments will then become a leading debit technology provider across Europe.

We're also excited to announce that we're embarking on a multiyear partnership with Mastercard, to modernize and accelerate card payments in the cloud across authorization, clearing and settlement. We're on this journey to drive ecosystem change and to help our clients bring differentiated value to the market. This is yet another example of how we're progressing the payments landscape with leading technology partners and bringing the next generation of modernized AWS, cloud-enabled payments to customers.

Our durable relationships with some of the most complex and sophisticated institutions globally speak to our competitiveness well into the remainder of this decade. It's worth highlighting that our Issuer business signed multiyear contract extensions with several of our largest customers over the last 12 months, including Citi, CIBC, Barclays and Banco Carrefour.

And our strategy of aligning with market share winners was also successful in 2021. Recent examples include Barclays' purchase of the Gap card portfolio as well as Capital One's purchase at BJ's Wholesale Club card base. We have 34 active prospects in the pipeline with AWS, 11 of which are fintechs neobanks and start-ups, and we are pleased to announce that we are live with our first joint takeaway together with AWS, a leading global financial institution in a single large market in Asia, and we expect to expand this PRIME instance to several additional markets over time.

We also reached an agreement for our first legacy Global Payments issuer customer, KB bank in the Czech Republic to move to our TSYS PRIME platform in the fourth quarter, another revenue synergy from our merger. Finally, of the nine LOIs we have in our Issuer Solutions business today, five are competitive takeaways. In addition, we recently had another new customer win move from LOI into production that was also a competitive takeaway. We've been successful in expanding our target addressable markets in 2021 beyond AWS, as we diversify and broaden our distribution. We announced new strategic partnerships last year with PwC and 10x Banking. 10x Banking is a next-generation cloud-native platform designed to bring forward a new way of banking with faster product development and a lower cost to serve.

We are proud to announce a new collaboration with ecolytiq to bring sustainability as a service to fintechs, startups, neobanks and traditional institutions. This partnership provides consumers with a personalized view of their impact on the environment, driven by their payment transaction activities. This technology enables corporate clients to align their digital banking strategies with consumers and supports ESG commitments by delivering sustainable product options and experiences. Further, we are delighted to announce a partnership with Extend through our new distribution channels. We will provide B2B virtual commercial account services to banks and fintechs with Extend, serving our instant virtual card issuance product. Through relationships like ecolytiq and Extend, we are able to support a full spectrum of solutions across emerging use cases.

And while we've been providing market-leading technologies for buy now, pay later, or BNPL, initiatives for decades, we continue to innovate and deliver installment payments products as BNPL demand grows. This includes expanding our combined installment solutions with Visa and signing a global referral agreement with Mastercard. And through our partnership with leading technology companies, private label branded retailers, and many of the world's largest issuers, we will be able to provide our customers with a complete ecosystem of BNPL capabilities on a regulated, compliant and responsible basis. It's worth highlighting that in 2021 alone, TSYS enabled over 2 billion BNPL transactions and issued 55 million virtual cards with more than \$31 billion in volume.

Turning to our Merchant business, we are pleased to report the release of the first phase of our Google [ph] Run and Grow My Business (09:43) product that integrates Google's solutions with our innovative capabilities in our digital portal environment during the fourth quarter as planned. We continue to expect to launch the next phase to help our merchants grow faster by connecting additional Google services, including online ordering, retail inventory, and reservations to our digital platform later this year. Google is also now a live merchant customer in Asia-Pacific, and we expect to launch Google as a merchant customer in North America by the end of this quarter.

We continue to deliver a full suite of vertically fluent solutions across dozens of markets worldwide. For example, our enterprise QSR business delivered bookings growth for its cloud POS services in excess of 50% in 2021 and

went live with new marquee customers like Denny's, Long John Silver's, and A&W Restaurants. We also continue to expand with existing brands, including Bojangles, Whataburger, and CKE, which today leverage a combination of our innovative end-to-end solutions. We delivered more than 300 million omnichannel restaurant experiences in 2021, up 50% versus 2020, an indicative of share shift due to the pandemic and market share gains. By way of comparison, we enabled 19 million omnichannel orders in 2019 prior to COVID-19.

Our AMD business generated revenue growth of over 30% in 2021 and in excess of 35% for the fourth quarter compared to 2019. And that momentum is poised to continue with bookings growth of 40% in the fourth quarter and 26% for the full year over 2020. I am particularly proud that AMD's telemedicine solution enabled 2.5 million provider visits over the last year, marking an 85% increase from 2020. And to put it in perspective, that is up from the roughly 100,000 telemedicine visits facilitated annually prior to the pandemic.

We're also delighted to have hit the ground running in one of the largest and most attractive verticals in 2021 in real estate. Zego delivered near 20% bookings growth for the full year, enabled by its continued success with existing enterprise customers like ACC and Thalhimer and by expanding with new partners like Managed America and Equity Lifestyles, one of its largest new customers to date. Zego's payments penetration into its base also reached an all-time high last year under our stewardship.

As we discussed at our 2021 Investor Conference, we are the beneficiaries of technological innovation, continued share shift and market share gains, including QR codes, digital wallets, safer commerce and, of course, BNPL. Speaking of BNPL, in addition to the agreements we already have in place with leading solutions providers, including Affirm and Tula in the United States and Atome in Asia Pacific, we are launching our BNPL-as-a-service marketplace this quarter to augment our 140-plus alternate payment methods portfolio. Further, our new partnership with Virgin Money highlights our ability to deliver non-bank card, account-to-account transfers through our digital solutions, capitalizing on our market-leading merchant ecosystem, which already provides one of the largest NFC acceptance networks globally.

In September, we highlighted that we win by leading with technology and innovative solutions across our merchant portfolio. And the fourth quarter provides further evidence of our differentiated strategies. We delivered record bookings in the fourth quarter 2021 for Global Payments Integrated and US payments and payroll businesses, each of which grew 20% year-over-year. Our e-commerce and omnichannel business grew on an accelerated basis in 2021.

Our ability to seamlessly provide the full spectrum of payment solutions drove new wins this quarter, with large multinational Mary Kay across six countries in Europe and Asia; and with ESW, or eShopWorld, a leader in direct-to-consumer global commerce in the United States with further global expansion on the horizon. And over the course of 2021, we also reached new partnerships with Google, Uber Eats and Uber rides, Foot Locker, Hunter Douglas and The Swatch Group, while extending and expanding the scope of our long-standing relationship with PayPal.

Finally, we added B2B as the newest pillar of our strategy in 2021. We are already making significant strides with MineralTree since the closing in mid-October. This includes doubling virtual card spend in the fourth quarter and completing nine new deals in the health care vertical, including with NoHo Dental and BIOMETRIX. This quarter, MineralTree also renewed its agreement with NI, or National Instruments, successfully executed an implementation with Mexico-based food services company, Grupo Bimbo, and launched its "Supplier Central" portal, which allows for seamless payments acceptance for suppliers to support greater digital adoption.

We are pleased to have successfully invested \$2.5 billion in M&A since early 2020, consistent with our four strategic pillars. We also have returned \$3.7 billion of capital to shareholders since that time. And our record cash flow generation and solid balance sheet position us with ample firepower to continue to execute on our priorities. At the same time, we seek to refine our portfolio by simplifying the composition of our businesses and focusing on our core corporate customers, including merchants, financial institutions, software partners and technology leaders. As part of that initiative, we have commenced a strategic review of our Netspend consumer business to sharpen our focus on our B2B assets.

While Netspend's direct-to-consumer business is an attractive set of solutions with a favorable profile, there is limited overlap between that customer base and our traditional clients. Having largely completed our integration with TSYS corporately, made the pivot towards B2B and incorporated Netspend's B2B assets into our thinking, we believe now is the appropriate time to commence this review of Netspend consumer business. As we said at our Investor Conference in September, we have a full suite of B2B assets, including a market-leading commercial card offering, virtual card issuance at scale, payroll, paycard, earned wage access and now accounts payable cloud SaaS with MineralTree.

We complement these offerings with a unique collaboration with AWS. We are very proud of all that Netspend and our valued team members have accomplished under TSYS's ownership over the last eight-plus years. We believe that we have created significant value since the close of our merger by expanding internationally, accelerating digitization and driving significant operational efficiencies. We also provided much needed faster payments to millions of consumers during some of the most challenging periods of the pandemic. Revenue, margin and contribution were all records at Netspend in 2021. Simply put, we have achieved our goals.

Paul?

Paul Michael Todd

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

Thanks, Jeff. Our financial performance for the full year 2021 exceeded our expectations, despite incremental headwinds from COVID-19, including both the Delta and Omicron variants. Specifically, we delivered adjusted net revenue of \$7.74 billion, an increase of 15% from the prior year and solidly ahead of our initial guidance for adjusted net revenue to be in a range of \$7.5 billion to \$7.6 billion. Importantly, our adjusted operating margin increased 210 basis points to 41.8%, as we benefited from the natural operating leverage in the business and the continued realization of cost synergies related to the merger, which was partially offset by the return of certain costs that were temporarily reduced at the onset of the pandemic and the impact of our acquisitions during the year.

This performance is also consistent with our guidance for adjusted operating margin expansion of around 200 basis points for the year, including the impact of acquisitions we closed during 2021. The net result was adjusted earnings per share of \$8.16, an increase of 28% from the prior year and 31% over 2019. We believe we would have been at the high end of our recent guide rather than above the midpoint, but for the emergence of Omicron and incremental adverse foreign exchange rates during the fourth quarter.

Moving to the fourth quarter, we delivered adjusted net revenue of \$1.98 billion, representing 13.3% growth compared to the prior year and 10% growth compared to 2019. Adjusted operating margin for the fourth quarter was 42%, a 50-basis-point improvement from the prior year or a 110-basis-point improvement, excluding the impact of acquisitions. Compared to 2019, adjusted operating margins increased 370 basis points. The net result was adjusted earnings per share of \$2.13, an increase of 18.3%, compared to the prior year and an increase of 32% compared to 2019.

Taking a closer look at our performance by segment. Merchant Solutions achieved adjusted net revenue of \$1.34 billion for the fourth quarter, a 21% improvement from the prior year and a 15.4% improvement compared to 2019. This performance was led by continued strength in the US, while we also benefited from improving trends in international markets, including Spain, Central Europe and Greater China. Notably, we delivered an adjusted operating margin of 48.2% in this segment, an increase of 70 basis points year-on-year and 130 basis points, excluding the impact of M&A. Adjusted operating margins improved 320 basis points over 2019, as we continue to benefit from the underlying strength of our business mix.

Focusing on our technology-enabled portfolio, our Integrated business produced another strong quarter, generating adjusted net revenue growth in the high 20% range compared to 2020. It is also worth highlighting that over the last two years, notwithstanding the pandemic, adjusted net revenue growth for this business has compounded at the mid-teens rate we target for GPI longer term. And our worldwide e-commerce and omnichannel businesses saw growth of roughly 20% year-on-year as our value proposition, including our Unified Commerce Platform, or UCP, continues to resonate with customers. Our ability to serve customers across nearly 40 markets physically and over 170 virtually is core to our omnichannel strategy and supports our growth outlook for these businesses.

Turning to owned software, our POS software solutions delivered adjusted net revenue growth in excess of 50% in the fourth quarter, and our HCM and payroll businesses solutions grew 32%. As for our vertical market solutions, we were pleased that the overall portfolio delivered growth of roughly 20% compared to the prior year in the fourth quarter and low double-digit growth for the full year, consistent with our target despite several of these businesses having not yet fully recovered to pre-pandemic levels. I would reiterate Jeff's comments regarding the positive bookings trends we are seeing across our vertical markets portfolio and we continue to expect our owned software businesses will become a tailwind for us in 2022 as the recovery progresses.

Issuer Solutions delivered \$463 million in adjusted net revenue, a 1.3% improvement from the fourth quarter of 2020. This performance was impacted by two items this quarter. First, our managed services adjusted net revenues decreased as we continue to pivot our Issuer business to more tech enablement and less lower-margin and outsourced call center business. We also had a grow-over of non-recurring revenue that occurred last year. Normalizing for these two items, our adjusted net revenue growth was in the mid-single digits, consistent with our longer-term target.

Issuer adjusted operating margins of 43.4% declined 130 basis points from the prior year, but expanded 320 basis points over 2019 and in line with our expectation for the business. As you may recall, Issuer Solutions delivered adjusted operating margin expansion of 450 basis points in the fourth quarter of 2020 over 2019, fueled by our focus on driving efficiencies in the business as well as benefits from temporary cost reductions.

Finally, our Business and Consumer Solutions segment delivered adjusted net revenue growth of 2% for the fourth quarter and 7% on a full year basis, consistent with our guidance for this segment to grow in the mid-to-high single-digit range in 2021. As Jeff discussed, we intend to focus our efforts going forward on enhancing our B2B businesses, which includes elements of Netspend. To that end, we are pleased that MineralTree's bookings grew 19% this year, positioning the business well heading into 2022. Adjusted operating margin for Business and Consumer Solutions of 21.7% declined 240 basis points in the quarter from the prior year largely due to lapping the benefits of stimulus volumes in Q4 for 2020. Quarterly margins expanded relative to Q4 of 2019.

From a cash flow standpoint, we had roughly \$609 million of adjusted free cash flow for the quarter and a record \$2.5 billion for the year, consistent with our target to convert roughly 100% of adjusted earnings to adjusted free

cash flow annually. We invested \$142 million in capital expenditures during the quarter and \$493 million for the year, in line with our expectations. Further, this quarter, we repurchased approximately \$5.5 million of our shares for approximately \$700 million. And for the full year, we are pleased to have repurchased 15.2 million shares for roughly \$2.5 billion or approximately 5% of our shares outstanding.

Also, our board of directors has again approved an increase in our share repurchase authorization to \$2 billion as share repurchase remains a key capital allocation priority. Our balance sheet is extremely healthy, and we ended the period with roughly \$2.4 billion of liquidity after repurchase activity and acquisition funding. In mid-November, we successfully issued \$2 billion in senior unsecured notes at a blended interest rate of 2.27%. The transaction was credit neutral with the full proceeds used to pay down our outstanding revolver. Our leverage position was roughly 3 times on a net debt basis at quarter end.

Looking ahead to 2022, we remain encouraged by the trends we are seeing in the business and currently expect adjusted net revenue to range from \$8.42 billion to \$8.5 billion, reflecting growth of 9% to 10% over 2021 or roughly 10% to 11% on a constant currency basis with upwards of 1% of currency headwind expected throughout the year.

This outlook is consistent with our long-term target for double-digit top line growth and reflects the benefit we expect from a continued recovery throughout the year. We expect adjusted operating margin expansion of up to 100 points compared to 2021 levels or up to 150 basis points of expansion, excluding impacts from our recent acquisitions. This is above our cycle guidance for margin expansion of 50 to 75 basis points annually, driven by the benefits we expect from the ongoing recovery, continued mix shift toward technology enablement across the business and additional synergies we anticipate related to the TSYS merger.

To provide some color at the segment level, we expect adjusted net revenue growth for our Merchant Solutions segment to be in the low double-digit range, which assumes the recovery continues worldwide. We expect Issuer Solutions to deliver adjusted net revenue growth in the mid-single-digit growth range for the full year, consistent with our longer term targets. Lastly, in our Business and Consumer segment, we are expecting adjusted net revenue growth to be in the low single-digits for this segment in 2022, given the lapping of the benefits from stimulus in both 2021 and 2020. Lastly, I would highlight that from a quarterly phasing perspective, we expect the recovery from the pandemic will continue throughout the year, allowing for a progressive growth picture as we move through 2021.

Moving to a couple of non-operating items, we currently expect net interest expense to be roughly \$375 million and for our adjusted effective tax rate to be approximately 20% for the full year. We also expect our capital expenditures to be around \$600 million in 2022. Putting it all together, we expect adjusted earnings per share for the full year to be in the range of \$9.45 to \$9.67, reflecting growth of 16% to 19% over 2021. On a constant currency basis, this reflects annual growth of roughly 17% to 20% and is consistent with the raised September cycle guidance for adjusted earnings per share growth in the high teens to 20% range longer term.

I would highlight that the discontinuance of stimulus and unemployment benefits and our Business and Consumer segment provides for a tough comparison in the first quarter. As a result, we expect adjusted earnings per share growth to be in the low double-digits range in Q1. Finally, we will provide updates on the strategic review process for our Netspend consumer business as the year progresses.

In summary, the outstanding performance we delivered across our businesses in 2021 serves as a further proof point that we continue to gain share and that our technology-enabled strategy positions us well to capitalize on the accelerating digital trends coming out of the pandemic. We anticipate and assume an improving

macroeconomic environment and waning pandemic impact as the year progresses. We could not be more pleased with our outlook entering 2022.

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

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Paul. I could not be more proud of all that we've accomplished in 2021 despite the incremental challenges we faced throughout the year, and our outlook is for an even brighter 2022.

As we highlighted in September, we are today a top quartile SaaS company, the leading issuer technology provider, and program manager multi-nationally with unique partnerships, the largest e-com acquirer with an unmatched virtual and physical presence, and we deliver all these things with tremendous breadth across developed and attractive emerging markets. Our record results in 2021 and our expectations for 2022 reaffirm the wisdom of these strategies. The trends of digitization, commerce enablement, software differentiation and omnichannel prevalence driving our performance will start to catalyze our growth throughout 2022 and in the years ahead. 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: [Operator Instructions] And your first question comes from the line of Darrin Peller from Wolfe Research. Your line is open.

Darrin Peller

Analyst, Wolfe Research LLC

Q

Hey, thanks, guys. Nice job on the merchant side. It's good to see the incremental data on volume, especially comparing it to the industry and it's really helpful to see the performance versus the networks. If you could break that down a little bit when we look at the outperformance you're showing, how much of that is being driven by the actual software pieces of your business, the tech-enabled piece. So, whatever breakdown you can give us in the tech-enabled versus not, and really, even on a geographic basis, Jeff, if there's any more color you can give us on what you saw through the quarter and what you're expecting as recovery resumes.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Hey, Darrin, it's Cameron. I'll start, and I'll ask Jeff and Paul to jump in with any other details. So, maybe if you deconstruct a little bit the volume data that we are providing today, obviously, we, I think, gave a good amount of disclosure here, as you highlighted. So, year-over-year, our volumes in the fourth quarter grew 24% versus revenue growth of roughly 21%. And versus 2019, that stacks 28% versus growth of 16%. I would say what's impacting the delta is really the software businesses as it relates to the 2019 compare. If you look at our pure merchant businesses for the fourth quarter versus 2019, they were up probably 21%, 22% relative to that 28% growth in volume, so a little bit of weighing of the software businesses against the 2019 result as a revenue matter.

In terms of what's driving things, I think Paul gave a lot of detail in his script. We're obviously seeing very good trends in our technology-enabled businesses and obviously, starting to see recovery in our software – pure software businesses, vertical market businesses as we head into 2022, even though they're still a little bit depressed versus 2019 levels. But again, Integrated had a terrific quarter yet again. Its compounded rate of growth over the last couple of years been in that mid-teen range. We continued to see good performance in our point-of-sale software businesses, having grown 53% this quarter and roughly 50% year-over-year, continue to see good performance in our payroll and HCM businesses as Paul highlighted in his script.

So, it's pretty clear that the technology-enabled businesses have continued to drive growth in our overall portfolio and our overall results. And as we head into 2022, the software businesses we expect to provide – the vertical market software businesses we expect to provide a nice tailwind to growth for the year in – overall in 2022.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, Darrin, it's Jeff. I would just add to what Cameron said a couple of things. First, we see continued strength in our e-com business, as Paul alluded to in his prepared remarks, which we're really pleased with in the fourth quarter and heading into the year. Maybe I'd say is we exceeded our forecast in January, which we feel good about to start the year, obviously, our guide is our guide, but we feel good about the trajectory. And we did see a recovery in volumes toward the end of January into early February in certain selected verticals that we're in. So, we feel like it's tracking very nicely versus our guide today, and we're kind of pleased with the start to the year.

Darrin Peller

Analyst, Wolfe Research LLC

Q

That's really helpful. And it's great to see. Guys, just a quick follow-up. I know everyone's going to ask about Netspend. But if you could just hone in for a minute more on the B2B strategy that's coming out of that. And I know when you talked about selling – potentially selling Netspend, it was really meant for whether or not you needed capital for another purpose, Jeff. And so, is there any thought process of, if you were to go through this process and I guess, have proceeds that made sense, what kind of allocation you'd be applying it towards? Thanks again, guys.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, it's a great question, Darrin. So, let me just start with the strategy portion of what you asked. So, I really think the pivot has been quite some time in coming. If you think about the company for a second, go back to the Investor Conference in September, we really positioned the business as adding another leg to the stool with B2B. Netspend has significant B2B assets pre-MineralTree and, of course, post October with MineralTree in it, even more significant B2B assets.

So, we really view the September Investor Conference as kind of a linchpin in terms of our strategic shift and where our focus and our thesis really needs to be. I think the success of the integration that we referred to in our prepared remarks around MineralTree, and Paul gave the 19% bookings number, as well as their payments penetration into that business is something we're very excited about. So, we're off to a really good start. So, we think from that point of view, we laid the predicate in September, the execution was very good through the fourth quarter. We think we're in good shape as a guidance matter in B2B.

So, I think the right thing to do, therefore, is to focus on highlighting those assets that are consistent with the long-term strategy of the company, which is really on the corporate client focus. And I kind of listed that too in my script, software companies, technology leaders. And we're really not a B2C direct kind of company, which is the part we referred to really in the presentation. So, I think the strategy shift has been some time in coming. I think September was a big milestone. I think the closing of MineralTree in October was a big milestone. And I view this as kind of the next milestone.

On your question on allocation of proceeds, look, it's going to depend where things are, if and when we reach the point where we have something that we would execute. You saw our announcement today about increasing our buyback up to another \$2 billion. Just to be clear, that amount does not assume any disposition of Netspend. So, if that were to happen and if we were to return more capital, then that would be incremental to the \$2 billion.

We've repurchased about 6% of the company stock since the 2020 period. That doesn't include the current \$2 billion depending on where things shake out over periods of time, that could be another 5%. And then, obviously, if we were to do something with Netspend, along the line that you asked, and if we were to repurchase stock, that would be incremental to that number.

So, it's just going to depend on the facts and circumstances at the time that we do it. I don't expect it – if this is something we proceed with, it would be later this year in calendar 2022, our guide is our guide. And I don't expect it to have [ph] all (37:58) that significant impact depending on when it happens in 2022. But that's something we'll address if and when we kind of reach that decision point.

Darrin Peller

Analyst, Wolfe Research LLC

Okay. That makes sense. Thanks a lot, guys.

Q

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Darrin.

A

Operator: Your next question comes from the line of Bryan Keane from Deutsche Bank. Your line is open.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Good morning, guys, and congrats on the results. Just a follow-up on Netspend. What – can you remind us what percent of their revenues or assets are the B2B side that you're going to keep? And talk a little bit about that B2B Netspend's assets, how it compares to MineralTree and the other things you have in the portfolio?

Q

Paul Michael Todd

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

Sure, Bryan. So, if you kind of think, and a lot of this is going to depend on how the strategic review goes, what potential buyer's interest level is in the various pieces. But just at a high level, the way to kind of think about it is roughly 15% of the business is kind of the B2B assets that Jeff was just referring to. And obviously, the two biggest components of that are our paycard business, as well as the MineralTree business.

A

I would highlight just as an add-on to what Jeff said, both of those businesses have high growth characteristics to them and certainly higher than the consumer piece. Both businesses on a fundamental basis, grew double digits in the fourth quarter and have that consistent kind of growth rate on a forward-looking basis relative to kind of the cycle guide range that we want for the company. So, the fundamentals of those businesses have those kind of characteristics strategically, but also it's just a growth matter as well.

As it relates to the fit, the overall fit, we talked about this, obviously, in the Investor Day, but there's a lot of kind of synergistic benefits with the commercial card business, obviously, B2B that we have in our Issuer business, which also grows at a faster rate in a normalized environment. Obviously, it's been a headwind to our growth there in the pandemic. And kind of between what MineralTree has and what we have in that solution set around the broader B2B apparatus that we have in Issuer is a nice fit.

And I would just mention on the paycard side, obviously, what we do on our payroll business, in our Merchant Solutions kind of segment has some nice synergistic benefits. So, yeah, I mean, that's – as Jeff said, that's kind of the strategy. It's why we're interested in keeping those kind of B2B assets and look to kind of strategically review the consumer assets.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Got it. And then just as a quick follow-up, Jeff, I know you talked about the CaixaBank win. Just want to make sure we understand how you guys are going to market with that. It sounds like you're using the unique assets between the two companies. And obviously, there's probably more to come from winning deals like this. But could you just highlight the differences to get you that win at CaixaBank?

Q

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, it's a great question, Bryan. Thanks. So, we're really pleased to announce that today. As I said in the prepared remarks, it's 30 million cards. This is a really big deal, and we expect to be live in the back half of next year, toward the end of next year.

And as I've said in the prepared comments, the other thing that's a big deal about it is, it's direct to the cloud. So, we're taking a traditional institution with a good book of business of 30 million cards and going live kind of day one in a cloud-based environment, which as you know, is something we've invested very heavily in, at least since August of 2020.

The other thing I'd like to point out, Bryan, given the size of it is – what we said in our slide show today is we have 31 million accounts on file in our implementation pipeline today at TSYS Issuer. This is another 30 million, that's not in that number, Bryan.

So that would actually double the implementation pipeline, just to give you a sense of size. And we think this would be one of our top two or three customers in Europe by way of size. As I said in the press release this morning, this will also make us among the largest debit technology providers in all of Europe. So, it's a really big deal at the end of the day.

I'd also say, as it relates to the 31 million existing accounts on file that are currently implementation pipeline, 22 million are coming online live this year at TSYS in 2022. So, this is a really big increment and also very nicely as we grow, as Paul said, throughout the year in 2022 in Issuer, this adds a very healthy pipeline plus Truist, which we previously announced in 2023, as well as Virgin Money. So, we're super positive about where it is.

As it relates to Caixa more broadly, look, this is something that Caixa conducted an extensive RFP on. You would imagine that they went extensively to kind of compare our technologies versus new entrants, as well as other providers in the marketplace in Europe and globally, and we couldn't be more pleased that they selected us.

And obviously, we've gotten great feedback coming out of it. So, it gives us a lot of confidence in the remainder of this year's growth, given the current pipeline, but doubles the pipeline heading into next year, which makes us feel really good about the next 18 months.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Q

Great. Thanks for the color.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, Bryan.

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

Ashwin Vasant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Q

Thank you. Hi, Jeff, Cameron, Paul, good morning and congratulations on the execution.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thank you.

A

Ashwin Vassant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Hey. My first question is with regards to positive sales commentary, including the expansion of use cases and relationships, good to see. Can you comment on the qualified pipeline of opportunities, how it compares to a year ago? And do you see your clients exhibit maybe a greater sense of urgency that can translate to, I don't know, faster decision-making, quicker ramps? What should we expect on the sales front in 2022?

Q

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Yeah, Ashwin, it's Jeff. I'll start speaking to Issuer, and then I'll ask Cameron and Paul, and we gave a lot of bookings detail this morning, but I'll ask them to comment on Merchant. So, listen, no surprise to you, Ashwin or anyone listening to the call, initial are the cloud sales. So, as I gave that example, Caixa, direct-to-cloud not looking for any kind of intermediate step in between. We also announced today a new partnership with Mastercard, which will put online transaction data directly into cloud with AWS, which means as a consumer you can actually look online live at your postings and overdue balances, and see really kind of real-time flows through AWS and the cloud, and that's really just with us for the next period of time through the remainder of the year when it goes live.

A

So, look I would say that, on the cloud side, things are moving very quickly. We announced the KB deal in the Czech Republic, which is a legacy Global Payments structure going direct to Prime in the cloud, which is a big deal. We announced the other customer in Asia also going live in Prime in the cloud as well. So, I would say as it relates to decision-making and phase of implementation. I would say the cloud, which was part of our thesis when we did the deal in the first place has really accelerated the time to market.

Now why would that be? Number one, I think it's very topical for most CTOs at large banks. Number two, I would say, if you look at the historical TSYS model of kind of buying it off in one place, and Paul alluded to the managed services side of the business, which is really call center functionality, what we're really emphasizing going forward is micro services and decomposed as is deconstructed APIs.

So, you can kind of buy by the drink with us. And you're seeing some of the early wins here, which would accelerate decision-making, Ashwin. Some of the early wins around Prime Live in the cloud, which is what we kind of announced today. And then with Caixa, you're seeing whole enterprises what would have been TS2, but whole enterprises going direct to the cloud live.

So, I would say that the pivot toward cloud is certainly short circuited some of the timeframes you might have seen historically. We're live with that with use cases with Prime and obviously the Caixa will be live with that in the back half of 2023, as we said today. So, certainly the Issuer side, I feel good about it.

I'd also say before I turn it over to Cameron and Paul on Merchant that we announced today two partnerships with ecolytiq and Extend. These are Neobank, FinTech, start-up kind of companies. That are focused on selling ESG micro services and APIs into all manner of new wave Issuers. The same thing with Extend on the virtual card side.

We're providing virtual card technology from TSYS into the B2B space. That's something we never would have been able to do historically by way of distribution. We're doing that here through AWS and PwC. Those are all incremental and things that we described as tripling the TAM back when we announced, Ashwin, the August 20 AWS unique collaboration. So, I do agree with your thesis that we're seeing acceleration in sales opportunities on the issuing side. Cameron, do you want to talk a little about merchants.

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

A

Sure, and good morning, Ashwin. I would say, obviously, we provided some booking data today for the Merchant business for the full year 2021, plus 20%, obviously suggesting, we have a lot of positive momentum from a new sales and an execution standpoint heading into 2022. I'd highlight a few things. One is, we continue to see positive tailwinds coming out of the pandemic for our safer commerce solutions, our omnichannel solutions and our commerce enablement solutions.

What we're really seeing with our core merchant customer base is, there's strong demand for technology. There's strong demand for efficiency and there's strong demand for solutions that help offset the fact that hiring is very difficult right now. So, the more we can bring to bear on our customers to help them again run their businesses more effectively, and find opportunities to grow their business, the more traction we're achieving from a sales perspective in the new market.

So, our targets for 2022, I would say, are roughly consistent in terms of growth as to what we achieved in 2021 as a new bookings matter. We have a lot of confidence and momentum heading into the year that we'll be able to execute against that.

The last thing I'll say is as we started 2022, we've actually brought our US Payments business and our GPI business together as a distribution matter, which will allow us to really unleash our relationship managers in the US Payments channel on our GPI partner customers. So, this gives us new opportunities, I think, to accelerate growth, have a smoother go-to-market motion from a sales and distribution perspective here in the US. And I think unlock untapped value that exists in that portfolio of vertical market partners that we have in the GPI business by attacking it with a broader sales force going forward.

So, I think we have a lot of confidence around where we are from a new sales and execution. And very simply put, I don't think we've ever been in a better place as a distribution matter, particularly from a technology-enabled distribution perspective, nor we've been in a better place in terms of the product [ph] group (48:43) solutions and capabilities that we can bring to bear on the market.

So, we have a lot of confidence in our ability to continue the trends we saw coming out of 2021 from a new sales and bookings standpoint. And I think, obviously, that underlies the guide that we provided for 2022 as well for the Merchant business.

Ashwin Vasant Shirvaikar*Analyst, Citigroup Global Markets, Inc.*

Q

Thank you. These are great details. Maybe a question for Paul. I appreciate the high-level color on overall cadence and the point on 1Q being the toughest comp, I guess, is well understood. But could you maybe step into and provide more details on the underlying assumptions for cadence revenues and margins by segment, how that ramps?

Paul Michael Todd

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

A

Yeah. So, just as you said, the biggest kind of impact that we would call out would be the whole stimulus impact in the business and consumer. The good thing about that, just as a comparison dynamic, is the stimulus impact is largely secluded to that first quarter. So, we don't have that kind of playing through the other quarters.

I would say at a segment level, if you just kind of take the overall guide and just looked at it first at Merchant, we're in that kind of low-teens in the first half and then that kind of low double-digit kind of in the second half. And that's largely just depending on the comp that you're kind of comparing to and the dynamics in that quarter. So, that's kind of somewhat of a breakout between the first half and the second half.

And then I would say, from the Issuer business, it's kind of more higher single-digit growth in the back half, more kind of mid-single-digit growth more in the first half, and we do have some kind of ramping of commercial card recovery occurring throughout the year. So that provides a little more pressure in the first quarter, it kind of improves in the second quarter, the third quarter, and fourth quarter. One thing we did see, and this was underlying the guys, we did see some deceleration between 3Q and 4Q in commercial card in our Issuer business. And so we're kind of now projecting that maybe to take some time to recover.

And so, you're going to kind of see that thing play throughout the year as we do expect commercial card to kind of recover to a more normalized level in a more normalized environment.

And finally, on that B and C line, obviously, I called out what the impact is in the first quarter and then it kind of goes to that more mid-single-digit, higher single-digit kind of growth rates in the back half of the year as we anniversary that first quarter.

So, that kind of gives you a broader context of how we look at next year. Obviously, things will play themselves out. We'll give more color as the year progresses, but that's how we're looking at it right now.

Ashwin Vassant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Q

Got it. Thank you all for the detail.

Paul Michael Todd

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

A

Yeah.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, Ashwin.

Operator: Your next question comes from the line of James Faucette from Morgan Stanley. Your line is open.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you very much. Appreciate all the details on the different aspects of the business. I wanted to touch on quickly asset allocation and strategic. You guys have always talked about looking at acquisitions and that's

been – obviously, been a focus and you highlighted where you've spent the last couple of years. How are you thinking about the recent change in the overall public market valuations? Is that changing the potential landscape for M&A for you? And are you looking at incremental opportunities as a result?

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

A

Yeah, James, it's Jeff. It's a great question. So I'd say a few things to what you asked. Look, we have a long pipeline of opportunities, but I think we're very cognizant that we're generating really attractive returns by buying back the stock. So while we have a lot of things that we could do on the strategic side to get the returns that we're looking at in the stock market from buying back our own stock, the bar is just pretty high at the end of the day.

We're just finishing a period where we generated something like \$2.5 billion, thereabouts, in free cash flow. We ticked up leverage a little bit, up to around 3 times on a [ph] net (52:44) debt basis, as Paul said. And we have some like \$2.5 billion of available capacity. So there's really no shortage of things we can continue to do.

As I said in response to one of the earlier questions, we've already bought back 6% of the stock since the pandemic kind of started, we'll do another 5% more or less this year, depending on conditions if we exhaust the \$2 billion that I mentioned today. And if we redeploy Netspend, if that were to occur, depending on how we redeploy that, that could be another big chunk coming back in.

So the nice thing about where we are, James, is we have tons of free cash flow generation and a very high conversion rate, which we reiterate today, and a very good expansion of margins. So we have plenty of capacity from cash on hand, free cash flow conversion and leverage capacity to invest in our business. The question for us is, what side of pendulum do you kind of fall on? And clearly, as we just suggested, we've been more on the side, I think the number I gave was \$3.7 billion of buybacks relative to \$2.5 billion M&A. Clearly in the most recent period, given where the stock has gone in the market and the dislocations in fintech, clearly, we've erred, rightly so, more on the side of buybacks. So it will depend.

I would say, at the end of the day, leverage markets remain very favorable. Paul quoted our recent capital raise in November, which was like 2.27% pre-tax, which is a very attractive rate. Having done \$2.5 billion more or less of free cash flow last year, we'll do an increment this year. So we've got a lot of avenues that we can pursue. So we have no real practical constraint.

As we said in September, at the investor conference, we expect to [ph] do (54:13) \$30 billion of available free cash flow leverage capacity over the next three to five-year cycle. You saw the \$6 billion in the press release just since 2020. So we're well on track on the \$30 billion. But certainly, given where things are today, our thumb is on the scale of repurchase, and that's what you saw some of this morning.

James E. Faucette*Analyst, Morgan Stanley & Co. LLC*

Q

That's great. And then, just a quick follow-up for Paul. I appreciate the detail you gave on how you're thinking about the top line evolution of – through 2022. But as we – are you thinking that as we exit 2022 that – is your planning assumption that we'll be on kind of a normalized behavior and economic footing, such that we're really [ph] got – carrying (54:54) kind of those – that double-digit growth into 2023 and we can see that persist. And I guess, as part of that question as well is how should we think about OpEx evolution through the year? Thanks a lot.

Paul Michael Todd

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

A

Yeah, sure. So, yes, the answer to your first part of the question is, yes, kind of the exiting of 2022 is in that kind of double-digit kind of growth range that we talked about, both in our September investor conference and kind of how we look at the business. And certainly, we are, as I said in the prepared remarks, preparing for a more progressively normalized environment throughout the year next year. So yes, that's our vision of the way we look at 2022.

As it relates to OpEx and kind of margin, I wouldn't necessarily call out anything with the exception of that first quarter, we would have kind of margin headwind related to the flow-through of all the stimulus kind of impact. But absent that, with this 100 basis point kind of fundamental margin expansion, up to 100 basis points or up to 150 basis points ex-M&A kind of would be a pretty good guide as you look throughout the following three quarters.

And as it relates to specifically kind of segment level between both Merchant and Issuer, both of those segments are in that range. And then obviously, we don't have the same kind of margin expansion expectations for B and C given that rollover as it relates to stimulus.

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

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Thanks, guys. I just wanted to start on the Merchant side. So we're talking about low double-digit growth for 2022. I guess if we just look at the expectations for the other segments, just put a finer point on it, maybe we're talking around 12%, call it in Merchant. Can you give us a sense of how that might break down by [ph] processes (57:03) versus owned software in kind of a base case scenario?

Paul Michael Todd

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

A

I wouldn't necessarily kind of go to that kind of level of granularity as it relates to kind of the growth rate. You are right in that kind of overall sizing of the growth rate that you mentioned there. But as it relates to the components, I would kind of just maybe go back to what Cameron provided earlier, and he may have some additional comments as well, but that our tech-enabled and particularly, we'd highlight kind of Integrated and obviously, some of the software assets that we talked about in the prepared remarks would be on the higher side of that kind of growth pendulum; and then, on the lower side [ph] are (57:41) some of the other businesses in certain geographies, vertical markets, obviously, depending on the recovery dynamics in those various businesses kind of play their way through.

We have kind of assumptions on each one of those around the recovery and how those look throughout the year and there's some timing elements with some of those. So, that would be the right way to kind of think about it, higher growth on the tech-enabled side. Certainly, that's the right kind of overall growth rate. And Cameron, I don't know if you have anything else to add.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah, maybe just a few other points that I would call out specifically. So maybe to start with, there's about 1 point of FX headwind kind of in that number. So if you think about it on a normalized constant currency basis, it's going

to be a little bit higher. So there's a few things, I think, going on that are worthy of calling out. Certainly, in the US, we expect to see continued strong trends. We've seen a good recovery in the US, so probably not quite as much of a tailwind in 2022 from a US recovery because a lot of that has flowed through, but still a little bit of tailwind there.

We expect to see more tailwind coming out of our vertical market software businesses, of course, as Paul highlighted earlier, as we continue to see recovery in the specific verticals that have been more heavily impacted by the pandemic kind of heading into 2022. And we still have a little bit of runway left, I would say, internationally [ph] with – from a (58:55) recovery standpoint from the pandemic as well that gives us a little bit of a tailwind overall.

But clearly, growth is going to continue to be led by our technology-enabled businesses. As Paul highlighted earlier, we continue to have strong expectations for GPI. As I mentioned earlier, by unleashing additional sales resources against that channel we expect to be able to drive incremental opportunities there. Clearly, e-com and our omnichannel solutions remain very robust from a demand standpoint. We saw great growth in those in 2021 and 2022 is starting out well on that front, and will continue to be a tailwind for the business as well. And then our other software and commerce enablement solutions across ATM and payroll, POS solutions, et cetera, our analytics and customer engagement platform as we roll out our Google [ph] Run and Grow My Business (59:40) solutions this year. Obviously, those will be a nice tailwind to growth overall for the year.

So, again, overall, the business will, I think, produce results above the long-term sort of expectations we have for the business, largely benefiting by continued recovery from the pandemic in 2022. But to the earlier question, as we head into 2023, we would expect that environment to largely normalize and you'll continue to see sort of double-digit growth for the Merchant business heading into 2023.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Right. And then just a quick follow-up on Issuer. I know you mentioned the managed services piece was down year-over-year in the quarter. Can you just elaborate on – I know you mentioned it was a tough comp, and then you talked about it in deemphasizing the call center part of that. Just hoping you could elaborate on that for a second and tell us what you're expecting from the managed services piece in 2022 relative to the rest or to kind of out to that mid-single range? Thanks guys.

Paul Michael Todd

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

A

Yes. So, you're right. In the fourth quarter, we kind of had three dynamics at play. And certainly, I've talked about all three, too, in the prepared remarks. One was managed services, as Jeff commented, as we continue to pivot this business to the cloud and more tech-enablement, the lower margin kind of human interactive, kind of managed services business is not one that we're focused on. We're very kind of margin attentive in this business and that is a lower margin business that continues to have more compressed margins. So, it's one that kind of we're deemphasizing.

We're certainly continuing to stay in the business and offering it, but we're going to do it when we get a good margin for the business. So that is kind of one kind of piece of the headwind in the quarter. We did have some things in the fourth quarter of last year. One customer particularly had to meet some minimums and a few other things that kind of played through that just didn't recur in the fourth quarter of this year. So, that's kind of the tougher comp piece I was talking about.

And then as I commented on, we saw, relative to our expectations, kind of that deceleration on the commercial card side that had – that continued the trajectory like we would have anticipated, but for the impact of Omicron, that's back where we see that business solidly in that mid-single-digit range. I would say also that for fourth quarter, the volume-based revenue, our account on file transaction revenue for that fourth quarter was solidly in that mid-single-digit range. So, as we go forward, yes, it's going to be continued kind of compression on the managed services side for next year. So, we'll see that kind of play out once again, in the first quarter, we have some more comp there.

We'll see a progressive improvement on the commercial card side and we're seeing solid or certainly projecting both with what Jeff talked about on the conversion pipeline as well as what we saw from transactions and our forecast so far and what we're seeing in transactions solidly mid-single-digit growth with that account on file revenue and transaction revenue really throughout the year, so. But for kind of the few things I mentioned, it's a pretty solid kind of mid-single-digit growth year for us next – or this year in line with that expectation. And I think that kind of provides the picture you're looking for.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Very helpful. Thank you.

Operator: And your final question comes from the line of Vasu Govil from KBW. Your line is open.

Vasundhara Govil

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Hi, thanks for squeezing me in here. I just wanted to drill a little bit more into the B2B efforts with MineralTree. I know one of the exciting parts when you first announced your entry into B2B was that you have this large base of existing merchants that you could cross-sell into. Just looking for any color on what the appetite has been and how you're going to market with your existing merchants.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah, it's a great question. This is Cameron. I'll start, and I'll ask Jeff and Paul to jump in as well. I would say, we've seen good traction already in our ability to cross-sell MineralTree into our existing base of, not only merchant customers, but partners.

In particular, in the GPI channel, we have a significant number, roughly 6,000 software partners for whom the MineralTree solution is the ideal solution given the size of their business, to manage kind of their AP Automation and to help with their overall B2B payment requirements as software companies. So as we think about the long-term proposition, we think MineralTree, as a standalone sort of point solution, is fantastic. And we're seeing good traction in our ability to cross-sell it into our existing base of business.

But more importantly, it becomes a core underlying foundational component of what we think will be an end-to-end B2B solution that in companies, both AP Automation, AR Automation, disbursements and acceptance capabilities in an end-to-end platform that seamless fully integrated and able to be deployed to our merchant customers through our digital ecosystem. So as we think about the long-term B2B strategy, I think it's really that. It's building that end-to-end capabilities with money-in, money-out capabilities with AP Automation, AR Automation, with integrations into general ledger environments, which is really what our customers are looking for. So MineralTree on its own has been a great tailwind, as we look to cross-sell new product and capability into the

merchant base. But as we continue to build out the B2B strategy long term, it becomes more important as that foundational element to build out the end-to-end capability.

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

A

Yeah, Vasu, it's Jeff. I would add to what Cameron said on the Issuer side that we have some like 1,300 bank partners in Issuer. I think MineralTree had like 20 to 30 when we did the deal in October.

One of the things that we heard from banks was the product at MineralTree, very similar to what Cameron said, is terrific, but financial institutions being where they are, always worried about the size of the company and the balance sheet and exposure and that kind of thing. Well, there's no concerns about that with us. So we see great traction on the issuing side with that by customers globally, not just here in the United States and MineralTree is predominantly a US-only business, although we did announce some overseas stuff with them today. So our ability to expand that in the United States and export it globally, I think, is very attractive to us and it's something that we're super excited about.

Vasundhara Govil*Analyst, Keefe, Bruyette & Woods, Inc.*

Q

Great. Thanks. That's great color. And just a quick follow-up. Thanks for giving us all the volume trends. That was very helpful. But if I'm looking at the volume trends relative to Visa, Mastercard, specifically for North America, it seems that the trends were – the improvement was a bit flatter versus what we saw coming out of Visa, Mastercard. So any call-outs there? I'm just assuming it's mix differences, but any color would be helpful.

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

A

Yeah. I think you hit the nail on the head. I think it's really just mix differences. I don't think there's an appreciable difference, to be honest with you, when you're aggregating that level of data together. I think if you look at it across the globe, I think our trends are very consistent sort of sequentially with what we saw coming out of the network.

So look, there's always going to be noise in the data because we're running a particular mix of business. The networks represent more of the markets. So there are things that we're benefiting from that they're not, there is things they are benefiting from that we're not, as it relates to the mix of businesses. But I would characterize from our perspective, the trend is generally in line with what we saw coming out of the network sort of sequentially Q3 to Q4.

Vasundhara Govil*Analyst, Keefe, Bruyette & Woods, Inc.*

Q

Great. Thank you.

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

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

Operator: This concludes today's conference call. Thank you for your participation. You may now disconnect.

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