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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 2022 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]

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 & Corporate Sustainability, Global Payments, Inc.

Good morning, and welcome to Global Payments fourth quarter and full year 2022 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, among other matters, expected operating and financial results and the proposed transaction between Global Payments and EVO Payments. These statements are subject to risks, uncertainties, and other factors including the impact of economic conditions on our future operations that could cause actual results to differ materially from 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 available on the Investor Relations section of our website.

Joining me on the call are Jeff Sloan, CEO; Cameron Bready, President and COO; and Josh Whipple, Senior Executive Vice President and CFO. Now I'll turn the call over to Jeff.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Winnie. We delivered strong results for the fourth quarter and calendar 2022 in what was an unprecedented year by nearly any measure, with heightened worldwide macroeconomic uncertainties caused by persistent inflation, dramatically rising interest rates, significant foreign exchange volatility, a war in Europe and lingering impacts from the pandemic early in the period. Yet the consumer remained resilient throughout the year and we enabled a record over 64 billion transactions culminating in a successful holiday season with multiple all-time high peak days. We delivered record results for 2022.

While it's early in the new year, internal metrics indicate more of the same. Where we've seen any discernible change, it is in some macro weakness in limited geographies like the United Kingdom and parts of Asia-Pacific. Having said that, those items already are reflected in our fourth quarter results and our guidance assumes no meaningful change in operating environments for 2023. We are pleased with our preliminary January results.

For the fourth quarter, our Merchant business delivered 9% adjusted net revenue growth excluding dispositions and our Issuer segment achieved 5% adjusted net revenue growth, each on a foreign exchange neutral basis. Importantly, our core Issuer business again generated sequential financial and operating improvement, consistent with our expectations and the best performance since our merger with TSYS in 2019.

For the full year, our performance was consistent with our September 2021 cycle guidance despite multiple black swan disruptions that emerged in 2022. Our Merchant business delivered 13% adjusted net revenue growth excluding dispositions and our Issuer business generated 5% growth each on a constant currency basis. For calendar 2022, we produced 10% total adjusted net revenue growth again excluding dispositions, expanded margins by 200 basis points and generated 17% adjusted earnings per share growth on an FX neutral basis, all right in line with our raised cycle guidance from 18 months ago despite all the incremental challenges of the macroeconomic environment.

At our investor conference, we outlined our four-pillared strategy and focused on a simpler model more geared toward our corporate customers with enhanced growth and margin prospects. We detailed our capital allocation priorities that balanced building the leading technology-enabled software-driven payments business worldwide with efficient return of capital. And we highlighted our commitment to advancing our strategic partnerships with leading global technology companies investors and share gaining financial institutions to further expand our competitive moat.

We anticipate closing the acquisition of EVO Payments no later than the end of this quarter. With EVO, we reinforce our position as a preeminent payments technology company with extensive scale and unmatched global reach. EVO enhances our target addressable markets, increases our leadership in integrated payments, expands our presence in new and provides further scale in existing geographies. It augments our B2B software and payments solutions. We look forward to welcoming EVO's valued team members to the Global Payments family.

We also remain on track to close the divestiture of Netspend's consumer portfolio by the end of the current quarter, a key element of our strategic pivot. We believe that this transaction will best position Netspend's consumer business for future success and we wish its team members the best of luck in the future. Additionally, we've reached an agreement to sell our Gaming Solutions business to Parthenon Capital Partners for \$415 million. This transaction, much like the sale of Netspend B2C, is consistent with our efforts to refine our portfolio toward our core corporate customers and away from consumer-centric businesses. These three transactions further our strategic objectives, simplify our businesses, and provide us with enhanced confidence in our growth and margin targets. We expect each of them to close by the end of March providing us with core businesses from which to grow for many years to come.

Our unique ability to provide differentiated vertical market software, payments and other technology solutions continues to resonate with customers. Our vertical market segment again delivered low-double-digit growth in the fourth quarter with our QSR and school solutions businesses' notable standouts. We are delighted to announce today that both the Atlanta Hawks and the Atlanta Braves have chosen Global Payments to serve as their official commerce technology provider for State Farm Arena and Truist Park.

The Hawks and the Braves ran comprehensive RFPs to select their partner for the future and they chose Global Payments because of our ability to deliver distinctive cloud-based software and payment solutions to create enhanced frictionless experiences that increase fan engagement, drive loyalty, provide cloud-based data and improve operational efficiency. We are proud to be the commerce technology partner for all of Georgia's major professional sports and entertainment venues, and our pipeline in this channel remains robust.

In addition to the Hawks and the Braves takeaways, Xenial produced record revenue in the fourth quarter of 2022. Recent wins also include A&W Restaurants, Jack in the Box and Panda Express. What do these new customers all have in common such that they chose us in recent competitive takeaways? In short, consumer expectations for the sports and entertainment and QSR channels are high, and the pace of technological change in those markets plays uniquely to our competitive strengths. Our technologies are winning every day in the marketplace with more than 51,000 restaurants in over 65 countries choosing our purpose-built ecosystems to deliver positive experiences back to their customers.

Other standouts in our Merchant business for the fourth quarter include our integrated and worldwide e-commerce and omnichannel businesses which both again delivered mid-teens growth in the period. We are excited to combine the best of these businesses with EVO as our integration activities commence in the near term. In addition, we're now live with our acquiring relationship with Google across North America on the heels of the success of our initial launch in Asia-Pacific in 2021.

Turning to our Issuer business, we produced the best performance we have experienced since the TSYS merger in 2019 in the fourth quarter of 2022. We ended last year with a record 816 million traditional accounts on file, an increase of 15 million AOF sequentially, driven by double-digit account growth with industry-leading customers, as our strategy of aligning with market share winners shows gains. Our commercial card business continued to perform well with transactions growing 20% in the fourth quarter as cross-border and domestic corporate travel continued its recovery trajectory.

We lead in the issuer market with cutting-edge technologies, worldwide scale, terrific customer service and a partnership mentality. While the issuing business has always been and we expect will always remain highly competitive, those partners seeking to compete digitally know where they need to invest to be competitive in the marketplace. Much like in the Merchant business, issuing businesses in growth-challenged markets without the

wherewithal to make cloud-centric technology investments for the digital future will be increasingly challenged to compete. Thankfully, that's not our target market.

We are very pleased to announce that TSYS signed a multiyear extension with Bank of America, one of our largest customers and a relationship that spans consumer and commercial card portfolios in North America and the United Kingdom. We also extended our successful partnership with Deutsche Bank, our largest client in the DACH region, into the next decade as TSYS remains their partner of choice for scheme branded card portfolios across international brands, including Deutsche Bank and Postbank, also good timing in light of our pending entry into the acquiring business in Germany through EVO. Other recent multiyear extensions with longstanding customers include PNC for its commercial business.

Our durable relationships with some of the most complex and sophisticated institutions globally speak to our competitiveness well into the remainder of this decade. We currently have nine letters of intent with institutions worldwide, nearly all of which were achieved through a competitive RFP process. This includes a recent LOI for new business with TSYS in Mexico, well-timed in relation to EVO, and a competitive takeaway conducted via RFP. Another 12 of our recent LOIs, including five competitive takeaways, have gone to contract since the beginning of 2022, providing further future growth opportunities.

We recently entered the Swedish market through a contract we executed with Entercard during the quarter, spanning both its consumer and commercial portfolios. And we've got a contract with Scotia Chile portfolio which is being added to our agreement with Scotiabank, a partnership that spans multiple markets across the Americas. This marks our second win in Chile following the long-term agreement we reached with market-leading retailer Cencosud signed earlier this year. Our issuer conversion pipeline stands at a record post-merger of over 75 million accounts, providing further confidence of our growth trajectory well into the future. We are pleased to report that we have now reached business agreement on a head of terms with CaixaBank, one of the largest issuing institutions across Europe. Post implementation, we expect to become one of the largest debit technology providers in Europe.

We're the beneficiaries of technological innovation, continued share shift, and market share gains. As just one example, while we've been providing market-leading technologies for buy now, pay later initiatives for decades, we continue to innovate and deliver installment products as BNPL demand grows. This includes launching a successful BNPL program with one of our longstanding partners, NatWest, to aid customers with longer term purchases and special events. This product was designed to enable payments to be easily tracked and incorporates the robust fraud protections provided by FCA-regulated purchases.

Other issuer highlights include a new partnership with Mastercard leveraging Ethoca Consumer Clarity to improve the dispute resolution process and digital experiences for more than 25 million cardholders in the US and the UK. We also are collaborating with fintech software-as-a-service platform Mambu to provide next-generation capabilities for financial services customers across a number of strategic use cases, including credit cards, BNPL, prepaid cards and a range of deposits and lending solutions.

Finally, we've now combined the TSYS commercial card business, MineralTree, and Netspend's B2B assets into a single unified B2B organization within the Issuer Solutions business as we focus on driving cross-selling opportunities. Across MineralTree and our core TSYS virtual card capabilities, total spend grew more than 50% in 2022 over the prior year as we remain focused on bringing the industry's best virtual card capabilities to our FIs, enabling B2B transactions, mobile wallet provisioning and online travel capabilities. MineralTree had a terrific fourth quarter of 2022 with growth in excess of 30% and it is well positioned for gains heading into 2023.

Josh?

Joshua Whipple

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

Thanks, Jeff. We are pleased with our strong financial performance in the fourth quarter and for the full year which highlights the durability of our business model. Starting with the results for the full year 2022, we delivered adjusted net revenue of \$8.09 billion, an increase of 7% from the prior year on a constant currency basis. Excluding the impact of dispositions, adjusted net revenue increased 10% on a constant currency basis. Adjusted operating margin for the full year improved 190 basis points to 43.7%. The net result was adjusted earnings per share of \$9.32, an increase of 17% on a constant currency basis compared to the full year 2021 which includes the impact of the exit of our Russia business during the second quarter. These results were consistent with our guidance expectations and with our September 2021 cycle guidance from our investor conference despite all the challenges Jeff highlighted earlier.

Moving to the fourth quarter results, we delivered adjusted net revenue of \$2.02 billion, an increase of 4.4% from the same period in the prior year on a constant currency basis. Excluding the impact of dispositions, adjusted net revenue increased 7% on a constant currency basis. Adjusted operating margin for the quarter increased 240 basis points to 44.4%. The net result was adjusted earnings per share of \$2.42, an increase of 17% on a constant currency basis compared to the same period in 2021.

Taking a closer look at performance by segment, Merchant Solutions achieved adjusted net revenue of \$1.41 billion for the fourth quarter, reflecting constant currency growth of 9% excluding dispositions. This performance was led by the ongoing strength of our US and technology-enabled businesses. We delivered an adjusted operating margin of 48.4% in the segment, an increase of 20 basis points year-on-year as we continue to benefit from the underlying strength of our business mix. We saw double-digit growth across a number of our US businesses in the quarter, including our integrated channel, vertical markets portfolio, POS solutions, and HCM and payroll businesses while our worldwide e-commerce and omnichannel businesses also delivered growth in the mid-teens on a constant currency basis this quarter. This strength was partially offset by ongoing headwinds from adverse foreign currency exchange rates along with macro softness in limited geographies like the UK and continued COVID-related restrictions in parts of Asia-Pacific.

We are pleased with the fundamental performance of our Issuer Solutions business in the fourth quarter. Notably, core issuer grew 5% this quarter excluding the impact of FX which was an 80-basis-point acceleration sequentially and positions us well heading into 2023. As Jeff highlighted, traditional accounts on file increased by 15 million sequentially driven primarily by strong account growth from our major consumer portfolio of customers. Transactions also grew high-single digits compared to the fourth quarter of 2021 with strong contributions coming from commercial card transactions which were up roughly 20% for the quarter.

Our total issuer business including B2B delivered \$501 million in adjusted net revenue, also a 5% improvement on a constant currency basis for the same period in 2021. Excluding the impact of our Paycard business, which faced headwinds from both employment trends due to the macro environment and the lapping of pandemic subsidies, Issuer Solutions grew 5.3% on a constant currency basis. Finally, we delivered adjusted operating margins of 48.3%, an increase of 560 basis points from the prior year fueled by our accelerated growth and focus on driving efficiencies in the business.

From a cash flow standpoint, we produced strong adjusted free cash flow for the quarter of \$723 million and \$2.3 billion for the year, consistent with our target to convert roughly 100% of adjusted earnings into available cash excluding the impact of the expired federal research and development tax credit. We invested \$152 million in

capital expenditures during the quarter and \$616 million for the year, in line with our expectations. Further, this quarter, we repurchased approximately 7.3 million of our shares for approximately \$790 million. And for the full year, we repurchased 23.3 million shares for \$2.9 billion, or approximately 8% of our shares outstanding. Our balance sheet remains healthy and our leverage position was 3.2 times on a net debt basis at quarter end.

We made further progress on our strategic priorities during the fourth quarter and remain on track to close our acquisition of EVO Payments and the divestiture of Netspend's consumer assets by the end of the quarter. As Jeff mentioned, we also reached an agreement to sell our Gaming business to Parthenon Capital Partners. We are pleased to have received HSR approval for this transaction and have submitted all other required regulatory filings. We also expect to close the Gaming Solutions divestiture by the end of this quarter. As a result, our business mix as of April 1 of this year will reflect our future state composition for three-quarters of 2023 and beyond.

We have ample financial flexibility including our \$5.75 billion revolving credit facility which is currently undrawn, and following the completion of all of these transactions, we expect our net leverage to be approximately 3.75 times, below our prior estimates. We continue to expect to return to current leverage levels by year-end 2023 while maintaining existing investment-grade ratings. We are pleased with how our business is positioned as we enter 2023 and the resulting financial outlook for the year. We currently expect reported adjusted net revenue to range from \$8.575 billion to \$8.675 billion, reflecting growth of 6% to 7% over 2022. We are forecasting annual adjusted operating margin to expand by up to 120 basis points for 2023. This is above our cycle guidance for margin expansion of 50 basis points to 75 basis points annually, driven by benefits to our business mix from our ongoing shift towards technology enablement and the divestiture of Netspend, partially offset by the lower margin profile of EVO prior to full synergy realization.

To provide color at the segment level, we expect our Merchant segment to report adjusted net revenue growth of roughly 15% to 16% for the full year. This includes growth of approximately 9% to 10% excluding the impact of the acquisition of EVO Payments and dispositions. We expect the EVO Payments acquisition to contribute approximately \$475 million of adjusted net revenue in calendar 2023, which assumes the transaction closes at the end of the current quarter.

We expect more than 100 basis points of adjusted operating margin expansion from the existing Global Payments Merchant business excluding dispositions in 2023, ahead of our cycle guide. This expansion will be more than offset beginning in the second quarter with the absorption of the lower margin profile of EVO Payments. We expect this impact will be mitigated by synergy realization as the year progresses. As a result, we are forecasting margin expansion in Q1, contraction in the middle of the year, and then margin expansion in Q4 as synergies ramp for our Merchant business. The net result will be a modest decline in our total Merchant business reported adjusted operating margin for the year.

Moving to Issuer Solutions, we expect to deliver adjusted net revenue growth in the 5% range including Netspend's B2B assets for the full year compared to 2022 as we benefit from our strongest conversion pipeline since the TSYS merger. Specifically, we expect core Issuer to grow roughly 5% and for MineralTree and Netspend's B2B businesses to grow low-double digits. We anticipate adjusted operating margin for the Issuer business to expand up to 60 basis points as we continue to benefit from operating leverage in the business as growth continues to accelerate, offset somewhat by faster growth in our lower-margin B2B businesses. Finally, while the disposition of our Consumer Solutions business is naturally expected to be a headwind for the full year, this transaction enhances the overall growth in adjusted operating margin profile of the business going forward.

In terms of quarterly phasing, there are several items to note. First, while we expect foreign exchange rates to be roughly neutral for the full year, we anticipate the currency headwind to adjusted net revenue of up to 200 basis points in the first quarter and a headwind of up to 100 basis points in the second quarter. Second, we expect the timing of our EVO Payments acquisition and the dispositions of Netspend Consumer and Gaming to naturally impact quarterly growth rates during the year. We anticipate the impact of the disposition of the Netspend Consumer business to be offset for the most part by the addition of EVO which we expect to close at the end of the first quarter.

Given the impacts of acquisitions and divestitures, as well as foreign exchange rates, on our expectations for 2023, we have provided greater detail regarding our adjusted net revenue, adjusted operating margin and adjusted earnings per share assumptions for the year and by quarter in our slides posted today on our website. Moving to a couple of non-operating items. We currently expect net interest expense to be roughly \$540 million and for our adjusted effective tax rate to be in the range of 19% to 19.5% for the full year. We also expect our capital expenditures to be around \$630 million in 2023, consistent with our long-term targets.

We anticipate adjusted free cash flow to again be in a comparable range of 100% of adjusted earnings per share in 2023. For modeling purposes, we've assumed excess cash is used to pay down indebtedness in 2023 until we return to our current leverage levels towards the end of the year with minimal share repurchases until then. Putting it all together, we expect adjusted earnings per share for the full year to be in the range of \$10.25 to \$10.37, reflecting growth of 10% to 11% over 2022. Excluding dispositions, adjusted earnings per share growth would have been 15% to 16% for 2023. Finally, we anticipate and assume a stable worldwide macro backdrop throughout the calendar year in 2023 reflecting the current environment.

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

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Josh. I could not be more proud of all that we accomplished in 2022 despite the incremental challenges we faced throughout the year. These achievements have given us increased confidence in the accelerated growth trajectory we outlined at our investor conference. Simply put, we built a better and more durable business model. Our expectations for 2023 are for a return to normalcy with businesses across our markets delivering at typical financial and operating levels. The consumer remains resilient with anticipated spending patterns reflected in our recent results and our guidance.

The imminent closing of the acquisition of EVO and the sales of Netspend B2C and Gaming mean that three-quarters of calendar 2023 will reflect result of the businesses that we intend to manage well into the future. We've completed the strategic pivot set forth in September 2021, and we are very much the better for it.

Winnie?

Winnie Smith

Senior Vice President-Investor Relations & Corporate Sustainability, Global Payments, Inc.

Thanks, Jeff. 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. We will now go to questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Darrin Peller with Wolfe Research. Please proceed with your question.

Darrin Peller

Analyst, Wolfe Research LLC

Q

Guys, thanks. Nice results. Look, just still a lot of moving parts. So, Jeff, my first question would just be if you can help us understand when you look past all these – the Gaming divestiture, the EVO deal, in the Merchant business, number one, I guess if you can give us a sense of what the – some of the main moving parts were in the quarter again in terms of the one of the verticals you're operating in in the software-centric businesses, the tech-enabled areas, a little bit more granularity. But more importantly, when you look beyond this, what is this growth profile of this business, again including EVO, including the divestiture of Gaming? And how do we think about Merchant going forward for the next year or two?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Hey, Darrin. It's Jeff. I'll start and ask Cameron to jump in too. So I think we described that over the last number of calls we're going to end up with, in the aggregate if you step back, the Merchant business has three-quarters of the revenue of the company, and in Issuer and B2B business, that's 25% of the revenue of the company. That's reflected in our September 2021 cycle guidance expectations, and if anything, makes us feel better about achieving those expectations. That was covered in our press release, in our prepared remarks this morning where excluding dispositions on an FX-neutral basis we actually hit those targets despite all the incremental challenges and uncertainties of the markets that we're in.

I'd also say that we expect all the transactions that we've announced previously, and now Gaming today, to close by the end of this quarter. So three-quarters of 2023, as I said in my prepared remarks, I expect to reflect the businesses that we will have for many years in the future and the future to come. I also touched on – I'll turn it over to Cameron in a second, but I also touched on some of the pieces that have generated the fantastic growth, the 9% that we announced this morning in Merchant, the 13% for the year, 9% for the quarter, the 9% volume growth announced in my prepared remarks. Some of the pieces that add into that, namely our integrated business which again grew into the mid-teens, our e-comm and omni businesses which again grew into the mid-teens, meaningfully in excess of the Visa/Mastercard kind of e-comm reporting and of course meaningfully in excess of what PayPal announced last night in terms of their volumes and the like.

So I think those growth drivers that we've described historically at our last investor conference and probably the last four, five years of calls in our Merchant business I expect to continue to drive the business forward. Cameron, you want to provide more detail on Merchant, in particular?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah, Darrin, I'm happy to. Maybe I'll start with the quarter and then I'll spend a little bit of time on the outlook as well. So for the quarter, as Jeff highlighted, I think we're pretty pleased with the overall growth we saw in the business. Obviously, that was led by the US business which again produced double-digit growth in the quarter. Jeff highlighted a couple of, I think, the outstanding businesses from a performance perspective, but I'd also note

our point-of-sale, HCM, and payroll businesses also grew in the double digits; our vertical market business grew in the double digits, so our US business overall was double digits for the quarter. North America in total, including Canada, was right at 10%, exactly what we did in Q3. So again, I think good strength across kind of the US and North American businesses.

Where we saw a little bit of headwind was from our Asian and European businesses. We do see some macro headwinds in the UK; I think we talked about that in our prepared remarks. And Asia continues to be impacted by COVID-related restrictions, although as we get early into 2023 we're starting to see those lift, and January results obviously reflect a lifting of those restrictions which is encouraging to see heading into the year. So, really, our performance in Q4 was largely the same as Q3 but for international businesses. They were 1 point of tailwind in Q3 and they were 1 point of headwind in Q4. I think when you look at the business overall, fundamentally 9% constant currency volume growth I think compares very favorably against what you saw from Visa, Mastercard, PayPal, Fiserv. So I think we feel very good about the momentum and the underlying fundamental performance of the Merchant business as we head into 2023.

As we talked about this morning, our highlights for 2023 from a growth perspective start with Global Payments sort of core business at 9% to 10%, again relatively consistent with the cycle guidance that we provided for that business, reflecting a macro environment that we expect to be largely consistent with kind of what we've seen exiting 2022. So fundamentally, I think we feel really good about how the business is performing and the component parts and the technology-enabled aspects of the business that we expect to drive growth are continuing to do just that.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, and we see that trend as I said, just to finish off on that point from Cameron, Darrin. As I said in the prepared remarks, we saw the same trends continue into January, so we're pleased with the preliminary results that we have for January. We're pleased with the metrics that we have into January and into February, so we really haven't seen as Cameron just alluded to, really haven't seen much of a change. I know Bank of America came out this morning with some comments about a healthy consumer, so we continue to be pleased with where we are.

Darrin Peller

Analyst, Wolfe Research LLC

Q

That's great. That's great. One quick follow-up on the Issuer side. You obviously have showed the acceleration we hoped for for fourth quarter which was great. I think you have 75 million accounts on file that are scheduled to be able to come on over the course of the year and more maybe in 2024 with Caixa, if I remember correctly. And so just thinking about the guidance for Issuer, it seems like it's roughly, I think it was 4.5% to 5.5% if I'm not mistaken. Between all the tailwinds, could it have been a little higher? Is that conservative? Can you just touch on that? Thanks, guys.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, Darrin. Yeah, so, look, I think we're really pleased with where the Issuer business is and it's really Issuer and B2B now. So, look, I would tell you that in the back half of calendar 2022, for Issuer in particular, we exceeded our expectations almost every month and certainly for the two quarters. So we've got our fingers crossed that we'll do better, that it'll accelerate further. As I mentioned a minute ago, the metrics through January and preliminary results in January and metrics in Issuer into February also look very healthy. So, look, we're

hopeful we can do better than that. I would say though that the fourth quarter of 2022 itself represented 80 basis points of sequential acceleration in core Issuer just from Q3, Darrin, into Q4 sequentially in terms of revenue.

So, look, I'm hopeful we can all look back on 2023 and say that was a low bar, but you're talking about a business that had its best performance in the month of December that it had since the merger, its best performance in the quarter that it had since the merger. Darrin, I'll be delighted to talk to you in May about how good the performance is in first quarter if that'll continue, but I think we've got multiple tailwinds in that business. We're really excited about where it is. Obviously, part of our goal is to get B2B larger. So as Josh said in his prepared remarks, B2B ex Paycard added about 60, 70 basis points to the growth rate. We'd obviously like to get that bigger and that's part of our plan to get to mid to high over time single digits in that business, but that's reflected in our guide today, up to 5.5% growth. So I think we've got every avenue of opportunity available to continue to build on the sequential acceleration that we saw in calendar 2022. And hopefully, Darrin, we can look back later in the year and laugh about how easy it was.

Darrin Peller

Analyst, Wolfe Research LLC

All right. That's great to hear. Thanks, guys.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Darrin.

Operator: Thank you. Our next question comes from line of James Faucette with Morgan Stanley. Please proceed with your question.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Great. Thanks. Wanted to touch quickly on the expense side and expectations for margin expansion. Wondering if you can just give a little more detail there, particularly around like labor, and just wondering if wage pressures have largely subsided at this point and is that part of what you're expecting to help contribute to margin expansion.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Yeah. James, it's Jeff. I'll start and I'll ask Josh to jump into kind of at a macro level and I'll give you a little bit more of the micro detail. So, look, our job is to manage the business. Wage inflation, rent inflation, that's part of the operating company. Our job is not to blame that for misses; our job is to absorb that and move on, and I think that's we've been able to do not just in the fourth quarter, in the guide, but over the last number of years. I certainly would say, just speaking for us, that the employment market has changed. I would say as you've seen the tech layoffs come from other folks around the country and around the world, there's no doubt there's been a change in perspective. I wouldn't say, though, that's changed the wage inflation expectations of people in our company or in the market more broadly. Valued team members are valued team members, and we need to be and we are market competitive.

The last time I looked, which admittedly, James, was probably a little bit ago, I think head count in tech in our company was up 10% versus 2019 and comp was up similarly or even a little bit more. As I mentioned a minute ago, our job is to manage those numbers, absorb them, and still move on which is kind of what we've done. So

ongoing wage inflation is reflected in our expectations for margin expansion this year. It was reflected in our actual results for margin expansion last year, and obviously we'll offset that with good growth. We offset it with leverage and synergies and everything else.

Josh, you want to be more specific on some of the margin stuff?

Joshua Whipple

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

A

Yeah. Absolutely. So, James, as I said in my prepared remarks that we expect margins to expand approximately 120 basis points in 2023 which is, if you think about our cycle guide of 50 basis points to 75 basis points, this is ahead of our cycle guide. And we expect to see outsized margin expansion in Q1 of approximately 200 basis points, just similar to the levels that we saw in Q4, and then we expect to see more normalized expansion of 100 basis points for the balance of the year. And I would say that the primary driver of the benefits of this margin expansion is really a business mix shift toward technology enablement and the divestiture of Netspend which we talked about which we expect to be partially offset by the lower margin profile of EVO before we start to go ahead and realize synergies. So that's a little more color as it relates to margin outlook for 2023.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Q

Really appreciate that. And then you guys are obviously basing your outlook on kind of relatively stable macro environment. I kind of guess I wouldn't be doing my job if I didn't try to pressure test that a little bit. If we look at some of the segments and your exposure, whether it be to SMB and e-commerce, we've heard kind of mixed feedback recently from other companies in the space. Can you just give a little bit of insight into what you're seeing in SMB? Are you seeing points of weakness, et cetera, similarly on e-commerce? Thanks.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah. I'll start, James, and I'll ask Cameron to give more detail. So I would just say, as we said in our prepared remarks, look, the fourth quarter, and Cameron said this, in certain of our markets, United Kingdom to Asia-Pacific, they moved from a tailwind to a headwind. And I think a lot of that is macroeconomic-related. Some of that obviously is COVID, as Cameron alluded to, kind of coming in and out. I mentioned before that January preliminary results are favorable and that we see those metrics kind of trending and continuing. So that doesn't appear to have shifted from the fourth quarter. But the point I was trying to make in my prepared remarks, James, is whatever macro disruption we've kind of seen from higher rates, FX, COVID, whatever you want to call out, UK, already in our results from the fourth quarter and certainly are in our results from January and guide our expectations. So I would say that's kind of already in the cake, so to speak, as we think about kind of where we are.

Cameron, you want to be a little bit more detailed about SMB and mix?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah. I'm happy to. I mean I think what we're seeing right now is relative stability across the SMB markets that we target in our vertical market businesses in our Merchant business overall. And the best example I can probably provide is just where we stand as it relates to booking and new sales trends kind of exiting 2022 heading into 2023, because I think that's a good barometer as to where we see the health of that overall market. Believe it or not, we had our best sales month of the year in our US Merchant business in December, and it was our second

best all-time. So I think from that perspective, we're seeing very good momentum across new sales, which I think is obviously a good canary in the coal mine for what we anticipate in 2023. We had a record payroll sales month in December, and we continue to see near 20% bookings growth in our vertical market businesses, again all targeted largely towards the SMB segments of the market here in the US by and large.

E-comm and omni continues to produce really good results, as we highlighted on the call, mid-teens growth again yet this quarter. We continue to benefit, I think, from digitization trends that obviously help blend the physical and virtual world that I think, again, we're uniquely positioned to solve this complexity for our Merchant customers. And we see great adoption of those capabilities from our merchants in virtually all markets around the globe in which we're operating today. So, look, I think we're fairly confident as we head into 2023 to the guide that we provided today. Obviously macro can evolve over the course of the year. I don't think we're assuming perfect macro. We didn't see perfect macro in Q4, as Jeff highlighted. So I think some of that is obviously reflected in the guide today. I think the guide doesn't assume it gets meaningfully worse, nor does it assume it gets meaningfully better from where we are. And I think, again, we feel confident in our ability to deliver on the results that we forecasted in our call earlier this morning.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Thanks, everybody.

Q

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, James.

A

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Thanks, James.

A

Operator: Thank you. Our next question comes from the line of Jason Kupferberg with Bank of America. Please proceed with your question.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Good morning, guys. Thanks. So we're talking about 9% to 10% organic growth in Merchant, 4.5% to 5.5% in Issuer. I just wanted to make sure I understand slide 10 where you pulled together some of the pieces here. I see the divestiture adjustment there, but I don't see anything explicitly talking about the EVO acquisition. So you show 8% to 9% here, so that I guess is essentially the organic overall growth? I'm still a little confused that we don't see that adjustment for EVO.

Q

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Yeah. Jason, it's Jeff. So I'll start. So we start at our GAAP guide which is the first row and then we've got our normal GAAP adjustments which is the second row. And then adjustments to get adjusted net revenue. That's what we report, the 6% to 7%. We said currency was roughly neutral. The truth is it's a 20 basis point headwind. We're just going to absorb that. We didn't think calling that out and trying to back out 20 basis points based on what we know is really worth anyone's time. Our job is to manage those things.

A

The reason we call it net divestiture is that's net of EVO. So as I mentioned a minute ago, Netspend B2C and EVO are roughly similar in size. They're going to close, our expectation is, on around the same day, so there's no timing discontinuity of those things. So those offset more or less. I'd say there's a little bit of leakage, so there might be something like 50 basis points, 60 basis points of leakage on the sale of Netspend Consumer relative to the acquisition of EVO. But then remember, we were forced to exit the Russia business April 29, Jason, of last year, so we have overlap there for a period. And then we obviously also announced today from a revenue point the sale of Gaming which is earnings neutral, but obviously revenue dilutive. So the net effect of that is minus 1.7%. If you add all that together, the acquisition of EVO, the sale of Netspend Consumer, the forced divestiture of Russia, the sale of Gaming, those net to minus 1.7%.

So if you add back currency and you add back the net effect, which is why it says net there on slide 10, you get to the 8% to 9% which, to your point, when we call it core here, that's our view of what the core business is really doing. If you want to take that to earnings, and Josh actually put this in his quote in press release, if you back out the divestiture, because it's not in – our cycle guide doesn't include divestitures. If you back that out, core earnings growth would've been 15% to 16%. That's not what we're guiding to because that's not what we're going to report, but the 8% to 9% correlates to the 15% to 16%.

Then if you say, well, what about EVO's run rate of expense synergies because we only get 1 or 2 points of accretion this year because we only owned it for nine-twelfths of the year, but if you look at our guide from August 1, there's another 3% of accretion to EPS at full run rate – incremental 3% at full run rate phase-in of full expense synergies, which is from August 1 of last year, you put that in and we're actually at 17% to 20% earnings guide.

So the way we think about it, Jason, is 8% to 9% is the run rate of what the core is during. We're not guiding to that because we're going to report what we're going to report, which is what pages 7, 8 and 9 do and what our press release does. We don't want to have any confusion. But for those who are interested in, well, what's really going on, what's the core revenue growth rate of the company, well, there it is. It's 8% to 9%. What's the core earnings growth through your company? It's 15% to 16% and with full phase-in of EVO synergies it's 17% to 20%. So right on top again. And Josh already said it's 120 basis points on the margin. So right on top again of our cycle guide despite all the uncertainties of the world.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Okay. Understood. And then just as a follow-up, I know the primary use of the balance sheet this year is to pay down debt. But do you potentially see room to do deals if something particularly interesting pops up? And then just a quick housekeeping thing. Can you just clarify how much interest income benefit you expect this year from the seller financing on the Netspend side? Thanks, guys.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah.

Joshua Whipple

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

A

Yeah. Absolutely. So our primary focus here is to go ahead and pay down debt. And so we're currently 3.25 times levered today. Once we close EVO, we'll be about 3.75 times levered, and then we'll focus on paying down debt

for the balance of the year, and we expect to get back to our current leverage levels at the end of the year. If you think about interest income, it's approximately \$75 million for the year.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Thanks.

Q

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thank you.

A

Operator: Thank you. Our next question comes from the line of Bryan Keane with Deutsche Bank. Please proceed with your question.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Hi, guys. Good morning and congrats on the solid results.

Q

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks.

A

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Jeff, I wanted to ask about yields. A lot of chatter on, looking at the Merchant side. If you look at your volumes, they look very favorably versus peers. On yields, you guys are about flat. Others are showing large increases. Can you just give some comments on how you think about yields and yields going forward in the Merchant business?

Q

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Yeah, Bryan, it's Cameron. Maybe I'll jump in. And I'll ask Jeff to add any other additional comments he would like to. So, look, I would just say our philosophy around pricing really hasn't changed very much. We do want to ensure we're getting paid fairly and appropriately for the level of service and capabilities we're providing to our customers and our pricing strategies are generally aligned with this. We're not really positioning ourselves to be the low-cost provider in the market. I think we're price competitive, but obviously we strive to differentiate ourselves based on our capabilities and the service that we deliver to the customers that we have the benefit of serving in the marketplace.

A

So like everybody else, as we talked about earlier on this call, I mean, we have inflationary pressures that we have to absorb around wage, goods, services, et cetera. And obviously, we reflected that in pricing plans kind of accordingly. But I would say, to your point, our volume growth continues to track relatively consistently with our overall revenue growth, and our spreads then have remained relatively consistent. I would say over time we continue to expect to see spreads overall increase as we continue to pivot towards more technology enablement in the business, as we continue to scale our point-of-sale business, our vertical market businesses continue to

grow, e-comm and omni continues to be a tailwind for the growth. All those businesses generally have higher spreads because we're selling more technology, obviously, than sort of traditional merchant acquiring in general.

So I think that there's a lot of tailwinds around our spreads as we move forward in time, but we've been fairly, I would say, sanguine as it relates to our pricing strategies as we've been able to generate good revenue growth in the business on the back of really solid fundamental volume growth across the globe.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Q

Got it. Great. And just on some of the renewals, the larger renewals, I guess the worry always is on the renewal basis, you will have to take significant kind of discounts to renew those businesses in a competitive environment. Jeff or Cameron, obviously, could you just talk a little bit about the renewal cycle? Because it sounded like with BofA and others, you've signed quite a bit of business just thinking about pricing there. Thanks.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah. Thanks, Bryan. I think what you said is accurate. So, look, BofA is one of our largest customers. They just renewed for a multiyear period. That renewal started January 1 of this year and it's in our guidance, right? So our 5% at the midpoint, 4.5% to 5.5%, view on the page reflects all that. So we're growing and I'd say generally growing right through those things. So I think that really hasn't changed. What has changed in the Issuer business very similar to what Cameron described, I think, in response to Jason's comments, we are leading with technology, right? So if it's not – most of the RFPs we get now are cloud-centric and I think if you don't have a cloud-centric, cloud-native solution, then I don't think all the pricing in the world is not really going to move the needle there.

So if you think about what we announced today with BofA, Deutsche Bank, Deutsche Post. Deutsche Post, by the way, is a takeaway in Europe double the size, it's double the size of our business in Germany, well-timed with EVO, which obviously at closing is imminent, but they're in Germany on the acquiring side. And of course, we announced I think TSYS is already in Mexico, but probably our biggest new customer in Mexico and LOI. That was a competitive takeaway from one of our peers. We're very excited about that too. Those are RFPs, those are all competitive takeaways so you have to be competitive on price. But I would say leading with technology in the Issuer business has become table stakes, so if you're not cloud-centric, have a partner like we do in AWS, I think it's very difficult to compete.

So I think the answer to your question at the end of the day, Bryan, is, yeah, BofA, PNC, all these other things, the Citi renewal from a year ago on the commercial side, the recent win in Mexico and everything else we're seeing is in the fact that we accelerated 80 basis points sequentially in the fourth quarter versus the third and our expectation is for more growth and more acceleration in 2023. And the way our math works in Issuer is the way it's worked forever in the Merchant business. If you give an X percent discount over a five-year term, you pretty much with volume growth surpass that within the first 18 months of doing it in the first place, and that's been our experience in merchant, predates me. I'm sad to say I only go back 30 years, so maybe it's – I can't speak for the 1970s and the 1980s, but it predates me in Merchant and certainly that's been my experience on the Issuer side.

Cameron, you want to comment on Merchant?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

No. The only thing I was going to add to that, Bryan, is it relates to renewals in Issuer. So it's a little bit like the Merchant business in that we're not trying to be all things to all people. We target very specific segments of the market and we're really targeting winners in the market. Those issuers who are growing, they're acquiring more portfolios, they see good organic growth from a card deployment perspective in their business today, so you can afford to give to some degree those discounts on renewals because you're going to grow through them over a short period of time to Jeff's point. So it speaks a little bit around how we position the Issuer business in the marketplace, the target market for us from a growth perspective, and again the organizations we like to partner with, those that are winning in the marketplace and give us the opportunity to grow through any sort of discount we may have to provide on a renewal over time.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

And look, it's not like the Braves, the Hawks, the Falcons, the United stuff we announced today with the same. Look, those are all RFPs, too. Those RFPs with the existing providers, those RFPs with new fintech entrants, we're winning those too. It's not those guys that don't know how to run RFPs at the NFL, the NBA, MLS, right, et cetera. So I would say what we're leading with is technology and that sells. If you don't care about the quality of tech and the quality of the service, the quality of support, as Cameron said you're probably going to look elsewhere.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Q

Got it. Very helpful. Thanks, guys.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, Bryan.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Thanks, Bryan.

Operator: Thank you. Our next question comes from the line of Vasu Govil with KBW. Please proceed with your question.

Vasundhara Govil

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Hi. Thanks for taking my question. My first question is just on the macro and the EVO business. I guess could you talk a little bit about the defensiveness of the book of business that you're acquiring with EVO? And to the extent macro does slow down, how would your outlook on the equation change that, if at all?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Vasu, it's Cameron. I'll start and I'll ask Jeff to jump in. I think what we like about the EVO portfolio overall is their exposure to faster growth markets around the globe. So, obviously, I think EVO, part of the strategy that they've pursued and it's one that's consistent with us is to have those exposures to geographies with strong secular growth trends, obviously where we see good favorable macro environments as it relates to card adoption and

digitization of payments over time, notwithstanding what the underlying macro environment in those markets may be. So I think we feel obviously that our guide for EVO today, that we provided today which was around \$475 million for 2023 for three-quarters of the year which run rates to about \$630 million, \$635 million, something like that, obviously I think it reflects a pretty consistent view of the macro environment globally that we have here at Global Payments, but obviously does to some degree benefit from the fact that they are in secular growth markets that obviously creates tailwinds and good opportunities for us to continue to grow over longer periods of time.

So, yes, you may see a little bit of macro softness in some of these markets but again, the strong underlying secular growth trends more than offset that and I think leave us well-positioned to see good growth in the EVO business year-over-year, apples-to-apples for 2023 as well as kind of the years beyond.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, I mean, to that point, Vasu, as Josh said in his prepared remarks, that \$430-ish million – \$435 million number which is like \$630 million, whatever the math is for the full year reflects double-digit growth over at EVO period-over-period, so that's the number already. Then on your earnings question, what we showed today was consistent with what we said on August 1; there's really no change. That 1% to 2% of accretion for nine-twelfths of the year for EVO, if you fully phased-in as I said as a response I think to James's question, if you fully phased-in the synergies from EVO you'd get to 4% to 5% which basically offsets completely the Netspend B2C consumer disposition. That's what we guided to on August 1, 2022, Vasu, so nothing's changed.

Vasundhara Govil

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thank you very much. And just my quick follow-up was on Issuer. I know you got a lot of questions on that already, but just high level, if you think about what your medium-term guide or cycle guide for that business was sort of in the mid-single digits, and it seems we're trending towards the low end now for a couple of years. Can you help us think through the commercial portfolio that's still weighing on it or it's something beyond that? And is this sort of a more sustainable growth rate going forward?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, I'll take that, Vasu, and Josh can jump in. So, look, our cycle guide for that business has been I think TSYS's was, too, 4% to 6%. The good news is in our guide, we go up to 5.5%, right, today so we have 4.5% to 5.5%. Obviously 5% is in the midpoint, 5% is the midpoint of 4% to 6% also, but notice the 4.5% to 5.5% relative to the 4% to 6% historical cycle guide, so I think that's good news. I think the difference in that business is really twofold. One, as I mentioned in response to Bryan's question, I think the cloud centricity and the advent of new technology in the business, look, we wouldn't have won the deal in Mexico. I don't think we would've won – I know we would've won CaixaBank and the other things we described if we weren't cloud-centric and cloud-native in that business which is obviously what we've been working on since our announcement in August of 2020 with AWS.

So the first thing I think it's changed is what people are buying which is really technology. And, look, price is always an issue, but I think as I mentioned a minute ago and Cameron did too, I think we're always price-competitive; that's kind of point number one. Point number two obviously is the mix with B2B assets that we made the pivot on with MineralTree in September of 2021 and now with elements of Netspend B2B. And I think what we said in the back half of last year, Vasu, is that should over time – now, I'm talking about including B2B, right? That's kind of a new item that takes you from the 4% to 6% and it can take you higher to the 6% as B2B becomes

a bigger point. As I think Josh said in his prepared remarks today, excluding Paycard which is more macro-sensitive, it had a lot of COVID subsidies in it for employment, if you back that out B2B added 60 bps to the core.

So if the quarter is growing 5%, and I think we just said it was growing 5% in the fourth quarter, if the quarter is growing 5% and you're adding 60 bps now you're close to 6%. And as those mixes change and as we burn through the pipeline, you're going to get to that mid to mid to high which obviously is an enhancement with B2B over the traditional 4% to 6%. So the high end of our guide right now is 5.5%; that's higher than 5%. We hope obviously that continues over time, but the business is in a very healthy place. I think I said in my prepared remarks, we hit record after record during the peak, in particular in our Issuer business, and I don't see any signs currently of our expectation changing.

Vasundhara Govil

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Great. Thank you for the color. That was very helpful.

Operator: Thank you. Ladies and gentlemen, our last question this morning will come from the line of Will Nance with Goldman Sachs. Please proceed with your question.

Will Nance

Analyst, Goldman Sachs & Co. LLC

Q

Hey, guys, I appreciate you taking the question. Jeff, I just wanted to ask a follow-up on the earlier question on kind of the run rate growth as you guys are exiting the year. I'm kind of looking at slide 9 at the 7% to 8% growth, or on a segment basis, kind of 9% to 10% standalone GPN and – or standalone Merchant and mid-single digits on Issuer. I guess, just, how do you kind of bridge what the sum product of those two growth rates gets you towards sort of the low-double-digit cycle guide on top line? And kind of what needs to improve from here to kind of get to those numbers? Thanks.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah. So what I would say is our cycle guide, like to start with that, Will, and just work in reverse, so our cycle guide of low-double digits includes M&A in it, for example, on the revenue side as well as the expense side. Capital deployment has always been a part. And what we've said historically, Will, even before 2021, probably going back to 2015, 2018, is that M&A, for example, can add up to a couple hundred basis points of revenue in any given period. And capital deployment generally, you have 2 to 3 points kind of earnings growth and has historically for our company, whether it's buybacks or M&A or anything else. So that's the overall generality.

Then if you go to your question, on pages 9 and 10, so what we're trying to get at is we only have three-quarters of EVO in 2023. Obviously, we have a disposition coming in 2023. Our cycle guide doesn't assume we're selling 10% of the revenue of the company which is what's in the disposition, so we tried to back that out to give you a better sense of the 8% to 9%. Then obviously the exit period also has a currency assumption, as I mentioned a minute ago, and there's a bit of a currency headwind over the year. So I think the answer to your question is, as we accelerate merger integration with EVO, we expect to see revenue acceleration. [ph] \$125 million (01:00:57), Will, is just an expense number.

So as we integrate EVO toward the end of the year, as we look at revenue opportunities when that closes, beyond expense opportunities, if you add those 1 to 2 points, which is back to our cycle guide over the last number of cycles, we're exiting the year at 8% to 9% on page 9. Obviously, there's a bit of a currency thing there,

7% to 8%. Add 1 to 2 points just on EVO alone, and you're going to get to double digits of revenue. I mentioned a minute ago in response to Jason's question that on earnings ex dispositions this year were 15% to 16%, fully phased-in EVO were 17% to 19%. So I think we're kind of at the earnings number with a full year effect of EVO ex the disposition, and I think we're within shouting distance on the revenue side.

Then lastly, I would say, and we kind of alluded to this in the investor conference, the shifting business mix on the Issuer business toward more B2B, I just mentioned a minute ago in response to Vasu's question, our 4.5% to 5.5% with 5% in the middle, I think, is right in line with what we've said historically. But obviously, that 5.5% is towards the high end at 6%. So, historically, we would've said 4% to 6%. Well, here it is 5.5%. And obviously, it was a lower number in 2021 and for most of 2022, and we'll end up at the year at 5%. As that mix continues to shift, we see another 50 basis points, 60 basis points coming from B2B as the wins continue to roll in from things like CaixaBank, et cetera. That business should accelerate. Now you're on top of 10%, 11%, which is our cycle guide with M&A in it. So I think, Will, exiting this year, we're kind of right on track to be where we would like to be from a cycle kind of point of view.

I'd also say, as we said both in the press release and our prepared remarks today, we hit the cycle guide for calendar 2022, let's not lose sight of that, constant currency neutral and ex dispositions. So I think we're right where we want to be despite all the uncertainties in the current macro environment.

Will Nance*Analyst, Goldman Sachs & Co. LLC*

Q

Got it. Appreciate all the detail there. So I guess that's M&A, mix shift towards B2B and maybe core acceleration in the Issuer business. That's very helpful. Appreciate all the details on the slide deck, by the way. It's very clear. A very quick follow-up on the Gaming business. Could you just provide any details on the contribution of that business to 2022 results, just so we have a clean number there?

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

A

Yeah. I can give you a little bit of color there, Will. It's Cameron. The Gaming business does about \$100 million a year or so. And I think we sold that business at around kind of an 8 times multiple level – 7.5, 8 times. So that can give you a sense of sort of the EBITDA contribution that it would deliver. So as we look at 2023, we'll have one-quarter of the business, so about \$25 million of revenue. You can see that highlighted on page 9 of our disclosures today. And then we'll lose about \$75-ish million plus of revenue kind of relative to what we had in 2022 from that business.

Will Nance*Analyst, Goldman Sachs & Co. LLC*

Q

Got it. Very helpful. Appreciate you taking the questions, guys.

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

A

Yeah.

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

A

Thanks, Will.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Thanks, Will.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Well, on behalf of Global Payments, thank you very much for joining us this morning. Have a great day.

Operator: Thank you. This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.

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