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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' Third Quarter 2023 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 & Corporate Sustainability, Global Payments, Inc.

Good morning, and welcome to Global Payments third quarter 2023 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. 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 Cameron Bready, President and CEO; and Josh Whipple, Senior Executive Vice President and CFO.

Now, I'll turn the call over to Cameron.

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Winnie, and good morning, everyone. Thank you for joining us today.

We delivered strong third quarter results that were ahead of our expectations despite what continues to be an uncertain macroeconomic environment and a much stronger dollar than forecasted when we provided our outlook back in August. I am very proud of this performance and our teams globally for their ongoing consistency of execution.

On a consolidated basis, we reported 9% adjusted net revenue growth and adjusted earnings per share growth of 11% for the quarter. This includes a roughly 700 basis point headwind to adjusted earnings per share growth from

the divestiture of Netspend's Consumer assets which we completed last quarter. We also expanded adjusted operating margins by 50 basis points.

Focusing first on our Merchant Solutions segment, we again delivered strong organic growth in the third quarter consistent with our second quarter performance, driven by ongoing momentum in our technology-enabled offerings which collectively represent roughly 65% of our total Merchant adjusted net revenues.

Our software-centric businesses across our partnered, owned, and POS strategies continue to drive a meaningful share of growth in the business.

Starting with our integrated business, we achieved strong growth in record new bookings again this quarter, signing 16 new integrated partners, a 33% increase from the prior-year. These booking trends underscore confidence in our ability to maintain consistent growth in this business going forward, as our differentiated capabilities continue to resonate with the ISV market.

Our new progressive payment facilitation, or ProFac, model is a prime example of our leadership in this channel. We signed six new ProFac partners in the third quarter and have more than 20 additional opportunities in the pipeline, reflecting strong demand for this new offering.

We also saw strong double-digit performance in booking trends this quarter across our own vertical market software businesses. Zego, our newest addition to this business, continues to see solid demand for its solutions with bookings growth of 15% in the quarter.

Notably, Zego also expanded the scope of existing partnerships to include additional payment solutions with global real estate management firm, Harbor Group, and multifamily management company, ResProp, while furthering its expansion in the student housing vertical by signing an additional partner, Domus Student Living.

And ACTIVE Network had one of its best booking quarters since the pandemic, including new partnerships with YMCA Vancouver, Alterra Mountain Company, the New York Triathlon, and the Sydney Half Marathon. Additionally, our university business, TouchNet, signed a new partnership with Langara College in Vancouver and extended a relationship with the Texas State University System.

As for our POS software business, we again delivered 20-plus percent growth in this channel, as we continue to see strong demand for our solutions and benefit from releases of new product enhancements. Collectively, adjusted net revenue for our POS business is approaching \$400 million annually and is one of the fastest-growing channels of our business.

Today, we offer complete cloud-based POS software in commerce enablement platforms targeting three distinct segments of the market with solutions that are purpose-built for key verticals, primarily restaurant and retail.

We focus on these verticals for several reasons. One, they are large addressable markets. Two, they are international in scope. And three, because more and more payment decisions are being made in connection with the point-of-sale in these markets.

Our POS solutions are used by over 80,000 merchant locations globally, enabling businesses of all sizes from SMBs to enterprise customers to run and grow more effectively. Our products easily scale from simpler solutions for a single location to complex environments for large merchants with multi-unit and multinational requirements. Across our POS platforms, we seamlessly combined software, hardware, and payments for in-person, mobile,

and online environments, providing for great customer experiences. And we deliver all this in customized configurations that specifically address the unique software and payment requirements of our customers.

Our solutions are designed to grow with a customer's business. We leverage a common technology stack that enable customers to easily add functionality as they expand. This allows us to serve a small end of the SMB market and scale with merchants, increasing software revenue along the way.

Importantly, this differentiates us from many of our competitors who attempt to address small and large and general and vertically-specific use cases with the same single offering. And we couple our complete commerce enablement solutions with distinctive distribution and full local service and support that is unrivaled in the market.

Our entry level product or general purpose cloud-based point-of-sale solution is branded GP POS. This offering provides a highly competitive starter solution for SMB customers who want a simple and intuitive system with a robust feature set. GP POS delivers an expansive set of mobile POS capabilities and commerce enablement tools. These features can be tailored to the specific requirements of the merchant business on the vertical market and geographies they serve.

Importantly, GP POS is essentially self-service from beginning to end. From onboarding to full configuration of the functionality, a merchant can easily enable our software and begin accepting payments in less than 24 hours.

We offer GP POS globally through a variety of regional and wholesale distribution channels. In the last year we successfully launched our GP POS technology in numerous international markets including Canada, the UK, Spain, and Central Europe and expect to further expand to Poland, Germany, and Ireland over the next 12 to 24 months. We couple our innovative GP POS solution with local presence and support capabilities, as well as our long-standing FI partnerships in these markets, a powerful combination our competitors simply cannot replicate.

In North America, we have distinct vertically-specific restaurant and retail-focused cloud-based POS solutions, Heartland Restaurant and Heartland Retail. We leverage our Heartland direct channel to target SMB and mid-market customers with these solutions, typically those serving 2 to 20 locations, but can scale to customers with significantly more locations.

The vertically [ph] fluent (00:09:00) capabilities we offer customers include mobile POS and pin-on-glass solutions, guest and table management, order and kitchen management, pricing matrices, discounting functionality, cash discount programs, predictive analytics, AI-driven marketing and loyalties programs, and human capital management and payroll solutions. And we deliver this seamlessly as a cohesive commerce enablement platform, all from the point of sale.

Our solutions also offer open architecture and have integrations with dozens of software partners, which allows our customers to enable various delivery services, accounting applications, inventory management software, and other disruptive technologies, again all accessible at the point of sale.

We have a few primary distribution channels for these solutions in North America. The first is our local dealer network representing nearly every major metro market in the US and Canada, where we have over 300 partners who provide sales, support, and service. The second is our local sales professionals across the US and Canada who are solution-oriented domain experts and serve as relationship partners to our customers.

We have seen strong growth in our Heartland POS software solutions and expect the momentum to continue on the heels of the launch of our next generation offerings in early 2024, which will deliver an improved user interface

and more intuitive experiences across our iOS and Android-based solutions. Our next-gen POS is also designed to be mobile-first, allowing for a best-in-class omni-channel experience.

Completing our suite of POS capabilities, we have solutions for specific vertical enterprise customers which have the most complex requirements and operation and technical environments. At this end of the market, we offer our Xenial cloud POS enterprise solution, offering scalable, secure, and real-time services for the world's largest quick-service restaurants, foodservice management companies, and sports and entertainment venues.

The Xenial POS ecosystem provides an API-first approach to in-house and partner integrations for the most sophisticated enterprise customers. Whether supporting a multi-lane drive-thru, QSR, or a large sports arena, Xenial provides the complete technology stack required to run these operations, all fully integrated at the point of sale. This includes dynamic digital menu boards, kiosk and mobile ordering solutions, kitchen management solutions, AI-based drive-thru solutions, and customer engagement, to name a few. And we are proud that Xenial is also leading the way in delivering the drive-thru of the future technology for its enterprise QSR customers. We are proud to serve 26 of the top 50 QSR brands with our technology on a global basis.

With respect to entertainment venues, Xenial operates the food and beverage, suite, and retail environments for some of the most complex stadiums in the world. In these environments, foodservice management providers rely on our technology to deliver best-in-class customer and fan experiences. We currently serve almost 100 stadium and event venues with our solutions globally.

We win in the market by solving complexity for our customers, whether that is multi-unit requirements or multinational expansion or the convergence of physical and virtual environments. From delivering core feature functionality required by small merchants via a mobile solution to providing greater levels of functionality in a simple register to a full-featured software platform, we provide our customers with the ideal point-of-sale technology tailored to their specific needs. And we couple our best-in-class commerce enablement capabilities with more distinctive and diversified distribution streams and service at scale worldwide that our competitors really can't match. As a result, we remain very enthusiastic about the growth prospects for our POS business globally moving forward.

Speaking of our global reach, it is worth noting that we achieved strong double-digit growth in Spain and throughout Central Europe in the quarter, while Poland, Greece, and Ireland which we entered via our acquisition of EVO were also bright spots in Europe. We are also excited to announce a new agreement with International Parking Group to support payments for its smart parking solutions on an omni-channel basis across the UK and Ireland, as well as the US and Canada. In Asia-Pacific, we're thrilled to recently sign a new partnership with Marriott International and will begin offering seamless omni-channel solutions this quarter in select hotel locations across the region.

Turning to Issuer, we achieved mid-single-digit growth consistent with our expectations and longer term targets once again this quarter. Transaction growth remained strong throughout the quarter led by our commercial business, highlighting ongoing improvements in cross-border corporate travel. Traditional accounts on file increased by approximately 11 million sequentially, as we continue to benefit from strong growth with our existing large financial institution clients and the ongoing execution of our conversion pipeline.

This quarter we successfully completed conversions of two new portfolios acquired by large existing FI partners through M&A, further supporting our strategy of aligning with market share winners. Further, we recently completed the migration of the first wave of accounts for a leading US retailer for one of our largest partners as part of a co-branded relationship.

And early this month, we migrated CAT, the credit card joint venture between Scotiabank and Chile's largest retailer, Cencosud, representing our first Issuer customer in the market. We are also pleased to have reached a new Issuer processing agreement with a leading US bank during the third quarter. This FI is a long-standing Global Payments Merchant partner, and the strength of our relationship provided the foundation for expansion of our partnership to include our leading Issuer technology solutions. Notably, this partner will also leverage our next-gen analytics platform via the AWS cloud as we continue to see great progress with clients enabling our modernized services. We also signed a multiyear extension with two long-standing FI partners during the third quarter.

Shifting to B2B, we continue to drive strong growth with both corporates and financial institutions, as we leverage our capabilities across software-driven workflow automation solutions, money-in and money-out funds flow capabilities, and our broad suite of employer solutions.

Starting with workflow automation, MineralTree subscription bookings for its AP automation software increased an impressive 86% year-over-year this quarter. We're also pleased to have successfully integrated EVO's PayFabric software into our Merchant business, which provides our new and existing US customer greater AR automation capabilities.

Regarding B2B funds flows, as we discussed last quarter, virtual card adoption continues to expand, contributing to the strong growth in commercial transactions. We're also seeing an acceleration in virtual cards being tokenized and provisioned in mobile wallets, which is further catalyzing growth. Additionally, our B2B bookings in Merchant Solutions doubled in the third quarter relative to the prior-year, while new Merchant B2B payments volume increased by more than 50% from last year as we continue to progress the EVO integration and harmonize our go-to-market strategy.

Moving to employer solutions, our pay card business signed a new partnership with hospitality staffing firm, Xclusive Services and renewed its existing relationship with Flynn Restaurant Group, the largest restaurant group in the US. We also achieved a new EWA partnership with KFC franchisee, JRC restaurants.

Lastly, our software-driven human capital management and payroll solutions business delivered growth of more than 20% in the third quarter.

B2B offers an attractive growth opportunity for our business and represents a core element of our strategy going forward. As we continue to unify our offerings in this space and refine our strategy, we expect to continue to capture share and accelerate growth in B2B over the long term.

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

Joshua J. Whipple

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

Thanks, Cameron.

We are pleased with the continued strong financial performance we delivered in the third quarter and for the year-to-date period which exceeded our expectations despite absorbing a roughly \$10 million adjusted net revenue headwind from foreign currency exchange rates relative to our expectations when we guided in early August. Specifically, we delivered adjusted net revenue of \$2.23 billion, an increase of 9% from the same period in the prior year. Excluding the impact of dispositions, adjusted net revenue increased 17%.

Adjusted operating margin for the quarter increased 50 basis points to 45.7%. Excluding the impact of our acquisition of EVO Payments and dispositions, adjusted operating margin increased 90 basis points, highlighting ongoing consistent execution across our businesses.

The net result was adjusted earnings per share of \$2.75, an increase of 11% compared to the same period in 2022, or 18% excluding the impact of dispositions. This includes a roughly 1 point headwind from adverse foreign currency exchange rates relative to when we updated guidance on our second quarter earnings conference call.

Taking a closer look at performance by segment, Merchant Solutions achieved adjusted net revenue of \$1.73 billion for the third quarter, a 19% improvement from the prior year, or 9% growth excluding the impact of EVO and dispositions.

As Cameron highlighted, this performance was led by the ongoing strength of our technology-enabled businesses, while we also benefited from double-digit growth in faster growth markets including Spain and Central Europe. This was partially offset by ongoing macro softness in limited geographies including the UK where the economic environment remains challenging and in Canada where GDP growth is hovering around 0.

We delivered an adjusted operating margin of 49.1% in the segment, consistent with our expectations. This represented a decline of 90 basis points due to the acquisition of EVO. However, excluding the impact of EVO and dispositions, adjusted operating margin increased 40 basis points.

Our Issuer Solutions produced adjusted net revenue of \$520 million, reflecting 6% growth. The core Issuer business also grew mid-single-digits this quarter driven by ongoing strength in volume-based revenue. As Cameron highlighted, we added approximately 11 million traditional accounts on file sequentially. This equates to an increase of more than 60 million accounts year-over-year as we continue to see healthy account growth with our large FI customers and benefit from the ongoing execution of our conversion pipeline.

Transactions grew high-single-digits compared to the third quarter of 2022, led by commercial card transactions which increased mid-teens. This was partially offset by slower growth in managed and output services, as we continue to focus our Issuer business on more technology enablement.

Our Issuer team executed four conversions since the beginning of the third quarter and has successfully completed 11 conversions since the beginning of the year. We have also signed two new contracts and completed 10 renewals year-to-date and currently have seven active LOIs in addition to nearly 20 mid-to-late stage opportunities in the pipeline.

Shifting into our Issuer B2B portfolio, these businesses delivered double-digit growth this quarter, led by MineralTree which achieved 20% growth in its targeted mid-market segment, while pay card accelerated nicely as the business is beginning to lap more difficult employment comparisons that were a drag on year-over-year performance during the first half of 2023.

Finally, Issuer Solutions delivered adjusted operating margin of 47.5%, an increase of 110 basis points from the prior year fueled by solid top-line growth and our continued focus on driving efficiencies in the business.

From a cash flow standpoint, we produced adjusted free cash flow for the quarter of \$733 million representing a 102% conversion rate of adjusted net income to adjusted free cash flow despite a modest increase in capital spending this quarter. We continued to target converting roughly 100% of adjusted earnings to adjusted free cash

flow for the full year, excluding roughly 5 point impact of the timing change to recognizing research and development tax credits. We also continued to expect capital investment to be approximately \$630 million in 2023, consistent with our prior outlook.

Year-to-date, we have reduced outstanding debt by more than \$1.1 billion, and our leverage position was 3.5 times at the end of the quarter, consistent with our expectations. We remain on track to return to a leverage level consistent with our long term targets in the low-3s by year-end. Our balance sheet remains healthy, and we have \$3 billion of available liquidity. Further, our total indebtedness is approximately 88% fixed with a weighted average cost of debt of 3.85%.

We are pleased with how our business is positioned following our performance for the first nine months of 2023. We continue to forecast adjusted net revenue for the full year to range from \$8.660 billion to \$8.735 billion, reflecting growth of 7% to 8% over 2022. Given the roughly \$40 million headwind to adjusted net revenue we have seen from adverse foreign currency exchange rates relative to our prior guidance, we now expect to be in the lower half of this range absent an improvement in rates.

Moving to margins, we continue to forecast annual adjusted operating margin to expand by up to 120 basis points for 2023. We remain on track to realize approximately \$35 million in cost synergies from the EVO acquisition this year.

To provide color at the segment level, we continue to anticipate our Merchant segment to report adjusted net revenue growth of approximately 16% for the full year, consistent with our prior forecast despite absorbing the aforementioned FX headwinds. We continue to expect a nominal decline in reported adjusted operating margin for the Merchant business for the full year due to the EVO acquisition.

Moving to Issuer Solutions, we continue to expect Issuer to grow in the 5% to 6% range on a constant currency basis. However, if the recent US dollar strengthening persists, we would expect to be closer to the low end of that range on a reported basis. We anticipate adjusted operating margin for the Issuer business to expand by more than 60 basis points for the year, as we benefit from the natural operating leverage in the business.

Turning to a couple of non-operating items, we expect net interest expense to be roughly \$540 million and for our adjusted effective tax rate to be approximately 19%. For modeling purposes, we continue to assume excess cash is used to pay down indebtedness during the fourth quarter.

Putting it all together, we now expect adjusted earnings per share for the full year to be in the range of \$10.39 to \$10.45, reflecting growth of approximately 11% to 12% over 2022. Excluding dispositions, adjusted earnings per share growth is expected to be roughly 17% for 2023. This guidance includes almost 1 point of headwind to adjusted earnings per share given the significant strengthening of the US dollar that was not reflected in our prior outlook.

Similar to what you've heard from others, October trends were consistent with what we saw in the third quarter. While our base case outlook today presumes spending trends and a macroeconomic backdrop relatively consistent with what we were seeing currently, our guidance accommodates for a range of scenarios including a more tempered economic environment giving continued uncertainty.

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

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Josh. We continue to see strong momentum in our business, and consumer spending has remained resilient over the course of the year. Although labor trends remain quite strong, we are monitoring the impact of rising rates resulting from monetary policy decisions globally, elevated inflation, and of course, geopolitical risk from the ongoing situation in Europe and recent events in the Middle East. We are confident we have built a better and more durable business model, which positions us well to manage through any environment if the current backdrop changes.

I'm pleased with all that we have accomplished this quarter and for the first nine months of 2023, as we continue to advance our strategy and maintain strong execution throughout the business. We have the very best team members providing the very best experiences for our customers with the very best technologies in the most attractive markets globally. Together, we are positioned to deliver strong operating and financial performance while remaining at the forefront of innovation. Winnie?

Winnie Smith

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

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

Operator, we will now go to questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Ramsey El-Assal with Barclays. Please proceed with your question.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

Hi. Thank you so much for taking my question this morning, and thanks for the deeper dive on your POS and software solutions. I thought that was very helpful. Could you give us your latest thoughts kind of with the inclusion of EVO about the split between discretionary and non-discretionary volumes in your Merchant business? Are you seeing any changes there in terms of spending patterns? How should we kind of try to think through that?

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

Yeah, Ramsey. It's Cameron. Good morning, and thanks for your comments. I'll kick it off. I'll ask Josh to add any color that he would like to. So if you look across the portfolio today, I would characterize the business mix we have as pretty well-diversified across discretionary and non-discretionary verticals. Without putting a specific point estimate on each, it's roughly split evenly between discretionary and non-discretionary. I think today we're probably exposed to over 70 different vertical markets, and we have good diversification, again, across the overall Merchant business, domestically here in the US and in our international markets as well.

I think if you look at the overall economy today, we are seeing better trends in the non-discretionary categories. I would say, however, we are seeing vertical markets like restaurants continue to hold up well. And certainly it's an experience-driven economy as we sit here today, so certainly areas that are more focused on providing experiences to the consumer are trending better than what you see across broad-based retail. But by and large, I'd say, as we said in our prepared remarks, the overall level of consumer spending I think remains pretty resilient across the board.

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

Q

Got it. And a quick follow-up for me. If the Fed ends up lowering debit interchange, would you guys benefit from that a bit at least in that part of your business where you have a more blended pricing approach rather than a cost plus model?

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

A

Yeah. I think my perspective on that, Ramsey, is any time the cost of acceptance goes down for our customers, it's a good thing for our business. So certainly lowering the cost of interchange for our Merchant customers is a positive for the business. Generally much of our portfolio is pass-through pricing, so interchange plus plus pricing, where those benefits would immediately get passed on to Merchant customers. And what we've generally seen over time is where it's not, the market will sort of compete away that benefit over a period of time. So there may be a short term sort of blip around it, but generally what we'd see is that the benefit to interchange would ultimately get competed away in the market over some period of time.

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

Q

Got it. Thank you very much.

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

Darrin Peller*Analyst, Wolfe Research LLC*

Q

Hey, guys. Thanks. It's great to see the consistency on the 9% growth on the Merchant side. If we could just dial into that a little bit more, and just give us a sense on what the best drivers of that consistent strengths have been.

And then, Cameron, just when we think about the spread between volume and revenue growth once again, it's still very, very narrow. You guys, I think, putting aside the organic, just the reported was only 1 point apart, similar to last quarter's. And so, again, it just reminds us of whether there's more opportunity if you needed it on pricing or if we could expect to see more on value-added service or anything else on that front?

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

A

Yeah, Darrin. Good questions both. So I would say the drivers continue to be what we've talked about throughout the course of the year. Our technology-enabled businesses continue to perform really well. They are the tip of the spear for growth in the business. I'll highlight our POS channel, which obviously we spent a lot of our time in our prepared remarks talking about today. We continue to see very good momentum, 20-plus percent growth in that

channel again this quarter, and again we're very enthusiastic about the future of that particularly as we begin to roll out V2 of our restaurant and retail platform through the Heartland channel as we get into 2024. So we're very bullish of the outlook for that business over a longer period of time.

Integrated continues to be a very strong performer as well, consistent growth this quarter as to what we saw in the Q2 timeframe. And again, our vertical market businesses continue to grow in the low-double-digit pace, as we continue to see good, strong demand for our software solutions and continue to monetize payment flows around that pretty effectively. So I think if you step back and look at the business, the themes are very consistent kind of Q2 to Q3, and we expect that to be the same as we get into Q4.

I think as it relates to the second part of your question, and I think much of what you're seeing kind of flowing through right now is really the impact of EVO to some degree because they really just sold payments. So their revenue is more directly tied obviously to just the level of payment volumes in the business. As we bring more value-added services to the business, as we sell more software on our own Global Payments channels, obviously we think there's opportunities for more elevated growth in revenue relative to the growth of volume that we see through the business over time.

So I think that long term macro trend remains in effect, but certainly there are investments that we're going to need to make in the business to be able to deploy a lot of the value-added services software capabilities we have through the EVO channels, which will be a tailwind to kind of driving that revenue growth. It may be decoupling slightly from the overall level of volume growth that we've seen in the business, but I've said many times, I want those two trends to obviously correlate very highly. I think they should correlate highly.

Our goal with software is to monetize payments. So as we're doing that we should see uplift in payment volume even as we're selling more software in the business. So I wouldn't expect radical departures, but obviously, to your point, there is opportunity I think to continue to drive more non-volume-based revenue growth in the business. And you should see that play out over a period of time.

Darrin Peller

Analyst, Wolfe Research LLC

Q

That's really great to hear. And then just very quickly on the win you mentioned on the Issuer side, obviously that comes on top of a number of other adds you've had, which has been great. But anymore color on what really drove that. I think you talked about a partner and a large partner in the US in the FI channel, but, again, what's adding – what's really driving that win?

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah. I think – look, I think in the Issuer business it really boils down to the feature-rich capabilities that we bring to bear on that market that really are distinctive relative to what other competitors can provide. And it also aligns with our strategy of picking market winners and trying to grow with market winners.

There's a lot of business we can do in the Issuer space. I'd say historically we really tried to focus our efforts and lean into those relationships with partners that have good strategies in the market where they're growing and winning. So, obviously, as they succeed with their own business strategies, we obviously benefit from that as we look to grow and scale our Issuer business as well.

So I think it's just a combination of having fantastic capabilities, feature-rich functionality, and a good strategy of aligning ourselves with market winners that we see continue to play out in that business.

Darrin Peller

Analyst, Wolfe Research LLC

Q

And it's good to see the AWS partnership play out there, too. Guys, thanks a lot, and nice quarter.

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, Darrin.

Operator: Thank you. Our next question comes from the line of Ashwin Shirvaikar with Citi. Please proceed with your question.

Ashwin Vasant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Q

Hey. Congratulations on the quarter and the consistency. Appreciate it. I guess, I wanted to ask, Cameron, just given your commentary up top with regards to the POS stack and software and such, what is the appetite for tech-heavy solutions across the globe?

We kind of know what the appetite is here in North America, but are you finding incremental interest in that higher penetration in parts of Europe. Because I think that's the other part of the European volume comments that you had? So, appreciate any comment you have there.

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, Ashwin. It's Cameron. The comment I would make is, as we've seen in the US over the course of time, the mode of competition around restaurant and retail for payments is really driven by the point-of-sale technology. And those trends are beginning to play out. They're certainly in an earlier stage in markets outside of the US, but they're clearly starting to play out outside of the US as well. So as mentioned in my prepared remarks, a big part of our POS strategy is leveraging the capability that we have here in the US market and being able to extend those into markets outside of the US.

We talked about bringing our GP POS solution to Canada. We brought it to the UK, Spain, Central Europe. We're going to bring it to Poland, Ireland, Greece over the next 12 to 24 months, obviously EVO markets, as well, we want to bring it into Mexico through our obviously recent acquisition of EVO's business in Mexico. We think there's great opportunities to grow and scale our POS business there as well.

So as we see the strategy for the business, obviously there's fantastic opportunities here in the US to continue to grow, but there's even better more attractive opportunities kind of outside the US where the competitive landscape is different. And obviously we think we're well-positioned through a combination of great distribution, local presence, and support to be able to grow our POS businesses at a pretty healthy pace for a long period of time.

Ashwin Vasant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Q

Understood. And then I do have to sort of go back to the stock, 9 times earnings. Use of capital at these levels does become sort of interesting question because I would imagine you'd need to have a very high return bar on

an acquisition or any kind of M&A to prefer that to buying back your own stock. How are you thinking just heading into 2024 when you kind of hit your leverage targets and such about capital return and use of capital?

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, Ashwin. It's Cameron. I'll start, and I'll ask Josh to chime in with his perspective as well.

So, obviously no one's more frustrated with the multiple than I am. I think the dislocation we've seen particularly around payment stocks as of late is rather unwarranted, notwithstanding the uncertainty that exists in the overall macroeconomic environment. That being said, I think your point is exactly right. We're very value-oriented, and as we think about getting back to kind of more normal capital allocation heading into 2024, given our leverage ratio is going to be at our target by the end of the year, obviously we're very focused on driving value for our shareholders. And obviously, at this multiple, I think M&A is going to have to be pretty compelling from a return perspective to be able to compete with the risk-adjusted returns of buying back our stock at these multiples.

So, obviously, there's still a good amount of time between now and as we get into 2024, and we hope certainly the multiple landscape changes for the better with that period of time. But as I said at the outset, we're going to be very focused on driving returns for our shareholders. And I think we've done a good job of that over the course of time with a balanced capital allocation strategy, and I would like to continue to have that going forward. But that presupposes we can find M&A opportunities that really fit our criteria strategically, fit culturally, and obviously drive the kind of returns that we think our shareholders expect. And certainly those are competitive with buying back stock.

So, Josh, I don't know if you what to add anything.

Joshua J. Whipple

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

A

So, Ashwin, great question. I think as you think about the balance of the year here, we're focused on paying down debt. As Cameron mentioned, I think as we go into 2024, we'll get back on a normal capital allocation strategy where we're focused on balancing, reinvesting in the business and returning capital to shareholders.

What I would say is that from an overall M&A perspective I would say, our pipeline is very, very full. We're continuing to go ahead and build that pipeline, but there is a balance as it relates to returns, a balance between M&A and buying back our own stock. So that's something that we'll closely monitor, and at these levels, it's something that we'll focus on.

Ashwin Vasant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Q

Thank you.

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, Ashwin.

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.

Q

Good morning, guys. I wanted to start on the Merchant side of things. Can you tell us what the organic volume growth in the quarter was relative to the 9% revenue growth there? And for Q4, are you thinking a similar organic revenue growth rate as the 9% you saw in Q3? Thanks.

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah. Good morning, Jason. Both great questions. So the organic "volume growth," same as last quarter, that high-single-digit 9% kind of number, again aligning with the overall rate of revenue growth we saw in the Global Payments business ex-EVO, ex-dispositions. And I would tell you, when we talk about consistency of execution I can't give you probably any better example between what we've seen in Q2, Q3, and what our expectations are for Q4.

So we got 9% growth kind of ex-EVO, ex-dispositions in Q2, same thing in Q3. That is our forecast for Q4. The differences obviously between Q3 and Q4 are really the fact that we saw more FX tailwinds. Even though it was less than we anticipated back in August, we did have FX tailwinds in the quarter. And obviously seasonally EVO contributes a little bit more revenue in Q3, just tracking with the overall seasonal profile of their business, which is consistent of that of Global Payments Merchant business as well. So in Q4 we're expecting a little bit less FX tailwind. It's a slight tailwind, very slight based on current expectations. And EVO obviously contributes a little bit less than Q3 just given the seasonal trends of the business.

But, look, when I talk about consistency of execution, that's exactly what I'm driving at, which is that sort of consistency we've seen from Q2, Q3, and what our expectations are now for Q4 as well.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Okay. And on the Issuer side, I wanted to come back to that new US client that you mentioned having won that was already working with you on the Merchant side of the business. Any color you can just give us in terms of accounts on file? Is this a needle-mover for you? And when do you expect to convert that new win?

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

A

It's a good account. It's not certainly a top five in the US, but it is a good account. I can't give you more specifics at this point around number of accounts on file, et cetera. But, it's an attractive win for us because I think it does demonstrate the strength of having Issuer and acquiring capabilities under one roof. Obviously, we've seen many instances where we've been able to leverage Issuer customers into obviously the Global Payments relationship. Virgin Money is a good example of that.

We've seen good instances where we've been able to leverage Global Payments relationships internationally into Issuer customers. Caixa is a good example of that. It's nice now to have an example here domestically when we've been able to leverage a Global Payments relationship on the FI side into a new Issuer opportunity as well.

So it is – needle-mover may be a bit strong, but it is a nice win. It's one we're really proud of. It's a great customer and a great partner and obviously continues to add to that pipeline of new opportunities to support growth in the Issuer business over a longer period of time.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Thanks, Cameron.

Q

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Jason.

A

Operator: Thank you. Our next question comes from the line of Dan Perlin with RBC Capital Markets. Please proceed with your question.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

Thanks. Good morning. I wanted to just touch base on the comment that you had in and around kind of tempered economic environment. I'm wondering what – kind of what areas in particular you're most concerned about. I know you called out UK and Canada, but I'm just wondering, are there other areas that you have your eye on that we need to be focused on that could turn quickly?

Q

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

Yeah. Good question, Dan. I'll start and ask Josh to chime in as well. So, I think those comments were really with respect to obviously our guide being able to accommodate a macroeconomic environment that is probably less constructive than what we've seen over the course of Q3 and what we've seen in October.

A

I called out in my prepared remarks the things that we're obviously focused on globally as it relates to the macroeconomic environment. Clearly, the impact of monetary policy decision, increases in rates and how that manifests itself through the various economies we operate in around the globe is something that we continue to monitor very closely.

Inflation remains stubborn, although we had a pretty decent print in Europe this morning. Overall, inflation still is trending kind of above expectations for most federal banks around the globe, and obviously that's something that we continue to monitor, obviously closely tied to monetary policy and what decisions may be made over the coming months.

And then certainly on a geopolitical front, we continue to monitor and watch the situation in Europe that is extended now well over a year and obviously the recent events in the Middle East which are horrific as it relates to the terrorist attack to Israel and then the resulting obviously war that is now developing in that region. Those are things that we're monitoring very, very closely.

Obviously, as Josh said in his comments, October trends looked just like Q3 which is a positive I think from our perspective, but there is uncertainty out there. And part of our job is to monitor that uncertainty and make sure we're positioning the business appropriately in light of what we see from a macroeconomic perspective.

Josh, I don't know if you'd add anything to that.

Joshua J. Whipple

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

A

No. I would just reiterate that what we're seeing in October is very similar to what we thought, saw in Q3 and Q2. So we feel pretty good about what we're seeing currently, but as Cameron highlighted, there are risks out there, the geopolitical stress, the consumer loan repayment, that's obviously impacting things. And then there's inflation and tighter credit policy as well. So, again, our tempered outlook, I think, is appropriate just given some of the macro backdrop that we're currently faced with.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

Q

That's helpful. Just a quick follow-up, I don't know. Maybe it's kind of bigger picture question, but when you think about your ability to drive non-cyclical growth, so to speak, in an environment where the consumer may weaken, like how do you think about your ability to be able to manage that and balance it? Non-cyclical in this case could also be just like share gains or the new rollout of POS, just things of that nature. I'm just trying to kind of gauge the ability for you to manage that. Thank you.

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah. Look, I think as we talked about for a long period of time, I think we've built a model that is fairly durable and resilient and able to grow throughout different macroeconomic environments. So obviously I think as we think about the future and what the macro may hold, I think we have a lot of confidence that there are growth drivers in this business that can sustain attractive levels of growth even if the underlying GDP growth and consumer spending levels are lower than kind of what we've seen over the course of 2023.

Unless we find ourselves in a pandemic-like situation we saw in 2020 or a severe recession/depression, I think through most normal macroeconomic environments this model is built to grow. The rates of growth may evolve over those different cycles, but by and large between share gains, software, new product capability that we're able to bring to market, secular growth trends we see in markets not tied to GDP growth but tied to digital payment adoptions continue to be tailwinds for the business overall.

So I think with that backdrop, we're pretty confident that obviously we've got a model that will grow at attractive rates, notwithstanding what the macro may be. But that's obviously something we work very hard to make sure we've got a resilient business model that can ride through different cycles over a longer period of time.

Joshua J. Whipple

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

A

And the only other thing I would add is that from a macro perspective, if you think about our business, it's incredibly diversified. As Cameron mentioned earlier, we do business across 70 different verticals, we have a physical presence in 41 countries around the globe and do business in 170 different markets. So I think the diversification of our business really creates that durability and stability that we're foreseeing [ph] in the current model (00:48:17).

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

Q

That's great. Thank you, both.

Joshua J. Whipple

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

Thanks, Dan.

A

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

Thanks Dan.

A

Operator: Thank you. Our next question comes from the line of Trevor Williams with Jefferies. Please proceed with your question.

Trevor Williams

Analyst, Jefferies LLC

Thanks a lot. Good morning. I wanted to follow-up on Issuer. It's good to see the core growth acceleration there. Cameron, with the onboardings you called out, some of the visibility into the conversion pipeline, just how durable are you expecting the growth in that segment to be if there does end up being some softening in more of the volume-based revenue at some point? Just to refresh on how you view the macro sensitivity of that segment would be helpful? Thanks.

Q

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

Yeah. It's a good question, Trevor. I think obviously as a sensitivity matter, the Issuer business is less macro sensitive than the Merchant business kind of by definition and given the revenue construct of that business, and how we go-to-market from a commercial standpoint. So I do think there is arguably greater durability. Obviously less upside of course as we've seen through different cycles with the Issuer business but more downside protection, more durability through softer macro environments in the Issuer business.

A

I would say, look, we target that mid single-digit growth level in that business given where we are currently. I think we feel good about the prospects of continuing to deliver on that level of growth in the business over the short to medium term. Naturally, the investments we're making in that business are designed to drive higher levers of growth in the business over a longer period of time.

So as we continue to execute on our monetization program, we continue to nativize existing core feature functionality and capability in the AWS cloud environment, and we continue to obviously sell that and bring more customers into our Issuer environment, our hope is that we can obviously improve the outlook from a growth perspective in that business over a longer period of time.

But sitting here today, I think the execution that we've seen, the pipeline that we have, the underlying trends we're seeing in the business gives us confidence around the ability to kind of sustain that mid single-digit growth level heading into the next couple years.

Trevor Williams

Analyst, Jefferies LLC

That's great. Thanks. And then, Josh, for the fourth quarter, could you help just put a finer point on margin expectations by segment? I think previously you'd been saying Merchant should be up slightly year-over-year on a reported basis. Issuer you were above the high-46% range you guys had alluded to for the back half. So

Q

anything more specifically for how we should be thinking about margins at the segment level for Q4 would be helpful. Thanks.

Joshua J. Whipple

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

A

Yeah. Let me start with Merchant. So if you go back in Q2, Merchant margins were down about 170 basis points, and then we saw some – we saw improvement obviously going into Q3 where it was down 90 basis points as we go ahead and continue to ramp in synergies. And for Q4 we expect it to be roughly flat margins for Merchant. And as we said before, we expect a modest decline for the full year in Merchant.

Issuer, year-to-date, we've seen margins expand 170 basis points really – a great trajectory if you go back to Q1 at 80 basis points of expansion, 300 basis points of expansion in Q2, and then 110 basis points of expansion in Q3. And if you recall, on the Q2 call I said that Issuer margins would be in the high-46% range, and we delivered margins of 47.5% in the Issuer business. And we expect those will be similar in Q4. And so I would say Issuer margins will be more than 60 basis points for the overall full year.

So that's how we're thinking about the overall margin profile of the business. And as I said in my prepared remarks, we reiterated total company margins of up to 120 basis points for the full year.

Trevor Williams

Analyst, Jefferies LLC

Q

Got it. Thanks.

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.

Q

Hi, guys. Good morning. Wanted to ask inside of Merchant, just thinking about retention, how's retention trending? And then bookings, what the outlook is there. Do think there's any – I'm trying to think if there's any weakness potentially if we get into more of an economic decline or bookings kind of a separate issue versus the economy?

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, Bryan. It's Cameron. I'll kind of kick it off. I would say maybe just to your latter point first, I do generally think about bookings as a little bit separate from the overall macro environment largely because we're not focused on that small end of the market. That's going to be more impacted, I would say, by the overall macro as it relates to small business creation and new business development. We're more focused on, I would say, the upper S in the mid-market opportunities where those businesses by and large are going to be less impacted by the macro environment, so to speak, from a formation standpoint.

So I think as it relates to the overall booking trends we're seeing kind of across the business, we remain very pleased with the level of performance. We called out a couple of highlights on the call this morning around the Zego booking trends that we've seen. Obviously our POS bookings remain very strong as well. So overall across the Merchant business bookings are in the double-digits which gives us good visibility around new business that's going to be coming into obviously our environments over the course of the coming months as we install those merchants or install those software customers into the business.

So I think the outlook as it relates to obviously new business remains very strong as we sit here today, and retention levels remain very consistent. We've seen very stable trends around retention kind of through the course of 2023. Even as I think businesses have become more attuned to the cost side of their business with inflationary pressures and whatnot, we've been able to sustain consistent levels of retention in the business which obviously sets up for why we've been able to see such consistent level of revenue performance over the course of the year as well.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Got it. That's helpful. And maybe for Josh, just trying to get the EVO revenue contribution for the quarter and maybe for the full year. I know there's some FX there, but thinking about that \$490 million number we were thinking about, does that change due to some of the FX? And thanks, and congrats.

Joshua J. Whipple

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

Yeah. So, Bryan, for the quarter EVO was approximately \$165 million. There's obviously that – seasonally that's a higher quarter for EVO, and we're still trending right around that \$490 million of adjusted net revenue for the Merchant business that we talked about on the prior call.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Thank you.

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

Just to put a little – yeah, just to put a little finer point on that, it's \$475 million for Q2 through Q4. Obviously we had \$15 million we called out in Q1 that we had from revenue from EVO from closing just slightly before the quarter-end in Q1 of this year. So for Q2 to Q4, it's still \$475 million. We've been able to offset some of the FX headwinds obviously in EVO's business with a little bit better business performance. So we're still forecasting overall contribution this year of \$490 million.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

That's great. Thanks so much.

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Bryan.

Operator: Thank you. Our next question comes from the line of Will Nance with Goldman Sachs. Please proceed with your question.

Will Nance

Analyst, Goldman Sachs & Co. LLC

Hey, guys. Appreciate you taking the question. I wanted to ask about some of the new clients you mentioned for the ProFac pipeline. I wonder if you could make some kind of high-level statements about the profile of the customers that you're seeing. I guess what types of ISVs have been attracted to the product? And are they currently monetizing payments in any way? And maybe you could talk about their motivation for thinking about making a switch. Thanks.

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, Will, it's Cameron. It's a good – it's a very good question, and I think much of that sort of reflects back on the comments that I made in our Q2 call as to what attracts ISVs to this particular model. And as I described at that time, it's all the benefits really of payment facilitation without a lot of the pain, I would say, of being a payments company.

And I think the types of ISVs and partners that we see attracted to this particular model, and this is spanning a number of different vertical markets, most ISVs today that monetize payments in some form or fashion, some better than others of course. But, I think, it's – again, it's typically ISVs that have some specific boarding requirements and need more control over the boarding experience itself and have some specific funding requirements as well to kind of support the customer base that they target in the marketplace. And so these are ISVs that otherwise might be good candidates for payment facilitation but in many cases kind of lack the scale, lack the payments expertise to be able to become a true registered payment facilitation entity.

So as we talked about at the time, we think this ProFac model kind of hits a sweet spot in the market around obviously demand for payment facilitation capabilities and tools, but obviously there's only a subset of ISVs that I think really have the scale and capability to become registered payment facilitation entities over a period of time, and to do that very successfully and monetize payments at a very high level.

So as we called out on the prepared remarks, obviously six wins in the quarter for that new solution. We've got over 20 in the pipeline now that are very attractive opportunities for us, ISVs of all different sizes, all different vertical markets. The commonality is really around that boarding experience that they're looking for as well as specific funding requirements they may have and understanding that it's difficult for software companies to become payments companies. And obviously the ProFac model tries to solve for that, and I think it does it very well.

Will Nance

Analyst, Goldman Sachs & Co. LLC

Q

Got it. Appreciate that. And then just maybe a follow-up question on some of the October trends. It sounds like you guys are pointing to relatively consistent consumer spending trends. I think we're four for four of large cap payment companies making similar comments.

And I think particularly the networks have still put out numbers calling out a deceleration from September to October, and I think there's some asterisk around why that's happening, but just maybe you could kind of talk to your perspective of what do you think is causing that disconnect? And should investors be more focused on the slight tick down or the relatively consistent commentary heading into the remainder of the year? Thanks.

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah. It's a good question, Will, and we've tried to call it out over a long period of time. There's never going to be sort of exact correlation between any particular acquirers, sort of mix of business, and what the networks represent. The networks represent the market more broadly at least as it relates to the brands that they serve in the marketplace, so there's always going to be differences between their fundamental performance and what we're seeing in our business.

I think as it relates to our volume, we've seen consistent trends kind of Q3 through October, as we called out in our prepared remarks today. There's reasons that the networks may be saying something different in their business. They've got tougher travel comps than we may have in our business. Generally they may have fuel – more fuel exposure in their business than we have in our business. I think that's one thing that they called out as a reason for volumes slightly ticking down in October relative to Q3 performance in their underlying businesses. So there's always going to be some degree of difference between what we're seeing in underlying trends and what the networks may be seeing as well.

Will Nance

Analyst, Goldman Sachs & Co. LLC

Q

Very helpful and encouraging. Thanks for taking the questions, and nice results today.

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, Will.

Operator: Thank you. Our final question this morning comes from the line of Tien-Tsin Huang with JPMorgan. Please proceed with your question.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Q

Hi. Thanks. I'll keep it quick. Appreciate the time. Just on the point-of-sale software front, appreciate all the disclosures there. Can you just remind us how big the sales force is? Do you have a geographic coverage that you want? I know it's complementary to your dealer network. And then also just – I'm assuming that the sales force is trained and compensated to sell these value-added services like payroll at this point. They're in a good productive place. That's all I have. Thank you.

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah. Really good question, Tien-Tsin. So as we called out in our prepared remarks earlier, in the US market, we go to market through a dealer channel which is about 300 dealers that cover most of the major markets across the US and Canada as well, and then we have somewhere in the neighborhood of call it 1,700 sales professionals who either can sell POS directly or refer POS sales into a specialist who can sell that.

So we tried different combinations as go-to-market from a sales and distribution matter around selling more software. We typically have gone to what I would call somewhat of a hybrid model where we do certify certain RMs to be able to sell POS capabilities. They have to be certified to sell those into the marketplace. But we allow all of our sales professionals, and we compensate them of course as well, to refer business into those specialists as well.

So that relationship, I think, whether it's payroll or whether it's point-of-sale, I think that distribution model has served us well, and I think generally is a good model for us to continue to leverage as we move forward, which means we have lots of distribution obviously to be able to push product through in North America. In markets outside of the US, I would say the point-of-sale system that we talked about GP POS, it's a little simpler solution, it's easier to sell. It's less complex. So generally we can push that through the various distribution channels that we have as well as through FI partner distribution as well in international markets in which we operate.

So there's really good distribution I think capability for us being able to sell our point-of-sale capabilities over time. Obviously, a more sophisticated sale is going to require a more specific specialist who focuses exclusively on POS sales. We're at the smaller end of the market, most of our sales professionals are going to be able to sell our GP POS solution.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

That's perfect. Thank you. Appreciate it.

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Tien-Tsin.

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc.

And that concludes our call for this morning. I want to take a moment to just thank you for your interest in Global Payments and thank you for joining us today. And I hope everyone has a Happy Halloween. Take care.

Operator: Thank you. This concludes today's conference call. You may now disconnect your lines at this time, and have a wonderful day.

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