

13-Mar-2018

# Global Payments, Inc. (GPN)

Barclays Emerging Payments Forum

#### CORPORATE PARTICIPANTS

Darrin Peller

Analyst, Barclays Capital, Inc.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

### MANAGEMENT DISCUSSION SECTION

#### Darrin Peller

Analyst, Barclays Capital, Inc.

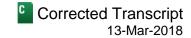
If I could invite Jeff and Global Payments up to the stage. Jeff, how are you? Thanks for joining us. If everyone can pull up the ARS questions on the screen, you'll see the first two questions for Global Payments.

Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.  Pretty much down.	A
Darrin Peller Analyst, Barclays Capital, Inc.	Q
Why don't we just do in the middle?	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
Yeah.	
Darrin Peller Analyst, Barclays Capital, Inc.	Q
You can sit right here.	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
Thanks for having us.	
Darrin Peller Analyst, Barclays Capital, Inc.	Q
Yeah. Thanks for coming.	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
Yeah.	

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Darrin Peller Analyst, Barclays Capital, Inc.	Q
know you – there is at least 150 people that wanted to see you. Do you currently own shares of Global stock	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	А
I do.	, ,
Darrin Peller Analyst, Barclays Capital, Inc.	Q
I wish maybe we should bring one of those things up here. How was the weather outside now?	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
I came in last night, because this morning was going to be really icy.	
Darrin Peller Analyst, Barclays Capital, Inc.	Q
All right 16% I think it is that owns and a lot of incremental opportunity. Next question. What is yo towards the stock right now?	ur general bias
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
Miguel, you're taking pictures? We've two of our guys from Spain.	
Darrin Peller Analyst, Barclays Capital, Inc.	Q
Oh great.	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
Miguel and Sergei.	
Darrin Peller Analyst, Barclays Capital, Inc.	Q
All right, so a very positive response. Look, why don't we just jump in. I mean, I think the best pla would be a little bit higher level. First of all, I'm very excited to have you with us.	ce for us to start
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
Thanks for having us.	
Darrin Peller Analyst, Barclays Capital, Inc.	Q

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I mean, Global is a name that, you know, we're not only excited about from a stock standpoint, but just understanding the market. I think you guys have been among the most innovative companies in the space and whether it's iPOS in the U.S. or it's e-com opportunities, I mean it clearly seems like you've been checking all the boxes. So, maybe just start off with – again, your recent Investor Day, you highlighted even faster organic growth over the cycle than the already accelerated growth we've been seeing from the couple of years before. I know there's a mix shift element and your ISO business is getting smaller, but just maybe start kind of high level; the dynamics going on to support that, maybe the market and then for global specifically.

#### Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

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Yeah. First of all, thanks for having us Darrin. We're pleased to be here today. What I would say, as we said in the Investor Day is, the most important thing of our business really is a healthy consumer and growing GDP. So, probably in the last six or nine months, for the first time in three or four years, every one of our markets, all 30, including Russia, Brazil and what I'll call Greater China, Mainland China, Hong Kong, Taiwan, Macau, have all been growing very nicely. So, that's the most important thing in our business.

I'd say, however, that doesn't mean that we can't do well in more difficult environments. I have some colleagues here from Spain who happen to be in the front row. I give you guys my congratulations for sitting in the teachers' spots. But even when the Spanish economy was contracting at 2% or 3% a year, we were still growing 10% organically, revenue growth in Spain. And now, of course, that the Spanish economy is growing more quickly than the United States, our growth, as you know, is into the high teens in Spain, which is fantastic.

So, certainly, the most important thing is kind of a healthy consumer and a healthy economy. The second thing, and I think you hit on this, is really the mix shift with our investments into integrated and vertical markets, e-com and omni, really across faster-growth markets. So, as we said in the Investor Day, 40% of our revenue this year is coming from technology enablement. That's up from 30% in 2015 – so a one-third increase from 2015 to 2017. As we said at the Investor Day, we hope and we target that in the next three years, we'll take that to 60% of the company, that's organic as well as inorganic.

So, there's no doubt the most important thing in our business, I believe, is mix and those businesses, integrated vertical markets, e-com, omni, and the aggregate, are probably growing at 12.5%, just taking the midpoint. The other thing I'll tell you is that just for us, we made great progress right after the Heartland merger closed, which by the way is two years ago, next month.

Darrin Peller

Analyst, Barclays Capital, Inc.

C

Yeah.

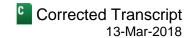
Jeffrey Steven Sloan

Д

Chief Executive Officer & Director, Global Payments, Inc.

I feel old when I talk about stuff like that, but, two years ago, next month, we made great progress in increasing retention and lowering attrition of the merchant base. In the back half of calendar 2017, there was a lot of that going on. So, I think as David had said in our Investor Day, we have lowered that rate from about 12% or 13% of attrition, down to about 10%. So, certainly, for a point in time in 2017, we had some headwinds lapping those benefits, because as you said, 12% went to 10%, 10% was not going to 8%. You know, in the scheme of things, the good news is it stayed at those lower levels, which is fantastic. I think we've since anniversaried some of

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those benefits. Obviously, mix shift plus that really helps in our business, but there's no discounting that the macro environment today is very helpful.

Darrin Peller

Analyst, Barclays Capital, Inc. That lower attrition level wasn't just the iPOS parts of your business, right?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

It was all Heartland payments, and I think where we did a nice job there - and we recognize this to a certain extent at the time of the closing of the merger in April 2016 – is we invested very heavily at Heartland into better service, better support, better products. So, for example, what I like to use, because everyone here has - many people have kids is, you know, the back-to-school season. So we closed the deal on April of 2016. That August and September of 2016, which is kind of prime back-to-school for K-12 and university, they did not have a good selling season the previous year in 2015.

We put a lot of technology and operating resources from April to August of 2016 in making sure that that back-toschool period went well. Not surprisingly, Darrin, because then when you go to sell to schools, it's very important to have come off of a very successful period. The first thing they'll say is, well, listen, we didn't really like how it went and we have the most successful period we'd ever had at Heartland school back then, in August and September of 2016. I think we were doing like 5 million transactions a day during peak, and didn't drop a single one coming out of K-12, which was a tribute really to the hard work that everyone put in, and I think directly led to some of those reductions in attrition and increases in retention.

Obviously, we've been in that business now two years, and we've lapped that, but I think that's obviously also helping the optics.

Darrin Peller

Analyst, Barclays Capital, Inc.

Yeah.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Feel very good about where the business is. As I think Cameron said in our call, we've guided to the fastest rate of organic revenue for 2018 now, not just in the cycle, than we've guided certainly since we've been running the business at 10% to 13% organic...

Darrin Peller

Analyst, Barclays Capital, Inc.

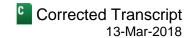
Yeah.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Constant currency revenue.

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#### Darrin Peller

Analyst, Barclays Capital, Inc.

I mean, I imagine as this mix shift occurs in terms of where you're growing your business versus almost intentionally not growing your business thinking the ISO side. I mean, it's hard to understand why it would decelerate overall any time soon, but let me just take it a step further. I mean, in terms of understanding the underlying market that you're growing in, how – we we've tried to size it, you guys have sized it anywhere from \$5 billion to \$10 billion – I think it was \$5 billion to \$10 billion frevenue opportunity.

I guess, I'd be curious to hear, are we still in the early innings in the U.S., where do you feel you are? I know you mentioned some data points, maybe just review some of the vertical data points in your Investor Day.

#### Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

So, in the United States, I just put it at its simplest level, I think we're in like the third or fourth inning. I mean, I think we're still early innings in the United States. I think outside the United States, and we have businesses here in Australia, New Zealand, Canada, and the United Kingdom, I'd say we're in the first inning.

Darrin Peller

Analyst, Barclays Capital, Inc.

Yeah.

#### Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

We did a very extensive market survey a number of years ago, when we were thinking about bringing OpenEdge into Canada and the United Kingdom about market sizing and where we were, the truth is the U.S. is by far the largest market for ISVs and VARs. In the U.S. we have more than 2,000 ISV and VAR partners. I don't think there's 2,000 in all of Canada and the United Kingdom combined, and that's just our business in the Unites States.

Having said that though, we've made very good progress in Canada and in the UK with our business, and of course, Ezidebit in Australia and New Zealand continues to grow at 20% plus top-line organic growth, over the years after we consummated the partnership in the first place. So, I think we're very, very early on in the non-U.S. opportunity and we're still early days in the U.S. opportunity and feel really good about where the business is.

#### Darrin Peller

Analyst, Barclays Capital, Inc.

Supporting the inning size, I mean you know we thought there is probably \$1.5 billion, maybe \$2 billion at most of revenue in the U.S. that's been accomplished around iPOS with \$5 million to \$10 million TAM; is that...

#### Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

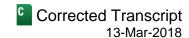
I'd say your first part sounds right. So we said at our Investor Day, \$1 billion for us in 2017, I'm guessing, but everyone else might be ...

#### Darrin Peller

Analyst, Barclays Capital, Inc.



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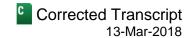


Another \$1 billion or so	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
Yes, \$750 million, I mean, whatever the math is you probably know better Darrin than even I.	
Darrin Peller Analyst, Barclays Capital, Inc.	Q
Yeah.	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
But I would say the one thing that's interesting, and we try to talk about this in our Investor Day is, we view it as the integrated TAM anymore. If you look at ACTIVE Networks, which is a deal we did in S 2017, we think the spend, now this is a spend comment, not necessarily revenue, but as you know, about \$200 million a year for us at ACTIVE, annualized.	eptember of
Darrin Peller Analyst, Barclays Capital, Inc.	Q
Yeah.	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	А
But we thought the TAM was \$50 billion, \$60 billion	
Darrin Peller Analyst, Barclays Capital, Inc.	Q
Yeah.	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
just in that one series – those two vertical markets that they're in, community events and education and that kind of thing. So I think what we are trying to do in our business is, I think we've got plenty I agree to in a \$5 billion to \$10 billion. But I do think if you overlay on that, how we think about where our business, which is a confluence of software, particularly as a service, but also software with a pangle, and in fact 100% of the way that ACTIVE charges is really for payments and registration fees it's a SaaS business.	of runway, and e we're taking ayments
I think it's a much larger business than \$5 billion to \$10 billion, just looking at ACTIVE alone, even the you're right on the penetration rate of the things.	nough I think

Okay. That actually makes sense. Very helpful. You know, on that note though, I mean, in terms of software, maybe hone in for a minute on your preference, if there is one between the partnerships of ISV model, which is,

Darrin Peller Analyst, Barclays Capital, Inc.

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you know, I think what you did really well already, incrementally buying software to some degree, which also you're doing, right?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

А

Yeah.

Darrin Peller

Analyst, Barclays Capital, Inc.

Versus maybe the Clover point kind of models where, you know, you see systems being deployed without open architecture for app developers.

#### Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.



Yeah. I think what I would say is, we think there's room for all those models, both partnered as well as owned; what we look and we – at the time of ACTIVE we put a slide in our website that said what we look for, by way of criteria, but it's really the size of the market, the nature of the competition, how much payments is in the market.

So, for example, if we saw something in software that had no payments overlay, why are we a good buyer for that? I don't think we would be; at the end of the day, there needs to be a payments angle where we think we can add value and grow the revenue more quickly when we are done, than when we started, which is what we have done in the businesses that we've purchased. So, I think it really comes down to size of the market, rate of growth, rate of market share; what do numbers 2 and 3 look like, relative to number 1; are we in that market ready? So, is it competitive with something else where we're already doing – everything else being equal, of course, it's important for us to own more of the value stack for like a little bit, we like a lot of it at the end of the day, but not everything is created equal so it's important for us to look at that.

As it relates to Clover and squaring those strategies, those are good companies, First Data and Square, I think, as we said in our Investor Day, you should think about those and we sell this all the time, as really semi integrated solutions, meaning complexity of the software at the point of sale, much like you and your iPhone going to the App Store to download an application to do something. At the end of the day, I think having more of a fulsome integration as we do, as First Data does, as WorldPay does with Mercury, makes it much harder to displace us because we're really at the enterprise level. We also get the enhanced sales cycle by not just us selling those services, but our partner actually selling those services.

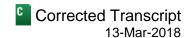
So yes, you get that catalyzed sales and then lastly you provide an additional level of service, as I said in the Investor Day, where if you have a question on payments and you're a merchant, you'll call us; but if you have a question on that software, you'll call us too; even though it's not our software. Try getting service at the App Store. Those are two totally different things. So, those are all very good models, we just come about it in a very different way, which is why I think the retention rates and the recurring nature of the underlying payments revenue are more attractive in some of the markets that I think it's different for everybody.

Darrin Peller

Analyst, Barclays Capital, Inc.

They're all improving the dynamics of attrition and pricing for the SMB.

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Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
It's a better experience.	
Darrin Peller Analyst, Barclays Capital, Inc.	C
All three of them, but I think your view is just that there's some of that may actually help be	pe more fully integrated.
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	Д
Now look, I think in a growing economy there is room for everything, right.	
Darrin Peller Analyst, Barclays Capital, Inc.	Ç
Right. Right. I mean from a competitive standpoint, on that note, room for everyone, I me frankly, I used to think about it being Global and [indiscernible] (00:12:36)?	ean, we are seeing –
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	Д
Yeah.	
Darrin Peller Analyst, Barclays Capital, Inc.	C
We're seeing [ph] thesis (00:12:38) talk about 30% 40% of their business now between thave done, transfers [indiscernible] (00:12:44) and then we're seeing First Data talk about curious to see here, is it more vertical specific still where obviously you guys are a very standard industry, or is it – are you seeing more competition out of the iPOS offerings in the	ut it. I mean, I'd just be solid percentage of the
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	Д
Well, I think it's always been hyper competitive. All of our businesses, globally, have always competitive.	ays been very
Darrin Peller Analyst, Barclays Capital, Inc.	C
Yeah.	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A

I would say that we've always competed with those businesses. Mercury is really example to your point. They may be owned by somebody else now and that may be better or worse over the cycle, but I would say all those businesses are very competitive, but you're right on what you said, Darrin, it's really by vertical market at the end of the day. So, I think we're in about today 70 vertical markets with more than 2,000 partners. We're also in a handful of countries, not just in the U.S., with nativised products meaning, as I said in the Investor Day in Canada, Canada OpenEdge for Canadian merchants using Interac.

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Corrected Transcript
13-Mar-2018

Darrin Peller

Analyst, Barclays Capital, Inc.

Yeah.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

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The Canadian rails, the Canadian local support, which no one else is doing. So, I think we do distinguish our self by how we go to market; we stay in a big box, retail, and grocery for all the kind of obvious reasons that you know you would see. So, I think, at the end of the day, it really is a tale of the vertical markets, but there is no doubt that everything we do in our markets is intense. So, for example, United Kingdom, it's not like Barclays is not a good competitor, you know, in what we do. In Asia, it's not like Citi is not a good competitor. So, I think in all of our markets, they're all intensely competitive [indiscernible] (00:14:10).

Darrin Peller

Analyst, Barclays Capital, Inc.

That makes sense. I mean are ISV starting to give any pushback on commission structures now, are they still very fragmented that it's not there yet or?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

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So, we have not seen – you know, one of the things we worry about, you know, I hate to say it because it makes me feel old, you shouldn't feel old, but if you go back and you look at APT, which for us was announced in August of 2012, one of things we worried about was the advent of the VAR/ISO. You know, the ISO to VAR or the ISV taking more economics, becoming more of a payments player, commoditizing the business, similar to what you saw in ISO land; that just as a matter of fact has really not happened sitting here 5 1/2 years later, even though we worried about it. So number one, in fact, it hasn't come to pass because most of those companies are more worried about selling their software than they are becoming a payments player; number one.

Number two, what I would say is the industry structure is just different than it is for ISO. So for example, the merchant is the ISO's customer. They have a direct relationship. It's not my customer, except under the Visa, MasterCard kind of clearing rules, as a backup. In the case of our integrated and vertical markets business, that merchant's my direct customer, full stop. So, you have a partner, but at the end of the day, have a direct contractual relationship with the underlying merchant which I do not have in the ISO business.

Also as I said a minute ago, calls that come from merchants going to us, whether it's payments or software, so we have an operating relationship as well and then lastly of course, we own a bunch of software too, as Cameron sized about \$1 billion.

Darrin Peller

Analyst, Barclays Capital, Inc.

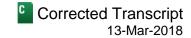
Right. It certainly helps.

Jeffrey Steven Sloan

А

Chief Executive Officer & Director, Global Payments, Inc.

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Yeah. So, it certainly helps that we have the diversity of distribution. I would say, our competitors have not done that. So to the extent that ends up being an issue, I think we're nicely positioned there, but obviously time will tell how that plays out.

Darrin Peller

Analyst, Barclays Capital, Inc.

So we recently published a report where we profiled you guys around globalization of iPOS. And I guess really I think the two markets we focused on at this time were Canada and the UK.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Yeah.

Darrin Peller

Analyst, Barclays Capital, Inc.

And I'd just be curious to hear the opportunity there for you. I mean, how easy or non-easy is it in those markets for you guys to take your skillset and bring it abroad?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

So it has taken us a while to do it. I would say we're further ahead in Canada than we are in the United Kingdom, so that's the Brexit.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Yeah.

Darrin Peller

Analyst, Barclays Capital, Inc.

After Brexit, we were a little bit more nervous and still are, about what may be in the U.K., although we continue to grow very nicely there. The rates of growth in the U.K. has slowed somewhat as you've seen from the Visa statistics coming over the holiday period. We've made a lot of progress, not just in the U.K., but also in Canada. So, we have about 75,000 merchants in Canada today – that's not locations, that's the number of merchants. I would say you probably have a couple of thousand pure ISV/VAR merchants today. If that's matter, we've got a significant and growing number of e-com omni merchants while we're talking about all this.

So, I would hope that over a period of time, we get to see great rates of growth there that we can get eight figures of revenue growth coming out of integrated and vertical markets incrementally in Canada as well as e-com omni. That doesn't mean that it's all net growth to Canada. What that may mean is there are other actions like pricing that we don't take and instead focus on some of the new products in that market. But it does make me feel really good that you can augment the base by introducing new services that didn't really exist in the market and cross-selling OpenEdge as we've done in Canada.

By the way, that's also where we think the business is going longer term. So I think it's a strategic like money is money, but financially – but I think as a strategic matter, that's really where we want to be. Meaning we want to

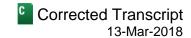
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sell more technology-enabled sales, that five years from now, that's a much healthier or higher retention rate business that it might otherwise be just competing on the basis price.

Darrin Peller Analyst, Barclays Capital, Inc.	Q
How about shifting away from iPOS – well, I mean e-com could be part of it, but let's just talk	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc. Yeah.	A
Darrin Peller  Analyst, Barclays Capital, Inc. talk about e-com for a minute. I mean you know where is that for you guys now strategically and, talk a little bit more about the competitive landscape. We've seen a lot of momentum with some na WorldPay	-
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc. Yeah.	A
Darrin Peller Analyst, Barclays Capital, Incand others.	Q
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc. So it's about 12% of the revenue this year	A
Darrin Peller Analyst, Barclays Capital, Inc. Yeah.	Q
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
In 2017. As we said in the Investor Day, we expect to add, organically and inorganically, because if the mid-teens, but hopefully with some deals on top of it to be up to 20% of the revenue in three years complement the 40% coming we hope from integrated	
Darrin Peller Analyst, Barclays Capital, Inc. Sure.	Q
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A

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...and vertical markets to make the 60% I talked about before. We're growing very nicely in that business. We have about a 20% growth rate in revenue, about mid-teens organic and the rest is inorganic through Realex and eWAY, that we've done over the last number of years. I think as we said in the Investor Day, we've been very good at sticking to our knitting. So for example, we're focused on SMBs kind of within a country, which is our core, where people want to go cross-border in the markets where we're strong as an omnipresence matter.

I think one of our competitive advantages is, we have omnipresence, physical capability in 30 countries around the globe; WorldPay, for example, is primarily in the U.K., in the United States, with a presence in a lot of markets in Asia-Pacific; also in continental Europe with our Erste joint venture, and of course, just alluding to my two colleagues here in the front row in Spain with our partners at Caixa in our Commercia JV.

So, I think we've been very good at is kind of sticking to our knitting, which is the stuff where we think we have a competitive difference which is not based on just on price. I think we're all pretty good at technology bit, matching the physical acceptance, local support, local sales, direct membership, or direct member in most markets in the world with Visa and MasterCard, we make our own credit, no underwriting decisions.

At the end of the day, it's very important to what some of the most sophisticated technology companies need to do in terms of making decisions about how to use, which you're not going to see us do because some other people are very good at this, is go after very thinly priced, high volume [ph] direct (00:19:42) support e-com only. By the way, there's nothing wrong with that business, but at the end of the day, we are very sensitive to rates of sustained revenue growth, rates of margin enhancement, we're obviously a public company.

There's a time and a place for that stuff. I think it's incredibly important for us to show growth, sustainable revenue, margin, and earnings growth, and I think we've struck the right balance in exactly the right way.

Darrin Peller

Analyst, Barclays Capital, Inc.

If we shift to your recent partnership in Mexico with HSBC, just to jump around a little bit, in the interest of time; look, it was clearly an area that I think frankly your relationship with HSBC has gone back many years, and so...

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Yeah.

Darrin Peller

Analyst, Barclays Capital, Inc.

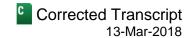
I wasn't shocked when I saw it, although it seems like a nice beachhead for Latin America which you don't talk about as much, right? You've been to Europe, Asia, and North America. What are the grand plans in Latin America for you guys now that this is there? I think you also might have a relationship with HSBC in the UK coming up for renewal or change, maybe just talk about that as well?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Sure. Well, they've been a great partner for a long time. So the dirty little secret of Global Payments and the way we report our North American business being our largest region is it's hard to be in North America and not be in Mexico; it's kind of a funny thing. It may not be the right thing to say, given all of the NAFTA stuff going on. But it's kind of hard to be in North America and not be in Mexico if you're someone called Global Payments, and three-

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quarters of your revenue is based here. It's also incredibly important priority for us to grow our Latin American business where you've been in Brazil for a number of years with our partners at Caixa. Caixa from Spain, not Caixa Federal (sic) [Caixa Econômica Federal] (00:05) in Brazil.

So, we continue to have a very strong interest in growing our business in Latin America. Puerto Rico, of course, is part of the United States, but we have made significant sales, as David's talked about in our Investor Day, of TouchNet, and our other businesses into Puerto Rico, into the Caribbean. So, Latin America is very important for us. Now, the key for us is to get to scale in those businesses because with three-quarters of the company being in North America, it's kind of hard to move the needle. If you think about our guidance at roughly \$4 billion of revenue this year – all right, \$3 billion of that, just a simple math, is coming from North America.

It's very hard to kind of see that in the P&L. So, I think we're cognizant of getting a return for what we're doing, but we're also very focused on the strategic impact of our investments in those markets. We couldn't be more pleased with where we are really in Brazil. We're very excited about Mexico, we're very excited about Puerto Rico and the Caribbean, look for us to do more.

Darrin Peller

Analyst, Barclays Capital, Inc.

So, there's an opportunity to expand that using Mexico as a beachhead. I mean, I'm not mischaracterizing that.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

I think so. But we're going to do in Mexico what we've done with Erste in Continental Europe, which, as Cameron said in our earnings call, is growing double digits top line organic now very nicely, which is find the right demographic. But then bring in sales, in many cases in Mexico very similar to the Heartland direct sales model that we talked a lot about at the Investor Day. So, really bring in very good sales, very good products in a way that that market may not have been served historically, and that we're very excited to do. Think about integrating vertical markets. You think about e-com, omni, and their applicability across border as we've done in Canada, and we think Mexico is ripe for that opportunity. So, certainly, we'd love to do more in Latin America, but we have to find the right partner with the right returns.

Darrin Peller

Analyst, Barclays Capital, Inc.

Makes sense. Could we just shift to pricing again in interest of time? I mean, it's an area that you guys have been very good at and being very careful around also.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

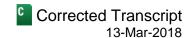
Yeah.

Darrin Peller

Analyst, Barclays Capital, Inc.

Maybe just start with the – I guess the legacy Heartland business, is there still some room there? I know that you've talked about being very gradual and careful around pricing, but there could be some room. Maybe just start there and we'll go from there.

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#### Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Sure, well, it's never been our thesis – if we go back to December of 2015 when we announced Hartland, it's never been our thesis that we should really go in and touch price broadly across the portfolio at Hartland. We have not done that, the way I just described. So, I view what our goals are and part of the revenue synergies that we talked about in 2015, that we talked again about a couple of weeks ago and our expectations for one or two points of incremental growth this year are really about just managing the business better.

So for example, as contracts, there are three to five years in term come up looking at those upon renewal as well, where is the contract and where is the market gone in three to five years. And maybe not going all the way there for those renewals, but taking a step in the right direction. You look at Square's letter to investors, I think it was 107 basis points, whatever the number was, in the most recent period – I don't know what's in there, so maybe kind of apples – I don't know Square capital's in there, but maybe apples to oranges, but you know our typical merchants are at like 40 basis points.

Darrin Peller Analyst, Barclays Capital, Inc.	
Yeah.	
Teal.	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
So when Square initially came out, people said or things like that, oh gee, this is really going to we're two-thirds below that level, our integrated business is higher than that, but our overall relaperson, which is the comparison is that better like 40 basis points.	
Darrin Peller Analyst, Barclays Capital, Inc.	Q
Yeah.	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
So I think we have plenty of room to move by way of umbrella. It's not our intent to do any kind	of blood-based
Darrin Peller Analyst, Barclays Capital, Inc.	Q
But the natural mix shift allows for that, I guess?	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
I think the mix shift helps, and I also think just managing the business judiciously helps. I mean, businesses in the world that you can look at, that over three to five years don't change. I mean, environment we're in.	•

Darrin Peller Analyst, Barclays Capital, Inc.

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13-Mar-2018

Yeah, yeah.

#### Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

relatively [indiscernible] (00:25:18).

I'd like to think that we're offering better products and services, better technologies, and more value-add, the data and analytics that we talk a lot about ordering – sounds silly to say this, but ordering your burger, your taco on your phone and paying for with your thumb with one of the payees and picking it up – we're really looking at the software that we sell into K-12 and then in particular university environment, which we showed at the Investor Day. I think we're looking for a fair value for those kinds of services rather than broad-based, you know, re-pricing.

It does give us a lot of confidence at the end of the day that in any period of economic choppiness that will be

Darrin Peller

Analyst, Barclays Capital, Inc.

So, to put all the revenue components together, I mean, you know you're – again you talked about a new accelerated high-single-digits to low-double-digit growth through the cycle. Maybe just remind us the components of geographically where you'd expect North America, Europe and Asia?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Sure.

Darrin Peller

Analyst, Barclays Capital, Inc.

And then really I'd be curious to hear from you that someone that, you know, has been running the business well for a number of years now, what surprises you about – has anything surprised you about this rate of growth now? Would you have expected it when you started Global to be 10% plus profile in the top line?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

No, I think the business has changed, right. I mean I think if you think about – we've been running the company for about 4 1/2 years, I've been with the company for about eight years, but when I started at the company, Apple was in the market with Apple Pay. Google then released Google Pay, I'm not sure if Square may or may not have just come to be in that period. So, I think certainly the business has changed. Mercury was around, but no one was really sure how that model was ultimately going to play out. At one point, APT was a public company and these were all kind of different things when we started, so certainly the level of innovation in – the business continually reinvents itself; I don't just mean at Global Payments, I mean more broadly in terms of the industry that you follow.

In terms of our expectations for growth, let's just start with North America, our expectation for growth there is high-single digits growth to low-double digits. Clearly, if the whole thing is growing at 9% to 11% and that's three-quarters of the company that have to grow...

Jeffrey Steven Sloan

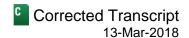
Chief Executive Officer & Director, Global Payments, Inc.

That's the direct business.

A



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#### Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Right. Well that's the overall business. We expect obviously the Direct business to be 10% to 13% this year, is – ex-wholesale is what Cameron guided the business to 9% or 11% overall, of course Canada is low-single digit, which goes into North America, but certainly we expect an acceleration of growth this year. 2017, as Cameron said, is probably the first time we've ever had double-digit organic revenue growth for the whole company for the year. Same thing is going to be true is our guidance for 2018, which is fantastic. It's the most aggressive guide we've ever had since we're running the business. So, it all starts with North America, so I'd love to see sustained rates of growth clearly in three-quarters of the business in North America.

In Europe, as you said before, we couldn't be more pleased at how we're doing; obviously capturing a lot of share. We've grown between 9% and like 13% local currency, the whole year really a 2017 our expectations were over a high-single digit growth in an economy that's really growing in kind of 1% to 2%. So, clearly growing at four to five times the rate obviously one of our principal competitors who reports is shrinking, so – relative to the economy. So I think that's actually good news for...

Darrin Peller	
Analyst, Barclays Capital, Inc.	

Just touch on that for a minute. Because the UK is a question we get a lot, obviously with WorldPay just being public about its UK business segment down a couple of percent.

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

Yeah.

#### Darrin Peller Analyst, Barclays Capital, Inc.

I mean, I guess I'm curious what is happening with your growth? It's so much higher than the industry growth of

# the UK's volume?

Chief Executive Officer & Director, Global Payments, Inc.

Jeffrey Steven Sloan

Well, first I think it's important to note that we target SMBs in all of our markets, which isn't to say that we don't have very large customers, but at the end of the day, I think, we're focused at the sweet spot of the market, which is small- to mid-sized businesses clearly, big box - big-box, retail and grocery have not been a good place to be.

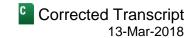
I know more about that in the U.S. which is three-quarters of it coming to the U.K., but by and large our business around the world including in Spain is mostly SMB.

Darrin Peller	
Analyst, Barclays Capital, Inc.	G

Yeah.

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

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And that's obviously have been a very good place to be; conversely, big-box has not been a good place to be. And I think some of it, whether we're lucky or smart, some of it is positioning in terms of how we position the company point one.

Point number two, Europe in particular is the hub of our e-com and omni business even though we have it worldwide. We bought that business with our partners into Spain last year. Obviously, Realex was in Ireland, we've had that for many years in the United Kingdom. As you know, that business is growing mid-teens organic revenue growth that has for some time will make a lot of progress with that sticking to our knitting, as I said before, in the United Kingdom and also in Europe.

Our Erste JV, as we said in our phone calls, going nicely into the double-digits revenue organically feel very good about that. That's mostly integrated now into our core platforms, what we talked about, by and large, including the Czech Republic, the biggest market for Erste. That's good news for our business; we look to go into Austria this year with our partners at Erste, which is based in Vienna. Caixa is also a partner in that joint venture. So, what I would tell you is just being focused on the right target market SMB that's also bringing that technology like e-com and omni, that we brought into the UK market and it's also a bit of our integrated and vertical markets and if you look at slides from our Investor Day, the proportion of our European business, that technology is almost the same in Europe...

Darrin Peller

Analyst, Barclays Capital, Inc.

Yeah.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

...almost the same as the proportion of our business in the United States; it's just a little bit behind, about 28%. So I think we've done a nice job transforming that business and I think we're in the right place with the right people in the right markets.

Darrin Peller

Analyst, Barclays Capital, Inc.

I'm going to use it, you were just going to quickly wrap up.

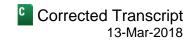
Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Sure, then Asia we continue to expect low-double digit growth there. We probably have the best run in the last two or three years we've had in Asia in a really long time; of course that's led by Ezidebit and eWAY, our integrated and vertical markets and e-com omni businesses, in Australia and New Zealand, which, since we've done that Ezidebit deal, probably 3 1/2-4 years ago now, has been growing 20% top line consistently organic revenue growth there for a long time with a large share of the Australia, New Zealand online marketplace and then our legacy business is we probably – I'm not sure we talked a lot about this on the call, but we've had the best run in Mainland China, and kind of Greater China, in our legacy businesses in the last couple of quarters than we've had really in sometime.

So, our joint venture with BPI in the Philippines where we have 28% of Filipino market, which by the way is the fastest GDP growth market in Asia, including China. Obviously, it's been a very good place to be with a very good partner.

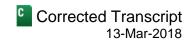
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So, I really think we're firing on a lot of cylinders in Asia, low-double digits is what we expect. So, [indiscernible] (00:30:57), Darrin, you've got kind of 75% growing high-single, low-double, you've got another 20%, 22% to 23%, of growing high single, and then you've got 8% or thereabouts whatever the remainder is, growing low double, and you're going to have that 9% to 11%...

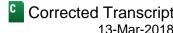
Darrin Peller Analyst, Barclays Capital, Inc.	Q
Yeah.	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
Ex-wholesale that we guided to in really 10% to 13%	
Darrin Peller Analyst, Barclays Capital, Inc.	Q
That's great.	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
This year.	
Darrin Peller Analyst, Barclays Capital, Inc.	Q
And that's top line. I mean, your margins are obviously – you're guiding to	g to 75 bps of margin expansion around up
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
That's the model yeah.	
Darrin Peller Analyst, Barclays Capital, Inc.	Q
Over the cycle, but you're doing a 110 bps – over 100 bps this year	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
Yeah.	
Darrin Peller Analyst, Barclays Capital, Inc.	Q
Some of that's probably still lingering synergy benefits from Heartland?	)
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A

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There's a little bit of that, I would say a lot that's done, but there is a lot of – Heartland's mostly integrated at this point. There's some carryover... Darrin Peller Analyst, Barclays Capital, Inc. Yeah. Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc. Stuff that didn't fully annualize last year. Darrin Peller Analyst, Barclays Capital, Inc. Exactly. Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc. Kind of... Darrin Peller Analyst, Barclays Capital, Inc. Full year benefit, yeah. Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc. Which is why we got it to the up 110 bps this year. And apples-to-apples, that's actually up 160 bps. We got 50 bps of benefit coming in last year. So – but 110 bps is the apples-to-apples number, which obviously is well in excess of the 75 bps. So, we feel very good about where we are, that will take margins to the mid-31 percentage range over the course of this year. We finished at the end of last year in the fourth quarter with kind of a similar number, 30 percentage or 31 percentage range. We think we have a lot of runway, but I'd also tell you, beyond Heartland, the business mix, selling SaaS, selling software, cross-selling payments into software. Those are inherently higher margin businesses... Darrin Peller Analyst, Barclays Capital, Inc. Yeah. Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc. Than the overall corporate margin. OpenEdge has been a higher-margin business than the overall corporate margin, Europe growing at that rate and you can see the European margins is a higher margin. But so, I think the growth that we're experiencing is naturally going to drive margins high. Darrin Peller Analyst, Barclays Capital, Inc.

## Clobal Payments Inc. (ORN)



Barclays Emerging Payments Forum	Corrected Franscript 13-Mar-2018
Could we touch for a minute on M&A?	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc. Yeah.	A
Darrin Peller Analyst, Barclays Capital, Inc.	Q
Or just overall capital allocation perhaps, just your thoughts around it and the software is an area that I know we all know you're focused on and beefing it what would be your greatest priorities right now?	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
Well, our pipeline's full, which is a good place to be. That doesn't mean gettir focus on strategy and culture and then really financials, but I think we're in a lot of that is technology-enabled being integrated in vertical markets or e-conweeks ago, our leverage is down to 3.6 times today.	very healthy place. Not surprising, a
If you back out of ACTIVE, which we did in September of 2017, we'd be in the where we said we would be at the time that we did Heartland two years ago did near \$800 million of free cash flow last year. So, we'll be de-levering, if we will do. But we'll be de-levering very substantially if we didn't do more deal we said on our call a couple of weeks ago, if we didn't do more deals, if we derepurchase authorization to \$600 million as we did a couple of weeks ago, we feel about the future growth prospects of the company.	next month. I'd also tell you that we e did nothing else, which hopefully als and be well below \$3 million, as idn't increase as we did the share
So, certainly, I think it's easier to do bigger deals than smaller deals. Having ventures we've done in the Philippines, in Continental Europe, now in Mexico our business, and it's where we want to be five years from now really. But we us to hopefully be doing deals as 2018 carries on. But certainly as a financial managerially and technologically and operationally, I certainly feel like we're	o are very strategically important to b're looking at everything and I expect I point of view, and really,
Darrin Peller Analyst, Barclays Capital, Inc.	Q
Okay. Why don't we start to get ready to turn it to the audience in the last one questions. I think someone's got a hand up. But while we're waiting, so let me	
Jeffrey Steven Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
I think you asked the question in the last panel, I'm not sure you get back to I	pack.
Darrin Peller Analyst, Barclays Capital, Inc.	Q

Real quick, Jeff, just on – one other thing I just want to touch on as we get about the PSD2.

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#### Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

А

Yes.

#### Darrin Peller

Analyst, Barclays Capital, Inc.

Just quick thoughts on that, if you don't mind, in terms of what the impact could be from your business standpoint?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.



So, we're ready for PSD2, which is coming in April and May, depending on the market that you're in. I actually think, Darrin, it's a good news for us. First of all, we're not a bank, right? So, that's directed at opening up the banking environment, principally, the non-banks and also to force folks to open up the APIs, to allow technology to speak at the gateway level through APIs. If you think about the nature of our business, number one, we're not a bank. So, we should benefit from the opening of the financial environment.

But number two, we operate – a lot of our e-com and omni is domiciled in Europe already in the EU. We operate our business pretty much today by the way of API in those marketplaces. So, while at the end of the day I think it's a very competitive landscape and everything else, I do think the opening of that environment as by the way PSD1 in SEPA really were – is good news for our business and we're certainly prepared to accommodate.

Darrin Peller

Analyst, Barclays Capital, Inc.



Great. Right. Question?



Thanks, Jeff. So, you hear a lot obviously about omni-channel, e-commerce, iPOS being high growth areas, areas where attrition improves, there's an opportunity to take price, a lot of market up for grabs there, but one thing we don't hear acquirers talk a ton about is the B2B space. And so, I just wondering if you could talk about that both from an M&A standpoint and like a TAM standpoint and how you think the type of growth and opportunities that you could see within that space, like a timeline on that too?

Jeffrey Steven Sloan

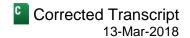


Chief Executive Officer & Director, Global Payments, Inc.

Sure. We like the B2B space; we're not at it, you know, at Global Payments today, we've looked at deals in the B2B space. I think if you look at the MasterCard Investor Deck, they would tell you that's multiple the sizes of the consumer markets in B2C that most of us are in here today. So I think we're very bullish on opportunities in B2B. I also think it's important for us to understand what we're good at and what we're not good at. So the deals that we've looked at, that we've passed on in B2B, for example, are not because we don't like B2B, but it's because that at the enterprise level, meaning very large customers with very thin spreads and very thin margins or it's automating someone's payables and receivables inbox.

And again we're not really in cash management at the end of the day. We don't own virtual cards as some of the folks you know would, so I think it's important that as we look at B2B as much as we like it, we go with those

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things that have made us successful that we think are defensible. When we walked away from deals it's because they've been enterprise customers with declining margins in the business with very high valuations, those aren't deals that really fit the criteria I laid out. So it has nothing to do with B2B, which we think is a great place to be, and instead with the nature of the assets that we've looked at with inside B2B.

More broadly, if you step back further, I think you would say, what is the value that we bring you something when we do a deal? Generally it's faster rates of organic revenue growth with better margin over a sustained period of time. We have to ask that of ourselves too. If we reduce something in B2B beyond the other criteria I just laid out. So, listen we're looking, but I think that there is so much blue sky in the businesses that we're chasing today; while our pipeline is full, it's not really full of B2B stuff in all fairness.

Darrin Peller

Analyst, Barclays Capital, Inc.

Thank you. Jeff, I think we got to leave it there, but thank you very much, guys. I was really happy to having you guys here.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks for having us and see you, Darrin. Thanks, everybody.

Darrin Peller

Analyst, Barclays Capital, Inc.

I appreciate it.

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