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Global Payments, Inc. (GPN)

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MANAGEMENT DISCUSSION SECTION

Jason Kupferberg

Analyst, BofA Securities, Inc.

Hi, everyone. I'm Jason Kupferberg, the payments, processors and IT services analyst here at Bank of America. Thank you all for staying with us here at the Global Tech Conference. We're very excited to have Cameron Bready, COO of Global Payments, here for our next session.

Cameron, thanks for joining us. We appreciate it.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Thanks, Jason. Thanks so much for having me. I'm delighted to be here.

QUESTION AND ANSWER SECTION

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Great. Great. Yeah, so why don't we jump right in? I mean I think there's a lot of good stuff to talk about in terms of recovery finally after talking about headwinds for a long time.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

And so [audio gap] (00:36) give us a little bit of color a couple months into the quarter. What are you seeing, particularly in the US Merchant business? I think [ph] that's gathered (00:45) a lot of investor focus. Obviously, there's been some data out there from Visa which people tend to anchor global business to. But just talk about what you're seeing, remind us kind of where your largest vertical markets are and pace of recovery across those.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Sure. Yeah, a lot packed into that question. So I would say overall at a macro level in the US market, we're pretty delighted with the recovery we've seen thus far. It obviously started in Q1 and I think our performance in Q1 sort of reflects that, particularly if you isolate our US payment businesses in Q1. So our relationship-led business was up 9%. Our Global Payments Integrated business was up north of 20%. So, you aggregate those based on their size and it's sort of mid-teens growth in our just pure payments business in the first quarter and we've seen those trends continue to accelerate sequentially into April and May as well.

So the overall pace of the recovery in the US is broad-based across verticals. It has continued to be strong as we've progressed through the second quarter and the result is we're seeing volumes by margin aggregate well above 2019 levels. And in our own business, we're continuing to pace, I would say, above the levels provided by Visa, the credit levels which we continue to point investor towards it being a good proxy for our business, the credit levels provided by Visa most recently.

As it relates to specific vertical markets, as I noted, the recovery really is pretty broad-based across verticals. We are diversified well across vertical markets in our business and, of course, that's by design. Our three largest vertical markets from a pure payment standpoint are going to be restaurant, retail, and health care. Each of those are probably low double-digit representation of our volume and across those three vertical markets, not surprisingly, we've seen very strong trends.

Restaurants, obviously with markets beginning to reopen, restrictions beginning to decrease, we've seen restaurants continue to improve year-over-year as a volume matter fairly meaningfully. And in some cases, rather shockingly, the volume increases.

Retail, same thing, more foot traffic; obviously, more adoption of omni. Retail continues to progress well. Retail, somewhat the beneficiary, I would say, restaurant as well as the "revenge buying" we're seeing as markets begin to reopen.

And then health care, we're seeing really nice trends in that space. Of course, during the pandemic, essential health care continued to remain relatively strong but obviously, non-essential is coming back and coming back in a pretty meaningful way, which has obviously created some pretty good tailwinds in the health care vertical for us.

So long story short, really pleased with the recovery we're seeing in the US. It is 75% of our Merchant business, so it does drive a lot of the outcome for the Merchant business overall. And certainly what we've seen thus far year-to-date has exceeded our expectations from a recovery standpoint.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Okay. Okay. So, maybe just a couple of quick follow-ups on that. So, if we take retail, restaurant, health care, it sounds like an aggregate. Those are, call it, 30% to 40% maybe of the Merchant business. What are kind of the other big verticals that we should be watching closely for Global Payments beyond those? I know you're diversified, but...

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah. We're pretty diversified beyond that. So, I would say there's a handful of vertical markets that are probably in the mid-single digits from a representation standpoint...

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Okay.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

...transportation being one of those. Fuel, which you all know, Jason, is really tied to transactions. It's not so much volume. But we do have...

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Right.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

...a fairly sizable petroleum business. We have a fairly sizable business today largely within our integrated business in automotive. So, certainly on the automotive repair and service side, we've seen very good trends in that particular space as well. A lot of people deferred maintenance activities, didn't want to obviously engage or interact with their service provider during the pandemic. So we've seen really good trends there as well.

Those are two verticals I would call out. Again, strong performance, fairly sizable. But again, once you get beyond those top three, it's a long tail of vertical markets from there.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Okay. And just a sort of finer point on what you're seeing relative to the Visa data, because I think if you look at the most recent data that Visa disclosed, their US credit volumes quarter-to-date are up like 50%. So, if we continue to sort of anchor GPN's Merchant revenue or kind of benchmark it against Visa US credit, obviously it would seem like some pretty healthy numbers for you guys. And who knows what'll happen in June. Obviously, you could see some decel off that 50% against somewhat harder comps. But any other caveats relative to that map or that thought process?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

No, I think that's about right. I would say April was better than May. If you look at the Visa data...

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Okay.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

...not surprisingly just given the comps and I expect June to again be a little less than May again because of the tougher comps. If you remember last year, things started to recover a little bit in – from May versus April and June versus May. So that trend I would expect to continue this year where May was a little bit less than April in the Visa data and same thing with June versus May.

So – but no, the overall trend, this positive decoupling we talked about as it relates to the Visa credit data, we continue to see that in our business play out through the second month of the quarter.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Okay. And is that spread? I know you – for a while, you were sort of trending in line with Visa US credit and then you started to exceed. Is that gap kind of relatively steady now or is the gap actually getting larger?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

I'd say it's relatively steady now.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Okay.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

It's [ph] slowing (06:47) probably a little bit but I would put it more in the relatively steady category.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

So this past earnings call, you inched your guidance for total Merchant revenue growth for the year to high-teens from mid- to high-teens. So presumably, that's kind of your base case, I would assume. I mean if you were to kind of envision more of a bull case scenario where maybe these better than expected trends in April or May actually persist for the duration of the year, is there a way you may kind of frame a potential upside case?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah, it's a good question. So maybe I'll just start by saying we've said since the beginning of the year we didn't need the perfection – to see perfection in the markets to get to kind of the guidance that we've established for the full year. And we've now increased that guidance around the Merchant business in particular to high-teens growth for the year. So we still don't feel like we need to see perfection to get to that high-teens number.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Yeah.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

I would say we're also not expecting things to be completely linear throughout the remainder of the year either, nor are all markets recovering at the same pace. So I'd say if you look at the US market in particular, as I said before, if trends continue as they are, they are ahead of our expectations right now. What's not entirely clear is how much of that may be coming from "revenge buying." But at the same time, there's still parts of the US that are in the process of recovering. So I think sitting here today, we feel really good about how the US is trending and obviously, if we continue at this pace, I think we, all else being equal, could see some upside to what we have provided as the guidance for the Merchant business for the full year.

I would say quantifying that's a little bit hard, and it's hard because there's still a lot of uncertainties outside of the US. Canada remains in partial lockdown. Québec is opening. Ontario is supposed to open in the next couple weeks. Europe, I would say, by and large, is a mixed story. UK is on a pretty good recovery path. Spain is on a very good recovery path. We've seen really good performance in Spain. Central Europe is still lagging and I expect that to continue to lag a little bit here entering the summer period. So, overall, I'd say Europe is generally in line, maybe a little ahead of our expectations.

Asia, again, also kind of a tale of two stories. The Greater China markets are generally performing pretty well. South and Southeast Asia, which would include markets like Philippines, India, Malaysia, Singapore, they're struggling obviously with the pandemic, and that's likely to continue for some period of time. Australia is in a pretty good place overall. So Asia is generally tracking in line but again, there are some spots we're a little bit worried about through the balance of the year.

So, again, we feel very good about the guidance we provided, highly confident in our ability to achieve that. Certainly, there's opportunities to exceed that. I would say if the US continues on the pace that it's on and everything else kind of trends directionally in line with our expectations for the balance of year, which is kind of a gradual recovery around the rest of the world, how much more we could produce? I think it's hard to put a specific number on that today, Jason.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Yeah, yeah. No, understandable. Still a lot of time left in the year. So, maybe to come back on another part of the Merchant business, I mean I think the most challenged part of the portfolio during the pandemic has been education, gaming, events. And collectively, I think those are about a low-teens percent of your North American business, if I'm not mistaken. Wonder if you can give us some color on to what extent are you starting to see some improvement in those verticals in addition to the improvement you obviously talked about in retail and restaurant.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah. It's a really good question because in a lot of ways, we view those businesses, gaming and ACTIVE in particular, is a bit of a canary in the coal mine around how the recovery is pacing. I'll talk about education separately. Let me start with ACTIVE and gaming.

We've seen really good trends in ACTIVE and gaming and even gaming returned to growth in the first quarter, which was an encouraging sign. iGaming continues to grow at a pretty rapid pace. We're well-positioned there and we're continuing to see sort of the in-person, in-casino volumes increase kind of month after month. So gaming, I think, is on a pretty good trajectory as we sit here in June and looks to be trending in line or better than our expectations kind of for the full year, assuming, of course, things remain on track from a recovery standpoint.

From an ACTIVE basis, what we've seen is really good booking trends, largely for events in the back half of the year. So we are seeing good volumes of bookings in the ACTIVE business, particularly around camps for the summer and then events, more traditional sporting events and endurance events in the back half of the year. So, assuming those events happen, I think ACTIVE is poised to have a pretty good 2021 and a very strong back half of 2021 as people want to get back out and begin reengaging in those activities again.

I'd say education, you really have to split between higher ed and lower ed. Higher ed has performed very well, has been very resilient through the course of the pandemic. Lower ed, for us, relies a little bit more on sort of in-person payments in the school environment. And with schools having been closed for much of the 2020-2021 academic year and with now school lunches being free, that being extended for another year, that's going to have a little bit of pressure on the lower ed portion of our education business as we progress through 2021.

Obviously, we can absorb that in the overall business and still achieve kind of the results that we've expected for the year. But lower ed is going to continue to lag a little bit. If you put lower ed, gaming, and ACTIVE together, just the earlier comment, they probably represent low double digits percentage of our Merchant revenue.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Okay. Okay, pretty manageable. So let's talk a little bit about the Zego acquisition you announced last month, brings you into a new vertical, namely real estate. So talk to us a little bit about what attracted you to Zego among the other targets that you may have looked at in this vertical.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah, certainly. So I would say Zego, for us, was a fantastic opportunity because it clearly is payments and software in a vertical market that we've coveted for quite some time. We've been focused on the real estate

vertical market for the last several years, trying to find the right point of entry into what is one of the largest vertical markets certainly here in the US but I would say broadly around the globe. And Zego fits our strategy perfectly. It is an integrated payments business with a significant amount of software capability wrapped around obviously the payment experience targeted to property managers in the real estate vertical market.

So, today, just by way of background for the benefit of those listening in, Zego serves about 7,300 customers that represent roughly 11 million units from a real estate standpoint. Their core product offerings are software solutions that drive really engagement between the property manager and the resident that facilitates the entire experience of the resident with that particular property manager from leasing and onboarding through maintenance and space reservations to even the exit process when a resident leaves a particular unit. It obviously provides a very rich and full payment solution to those property managers to allow their customers, their renters to be able to pay for all types of payment requirements within the residential environment, whether it's just monthly rental fees on the unit itself or other supplemental fees, HOA fees, those types of things that may be charged to the particular resident.

So, it's a fantastic business and what we like about it is obviously, it fits our model very nicely. It has a strong payments focus today, it's the majority of the revenue, but a very attractive and growing software portfolio that again is really the driver of growth for the business and is really focused on commerce enablement between property managers and the residents in those environment.

So, really fits our model very nicely. It's a well-fragmented market from a payment standpoint. Zego probably has \$30 billion of payment volumes flowing through its platform today but in a market opportunity that exceeds \$1 trillion. So, a lot of runway for payment growth in the business, a lot of runway for software growth in the business. It's all cloud, native cloud environments, SaaS-based technology in the business today. And again, it fits really well into what we're trying to accomplish in a vertical market that we really like.

One of the things we're most excited about Zego is our opportunities to scale that business. As we talked about historically, Jason, when we look at any M&A opportunity, we really look at it through a variety of lenses, one is strategically, does it fit; culturally, does it fit, and can we generate the kind of returns that we think are attractive uses of our capital.

Around the strategic fit side, we have a lot of opportunities, I think, to scale the business more effectively and drive faster rates of revenue growth in the business by bringing it into international markets where there's a strong demand for the solutions today that Zego hasn't operated historically. Canada immediately jumps to mind.

Secondly, we see a lot of opportunity to cross-sell product and capability we have in our Merchant business today into the Zego environment. And then, third, we think some of what Zego brings to the party, so to speak, can be leveraged into other parts of the Global Payments environment. So, a great example of that is you look at our university base of customers in our higher education business, that resident engagement platform that Zego has can be leveraged into the higher education space into the university environments. So universities can engage with residents in the residents' hall through this platform and we think that solution has a lot of applicability as a cross-sell into our higher education business.

So we're really excited about the opportunities to drive faster rates of revenue growth in the business going forward and then to scale the business more effectively as a part of Global Payments.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Yeah. Look, it sounds like it's right up your alley. So it totally makes sense. One more thing I wanted to ask on the Merchant segment, the Google partnership, maybe just for those who are less familiar, just kind of quickly outline the key components there. I think you've suggested also that some processing volumes from Google will start to ramp in the second half of this year. So I'm just wondering, would you expect that to be material to your Merchant segment in 2022?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah. Great question. So, I'll just start with a little bit of background on the partnership with Google which we were thrilled to be able to announce that at the end of the year in connection with our Q4 earnings call. And I think it really speaks volumes about how much we accomplished in the midst of the pandemic when we were able to announce both an AWS partnership on our issuer side of the business and a Google partnership on the acquiring side of the business in the midst of a 100-year pandemic.

So, really good progress strategically notwithstanding the macro challenges we were dealing with. But there's really four key elements of the Google partnership. The first and the one that I'm frankly most excited about is the co-innovation agreement that we have with Google. So, the idea of that is we're going together package our existing capabilities as well as develop and innovate new product and capabilities really geared around this idea of commerce enablement which I'll come to more in a moment. And collectively bring those capabilities to market to our customer base and then obviously to sell into new customers as part of our relationship. So, the co-innovation, co-development aspects of it are very exciting, particularly in the area of commerce enablement.

The second aspect is a go-to-market co-selling relationship, whereby Google will co-sell with us into their larger enterprise customers utilizing Google Cloud. We'll sell our payment capabilities into that environment. We're very excited about a new avenue of growth that that opens up for us in our business to be able to tap into Google's long list of cloud-based customers today, and have them selling, into that base of customers, our payment capabilities.

The third element is, obviously, and you referenced this earlier, boarding Google as a merchant customer for Global Payments, specifically utilizing our Unified Commerce Platform. So, Google will now become a marquee customer within our Unified Commerce Platform. We expect to serve them in many markets around the globe, and obviously it strengthens the scale of our existing multinational commerce business by adding, obviously, Google to the customer list there.

And then, lastly, as part of the partnership, we'll migrate a lot of the workload for our merchant acquiring business that's not already cloud-native today on to the Google Cloud environment, shrinking our existing data center footprint from something north of 30 data centers down to 3, and then leveraging, obviously, the Google Cloud environment for delivering our merchant acquiring – our core merchant acquiring products and capabilities to markets around the globe.

So, the partnership, to our conversation earlier, has a lot of different elements associated with it. We're really thrilled to be in this relationship with Google, and have already made a good amount of progress since announcing it, as I said, at the end of 2020 in connection with our Q4 earnings call.

So, as we said on our Q1 call, we expect to be live with Google as a merchant in the third quarter in the Asia Pacific region, and hopefully in a position to board in North America before the end of the year. We've also made good progress on integrating Google products into our digital environment as part of this idea to innovate and co-develop new product and capabilities together.

So, we're integrating Google My Business, Google Ads, and Google Workspace into our digital environments. We'll sell those to our merchant customers, along with our existing value-added services in that environment all digitally. Our customers will be able to access that through single sign-on in our digital environments. And all of this is designed really to drive more commerce enablement solutions for our customers, which are simply focused on how do we help our customers drive more revenue growth and more top of funnel opportunities in their business, and how do we help them run their businesses more efficiently?

And lastly, I would say, the co-selling relationship with Google is off to a really good start. We have a number of targets that we're pursuing jointly with them. Those are more enterprise customers, have a little bit of a longer sales cycle, but we're pretty pleased with the early progress we've seen on that front. And the technology migration has started as well, and that will last for a number of years. But we've made good progress already, and beginning to move workloads into the Google Cloud environment.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Okay. So, Google will be using multiple processors, including Global Payments'. Are there certain minimums that you might be guaranteed over time or...

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah. We have certain revenue commitments from Google, as you can imagine, that obviously give us a lot of confidence that they want to work with us. And a little bit of it is Google wants to eat their own cooking. If our platforms are operating in the Google Cloud environment, Google wants to utilize that because this also drives more revenue for Google. The more workload we have in that environment, the better it is to win in the long-term. So, we do expect them to move meaningful volumes our way as we begin to open them up in different markets. Like many large enterprise customers, they'll often have more than one processor, of course, but we did expect a substantial amount of volume from Google through this relationship.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Okay. Let's move over to Issuer and stay on the topic of partnerships, AWS, obviously. Starting on the cost side, just once you complete this tech stack modernization to be cloud-native, does that generate a noticeable degree of margin uplift at the segment level?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah. It's a really good question. And I'll talk a little bit about the cost. And if you don't mind, maybe I'll talk a little about the strategy and go-to-market side because that's the more exciting moment, from my vantage point. But the short answer is yes. Obviously, as we begin to move away from our physical heavy iron data center environment on the Issuer side, move that workload into the AWS cloud environment, which will involve obviously deconstructing the services that exist within our platforms today. Obviously, recoding them in cloud native design and architecture in the AWS environment, that will drive, over time, pretty meaningful cost savings for the business.

As you would imagine, much of that we will use to reinvest in the business and new product capability and new drivers of growth, particularly on the value-added services side of the business. But naturally, there'll be some

flowthrough of that benefit to margins over time as well, which will give us a nice tailwind to margins in the Issuer business.

But as I mentioned, the more exciting element of the AWS opportunity for me is really what it does strategically and from a go-to-market standpoint. I think as we've talked about before, it really triples the TAM for our business. Our Issuer business has historically largely been focused on large FIs in the US, Canadian, and Western European markets.

By partnering with AWS, we open up a few channels of TAM really for that business. One is the mid-sized, the smallest end of the FI market, community banks, et cetera, that historically we haven't really targeted as a go-to-market matter. The second thing it does is open up geographies around the globe where historically, if we had to set up a data center and create an instance of our platform in that, we may not have had sufficient scale and a market to do that for a single customer. Obviously, now leveraging the AWS cloud environment, it's much easier to be able to open up new markets and bring new customers onto our platform when we're leveraging that cloud environment. And then third, I think it better positions us to tackle some of the neobank and the new entrants side of the market as well that we have been historically focused on. We differentiated product and capability coming out of the AWS relationship.

So, we're really excited about what it does as an opening up of the TAM and extension of the TAM matter. But I would also say, we're really delighted with the progress we've made as a go-to-market matter with AWS already. AWS, as you'll know, will be a go-to-market partner with us on the sale side now. And given their footprint in the FI space, there are doors they can open that historically Global Payments' TSYS on a standalone basis probably wouldn't have been able to do on their own.

They have relationships with all of the largest, most sophisticated FIs around the globe. And I'd say already, we already have a dozen or so opportunities that we're pursuing in connection with AWS. And we've already signed one to an LOI that we talked about previously in Asia. That's a competitive takeaway, largely on the basis of the relationship we have with AWS. So, really pleased as to what they'll do for the business as a go-to-market and extension of the TAM matter as well as obviously the benefits we'll get from a cost standpoint by moving that workload into the AWS cloud environment.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Do you think AWS moves the needle on Issuer revenue next year? Is it more like a multi-year outlook on that?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

It will take a little bit of time, and I think it's a little bit early to say. I think it gives us a lot of confidence in our ability to continue to achieve the growth targets we have established for that business over a long period of time.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Right.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

As we continue to make traction with some of these opportunities in the pipeline today, I think we'll be able to say more definitively, do we think it accelerates the rate of revenue growth for the Issuer business? I would say the early signs are very positive, but we need...

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Yeah.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

...to get a little bit more progress under our belt before we're going to get ahead of our skis there.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Okay. And I know Truist was a example of a large win for you last year in the Issuer segment. How should we be thinking about when that's going to start to ramp? How long it's going to take to get to a full revenue run rate?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah. It's a good question. Obviously, we were thrilled to be able to sign Truist, which was a double takeaway. We weren't in either SunTrust or BB&T, but able to win the combined business from Truist was a great win, particularly as we're putting our two businesses together. So, that was an exciting day for us to start. Truist is the sixth largest bank, commercial bank in the US, I believe, with 12 million consumers that they support. So, large opportunity for us.

The conversion work will begin, I think, next summer, and will take the remainder of probably 2022 to really ramp. So, I would say full run rate benefit will kind of be in that 2023 timeframe. So, very much on track of the original expectations we had when we signed the contract with them. But you really won't see it hit revenue until we get to the 2023 timeframe.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

So, let's talk a little bit about the Netspend business and how sometimes it gets a little bit lost in the shuffle just because it's obviously smaller than Merchant and Issuer. It is a competitive end market. But I'm just wondering, is there sort of an underappreciated neobank play here in terms of a roadmap to add newer offerings to the Netspend platform, whether that'd be lending, investing, et cetera, along the lines of what a cash app or PayPal/Venmo have started to do. What's your thought process?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah. I think it's a really interesting question. I don't think about Netspend so much as sort of a neobank play. Our strategy there is really distinctive and it's not geared around sort of trying to open up lending and crypto buying and investing through a consumer app proposition. We're really focused on growing that business in three ways. One is continuing to drive more digitalization within the business. Our digital DBA product has continued to perform really well, and continuing to drive more digital solutions in that channel that support sort of the existing

base of customers, and drives new customers into that environment from a digital standpoint. The partnership with Samsung we have in that business is a great example of that.

The second is continuing to build out the B2B play that Netspend supports today. And we think there's a lot of runway on the B2B side, and that Netspend can be a great platform by which we continue to build out more B2B capability within Global Payments. We've had some early success, particularly on the pay card side, the tip card side of the business, largely through our payroll business. But we think there's more to do from a B2B standpoint within the Netspend business, and probably more to come on that in future conversations. And I would say, third, we're continuing to look to expand that business internationally, which we think, again, is a unique proposition we can bring to bear relative to a lot of our competitors in this space. So, there's many markets around the globe that have unbanked and underbanked segments of the market that need the services and solutions that Netspend can bring to bear.

We entered Spain, as you know, back in October through a joint venture with Caixa in MoneyToPay. That has been a terrific success, albeit relatively small. It's been a terrific early success in demonstrating the value proposition we see in bringing the Netspend capabilities to international markets. And we look to do more of that over time. So, continued digitalization of the platform and capability, more B2B expansion, and obviously international expansion are really the drivers of growth we see for the business, not so much, hey, we want to be a consumer lending platform or a consumer crypto platform or P2P solution to consumer payments.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Okay. Okay. And I know you're going to have an Analyst Day in September, so I don't want to steal any of your thunder, but I do want to ask you if you feel that the pandemic has structurally accelerated the overall organic revenue growth rate of the company on an underlying basis. And to the extent you believe that's the case, what are the drivers of that?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah. It's an interesting question, and you're right. I don't want to get out in front of our investor conference coming up a little later this year. So, I would really answer that question as follows. I think we're really the beneficiaries of having made excellent strategic decisions in terms of how we wanted to position our business historically, and then what the pandemic has done in terms of accelerating the trends in the business that really play to our favor.

So, as I step back and think about that, we've been positioning our business around really software for a number of years, with the idea that the market is going to continue to be increasingly verticalized over time, and I think the pandemic is going to continue and accelerate that trend.

So, our ownership of software, our integrated payments business through GPE and the partnerships we have with ISVs, that software play in terms of being able to drive more distinction and more differentiation through software as the market becomes more verticalized has been, I think, a terrific strategy, and one that has really positioned us well for what we see coming out of the pandemic.

The second is obviously omni-channel enablement. Every business now needs an omni-channel strategy. We've been building our business to provide seamless omni-channel solutions, largely to small- to medium-sized businesses, but as well as large multinational corporations for years. So, again, the pandemic has accelerated trends around omni-channel enablement across vertical markets, and will likely drive more demand for omni-

channel solutions in vertical markets that have historically been largely face-to-face. Now, even those launch an omni-channel solution.

And I would say, third, this theme of commerce enablement. More and more, our customers are looking for us to provide more solutions to help them run and grow their businesses more efficiently, to drive more throughput, drive more revenue, drive more top of funnel opportunities for them, and then help them be more efficient, and using technology to drive efficiencies in their business operations.

And then, lastly, obviously safer commerce solutions. There's been a significant increase in demand for safer commerce solutions coming out of the pandemic. Nobody wants to hand their card to anyone. No one wants to touch cash. Everyone wants that experience from a commerce standpoint to be safe and as touchless as possible, and obviously that's going to drive incremental demand for solutions that we have. So, I think our business, particularly on the Merchant side, is really well-poised in position. And I think we're exiting the pandemic stronger than we entered it.

And something on the Issuer side, as I mentioned before, we took the opportunity of the pandemic to structure this relationship with AWS that I think strategically is going to position that business very well for the future. We talked about...

Jason Kupferberg

Analyst, BofA Securities, Inc.

Right.

Q

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

...what that means long-terms and as it relates to growth rates and whatnot. We'll talk more about that when the time is appropriate. But certainly, the strategic partner with AWS is transformative for our Issuer business, much like Google is...

A

Jason Kupferberg

Analyst, BofA Securities, Inc.

Yeah.

Q

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

...for our Merchant business. And I think...

A

Jason Kupferberg

Analyst, BofA Securities, Inc.

Yeah.

Q

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

...we've been able to achieve that in the pandemic coming out of the back side. As we continue to make progress with all the initiatives underlying the partnership, I think we'll see obviously a lot of nice tailwind for the business.

A

So, I'd say, overall, the way I'd sum it up is we're exiting the pandemic stronger, executing better than we ever have, frankly, as a company.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Q

Last question before I let you go. We've been surprised how the stock has behaved since earnings. I'm sure you guys probably have been too. What do you think of GPN stock now as an investment based on the buyback authorization that you have relative to your other capital deployment options?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah. Well, I would say, look, our highest priority for capital deployment remains M&A. We want to put capital to work to grow and expand our business, and we continue to have an active pipeline of opportunities that we're pursuing today. That being said, we obviously feel like the stock is undervalued. And as we look to what we expect to achieve in 2021, the tailwinds for the business heading into 2022, we have pretty good feel for what we think the outcomes are going to be.

And I would say, based on that, we feel very much like the stock today is undervalued. And as a result of that, we have plenty of authorization left to continue to buy back stock. So, I would say, we try not to focus on every single day where the stock price is. I think, over a longer period of time, the market does get it right. I don't think we're in a period right now where they're exactly getting it right. So, again, we're going to be pretty judicious about using our capital to again support the growth of the business while at the same time recognizing we think it's a good opportunity to buy GPN right now and return capital to shareholders at these levels.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Very good. We have to leave it there. We're out of time. Cameron, thanks as always for the comments, the insights. And appreciate everyone who dialed in today. So, have a good night. Thank you.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Thanks, Jason.

Jason Kupferberg

Analyst, BofA Securities, Inc.

Take care.

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