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Global Payments, Inc. (GPN)

Investor Meeting

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MANAGEMENT DISCUSSION SECTION

Winnie Smith

Senior Vice President-Investor Relations, Global Payments, Inc.

Good morning and welcome to Global Payments 2021 Investor Conference. On behalf of our management team and all of our nearly 24,000 team members, I would like to thank you for joining us virtually today.

I will start by reminding you that today's presentations include forward-looking statements that are based on our current expectations and involve risks and uncertainties. Our actual results may differ materially from these statements. You should not place undue reliance on any forward-looking statements and we assume no obligation to update them. For more information, we encourage you to download these statements either via the investor conference event website or our Investor Relations website at www.investors.globalpaymentsinc.com.

Additionally, some of the comments in today's presentation may refer to non-GAAP financial measures such as adjusted net revenue, adjusted operating margin, and adjusted earnings per share. For a full reconciliation of these and other non-GAAP financial measures to the most comparable GAAP measure, please refer to the schedules included in the investor conference presentation and posted on our Investor Relations website.

I hope you have had a chance to review the exciting announcements we made in three separate press releases earlier this morning: First, we are delighted to disclose our agreement to acquire MineralTree and our formal entry into the B2B space; second, we announced we will form a strategic alliance with Virgin Money that will redefine the future of digital commerce; and last but not least, we are pleased to have been selected by Mercedes-Benz Stadium here in Atlanta to help maximize its multi-channel commerce ecosystem and provide best-in-class experiences for fans and customers.

You will hear more about these achievements during today's conference and we are pleased to have a full agenda for you.

Our Chief Executive Officer, Jeff Sloan, will kick-off our presentations with an overview of our strategy, followed by our president and chief operating officer, Cameron Bready, who will provide an update on our Merchant Solutions business. We will then take a short break before hearing from Gaylon Jowers, the president of TSYS Issuer Solutions; Josh Whipple, our chief strategy and enterprise risk officer and Paul Todd, our chief financial officer. Lastly, our CEO, Jeff Sloan, will summarize our prepared remarks this morning. Then, after another short break, we'll wrap up today's conference with a Q&A session featuring Jeff, Cameron and Paul along with our chief information officer, Guido Sacchi.

And now, let's begin with a short video on global payments and how we enable innovation that delivers around the world, each and every day. Let's take a look.

[Video Presentation] (00:02:55-00:05:01)

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Welcome everyone to our 2021 Investor Conference. We're grateful that you can join us virtually this morning and we look forward to seeing you all again in-person.

I think it helps to begin by level-setting the company Global Payments is today and how differentiated our model is. We're not a legacy technology company by any definition and the proof is in our performance both pre- and post-pandemic. For most of 2020 and into 2021, we were also viewed as a reopening stock. While COVID-19 certainly affected our results, we significantly outperformed the markets in which we operate, as represented by the card networks. You'll see the facts today and you can judge for yourself.

Our distinctiveness has driven the outsized growth we've demonstrated over the last eight years since we began running the company, and that distinctiveness has resulted in the resilience we've displayed over the course of the pandemic. As we said in our most recent call, a number of our businesses have grown right through COVID-19 and are now at levels they otherwise would have achieved absent the downturn. Meaning, we've largely clawed back the impact of the pandemic. These rates of growth are clearly well in excess of our markets.

You can see a number of key performance metrics on this slide, but, let me just sum it up for you this way. Today, we're a top-quartile Software-as-a-Service technology company, the leading issuer technology provider and program manager multi-nationally with unique partnerships. The largest ecomm acquirer with an unmatched virtual and physical presence and we deliver all these things with tremendous breath across developed and attractive emerging markets. Finally, we're the beneficiaries of innovation in the ecosystem with buy-now pay-later at scale as just one example here.

Success in each of these areas is predicated on leading with cutting-edge technologies and the trends toward accelerated digitization coming out of the pandemic have in fact benefited our business by reinforcing that mode of competition. We'll show you how, shortly.

Some more detail on our business to continue to level-set, but what I want to emphasize is that we crossed the threshold of our business from technology-enablement to over 60% last year, up from 50% at the time of our last Investor Conference. That was a goal we set in 2018 for end-2021 and we achieved it six months in advance, despite the pandemic. Our goal now is to drive more than 75% of our revenues from technology-enablement over the cycle that we're now in, and of course, that will drive the vast majority of our growth.

It's also worth highlighting that 25% of our entire company's business now comes from ecommerce. We discussed the market-leading size of our merchant ecomm omni business on the previous slide, but here it's important to note that over 40% of our issuer transactions derive from card-not-present channels, and nearly 30% of our NetSpend interactions come from online engagement. That number is up meaningfully from pre-pandemic 2019, which has further accelerated the demise of cash and check.

Paul will provide detail on how we will get to the larger than 75% target by mix and Cameron, Gaylon and Josh will delve into more detail by business.

The truth is today that we are selling more market-leading technologies through more distinctive and defensible distribution channels than we ever have previously and we uniquely partner with the largest technology companies to extend our lead and deepen our moat. As a result, our growth is accelerated. So, we've had a unique strategy for years and that strategy has driven our differentiated growth. That strategy has all been about digitization, a process we began when we started running the company.

Recall that when we acquired APT, the forerunner of our now market-leading integrated business all the way back in 2012. And we believe that strategy has served us very well through COVID-19 as we'll show you. By bringing forward digitization by up to half a decade, the pandemic has accelerated the growth drivers of our business. We are the beneficiary of innovation in the ecosystem, including share shift and changing consumer behavior. This is why we've said that we exit the pandemic better than we entered it.

One of the other things that we're most proud of is that our strategy has been consistent. We don't chase the new-new thing based on the latest fad, we don't manage by press release, and we don't move the goalposts to reflect our position on the field. But it's worth noting here that today we are now adding another leg to our stool, a fourth pillar, which reinforces and complements the other three. Today, with our newly announced agreement to acquire MineralTree, we are formally entering the B2B market.

Like many of the markets we chase, the B2B market is large, growing rapidly, multinational in scope, highly diffused competitively and ripe for disruption by us. Why are we doing this now? We think the B2B market's ready. MineralTree and others have shown that to be the case and post TSYS, we have the technology and distribution assets we need to compete effectively in B2B as we'll demonstrate today, and we have them at scale worldwide out of the gates, we'll be one of the largest B2B companies globally.

One of the things that we like about our target addressable markets or TAMs is that they are very large and growing at attractive rates and they remain substantially underpenetrated, providing tremendous opportunities for future growth. So, we have ample room to build on the market share gains that we've demonstrated time and again over the last eight years and certainly right through the pandemic and yeah, we've got a slide on that one too.

B2B meaningfully increases our TAM and MineralTree is a leading technology provider of end-to-end accounts payable automation and payment solutions. While we've had, post our mergers, many of the key elements of a successful B2B business, we lack the cloud SaaS technology to digitize the payable side of the ledger to sell to our business customers. That is until today. MineralTree software expands our last-mile connectivity assets and leverages our existing virtual card and payment solutions to vendors on an integrated basis. With MineralTree, we get a terrific cloud data software stack already largely in AWS, for both AP and payments.

More to come, of course, on the new fourth leg to our stool as we continue our presentation, but for now, it's sufficient to say that this TAM substantially expands our avenues for growth in one of the most attractive new technology growth markets. I think we can all agree that there is nothing legacy about that.

How are we going to grow on an outsized basis not just now, but years from now? Simply, how do we win? First, we are already a leading SaaS company with nearly $3 billion of software revenue, cloud-centric, and mainly with AWS and Google. At the time of our last Investor Conference, we spent much of our presentation discussing why the convergence of software and payments was an important trend and we faced some skepticism during that period about that strategy. Namely, we were told it's too difficult to execute and rife with conflict. I think history since then has proven us right. No one in and around financial technology has this position in cloud-native SaaS. No one.

So, point-one is we win with market-leading SaaS at the top of the funnel. I think owning the entire vertical means of production in our key markets is table stakes for what we do. And that's what our customers are telling us. Just ask Mercedes-Benz Stadium today for food and beverage, retail and ticketing, or Virgin Money for digital wallets, loyalty and payments.

As Cameron will describe, owned hardware is also an important element of what we sell and we have everything in-house to service customers globally from the Taco Truck to Taco Bell, with hundreds of thousands of devices in the field. But what we're selling is a complete ecosystem of commerce enablement. That's what we lead with and that's what customers want.

Second, we have an unmatched virtual and physical presence. We operate across 170 cross-border markets, but more importantly, we have a domestic presence in 38 countries. The United States is critical to our business, but it's just one of those 38 markets and those countries we offer domestic pricing, sales and sales support, licensing, underwriting, settlement funding and operational support. In our markets we have thousands of sales and sales support professionals, so an extensive sales presence. It's how we won Uber and Uber Eats in Taiwan, a key competitive takeaway. We're simply more local, in more places than our competition. We have more people physically in Asia and Europe than many of our competitors do worldwide.

And we're not single-siloed in distribution as many of our competitors are. We benefit by our diversity. We have self-select sales or web-based self-service, and pretty much any type and model of sales distribution that you can name. Our diversity is a source of strength. This is very expensive to build and maintain and provides a deep competitive moat across our businesses.

Third, we offer a unique two-sided ecosystem. Post the TSYS merger in 2019, we're now able to combine issuing and acquiring capabilities to offer solutions that no competitor can match. Transaction stream optimization was a key theme of our merger, almost exactly two years ago to the day today. And now with Virgin Money we have a terrific partner for our first use case. How powerful is this? Virgin Money is a competitive takeaway for us twice over. It will also make us the largest debit technology provider in the United Kingdom, so a bit of a hat-trick. All this is incremental to our existing model.

More to come shortly from Gaylon, but the expansion of our partnership with Virgin Money to transform their business is without precedent. In that example, our unique market is a flywheel that makes it all possible.

Fourth, we announced today our formal entry into the B2B markets, catalyzed by our newly proposed acquisition of MineralTree. That transaction completes the suite of cloud-native SaaS that we needed to attack the accounts payable markets. But it's worth noting here that we've had post Heartland and TSYS, many of the elements needed for a market-leading B2B business, namely technology centered on accounts receivable, virtual card solutions, a vast commercial card footprint, massive distribution partnerships with the world's leading commercial institutions, data and analytics, market-leading payroll technologies, and access globally to non-card based [ph] rails (00:15:57). We have all the scale, we just needed the software and we now have that with MineralTree.

It's also worth pointing out that there are additional unique ecosystem advantages here along the lines of the same transaction stream optimization discussion that we just had, regarding Virgin Money. More to come, and Josh will describe that in more detail, but worth noting that no one else can provide the depth and breadth of a two-sided flywheel that we now can provide in B2B.

Finally, it's equally important to discuss what we're not. We're not a bank, digital or otherwise. We're not a specialty finance company. We don't have significant off-balance-sheet liabilities or need escalating sources of funding for consumer receivables with embedded capital requirements. We don't write-up and write down assets every quarter. We don't employ gain-on-sale accounting or securitize. We don't rebrand products like IPP and BNPL that we've been selling for decades, as novel, because they're not. In fact, we will power more than 1.5 billion BNPL transactions this year alone and we're very proud of that, but we should call it out for what it is, a routine part of our business that we enable every single day, table stakes. Nothing but good news for us, as it drives more transactions and displaces cash and check more quickly.

We're not in the banking business. Thousands of financial institutions globally are our partners and they're much better at capital intermediation than we are or ever will be. We stay in our lane and we don't change our model every quarter to focus on the new-new thing.

One of the misconceptions that we want to address today is that the pandemic has changed the rules of the game in a way that has adversely impacted Global Payments and that as a result, growth will slow at some indeterminate date in the future. The other implication is that we are more levered to reopenings, given our historical focus on small and mid-size businesses. Whatever the validity of that supposition pre-pandemic, the last 18 months have confirmed that this has not been the case. Look no further than our financial results relative to the card networks which represent our markets.

As painful as COVID-19 has been on many levels, the pandemic has in fact accelerated the underlying digitization trends across our businesses by catalyzing the multi-decade decline in cash and check. The pandemic has also accelerated the growth of new intermediaries in the commerce chain for things like food and grocery delivery that can only operate with the types of digitized payments that we enable and we've been proponents of the digitization thesis for pretty much the entire eight years we've been running the company.

One of our digital strategy has been, during the last near decade, first-mover in partner and software integrated payments in 2012; first-mover in owned software technologies combined with payments in 2015; and now, a top-quartile SaaS company – the first to use technology enablement as a key performance metric and a goal also in 2015, the market-leader in ecomm acquiring with a unique multinational virtual and physical footprint, one of the largest payment facilitators globally for more than a decade, and the many other firsts listed on this slide.

And we didn't rest our laurels during the pandemic. Instead, we expanded our competitive moat significantly. In fact, we executed unique and distinctive collaborations with AWS and Google over the last 12 months and invested roughly $2.5 billion in acquisitions, 60% of which is for cloud-native SaaS assets since October and we did all this while delivering rates of growth and resilience that lapped those same metrics from the markets.

Competitively, the last 18 months have been a period of firing on all cylinders for our company. Across our businesses, we've taken meaningful market share and advanced the ball further down the field, despite all the challenges thrown at us. We didn't wait for a more benign macro to grow. I think it's worth calling out here, some of the competitive wins we announced during that period because it speaks to the next three to five years ahead of us from the perspective of the largest and most sophisticated institutions globally. That by itself, should answer the question of where we will be in three to five years regarding market share.

These complex companies are making decisions today that will necessarily carry well into the middle of this decade.

So, when Truist financial corporation in the United States, TD Bank in North America, Uber and Uber eats in Asia-Pacific, Barclays Bank in the US and Europe, HSBC in Europe, Citi globally, CIBC in Canada, Mercedes-Benz Stadium in our home market, Virgin Money in the UK and Subway Restaurants in the US all select Global Payments as their technology partner now and for the next cycle, then I think you can see why we have a hard time understanding why digitization is anything but good news for GPN.

There's a lot of misinformation in the marketplace today. Regardless of our absolute and relative financial and operating performance, there is an overhang about where we're heading in the next three- to five-year cycle. There's not much concern in the near-term for good reason because we have multiple tailwinds this year and next. So that's hard to attack because the truth will soon be in front of us for all to see, hence the focus on the indeterminate long term.

Over time, we believe the facts matter and that math ultimately wins. We've heard variants of the glass is half-empty argument over the years that we've been running the company. You can see the most common myths here on this page. What are the realities? In short, we've gained market share based on any number of metrics. We're outsized in worldwide ecomm and in fact, a market leader. We have an extensive pipeline for neobanks, start-ups and fintech. We have unique partnerships with AWS and Google to catalyze our embedded finance efforts.

The pandemic has accelerated the ongoing digitization of our business by playing to our strengths with our faster growth businesses growing more quickly and comprising a bigger percentage of our mix. And we're today raising our cycle guidance meaningfully for 2022 and beyond, coming off of one of our best quarters and guides ever, as an expression of our confidence in our longer-term strategies.

Let's take a closer look at these points now. Let's begin with the resilience and growth embedded in our results. So, one of the things we heard consistently throughout COVID-19 was that small businesses will be especially hard-hit by the pandemic and that we would suffer disproportionately. Higher closures would mean higher attrition and poorer performance than the markets. What are the facts? We meaningfully outperformed Visa and Mastercard credit data worldwide, throughout the pandemic, which we believe is the best proxy for our global markets, and retention is back around pre-pandemic levels.

So, the reopening hypothesis is simply incorrect for us. Why is that? Our strategic focus on the diversity of our business mix has enabled our success. We're diverse across channels, geographies, software ownership, vertical markets and new endurable partnerships. At a more micro level, we also believe that we smartly avoided the areas of easier growth in better times, meaning that travel and entertainment represent less than 3% of our total revenue. And we've continued to pivot to largely domestic acquiring in our overseas markets, with less reliance on air travel, hotels and cross-border.

In addition to our resilience, we took early and extensive action to ensure that the impact to our shareholders was limited. What do we mean by that? We executed an additional $400 million in expense synergies, of which, $200 million are permanent, because of the pandemic in addition to the $400 million of TSYS merger-related reductions. That, plus our more resilient recovery, means that our earnings per share versus pre-pandemic 2019 are leaps and bounds ahead of our markets as represented by the card networks. Rather we expect pretty much to be back where we otherwise would have been in 2022, had there been no pandemic at all. Paul will address that. This is what we meant when we said that we didn't wait for a sunnier day to execute our plans. Rather than be set adrift by the pandemic, we built a bigger boat.

So, I don't think any serious observer of GPN would question our execution track record. How would we continue to drive our revenue targets forward? Are we just good at cutting expense in a crisis or can we innovate new revenue streams as well? How disruptive are we?

Two measures we look at internally at GPN include major product releases on the left and cross-sells on the right. The facts are that we have nearly doubled significant new product releases over the last three years. 2020 was a record year for large product delivery, despite being in the throes of the first worldwide pandemic in 102 years. And we're very proud of our new business initiatives. Perhaps none have been as successful as our data and analytics efforts, which are already hosted in the Google Cloud. We started at near-zero in revenue in 2018, but this year we expect these organic initiatives to amount well into the nine figures of revenue. Again, we built this from scratch and this is just but one example.

Other notable revenue efforts coming from the TSYS merger include the cross-sell of vital POS solutions, Genius and ProPay into our legacy GPN merchant base, the cross-sell financial institutions like Virgin Money with our acquiring assets, and the extension of program management from NetSpend and our newest AWS collaboration.

One of the myths we've been hearing since the pandemic is that accelerated digitization is bad for our businesses. Once again, the facts say quite the opposite. Rather than slow down our technology-enabled businesses, COVID-19 actually accelerated their growth. The pandemic confirmed the wisdom of our strategies rather than undermine them. Why? Because the pandemic resulted in further disruption of cash and check, our real enemy, and it drove the rapid adoption of more and better technologies, also our strong suit. Safer commerce is just one example. The investments we made over the last nearly eight years have positioned us well for that disruption for GPN to be the disruptor.

The main drivers of our growth are software businesses, our ecomm business and digital engagement across the enterprise, are now growing more quickly than they were pre-pandemic. How else could our US payments business fully recover just 15 months after the start of the pandemic, to achieve largely the same results in the second quarter of 2021 as would have been the case had there been no COVID-19? These results are indicative of technology leadership to expand our rates of growth relative to the card networks in a pandemic, and we did this while setting new bookings records throughout the greatest crisis since World War II and dramatically expanding margins by hundreds of basis points.

Is this how a reopening-sensitive business behaves? Of course not. We ran circles around the markets during this period. That much should be clear.

What's our value proposition? We are the beneficiaries of innovation in the ecosystem, including things such as QR codes, digital wallets, buy-now pay-later, safer commerce, and we don't need to own the most commoditized parts of production to win. Gaylon will tell you in a bit that we today accommodate over 128 million IPP transactions per month. We don't need to own the credit to do that. I think we've shown over the last decade we don't need to be a bank to succeed.

Merchants want to accept any and all payments that consumers want to use. No business wants to lose a sale. History has shown time and again that consumers value convenience, choice, safety and security. Digital payments cannibalized cash and check, not each other. As a result, merchants want to accept any and all payment methods that consumers want to use. In fact, the largest merchant in the world and one of our partners, just announced that it would enable, buy-now, pay-later from one vendor as an additional payment type. Didn't buy the company, it didn't underwrite the credit, it didn't select the payments acquirer based on it, it didn't shut off the networks, rather it treated IPP as an alternative payment method just like the 140 alternatives we deal with already, across our businesses. A pretty good and timely example of the choices merchants make, even at the highest level of sophistication.

It simply defies historical experience and logic to claim that a single provider of credit will dictate how a large share of consumers or merchants will behave. That's especially true worldwide at scale.

We've been here before. Our markets have always been highly competitive yesterday, today, and tomorrow, so this is nothing new. Many of the names you hear today as potential disruptors have, in fact, been competitors of ours for a decade or more, whether it's private or public companies, and as this slide indicates, we have delivered consistent performance throughout our tenure and we have generated the greatest value-creation in our history during this period. Some said a number of times over the last decade that our best days were behind us. This chart suggests the opposite.

What's changed? The willingness of markets to fund loss-making models or the ability of competitors using funny money for stock swaps? Candidly, we've seen all that before in our history. Remember the late 90s? If those models or deals work long-term, then good for them. It should be clear at this point that those theses have not been in our expense. I can't think of a single deal we didn't do because we don't trade at 40 times revenue. Not one. And we retain tremendous firepower to do transactions with billions available in liquidity, and that's on top of the $2.5 billion we've already invested in acquisitions during the last 10 months, much of it in Cloud SaaS.

We expect nearly $30 billion of liquidity for investment over this cycle and our pipeline remains full today. Who else has done that as steadily and consistently as we have? I submit, no one.

We haven't done everything correctly and I think it's important to acknowledge that. We moved too slowly at legacy TSYS to modernize our distribution channels, a process that we began at GPN in 2012. It's good to have tough competitors and smart customers. We are the better for it. But our unique collaboration with AWS is a watershed event in financial technology as you'll see in Gaylon's section and our pivot to B2B will pay enormous dividends as it adds another technology-led leg to accelerate growth as you'll hear from Josh, which is incremental to our current model.

Our Merchant business remains a long-term share gainer with the exclusive Google partnership a game-changer, as you'll hear from Cameron. We were applying the same playbook with TSYS that we ran on legacy GPN: Upgrade our technology stack to market leadership and diversify distribution. That strategy, I think we can agree, has been highly effective and has withstood the test of time across multiple cycles and crises too numerous to count. We have no reason to believe this time that the result will be any less promising. Quite the contrary, you should be highly skeptical whenever someone tells you, this time will be different.

Our results for the second quarter and our increased guidance for 2021, in combination with today's raised cycle guidance suggest strongly otherwise. We are coming off of one of the best performances across our businesses that we've ever produced. On absolute sequential and year-over-year bases, with record bookings growth across many of our businesses, which is more likely that those gains vanish despite having grown to the worst health crisis in a century, or that they are the best evidence of continuing momentum. We think the latter. We exit the pandemic better off than we entered it. Math will win, facts count. Think of it.

Cameron?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Thanks, Jeff, and good morning, everyone.

Let me also welcome all of you to our virtual Investor Conference. We appreciate you joining us today. I'm delighted to have the opportunity to share more about our differentiated Merchant Solutions business and how we are disrupting the markets we serve to drive sustainable, long-term growth. Our technology-enabled software-driven strategy, coupled with the addition of TSYS two years ago this month, have transformed our Merchant Business and positioned us as a market-leader at the forefront of innovation.

To begin our conversation this morning, I'll provide a comprehensive overview of the Merchant Solutions business we're running today. Next, I'll explain how we have positioned ourselves relative to the predominant trends we see in the industry, and how we have evolved the fundamental way we are delivering Merchant Solutions to the marketplace. Specifically, I'll discuss our pivot to commerce enablement and how that creates a competitive advantage by allowing us to secure a position that integrates more of the software stack our customers need, to manage their business and ultimately serve their consumers.

Then, I will cover how we are changing the basis of competition among our peers and how we are winning in the marketplace. Last, I'll provide some thoughts regarding how we are driving disruption. Far from being disrupted, we are setting the pace and direction of our industry.

Today, we deliver distinctive merchant solutions at scale globally and are a clear market-leader in integrated payments and ecommerce and omnichannel solutions worldwide, areas of outsized growth in our business. We have unmatched breadth and reach globally, with deep expertise in over 100 verticals. Our 3,500 sales professionals and 3,000 support personnel speak the language of our customers locally, including both businesses and software partners. And we are unique in our emphasis on technology-enabled solutions across a broad geographic base. Our ability to provide differentiated vertical market software, payments and other technology solutions across more markets globally than our peers, is a hallmark of our business.

Our globally diversified portfolio mix establishes a strong platform from growth, with leading positions in some of the most innovative and fastest-growing markets worldwide. The US represents the heart of our business, comprising roughly 75% of our total revenues. Approximately 15% of the business is in Europe, with leading positions in the UK, Spain and Central Europe, including the Czech Republic, Austria, Slovakia, Romania, and Hungary. And lastly, approximately 5% of the business is in Asia Pacific, including exposure in markets with strong secular growth trends such as Hong Kong, Singapore, Malaysia and the Philippines, as well as Australia and New Zealand.

Geographic diversification is important in our business as it provides us with unique and attractive avenues for growth. Our ability to serve customers across nearly 40 markets physically and over 170 virtually is core to our MNC omnichannel strategy. Further, many of the markets we serve have stronger secular growth trends, as digital payments adoption is at an earlier stage and our ability to export distinctive technology solutions to these markets drives further differentiation and growth opportunities. Our geographic diversification also generates incremental scale that ultimately benefits all of our businesses as we leverage common technology in operating environments worldwide.

It is also important to dimension the business across our software strategy, which is core to our ability to drive differentiation and outsized growth. Today, we have leading positions in owned and partnered software, contributing roughly $1.4 billion and $1 billion of our Merchant revenue, respectively. Our owned software portfolio consists of our enterprise vertical market software businesses, our POS software business and our commerce enablement software solutions, while our partnered software business includes our integrated relationships with more than 6,000 ISVs globally. More to come on this later.

Lastly, given the acceleration of ecommerce globally, as a result of the pandemic, it is key to highlight the exposure we have to these trends. In aggregate, across our Merchant business, approximately $1.4 billion of our revenue, or roughly 27% comes from ecommerce transactions, well ahead of ecommerce as a percentage of retail sales globally. As we have discussed in the past, we sell ecommerce and omnichannel solutions globally through our businesses, as well as the large multinational corporations through a dedicated sales force.

For our e-commerce and omnichannel solutions business the revenue reflected includes the combination of revenue from these e-commerce-only customers plus the e-commerce portion of revenue coming from our omnichannel customers globally. It also includes our e-commerce revenue in our owned and partnered software businesses where we have meaningful card not present exposure. For example, the vast majority of payments in our ACTIVE Network's business come from e-commerce transactions. To put our business in a bit more context I wanted to provide some metrics that demonstrate the scope, scale, and success we have seen. Of course, the growth of our business starts with our distinctive and diversified distribution capabilities worldwide. In addition to our 3,500 sales professionals globally we have over 20,000 partners of which 6,000 are technology partners. On average we are adding 30,000 merchant accounts per month to our business. Importantly globally, nearly 60% to 70% of our new sales are technology enabled. And in the US, this is closer to 80%. In essence this means a vast majority of new sales are coming from situations where we were selling our own software products, we're jointly selling products with a software partner, or we are selling our e-commerce and omnichannel solutions.

From an operating environment standpoint, we have 10,000 integrations and nine of our own unique vertical market software platforms that we develop and manage. Further, we have over 3,000 support personnel globally operating in 15 native languages daily. This provides us with an unmatched capability to provide local support to our customers in more physical markets globally than our competitors. Our merchant account base has increased by over 330,000 since the end of 2019 or nearly 10% while overall merchant volume grew 18% in the second quarter of 2021 versus 2019. We have also seen very strong retention rates in our business. For example, in North America our merchant acquiring customers have been with us for approximately 80 months on average. The results we've delivered are a direct result of our steadfast commitment to the strategy that Jeff highlighted earlier.

The execution of this strategy is supported by four pillars that drive the focus and investment of the business. First, our distribution is diverse and distinctive by design. We are not in the business of selling commoditized payment services to customers on the basis of price. We sell technology and software that we monetize through payments. At its heart, our business is about the marriage of product and distribution. We have never in our history had more or better distinctive products to sell than we do today.

The merger of Global Payments and TSYS allowed us to combine a complementary set of solutions that are second to none in the marketplace. And we continue to invest in innovation to further widen our competitive mode. Our technology architecture and operating environments facilitate innovation are highly scalable and reliable and support our businesses on a worldwide basis. Our cloud journey has dramatically accelerated over the past 24 months. And today, we compete in the cloud with solutions that we develop, or the third parties develop, but deliver through our relationships, ensuring that we bring the best capabilities to bear on the market. Today, our customer-facing solutions are almost completely cloud-native that is based on a microservices architecture complemented by APIs, SDKs and developer portals. We treat infrastructure and security as code with a high level of automation, rapid deployments and much less friction. Our technology strategies have focused on improving innovation and agility and our transformational agreement with Google combining technology and commercial partnership underpins our leadership position.

Finally, we believe one way to drive a sustainable advantage in our business is world-class service. There's no better evidence of this than the J.D. Power Award we recently won for customer service, a first for our industry. Our objective is to meet our customers how and where they want to be met, whether that is digitally through self-service capabilities and/or chat and email or through direct contact with a knowledgeable support representative in their local language.

At the highest level nearly everything we sell is a technology solutions, sometime alone and sometimes with a technology partner. Further in the US, the vast majority of our sales are not payments per se though our solutions are monetized at least in part by our participation in the payment stream. And this is increasingly becoming the trend outside of the US. From a go-to-market perspective, we own, develop, and distribute vertically specific enterprise software solutions that run our customers' businesses. In addition, we have integrations with unique ISV partners globally whereby they have made their system available to us to fully integrate our solutions into their environments.

For the vast majority of these partners, we are their exclusive or first choice partner with deep penetrations into their customer base. We jointly designed and build solutions and go-to-market together to sell our collective capabilities. We also have over 14,000 other referral relationships worldwide. These range from trade organizations like the National Restaurant Association to local CPAs, web developers, and of course our vast network of financial institution partners globally.

Further, we recently enhanced our partnership model through our relationship with Google. We now jointly go-to-market with Google to drive significant referral and new customer acquisition opportunities for merchant customers of all sizes across multiple channels. And lastly, we support these channels with extensive, digital marketing capabilities that drive leads and new customer opportunities across the business. We distribute our products through three channels, outside, inside and on-demand. Today, the most technically sophisticated buyer typically wants to purchase without human interaction. We offer that through our on-demand or self-service capabilities. But there's still one segment of buyers in the marketplace who want to engage with a living human being and have a conversation. And many of them in person, of course we offer that too. We have nearly 2,000 localized field sales professionals providing consultative sales and building relationships. That local relationship is something our clients still value. And it's part of why they choose to remain with us so long. We believe in offering solution expertise matched with the customer's preferred method of purchasing to serve them best. Our sales professionals thrive on the consultative sale, focused on solving business problems. And that is part of our formula for success and how we earn more wallet share over time.

Once a customer is in our environment, we have unique ways to serve the customer through our ecosystem and cross-sell more services and solutions thereby driving stronger relationship, improved retention and increasing the lifetime value of our customer base.

In our digital ecosystem and software platforms, our customers can self-select other of our solutions and features. Likewise, we [ph] focus (00:44:39) segment of our salesforce on cross-selling additional solutions into our existing base. We have the broadest set of services to cross-sell these customers through our own solutions or through the integration of best of breed capabilities made available through our flexible, extensible, open and secure technology architecture.

Most business owners in the US today buy most of the solutions on the right side of this page, and our desire is to show them the value of buying them from us and having them all connected and integrated to each other for a more seamless experience, more to come on this shortly.

There are a number of key trends driving fundamental shifts in the marketplace that we believe generate outsized growth opportunities for our business, first, more and more of our customers are demanding vertical specific solutions. It is no longer sufficient to be a one size fits all commodity provider, we need to be able to speak in terms that our customers understand, whether it's a boutique retailer or a healthcare practice. We deliver solutions relevant to the unique needs of our customers. Second, if the pandemic has shown us anything, it's that the online and offline worlds have converged for good, there's no going back. In fact, it's continuing to accelerate. Every vertical market now requires an omnichannel strategy even those that have historically been almost exclusively card present environments like restaurants or physician's offices. Last, our customers are embracing technologies in ways they never have before. They are increasingly looking for solutions that help them drive more traffic into their businesses and run their operations more efficiently.

We've positioned ourselves to capitalize on these trends with our software-focused strategy. Our efforts to bring together software and payments has placed us squarely at the center of enabling new commercial experiences for our customers, broadly, we call this commerce enablement. Our focus on commerce enablement is aligned with our belief that software and payments are converging to redefine the Merchant Solutions business model. Across the landscape we can see payments companies embedding solutions into software through integrated offerings and software companies have found the addition of payments to be a key driver in increasing software customer lifetime value. Our vertical market software strategy sits at the heart of our shift to commerce enablement. Through these solutions we're able to bring vertical fluency allowing our customers to create better experiences for their consumers, to meet them how and where they want to be met with zero friction, and to deliver the capabilities they need to run and grow their businesses. And of course, there's no better example of our ability to enable commerce for our customers than our e-commerce and omnichannel solutions. We seamlessly blend the physical and virtual worlds to create frictionless experiences. Exactly what our customers are seeking to deliver their consumers.

When we focus on commerce enablement, we align ourselves more closely with our customer and shift the focus towards the outcomes and results they care about. The consumer experience is undergoing radical transformation and our merchants are looking to us to help them design and deliver against the increasing set of demands. It's easy to get a payment authorization. It's much harder to deliver a delightful customer experience. Historically, we provided services to our merchant clients, while they handled any interactions or services provided to the consumers. Commerce enablement lets us extend our reach to the consumer directly and provide tools that facilitate the consumer to merchant interaction. And through each of these interactions, we enable frictionless commerce and payment transactions to take place which is paramount in today's environment.

Importantly, the consumer experience needs to be tailored to each specific vertical market as the marketplace becomes more verticalized or specialized and consumer demand for verticals fluency grows. We continue to believe that enterprise cloud native software is the most effective way to deliver these experiences. We were early adopters of integrated payments amongst the scale players and have grown our leading position in this space through the continued expansion of our partner base and the addition of our own solutions across a number of vertical markets over the past several years. We position ourselves through our owned and partnered businesses to offer specific solutions targeted to customers in these verticals and our customer facing sales and service professionals speak the language of these verticals.

By integrating our payment solutions into vertical market software we're able to differentiate our services across the most attractive verticals. Regardless of whether we own or partner our strategy remains the same. We approach the market on a vertical by vertical basis. In some verticals we control the entirety of the technology stack and monetize it accordingly. In others we own segments of the technology stack, and our partners own others. And we have commercial arrangements to jointly monetize the relationship. Far from a referral relationship with our ISV partners we jointly design and build solutions geared towards the specific needs of the vertical and go-to-market together to monetize the products.

Within our own vertical market software businesses, we target meaningful components of overall economic activity in select markets. In these verticals, we have concluded that owning the entirety of the technology stack is advantageous and better allows us to develop highly integrated software payment and other commerce solutions necessary to meet the needs of the market. Critical to the success of this portfolio of vertical software solutions is to ensure they maintain their focus on building and delivering great software as we strive to compete on the basis of product functionality and innovation. We avoid price based competition, by combining the innovation of our software portfolio with a global scale efficiency and extensibility of our payments' infrastructure. We're able to deliver a unique proposition for our customers that allows us to compete on overall value.

Further, core to our TSYS of owning software is the ability to monetize those solutions by pulling payments and driving incremental growth [ph] and (00:51:00) differentiation. That strategy continues to play out through the introduction of payment solutions for healthcare and enterprise QSR. Further penetration of payments in education and the completion of the migration of ACTIVE Network payments on to our technology environments. These are all live today driving significant transaction volume that did not exist prior to these acquisitions. Integrating payments to our enterprise software offerings provides material lift to unit economics in our vertical market portfolio, raising the annual value of customers from anywhere between 20% to more than 100%, depending on the vertical market. Our approach to commerce enablement is also disrupting the market for integrated payment partners and is a material tailwind to accelerating growth in new ISV partnerships. By delivering a vertically fluent suite of commerce enablement solutions, we continue to drive outsized growth in our partnered software business. Despite the increasing competition in this space and the evolution of the PayFac model, we often get the question of how we're able to continue to grow and expand our integrated business despite the growth of the PayFac market.

In general ISV's expressed interest in becoming a PayFac for three primary reasons, one, perceive better economics; two, streamlined or better control of enrollment and onboarding experiences; and three, unique funding requirements. Of those primary drivers, really only the third is a good reason to commit to the work of becoming a payment facilitator. While Global Payments can support PayFacs just as well as traditional partners and of course we do so today with numerous PayFac customers. We find most ISVs are better served as a partner for several reasons. First, economics are a matter of negotiation and are also a question of the size of the pie you are splitting. Part of our ability to drive new ISV partners and avoid margin compression stems from the breath of commerce enablement solutions we were able to sell into the merchant base. This serves to increase the overall revenue base to which the revenue shares applied, allows us to negotiate lower overall revenue shares and provides our ISV partners with more distinctive integrated capabilities that increase the differentiation of their software solutions in the marketplace.

Second, we provide a self-service and customizable application in onboarding experience including fully automated enrollment, digital signature and near real-time activation and we embed that payment activation experience directly into the partners' own installation and configuration process for their software.

And third, few ISVs are really equipped to become full service payment providers and manage the complexities associated with it. There is a material cost associated with this that undermines the perceived value proposition. Although the PayFac model often comes up in conversations with potential partners including founder owned, PE backed and public ISVs, the vast majority of these discussions end with us signing a partnership agreement, which has led to the strong growth trends we continue to see in our integrated business.

In certain vertical markets where the primary mode of competition is at the point of sale, we go-to-market through one ecosystem of own POS software solutions with two distinct operating platforms, one for restaurants and one for retail. These cloud-based software solutions operate on a single hardware environment, custom designed, built and branded with a modern look and feel. Our solutions are designed to scale with a business. We have a mobile solution that delivers the core feature functionality that small merchants require. And as the customer needs expand, we provide greater levels of functionality in a terminal, in a simple register, or in a full featured software platform. More features exist with each stage.

This allows us to serve the small end of the SMB market with a mobile enabled payment device and then expand with them as they grow into multi location merchants, increasing software revenue along the way. Further, in these segments we leverage a common technology stack that allows the customers to easily add functionality as they grow, but in an operating environment they are already comfortable utilizing.

As a result, our solutions can scale from small locations all the way up to enterprise level customers. Of course, in the restaurant vertical as you move into the more specialized areas of enterprise QSR, foodservice management, and sporting events and other venues we leverage our Xenial solutions which are fit for purpose for the specific needs of these environments. Importantly across these verticals our online ordering, payroll and HCM suite, as well as our full suite of commerce enablement solutions are integrated into these platforms along with a fully connected inventory module for real-time inventory across the entire omnichannel environment.

This allows our customers to truly run nearly every aspect of their business from their POS. We distribute these solutions through all of our distribution channels including in person and remotely through our sales hunters, on-demand and through partners making us easy to reach and purchase from. From a competitive standpoint Square and Clover are focused on the lower SMB segment and are limited when a business begins to scale. Our solutions are built to serve the same segment but include a significant depth of feature, necessary to move upmarket to support the more comprehensive requirements merchants have as they grow.

Today we serve new smaller SMBs and simultaneously 150-plus location complex omnichannel environments. Further, the breadth of fully integrated commerce enablement software solutions we deliver to our customers is clearly distinctive in these markets. In the restaurant vertical what separates our solutions from Toast are three key differentiators. First, we have local presence in the field from our dealers and sales professionals to help care for that local customer. Second, we have a more integrated suite of commerce solutions that power the entirety of the restaurant operations through the POS. Last, our human capital management and payroll applications are fully integrated with our point-of-sale making it seamless for business owners to attract, hire, manage, and pay their employees. Which now more than ever is particularly important in this market. And of course, none of these competitive solutions are capable of serving enterprise QSR and foodservice management segments of the market where our Xenial business focuses.

Our owned portfolio of software assets is clearly differentiated and helps position us at the forefront of innovation in our industry. At its heart our own software portfolio consists of two categories of solutions, vertically fluent business management software that runs a customer's business and targeted software solutions that help a customer better run and grow their business. I've already spoken about our vertically fluent enterprise software solutions and our POS software solutions. But I'd like to take a moment on our targeted commerce enablement software solutions. We deliver our targeted solutions through our secure cloud native ecosystem that can be accessed on a standalone basis or fully integrated into our vertical market solutions or as I mentioned our POS software.

Our HCM and Payroll Solutions are key offerings that help our customers run their businesses more effectively. We offer a full suite of hire to retire solutions including payroll and payroll tax processing, applicant tracking and new hire onboarding, time and attendance, as well as Human Resources and Benefits, Administration.

Today we serve over 47,000 clients across the United States and in the last 12 months paid over one million employees issued over 17 million payments and administered over $21 billion in gross wages. This business also has some of the highest NPS scores in the industry at approximately 70 for 2021. It is not surprising that our payroll business grew 20% over 2019 levels in our most recent quarter. Further our growing suite of commerce enablement solutions reflects the emphasis we have placed on innovating new products and services that provide incremental value to our customers. Today we offer a variety of cloud based SaaS solutions geared towards helping our customers run their businesses.

As Jeff highlighted one of our most successful innovations has been our analytics and customer engagement platform. In addition to this we also provide online ordering, appointment availability and booking, telephony and text messaging integration, electronic forms completion and submission, streamline check in and kiosk support, invoicing, capital, BNPL as a service, email marketing, gift and loyalty and many others.

Collectively our existing own software assets represent roughly $1.4 billion of revenue. The performance metrics for our portfolio of owned software assets place us in a distinctive position and demonstrate the core strength and alignment of these solutions with our customers.

Our ability to win business based on functionality and to retain those customers has resulted in impressive results including an average LTV to CAC of 8.4 times across our portfolio. We win with these solutions on the basis of our product capabilities in the markets in which we compete. To that end we generated new bookings of roughly $290 million on an LTM basis and growth in ARR bookings in our most recent quarter of over 15%. Further, our net revenue retention rates in the business are strong at roughly 115% on average. In certain of our businesses including AdvancedMD and our POS software business we are seeing net revenue retention rates in excess of 120%.

Reorienting our focus to commerce enablement also substantially expands the target addressable market for our business. This reorientation away from point payment solutions towards commerce enablement results in a significantly broader market opportunity that becomes the next wave of growth for Global Payments. Software solutions we own or partner with expand our addressable market by more than 70%. Moreover, this TAM will naturally continue to grow as we add new innovative capabilities to our ecosystem including through our partnership with Google.

Success in delivering these solutions requires the same vertical focus that we've employed in other areas. We leverage our payment sales specialists on the tasks and activities they excel at. But we also rely on a network of functional experts to be able to drive the scale of more specialized services like payroll, analytics, POS software solutions, and access to growth capital. Through our recently announced Google relationship we are further reimagining the core service we deliver. It's no longer a product we sell it's a result that we deliver. We will also dramatically expand the suite of commerce enablement solutions we can deliver to our customers, driving further differentiation and growth in our business. With this partnership we will refocus a set of services to squarely align with the goals of our customers under the umbrella of Run and Grow My Business by combining our capabilities with those of Google to deliver a full set of results for our customers. Our co-innovation agreement with Google will uniquely connect our centralized ecosystem with Google's platform of consumers and in search positioning Global Payments as a leader in commerce enablement by placing our merchants at the top of the acquisition funnel for consumers. Executing on this vision of co-innovation creates a more robust, seamless digital experience for our merchants to more effectively run and grow their businesses. Since our announcement we have been actively co innovating to bring Google My Business, Workspace, and Ads to life within our platform by connecting it with our pertinent software such as analytics, e-mail marketing and reputation management.

I'm delighted to announce today that we are working on the launch of the next phase of Run and Grow My Business solutions to accelerate growth for our merchants by connecting additional Google services including food ordering, retail inventory and reservations to Global Payments Run and Grow My Business platform, driving more consumers to our merchants. These consumer search solutions will be distinctively available to our customers, fully integrated with our merchant portal ecosystem, allowing single sign-on and seamless access to our full suite of mobile payments and Google powered commerce solutions.

Food ordering with Google empowers customers to discover a restaurant and place an order in just a few clicks. Whether customers are searching for your restaurant by name or looking for key terms like best burger near me, they can order takeout from you directly through Google Search, Maps and the voice controlled Google Assistant. Through our partnership with Pointy from Google our customers can easily add their in-store inventory to services across Google including Search, Maps, Shopping, and Images. This enables shoppers to search for a specific product and see which local stores have that item in stock or to search the entire inventory of a single store without ever leaving the Google Search page. And lastly, Google reservations allows consumers to find and book appointments directly from Google Search, Google Maps or the Reserve with Google website.

Our expectation is that placing these services at the top of the funnel of a customer's own growth trajectory when they are establishing their digital presence will act as a significant tailwind for our distribution goals and objectives. As our 10-year strategic partnership regularly facilitates co-innovation between our respective product teams, together we will find new ways to lessen burdens, confusions, and anxieties of business owners by strengthening their ability to run and grow their businesses as commerce evolves. Let's take a look at this promotional video for Run and Grow My Business.

[Video Presentation] (01:05:06-01:07:01)

As I noted, our focus on delivering seamless omnichannel solutions is key to our ability to facilitate commerce for our customers. As the evolution to omnichannel commerce accelerates, we continue to extend our solutions within our targeted segments of the market. We leverage a single global solution, our unified commerce platform, which allows us to drive scale while tailoring our approach to the unique needs of the local market, as in the example of the over 140 payment methods we support. We have local experts in nearly 40 markets around the world, guiding, advising and engaging with developers and customers in how to take advantage of the fundamental shift towards a more digitally connected commerce experience.

This is a core distinction in our e-commerce and omnichannel solutions business. Our ability to provide localized compliance and support, add scale in the markets we serve globally, while also bringing best of breed technology to our customers clearly distinguishes us from Adyen, Worldpay and other competitors in this space. And we continue to see opportunities to further differentiate our UCP platform by leveraging the scale businesses we operate in both issuing and acquiring that form the basis of our two sided network. By combining data from both sides of our business, we are piloting a solution which significantly improves e-commerce authorization and fraud rates for our partners and customers throughout the ecosystem. We expect to be able to reduce e-commerce declines by as much as 40%, while at the same time reducing fraud by 15%.

Our innovative approach considers all parties involved in transactions. Cardholders, merchants, issuers and acquirers and creates unique value for each. This solution is replicable and scalable across our entire base of issuer customers, again driving further differentiation in our e-commerce and omnichannel offerings relative to our competitors.

Core to our value proposition in e-commerce and omnichannel solutions is the integration architecture we have developed over the past several years which serves to seamlessly blend online and offline worlds. Our unified e-commerce platform is built around a single integration point which allows our partners to access our capabilities worldwide. Through a set of SDKs, we provide access to a wide range of services architected in a modular fashion to position us as the acquirer of choice.

Our success in driving transaction volume in this new environment rests on our ability to open our infrastructure to third-parties while our own developers can benefit from the ability to more efficiently build on top of our infrastructure. Our integration architecture opens up innovation to thousands more developers.

Our technology architecture supports our e-commerce and omnichannel solutions business globally. From SMB customers in domestic markets to large MNCs utilizing our capabilities in numerous markets worldwide. We also extend our existing ecosystems across our business to merchandise our services to developers through our go-to-market brands. Behind these brands is a common repository of services that we manage on global scale to ensure extensibility, security and compliance. Our developer ecosystem plays an increasingly important role for us. Our design driven workflows are made with a focus on making Global Payments an easy partner to work with. We're investing heavily in continuous improvement of these workflows, expanding offerings to support common needs in global markets and building out our SDK and API libraries. At the same time, we continue to integrate into shopping carts and ERP solutions. Now at over 1,200 each and counting, this offers our sales team's maximum flexibility as they reach out to e-commerce merchants using the most widely adopted shopping carts not only to replace current acquirers but frequently with opportunities to enhance the solutions with market leading POS solutions creating a much better omnichannel option for our customers. Today we offer similar capabilities for developers as our competitors such as Stripe from Direct API access to the functionality integrators seek to leverage in their applications, to an SDK suite available in the world's most used programming languages.

One of the primary differences in our approach and that which creates advantage for us particularly as developers grow in scale is that we include more high touch support options for all developers big and small. Earlier Jeff provided an overview of how we win as a company, building on that discussion. I wanted to provide a little more color as to how we win in our Merchant Solutions business. Further, I also want to provide some context as to where we win, which is in many ways as important as how we win. In general, we win in the marketplace for three primary reasons. First, as we've discussed extensively today, we have an unmatched suite of vertical market software payments and other commerce enablement solutions geared towards the markets we serve. Second, we have an unparalleled breadth and depth of distribution with the vertical expertise to speak the language of our customers and solve their needs in a consultative manner that our competitors cannot. And third, we have award winning localized support globally that ensures our customer service needs are met and that we delight our customers with each interaction.

As for where we win, I would simply say that we win where there's complexity in the marketplace. Our teams are fantastic at resolving complexity whether that is multiunit requirements or multinational expansion or the convergence of physical and virtual environments, we excel in solving complex requirements for our customers. A number of our competitors have good simple solutions for the low-end of the market, both physically and virtually. However, often these solutions do not scale well and are not suited for complex situations. Our products and solutions seamlessly scale for more complex environments and our sales professionals are adept at resolving complexity. The most recent example of our ability to compete on this basis is our win of Atlanta's Mercedes-Benz Stadium that we announced this morning. First and foremost, this win is a competitive takeaway. And Mercedes-Benz Stadium is the exact type of complex customer that I described earlier. As part of this relationship, Global Payments will bring its expertise in restaurants, foodservice management, retail and sports venues to further elevate Mercedes-Benz Stadium's status among the best fan experiences in sports.

Global Payments will help Mercedes-Benz Stadium maximize its multi-channel commerce ecosystem by enabling the seamless blending of online and offline fan experiences before, during, and after events. We will also be providing all of the software and hardware solutions to run the food and beverage and retail operations in the stadium, while of course providing payment services as well. Further automating back office processes to streamline operations, inventory management, financial accounting and employee management are other key areas of collaboration. Mercedes-Benz Stadium ran a comprehensive RFP to select its partner for the future, which included a significant number of legacy competitors and new market entrants. We were successful in winning on the basis of our ability to seamlessly combine software, hardware and payments across in-person, mobile and online into a package to meet the most demanding needs of our customer and facilitate the overall fan experience Mercedes-Benz is seeking to deliver. In short, we were uniquely positioned to solve the complexity for Mercedes-Benz Stadium. We are immensely proud of the company we keep and are delighted to welcome Mercedes-Benz Stadium to the Global Payments' family of customers.

Let me close by reflecting on a question we often hear. How do you avoid being disrupted? Conventional wisdom is that disruptive innovation comes from footholds at the low end of the market or from new market innovations. A threat of disruption often emerges when competitors target the smaller end of the market with customer segments that incumbents ignore. Far from ignoring the low end of the market, we have thrived in this market and have a distinctive set of assets that profitably serve this segment. The other threat of disruption comes when products or services in one market serve to disrupt a different market, the way the iPhone disrupted the laptop as the primary access point to the Internet. Our software assets reflect that source of disruption, leveraging our strengths around core payment functionality, we are successfully expanding the set of services we can offer customers in finding new growth options in these new markets. Far from being disrupted, we are leading the disruption in the market with our commerce enablement services.

The story of the evolution, our merchant business, is that we are driving disruption by redefining the market for the provisioning of merchant services. We are creating new markets and new users for our services. We're combining capabilities in new and different ways through the combination of software and payments. We're blending physical and virtual in more markets across more verticals, and we're capturing growth by extending well beyond the traditional distribution models. The majority of the solutions we sell today as part of a complete business success and commerce enablement ecosystem are not available from our legacy competitors or the newer entrants in the market. Quite simply we're at the forefront of reshaping the industry through our commerce enablement solutions, repositioning our business as a technology partner delivering the cutting edge solutions, merchants need to run and grow their businesses. At this time, we'll take a 10-minute break. See you back shortly.

[Break] (01:16:59-01:27:08)

Gaylon Murrell Jowers, Jr.

Senior Executive Vice President & President-Tsys Issuer Solutions, Global Payments, Inc.

Good morning. It's great to be here with you, and I appreciate your interest in our business. Today, I want to spend some time talking about the tremendous progress we've made in our business. I will also discuss our growth plans, which includes expanding our total addressable market with the only end-to-end payments technology serving all payment types, while also supporting a wide range of businesses, fintechs and card issuers of every imaginable description. We are unique and that we provide solutions for the modern economy of scale. Our rock solid core foundation for growth combined with our strategic cloud orientation sets us apart from the competition. We hold the number one market share position for scheme-based credit cards in the US, Canada, UK, Ireland and are actively expanding in the rest of the world, especially so in Latin America and Asia Pacific. We process over 760 million accounts on file. They are entrusted to us by leading brands worldwide like Capital One, Carrefour, Virgin Money, Mission Lane and Target just to name a few. And we're on pace to do over 26 billion transactions this year. No other player can match our pedigree as we are the tech stack behind some of the most innovative companies in the world.

We are seeing a growing demand for our services among payments providers and new entrants that are making the shift to modern technology which is easily consumable, agile and regulatory compliant. Our competitors may have one or two of these attributes, but only we have them all. Our track record speaks for itself. We continue to win against competitors that can't offer the same set of capabilities. It is just as important to remember that these wins are for long-term technology services with decisions made by sophisticated buyers. And once we get them, we keep them. We have an average tenor of over 15 years. They stay with us, not only because our technology, but because of our ability to execute our vision and excellence at scale and consistent service delivery, a difference maker we don't speak enough about. That's what our clients tell us. We're proud to share that we've amassed an account pipeline that's worth over $2 billion and total contract value over term with over 29 million accounts yet to be bought into our system.

We have a strong financial performance closing our 2020 run rate revenues of approximately $1.7 billion. Our revenue model is predictable, sustainable and battle tested through multiple renewal cycles. Our pricing is largely transaction account based with no material reliance on interchange. The direct interchange model could be an Achilles' heel for those new entrants as their price points are not competitive or sustainable and at a risk for regulatory changes. We deliver strong margins as we enjoy a favorable cost structure with material economies of scale that remains unobtainable to any new entrants in the space.

Everything we offer in market today is fully API-enabled across credit, debit, prepaid, commercial and virtual solutions. We are the only proven modern card issuing platform serving globally at scale. We're the only provider that's been able to deliver on modern architecture, API-enabled and a full developer experience that spans the entire cardholder lifecycle from origination to account provisioning to meaningful analytics. No one but TSYS has the ability to orchestrate self-service interactions, device notifications and authentication that delivers a unified omnichannel customer experience. We've built a common configuration and rules architecture that spans all of these modules and one that's increasingly backed by machine learning. We've done this with usability and design experience that allows clients and program administrators to create new card programs on the fly and set up individual components of our ecosystem themselves. These are well beyond single point solutions that have been introduced recently in the marketplace. Take note of the fact that many new competitors don't offer full end-to-end payment capabilities and functionality needed for credit.

Credit is complicated, heavily regulated and not easy to duplicate. We're the credit leader and great at it. That's why for credit, roughly 4 out of 10 US main cards run on TSYS. For Canada, that number is 7 out of 10. When the best select you for long-term contracts, you know you have something special. Given that we've invested heavily in digital enablement and cloud over the last five years, we can offer these leading capabilities to any player in payments. Fintechs, banks, retailers and embedded use cases anywhere in the world. We are an agent of change in the marketplace working with payment networks fintechs and clients to accelerate digital transformation and create opportunities for our growth.

We are tremendously proud of our record being first to market with compelling innovative solutions. Today, we hear a lot about virtual accounts as a new and unique offering. We were actually one of the first platforms to offer this functionality to our clients in 2012. Today, we can drive virtual cards with instant issuance for provisioning into digital wallets at the point-of-sale or as an embedded service in accounts payable workflow. We can couple that with granular authorization options to mitigate risk, enforce policies and cut administrative costs. In fact, our proprietary virtual card and automated payment solutions will generate over 50 million virtual accounts and process over $23 billion of spend and it's growing fast. We were the first third-party platform to support Apple Pay way back in 2014, and now, we support all leading digital wallets.

We deployed advanced machine learning capabilities across a number of use cases from fraud to authentication. We are especially proud of our Foresight Score which yields material reductions in false positives and fraud losses. This translates into huge benefits for our clients. Scored volumes in 2021 are projected to surpass 7 billion. With respect to installment payments, we process over 128 million installments monthly and have introduced new point of checkout functionality with both Visa and Mastercard commonly referred to today as buy now, pay later or BNPL. We have the scale and functionality to lean into the many new entrants and fintechs wanting to pursue the myriad of BNPL options with a comprehensive and functionally rich solution to meet the requirements of this segment. All of this applied innovation that drives meaningful outcomes for our clients and sustainable revenue streams for us.

So how are we winning in the market? We know we have the best technology and always have. And only a few competitors are fully digital. In fact, new entrants like Marqeta have not been a factor in any of our recent bids anywhere in the world. Our operating model is a combination of deep functionality, API-enabled solutions and modern technology, not just a wrapper-based solutions. Wrappers and fake clouds won't cut it with tech savvy buyers. Over the last few years, there have been several new entrants that have emerged, but let's be clear, they largely offer single point use case solutions and predominately compete in the debit and prepaid market which are far less complex than credit. In fact, none of them can match our end-to-end capabilities or the broad scope of our existing API suite. None are equipped to handle the complexities of large diversified clients for which we easily address.

We expect a steady stream of emerging opportunities as clients outgrow the number of limited capacity of these new entrants. It's a similar story across all of global payments. When clients' needs evolve and become complicated, go cross-border or when their key relationship's at stake, we are the provider left to tackle these challenges. It's a sweet spot for us and one where we excel. Just over a year ago, we announced an exclusive partnership with AWS as our preferred cloud solutions provider. We have been extremely pleased with the progress that we've made in moving to the cloud and developing new growth channels across the world. We see this as a pivotal opportunity to expand our reach into new geographies and to address new verticals. By leveraging our strategic partnership with AWS, we are able to support a full spectrum of solutions across payment types and new emerging use cases. This partnership is truly unique in the market. Let's take a look.

[Video Presentation] (01:37:17-01:39:14)

Now, let's talk about how all this translates into results. We have a very positive win trajectory. We're seeing an unmatched win rate against new opportunities and a stellar record of retaining clients through renewals. Looking across both issuer and business and consumer, we've recently signed deals with Mercury Financial, Mission Lane, Samsung, myFloc and Porte just to name a few. From a commercial perspective, TSYS is fortunate to already have the largest financial institutions in North America and Europe as existing clients. This allows us to play a central role in moving more than 1.5 billion transactions in commercial card based volume. No other competitor can match this.

Coupling the largest distribution channel in the business with the rapid growth in commercial payments, we are exceptionally well positioned to continue to grow market share around the world at an accelerated rate. Also, as you also heard earlier from Jeff, the MineralTree acquisition enables us to capture additional commercial volume not processed on card rails while bringing this new solution set to our customers.

We are also pleased with the volume of meaningful opportunities underway with fintechs, neobanks, embedded finance players, another space where we have been very active. We're working with a number of fintechs and looking to scale and those that start new payment programs. We continue to hear that the market is in desperate need of a payments partner that combines the speed and agility with robust compliance. This is where we shine.

In addition to our pipeline, it's important to call out that we have also added material volume of retail business from one of our largest customers representing multiple retailers and almost 13 million accounts generated from competitors and their internal system. And more recently, Barclays announced a huge win, Gap, which will move from a competitor to our platform. So we are not only winning directly. We are partnering with our clients to win. As we highlighted upon the merger between TSYS and Global Payments, we have a keen interest in pursuing opportunities to create solutions that integrate merchant acquiring and issuer software capabilities into what we call two-sided ecosystems.

One of these unique opportunities was announced this morning. We are very proud to be working with longtime partner, Virgin Money, to leverage our two-sided network to offer frictionless experiences for their consumers and merchants. Virgin Money will be able to access end-to-end lifecycle data. Across its businesses through the new payment offering, gleaning better insights about buying trends. This will enable Virgin Money to launch new products and services that directly solve client needs and enhance their experience. As part of this alliance, Global Payments expands its partnership with Virgin in two ways. First, Global Payments will now serve as a new provider of merchant services to Virgin Money. Secondly, Global Payments has extended our issuer relationship with Virgin Money by adding all of Virgin Money's debit processing business, one of the largest debit portfolios in the UK, another significant win.

We have been on an incredible growth journey. We have a stable and secure core business that drives scale and earnings year-after-year. We're also positioned to benefit from digitization and favorable secular trends within payments at large. The opportunity of penetrating the huge addressable market of new geographies, use cases and verticals will give us headroom for strong growth in years to come. The substantial investments we've made over the last few years to digitize our payment technologies position us perfectly to meet the needs of fintechs, issuers and disruptors of all shapes and sizes. And our push to enable unmatched payments capabilities is cloud native, API first technology, means that we're ready to fill this need right here and right now.

To supplement these efforts, we are cultivating a number of relationships with cloud-based core banking providers to augment their solutions with our payment capabilities as well as fintechs directly. Combined with our expanded distribution network, the preferred collaborations with AWS and PwC as well as our program management expertise and issuer relationships, we can and will serve any fintech with any need anywhere in the world.

Thank you for your time today. And I will turn it over to Josh to discuss our B2B strategy next.

Joshua Whipple

Senior Executive Vice President, Chief Strategy & Enterprise Risk Officer, Global Payments, Inc.

Thanks, Gaylon, and good morning, everyone. I'm delighted to have the chance to speak with you about our B2B strategy and the incredible growth opportunity that presents for Global Payments. As Jeff mentioned before, we think business-to-business payments represents a huge opportunity for us. I'm going to tell you more about that today. And I'll also tell you more about our acquisition of MineralTree which we're really excited about. So let's start at a macro level by discussing the addressable opportunity that we're attacking.

Many of our businesses benefit from consumer-to-business payments. Right now, I'm talking about business-to-business payments. These are the outbound payments made by a business. This can be for anything, travel, supplies, rent, professional services, any expense. Simply put, these payment flows are massive. Visa and Mastercard have both talked about this, and the total payment volume is estimated to be approximately $125 trillion. There are two important points to note here. First, these B2B payment flows are estimated to be more than four times the volume of consumer-to-business payments. So the absolute size of the opportunity is enormous. Second, B2B payments are under-digitized relative to consumer-to-business payments. And we think there is a tremendous amount of low hanging fruit from those who are still writing paper checks.

As surprising as it sounds, an estimated 50% of B2B payments are still made via check. But the benefits to businesses of adopting digital payments like virtual cards are obvious. Speed, security, convenience and rich data for supply – buyers and suppliers. That's where the world is headed. And as the mix of digital B2B payments increases, there's a larger addressable opportunity for us. And if you assume we can even capture a modest spread of that addressable B2B payment volumes, that translates to a massive revenue opportunity for Global Payments.

Now, how do we go after that revenue opportunity? Actually, we already have an impressive array of software and technology assets in the space. This slide gives us a snapshot of our current B2B offerings. We haven't shown them together like this before. But we think this deserves attention. And to be clear, this is everything before MineralTree, which I'll talk about more in a moment. Today, we have a complete suite of products that address all the business spend management needs of buyers, suppliers and employers. There's no one else out there who serves all of those parties, no one, and certainly not with our global footprint and distribution.

We facilitate all businesses' critical payment flows, enable greater visibility and control of business spending. As all of the participants in this B2B ecosystem continue to shift to digital payments, we're well-positioned to benefit. And wrapped around the payment flows, these products offer a rich array of value-added capabilities including analytics, reporting, spend control and reconciliation. These products are cloud native and API enabled, so they're fully modern and extensible. And we've tailored them to address our customer's most complex needs. Take payments by employers for example. You cannot win in the market with a one size fits all product. We've segmented that market into distinct use cases. Employees want the option of getting paid in a mobile first digital account. They may want early access to their funds, and restaurants and salons need ways to streamline tip payments. We have products for each of those use cases. And I need to emphasize that the offerings listed here are not future state products on the road map. These are in market, in use by millions of businesses today, and we offer them everywhere.

And just to make the point clear, the numbers speak for themselves. We offer all of the B2B payment offerings at scale. First, we help millions of businesses pay their suppliers and manage their spend. We run the largest technology platform for commercial cards in the world with over 145 million accounts on file. This base of accounts and our financial institution relationships gives us unparalleled access to millions of businesses. In the US, 8 out of 10 Visa and Mastercard commercial cards run on global payments. [ph] The supposed (01:49:36) disruptors don't even come close. Second, we make it possible for approximately 60,000 businesses to make every kind of payment to their employees simply, securely and digitally. And third, we help suppliers streamline the invoice to cash process by automating millions of invoices representing billions of dollars of complex B2B spend.

And just to reiterate, no one else serves all the members of this ecosystem. And when you add up the revenue generated by our B2B payments products, together, they contribute more than $600 million annually. Think about that for a moment. That's more than revenue than AvidXchange, Bill.com or Billtrust. And none of them has the scale in B2B that we have. And our business is profitable. Each of them only serves a limited set of customer categories, and none of them has the reach and breadth that we have globally. AvidXchange is present in approximately eight verticals versus our presence in more than 70. And Bill.com and Billtrust together serve a little more than 100,000 merchants, which is immaterial relative to our base of more than 4 million merchant customers globally. And again, this is all before including MineralTree, which further expands addressable market and brings our B2B capabilities to the next level, further expanding our software-led payment strategy.

So let's take a few minutes and talk more about that. This morning, we announced our acquisition of MineralTree, and we couldn't be more excited about it. So first of all, what does MineralTree do? They're a leading provider of accounts payable automation software and B2B payments. Their core product is cloud-based software that automates every step in the accounts payable process for businesses buying goods and services from their suppliers. You have to realize that today most companies do all of those tasks manually. So it's slow, it's error prone, and it diverts valuable resources away from other business activities. Those inefficiencies are huge pain point for companies. And in every survey of finance executives, accounts payable is one of the top functions they want to automate.

MineralTree Software solves this problem by automating the entire invoice to pay process end-to-end, invoice capture, reconciliation, approval workflows and payment to the supplier. And this whole process is directly connected to a customer's ERP with data syncing seamlessly. This is a major value proposition for the customer. Customers love MineralTree Software because it's simple, it's speedy, it's secure and it's transparent and it allows them to do more with less, so they can focus on growing their business.

Let me highlight a few statistics. Today, they serve approximately 2,200 middle market and enterprise customers across a number of verticals. The software connects to several 100,000 suppliers and they are constantly enrolling new ones. With such a critical mass of buyers and suppliers, MineralTree operates a powerful two-sided network and automation provides value to both those groups of participants through real-time data transfer and reduced friction.

Plus, MineralTree optimizes the payment method for both the buyer and the supplier, so that's easy to use. It's data rich and it minimizes costs. Under our ownership, we can make this even better by routing the payment transactions efficiently and further driving down the costs to both parties. MineralTree has already integrated with over 160 ERPs, QuickBooks, NetSuite, Xero, SAP, you name it and that gives them very broad reach in the market.

One thing that we like about MineralTree versus its competitors is that the MineralTree is much further along in their journey of connecting B2B payments to software. They've been bundling payments with new software sales for years, driving further adoption of digital payment methods and greater monetization.

Today, they monetized about $18 billion of payments volume. But their software powers about $110 billion of spend that could be monetized today. And that's a huge embedded opportunity for growth. Further, MineralTree has the ability to quickly add new payment types for specific use cases, such as cryptocurrencies for cross-border FX transactions which facilitate more transactions and create an even greater opportunity to monetize payments. So why is it a fit for Global Payments? The MineralTree team has built an outstanding business and we think we can take it to the next level and develop a true B2B ecosystem inside of Global Payments. And I'll say more about this in a moment.

As I told you earlier, we already have all the components of B2B payments including virtual cards, commercial cards and ACH. But MineralTree brings us the underlying software at the heart of a B2B ecosystem. This allows us to bring unique value to the market relative to what anyone else is offering at scale and this is a perfect example of software-led payments.

We're not just monetizing the payments opportunity. We're wrapping more value around the payment and further entrenching ourselves in the critical workflows of our customers. This differentiates us. This brings us more wallet share and this creates more stickiness with our customers. And we'll be able to bring all of this to market through our robust distribution channels across our geographic footprint unlocking a ton of potential revenue.

So let me elaborate on my point from a moment ago about our distribution capabilities. As I said earlier, the total addressable market opportunity for B2B payments is enormous. And we have a complete set of offerings in market today to capture a share of it. And MineralTree further strengthens our product suite and our competitive moat in B2B. But there's one other really important thing that differentiates us in the market. We have existing relationships with millions of customers and partners across our various businesses at Global Payments today. Our existing activities in the space gives us a point of entry and massive distribution that no one can match.

For example, this includes more than 100,000 restaurants using our Xenial products. More than 7,000 property managers using Zego's offerings and thousands of software partners at Global Payments integrated and many others not listed here. We don't just have our foot in the door with these customers. We are already their trusted provider of critical business technology. So it's much easier for us to cross-sell B2B payments and software to them.

This is a powerful captive distribution advantage that the others simply do not have. The startups are burning millions of dollars on sales and marketing just to get product demos. The businesses listed here are already our customers, giving us access to an unmatched distribution network to sell into. MineralTree coupled with our existing B2B offerings will be a critical component of this ecosystem and we'll provide more value added services to our customers.

This cross-sell revenue opportunity within our customer base is massive and under penetrated. And we are already having great success with it. Some of our recent customer wins have been in verticals which include medical, dental, government, and automotive. And over the next several years, we expect this to provide a sustained source of outsized revenue growth for us.

As Jeff mentioned earlier, B2B is important enough to us that we've highlighted it as a pillar of our strategy. We're attacking a market with a huge addressable revenue opportunity with a complete suite of products. Not only do we power B2B payments for all the participants in the ecosystem with MineralTree, we're now providing even more value to our customers by solving their complex problems through software. Wrapping more value around the payment is what we've been saying consistently since our last Investor Day. We're going to keep doing it and it's why we win.

And with that, I'll turn it over to Paul. Paul?

Paul Michael Todd

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

Thanks Josh. One of the key hallmarks of Global Payments has been the uniqueness of our model. As Jeff mentioned earlier, we were a first mover in areas such as integrated payments and software ownership as we recognized the convergence of software with payments was an important trend right for acceleration. Not only has this provided us with a strategic benefit in the markets in which we compete, it has also created a differentiated model that we continue to execute and deliver against.

This model focuses on technology enablement where the historical rates of growth have been superior, which has catalyzed our consistent track record of industry-leading financial performance. It all starts with the differentiated strategic positioning of our businesses that centers on digitization. This is what we've been talking about all morning and hope you can see that while we have had historical success in being a technology leader and innovating in the markets in which we operate, we are focused on expanding that premier position of strategic leadership of our company, coupled with our focus on being growth market centric and enhancing our exposure to the most attractive markets as a first mover. We have always been and we'll continue to be laser focused on best-in-class execution.

The track record of financial results of this model speaks for itself. First, the attractive top line and margin attributes of these strategies have allowed us to experience faster rates of earnings growth relative to the market. Second, we've achieved industry-leading margin expansion and absolute margin levels across our businesses. And finally, we've delivered superior earnings resiliency particularly evidenced during the pandemic and a strong and consistent conversion of adjusted earnings to adjusted free cash flow that has fueled investments.

Everything we've talked about today speaks to how both the superior strategic positioning of our business is stronger than ever and how we are positioned to continue to deliver the superior financial results that you've come to expect from us. To put a further point on the resiliency of our model, we are positioned to grow adjusted earnings per share at a compounded annual rate of approximately 16% from 2019 to 2022.

We expect to target the wide end of our upsized cycle guidance for next year and as a point of reference, our target is significantly higher than the earnings growth of the networks as a proxy for the market. This, of course, includes our typical assumption of a continuation of the ongoing recovery from the pandemic.

Another way of looking at the earnings resiliency of our business is how well it is doing in relation to where we would have been on a normalized trajectory basis had the pandemic not happened. Our earnings profile is also very favorable in this light as we are largely at the level of adjusted earnings per share, we would have expected to achieve, had the pandemic not happened.

I think this is one of the more impressive marks of the performance resiliency of the business, the execution excellence that this management team is focused on and the overall health of our model. In effect, we're positioned to grow in more normalized times and we're able to pivot our businesses, strategies and cost base in more challenging times.

Consistent with our strategy, Global has been focused for many years on deriving an ever increasing percentage of our revenue from technology enablement. Back in 2018, we set a goal of deriving 60% of our revenue from tech enablement by the end of 2020 and we highlighted the achievement of this goal mid last year or roughly six months ahead of our targeted timeline.

Now as we look to the future, based on the higher underlying growth characteristics of the tech-enabled businesses in our company today and our strategy of continuing to make tech-enabled acquisitions, we are again raising our target to derive roughly three quarters of our company's revenue from tech enablement within our cycle period.

We have a track record of achieving the goals that we set and the path to the achievement of this target will be another indicator of our continued execution on our strategy. As we look to the future, there are key differentiated growth drivers that will fuel our financial performance going forward.

First, we start with the acceleration of our tech-enabled business mix, which I just talked about. Next the exclusive tech-distribution partnerships with AWS and Google that we've entered into over the last year will allow for additive growth as we are able to leverage the unique and exclusive distribution avenues and relationships with these leading-technology companies and innovators.

These partnerships not only allow for us to expand and address larger addressable markets at a macro level but will also deliver growth that would likely have not been achievable on our own. In other words, it creates opportunistic growth that is unique to the distribution and market-leading product innovation enabled through our collaborations. That's why we're so excited about these arrangements and the benefits that will accrue from these relationships over the coming years.

Third, as you've heard today, we are focused on additional vectors for growth, particularly, in the B2B space as we leverage the over $600 million of B2B businesses that sit inside of Global today, coupled with the acquired capabilities that we've talked about this morning with MineralTree. Much like AWS and Google, this is incremental growth, not previously included in our expectations.

Fourth, we have been aggressively expanding our target addressable markets both as we have harvested the platform opportunities between Global and TSYS after the merger and then additionally, with the AWS and Google partnerships and now with the most recent expansion in the B2B. We have a unique set of assets, partnerships and products with the broadest geographic base to capture market share on an ever-expanding landscape. Our TAMs have expanded exponentially and provide additional incremental opportunities for growth.

Fifth, Global has always been known for our strategic and operational excellence and that competitive advantage, most recently evidenced by our ability to grow through the pandemic, allows for us to have confidence that the expanded opportunities that we are building upon, will allow for improved adjusted earnings per share growth for the future. And finally, our strong cash flow generation continues to fuel our ability to invest in the most optimal ways across the four pillars of our strategy to enhance financial returns.

Our unique strategies that capitalize on the acceleration of digitization and payments are ongoing technology enabled mix shift, our exposure to expanding TAMs including now B2B and our track record of disruptive M&A, provide us with the confidence to raise our cycle guidance today. It is also worthwhile noting that a number of our growth drivers are new and incremental to the outlook at our last investor conference.

First, we are now increasing our adjusted net revenue growth to be in the low double-digit range from the previous high single-digit to low double-digit range. This is driven by the increase in our tech-enabled revenue growing at faster rates as we move to our 75% tech-enabled target and as we harvest the expanding addressable markets in issuer and our expansion into more compressive B2B offerings going forward.

On a segment basis, we're continuing to target double-digit growth in our integrated and vertical markets businesses as well as in our e-commerce channels, fueling an overall low double-digit growth rate for our merchant segment. And we are targeting our issuer and business consumer segments to continue to grow in the mid and mid-to-high single-digit-growth ranges respectively.

As we continue to expand our pipeline with AWS and Google and other partners and as we make further organic and inorganic investments in B2B and other assets, we expect to rebase these segments towards the higher end of our revenue growth targets. Second, we are increasing our adjusted earnings per share growth target to the high teens to 20% range from the previous mid-to-high teens range. And we expect the strength of our underlying businesses will now allow for annual adjusted operating margin expansion of 50 basis points to 75 basis points after the completion of harvesting the merger-related synergies of TSYS.

We are assuming and look forward to returning to a more normalized operating environment without the impact of COVID-19 and our cycle guidance covers a three to five-year time horizon as we've said previously. Also while we will give formal guidance for calendar year 2022 on our earnings call early next year as we sit here today, we are targeting a roughly 20% increase in adjusted EPS next year. This, of course, assumes that the economic environment continues to improve over the coming months and throughout 2022 with no reimposition of pandemic restrictions. It's worth noting that this target for 2022 represents the high end of our new cycle guide.

A key growth enabler for our business is our favorable capital structure and strong adjusted free cash flow, which positions us well to achieve our targets. Our operational focus on margin expansion allows us to continue to target converting roughly 100% of our adjusted earnings into adjusted free cash flow, which we expect to double by 2025.

That cumulative adjusted free cash flow of roughly $15 billion coupled with our expected debt capacity of roughly $13 billion assuming leverage at roughly 3 times would provide approximately $28 billion of capital capacity to fuel the growth of the company. So plenty of capacity for investment. We have a rich history of deploying capital for growth and the size of this capacity gives us a unique advantage relative to the size of our company to execute acquisitions and other value-enhancing deployments of capital. Specifically, we are very well positioned to continue to conduct disruptive M&A activity in the most attractive TAMS over the cycle.

In all, we're excited about the future as we continue to execute on our unique strategy and deliver superior financial results, which will in turn create significant value for our shareholders just as we had done in the past.

And with that, I'll turn it back over to you, Jeff.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Paul. So we've come full circle to the strategy that has set us apart for the last eight years, with one tweak today and it's a big one, that being our formal entry into B2B with MineralTree and our existing assets post TSYS at scale worldwide. And that add, I think, will provide substantial and incremental growth opportunities for many years to come. We're earlier on in B2B today than we were in integrating in 2012 and that's worked out pretty well.

B2B spans the gamut of the other legs to our stool including software ownership and partnership, a leading e-com franchise and an unmatched worldwide virtual and physical presence. These are all complementary and interrelated and further removed from the risk of disintermediation. It adds yet another two-sided ecosystem to our arsenal in a way that others simply can't match.

I'd be remiss if I didn't mention how proud we are of the distinctive own software business that we've constructed over many years. We provided additional disclosure today about our software businesses. I hope you can now see why we think they are so unique and critical to our strategy. We've compared them here to well-known public SaaS companies in the United States for your reference. I think we stack up quite favorably, you can reach your own conclusions about valuation and whether this performance is reflected in us today. I think not.

Let me give you my perspective about where we are in software. We operate to a rule of 50 plus not a rule of 40. We are diverse by vertical market and by mode of distribution. We chase GDP and we have owned assets representing a large share of the US economy and we are the better for it. We are, in fact, now a top quartile SaaS company.

Remember those discussions years ago about the difficulties of owning and operating the SaaS business and payments and how rife with conflict it would be with our other businesses. It's now dogma in our industry that software and payments have converged. The market has come to us rather than the reverse. Our growth reflects this and we have first mover advantage.

And as Cameron mentioned, we owned a complete ecosystem across our markets that includes owned hardware at every level from the Taco Truck to Taco Bell literally. Front of house and back of house hardware from the point of sale to the drive through literally. Vertical specific tailored hardware, we haven't talked much about in the past because our external emphasis has been on software. But after today, we trust you'll appreciate that we control every element of hardware that we need as well. But the secret sauce for us is that we lead with software.

Vertical market specific, cloud native SaaS hosted in AWS or Google Cloud. Hence the importance of today's announcement about the pending acquisition of MineralTree and our expansion into B2B, more software targeted accounts payable by sector, an area we lacked until today. Differentiated vertical market specific software combined with own hardware resulting in a complete ecosystem. That's what sells, not a commoditized dongle.

I've also been a bit mystified about the short shrift given over the years to our e-comm business. Remember that myth earlier that we are somehow undersized when, in fact, we have twice the exposure versus the market. We've been disclosing our e-comm efforts quarterly for nearly three years and we've discussed our strategies and competitive differentiation since our last investor conference. We launched our unified commerce platform or UCP in market way back in November 2018, nearly three years ago.

Our partnership with Citi began truly thereafter after Citi conducted an extensive search for market-leading e-comm technologies, again, sophisticated multinational institutions making multi-year commitments and selecting us, what better referendum on our expectations for growth and tech leadership for the next five years. So, if there is no further confusion, we've listed publicly disclosed and street-based estimates on market sizing and mix in a tabular format here, so you can see them all in one place. Hopefully, the facts speak for themselves and we can move away from the fiction. We're very proud of our market-leading e-comm business. I think now you can see clearly why.

Why these legs to the stool? Simply, we are stronger together and unique in our ability to monetize them in our flywheel. We offer a complete commerce ecosystem globally. No one else has this across our markets and it shows in our results. We're winning in the marketplace every day commerce enablement at scale. Think of our announcements today as just a few examples of our distinctiveness. Mercedes-Benz Stadium, multi-year contractual decisions made by large and complex institutions choosing us generally after RFPs, including a wide spectrum of participants.

Virgin Money, they seem to have reached a pretty happy decision about where we will be five years from now. Aren't their current decisions good indicators of our future competitiveness? How do we continue to win well into the future? SaaS at scale, generating continuing share gains, market-leading e-comm with an unmatched vast virtual and physical footprint, unique two-sided networks and ecosystems, and now, B2B at size out of the gates.

How does this translate by business? In e-comm, we lead with more online plus offline geographies versus Adyen and better capabilities to handle complexity as organization scale globally versus stripe. In software, we lead with more vertical market ecosystems with unique collaborations like Google in more complex market segments like Mercedes-Benz Stadium versus horizontal square and clover and smaller TAM toast.

In issuer, we lead with complete and end-product suites and program management multi-nationally at scale at every level with unique distribution like AWS and distinctive two-sided networks like Virgin Money versus debit product-centric, Marqeta. And in business and consumer, we've pivoted toward B2B with MineralTree with a unique ability to comprehensively match buyers, employers and suppliers globally at scale versus B2C chime.

To be clear, none of these competitive strengths is likely to be adversely impacted by current events, including commoditized credit manufacturing or by adding one more payment type to the 140 plus we facilitate, a method of payment we already power over 1.5 billion times annually. Markets outside the United States have benefited from IPP for decades, has that come at the expense of other digital payment types in a way that impacts us negatively, of course not. Rather it generates incremental transactions for us and we are the beneficiary through incremental financial returns.

Consumers and businesses want choice. The real enemy is cash and check. We are the beneficiaries of innovation in the ecosystem and digitization is the mode of competition. As I said last month, we want you to be the judge of how we are doing based on the facts as they are, not based on fiction or rumor. At the end of the day, judge for yourself. What is clear to us is that we have plenty of blue sky ahead, narratives come and go, fads fade, the truth wins over time, think of it.

Thanks for all your time today and your interest in GPN. We look forward to addressing your questions beginning in a few minutes.

[Break] (02:19:54-02:30:15)

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Welcome back and thank you again for joining us. We're now in the question-and-answer portion of our conference. And I'm pleased to be joined by Cameron, Paul and Guido. We look forward to addressing your questions and we ask that you limit your submissions to one with one follow-up so we can accommodate as many in the queue as possible. And with that, Richard, let's take our first question.

QUESTION AND ANSWER SECTION

Operator: Thank you. Our first question on the line comes from Mr. George Mihalos from Cowen. Please go ahead.

George Mihalos
Analyst, Cowen & Co. LLC

Q

Hey. Thanks for taking my question guys and great job on the presentation today. Certainly, not lacking for any passion. So good to see. I wanted to kick things off with a question just, kind of, circling back a little bit on the tech side that something that Gaylon spoke about and that is within issuer the complexity of processing credit versus debit, which obviously the majority of your revenue within that issuer segment does come from credit.

And I'm just, sort of, curious if you could talk a little bit about that as a differentiator and maybe elaborate on the fact that you're not yet seeing some of these newer entrants come to market.

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

A

Yeah, George. It's Jeff, I'll start and I'll ask my colleagues to add as well. So I think what Gaylon would tell you is that there are over a 1,000 different modules and iterations in the credit world, things like installment lending, late fees, our APRs et cetera that simply apply to credit but do not apply to debit and other products. So, the complexity related to credit is really just order of magnitude different than it is related to other products especially for these purposes, George, debit.

I'd also say the regulatory environment is far more complex as a result in the credit landscape than what it is really and really in debit. And I think it's important if you step back further to say at the end of the day while we have a very full suite of services in credit, as Gaylon described in the presentation, we also have a full suite of services in debit. So what I say at the end of day is not that we have credit to the detriment of debit rather we actually do both at a very high level. So that's the first, I think, answer to your question.

The second thing I would say and we've said this before is just a matter of fact is that we, in fact, don't run into the new entrants in our core markets primarily around financial institutions globally. What better example George today than our announcement with Virgin Money. For example, one of things we talked about two years ago at the time of the merger with TSYS was our unique ability in our own two sided ecosystem that really no one else can replicate at scale, our unique ability to marry issuing with acquiring functionality. In doing that, we expand our scope of services considerably in acquiring, which is something obviously Cameron can chat about.

But for these purposes, George, on the issuing side, it's not like when we're doing that, we find ourselves face to face or head to head with any of the new entrants. As I mentioned in my prepared remarks, George, on the issuing side both in credit and now in debit, which is what we announced this morning with Virgin Money in the UK, where we would be the largest provider of debit technologies in the United Kingdom post that implementation in about a year and a half.

At the end of the day with Virgin Money and at the end of the day in our business, it's not like we can't do these things in a way that somehow the new entrants can quite the opposite. They're not in those RFPs in any considerable way. They're not actually winning that business, we are. Yet, that's a competitive takeaway 2 times over in the case of the issuing business and the case of the acquiring business and a third time over when you think about actually marrying, issuing with acquiring.

So I think from that point of view, what Gaylon will tell you is that we're uniquely positioned to win on the issuing side of the house. I think Virgin Money announcement today is the latest example of not just how insulated our business is relative to new entrants, but our ability to grow on an innovative basis relative to the competition.

George Mihalos
Analyst, Cowen & Co. LLC

Q

Okay, great. Just one, quick one, if I may on the B2B side, exciting opportunity there. It sounds like you've got what you needed with MinimalTree, is it fair to assume that you don't need any other sort of technology now within that B2B offering and just curious, would you at all be interested in the AR side of the house? And again let me add my congrats on a great job today.?

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

A

Hey. Thanks, George and we always appreciate your support. I'll start and then I'll ask Cameron to focus on the second part of your question. But on the first part of what you asked for, I do believe as a product and a technology matter that we have all the assets we need in-house. Having said that and we said this in our announcement today with MineralTree, which we're very excited and proud of.

We said this morning that we're focused on scale, scale in all of our businesses but for these purposes, scale in the B2B sector. We think we're uniquely positioned and nearly two-thirds of $1 billion in revenue to be a market leader out of the gates. Having said that though, we appreciate more scale on our business. So, what does that mean here, well, today we are in 70 vertical markets across our businesses.

We obviously bring significant synergies on the revenue side with MineralTree. If that doesn't mean that we can't be in for more, I also mentioned in my prepared remarks, George, that we have a full pipeline you should assume and I'll tell you right now a bunch of that pipeline is in B2B so while we think we've a very good position out of the gates relative to the competition that doesn't mean that we're not going to look to grow that on an outsized basis which we intend to do going forward. Cameron, do you want to comment on the second part of the question?

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

A

Yeah. Sure. George, a couple of things I would add, one is if you think about what we had today by combining TSYS assets and Global Payments assets we clearly have both sides of the payment ecosystem to be able to attack B2B in a meaningful way. We can handle AP, we can handle AR from a payments standpoint and obviously MineralTree provides that AP automation software that sits at the heart of what will be our B2B offering. What we've been doing for quite a bit of time but we haven't spent a lot of time talking about is really focusing on the B2B market from an acceptance standpoint.

So within our business of Global Payments, we have a number of B2B customers today and handle billions of dollars of payment volumes as an acceptance matter, helping our customers accept payments via cards or ACH on the AR side of the equation. So as we think about the strategy as a go-forward matter, we already have a very strong position from acceptance. We can marry from a payment standpoint, TSYS capabilities and, of course, MineralTree to provide that full ecosystem with software sitting in the middle of it. Clearly, there's an opportunity to add AR software at some point in time to the offering. But we think certainly sitting here today, we have everything we need to have a very attractive and complete B2B offering in this space that really can't be matched by other participants in that market today.

Operator: Thank you. Our next question on the line comes from Mr. Timothy Chiodo from Credit Suisse. Please go ahead.

Timothy Chiodo
Analyst, Credit Suisse Securities (USA) LLC

Q

Great. Thanks a lot. I want to dig in a little bit to the cycle guide to some of the underlying components. First would be just to make sure we have it right. I know some folks will be asking the base here, I think is implied to be 2021 as we think about that low double-digit going forward. And then specifically within merchant, is it still fair for us to think about the implied growth there being in this sort of high single-digits for volumes but then the revenue, of course, in that low double-digit range driven by the software revenue and then the cross-sell of value-added services as part of that broader commerce enablement strategy? Thanks a lot.

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

A

Paul, do you want to take that question?

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

A

Yeah. So Tim, yeah, thanks for the question. And it was a good one as it relates to the cycle guide, certainly, as we look at the go-forward 2021 is the base that we're growing off of. So that's exactly right. That's the kind of starting point for the new cycle guide. And as it relates to the merchant side, yeah, the components there are, I said, roughly that kind of low double-digit as a segment basis but obviously there's several kind of components in that overall segment.

Obviously, we talked about the faster growing, kind of, integrated and the software piece being the key drivers there. And so we're very pleased with what we've seen and what we're expecting to see on that and certainly the e-com omni which we highlighted as well. And as a volume matter, typically like we've seen volume and revenue are very tightly correlated. So we would expect tight correlation to that on a go-forward basis.

Operator: And thank you. Our next question online comes from Tien-Tsin Huang from JPMorgan. Please go ahead.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Thank you. A really strong presentation, definitely going to use some of these data points here. Just on the cycle guidance as well, I wanted to ask this historically global, you have outperformed your cycle guidance. Do you see the same potential for over performance relative to this cycle guide? And if so what areas, just trying to – just curious because it's obviously a pretty impressive growth as you put it up on the top and bottom line?

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

A

Yeah. So Tien-Tsin, I'll take that. Certainly from a cycle guidance standpoint, as I said earlier, we're very pleased to be in a position to raise it for all the reasons that I outlined, the partnerships that we've had, the distribution and all the things that we highlighted that underpin the raising of the cycle guidance. I would say if you look, kind of, historically at global, the outperformance relative to cycle guidance has largely been tied when there's been large, kind of, M&A.

And so the outcropping of those successful transactions have allowed for additive performance on top of the cycle guidance. And certainly, the cycle guidance includes both inorganic and organic growth. And so where there presents kind of an M&A opportunity that allows for that, kind of, additive performance, certainly the track record has said that, that outperformance has occurred related to that M&A.

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

A

And Tien-Tsin, it's Jeff, I'll just add to what Paul said. I would say with our entry formally today into B2B, our pipeline is full. We see a lot of opportunities there. As Paul said in his prepared remarks that our incremental to underlying growth of our businesses today. So we would look at that area as well as the $2.5 billion, we've invested in over the last 10 months, most of which is in cloud-based SaaS. Those are examples, Tien-Tsin, I think of our ability to accelerate the cycle guide as we've done historically and as Paul referenced.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Got it. So, Jeff, for you on the MineralTree, what do we learn in terms of the valuation you're willing to pay on the acquisitions? It obviously makes sense, you guys have all scale and B2B as you called out here. But what do we learn about what you're willing to pay philosophically on acquisitions?

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

A

Yeah. It's a great question, Tien-Tsin. So just let's just start with the facts. So we paid about a mid-teens revenue multiple to next year. Tien-Tsin, there are some tax assets coming with that deal. But certainly mid-teens is something we thought where we needed to be to be market competitive. We got to ask the question really on the last call, will we do dilutive deals, not surprisingly MineralTree is not profitable today, it is modestly dilutive out of the box, yet we're going to absorb that.

I think, Paul, commented today in our initial targeting for 2022 on our earnings at roughly 20%. We're going to absorb that modest dilution in 2022 as we go ahead. So certainly, we need to look at where the markets are for valuation of the assets that we're looking at transact on. I think paying 15 times next year's revenue for MineralTree on a business that is not yet profitable is a good example of where we think the markets may be.

To the extent that those are returns are there and to the extent that there's strategic and cultural fit is sound than obviously in the case of MineralTree and others we will still go ahead and do those deals. Having said that though, as you asked Paul, rightly, in your first question, we've just raised our cycle guide today and we intend to hit or exceed that guide as Paul just mentioned, particularly, with deals in it.

So that doesn't change our view on where we're going to take earnings, for example, over the next cycle. And if we take MIneralTree as a good example, we're absorbing the modest dilution yet still targeting roughly 20% growth in earnings for next year. So as a strategic synergistic buyer, we've got a lot of firepower, a lot of free cash flow as Paul alluded to as part of these transactions. And we think we can be very competitive in B2B and other high tech spaces. And I think MineralTree is the best most recent example of that.

Operator: Thank you. Our next question on the line comes from Ashwin Shirvaikar from Citi. Please go ahead.

Ashwin Vassant Shirvaikar
Analyst, Citigroup Global Markets, Inc.

Q

Thank you, guys. And let me add my congratulations for the presentation that's well done. Yes, let me start with – Cameron, you had this comment 60% to 70% of new business wins today are software enabled. Could you break that down further by owned versus partnered? And then if you look at other sources of wins, the pieces like digital marketing and referrals, how effective are those going forward? If you could just kind of talk about those factors, cross-sell, things like that in terms of just where the new business wins are coming from.

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

A

Yeah. Ashwin, it's Cameron. I'll take and cut it and ask my colleagues to join in if they have anything that they'd like to add. So first I'd say you're right, we did mention in my prepared remarks that about 60% to 70% of our new sales globally are coming from our tech-enabled channels. That includes our own software, our partnered software portfolio, as well as where we're selling our e-comm and omnichannel solutions. And there are situations of course where we're leading with some of our commerce enablement capabilities as well, some of our point solutions or even our payroll and HCM business where we'll bring a merchant into our ecosystem by one of those channels and then obviously look to cross-sell other capabilities into them. And as also mentioned, probably closer to 80% of our new sales in the US are coming from those channels. So I can't really give you a precise breakdown of how much is coming from owned software, partnered software, e-comm, omni, but as you know, those three channels are the fastest growing channels in our business. Obviously, both have benefited from the pandemic by and large as we continue to see more demand for our commerce enablement solutions in the marketplace. And obviously, those three channels will continue to be drivers of the business as we move forward in time, and we continue to target that overall 75% of the business coming from our technology-enabled channels. That's true for the business overall. It's certainly true for our merchant solutions business in totality.

I think if you take one thing away from the conversation today is we lead with technology in our merchant business. We're either selling our own software solutions or we're working with our partners to sell a complete suite and an ecosystem to the marketplace that we're monetizing collectively with them through in some cases the payment stream, in some cases obviously the software itself, but we lead with technology. We have a variety of different channels by which we're able to sell those solutions and bring new merchants into our ecosystem. But we're making technology sales in the marketplace whether its own software or a partnered software or selling directly our e-comm and omni-solutions. That's how we go to market today. We don't lead with a commoditized payment solution. We lead with software. And then once we're able to bring those merchants into our ecosystem, we're going to add more capabilities, more software and more commerce enablement solutions to them. That's the mode of competition as we see it in the marketplace, and we think we're extraordinarily well positioned to win by virtue of the unmatched, unparalleled suite of capabilities we have.

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

A

Guido, do you want to talk a little bit about our tech stack because I think it speaks to that question in terms of where we are technologically that supports the digital sales efforts that Cameron described?

Guido Francesco Sacchi
Chief Information Officer & Senior Executive VP, Global Payments, Inc.

A

Yeah. Jeff, thanks, happy to. So first of all, let me say that it's great to be in a company that derives market leadership from technology leadership. And we do that thanks to all the work that we've done over the past 10 years at least to build the technology architecture that allow us to be nimble, to be scalable and to continue to provide innovation on a regular basis. That is mainly due to micro services, APIs and now being completely cloud native, and so not only having a scalable architecture, but also being able to continuously pass that innovation that then Cameron and Gaylon and our business can take to market in the forms of new and compelling products and services. So, we're very proud of all the digital assets and capabilities we have built over the years. And now with the AWS and Google partnership, we're just powering that innovation cycle. And you see that ultimately as Cameron said with leadership in the marketplace.

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

A

And if I just one more point to that, it's important to recognize that's in the case of both the products and solutions we're bringing to the market, but also the capabilities we use to run our own business. Ashwin you spoke specifically about our digital marketing capabilities which are powered by Guido and our technology team, those are representing about 10% of our new sales today are coming from our digital channels where we're marketing our solutions, leveraging the best-of-breed capabilities from a digital marketing standpoint to bring new business into the ecosystem, again still tied to selling technology product, software in the marketplace but again, using alternative channels by which to reach the customer base that we hope to bring to Global Payments.

Operator: Thank you. Our next question on the line comes from Mr. Bryan Keane from Deutsche Bank. Please go ahead.

Bryan C. Keane
Analyst, Deutsche Bank Securities, Inc.

Q

Hi guys. Really enjoyed the presentation. Jeff, this one's for you. The prevalent argument out there is that the acquiring market will be disintermediated due to the growth coming from ACH, an account-to-account payment processing at the point of sale. How do you think about that risk going forward?

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

A

Well, Bryan, it's great to speak to you. It's a fantastic question. So one of things we tried to emphasize today in our prepared remarks is that we have extensive exposure to nonbank rails. Let's just start with the announcement that we made today in the context of B2B. So as Josh described in his prepared remarks, the vast majority of transactions that occur today in the B2B marketplace are either a cash in check and the ones that are more electronic tend to be more ACH for example in nature. If you move back further, Bryan, beyond B2B, we have global payments for a long time, have had extensive exposure to nonbank card rails. So, what do I mean by that? Let's take a look for example at parts of our integrated business. Now, we're going back, Bryan, to environments that maybe only you and I remember, but at the end of the day for example health and fitness, self-storage, areas that were really big in our business, PayPros going back to 2014, those are largely ACH-based. In fact, our business in Australia, New Zealand is called Ezidebit. And debit in that context, Bryan, actually means ACH and that kind of stuff rather than really card-centric examples.

And then lastly, I'll say let's point to what we announced this morning, Bryan, with Virgin Money. We're marrying our issuing and acquiring assets in the form of transaction stream optimization. So what are we really doing there? And we tried to say this on the slide, but we only have so much time. But in response to your question, what we're actually doing there is turning Virgin Money into an Apple Pay, Alipay, Amazon Pay and that's largely going to reside over Virgin Money's rails, meaning nonbank card based, meaning ACH and direct debit for the tens of millions of consumers that are the customers are Virgin Money in the United Kingdom and worldwide. So that last piece, the last example in use case, Virgin Money, that's really only possible with nonbank owned rails.

So I actually think and that's one the most exciting things among other things I think, but certainly one of most things, the things I'm most excited about that we announced today and that is a nonbank rail based payment. So at the end of the day, Bryan, complexity is our friend, enabling merchants to take choice as I tried to say in my opening remarks. We enable more than 140 alternative payment methods today. BNPL/IPP is just one of those. Bankcards are just a small sample of those. We obviously power ACH, A2A, asset account, payments around the world. Faster payments has been a great tailwind for our business in Europe. To the extent that comes to the United States, that will be another tailwind for our businesses. So I would actually say, Bryan, that to the extent those things do get traction, that's really nothing but good news for Global Payments.

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

A

Yeah. And Bryan, I would just add to that, as I mentioned in my comments earlier, a couple things. First of all, we today are able to manage over 140 alternative payment mechanisms including sort of account to account and other non sort of card based rail type payments, BNPL being a good example of that. The other thing I would say is payments is just simply one of the offerings that we have for our customers. We lead with software. Our customers are looking for us to provide a number of other solutions to them outside of payments. So again, payments is obviously a core part of the offering that we have for our merchant customers. But they're really looking for us to deliver software solutions to help run and grow their businesses more effectively. And in a number of cases, we are the system of record to run their business. So as ACH or more sort of account-to-account based payment methodologies, cannibalized cash and check and other sort of payment mechanisms, we're going to participate in those payment streams. But again, we're in this ecosystem with our customers in much more deep and meaningful ways as it relates to how they run their businesses today. So as it relates to risk of disintermediation for us, we certainly don't see that in our business. And quite the contrary, I think we're the beneficiary as more and more obviously digital payment opportunities become mainstream usage or adopt mainstream usage in the merchant space.

Guido Francesco Sacchi
Chief Information Officer & Senior Executive VP, Global Payments, Inc.

A

And I'll add one final point...

Bryan C. Keane
Analyst, Deutsche Bank Securities, Inc.

Q

Got it.

[indiscernible] (02:53:04)

Bryan C. Keane
Analyst, Deutsche Bank Securities, Inc.

Q

Go ahead.

Guido Francesco Sacchi
Chief Information Officer & Senior Executive VP, Global Payments, Inc.

A

To add one final point to what Cameron said and to reinforce this kind of arguments, I would say we are very, very good at using and monetizing the data that is necessary to underpin all of this. So for example, regardless as Cameron said of what rates we use, but our use of analytics, machine learning, artificial intelligence to then power innovating offerings happens underneath and continues to produce revenues for us. So we really produce an ecosystem as Cameron said with the technology underpinnings that we have that continues to produce revenues and innovative offerings in the marketplace.

Bryan C. Keane
Analyst, Deutsche Bank Securities, Inc.

Q

Got it. No, that's really helpful. Thanks for that. And then just real quickly, Paul, just thinking about that 20% EPS growth for next year, I assume that also comes with some outsized growths in revenue and margin, if you can just give us any kind of high level color on that. Thanks.

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

A

Yeah. So, Bryan, obviously, we'll give a lot more color on this when we talk about our guide at the start of next year. I would certainly say, on the margin side, we continue to have merger-related synergies related to the TSYS merger that we'll realize next year. And so those will be additive or accretive kind of to our kind of more normalized kind of margin expansion. And certainly on the revenue side, obviously, there is comparisons between the prior year in the first quarter that will be favorable and then all the fundamental kind of things around the organic growth that I talked about in my prepared remarks, obviously, will play their way through. So we'll give a lot more color on it, but we're very confident and look forward to kind of playing out throughout the year next year of the performance that we expect.

Bryan C. Keane
Analyst, Deutsche Bank Securities, Inc.

Q

Got it. Thanks so much, guys.

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

A

Thanks Bryan.

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

A

Thanks, Bryan.

Operator: Thank you. Our next question on the line comes from Jason Kupferberg from Bank of America.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Hey. Thanks, guys. Good morning. Appreciate all the facts and details today. And certainly seems like MineralTree is a nice evolution of the playbook here. I was hoping you could tell us a bit about how fast the overall revenue base is growing there, not just this year but as you look out over the next few years. I know you gave some data on growth and the monetized payment volumes, but wanted to understand kind of the SaaS based part of the revenue there versus the piece that you're monetizing on the payment side and then get an overall sense of the growth rate for MineralTree going forward. Thanks.

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

A

Why don't I start with just some KPIs around the business? And then I'll ask Paul talk little about the numbers. So, the majority of the revenue at MineralTree is SaaS, so subscription software delivered in the cloud, largely via AWS, that's the majority of the revenue. The next biggest chunk and they're kind of equally sized is a mix between transaction revenue, as well as payments revenue. As I think Josh said, Jason, during his presentation that the payments revenue is only about 10% penetrated today at MineralTree which means something like $10 billion or $15 billion of volume, out of a base of $110 billion to $120 billion of potential volume for their monetization. That's growing very quickly which I think is really good news for what they do. So, we're super excited about that. But that is really the second or third largest chunk of the revenue stream. The majority of the stream is really coming from software-as-a-service delivered largely in the cloud. Paul, you want to talk a little about sizing.

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

A

Yeah. So, if you looked at it on a 2021 basis just call it kind of roughly mid-$20 million kind of revenue growing at 20-plus-percent. So that's kind of the sizing that we're looking at is kind of that 20-plus-percent kind of growth rate going forward and that's roughly the sizing of the business today under our convention.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Okay. That's helpful. I know you mentioned processing, I think a $1.5 billion buy now, pay later transactions this year, I was curious what the mix is there between merchant and issuer and how fast that transaction crown is growing? And any comments you might want to share in terms of partnerships you may have with some of the larger pure play BNPL providers?

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

A

Yeah. Jason, it's Jeff. I'll start and I'll ask Cameron to comment on the merchant side. So, I would say that $1.5 billion is really mostly an issuer number. I think Gaylon talked about $128 million per month, now we get paid on that today. So, as you probably know, a percentage of our issuer revenue comes from transactions. So, to the extent that the issuer is involved at the point of sale or virtually in BNPL we get paid on that currently, which is why we said it's incremental to our revenue and our financial returns. In terms of deals that we've announced recently just speaking for issuer for a second and BNPL and we said this in our call last month, we've announced deals with both networks Visa and MasterCard to facilitate additional BNPL and IPP in this space. We also announced deals with a bunch of banks. I think in the last quarter it was in Canada I believe was Desjardin and CIBC in particular on the BNPL IPP side.

But just be clear to back up for a second, Jason, I tried to make this point in my prepared remarks. This is something we've been doing IPP and BNPL as a matter of course and table stakes literally for decades. I mean, decades in the context of issuing and acquiring as I try to also say that's only good news for Global Payments you know at the end of the day because those are really incremental transactions in terms of what we see particularly in markets outside the United States where this matter of payment type has really been predominant in Asia Pacific in particular, speaking for Global and TSYS over the last number of decades. So, we do view it as table stakes, it is nothing but good news for us as that thing grows, we'll continue to make more money on it as we have for many, many years. Cameron, you want to talk about the merchant side.

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

Yeah, it's a really interesting question. So, if you think about the merchant side, obviously the heart of our business today is really focused around our bank partners outside of the US where we provide IPP services and have for many years. In addition to that, we do partner with a number of the newer players to the BNPL market. We have a variety of different commercial relationships with those players around the globe. Our view is that market is going to continue to shake out over time. So, we've worked very hard to align ourselves with a number of different players so that we can offer our merchant customers basically BNPL as a service.

End of day our objective is to make sure that our customers to the extent there is a demand by them for BNPL capabilities, we can offer them the access to their partner of choice through our ecosystem to ensure that we continue to see the same economic benefit from those payment flows as we otherwise would. I would say by and large if you look at our merchant business today, BNPL economics for us are pretty similar to what we see with any alternative payment mechanism. We're still the beneficiary of those volumes in our ecosystem and obviously our objective is to continue to work to ensure that we're equipping our merchants to be able to accept BNPL payment flows with their partner of choice through our ecosystem over the course of time.

Depending on the market that you look at around the globe it probably averages anywhere between probably 3% and 7% of our total payment volume. So certainly, the experience from a BNPL standpoint today in an online world is pretty good at the point of sale, there's still a fair amount of friction there, that will continue to change over time. And I think we're well-positioned to work with our partners in the BNPL space to continue to equip our merchants to be able accept that payment type as we move forward.

Jason Kupferberg
Analyst, BofA Securities, Inc.
Q

Okay, that's great color. Congrats guys. Thanks.

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

Thanks Jason.

Operator: Thank you. Our next question on the line comes from Vasu Govil from KBW. Please go ahead.

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

Hi. Hi. Thanks for taking my question and thanks for providing us all the color today. That was really great. I guess my first question I think historically my understanding is that your cycle guide has probably included 2% to 3% or somewhere in the low single digit range of earnings contribution from M&A. And also based on your comments or I think Jeff made those comments on the valuations that you're willing to pay at this point in time if that type of contribution is still possible but perhaps you have a more deployable capital that's offsetting the higher valuations. Or should we think about the contribution differently?

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

Paul, you want to start?

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

A

Yeah. So, and I'll start off and Jeff and Cameron may want to add. But yes, I mean the cycle guide does include capital allocation and we have had a track record of having additive kind of earnings growth relative to capital allocation. And we expect that on a go forward basis. I do think Jeff's point earlier around MineralTree is a perfect example though of us being able to blend both acquisitions that aren't necessarily immediately accretive right out of the chute, but also still be able to achieve the earnings cycle guidance that that we've outlined. And so, our approach definitely is to as we have in the past to build kind of our plans around achieving the cycle guidance M&A obviously and capital deployment in general is additive to that. But as we said with MineralTree and next year around being able to target right now the high end of that cycle guidance with an acquisition that that doesn't produce kind of immediate profitability. I think is example of being able to kind of balance both of those, I don't know if you have anything to add to that.

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

A

Yeah. Vasu, it's great to speak with you. I'd also add to what Paul said by saying at the end of the day that we're in an environment with our marginal cost of capital on the debt side in particular is very low. So, the 10-year – I've been here all day. So, it's hard to say today, but it's a 10-year is what it is. You know on a given day after taxes probably a PE equivalent of 50 times earnings and obviously we're generating as Paul mentioned in his prepared remarks a fair amount of free cash flow.

So those things necessarily inform the levels of valuation in the capital markets, and you don't need me to tell you that, you kind of know that to be intuitive and empirically true. So, to the extent that those things persist then I think our ability to make the kind of investments with the capital position that we have as we've done in MineralTree, MineralTree will also exist and may even get better over time as we have more scale in our businesses versus our last Investor Day.

So, I think it puts us in a very advantageous spot. If you think about what Paul said, $30 billion of capital. Well, look we're not a bank. We're not going to sit on lazy capital. So, we intend to deploy that. I think we've got a very good track record of doing that and obviously the $2.5 billion we've invested over the last 10 months I think is the latest and best example.

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

A

Yeah. And I would just add one final comment to that which is that you can just look at our track record over the last year and it gives you a good, I think example of how we can blend opportunities to invest in very attractive strategic markets like B2B through MineralTree while at the same time doing deals in our core business that are accretive immediately and obviously helped to drive the overall cycle guidance or our ability to achieve the cycle guidance that Paul highlighted earlier including Zego, obviously Payone assets in Austria, Bankia and Spain. Those assets are nicely accretive for us, kind of out of the gate and married up with the opportunity to expand into B2B with MineralTree still position us nicely to be able to use our capital availability and our balance sheet to drive towards the targeted outcomes we have from a cycle guidance standpoint.

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

Q

That's very helpful color. Thank you. And just my follow-up question is on B2B, as you've highlighted it's clearly a very vast opportunity, it seems to us that the market is quite fragmented with a number of different companies going after it in different ways and you have obviously highlighted that distribution is an advantage for you given just the breadth of merchants that you have to date, but beyond that should we think about your solutions being developed sort of in a vertically focused way like you've done on the merchant side or you will be sort of targeting like you know it's more horizontally or its segmented in the market in terms of size, like how should we think about how you will go to market and what segment of market you will attack as opposed to, you know what everyone else is doing.

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

A

Yeah, Vasu, it's a great question, so I would say you should think about that in the context of two things, first I think we are all about vertical market segmentation. I think a lot of our presentation today was target that, I think Cameron actually said and I agree with that, at the end of the day you really can not only sell to a given vertical market without having expertise in that market, we are not the only people of course you know with that – with that thesis, but the truth is sitting here today, that we target over 70 vertical markets at our company, by the way MineralTree also directs a number of vertical markets that are very complementary to us, but I think the first answer to your question is we are going to apply the same playbook to MineralTree and the B2B that we really applied very successfully I think to legacy Global Payments and legacy TSYS which is that the world is all about, vertical market segmentation, naturally how you preserve pricing integrity, kind of in what we do. The second thing in here I think we're a little bit different than everybody else is this scale and scope of the worldwide operations that we operate, so based on my knowledge of the business and everything else we've talked a lot about this today in our prepared remarks. But as it relates to B2B our ability to bring a multinational footprint where we're physically present in 38 countries, only one of which although it's critical, but only one of which is the United States is really distinctive to us. So, I think if you marry the vertical market segmentation and B2B and everything else, coupled with our virtual and physical, but really for these purposes, physical presence in 38 countries, I don't really think anyone has an ability to match that. So, as we said in our prepared remarks, MineralTree is primarily US domestic. There are some cross-border flows, which I think as Josh said, are very interesting opportunities for things like crypto to avoid FX fees and charges.

But I think at the end of the day, the ability for us to take a business scale it very meaningfully as we'll do with MineralTree partner it with our vertical markets' expertise, but also bring it multi-nationally where it's not today I think is only incremental and additive really to what we do. And I think that is kind of what we bring, Vasu, is a slightly different take on really, really the rest of the world is.

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

A

And Vasu, it's Cameron. I would just add maybe just one other comment. If you think about the opportunities we see for MineralTree, certainly embedding those capabilities into our own vertical market software offerings today is a very attractive avenue to drive incremental growth in that business. Secondly, leveraging the 6,000 partner relationships we have in our ISV business to be able to drive again those capabilities that have integrated offering into their suite of solutions to drive again new avenues for growth in the business are really attractive. So, I think the short answer is yes. Certainly, as a vertical matter, we look to bring MineralTree to market on a vertical by vertical basis, leveraging the vertical market expertise as Jeff highlighted earlier. The other thing to remember is B2B is about payments. Right. Software sits at the heart of facilitating a payment flow in a basically a workflow behind the scenes. But end of day, B2B is about payments. And certainly, there's nobody better I think to be able to attack the opportunity from a payment standpoint than Global Payments given our scale, our expertise and obviously the vast capabilities we bring to market from a payment standpoint.

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

Q

Super helpful. Thank you very much.

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

A

Thanks Vasu.

Operator: Thank you. Our next question on the line comes from Mr. David Togut from Evercore. Please go ahead.

David Mark Togut
Analyst, Evercore Group LLC

Q

Thank you. Good afternoon and appreciate the extensive financial and strategic update. Can you address whether the Virgin Money win offers you the opportunity to do on-us transactions? You cited – both the Issuer and Merchant side of the business that were involved there. Is on-us a significant component of that contract?

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

A

Yeah, David it's Jeff, I'll start. The answer is, absolutely. So, we call it now transaction stream optimization. I think one of the obvious use cases, Alipay, WeChat Pay, Amazon Pay, Apple Pay, is to do it on us, right?

So, certainly, marrying our issuing technology, which is extensive, multi-national, and Gaylon described today, we are the leading market share in the countries he described, particularly for these purposes, Western Europe and ultimately, really North America, marrying that with the announcement we made today on the acquiring side in Cameron's domain, where we're going to become, going forward, the exclusive referral partner for Virgin Money in the United Kingdom, really puts us in a unique position, David, to do just that. Which is to say, to create two-sided on-us network equivalence that really no one else can do cross-border, but also allowing consumers and Virgin Money's customers – allowing them to get better access to their data, better loyalty information, real-time BNPL and IPP, because those accounts are resident, and obviously, [ph] you have (03:10:30) Virgin Money in the United Kingdom.

So, really, it's a sample set that no one else and a use case that no one else can really match, obviously on-us and the disruptive economics that are in on-us are a big part of that, but I would say more broadly, if you step back, what we really tried to emphasize was a better consumer experience, stickier, more efficient, easier, secure, all those things, and ultimately at the end of the day, we're looking at that as an ability to add another payment type, which is way we try to describe it along the lines of an Ali and the like, powered by on-us-like economics.

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

A

And David, this is Cameron, the only thing I would add to that, if we think about the Virgin Pay opportunity and Virgin Money opportunity is, we talked about it internally, there's no really better representation of the power of brining TSYS and Global Payments together, than what we've announced this morning with Virgin Money, the ability to match the acquiring side of the business with the issuing side of the business, wrapping that in a digital pay proposition with the strength of the Virgin brand behind it, is really distinctive and differentiated, and again, I think is a great representation of the strategic merits that we saw on putting Global Payments and TSYS together, two years ago this month.

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

A

And I would add Guido, you might want to talk about the data analytics because that's a huge piece of what we're trying to do.

Guido Francesco Sacchi
Chief Information Officer & Senior Executive VP, Global Payments, Inc.

A

Absolutely. And I was just saying that, that is absolutely a demonstration of how our technology leadership comes together to bring these new digital experiences that then go into omnichannel experiences. So, we need to have all of the APIs that go with debit and credit offerings, we need to have all of the data that then we come – we put together and very flexibly, we can deliver things to native cloud capabilities, machine learning, sophisticated analytics, that can be used, that we are using, to provide this new offering such as loyalty, and specific new offerings targeting to a particular set of customers.

So, we can do all that because again, we have modular digital assets that are available very flexibly generally through API, whereby we can deliver these very differentiated and very unique complex digital experiences to our customers. So, very happy about that.

David Mark Togut
Analyst, Evercore Group LLC

Q

Thanks for that. Just as a follow up, Jeff you've underscored $25 billion in capital capacity for growth over the next four years, but that assumes a net debt-to-EBITDA target ratio of 3 times. If we look at your strategic acquisitions historically like TSYS and Heartland, I believe you've gone to four times or even north of four times, so when you look at the strategic acquisitions that might be in the pipeline, the favorability of the debt markets, would you be willing to take that leverage up to four times and possibly even five times?

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

A

Well, let me turn that over to Paul.

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

A

Yeah, so, David, we – and we certainly had this from a legacy TSYS standpoint where, for a specific acquisition, yeah, we would move up to that four times and then use the delevering capacity of the company to kind of get back to that more normalized roughly three times. So, yeah, that's still obviously something that we might do for the right kind of transaction, and obviously we love to be in the position that we're in, to have that kind of flexibility and capital to be able to deploy for the things that we want to deploy it to.

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

A

You know, David, we like to under-promise and over-deliver. That's how I look at it.

David Mark Togut
Analyst, Evercore Group LLC

Q

Thank you so much. Appreciate it.

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

A

Thanks, David.

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

A

Thanks, David.

Operator: And thank you. Our last question online comes from Ramsey El-Assal from Barclays. Please go ahead.

Ramsey El-Assal
Analyst, Barclays Capital, Inc.

Q

Hi. Thanks for taking my question today. I wanted to ask you about pricing. I guess as you lead with software and provide vertical-specific solutions, the relationships with the merchants seem to be getting deeper and stickier, how has the pricing strategy evolved alongside that? Are you seeing an increased ability to potentially reprice as you deliver more value alongside the payment itself?

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

A

Cameron, do you want to?

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

A

Yeah. Ramsey, it's Cameron. So, I think you're – I'll start with your first point which is, we are leading with product technology software so really trying to embed ourselves with our customers, again, either as the enterprise software that runs their business or obviously with very targeted solutions that help run and grow their businesses more effectively. I think that integration that we bring from a payment standpoint has value.

We've always seen that in an integrated business, we certainly see it in our own software business, and as we're able to bring value to our customer and more targeted software solutions again, that are really focused on driving more top-of-funnel flow through the business, as well as increasing the operating efficiency of the business, clearly, they're less focused on the basis points they are paying for payment processing.

So, our ability again, to embed ourselves more deeply with those customers, delivering value-added services and capabilities, provides a very strong lifetime value from the customer relationship. It also gives us the ability to avoid competing on a basis-point by basis-point basis for the payment side of the business, which is obviously integral to our ability to deliver a full suite of data and analytic capabilities for the customer.

So, kind of a long-winded answer to what is a relatively simple question, which is, I think about it more as an ability to stave off competition around the pure payments side of the business, by our ability to wrap more capabilities around that customer, build deeper, stronger relationships where they were more reliant on our solutions to run their business, and that allows us to price the payment side appropriately, we think, given the value that we're delivering to them on a complete and full basis.

Guido Francesco Sacchi
Chief Information Officer & Senior Executive VP, Global Payments, Inc.
A

I would add just to...

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

And that makes a lot sense.

Guido Francesco Sacchi
Chief Information Officer & Senior Executive VP, Global Payments, Inc.
A

...look under the hood a little bit on the technology underpinnings that we made the previous point that we also completely digitized that internal processes. So now our capability of pricing, understanding potential for attrition, understanding what we need to do to increase stickiness, actually all of that analytics and the data underpinning that all works in the Google Cloud and our internal teams have become extremely sophisticated in making those decisions to actually aid the business.

We can run different scenarios. We have our own algorithms to predict what's going to happen. So, again, the digitization of all of that work is providing a very good boost to the business decisions that we make internally.

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

Okay. Got it. So, deeper relationship, deeper engagement is as much a benefit or a better – a more important benefit than actually taking price in and of itself, which I get, that makes a lot of sense. I wanted to ask as just my quick follow up on NetSpend in the Consumer business, I didn't hear a ton about it today. Just curious if you can comment on the longer-term strategic fit or any longer-term vision you have for that business?

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

Yeah, Ramsey, it's Jeff. So, at the end of the day, we're focused really on three strategies for NetSpend and we have been for some time. Digitization, and we talked a lot about that today in the context of our – the changes coming out of the pandemic which has accelerated NetSpend as it has in a good way in the rest of our business. Second, internationalization. We've talked about Bankia, we've also talked about Caixa's business, MoneyToPay, in the last year, and the last piece of course is B2B. So, when we did the partnership with TSYS almost two years ago to the day now, we renamed that business, not NetSpend that segment, but business and consumer.

So, back two years ago, we had a thesis that B2B was going to be an important part of what we do, but in particular that there were elements of NetSpend, particularly PayCard, EWA which they launched, recently [ph] TIPS (03:18:14) related products and the like, they're really B2B-centric and I think in combination with today's announcement of MineralTree, there's over $100 million already of revenue in and around that business of the $600 million-plus at the company that is B2B-centric. So, we do think about NetSpend in the context of those three strategies, obviously B2B, and the fact that it's business and consumer. MineralTree is a good case study as to what we think about that business.

More broadly though, if you step back at the end of the day, all of our businesses are things that we evaluate continually for fit, for efficiency, for valuation alike, and I don't think NetSpend is any different in that context, than the rest of the businesses. So, clearly, we think there's a good B2B angle to kind of what we're doing, but we also clearly recognize that over time, then there would be better owners of any of our businesses, not just NetSpend, than we are today, and as you know about us for sure, Ramsey, we are very focused on shareholder returns and shareholder value. So, we'll consider anything I think in due course for any of our businesses, if we think that's an effective way of maximizing valuation.

Ramsey El-Assal
Analyst, Barclays Capital, Inc.

Q

Great, thanks so much. I appreciate it.

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

Thanks, Ramsey. So, with that, I will now conclude our Investor Conference. We very much appreciate your time over the last several hours and for your interest in Global Payments. We really look forward to being together in person in the near future. Thank you, again, for your time and interest in us today.