

16-May-2022

Global Payments, Inc. (GPN)

Barclays Emerging Payments and Fintech Forum

CORPORATE PARTICIPANTS

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

OTHER PARTICIPANTS

Ramsey El-Assal
Analyst, Barclays Capital, Inc.

MANAGEMENT DISCUSSION SECTION

Ramsey El-Assal
Analyst, Barclays Capital, Inc.

Pleased to have Jeff Sloan, CEO of Global Payments with us today. Jeff, thanks for being here. Greatly appreciate it.

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

Thanks for having me, Ramsey. Delighted to be here.

QUESTION AND ANSWER SECTION

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

Q

Let's start with a high-level question. I sort of asked this because it feels like investors have kind of lost the thread a bit in the fintech sector specific to Global Payments. What are the longer-term sort of secular trends that you still see as powering the space and Global specifically? What else, cashed electronic, analog to digital, what is going to – what's the secular kind of fundament to sort of underpin growth for the next few years?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Well, it's a great question, Ramsey and thanks for asking it. So, I would start by directing everybody to our investor conference last September where we spent 3.5 hours and more than 70-plus slides really going through what the strategy of the company is and where our tailwinds are and where we're headed. So let me just summarize a little bit of kind of what we said then because I think it does address the question you just asked.

So, our four pillars to our strategy that really driven the outsized growth we've experienced over the last, really, nine years since we've been running the company, first that is software both owned and partnered. Second, it's our presence in the omnichannel market. Third, it's our exposure to faster growth markets around the world. And fourth, and more recently now it's our B2B presence which we announced really last September as the newest leg to the stool with our concurrent acquisition of MineralTree which closed in the fourth quarter of last year.

Each one of these strategies, Ramsey, has specific tailwinds to it, I'll go through each one of those in a bit more detail. The other thing I do want to mention at the end of the day is that nearly \$30 billion of free cash flow between the cash flow of the business and the investment-grade debt capacity in the business that we expect to realize over the next cycle, which includes, of course, are nearly 100% conversion rate from earnings per share into free cash flow for the company at a very steady rate.

If you back up and you say, okay, those are good strategies, what does that mean in terms of detail? What we said in September, Ramsay, is that sitting here today, we are top quartile software as a service company with nearly \$3 billion in software revenue annually. We believe that we have the leading omnichannel payments platform globally with nearly \$1.5 billion of revenue in that business across more markets virtually, but also importantly physically as people return to the physical environment as the pandemic wanes, including, of course, our B2B assets.

When you ask about sustainability and what people should be focused on, in the current environment, the strategy in the four legs stool I just outlined have produced any number of records for us as a company over the last several years, including in the first quarter. So, for example, in the first quarter of 2022 that we just reported a couple weeks ago, record bookings in our Merchant business with 20% bookings growth year-over-year, record conversion pipeline and pipeline to new wins in our Issuer business.

So, we announced the finalization of our letter of intent with Caixa, which is the largest signing for us since Bank of America in 2013. And we now have the largest conversion pipeline in our Issuer business that we've ever had with 56 million accounts on file ready to be converted starting back half of this year, which provides a lot of visibility and legs for growth over the next year-and-a-half. And we produce record revenue, operating margin, and adjusted earnings in the first quarter of 2022, that despite – and reaffirmed our guidance for the year, that

despite an \$80 million headwind, which is \$20 million from the exiting of our Russian business and \$60 million incremental on FX. And nonetheless, we produced a record first quarter and of course are absorbing all that in the reaffirmation of our guidance.

In terms of resilience and what to expect, what investors are getting or not getting, I would just say that our business model is highly resilient. I just gave you some of the statistics that we produced in the current challenging macroeconomic environment. We don't depend on zero cost of capital for the success of our business. I mentioned a minute ago that we expect to do \$30 billion of free cash flow and leverage capacity incrementally over the next cycle. And a lot of 2021, Ramsey, reminded us of what you saw in the late 1990s before the Nasdaq implosion, and we were warning about that the back half of last year, unfortunately, it seems to have come to pass as rates have [indiscernible] pretty dramatically.

Yet despite that, our business model doesn't depend on those things. And in fact, we've had the best performance in our history in 2021, the best first quarter we ever had in the March quarter 2022 with our reaffirmation of our guidance, the best series of expectations we've ever had heading into the remainder of 2022 despite the headwinds that we've just absorbed, to be honest, in our numbers. So I think the resilience of our business and the visibility in our performance is something we're really pleased about.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

Q

Yeah. And you touched on this – I mean we are in one of the most macro sensitive markets that I can remember in quite some time. What's your general view on the health of the consumer in the markets that you operate? How concerned are you about the sustainability of consumer spending as we move deeper into the end of this year and into next year?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

It's great question too, Ramsey. I would say, as we saw – as we announced, sorry, a couple of weeks ago in our May call for our first quarter, April for us was a very good volume month consistent with our expectations and the trends that we saw coming out of March. Our assumption for the remainder of the year is continuing recovery from the pandemic and also a stable macroeconomic environment, the ones we've seen through April and that's really what we have experiencing. So, really, haven't seen an impact of any significance to the consumer yet, we have a small Russian business that we exited, which is what we announced a couple of weeks ago, Ramsey. Yet, we have not seen an impact on the rest of our European businesses, for example, coming out of the ongoing war in Europe.

So, to date, I would say the consumer remains very healthy. We really have not seen a volume or other performance impact of any significance coming out of the consumer. If you break down further into our business segments to get to heart of your question, in our Merchant business, new sales and bookings trends remain very consistent. We saw 20% bookings growth in the first quarter of 2022 relative to 2021. We saw 35% bookings growth in our vertical markets business with really record bookings in our TouchNet university business and in our active business and in our AdvancedMD healthcare business. And one interesting fact, Ramsey, is if you go back when we did the AdvancedMD deal probably four years ago now, we had 33,000 small doctor physician offices using our services. What we announced a couple of weeks ago is we're now up to 50,000 physicians' offices in United States using our services. We gone from 33,000 four years ago to 50,000 despite the challenges that have occurred in the world the last 2.5 years.

On our Issuer business, we had double-digit volume growth in the first quarter year-over-year; we had 3% net account on file growth. We also have the largest pipeline in our history, as I mentioned a few minutes ago. So, really, when we think about the health of the consumer, Ramsey, the consumer today remains helpful, very healthy. And we haven't seen any real impact to our expectations for the remainder of the year coming out of the consumer spending or psychology, rather, we've been able to reaffirm our guidance while absorbing incrementally about \$80 million of revenue headwind for the remainder of this year coming out of the first quarter principally related to incremental effects of \$60 million and the exit of Russia \$20 million. So we're going to absorb that, maintain our guidance, and exit the first quarter with a very good month of March and a very healthy business despite all the challenges, globally. So pretty pleased with where we are.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

Q

That's terrific. It is a confusing time. You hear a lot of headlines about an economic pullback. On the other hand, the consumer balance sheet is clean, the labor market is tight. So, there seems to be a lot of kind of offsetting forces out there that probably are beneficial to you guys. Let's talk, if you look on my comment on Merchant yields were very healthy in Q1. I guess can you remind us about sort of puts and takes there and how you expect yields to trend for the remainder of the year and maybe beyond?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah. So, our Merchant yields have really been steady for the last several years and of course we started disclosing by quarter. I think we're three years and a quarter now volume and revenue yield numbers that we've disclosed, starting with our report for the fourth quarter in February of this year. If you do the calculation, you'll see their yields been very stable over the last two or three years despite the pandemic. You've seen a bit of a pickup likely in yields more recently, Ramsey, as our vertical markets business, which includes a lot of software and it has really recovered. So, our expectation for vertical markets, as we said in a call a couple weeks ago as much as we predicted exactly over the last several quarters is return to growth. It's now a tailwind to our Merchant revenue growth and we expect that to be a tailwind for the rest of this year.

So, for example, Ramsey, in the first quarter, our vertical markets revenue growth was in the high 20s, organically in the high teens, call it, 20%. Our overall Merchant growth was 17% reported, 18% constant currency. And that's my point about the tailwind to Merchant growth. So, we expect that to continue, Ramsey. There's a little bit of noise in our volume reported results because we have oil and gas in there. We generally charge for our oil and gas business as \$0.01 plus or minus per transaction. So, with the price by pay at the pump and gas at the pump, with that price going up, you will see volumes go up a little quicker in some cases as it relates to volume trends.

But by and large, we've been able to grow right through that over the last period as vertical markets has recovered. So it's been pretty stable over the last 2.5 years, and I expect that stability to continue. If you partner that with some of the things that we've announced, Ramsey, with people like Google, so we've been giving an update by quarter probably for the last six quarters of our Google business. We border their volume now in Asia Pacific. We expect this quarter to board their North American volume toward the end of the quarter. We expect to release the [ph] Run and Grow My Business (10:32) software with the folks at Google as we entered into the back half of this year. All those things will be additive, Ramsey, to our revenue growth in our Merchant segment and provide us with a lot of confidence and the stability of our yield in our Merchant business. So, I would say the short answer is, it's been really stable over the last 2.5 years sort of stable through the first quarter and our expectation is for stability through the rest of this year.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

Q

Okay. And Jeff, this is a topic that comes up with investors. It's just sort of the competitive landscape and sort of how you're looking at it. Things have gotten a lot more complicated out there in terms of sort of layers inserting themselves in the value chain. Half the time, it feels like you guys power those layers and yet sometimes investors turn around and view those things as – those entities as competitors rather than as partners. So, give us your view of the competitive landscape, Global Payments position in it? How are things trending for you over the next cycles?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah. So I would say our business has really outperformed, especially in the Merchant side, the competitive landscape for pretty much the entire nine years, to be honest, Ramsey, that we've been running the company. I think the reason for that is we've generally been ahead, as you mentioned, at the vanguard of the transit really driven outsized growth.

So let's just start with breaking down our Merchant segment further. So let's start with our partnered software business and then we'll go in a second to our owned software business and our e-comm omnichannel businesses, which just driven outsized growth. So, just to give you one snapshot, if you look at our volume growth in Merchant, Ramsey, in the first quarter of 2022, we essentially grew double the rate of volume growth of Fidelity and Fiserv, EVO to the extent that I can figure out, I think we grew double their volume growth in the first quarter of 2022 as well. And I would say, relative to the networks, if you compare 2019, in particular, which has T&E on both sides, we outpaced the rate of volume growth of the networks by 200 basis points to 300 basis points depending on which network you're talking about relative to first quarter of 2022 versus the first quarter of 2019 which has T&E really on both sides. So I think the proof is in the pudding, the math is the math.

And I think the reason we're in the place that we are, fortunately, is in the case of our software businesses, and let's start with partnered software, Global Payments Integrated, in particular. That business has really accelerated growth, Ramsey, over the last 10 years that we've been in the business. So, we've actually grown that business such that we're at the same revenue number that we've been at, Ramsey, had there not been a pandemic in the first place through the end of last year into the first quarter.

So, for example, our US payments business, Global Payments Integrated US payments and payroll, the old Heartland, that business grew mid-teens in the first quarter of 2022 as a revenue matter. And of course, the volume numbers as you saw, were high teens to 20%, constant currency. So the first thing I'd say is Global Payments Integrated has compounded at mid-teens by itself over the last two years or three years. If you'd go back pre-pandemic, Ramsey, that business was probably going at low double-digits. So we've actually seen an acceleration of growth in our partnered software business over the last call it three years pre-pandemic continuing into today.

The second thing I would say there is our e-comm business, which is about 25% of our Merchant revenue. That business actually grew 20% volume, Ramsey, including T&E in the first quarter of 2022. That is multiples faster than what you saw the reporting from the networks in the first quarter. So, that business, which is about \$1.5 billion plus of revenue for us annually, also has accelerated relative to pre-pandemic levels. So, just like GP Integrated, if you went back and said what was that business growing at the previous decade, you would have said 12% to 15% while we just did 20%, and it's pretty much been 20% in volume, Ramsey, throughout the last year and a half in our e-comm business.

If you looked at our owned software businesses, Ramsey, those businesses I just mentioned, response to your other question a minute ago, those businesses grew 35%, high 20s, combined in revenue, 35% in bookings in the most recent quarter, high teens organically year-over-year in the first quarter and are now a tailwind of growth. So, I think the answer to your question competitively is, well, where are you focused? In our Merchant business, we're focused on owned software, partnered software, e-comm and exposure to faster growth markets. Our business in Spain, for example, on the faster growth market side, grew near 50% in the first quarter of 2022 relative to the first quarter of 2021.

So, I think the answer to the question from an investor point of view is you can't just kind of have the Merchant business. I think you have to ask yourself, where are you focused by vertical, where are you focus geographically, how do you actually compete. I think our point of sale business, which we've been disclosing I think the last two or three quarters, also grew about 50%, for example, in the most recent quarter.

So, I think when you segment the business, which is, call it, a \$5 billion or \$6 billion revenue business by vertical market, by ownership versus partnership, and software by geography and by e-commerce, you can actually get, I think, very comfortable with not just where the business is today, but actually where it's heading. And that's how we think about the business.

All that rolls up into our guidance of low double-digit growth for that business with expanding margins, which is actually what we've seen. To be honest, over the last several years, it was our expectation coming out of our raised cycle guidance from September of 2021 in our last investor conference.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

Q

And what about the Issuer business? Maybe talk about the factors that are driving growth there. How do you win in the marketplace with that business? And how should we view that business as we move forward?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, let's just start with recent results and our expectations for that business, and then I'll dive more deeply into kind of mode of competition.

So, we produced normalized revenue growth in that business of mid-single digits for the first quarter. Our guidance for the year is also mid-single-digits for that business on a reported basis, not just adjusted. So, as a result, we see that business accelerating Ramsey through the second quarter, the third quarter, and we see ourselves exiting 2022 as a revenue matter in the Issuer business at the mid to high single-digit rate and that's before you combine MineralTree in there. So, MineralTree in our B2B side, in light of the pending or proposed Netspend sale will actually accelerate that further into the high double-digits for the year. So, really, excited about where our Issuer business is positioned.

In terms of the KPIs in that business, to go a little bit deeper, we had well into double-digit volume growth in the first quarter of 2022 versus 2021 at consumer card. Commercial card actually came back quite a bit in March versus February, and February versus January. So for the whole quarter, Ramsey, commercial card, which is primarily cross-border travel, a business in our Issuer segment, was flat for the quarter, but March was a positive number, and March was better than February. February was better than January. And our expectations for this year in commercial card cross-border travel as much like Visa and Mastercard, we see the acceleration in the

recovery coming there, much as the networks have done. So our expectation is that's going to be consistent to additive to growth, really, for the rest of the year, and that's about 20% of the Issuer business.

We also saw a 3% net account on file growth, it was about 8% gross and then we obviously had some purges from financial institutions coming out of some one-timers from a year ago. But if you couple that, Ramsey, with the largest conversion pipeline we've ever had which starts to convert in the second half of this year, and then obviously, Caixa as part of that 56 million cards. We also have some incremental wins that we think we'll talk about in the second quarter call. So, for example, there's a large bank in North America, bought a US bank, that's one of our customers. There's a large US financial institution that bought a private label portfolio, we expect that to convert too. That will actually add another 20 million cards, Ramsey, into the conversion pipeline beyond the 56 million. We'll talk more about that in the second quarter call.

So the nice thing about where we are there, Ramsey, is with the 56 million cards at 20 million convert which is our expectation at the back half of this year, we'll have actually refilled that by the time we get to our August 1 plus or minus call on our second quarter call. So we think that business is really well-positioned for the future.

In terms of what the underlying micro drivers are on kind of winning that business, I'll just start by selling technology – by saying technology sells. The public cloud AWS that [ph] add sells (19:06). A great example that is Caixa. So, Caixa is going to go directly with us into the AWS cloud beginning at the end of 2023 of next year, the first large European financial institution to do a straight to cloud migration rather than doing kind of a hybrid in between. I think that's a great example of what actually sells in the marketplace. I think neobanks, fintech startups that also sells. We have 11 LOIs in the pipeline today with AWS as exclusive unique, co-selling collaboration partner to us in the pipeline and we are reporting the pipeline in Issuer, Ramsey, by quarter, I think the last three years since we did the merger with TSYS.

So, I think the answer to your question at micro level is technology sells. I think our ability to expand the TAM, as we announced AWS year-and-a-half ago where we've tripled the target addressable market, that's obviously also a very good thing, and we expect every new customer to go live in our business by the end of next year, to go live instantly into the AWS cloud environment. So, I think it's segmented in market by FI, neobank fintech startup type, it's tripling the target addressable market with partnerships like AWS and it's launching directly into the public cloud as well as a broader, of course, macroeconomic recovery. That's really driving the results that you've seen that we expect in our Issuer business.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

Q

This is a very, very strong set up. This is a basic question, Jeff, and something I get asked, I'd love to hear your answer to this. What does AWS allow you to do? When you go into that meeting and basically you're able to pitch the AWS powered services that you offer. What does it allow you to do now that you couldn't do before?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah. The first thing I'd say is it really helps us geographically. Let me give you an example. Let's just use Spain. You can also use Australia and India as good examples, too, for us. So, it used to be the case that TSYS would actually have to build a data center in country, so a physical data environment, that might cost \$20 million, Ramsey, and that might take 18 to 24 months to actually set up before they went into a new geographic environment. Great example of this is Spain. Another example would be India. What AWS allows us to do is they have the data environment and it's virtual. So, our ability to launch customers into new countries geographically without building a new data center environment is one of the key benefits of our unique partnership with AWS.

Because the deal is virtually, A, they're already in that environment; and, B, the data can lead virtually within that environment itself. So the first thing I would say is speed to market flexibility, lessor capital costs, all those things are super important for our business. You may recall that we announced last year our first installation of Prime directly into the cloud with AWC in India. That was a competitive take away from one of our legacy providers. We never could have done that, Ramsey, in the environment we're in without building a physical data environment in India. This kind of point number one.

Point number two it's really [ph] that unique co-selling (22:11) environment we have with AWS. If you go back to the disclosure of an LOIs, we assume like 39 total LOIs in our pipeline of opportunity today, 11 of those are fintech startups in neobanks. The vast majority of what I just said is AWS at the end of the day. So, our ability to harness their selling function into our environment, let's be honest, I think we've got the very best salespeople, the very best service people in TSYS issuer today, but we don't have as a thousand people selling. Every single day we have just a fraction of that at Global and TSYS today in the Issuer environment. So AWS allows us to really exponentially increase our selling potential both in terms of speed to market, but also in terms of geographic as well as product exposure really instantly, with them today. And that's true on the consumer side, but that's also true, Ramsey, on the commercial card side.

So our ability to be early in the B2B area, which I believe that we are at scale already with two-thirds of \$1 billion profitably, and B2B revenue, well, that's part of the AWS deal too. So, our ability to actually co-sell with those guys into the environment – and I mentioned on the call a couple of weeks ago that our B2B portfolio is now been approved for entry into that AWS co-selling portal is something that's also, I think, uniquely important to us in terms of our selling function. So that partnership has really tripled our target addressable market. And to be honest, we just couldn't be more pleased with where we are today with AWS.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

Q

That's terrific. So big geographic expansion, but also a channel, basically, to get to [indiscernible] (23:50)...

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yes.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

Q

... [indiscernible] (23:51) market interesting. And you touched on B2B and that's another topic that comes up more and more frequently with Global Payments, just some interesting assets there. Obviously, traditional commercial cards, MineralTree virtual cards. Talk about the longer-term vision for what is B2B to Global Payments? How does that – how do the assets fit together, how does it evolve over time?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah. I mean, we're super excited that I really think is an enormous leg to the stool for the next three years to five years of growth of the company. That's why, Ramsey, we spent so much time on this at the Investor Day in September where it had kind of its own section. So let me just start by saying that TSYS has had an extensive array of B2B assets at scale for quite some time. So, I would say, half the \$600 million plus in revenue at TSYS is coming from their commercial card business. Their commercial card business has a very high market leadership share in what they've been doing in North America and Western Europe for a very long time. As I mentioned a

minute ago, that's in scope with AWS in response to your previous questions. So we're not only just modernizing that technology stack into the public cloud, we're actually co-selling with AWS in the B2B environment as it relates to the TSYS B2B business.

So part number one, about half of it, Ramsey, is in the commercial card. TSYS also has one of the largest virtual card issuance businesses on the planet, doing something like \$30 billion in volume a year and 50 million cards, Ramsey, in virtual card issuance. We couple that with our MineralTree acquisition from last October, which brings to us accounts payable software-as-a-service functionality and is now part, as of this past quarter, is now part of our issuer business as we disclosed a couple of weeks ago. So we now have commercial card at scale, we've got virtual card issuance at scale, we've got MineralTree B2B, account payable SaaS at scale in our issuer business.

We also have in the case of Heartland, one of the largest payroll businesses in the United States, well into the nine figures of revenue growing organically into double-digits in revenue each year. So, I really think we have an unmatched scale in our business for B2B.

What we're doing now, which we described a couple of weeks ago on our last call, Ramsey, is we're mining the FI base for MineralTree and we're cross-selling into our issuer book the MineralTree sales proposition on account payable technologies. And so far, that's been successful too early on.

The second thing we're doing is increasing virtual card penetration from the Issuer business into the MineralTree base. I think we announced last quarter that we had 60% growth year-over-year in MineralTree in the virtual card side on top of 22% bookings growth overall in MineralTree. So, I think the future is really bright for our B2B business.

Ultimately, our vision, Ramsey, is to combine all that into our Issuer business, which is what we do with MineralTree in the previous quarter between commercial card, virtual card penetration, all that stuff really is an Issuer function, to be honest. We also look at Netspend. And as we said in the February period and reiterate a couple weeks ago, we're pleased with where we are in our process to look at the potential divestiture of our business to consumer assets at Netspend. But what we're interested on retaining, and time will tell, is that B2B assets of Netspend. So, specifically, Ramsey, that's paycard, that's earned wage access, banking-as-a-service. We hope to move that into our Issuer business pending the sale of Netspend. We'll see how things play out over time. That's about another \$100 million, Ramsey, of revenue on the B2B side, more or less at a very high margin, that we would move into the Issuer business.

So I think the vision of what is B2B look like is commercial card, virtual card, paycard, earned wage access banking-as-a-service, B2B SaaS accounts payable coming out of MineralTree. And then, of course, ultimately, we'd like to add the same thing on accounts receivable SaaS too, which is something that we're looking at. So, we think we have very comprehensive suite of services today at scale. We have the ability to do this multinationally, which we believe is distinctive to us. And going back to your first question, we also do this profitably for us today. So unlike some of the public companies who are losing money and depend on a zero interest rate environment and future capital raises for a success, we don't have that problem, right? So we're kind of in market today, selling this stuff at a good margin and it seems like it's a really ripe opportunity for us over the next three to five years.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.



And that's a very good point about your profitability and your cash flow and your balance sheet are clean. You have the potential to make a splash if you want it on the M&A side. Give us an update there in terms of the pipeline. I think there's a perception with investors that somehow that the public market correction and valuations

might lead to more opportunity for folks like you who actually could do deals in an environment like this. So, tell us about M&A environment. What are you seeing? How might that play out for you?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, great question, Ramsay. I would say the pipeline is full. I think at the end of the day, the question for us and everybody else is how rational our sellers' expectations in the pipeline in light of the correction you've seen in the public markets, in light of what the Federal Reserve has been talking about in terms of their expectations where interest rates are going. The nice thing about us is we don't depend on those things. With nearly \$30 billion of free cash flow and leverage capacity doesn't really matter to us. But we do think at the end of the day, looking at companies that just hypothetically went public at it's SPAC-based \$10 valuations that are now trading well, less than that, I think is interesting opportunity for Global Payments. But we also need rationality on the seller side because we do look at our stock as an attractive buyback opportunity. So, for us, the equation has always been, not just now, how do you balance repurchase and investment of capital in ourselves with investment of capital in someone else.

I would say over the last six to nine months, we obviously have been focused on buybacks because we think it's a compelling opportunity to kind of invest in ourselves. We've done about \$1.750 billion buybacks since last fall. We bought back probably 10%, 8% or 9%, more or less roughly 10% of the float since the pandemic began depending what happens with Netspend and everything else. We expect to end this year buying back call 13% to 15% of the float, depending on how things play out over time, over the last, call it, 2.5 years through the end of this year. And we've largely put M&A kind of on hold since the fall of 2021, but I would say our view on that is really changing. We think there are opportunities in the marketplace today. If you can get some rationality out of sellers that reflect the economic environment based on what the markets are telling us, where the rate environment is going to use in that \$30 billion of free cash flow and leverage capacity to actually grow the TAM, which is obviously what we would likely to do.

So I would say stay tuned. Our hope is we can reenter the M&A markets in the relative near-term. We invested \$2.5 billion in M&A throughout the pandemic, although the last six months or nine months, we've been more quiet. We obviously would like to return to that if people get some rationality and kind of what the market is selling.

Ramsey El-Assal

Analyst, Barclays Capital, Inc.

Jeff, we're out of time, unfortunately. Great conversation. Thanks so much for being here. It was a great pleasure.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks for having us.

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