

15-Nov-2022

Global Payments, Inc. (GPN)

Citi FinTech Conference

CORPORATE PARTICIPANTS

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

OTHER PARTICIPANTS

Richard Diamond

Analyst, Citi

MANAGEMENT DISCUSSION SECTION

Richard Diamond

Analyst, Citi

Good morning, everyone. Sorry about that. Welcome, everybody, and thanks for joining us. So, Rick Diamond from Citi. And it's a pleasure to be hosting Jeff Sloan, the CEO of Global Payments spending time with us this morning. So with that, why don't we – why don't we get started?

QUESTION AND ANSWER SECTION

Richard Diamond

Analyst, Citi

And so I think why don't we kick off, Jeff, we're just coming out of earnings, so third quarter earnings. And maybe just give folks the perspectives coming out of earnings and maybe just reinforce some of the takeaways that you'd like folks to have coming out of third quarter.

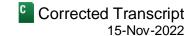
Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Well, first, Rick, thank you for having us. Thanks to Citi. Thanks to Ashwin. It's great to be here in New York today. So, we were really pleased with our earnings in the third quarter. We reported 9% revenue growth, constant currency, ex the dispositions we have announced and 18% earnings growth, again, constant as well and couple hundred points north of that in margin enhancement. If you break down the business further, Merchant reported double-digit revenue growth in constant currency and excluding the disposition of Russia we did in April of 2022.

And I would say, our goal in Merchant is to grow 10% to 12% revenue, 11%, obviously, is right in the midpoint of what our targeted number is. So, we're really pleased. Our Issuer business grew 6% in the quarter. If you look at core Issuer, which excludes the B2B assets, we grew 4.2% constant currency, and that accelerated from the 4% growth that we saw in the second quarter. So, the two pieces of the business are very healthy. If you look at the backlog announcements we made in some of our businesses in Merchant, our backlog is pretty full. And in

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particular, as we pointed out in our slides, our AdvancedMD business had a backlog increase of 22% in the quarter. Our point-of-sale business, which is primarily restaurant as well as retail was up nearly 30% in the quarter. And our integrated business was up 17%. And lastly, our ecom omni business was up a little bit over 14%, mid-teens on a constant currency basis.

Back to Issuer, our implementation pipeline, which is what we intend to put into production in the next 12 to 18 months, was a record post-merger of over 75 million accounts. To give you a sense, we have about 700 million accounts on file, so it's about 10% of our base. That does not include Caixa, which would be another 30 million to 40 million cards. So, really a record when you include Caixa in our implementation backlog.

So if you put the quarter together we're really, really pleased with the fundamental performance. And I don't think our business has really been in a better place as a financial and operating matter. Obviously there's a lot going on in the world with the macro, gave an update on currency. Interest rates haven't really been an issue. We're 100% fixed, thanks to Citi and our partners in the FI world. So, we completed all the financings that we needed to complete to consummate the EVO transaction, which we still expect to close in the first quarter of 2023, as well as the disposition of Netspend.

So, I think we're in a really good place. Obviously, we would all prefer a better macro climate and less FX kind of volatility, but we're really pleased with how the quarter ended up and our guide for the rest of the year.

Richard Diamond

Analyst, Citi

That's great. And so, to touch on the macro for just – so are you seeing – so, just given the overall macro environment, are you seeing a slowdown in the consumer at all? And what's the impact of inflation on the business today?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

No, I would say the consumer, as we said in the call a couple weeks ago, Rick, the consumer remains very resilient. So, through the first three weeks of October, we were on the call a couple of weeks ago. So, through the first three weeks of October, the KPIs within the businesses suggest good performance in October. I'm pleased to report today that we had an October that was very much consistent with our expectations that held through the balance of October.

I would say now it's kind of on the way out the door this morning, but I would say very similar to what you saw from Home Depot and Walmart this morning, that the consumer spending remains really resilient. I'd say through the first couple weeks of November on a KPI basis, same thing. Consumer remains really resilient in our business. I would say the areas that we called out to answer your question more directly, certainly in the UK and Canada, as we mentioned on the call a couple of weeks ago, we certainly see some signs of kind of weakness, not surprisingly in those two markets. But the nice thing about our business and of course there are parts of Asia like China that go in and out of COVID zero kind of limitations. So, that's more temporal rather than necessarily economic. But, if you add all those things together, Rick, it's like single digits. So, if you add Canada, UK and kind of China as a percentage of our revenue together, it's like single-digits percentage, call it 5% to 7% or 8% or whatever the math is.

Richard Diamond

Analyst, Citi

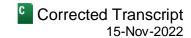


Corrected Transcript

Citi FinTech Conference	15-Nov-202
Yeah.	
Jeffrey S. Sloan Chief Executive Officer & Director, Global Payments, Inc.	Д
All those markets in the aggregate in the US of course, where we scompany. So, we feel like we're in a really good position as a mac weeks ago, things can change, but they would have to change to be meaningful impact on kind of the constant currency results, which	ro matter. And as we said in the call a couple kind of make it worse from where it is to have a
Richard Diamond Analyst, Citi	C
And is it the – so, how are you seeing within the enterprise? So with banks and merchants, are they pushing off spending, whether it's a things? What's the overall tone at the enterprise level?	
Jeffrey S. Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
Really interesting question. So, there's really no delay at all	
Richard Diamond Analyst, Citi	Q
Interesting.	
Jeffrey S. Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
in what we're seeing today. I'll give you a really good anecdote. So record post-merger implementation pipeline of like 75 million accounties we've ever had a bigger series of RFPs from people who are not conserved the renewals from people who in-source or people who outsource. I do merger for sure in the last 3.5 years, haven't seen this many RFPs months ago, come in for folks who are contemplating large scale.	unts, which is like 10% of the base. I don't think customers of ours. These aren't like existing on't think I've ever – I know that since the
Richard Diamond Analyst, Citi	C
Yeah.	
Jeffrey S. Sloan Chief Executive Officer & Director, Global Payments, Inc.	Д
And I mentioned this actually to Jane, when I saw her a couple of I've ever seen a bigger list of people who are considering. I think the	
Richard Diamond	

Analyst, Citi Yeah.

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Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

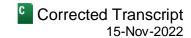
Right. So I think some of it particularly and, of course, this is the fintech conference here, so not surprising probably to anybody in this room. But I think some of it is a sense that, I think more traditional institutions need to keep investing to compete effectively against financial technology companies. So if anything, it's quite the opposite. I think we see a bigger funnel today than we had before. I'd also draw in the Merchant business like a really stark contrast between the current environment and what we saw during the pandemic.

So certainly in 2020, we see – 2020, we saw a lot of deferral of CapEx, especially from quick service restaurants and people kind of delaying upgrading. I would say, it's quite the opposite now. We don't see any of that currently. Another interesting example, and it's against an anecdote in the Merchant business is stadiums. So we announced this deal 1.5 year ago with Mercedes-Benz Stadium for Atlanta Falcons and Atlanta United. We announced it on the call a couple of weeks ago that we'd sign up with Carolina Panthers.

Richard Diamond Analyst, Citi	Q
Right.	
Jeffrey S. Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
The Winnipeg Jets for hockey and I also said, we get a bunch more coming kind of in the immediate are wholesale redos of the way people go to market as a digital matter in these stadiums. By that, I table stakes now are doing everything on your phone, having your ticket, your parking, your food, rithose other things, if you're in the suites having that done electronically through an iPad or through And if anything, Rick, I would say those businesses have accelerated. And I think what's changed in	mean, the ght, and all your phone.
Richard Diamond Analyst, Citi	Q
Interesting.	
Jeffrey S. Sloan Chief Executive Officer & Director, Global Payments, Inc.	A
consumer and fan expectations coming into these – into the current environment are just further at those stadiums are kind of diving in with GP. And again I don't think our – well, I know our pipeline been bigger there in terms of opportunities that we're looking at. So, we haven't seen any evidence would say if anything, it's as busy as it really has been in quite some time.	has never
Richard Diamond Analyst, Citi	Q
And as you think about – you touched upon it in the opening comments, so, today, 75% of the busined Merchant.	ness is
Jeffrey S. Sloan Chief Executive Officer & Director, Global Payments, Inc.	A

Yes, right.

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Richard Diamond

Analyst, Citi

The 25% Issuer. And as you think about and given the momentum is I think about capabilities or gaps, are there areas where you think you need to invest across – in each of those businesses? Are there focus areas in terms of where you're going to put dollars to work to add incremental capabilities over the next year or so?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Well, thankfully with your help on EVO. We are significantly investing in B2B.

Richard Diamond

Analyst, Citi

Yes.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

So, I think a big attraction for us in the acquisition of EVO, which we announced on August 1 of this year, and as I said before we expect to close kind of early in the new year, is the increasing focus that we and I think the market has on B2B assets. So if you back up about a year and a half ago, we entered the B2B market with the acquisition of MineralTree in Boston. That was primarily on the accounts payable side or the money out, how people pay their vendors. But we really don't have any assets on how you get paid. On the receivables, kind of on the money is inside and that's, of course, where EVO comes into play.

So, the software, the ERP integrations into SAP, Oracle, Acumatica, all these other things are a key part of the thesis on EVO. So, I would say that we feel like once that's in-house early next year, the ability to marry accounts payable with accounts receivable for midsized corporates and enterprises I think will be pretty distinctive. But we're not done yet. I think one of your guests here, one of the companies here, AvidXchange and a bunch of other companies, that world much like our ISV, VAR world is defined by segmentation of the market into verticals.

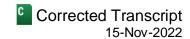
So, in the payable side, MineralTree, for example, has a lot of healthcare customers. But we're in like 70 vertical markets, in our ISV. And Jim, I think, at EVO, is probably in several dozen, right? So, I think at the end of day, adding additional vertical markets to what we do in payables and receivables is something we're very focused on. The second thing I would say and, again, EVO brings this to us in dramatic fashion is new geographies, right. So, EVO brings us Poland face-to-face. Ireland, which we're not in face-to-face. I'd tell you, obviously, Germany, which we're not in directly today and, of course, much bigger in existing markets like Mexico with Banamex. So we feel like new geographies, new vertical markets, new B2B initiatives are very similar to what we outlined in September 2021 at our last investor conference. And, I think, we can do more of those things. I think that would be terrific. Obviously, we have one in front of us. But I think more investing along the lines of what I described a minute ago is obviously what we're focused on.

Richard Diamond

Analyst, Citi

And we – obviously Bill.com and AvidXchange have been here. And relatively positive just in terms of these businesses from a digital transformation, the momentum, just even with this backdrop. Are you seeing the same just in the overall – on the overall B2B side, if there's momentum in the business?

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Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Yeah. I mean, we expect MineralTree in payables to grow 20-plus percent this year, the year that we're in. I think we announced in the last couple of quarters that our virtual card business, which is a part of MineralTree has grown like 60% year-on-year. And one of the things I think that's interesting with us is the existing financial institution base for distribution that we have through the TSYS partnership is a very active partner for mining of the virtual card product within MineralTree. So, I think we announced last quarter U.S. Bancorp, Citizens Financial grew new virtual card customers through MineralTree, through TSYS for us.

So, I think it's the right territory. And let's be honest, I think for years people have talked about this. But the truth is with the pandemic in particular, the desire of a lot of finance and accounting and FP&A folks to kind of work from home, if you can mitigate those costs by using software to kind of do this remotely, I think it plays right into the thesis of, hey, it's digital transformation. The return to office kind of is what it is. [ph] You don't (00:12:34) need a bunch of people sitting there, et cetera.

So, I think at the end of the day, you're [ph] trimming (00:12:38) a market that's something like, depending on who you listen to like Mastercard, \$125 trillion in annual spend yet it's 90% kind of check and ACH. So, we're really in the early innings of that business. I think we and probably already mentioned is seeing that in the growth statistics that we're all publishing.

Richard Diamond

Analyst, Citi

Yeah. And again, with that business, pretty sticky once you get them using the platform.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Oh, yeah. Yeah. That's not one of these businesses with a lot of churn. I think you're really replacing in-sourcers is what you're generally doing. You're really not trading kind of account for account. You're going after folks who don't really have a solution or just using clerks, right, at the end of the day.

Richard Diamond

Analyst, Citi

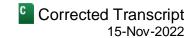
So, super helpful. So, back to the Merchant business. Obviously, there's been in terms of just focus on the techenabled stack, in terms of building that out from a tech standpoint and comparative advantage. So, where are you today in that journey in terms of having the capabilities of building out your tech-enabled capabilities?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Well, the vast majority of what we're selling and nearly all of the growth today is technology enabled. So, if you look at the overall company in Merchant, we set a goal to have 60% of our revenue by 2020 to be technology enabled and we accomplished that goal. Our new goal is to have three quarters over the next few years to be technology enabled. But if you break that further down into – in almost – if you break that further down into what's going on with the business in our vertical market software business, which is primarily us manufacturing and selling software rather than partnering, which I'll come back to in a second, that business has been growing double digits for almost all this year, right? So, that business is completely recovered and is in a really good place. And I said AdvancedMD was 22% up in bookings in the most recent quarter. So, really pleased with that, really pleased with the vertical market software business and...

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[Technical Difficulty] (00:14:28-00:14:48)

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Can you, guys, hear me? Yeah. All right. You can't go to a technology conference without having a technology malfunction.

Richard Diamond

Analyst, Citi

I thought you project it very well.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

So, in the vertical markets business, it's been growing double digits throughout the whole year. And we feel really good about where that business is. And I think in hindsight is a real point of differentiation for us in terms of distinct - distribution in our markets. Then, if you look more broadly beyond vertical market software, if you look at our ecommerce omni-channel business, which is 30% of revenue for Merchant, that business has posted double digit kind of constant currency growth throughout the pandemic. It just grew most recently mid-teens on a constant currency basis. So, it's either in line or ahead of kind of where the market has been. It also didn't see a dip, the way I think the networks and PayPal and some other folks saw in terms of a return to a mix of the physical and the virtual.

I think the reason for that is we have a very nice mix of virtual presence as well as physical presence and of course EVO will help this. But physical presence in 38 countries with a business that will do a billion and twothirds of revenue this year growing kind of organically at mid-teens on a constant basis. So, we think it's one of the biggest ecom omni businesses in the world, which is why I think you see some of our competitors, Adyen, Stripe, trying to find a physical kind of corollary to what they do. But we've had that for half a century.

So that's a really good barrier to entry in our business, that I think really plays to our advantages. And in the last quarter we announced an expanded deal with Gucci across a number of markets in Europe and obviously we've announced wins with people like Uber and Uber Eats in Asia. And then lastly, I would say in our partner software, so that's kind of own software and e-com, which together are probably \$3 billion of the \$5 billion - and the \$5.5 billion in Merchant. And if you look at partner software, which is another \$1 billion of the \$5.5 billion of revenue in the Merchant business, that business grew 17% ISV integrated partner software businesses last quarter. We've run that business incredibly now, Rick, and I'll kind of date myself by saying this. Like 10 years and a guarter, but that deal was announced in August of 2012 and that business has never grown really on a consistent basis this quickly.

Richard Diamond

Analyst, Citi

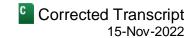
Yeah.

Chief Executive Officer & Director, Global Payments, Inc.

Jeffrey S. Sloan

So here we are kind of coming out. It was probably low double-digits heading into 2020 and it's been mid-teens to now 17% to kind of high teens in this past quarter. So, we couldn't be more pleased with the partner and software

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business. When you put the pieces together in tech enabled and you look at kind of what we're selling, that's a bigger percentage of the company and that stuff is all growing more quickly. So we're really pleased with where those businesses are and I think is a real point of competitive differentiation.

Richard Diamond

Analyst, Citi

And so back to the e-commerce piece because I think this is where a lot of folks have questions. And you touched on a few names there. Just one, are you seeing around whether it's the marketplaces or other large – seeing any slowdown there? And then on the competitive front, I think some of the questions are around what is the competitive dynamics particularly around the e-commerce and how are you seeing that evolve right now?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc. Mid-teens is our target. So like pre-pandemic, we were mid-teens. We did price back up to 20% at various points

when the world was kind of shut. But mid-teens is what we were growing pre-pandemic. And obviously the business now versus two or three years is much larger than it was, and I talked about the \$1.6 billion, [ph] the billion two-thirds, (00:18:11) we expect to hit in revenue constant dollar kind of this year. So, no, I don't really see a slowdown. I think the reason we're really well positioned there and the reason we haven't seen some of the swoons that you've seen with the networks or with PayPal or Stripe and these other guys is that our business is pretty distinctive in that we really marry the virtual world with the physical.

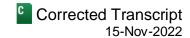
A great example is what I mentioned Gucci. But if you look at LVMH or Cartier, you - or even this hotel, you want to go online to kind of book a reservation here and then you physically want to show up. You want to go online and buy something from Cartier or Louis Vuitton, and you want to return to a store anywhere in the world if it's the wrong color. You're taking Uber, Uber Eats in Taiwan where we have them as our customer, you want to take that ride. And if you're unhappy, you want to have a dispute in local language, right, in local dialect, and you want physical presence that if there's something not working, you have a physical staff there.

So, if you look at the history of our company, the company and I are both 55 years old, let's call it half a century, it took us half a century to build up the physical footprint in 38 countries with thousands of people in customer service. I would contrast that and I'm not trying to say anything good or bad, but if you contrast that to Robinhood or Airbnb or a lot of these virtual models, good luck getting someone on the phone at the end of the day. So, I think we have more people in Taiwan than many of our competitors have in the world. We have more people in the UK than Adyen has in the whole company. So, at the end of the day, I think the investments we've made over many decades for local licensing, local language, local support, that stuff sells, right?

And I think what you're seeing is, in an environment where consumers - sports is the ultimate extension, this environment where consumers say there is no difference between using my phone, my iPad, my face to authenticate, my thumbprint, whatever. In an environment where there is no difference between ordering a Burger King hamburger remotely on your phone, getting it delivered by DoorDash and all these other things, an environment where there is no difference between that and the physical world, the virtual world, it really plays to our strengths. And that really is the mode of competition for us.

And the second thing I'd say is we're in a lot of hard to serve geographies. So, it's one thing to do what I'm describing, just in the US or just in the UK or just in Canada. But to do it in 38 countries, like, I think it's a dozen countries physically in Asia. It's another 20 countries in Europe. But obviously with Jim and EVO, we bring on Poland and a bunch of other countries where you don't have a – in Germany, where you don't have a physical presence is very distinctive to us in that last mile of connectivity, I think is a point of point of differentiation.

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Richard Diamond

Analyst, Citi

So whether, on geography, on certain areas where you just went through comparative, are there areas where you won't – where you actually don't want to compete? Are there areas where you just, not in your wheelhouse?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Well, we stay away from some of the on a risk basis and we stay away from some of the riskier areas. A good examples of this would be airlines.

So, we do, do some flag carriers. But I'd say by and large, we don't want to take on deferred delivery and kind of airline risk. We do stay away from kind of online gaming and some of those things. Obviously crypto, in current – in the current environment, by and large, we stay away from. Areas where we've done crypto are things like PayPal, where PayPal is offering crypto and they need a settlement multinationally. But there, our customer is PayPal, our customer is not the consumer and there is not an exchange. So we don't have any exposure to – we've stayed away from, and we don't have any exposure to some of the things that you've seen kind of implode. And that might have been easy growth a number of years ago. But those are things that we just don't do at the end of the day.

Richard Diamond

Analyst, Citi

Helpful. And you talked about on the – so, talking about going back in time, there used to be a debate around whether you could own software and also partner with software providers. I think you've – I think that debate has been settled. But on the vertical strategy, how is that performing? How do you look at that in terms of post-COVID recovery and where we are in that cycle and just what's next?

Jeffrey S. Sloan

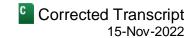
Chief Executive Officer & Director, Global Payments, Inc.

So, if you back up a little bit, we view ourselves, we'll sell about \$3 billion of software this year. We view ourselves as a top quartile Software-as-a-Service. If we were a publicly listed separate company just selling software, we think we'd be a top quartile Software-as-a-Service company. Obviously, we're knee-deep on the Issuer business with Amazon and we're also knee-deep on the Merchant business with Google.

So, feel like we've got a very good competitive position there. I think we said in our last quarter's call that our Zego real estate business, which was a deal we did close a year and a half ago. So, it's fully anniversaried and everything else, that business grew well into double digits in the most recent quarter. If you think about what's going on kind of in rental, that's really residential rental properties. People want to pay their invoices via ACH and real-time payments on their phone. When they want to get their car and submit their valet slip, they went to do that remotely. No one wants to walk into a landlord's office now and write a check, write a repair slip. All that stuff is done remotely, including underwriting, boarding new customers, paying for your rent and flexible payments.

So, I think we're in a really sweet spot for the vertical markets business. And then I'd say if you look at something like restaurant and our restaurant business is really bifurcated into two parts. The first is enterprise quick service, where we have 20 of the 25 largest quick service brands in North America using some element software, hardware payments of our services. That's about half of it. The other half is Heartland Restaurant which is smaller. But at the end of the day, if you think about what we're selling there we're selling an ecosystem. And this idea that you're just selling kind of a terminal. And, by the way, our terminal business grew 30% last quarter, and

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that's probably down from 50% or whatever it is the previous quarter. So, it's growing nicely, but you're really selling a complete ecosystem.

A great example that is, you want to be able to sell seamlessly from your phone online for these restaurants, either for customers to come in and pick it up or for us to have it be delivered through partnerships with DoorDash and Uber Eats and that kind of thing. If you're just selling a box to a small restaurant customer, that's really not our market. So, our core market in Heartland Restaurant is 2 to 20 locations. The larger it is, the better for us. We say that we cover the taco truck through the Taco Bell and Taco Bell is a customer, and so is a taco truck. But at the end of the day our sweet spot is kind of 2 to 20. So, if you look at some of these competitors, whether it's Square or Clover or Toast, their sweet spot is really 1 to 10 or 1 to -whatever that math is.

So, at the end of day, I think our point of differentiation is selling the ecosystem, the complexity. It's got to work remotely. It's got to work online. Obviously, we partner with Google where you can make OpenTable-like reservations through our Google folks, which will be a market with this quarter to go do that. So, I think we're very well positioned competitively, but if we didn't own – so, that's where you started. If we didn't own a software to do those things, we'd be in a bad place because it's very hard to compete with Stripe, Adyen, Square. If you don't [indiscernible] (00:25:18) building differentiated software at the end of the day. And I think for us that's a key point of differentiation. And I would say to folks, that is what differentiates us versus a lot of the financial institutions who are still in, like the USB who are still in the Merchant business but don't have the technology as a disruptive matter to differentiate themselves and are really therefore just [ph] depending on (00:25:38) price.

Richard Diamond

Analyst, Citi

Yeah. And you touched upon it a few seconds ago but on the Google relationship, maybe just provide some of the key aspects of that? And then how does the – [indiscernible] (00:25:48) about some of the innovation, how does the innovation and collaboration work with them on the merchant offering?

Jeffrey S. Sloan

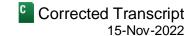
Chief Executive Officer & Director, Global Payments, Inc.

We're really pleased with where we are in Google. So, there's two or three elements to the Google partnership. The first one is Google is actually a customer of ours. So, the interesting thing about Google, as you would imagine, is having smart customers makes us a better and also a smart competitor for that matter, makes us a better company, and it's hard to find someone smarter than the Google guys as it relates to their own business. So, they'll do something like \$100 billion of volume, whatever the math is, out of YouTube and the Google Store and whatever, the music stuff, et cetera.

So, we announced that at the end of last year, we went live with Google as a customer in Asia Pacific. We announced in our call a couple of weeks ago that we're now live with Google here in the United States, and our plan is to have Google live as a merchant in Europe where Google hadn't really boarded a new merchant acquirer in like a decade. So, the interesting thing is in working with the Google folks, what they've said to us is that the data coming back from us, the metrics, so, for example, the approval rates, the authorization rates are much higher with us than with like existing providers who Google was using. So, it's been both a test case as well as good data and reaffirmation of what we thought would be the case, which is we're in a really good place competitively. So, that's kind of point number one, Google as a customer.

Point number two is exclusively we have the ability to bring Google software into our merchant portal. So, the way we interact with our merchant customers is we have a portal designed for all the information they need on using us as a service provider. And if you're starting up a new business and think about who uses Google for search

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and ads and that kind of thing, their software is exclusively within the four walls of our merchant portal, meaning you can start a new small-to-midsize business and if you want Google Calendar and Gmail and now I think it's called Google Workspace, but all the elements and Google Chat - Google Meet, all the stuff on video and everything else that's only available in a merchant portal through us on the merchant side and that's true for the next number of years. So we're in production with that already, and I think that's a really good draw.

The third element is co-selling with Google. So we just announced, I always get the name wrong but Genuine Parts is that – so NAPA, the NAPA Auto – it's Genuine Parts company or I think it's in Atlanta, too. So I always get kind of the name of it wrong, but it's NAPA Auto Parts. So that was an existing Google Cloud customer. And our co-sell with Google is merchants get credit. So if they have a required minimum spend with Google on the cloud, any business they do with Global Payments counts toward that amount that they've committed to Google.

So the nice thing from a merchant point of view is it's essentially free to low cost, because Google discounts it as if you spend it with Google, even though you're spending it with us. So as a competitive matter, when you look at enterprise customers, where the margin might be thinner, we effectively get subsidized by the fact that you're already paying Google. And whatever you're paying us counts toward whatever minimums you have as a Google Cloud customer and paying with Google, which is a very nice point of competitive differentiation for us and obviously helps the margins for us over time.

The last thing I'd say is that we co-innovate with Google, so we're putting into production this quarter the equivalent of an OpenTable and the equivalent of a Shopify with Google. So great example is if you're walking down the street here in Manhattan and you type into your phone on Google Search, I'd like to have a taco for lunch. If you're a Global Payment's customer on the merchant side, that will pop up on the Google search. And you can do an OpenTable like reservation through Google while you're walking down the street with geolocation, the way you would do a typical OpenTable thing through the Google app into the merchant portal that we're doing with Google, right? And you can do the same thing if you're buying sneakers, you go online type in I want to buy a Nike size 11 or whatever and it will do the same thing. It knows the inventory, it brings it into the merchant portal and Google is kind of doing the logistics of it.

So, that kind of co-selling, co-innovation and Google as a customer is what that partnership really is all about. And we couldn't be more pleased about it. And I think that kind of differentiated selling as it is with AWS on the issuing side is really key to distinctive growth and technology enablement going forward.

Richard Diamond Analyst, Citi

That's great. I actually was in a NAPA Auto Parts. I bought my daughter – I had to fix my daughter's windshield

wiper, which is about the extent of what I can do to fix on a car.

Chief Executive Officer & Director, Global Payments, Inc.

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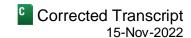
Analyst, Citi And so, one - you just mentioned the AWS. I want to switch gears on the Issuer side. So, maybe just provide

some color there and how that differentiates and where and how that's going.

Jeffrey S. Sloan

Richard Diamond

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Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

I think it's been terrific. So where we are now is we're about 18 months into a or 20 months into a 36 month journey of doing two things. One, rewriting our code with AWS. So that's cloud native from a legacy kind of COBOL language from goodness knows like how long ago. And the second thing is porting that into the AWS Cloud environment. So we announced Caixa in the spring of this year as our first joint win with AWS of a traditional large financial institution. And then the second largest issuer in Europe on a debit and on credit basis I think it's in like 30 million or 40 million accounts, just to give you a sense. That's not in the 75 million number. So as I was saying before, that's incremental.

But when that ultimately gets up and running, which we expect to be the end of 2023, so a year from now, we expect that to be the first large traditional financial institution to go straight from on-prem into the cloud.

Richard Diamond

Analyst, Citi

Into the cloud.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Right. This is a pure cloud implementation starting at the end of 2023. So the first thing I'd say about it is it's technology transformation with us. But the second is, as I said before, the cloud sells. And I would say increasingly in the Issuer business, cloud is table stakes which you really can't even participate in the RFPs without having a cloud-native environment. And in fact, one of the ones we're looking at a large bank. The first thing they said is, why can't you do it more quickly? And, of course, more quickly than next year like it's already November. But then you can just see, so when we first did this deal with Amazon in the summer of 2020. We were very nervous about the receptivity of traditional financial institutions to put a lot of the sensitive data into a cloud environment. Well, I can tell you that over the last few years...

Richard Diamond

Analyst, Citi

That's changed.

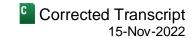
Jeffrey S. Sloan

AWS in the cloud.

Chief Executive Officer & Director, Global Payments, Inc.

...that's completely changed. And I don't know if it's the fintech stuff and all these other things. But I would tell you, having spent – having met probably 20 of the largest financial institutions globally in North America and Western Europe over the summer and into the fall of this year, where we start the pitch with, well, here's why this makes sense and here's what's going on. And after the first 10 minutes, what they usually say to us is, how fast can we do this and [indiscernible] (00:32:27) budget for next year for 2023, to make sure we start moving along the path. So, like, we very quickly had to pivot from the idea into the implementation of the idea. So that co-selling, so first piece is modernizing. The second piece is the co-selling. And we've been announcing the LOIs that we have with Amazon quarterly for the last 3.5 years or whatever it is. And the base is pretty deep and it also expands our business into fintech start-ups. So, we announced Amadeus as a travel customer with AWS. That's going to be

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We announced Standard Chartered, which was a takeaway from a competitor again into AWS in the cloud in India. We're going to start off with India. So, we're really pleased with where that business has gone and the receptivity that traditional institutions have had. And I think both Google and AWS are terrific partners.

Richard Diamond

Analyst, Citi

Do you think that within the FIs, do you think the tone and view around tech modernization is changing in terms of the catalyst, in terms of increasing the spend towards modernizing and the technology, or do you think there's still some hesitancy around that?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Certainly, in the card-centric businesses, that's all completely changed.

Richard Diamond

Analyst, Citi

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

I think you saw our announcement about a year ago. And we expect to be in production in the first quarter of 2023 with Virgin Money in the UK. What we intend to do with Virgin Money is create a digital wallet. So Virgin Money on the issuing side and also the acquiring side, and it's now an acquiring customer too, which was a competitive take away from one of our peers in the UK. By matching the issuing and the acquiring side of Virgin Money, we'll essentially take Virgin Money, and I'll just call Virgin Money Pay, and make it look like an Alipay or a WeChat Pay and have it be QR code centric, non-bank card enabled as well as bank card enabled with BNPL and crypto and points and loyalty, and all the stuff that you would think. And I think that just reveals how far financial institutions have really come when they think about startups and neobanks and the like.

Richard Diamond

Analyst, Citi

Okay.

That's great. We have 30 seconds. Any closing remarks or takeaways? It's been great. So thank you very much for joining us. We appreciate it, but any closing remarks?

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Well, thanks again for having us, Rick. And it's great to be here. Citi is a good partner of ours. And I would just say that we're very pleased with the – where the business is, as a financial and operating matter. Obviously, there's a constant cross current things going on in the world, particularly for us on the FX side.

Richard Diamond

Analyst, Citi

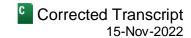
Yeah.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

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But I would say the business has never been in really a healthier position and we're super excited to finish out the year and to get into 2023.

Richard Diamond

Analyst. Citi

That's great. Well, thank you, everyone. Jeff, thank you. Always a pleasure.

Jeffrey S. Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Yeah. Thanks. Thanks for having us.

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