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# Global Payments, Inc. (GPN)

Q3 2022 Earnings Call

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**Joshua Whipple**

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## OTHER PARTICIPANTS

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Ladies and gentlemen, thank you for standing by and welcome to Global Payments third quarter 2022 earnings conference call. At this time all participants are in a listen-only mode. Later we will open the lines for questions and answers. [Operator Instructions] At this time, I would like to turn the conference over to your host, Senior Vice President, Investor Relations, Winnie Smith. Please go ahead.

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**Winnie Smith**

*Senior Vice President-Investor Relations & Corporate Sustainability, Global Payments, Inc.*

Good morning, and welcome to Global Payments third quarter 2022 conference call. Our Earnings Release and the slides that accompany this call can be found on the Investor Relations area of our website at [www.globalpayments.com](http://www.globalpayments.com).

Before we begin, I'd like to remind you that some of the comments made by management during today's conference call contain forward-looking statements about, among other matters, expected operating and financial results and statements about the proposed transaction between Global Payments and EVO Payments.

These statements are subject to risks, uncertainties, and other factors, including the impact of COVID-19 and economic conditions on our future operations that could cause actual results to differ materially from expectations. Certain risk factors inherent in our business are set forth in filings with the SEC including our most recent 10-K and subsequent filings. We caution you not to place undue reliance on these statements. Forward-looking statements during this call speak only as of the date of this call and we undertake no obligation to update them.

We will be referring to several non-GAAP financial measures which we believe are more reflective of our ongoing performance. For a full reconciliation of the non-GAAP financial measures discussed in this call, to the most comparable GAAP measure, in accordance with SEC regulations, please see our press release furnished as an exhibit to our form 8-K filed this morning and our supplemental materials available on the Investor Relations section of our website.

Joining me on the call are Jeff Sloan, CEO, Cameron Bready, President and COO and Josh Whipple, Senior Executive Vice President and CFO. Now I'll turn the call over to Jeff.

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## Jeffrey S. Sloan

*Chief Executive Officer & Director, Global Payments, Inc.*

Thanks, Winnie. We delivered record results in the third quarter, consistent with the higher end of our September 2021 cycle guidance on a constant currency basis and excluding dispositions, highlighting the resiliency of our business model and our consistency of execution across market cycles. Importantly, our Merchant business again delivered double-digit revenue growth and our core Issuer business continued to produce sequential improvement, consistent with our expectations, each on a foreign-exchange neutral basis.

Internal metrics thus far into October suggest continuing solid performance for the fourth quarter. [ph] Much as (00:12:24) September did versus August, and August versus July. It's certainly possible that things could change for the worst given ongoing macroeconomic concerns but that would require an adverse change that we do not broadly see in the current environment. Notably, we are achieving these results while making substantial progress on our strategic and financing initiatives.

We received Hart-Scott-Rodino clearance in the United States for our acquisition of EVO Payments and divestiture of Netspend's Consumer business and we've now made regulatory filings in all jurisdictions, foreign and domestic, contemplated by the transactions. We took steps to finance the EVO transaction with a successful \$2.5 billion fixed income offering in early August at attractive rates, and we undertook a concurrent long-term extension and enhancement of our revolving credit facility. We also completed our \$1.5 billion strategic investment with Silver Lake and associated transactions. We are proud of the company that we keep and we welcome senior partner, Joe Osnoss from Silver Lake to our Board of Directors.

Our Issuer business remains on track for continued core growth acceleration into year-end following an acceleration into the third quarter after a robust Q2. Our relationships with many of the most complex and sophisticated institutions globally speak to our competitiveness well into the remainder of this decade. Our Issuer conversion pipeline now stands at a record post-merger of 75 million accounts providing further confidence of our growth trajectory well into the future.

What better example than our recent go live with one of the top 10 commercial banks in the United States which was a competitive takeaway early after the announcement of our merger. We are delighted that earlier this month, we began onboarding and servicing the banks new consumer and small business commercial accounts on TS2. We expect this partner to be prepared for the conversion of its existing consumer and commercial accounts early next year.

This quarter, we also converted the consumer and commercial portfolios for another large US-based bank as a new customer as well as a large retail portfolio acquired by an existing financial institution partner, both of which were competitive takeaways, and we continue to make great progress with AWS, our preferred Issuer technology solutions partner, for unique distribution and cutting-edge technologies. We are pleased to announce that we

have reached an LOI with a leading global travel technology company who chose TSYS as its Issuer Solutions partner for its platform across the UK and EU after an extensive RFP process. Once live, this will be our first fintech customer on Prime in the AWS cloud in Europe.

We currently have seven Letters of Intent with institutions worldwide, nearly all of which were achieved through a competitive RFP process and a competitive takeaway. Another seven of our recent LOIs, including five competitive takeaways have gone to contract since the beginning of 2022 providing further future growth opportunities.

Traditional accounts on file increased by 14 million sequentially this quarter driven by account growth with existing customers as our strategy of aligning with market-share winners continues to pay dividends, and transaction volumes grew double-digits in Q3, led by commercial card transactions which increased 25%, highlighting ongoing recovery trends in cross-border corporate travel and the strength of our long-lasting partnerships.

At our investor conference last September, we announced B2B as the fourth and newest pillar of our strategy, meaningfully expanding our target addressable markets. As of this quarter, we are now managing Netspend's B2B assets as a part of our Issuer business after successfully aligning MineralTree's capabilities with this segment earlier this year. We are delighted with the momentum we are seeing across our B2B portfolio which includes technology centered on virtual card solutions, a vast commercial card footprint, massive distribution partnerships with the world's leading financial institutions, data and analytics, market-leading payroll technologies and access globally to nonbank card rails.

Recent B2B highlights include providing virtual commercial account services to banks and fintechs in partnership with Extend, reaching a Letter of Intent with specialty fintech, EedenBull, to enable commercial expense management and integrated payables solutions and signing a multiyear commercial card agreement with Santander in the United States as a competitive takeaway. We are also pleased to have signed new virtual card services [ph] in AP (00:08:15) services and wins with two leading US financial institutions.

Additionally, MineralTree achieved a number of milestones, including signing a marquee deal with Grupo Bimbo in the US and Canada, one of our largest B2B bookings to-date, generating record-breaking virtual card spend in the month of September and executing a referral agreement with fintech, Ramp, to cross-sell expense management and card-on-file capabilities. We're also pleased to have recently enhanced our relationship with Visa to support their branded cards in the payables space, and this is all, of course, before augmenting our B2B capabilities with EVO's leading accounts receivable automation software solutions, including its extensive proprietary integrations to some of the most widely used ERP environments in the market through its PayFabric platform, including SAP, Microsoft, Oracle, Acumatica and Sage.

Moving to Merchant Solutions, we are pleased to announce, in partnership with Google, that we have partnered with Genuine Parts Company to deliver innovative cloud-based payment solutions for the extensive NAPA Auto Parts' domestic distribution network. Leveraging the combined power of Global Payments and Google Cloud, NAPA will streamline commerce operations for its B2B transactions across the United States.

We continue to expand our acquiring relationship with Google in North America following the success of our initial launch in Asia-Pacific late last year. Volumes are now building in the US market with Google as a customer and we expect the ramp to continue throughout this quarter. We also anticipate bringing our partnership with Google to Europe next year. Additionally, we remain on track to launch phase two of Google Run and Grow my Business to help our merchants grow faster by connecting additional Google services to our digital platform this quarter.

We yet again delivered solid growth in our e-com and omnichannel business for the third quarter, well ahead of the markets as we have done all year. We continue to benefit from our unique ability to seamlessly blend the physical and virtual worlds in more markets than our peers, and of course, the pending acquisition of EVO and entering into new geographies like Poland and Germany will enhance our target addressable markets. We are excited to have recently reached an agreement to expand our e-commerce partnership with Gucci, a division of French multinational corporate Kering, for acceptance services beyond Europe and into Asia-Pacific where we will deliver a uniform solution and seamless experience virtually for one of the most sophisticated luxury retail brands. Our partnership with Citi via UCP recently went live in Spain, France and Italy, and we continue to expect to go live in Belgium, Denmark, Finland, Norway and Sweden prior to year-end. Together we are currently targeting Citi's largest treasury and trade solutions customers and are excited to announce Citi recently signed one of the world's top social media platforms and one of the world's top e-commerce markets platforms.

In our vertical markets portfolio, we saw a significant return to growth in school solutions as expected and this business delivered substantial improvement in the quarter with the lapsing of pandemic-era subsidies on school lunches. Also, our Xenial business continues to post solid wins in the sports and entertainment areas with new signings with the Carolina Panthers and the Winnipeg Jets and our pipeline in this channel remains robust.

Lastly, we continue to see strong double-digit growth in our real estate vertical market business, Zego, with our new flexible payments product, driving significant demand for our digital solutions. Lastly, I'm delighted to announce that we've launched our Merchant referral relationship with Virgin Money in the United Kingdom this quarter and are already realizing strong lead flow and new signings from this partnership. We also remain on track to launch Virgin Money's new pay proposition early next year. We did exactly what we said we would do in the third quarter of 2022. Our core businesses continued their track record of extraordinary growth and are well-positioned heading into year-end. Our strategic investments are tracking to plan and our new partnerships are right in line with our expectations. We are very fortunate to be in the position that we are in heading into the final quarter of the year.

Josh?

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## Joshua Whipple

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

Thanks, Jeff. We are pleased with our strong financial performance in the third quarter which was consistent with our expectations despite ongoing macro concerns. Specifically, we delivered adjusted net revenue of \$2.06 billion, an increase of 6% from the prior-year on a constant currency basis. Excluding the impacts of our exit from Russia and the Netspend Consumer assets, which are classified as held for sale, adjusted net revenue was \$1.93 billion, an increase of 9% on a constant currency basis.

Adjusted operating margin for the quarter improved 240 basis points to a record 45.2%. The net result was adjusted earnings per share of \$2.48, an increase of 18% from the prior year on a constant currency basis which includes absorbing the impact of the exit of our Russia business during Q2. This performance highlights outstanding execution of our differentiated technology-enabled strategy.

Taking a closer look at our performance by segment, Merchant Solutions achieved adjusted net revenue of \$1.45 billion for the third quarter, a 10% improvement on a constant currency basis and approximately 11% excluding the impact of Russia. We delivered an adjusted operating margin of 50% in this segment, an increase of 80 basis points year-on-year on a foreign-exchange-neutral basis.

Our combined US Payments and Payroll business delivered another strong quarter, led by our integrated channel which again reported mid-teens growth and we continue to see strong momentum in our POS software solutions which grew nearly 30% this quarter, on top of over 70% growth in Q3 of 2021 as well as our HCM and Payroll business, which grew mid-teens in the quarter.

Our worldwide e-commerce and omnichannel businesses also delivered growth in the teens on a constant currency basis this quarter, as we continue to see strong demand for our omnichannel solutions across our business. And our vertical market solutions again achieved double-digit growth compared to the prior-year, led by [ph] strength (00:15:19) in our school solutions business and Zego while bookings trends remain solid across the portfolio.

Outside the US, despite ongoing headwinds from adverse foreign currency exchange rates and continued COVID-related restrictions in parts of Asia-Pacific, the overall macro backdrop remains relatively stable and we continue to gain share. Specifically, we continue to see strong revenue improvement in key faster-growth geographies, including Spain, central Europe and Southeast Asia as we're seeing significant demand for our differentiated capabilities outside the US that are well-aligned with shifting customer needs coming out of the pandemic.

Turning to Issuer Solutions. This business delivered \$489 million in adjusted net revenue, which is a 6% improvement on a constant currency basis from the third quarter of 2021, including Netspend's B2B assets in both periods. Excluding the impact of B2B, Issuer Solutions core growth accelerated 20 basis points from the second quarter and was consistent with our long-term targets as we anticipated.

Our transaction and account on file revenue grew high-single-digits and was consistent with the second quarter performance. As Jeff mentioned, our commercial card transactions increased 25% with growth improving throughout the period. Issuer adjusted operating margin of 46.4%, increased 310 basis points from the prior year, fueled by accelerating growth and also by our focus on driving efficiencies in the business.

We are pleased that our Issuer team signed two new partners and one contract extension during the quarter. Additionally, as Jeff mentioned, our pipeline remains at record levels as we continue to see good sales activity in all markets for new clients and cross-sell opportunities. This includes the growing list of opportunities we have in collaboration with AWS.

Overall, the outstanding results we delivered across our Merchant and Issuer businesses this quarter serves as the proof point of the wisdom of our strategy and resiliency of our model while we also continue to [ph] maintain (00:17:51) significant financial flexibility.

From a cash flow standpoint, we delivered \$640 million of adjusted free cash flow for the quarter after investing \$139 million in capital expenditures. We continue to expect capital expenditures to be roughly \$600 million for the full year. On a capital allocation front, we repurchased 6.9 million of our shares for approximately \$890 million during the period. Our balance sheet remains extremely healthy and we ended September with roughly \$3.5 billion of liquidity and leverage of 3.1 times on a net debt basis.

We made substantial progress on our strategic priorities this quarter, including the related financing initiatives. In August, we successfully completed a \$2.5 billion senior unsecured notes offering with a blended yield of 5.5% and an average duration of 14.5 years. It's worth noting that the rates achieved in this offering are well below current market rates.



We also completed the \$1.5 billion strategic investment in the form of privately placed convertible senior notes with Silver Lake with a 1% coupon. As is customary with convertible instruments, we executed a capped-call transaction that significantly raised the effective conversion premium to approximately \$230 per share. We are delighted to have Silver Lake as a new partner. Our capital structure consists of 100% fixed rates currently.

We used the proceeds from these offerings to pay down our existing term loan and the outstanding balance on our revolving credit facility, and we simultaneously closed a new \$5.75 billion revolving credit facility that provides us with ample financial flexibility.

Following the completion of the EVO and Netspend Consumer transactions, which we continue to anticipate closing by the end of the first quarter, we expect our net leverage to be approximately 3.9 times. We expect to return to current leverage levels by year-end calendar 2023 while maintaining our current investment-grade ratings.

Turning to the outlook for the remainder of 2022, given the underlying trends we are seeing, our expectations for the core business remain unchanged from our August call. We continue to expect full year constant currency adjusted net revenue growth of 10% to 11% over 2021 excluding the impact of dispositions.

On a reported basis, we now expect foreign currency to be roughly a 300-basis-point headwind to adjusted net revenue growth for 2022 or an incremental 100 basis points relative to the outlook we provided in August. Including these incremental FX headwinds, the reclassification of Netspend's Consumer assets to held-for-sale and the exit of our Russia business, we expect to report adjusted net revenue in a range of \$7.8 billion to \$7.9 billion for 2022.

We are increasing our expectations for adjusted operating margin expansion to up to 170 basis points for the full year, as compared to our prior outlook of up to 150 basis points. Lastly, consistent with our prior outlook, we continue to expect adjusted earnings per share on a constant currency basis to be in a range of \$9.53 to \$9.75, reflecting growth of 17% to 20% over 2021. We now expect FX headwinds to impact adjusted earnings per share by roughly \$0.30 for the full year, an increase of an additional approximately \$0.13 from our Q2 call in early August.

As a result, we now expect to report adjusted earnings per share in a range of \$9.32 to \$9.55, albeit at the low end of the range given our exit from Russia and the sheer magnitude of the foreign currency impacts we are absorbing.

In summary, we are very pleased with our third quarter performance. Our Merchant segment led by our technology-enabled strategy continues to excel and underlying trends in the business remain strong. Together, with the record pipeline, successes of our modernization efforts, and enhanced B2B focus in our Issuer segment, we are well positioned for the future.

And with that, I'll turn the call back over to Jeff.

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## Jeffrey S. Sloan

*Chief Executive Officer & Director, Global Payments, Inc.*

Thanks, Josh. We delivered record performance again in the third quarter as we have throughout 2022. Underlying fundamentals across our businesses remain broadly healthy. While macroeconomic concerns abound, we do not see significant broad-based evidence of softness in the trends that we've experienced to date or in the

bookings and implementation pipelines that we have the good fortune to enjoy currently. And with the dissipation of the pandemic, we are now back to typical financial and operating levels.

Despite the background noise, we continue to make significant progress on our strategic and financial initiatives in the third quarter. The acquisition of EVO and the disposition of Netspend's Consumer assets remains squarely on track with our expectations. Our debt capital raised in early August was well-timed and executed. Our balance sheet remains strong and our new partnership with Silver Lake is off to a terrific start.

These transformative transactions will serve to accelerate our strategy and provide us with enhanced confidence in our increased growth and margin targets over the cycle. Upon the expected closing of these deals in early 2023, Merchant Solutions will represent approximately 75% of our adjusted net revenue with Issuer Solutions including B2B comprising roughly 25%. We have multiple levers in each segment to continue to gain share over the cycle with a simpler model more geared toward our corporate customers with enhanced growth and margin prospects.

Happy Halloween, everyone. Winnie?

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### Winnie Smith

*Senior Vice President-Investor Relations & Corporate Sustainability, Global Payments, Inc.*

Thanks, Jeff. Before we begin our question-and-answer session, I'd like to ask everyone to limit their questions to one with one follow-up to accommodate everyone in the queue. Thank you.

Operator, we will now go to questions.

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## QUESTION AND ANSWER SECTION

**Operator:** Thank you. [Operator Instructions] Our first question comes from the line of Darrin Peller with Wolfe Research. Please proceed with your question.

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### Darrin Peller

*Analyst, Wolfe Research LLC*

Q

Hey, guys. Thanks. Maybe we just start off on the Merchant side. When we dive into the moving parts and the drivers, you're growing in line or actually a little bit better than the Visa data, I think it was 11% volume. And so, if you could just give us a little bit more color on what's driving the strength in your minds and what's sustainable about that, moving beyond just macro for a minute but what's actually structurally really doing well versus not in that segment. And then maybe if you want to just reiterate again if you're not seeing or if you are seeing any types of consumer behavioral changes.

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### Cameron M. Bready

*President & Chief Operating Officer, Global Payments, Inc.*

A

Yeah. Good morning, Darrin. It's Cameron. I'll jump in, and I'll ask Jeff and Josh to add any color they'd like to. So, what I would say is, if you look across the data, the volume data in particular, in our Merchant business, we're seeing very good sort of stability and strength kind of across most of our sectors. And I think what's particularly, I think, gratifying to me is, when you look at our performance which, to your point, is better than the networks and



our peers, that's without the benefit of the significant travel rebound that I think is propping up volume numbers for other people.

As we've talked about many, many times, we don't really participate widely in travel and entertainment and as a result of that we're not really seeing the strength of the recovery coming in those channels which I know is driving a good portion of volume growth kind of across the sector. So, I'm really pleased with the volume growth we're able to produce, notwithstanding the fact we're not really exposed to that segment of the market is the first point I would make.

The second thing I would comment on is we're seeing, I think, largely what others are seeing in the marketplace. Consumers are focused more and more on experiences. Hospitality continues to be good in our space. Obviously, retail is not quite as good as it was during the pandemic time as people have pivoted away from goods to more services and experiences. And I think you're seeing sort of volume trends in our portfolio that generally align with that overall macro trend.

The last thing I'd say and kind of to the end of your question, given the diversity that we have across our portfolio and how well positioned we are, I'd say, across 70-plus vertical markets from an exposure perspective, I think we feel pretty confident that the stability and strength and volume growth that we've seen over the last several quarters is sustainable as we move forward in time. So, we feel as if we're kind of operating now in a normal environment and the results that you saw in Q3 kind of reflect normal operating expectations for the Merchant segment more broadly.

And the last comment I'll make, and sorry, before I turn it over to Jeff, is just we are still dealing with pockets of weakness around the globe as well. So, I'm again pleased with the overall performance notwithstanding the fact that we're still seeing COVID-related impacts in Asia-Pacific, obviously the Greater China markets continue to struggle with periodic lockdowns and travel restrictions et cetera, as it relates to their desire to have sort of the zero COVID policy. And, of course, we're seeing a touch of macro impact in the UK, although relatively small portion of our business. I think it's hard not to notice, obviously, the impacts in the UK stemming from a variety of overall macro factors there, and certainly that has weighed on the performance slightly as well. But if you look at everything in aggregate, again very pleased with the overall sort of revenue growth and volume performance we've seen across the portfolio.

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**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

A

Yeah. Darrin, it's Jeff. I'd just add to what Cameron said. We see the same thing on the Issuer business. So, if you look at the report today, 4.2% constant currency kind of core Issuer ex the B2B assets growth and acceleration versus the second quarter and consistent with what we expected. You've seen pretty steady growth in accounts on file, in transaction growth and authorizations and value-added services. I think we added 14 million accounts in the quarter. We have a record implementation pipeline post-merger of 75 million accounts that does not include [ph] Caixa (00:29:05), but we're tracking to the same metrics on the Issuing side as Cameron mentioned on the Merchant side.

The other thing I'd say is on the cross-border side, commercial card, as we said in the slide show, was up 25% transactionally in the third quarter and September was also, as a month, a really good month for commercial card. So, where we do have that exposure, I think it's tracking very consistently with the networks and what Cameron described in Merchant.

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**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

That's really helpful, guys. Thanks. Just one quick follow-up and maybe, Josh, this might be a little bit more for you on the financial side. But when we look at the quarter itself, obviously, there were some adjustments to try to figure out what the core results are. I guess there's bridge financing that you guys added back. But then when looking at guidance, you're talking about FX-adjusted, but then you're also saying that FX was, I think you said, 400 basis points or 500 basis points embedded. And correct me if I'm wrong. Maybe you could just reiterate again what the reported outlook is for the year in terms of – and if there's any other adjustments going on, just to be clear.

**Joshua Whipple**

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

A

Yeah. Absolutely. So, thanks, Darrin. So, as I said in my prepared remarks, we said, for the year, it's a total of 300 basis points of FX headwinds. And what I would say is our expectation for the core business remains exactly the same, constant currency adjusted net revenue growth of 10% to 11% and then constant currency adjusted earnings of 17% to 20%. And if you look in our press release Schedule 10, we've given each of the components where you can go ahead and break that out, but hopefully that's helpful and answers your question.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Thanks, guys.

**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

A

Thanks, Darrin.

**Operator:** Thank you. Our next question comes from the line of Jason Kupferberg with Bank of America. Please proceed with your question.

**Jason Kupferberg**

*Analyst, BofA Securities, Inc.*

Q

Good morning, guys. Thanks. I just wanted to start with a question on the pending acquisition and divestiture as we think ahead to the close of both of those in Q1. I think last quarter, you'd said that the EVO earnings would offset the lost earnings from Netspend consumer, but I just wanted clarify. Is that comment based on full run rate synergies being achieved at EVO? I'm just trying to understand whether in 2023 there's any net dilution here or not. Thanks.

**Joshua Whipple**

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

A

Yeah. No. Thanks. So, as you think about Netspend and EVO together, depending on timing, it's pretty much an asset swap where they're offsetting one another, so we would expect that to go ahead and be neutral from an overall accretion-dilution perspective.

**Cameron M. Bready**

*President & Chief Operating Officer, Global Payments, Inc.*

A

Yeah. Jason, it's Cameron. The only thing I'd add to that is you are correct. The commentary we provided last quarter, at full run rate synergies, the EVO transaction and Netspend transaction do offset each other as an accretion-dilution [ph] matter (00:31:52). They're roughly neutral. So, that does obviously assume we get to full run rate synergies on the EVO transaction. I'd say it's really too early to comment on 2023. We'll obviously provide more color as we get into the early part of the year and we have better line of sight on the timing of the close. As you can imagine, to Josh's point, the timing of close of each of the individual transactions will drive kind of the outlook for 2023. But if we think about the long-term trajectory of the business, swapping out the Consumer business for EVO, a business with better revenue growth potential, better margin profile and obviously a strong kind of earnings contributor over time, when we get to full run rate synergies, we feel like it's a very good better positioning of the business for lack of a better term for the long run.

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**Jason Kupferberg**

*Analyst, BofA Securities, Inc.*

Q

Okay. Okay. Understood. And then just as a follow-up, you've steadily raised margin guidance this year each quarter to a level that's well above your cycle guidance. I think you've gotten a little bit of benefit from exiting Russia but just wanted to understand a little bit more the underlying drivers you would point to that are driving the outperformance. And then if you can just make a quick comment on Q4 growth expectations for Issuer. Thank you.

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**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

A

Yeah. I'll start, Jason, and ask Josh and Cameron to comment as well. So, I think the fundamental driver of expanded margins is better transactional underlying performance. I know you know how our model is constructed but the more software we sell, the more transactions we do, you look at the 11% revenue growth, the 11% volume growth, we announced today in the Merchant segment. You look at the acceleration in the Issuer segment, up 4.2% core versus 4% in the second quarter, Josh will comment on the guide, but we expect an increase in the fourth quarter. When you see those things going up, those things all come in at a very high incremental margin at the end of the day. So, I would say the fundamental operating performance of the company is what's really driving the expanded margin throughout the year and as we head into the fourth quarter.

Josh, want to talk a little bit about the fourth quarter guide?

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**Joshua Whipple**

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

A

Yeah. Absolutely. So, I think the question was with regard to Issuer, and look, throughout the year, we've seen really nice trend in the Issuer business 1Q to 2Q obviously. And then 2Q to 3Q, we saw 20 basis points of growth there. And what I would say is based on the internal metrics that we're seeing now would suggest that through the first month of the quarter, that things are consistent with regard to what we saw in September, which Jeff had mentioned just a moment ago. So, we feel very, very good about the trends of the underlying business within Issuer and we expect to see those trends continue into the fourth quarter.

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**Cameron M. Bready**

*President & Chief Operating Officer, Global Payments, Inc.*

A

And, Jason, it's Cameron. I'd just add one final point to that and it's just reiterating something that we've said, I'd say, relatively consistently. We're very focused in the business on profitable growth, right? We really do emphasize making sure that we're growing in a way that has flow-through to profitability, that allows us to continue to expand margin, the mix of our business, particularly in Merchant towards more technology

enablement software, et cetera, to Jeff's earlier comment, positions us well to continue to drive obviously attractive margin expansion in the business, but it's all sort of premised on a belief that we want to focus on profitable growth and we're not just booking kind of revenue growth for the sake of booking revenue growth, but it's flowing through and driving profitability for the business.

**Jason Kupferberg**

*Analyst, BofA Securities, Inc.*

Okay. Thank you, guys.

**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

Thanks, Jason.

**Operator:** Thank you. Our next question comes from the line of Bryan Keane with Deutsche Bank. Please proceed with your question.

**Bryan C. Keane**

*Analyst, Deutsche Bank Securities, Inc.*

Hi. Good morning, guys. Just wanted to make sure we knew kind of maybe percentage of revenue of some of the areas of the pockets of weakness, Asia-Pacific, UK, maybe Canada, just so we have that in our models.

**Cameron M. Bready**

*President & Chief Operating Officer, Global Payments, Inc.*

Yeah. Bryan, good morning. It's Cameron. I'll jump in. So, we've talked about UK before. It's about 5% of the Merchant business, roughly 3% of the total company revenue. Canada is roughly the same size, it's actually slightly larger than the UK market, but again going to be in that sort of little over 5% range and again 3% on the total company. Asia-Pacific, it's more pockets of Asia-Pacific, so it's probably a third of that size for the UK and Canada where we're seeing a little bit of weakness given the COVID-related restrictions and lockdowns.

So, I would say not material. And, Bryan, we've talked about for a long time, we don't need every market, every geography, every channel to perform perfectly for us to hit the expectations that we have for the business, and I think this is a really good sort of example of that. The performance in the quarter was very much in line with the expectations we have for overall business, 11% constant currency, revenue growth excluding Russia which again is very good growth in that portfolio, notwithstanding again, not everything is going perfectly in every market around the globe. So, that's our expectation as we move forward. We'll continue to see pockets of areas that may create challenges but we feel poised to continue to produce growth, consistent with our cycle guidance for the Merchant segment.

**Bryan C. Keane**

*Analyst, Deutsche Bank Securities, Inc.*

Yes. No. Definitely, definitely, you can see that in the volumes. And then maybe, Jeff, just as you think about the macro, if it does deteriorate, I know a common question you get and we get is what kind of contingencies do you have in place to potentially protect EPS growth if the macro would deteriorate further.

**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

Yeah. [ph] Good (00:37:26) question, Bryan. I don't think you have to look any further than our history to see how we've operated in more challenging macro environments than the one that we see today. A great example would be kind of early on in the pandemic when we took an incremental \$400 million of annualized cost saved out in a couple of weeks, of which \$200 million was permanent. That was probably six to nine months, March of 2020, after we closed the TSYS merger. Of course, as we announced, we're continuing to expect to close the EVO merger in the first quarter of 2023. When we do deals even beyond the normal operating environment, when we do deals, we have the ability to accelerate the synergies. [ph] If you can (00:38:07) go back to our commentary on the synergy expectation for EVO, it's \$125 million of annualized expense synergies. I think we've assumed call it a third of those is, I think what we said at the time, on August 1 would be phased in. That's the realized number in the first year. Obviously, we have an ability to move those around and accelerate those, so we have a track record of overperforming on our synergy expectations on the cost side, and we also have the flexibility as we did in the case of the TSYS merger and even the Heartland merger from accelerating synergy realization, if that's kind of what we need to do.

So listen, as we think about it and as we said in our prepared remarks today, the internal metrics through the first three weeks of October are in a really good place. We don't see any kind of broad-based evidence of any impact from the macroeconomic environment. Having said that, we have plenty of levers that we can pull to manage to our expectations for 2023 and beyond. I think if you look at the history, you'll see how we've done that.

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**Bryan C. Keane**

*Analyst, Deutsche Bank Securities, Inc.*

Got it. Happy Halloween.

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**Cameron M. Bready**

*President & Chief Operating Officer, Global Payments, Inc.*

Thanks, Bryan.

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**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

Thank you.

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**Operator:** Thank you. Our next question comes from the line of James Faucette with Morgan Stanley. Please proceed with your question.

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**James E. Faucette**

*Analyst, Morgan Stanley & Co. LLC*

Thank you very much. Want to follow up on Bryan's question there on EVO and you mentioned the synergy potential. As you've kind of started to look more closely at that business, can you talk about where are the puts and takes that you at least at this stage think could come from that could move those synergies around? And what are you finding there that maybe is encouraging you to feel a little bit optimistic in terms of potential to do more there than you've outlined?

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**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

Yeah. James, it's Jeff. I'll start, and I'll ask Cameron to comment too. It's a very good question. So, now that we're through the HSR regulatory period here in the United States, which was really the primary hurdle for us to

proceed, we're starting our integration activities imminently, so obviously, we continue to do more. What I would say is for sure, the B2B assets as we said at the time of the announcement of the transaction on August 1, we think are highly attractive. I have spent time with Jim, who's done an excellent job at EVO, reviewing their B2B business, particularly meeting with their software developers in Anaheim and a bunch of their operating businesses in Tampa and elsewhere.

I'm more bullish now even than I was on August 1 about opportunities in the B2B as you know, Global Payments ex-EVO for the time being has very aggressive targets on what we think we can do with our B2B business. We expect that business to grow, MineralTree in particular, 20%-plus the calendar year that we're in today, in 2022 and that's before the addition of EVO's assets. So, I was very impressed with where they are on the development and the software side. I think Jim and the team in Anaheim and elsewhere have done a terrific job and very excited about the opportunity to combine go-to-market strategies and realize additional revenues in combination with B2B.

Cameron, you want to talk more in detail?

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**Cameron M. Bready**

*President & Chief Operating Officer, Global Payments, Inc.*

A

Yeah. James, it's Cameron. I'll add a couple other comments. I would say in addition to B2B on the revenue side, I think we're particularly excited about the prospects of bringing our product, particularly our commerce enablement solutions to EVO's international markets and to the US portfolio as well but certainly international. EVO has done a great job sort of building payment businesses in these markets but their product set is very payments oriented and I think we have a significant opportunity to augment what they're doing in market today, particularly in markets where we don't operate by bringing our commerce enablement solutions, some of our other product and solutions, particularly on the software side to those markets. So, we see very strong, I think, revenue opportunities coming from that.

And then secondly more on the expense side, obviously, we had very much duplication in markets where we overlap. So, UK, Spain, Mexico and then that gives us – and certainly here in the US market, of course, across the integrated channel and then EVO's more traditional Merchant business. Those areas are obviously going to provide meaningful opportunities for expense as we rationalize technology, operating environments, go-to-market strategies across those overlapping businesses.

So, I would say sitting here today, we have high confidence in the synergy targets that we provided. Certainly, I think, there's more revenue upside there that we can tap into as we progress in time and we bring the businesses together, but certainly, feel very good about our ability to achieve the \$125 million and in keeping with past practice, we're hopeful we'll find opportunities to even exceed that as we bring the two businesses together over the next few years.

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**James E. Faucette**

*Analyst, Morgan Stanley & Co. LLC*

Q

That's great color, gentlemen. And then the follow-up question. Obviously, it's not as important a topic right now as it was maybe a year ago, but I'd love any update on how you're seeing your place in the BNPL ecosystem develop. Are you seeing more of the BNPL integrations with Global to try to drive more scale as opposed to those BNPL providers trying to add merchants one by one? And I guess maybe more generally, are you still bullish on Global's place in the ecosystem as time goes by? Any update there would be helpful. Thanks.



**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

A

Yeah. James, it's Jeff. I'll start and ask Cameron to join too. I'll speak to the Issuer side first. So, we made a tremendous amount of progress on the Issuer side in BNPL and I think given our advantages with the 1,500 financial institutions per EVO that we have relationships with today, our perspective is providing BNPL technologies and services to regulate a responsible BNPL providers who are used to extending credit and provide AML and KYC is absolutely the right thing to do. We have a number of customer implementations under way, particularly outside the United States, in the United Kingdom, for BNPL and the take-up rate from our FI traditional clients in Issuer has been very high. In fact, I would say, I don't think we've ever had, as we said in the slide show, more of an implementation pipeline post-merger in Issuer and I don't think the funnel of opportunities beyond that in terms of what we're pursuing, which includes BNPL, has ever been greater.

So, I think our strategy all along of aligning with market share winners and the most successful traditional financial institutions as well as fintechs including in particular in BNPL has been absolutely the right thing to do and we're seeing a lot of traction in that area on the Issuer side.

Cameron, you want to comment on the things we're doing in Merchant?

**Cameron M. Bready**

*President & Chief Operating Officer, Global Payments, Inc.*

A

Yeah. Certainly, on the Merchant side, we launched our BNPL as a service solution earlier this year in the first quarter. That allows our merchants to tap into whatever BNPL provider they want to work with through our rails. So end of day, as we talked about over a period of time, BNPL ultimately is just another alternative payment mechanism. Our objective is to provide our merchants the opportunity to utilize us for all of their payment requirements to make sure that we have the rails to tap into whatever BNPL providers are in the marketplace, we're providing consolidated settlement reporting, data analytics and all the value-added services we're able to provide to our merchants and we're doing that today.

Not surprisingly and to your point, we are seeing [indiscernible] (00:45:21) for that, obviously slow in light of just what's transpired over the course of this year. But again, we've done what we said we would do which is position ourselves to be able to provide BNPL as a service, tap into all of the major BNPL providers in the marketplace today and allow our customers to have choice, our clients to have choice around who they work with to the extent they want to offer BNPL capabilities to their consumers on any given day.

So, I feel good about how we're positioned strategically there. We're not in the business of taking sort of credit risk from consumers, so it's not a service we're providing on our own balance sheet, but we're providing the technology and the value-added services our customers are looking for to be able to work with any BNPL provider they choose to.

**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

A

And I'd also add, to your last point there, James, if you look at our e-com, omni numbers which we reported again this morning, those remain in line or ahead of the markets as represented by the e-com, omni numbers for Visa, and Mastercard is now 30% roughly of the revenue of our company. So, we've been in line/accelerating/multiples of where the market's been growing. We wouldn't be in those positions if we didn't have a hyper-competitive offering via UCP, which we've been talking about I think for [ph] four years plus (00:46:38) now. So, we feel really

good about where that business is. Obviously, BNPL is a piece of that business, but we're very pleased with the continual growth in our card-not-present business as measured by our performance relative to the markets.

**James E. Faucette**

*Analyst, Morgan Stanley & Co. LLC*

That's awesome. Thanks, Jeff. Thanks, Cameron.

**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

Thanks, James.

**Cameron M. Bready**

*President & Chief Operating Officer, Global Payments, Inc.*

Thanks, James.

**Operator:** Thank you. Our next question comes from the line of Jamie Friedman with Susquehanna. Please proceed with your question.

**James E. Friedman**

*Analyst, Susquehanna Financial Group LLLP*

Hi. Good results here. Congratulations. I want to also ask about Issuer. So, on the commercial side, that I think you said 25% transaction growth, is that related to comps? Is that the marriage of the strategy? Or is that a reflection of the types of accounts on file you're boarding? Any color you might have on commercial would be helpful.

**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

Yeah. Jamie, it's Jeff. So, I think it's really related to just a fantastic business in the commercial card area. So, as it relates to the comparison, we've seen sequential improvement throughout most of 2022, very similar to what you saw from the card networks in the commercial card area as corporate cross-border travel, which is really what commercial is for us for a bunch of large issuers, really recovers. The other thing I would say is 25% is an average. We've got a bunch of people on the corporate side who are growing 50% north of that, right? So, while that's the aggregate of a lot of financial institution issuers, we have some issuers, money center banks, who are growing at multiples of that number today, so that business remains very healthy.

I would also add that that is part of the AWS modernization efforts, so that applies not just to TS2 and consumer but also to commercial card. There's two elements to that. One is the technologies that we're developing in commercial card. You may remember that Citi earlier this year, Citigroup signed an eight-year extension with us in their commercial card business to the end of this decade really. And I think part of the confidence that large, smart institutions like that have in us is the modernization efforts we're undertaking.

The second thing I would say as we announced this morning and also throughout the year is diversifying the revenue stream into fintechs. So, I think we announced today in our B2B businesses and commercial card for us is really a core part and in some cases the entryway into B2B, we announced today deals with Ramp, deals with Extend, as we think about expanding beyond traditional financial institutions, which has obviously been terrific for us, into fintechs and start-ups. I think B2B and commercial card is a really good place to do that and leveraging

the relationship, the unique relationship we have with AWS as well as the cutting-edge technologies we're building there, is showing in the results that we've been producing for the last couple of quarters in commercial card. So, it's really not the comparison so much as it is ongoing strength and recovery in the corporate travel marketplace.

**James E. Friedman**

*Analyst, Susquehanna Financial Group LLLP*

Q

Okay. Thanks for that, Jeff, and there's a lot of good color on slide 6 on Issuer. So, is there any reason why you're excluding Caixa? I think you said in your prepared remarks you're excluding Caixa. If I heard that wrong, I apologize. But what's the logic there?

**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

A

Yeah. It's Jeff, again, Jamie. Caixa is not in that number because we're ready to go to contract shortly, so until it gets into the implementation queue, so that's like an implementation number, Jamie, which means we intend to board the relatively immediate term. Caixa is ready to go to contract shortly. The LOI was executed earlier this year. Once it gets slotted into the pipeline for conversion, then we'll add it. But if you add that number in, Jamie, then you're well over 100 million in the pipeline accounts on file on a base business that's whatever the number is, 700 million et cetera. So, that gives you some sense, Jamie, as to the embedded growth opportunity, carrying for the next couple of years in the Issuer business. So, I expect that to flow in, in 2023, but I didn't expect it to be consistent with our expectations to have that in the third quarter because the contract's going to be signed shortly.

**James E. Friedman**

*Analyst, Susquehanna Financial Group LLLP*

Q

Got it. Makes sense. I'll drop back in the queue. Thank you.

**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

A

Thanks, Jamie.

**Operator:** Thank you. Our next question comes from the line of John Davis with Raymond James. Please proceed with your question.

**John Davis**

*Analyst, Raymond James & Associates, Inc.*

Q

Hey. Good morning, guys. Just wanted to touch on the margins here. I think very consistent elevated or raising margin guidance every quarter this year, despite a lot of your peers kind of doing the opposite. And so, Jeff, is this pull-forward? Are you being a little bit more aggressive ahead of what could be a macro slowdown? Are these just opportunities in the business that you're seeing kind of top line, better operating leverage? Just trying to understand whether or not this is kind of a pull-forward from the expense base or if we can expect kind of similar-to-cycle guidance going forward in 2023 and beyond.

**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

A

Yeah. John, it's Jeff. It's not a pull-forward. I mean, as I said in response to a couple questions ago, the fundamental driver of margin improvement is terrific growth, so when you look at the things that are driving the growth of Merchant, as Cameron alluded to, our software businesses, our higher-margin businesses, our

technology-enabled, as those grow faster than market rates which we reported again this morning, that is going to drive outsized margin performance. And I think that's what you're seeing in Merchant which is 50-plus percent margins for the second time in a row this quarter.

On the Issuer side, it's a very healthy growth profile in Issuer, and I think Josh alluded to this. It's 4% core constant currency in the second quarter and now 4.2%. As Josh said, our expectation is for north of that in the quarter we're in right now based on the metrics through the third week of October. So, when you have businesses that are probably 80%-plus incremental margins relative to a 40% average margin number growing at above-market rates, you're going to drive better margin returns. That's the fundamental thing.

The second thing I would say, as you alluded to is, look, we pride ourselves in execution. We've got a long time here making or exceeding our margin target, so we are appropriately cautious throughout the back half of this year heading into next year. But no, our expectations pre-EVO remain from normal margin enhancement. Heading into next year, I think, EVO and the disposition of Netspend provide opportunities for accelerated margins when we get there, but I think for the time being, it's really driven by 11% fundamental growth in Merchant, 6% fundamental growth in Issuer. If we keep doing that, we're going to keep expanding margins.

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**John Davis**

*Analyst, Raymond James & Associates, Inc.*

Q

Okay. Great. And just as a follow-up, I think you commented in your prepared remarks or response to a question that you expect the MineralTree to grow at 20-plus percent. Maybe just spend a second to help us understand how MineralTree will fit with the B2B assets. You said you're more excited about EVO's B2B business, but obviously that's – questions we get a lot is just the B2B strategy going forward, so maybe just how MineralTree specifically fits with what EVO has in B2B, that would be helpful.

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**Cameron M. Bready**

*President & Chief Operating Officer, Global Payments, Inc.*

A

Yeah. John, it's Cameron. Maybe I'll jump in, and I'll ask Jeff to chime in with any other additional comments. So, if you think about the B2B strategy, I'd break it down into its individual building blocks, because ultimately, end of day, what we're trying to achieve is sort of a fully integrated B2B offering where we have software at the heart of our ability to provide accounts payable, accounts receivable solutions, with money in, money out flows, for largely mid-market customers and obviously enterprise customers to the extent we want to scale into that market as well.

So, if you think about that as a sort of core underlying strategy, obviously, MineralTree is the base foundational asset to support our AP software automation capabilities. It will complement, obviously, or EVO I should say, will complement what we have with MineralTree by providing again the core foundational AR software capabilities, again, with the integrations into the largest ERP providers in the marketplace today.

So, if you think about the B2B strategy, much like we've done on the Merchant side, the foundation of that will really be software driven by both AP and AR software solutions, and we'll wrap around that to the ability to provide, again, money in and money out solutions to our customers in the B2B space. So, their ability to accept payments, obviously, of course, on the Merchant acceptance side, their ability to make payments and outflows on the AP side, all of that in a fully integrated package that we can sell either as micro services for any one of those solutions or as a fully integrated package again into that market.

So, I think the attractive part of EVO, as we've talked about before, there are many attractive elements. One of the most attractive elements is the AR automation software that they bring to Global Payments and how nicely again it complements the overall B2B strategy that we're trying to build out here.

**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

A

Yeah John, I'd just add to what Cameron said, so this is in our prepared remarks this morning but I want to highlight it, so one of the largest software deals that MineralTree has ever recorded, Grupo Bimbo, was just done in October, which is something we called out the quarter we're in. Obviously, that's terrific news. We've also found very fertile ground in the cross-selling of our virtual card business into our traditional financial institution base. On the Issuer side, we gave you a few examples in our prepared remarks too.

So, Cameron's absolutely right in terms of go-to-market. There's tons of opportunities and low-hanging fruit on the TSYS issuing side leveraging the 50-million-plus virtual cards we do every year and the \$30-billion-plus in volumes we do already in virtual cards. So, we feel really good about where that business is headed and our focus is continue to build momentum in B2B heading into 2023. And then obviously EVO, as Cameron alluded to, brings us a whole another universe of opportunities. So, very pleased with where we are and really excited about the trajectory into 2023.

**John Davis**

*Analyst, Raymond James & Associates, Inc.*

Q

Okay. Appreciate all the color. Thanks, Jeff.

**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

A

Thank you.

**Cameron M. Bready**

*President & Chief Operating Officer, Global Payments, Inc.*

A

Thanks, John.

**Operator:** Thank you. Our next question comes from the line of Bob Napoli with William Blair. Please proceed with your question.

**Robert Napoli**

*Analyst, William Blair & Co. LLC*

Q

Thank you. Good morning. Jeff, over time you've been on the forefront, I think, in Global Payments of innovations in the payments industry. As you look at the industry today, globally it's becoming more and more global, I think a lot of the innovations. What areas of fintech are you most excited about? I mean, there's still a lot of [ph] VC (00:57:16) going on. I mean, maybe it's slowed down somewhat, but where, is it geographic? Is it fraud areas? I mean, embedded payments seem to us a lot like integrated payments. But anyway, just any thoughts around areas of innovation around fintech that you're most excited about?

**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

A

Yeah. Bob, I won't belabor the B2B topic because I think we've spent a lot of time on this call talking about our B2B strategies and how we do standalone and also with EVO. But just to start at the top, I mean, I think B2B is a big driver of our future growth expectations. We talked about it last year, about a year ago, in our September 2021 Investor Day.

The second thing I would say is what we call commerce enablement, really on the Merchant side of the house which I know Cameron has touched on. If you look at our recent announcements with a bunch of stadiums, Mercedes-Benz is probably the most notable, but as we alluded to in the script, more are coming kind of imminently, probably before our next call. What's really driving that, Bob, at the end of the day is this seamless combination of software, digital, mobile and the way that consumers want to be treated.

So, we've talked about this, I think, at our Investor Day, but pre-pandemic, maybe people got paper tickets. Maybe people were okay getting a parking pass. Maybe people were all right taking a stub at the parking lot in the stadium. Maybe people were all right touching something at the counter and inserting their card. It's now table stakes I think for all that stuff to be done digitally. Maybe that was going to happen anyway, but as we said repeatedly in 2020 and 2021, I think the pandemic probably accelerated that migration by three to five years, and that's what we're seeing.

So, when we're going into RFPs now with stadiums, and we've won obviously a lot of them and more will come, but just take Mercedes-Benz more recently as one example, all that stuff now is done digitally, meaning your ticket's on your phone, your parking pass is digital also on your phone, when you order something, you could do that from your phone too to be delivered to your seat, you could do it from a kiosk, you could pick it up in a locker. No one wants to touch anything anymore. Another great example of this, we call that commerce enablement which means it's less about what the point-of-sale device is and more about the consumer experience.

Then if you look at something like real estate, and I think Josh and I alluded to Zego today and its performance, same thing. If you go back, Bob, kind of pre-pandemic, people would show up at the landlord's office with their check. If they had a repair ticket to fill out, they'd fill it out on paper, hand it in. If they wanted their car, they'd hand in a parking ticket. Well, no one wants to do that stuff anymore. No one wants to touch those things. It's all done on your phone. When you sign up for a new apartment, it's all done electronically. When it's a repair thing, you do it on your phone or your iPad. When you want your car, you kind of press a button on your phone.

So, when we think about commerce enablement and the opportunity to seamlessly combine what we've built here which is software as well as payments as well as a digital environment as well as wallets as well as e-com, omni, we think there are only a couple people in the world who can really provide those services and I think the rate of our [ph] bookings (01:00:13) growth, our implementation provides all the evidence you need to do, you need to see, as to how those undertakings are going.

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### Cameron M. Bready

*President & Chief Operating Officer, Global Payments, Inc.*

A

And, Bob, it's Cameron. The only thing I would add to that, and I think you touched on this in your question, is the ability to bring those capabilities to markets outside of the US, I think is really differentiated for us. So, all the innovation that Jeff was describing, we're now in the process of bringing to markets outside of the US, our point-of-sale software solutions with the integrated analytics and customer intelligence suite. We're bringing obviously our embedded finance offerings to markets outside of the US as well.

So, part of what we've liked about our strategy now for quite some time is the fact that by owning these underlying software capabilities and solutions, we control the ability to export them to markets outside of the US again to drive distinction and differentiation in these markets as they continue to evolve. So, I think that it's a unique sort of positioning for Global Payments and one that we're particularly excited about.

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### Jeffrey S. Sloan

*Chief Executive Officer & Director, Global Payments, Inc.*

A



I'd also say, Bob, just to circle back to complete the question, on the Issuer side, the cloud sales. So look, when we announced the deal, the unique partnership we have with AWS, two-and-a-quarter kind of years ago now, we were very excited but probably uncertain about the timeline, the path of migration of traditional financial institutions. Yeah. We're not uncertain about that any more. I mean, I think now that the world has reopened, I think I've been to Europe three times for work along with Gaylon in the last few months and met most of the top financial institutions in the United States, in Canada and most of Western Europe. As I mentioned a minute ago, in addition to the 75 million accounts and implementation for accounts on file, I don't think we've ever had the bucket of opportunities that we have today on the Issuer side. And every one of those RFPs comes in and says we want 100% cloud kind of the first day. So, I would just say in terms of other areas of focus on the issuing side beyond B2B and beyond what we've already described, I think the cloud sells and in particular I think the AWS cloud sells.

**Robert Napoli**

*Analyst, William Blair & Co. LLC*

Q

Thanks. And maybe [ph] that sets (01:02:16) my follow-up. Issuer, you talked about a number of takeaways, quite a few takeaways. How much of that is driven by cloud versus – I mean, pricing, you have a lot of scale, so you have high incremental margins. But what's driving what seems to be an acceleration in takeaways in Issuer?

**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

A

Yeah. I think it's really, Bob, led by technology. So, we really have the technology-and-product-centric-first view of the world. I also think we have excellent people, both on the sales and support tech side, and we hear that consistently from our financial institution partners. So listen, as it relates to pricing, I think, as with all things in life, you have to be competitive. These are big, smart, sophisticated institutions that run RFPs. But at the end of the day, I think it's really driven by the product stack and the technology stack. And I think public cloud are table stakes now in that environment. It also dovetails very nicely with our go-to-market on the B2B side which is also obviously with MineralTree very cloud centric. So, I think we've got all the elements of successful offering and it's nice to see the investments we've made over a period of years play out in terms of wins and convergence.

**Robert Napoli**

*Analyst, William Blair & Co. LLC*

Q

Thank you.

**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

A

Thanks, Bob.

**Jeffrey S. Sloan**

*Chief Executive Officer & Director, Global Payments, Inc.*

Well on behalf of Global Payments, thanks for your interest in us this morning and again Happy Halloween to everyone.

**Operator:** Thank you. This concludes today's conference call. You may disconnect your lines at this time. Thank you for your participation.

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