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Global Payments, Inc. (GPN)

J.P. Morgan Global Technology, Media and Communications Conference

CORPORATE PARTICIPANTS

Cameron M. Bready

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

Joshua J. Whipple

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

OTHER PARTICIPANTS

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

MANAGEMENT DISCUSSION SECTION

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

All right, thanks, everyone, for joining. This is the Global Payments discussion. My name is Tien-Tsin Huang, I'm the payments analyst here at JPM, and I'll be leading the fireside chat. We're taking a lot of good questions from the audience and we'll get through them with the team here.

Of course, Cameron Bready, CEO; Josh Whipple, CFO, are with us. Thank you both for spending the time.

Cameron M. Bready

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

Yeah, of course. Thank you very much for having us. And thanks for attending.

QUESTION AND ANSWER SECTION

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Q

And, Cameron, I know you've talked about that. I've followed Global Payments since the NDC days and seen a lot of change. And it's a company I've always enjoyed and learned following. And I know you're going to execute a lot of change and some differences, some changes, et cetera. So hoping to maybe just talk about generally what you're focused on, but maybe before we get there, what, year two as CEO, right?

Cameron M. Bready

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

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Not quite but almost.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Q

Almost. Yeah. So, what's been your focus? What are you excited about? I know there's a lot of eagerness to hear what the update will be at the next Investor Day. So maybe walk us up to that.

Cameron M. Bready

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



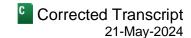
Yeah, yeah. Happy to. Once again, thanks for joining today, and it's a real pleasure to be here with you. And good to see you again.

So, as I step back and kind of think about the last year, I think the first part of the year was largely the back half of 2023, and it was largely focused on ensuring a smooth and orderly transition. I mean, as much as we like to think, it's sort of easy to come in and start changing things day one, the reality is we had 27,000 people that work for us, we operate in 40 countries around the globe, it's a big complex business, and my highest priority was ensuring that we had a very smooth, very orderly transition, from a CEO perspective. I'm only the third in our history as a public company. So it was an important milestone for our business, and I think important to ensure that that goes well. But as we turn the calendar now into 2024, I've been very focused on a few things.

One is I strongly believe we've got to sharpen our focus as a strategic matter. I think we've fallen prey a little bit to the dilemma that a lot of big companies do, which is it's very easy to say yes to everything that kind of comes your way, and you want to be all things to all people. And I think we need to really sharpen our focus on the core elements of the strategy that we think are going to be most impactful to where the company is going to go over the next 5 to 10 years, and really look to amplify the investments, the resources, the headspace around those areas of the strategy and start saying no to more things. And I think that's going to be beneficial for our organization, and get everyone aligned around that strategy.

Secondly, I think from an operating perspective and from an organizational perspective, I think we can organize ourselves in a way that's going to allow for a more streamlined, simplified operating environment for our business, that's going to unlock capacity for us to invest in more growth-oriented initiatives and, obviously, continue to drive margin expansion in the business over a longer period of time. So I think the way we're organized today largely kind of built organically and inorganically over a long period of time. I think we're in a phase in our evolution where we need to step back and think about what the right optimized kind of operating environment for the business

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should be longer term to ensure that we have the right model to support scale and growth in the business as we move forward for the next several years.

And then third, obviously, I think culture is critically important to accomplishing both of those things. We need a workforce and a team member community that's really aligned and understands the strategies that we're pursuing, how they fit into those strategies, the key initiatives that underlie the execution of those to achieve the mission and vision we have as an organization, and making sure we have the right culture to support our growth and scale longer term as well. So the goal, obviously, is to bring all this together and be able to encapsulate, for lack of a better term, my vision for where I want to take the company over time, and I think it'll be a big milestone for us.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Right. So we should expect most of those findings should be completed and ready to be articulated by investor day?

Cameron M. Bready

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

Yeah. We're working very hard to make sure that is the case. I mean, I think it's important to do it well, do it right.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Sure.

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

I just said at the outset, there's a lot of people involved, team members. It's a big organization, but we're on

course to be able to deliver that.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Okay. Yeah. And I know you're going to be thoughtful about it, Cameron. So maybe just to set the table. I know you've gotten a lot of questions around the quarter and the outlook, so maybe just rehash that for us and give us some of the key highlights or takeaways from Q1.

Cameron M. Bready

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

Yeah. I think we're really pleased with the performance we delivered in the first quarter. If you look at top line growth in the business, we produced 7% adjusted net revenue growth. We produced 8% adjusted earnings per share growth. That was impacted by the divestiture of Netspend, which obviously is a drag on our earnings growth from the divestiture for April of last year, which we have now anniversaried here in the second quarter. If you normalize for that, earnings per share growth on an adjusted basis was up in the mid-teens, which is attractive growth with 40 basis points of margin expansion for the business. Kind of overall, notwithstanding, we're still in the midst of integrating EVO.

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Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Right.

Cameron M. Bready

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

So I was really pleased with the overall performance. We delivered exactly what we had hoped to deliver in the first quarter and felt good about how that positioned us heading into the balance of 2024. On the Merchant side, we saw organic growth in the high single digits. We continue to make really good progress on executing against the EVO integration, which sets us up well. I think as it relates to getting back to margin expansion in our Merchant business, as we get into Q2 through Q4, which I think is important for our story, obviously, we have a long history of successful margin expansion in our business overall and, certainly, in the Merchant business. And we've shown good progression in kind of getting ourselves back to par after bringing EVO into the mix. And obviously, I think it sets us up well as we look towards the back half of 2024 to get back to margin expansion in the Merchant business as we execute against our synergy plans for EVO.

And also we were delighted to kind of close on our Commerce Global Pay joint venture in Germany, which albeit starting from a relatively small base, I think we have a meaningful path towards having a nice scale business in Germany and, obviously, with a partner that we think is incredibly well-positioned to help us grow that business over a long period of time.

So really good quarter for the Merchant business, and I'd say same true for the Issuer business, mid-single-digit kind of growth at that 5% level, which is exactly what we were hoping for. Good margin expansion as we continue to benefit from actions we've taken over the course of the last year to focus on more technology enablement and continue to streamline the cost structure of that business. And probably more importantly to the Issuer business longer term, we've made really good progress on our monetization program to replatform the technology that supports that business into cloud-native environment. So we're on a good path to have the customer-facing elements of our platform really in cloud-native environments, all the development work done by the end of 2024, and we'll be piloting those throughout the year and into 2025. But we're well on course to kind of have our modernization program begin to bear fruit for the business over a longer period of time. And that's critically important, I think, to the long-term success of our of our Issuer business.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Good. And I know we'll dig into both those segments for sure, but how is the noise in the free cash flow, Cameron and Josh, is that worth talking about as well?

Cameron M. Bready

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

I'd be happy to. Josh is probably the better one to get into the details. I never thought I'd spend this much time explaining settlement accounting to investors that have been in our story for a long period of time and how the day that the quarter ends on matters in terms of whether we're net outflows from a settlement perspective to Merchants or waiting on inflows from networks, et cetera. But yeah, why don't, Josh, you touch on that, and we can hopefully clear up a little bit of the confusion around it?

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is as it relates to free cash flow. But outside of that, it's just a function of timing.



Joshua J. Whipple

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

Yeah. Look, I would say there's really just a couple of things. As you think about the overall settlement, assets and obligations, generally those will offset themselves, I think there's one market in particular where we'll go ahead and fund the merchant seven days out of the week and the networks will go ahead and fund us on the next business day. And so, if you go back and if you think about Q3, Q3 ended on a Saturday and Q4 ended on a Sunday and Q1 ended on a Sunday, so there's a little bit of a timing difference, as it relates to when we pay the overall merchant and when we go ahead and settle – when the network settle. So that's really what the difference

Cameron M. Bready

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

And I think if you normalize for the settlement accounting item and you kind of look back over the last couple of years, last year we had a tax bill on the exit of Netspend, which costs us about \$200 million of cash. That's showing up in deferred taxes in 2023 versus 2022. But if you normalize for a one-time tax gain in the settlement items, you look across the last three years, we've converted kind of mid 90% of adjusted net income to adjusted free cash flow. And we're very happy with that sort of performance. There's good cash flow generation in the business. There are some anomalies around the calendar that sort of are artificially depressing that around the settlement assets, but it's purely a function of time.

And when we get to Q3 of this year, the quarter finally ends on a weekday again, so that will reverse itself as it did in Q2 of 2023, when you can clearly see, cash inflow coming from settlements that we then back out of our adjusted free cash flow calculation, because we don't take credit when the calendar works in our favor, nor do we hold ourselves to account when it doesn't end in our favor.

Tien-Tsin Huang

Analyst, JPM organ Securities LLC

Okay. No, thanks for going through that. So sticking with the cash, I know one of the things we talked about the second half of the year is that you'd get down closer to your target leverage, and we'd see a return on buybacks. You had a big buyback, \$800 million in the first quarter. Is the appetite to buy back stock at these levels there or are you thinking about M&A?

Cameron M. Bready

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

Yeah. Well, certainly, I think at these price levels, it's a compelling value creation opportunity to buy back stock. We are obviously committed to leverage and getting our leverage down to our targeted leverage ratio, which is sort of 3 times, roughly 3 times, 3.1, 3.2 something in that ballpark. But call it roughly 3 times. And we're well on course to do that through the balance of this year. And by the end of this year, we expect to be at that targeted level. We have room and some flexibility to be opportunistic around share repurchases as well. But we are very focused on getting back to kind of our targeted leverage ratio. We did a little bit more in Q1, really around the convert.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Yeah.

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Cameron M. Bready

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

So we front ended a little bit of our share buyback for the year in the first quarter, largely timed around the convert to help the convert execution, but very much committed to getting leverage back to our targeted leverage ratio by the end of this year. And obviously, as we think about getting back to more normalized sort of capital allocation in the business, our philosophy remained very consistent, which we are investing for value. And at these prices, we certainly think there's a compelling value creation around buying our own stock. And anything else we would look at outside of that needs to be competitive from a return perspective relative to buying back our shares.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Yeah. It does feel like industry consolidation is picking up a little bit. We've seen some deal activity. Both of you have been Global and executed some very important transactions as well. So I'm curious, just your appetite in general or philosophy on M&A, Cameron and Josh. There's always this debate, you want to buy growth accretive assets that are somewhat diluted to margins, but drive structurally higher growth, or is the preference to drive higher E through other fixer-uppers or an opportunity to run the business better, but maybe not amplify top line growth. How do you balance those two decisions?

Cameron M. Bready

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

Yeah, I think it's a fair question. I mean, I'd start by my answer to your prior question, which is it all starts with value creation. And I think both of the examples you provided present the opportunity to create strong returns and create value for shareholders over a longer period of time. And I think we're open minded to both, but they have to be competitive relative to the alternative use of capital we have in the business, which once we're at our targeted leverage ratio, is really around share repurchases. But as we think about the business, I'm focused on a few things in particular and I think about M&A really through this lens. One is, I don't want to create more complexity in the business if we can avoid it. So I would say in the environment that we're in, assuming something more competitive from a return perspective, I wouldn't want it to overly complicate kind of the business we're trying to evolve towards, which is largely about simplification, eliminating some of the complexity that exists in our business today. So, if things are clearly aligned with the core strategies we're looking to pursue over time or wouldn't add a lot of complexity and can kind of easily fold into our operating environments that we're evolving to, then very open minded, again assuming the value was there and the returns are there. I think if it's something that's a little bit adjacent to where we are today, adds a lot of new complexity in the business, doesn't create more scale opportunities that kind of easily fold into the operating environment we're trying to run, I think that would be a little harder for me right now, just given the focus that I have for the business overall.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

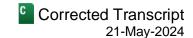
Okay, good. No, that's helpful. So, let's shift gear to margins. I know margins is always a focus, and we've conditioned ourselves to understand that Global is a margin expander. But you do have industry-leading margins. You talked about streamlining, Cameron, I understand that. But are there incremental pressures on the incremental margin front across your business? Because there is natural margin expansion through scale.

Cameron M. Bready

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

Yeah.

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Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

But there also is a real need to invest on the software side in a distribution front. So, where does that shake out?

Cameron M. Bready

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

Yeah. Well, first of all, I appreciate you recognizing that we do have kind of industry-leading margins as a starting point for the conversation, because I think we lose sight of the fact that at some point it's easier to expand margins 100 basis points when they're 35% than it is when they're 48%. But putting that aside, look, I think there continues to be good margin tailwind in the business. Obviously, EVO was the business operating at margin levels in the mid-30s, when we brought that into Global Payments, obviously it diluted margins for our Merchant segment. And as we execute against synergies, we're bringing those back to par and we're going to get back to margin expansion this year, as I already spoke of earlier.

I think if you look then longer term, I think there are natural sort of margin tailwinds in the business, recognizing we're starting at a higher margin base, obviously, than we were five years ago, seven years ago. But as we think about incremental margins in the business, incremental margins remain well above where sort of the average margin for the business are. So we continue to invest in the business. We continue to invest in software. We continue to invest in commerce enablement capabilities. We continue to invest to drive growth in the business. And we are still able to then generate margin expansion through the benefit of scale and the fact that incremental margins remain kind of above the average margins that we're managing for the business.

And then lastly, I would say, a big part of thinking about the operating model for the business and how we're organized is to unlock, I think, some investment opportunity that's in the business today that will support, again, more investment opportunity for the business, but really help to secure and expand margins more going forward in time as we align to a simplified, streamlined operating model that I think will be more cost effective and efficient for the business.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Okay, good. No, I know there's a lot of hard work going on there. And pricing is, of course, an important factor around margins spread. You've talked about a constructive pricing environment, stable revenue shares. Cameron, why do you think that it is? I know we're hearing that as well, but I'd love to hear the factors that drive that thinking.

Cameron M. Bready

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

Yeah. I think – well look, first and foremost, I think it starts with being in a more normalized cost capital environment. So I think when capital has a real cost associated with it and you're more of a normalized look, I'd like to see interest rates lower than where they are today. But I think getting back to a more normalized cost of capital environment is generally healthy overall, because I think it creates for a more rational competitive environment. And I think that's what we've seen play out over the last kind of 18 months or so, is competitors being more balanced in their view of wanting to drive revenue growth in the business, as well as wanting to drive profitability and their own free cash flow, et cetera. So I think that's just created a little bit more of a rational backdrop in which we've been operating the business. And then, of course, when inflation is running at the rate it has been running for some period of time, I think, by and large, there's some expectation that prices will drift up in that kind of environment. So it's a little easier to have the conversation around price when price overall and

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inflation is running at the levels it's been running. But I think it really starts with just being in a more normalized cost of capital environment and that driving, in my mind, more rational behavior from a market perspective.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Okay. Good. And I know we get a lot of questions. I'm sure you have as well with the Interchange settlement, the longstanding one with the networks and the merchants. Does that create an opportunity to reprice, as we've seen in the past? And I'd love to hear your comments on surcharging, if that's also an opportunity for you to be an advisor to merchants, and also take some price as well.

Cameron M. Bready

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

Yeah. I think, look, on the first point, any time costs go down from an acceptance perspective, I think it's good for the industry. I think most of Interchange reductions over the course of time get competed away. They either pass through immediately because you have merchants that are priced on interchange plus basis or they get competed away over time. And most of our book is priced on interchange plus basis today, so it will get passed through. But what it does is it lowers the cost of acceptance, which is generally good as a backdrop matter for how we think about the business more broadly.

And look, I think, on the surcharging side of things, whether it's surcharging or cash discounting, I do think this opens up more opportunity for innovation and for us to be able to help merchants think about different ways to help address kind of the cost of acceptance more broadly and ways that are going to work for consumers and work for their business, et cetera. But I think it creates and paves the path for more innovation around point-of-sale acceptance and how to think about cash discounting and surcharging for particular merchants. And by and large, I think that's good for us as well.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Yeah. No, I agree. I agree. We look forward to seeing how the industry evolves with that. So let's dig into the Merchant side a little bit. Point-of-sale software solutions, 20% growth in the first quarter. You're growing faster than square. We just heard update from square. Build that up for us. How do you get to the 20%? What's the algorithm?

Cameron M. Bready

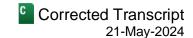
President, Chief Executive Officer & Director, Global Payments, Inc.

Yeah. It's a great question. And obviously, point-of-sale has been a big point of emphasis, pardon the pun, for us for a period of time now. And I feel good about now how we're positioned as a product and capability matter, and certainly think that is a critical element of where we're going to put our strategic focus and emphasis as we move forward, as we think about the convergence of software and payments, and our point-of-sale software solutions is helping to drive that in our own business.

So I think it's important to step back and kind of look at our point-of-sale business across the three paradigms that we really run. First is our what we call our GP POS, which is not a great name, and we're working on branding for that just as an aside. But our GP POS is really our basic, more simplified, somewhat horizontal point-of-sale system really geared towards the small end of the merchant market. And today, we distribute that through really two channels. One is our international markets. That is the platform we've been nativizing and localizing to bring into markets outside of the US. And we've seen good success already in markets where we've introduced GP



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POS as a very sort of – it's fairly feature-rich, but somewhat basic in terms of its capabilities for the small end of the Merchant market, and we're looking to bring that into more market, including some of the EVO markets, where I think that will be a really distinctive and differentiated offering, think Poland, Greece, Ireland to some degree, Mexico, et cetera.

So we're very excited about GP POS. We've also brought GP POS to our wholesale business because we have a lot of customers that are looking for a point-of-sale solution that they can sell. And we have introduced GP POS into our wholesale business and have begun distributing it through those wholesale partners, which creates good opportunity as well.

In our direct business in the US, we have Heartland restaurant and Heartland retail, and we've talked about fairly extensively now for the last few quarters, we're rolling out the next-gen version of both of those platforms in 2024. We've already rolled them out in alpha and beta, and are beginning to commercialize them both. But those are both built to be sort of have feature parity relative to "best-of-breed", largely in that mid-market sort of restaurant and retail environment. Although both solutions have the ability to kind of scale down to the lower end of the market in more of a register or simplified register version.

And we have a obviously POS platform geared towards our direct channel, and that's not quite the same as what we bring to our wholesale channel, trying to drive some differentiation in Heartland restaurant and retail relative to GP POS. So we have a more feature- rich product we sell through our direct channels than we do our wholesale channels. But restaurant and retail, we put a lot of emphasis behind investing in Gen 2. Excited about the future prospects for the business. I think we've really differentiated ourselves in having a product and capability that's feature-rich and feature-comparative to what's best-of-breed in the market. But we can scale down to the lower end with a more feature-rich solution than what might else be available in that lower end of the market. And it allows merchants to grow and scale with us by just turning on new capabilities as they grow and scale with their own businesses.

And we really also try to differentiate ourselves on service. We do think there is a meaningful opportunity for differentiation through service and what we can bring to bear on those customers in terms of our ability to serve them, because we all know technology is not flawless and it's not fool-proof, and there are times when they require service. And I think our ability to do that well and serve them well will be a competitive advantage for us as we look to grow and scale Gen 2.

And then in the enterprise QSR space and the stadium and event vertical, we operate our Xenial platform, which is also cloud-based, provides everything from drive-thru technology and capabilities, which are now being deployed in McDonald's new concept, CosMc's all the way through the point-of-sale, the back of house, the kitchen management software, the digital menu boards, et cetera, that can be leveraged in multiple environments, as I said, enterprise, QSR [indiscernible] (23:06) event venues, as well as food service management, operations. We've seen good success, obviously, with the Xenial platform. That's really targeted towards that specific sort of vertical segment as opposed to Heartland restaurant and Heartland retail, which are more mid-market kind of restaurant retail environment.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

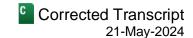
So the feature parity differentiate with service, is that what we should know as the differentiation in this unit?

Cameron M. Bready

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



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I think that's a big part of it. Yeah, absolutely. I mean, it's important that you have feature-rich solutions that customers are looking for and that you can stack your features up against who else they may be talking to or they may be looking to you to provide their point-of-sale software.

So I think feature parity or feature competitiveness, feature parity is an odd term because there's always going to be slight differences between platforms. But I think feature competitiveness is a must. And then there's clear opportunities, I think, to differentiate around service and capability in the space. And we're excited about what we can do and how we can grow and scale that business going forward.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Okay.

Cameron M. Bready

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

But between the ability to bring product and capability to international markets, Gen 2 around our Heartland restaurant, Heartland retail, point-of-sale environments, the success we've seen with Xenial expanding into new verticals and obviously growing and existing, that's really the composition of where we've seen the growth, albeit from a smaller base. But it also gives us a lot of excitement about where we're going with that business going forward.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Okay. We have to talk about quickly, partner ISV channel, the Integrated business, strong bookings I wrote down. I think you doubled your strategic Integrated partner. Can you give us some examples? Who are these? What are these wins about? And what might they bring in terms of sub-merchant potential?

Cameron M. Bready

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

Yeah. I think we have a lot of partners in our Integrated space. I think we call out like 7,000. Not all partners are created equal. Not surprisingly, we have some that are more strategic, that drive a lot of lead flow into the business, have big existing books of business that we can go and mine as we develop partnerships and relationships with them that are more aggressive about going out and marketing, obviously our capabilities and trying to monetize payments. So we kind of bifurcate the portfolio into strategic partners and then other partners in the business. So we're very focused on continuing to grow our book of business around strategic partners. And I think we called out in the first quarter we had something like a 20%-plus uplift on strategic partners in that business in the first quarter. So we feel very good about how we're positioned in the Integrated space. I think our model is really geared around creating these customized sort of Integrated paths to support our Integrated partners, which we've been doing now for well over a dozen years.

In Integrated, we have over \$1 billion of Integrated revenue. We clearly have scale in the business. We bring more feature, more capability, more commerce enablement solution, more value-added product to the overall partner relationship than I think a lot of our competitors have done, which makes us, I think, competitive from a rev share perspective. We can offer bigger revenue pies upon which we're splitting revenues relative to many of our competitors in the space, which I think continues to position us well to manage kind of the rev share component of the business as we move forward. And we have multiple models that we use to serve these customers, whether it's the true direct kind of Integrated model to the pure pay-fac model to pro-fac, which kind of

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sits in between. And I think from our perspective it's really about bringing the right tool to the right situation in terms of meeting the client's demand and the ISV partners demand around what it is they're really trying to accomplish, and making sure that we're able to meet their needs and have the right capabilities to deliver on what the outcomes that they're trying to achieve through the relationship.

We don't approach it everybody should be a pay-fac, and we don't approach it through the lens of everyone should be a direct Integrated partner. We want to bring the right tool to the right situation, and really focus on outcomes that they want to achieve versus trying to force fit them into a particular model that we operate. And I think that's really the distinctive element of our Integrated business. We've been able to sort of embed and integrate our capabilities into the ISV partner environment in the way that works for them, where they have a clear understanding of what the requirements are of them, what the requirements are of us, and we're able to customize that in a way that I think delivers better outcomes end of day versus them tapping into an API and not getting a lot of white glove service in support around that integration.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Right. That's where the service element comes in. But to be clear, I think you've said you're indifferent from a margin perspective across the three.

Cameron M. Bready

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

We are. They're all priced in a way where, end of day, the net margin to us is fairly similar because it's largely tied to the amount of work we're doing. Obviously, the margins for us or the revenue model for us when we are a direct Integrated partner is better, but we have a lot more cost behind that model because we're doing all the heavy lifting. When it's a payfac, they're really renting our rails, we don't have nearly as much sort of costs backing that. So, when you net it down to the benefit to us end of day, the margin profile of each of those models is relatively similar.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

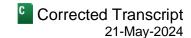
Yeah. So, when we think about payments, Cameron, we've been talking about, there is some maturity in US in terms of card penetration. So it is important to sell through software you're solving through that with a lot of different models, need to pursue overseas where penetration is lower. You have a pretty broad footprint internationally. You've also talked about streamlining. So, can we expect a doubling down in certain regions and maybe a de-emphasis on others? Walk us through the portfolio internationally.

Cameron M. Bready

President, Chief Executive Officer & Director, Global Payments, Inc. Yeah. I think the goal internationally is be exposed to markets that have faster growth fundamentals, that have

stronger secular tailwinds, where we can be a scale player. If we're not a scale player today, that we have a solid path to being a scale player over time. So I like the international business that we have. The vast majority of markets that we're operating in today have good fundamentals. We are a scale player today. We have good growth prospects for the business and/or we are subscale, but with a clear path towards scale. So our new joint venture with Commerzbank is a great example of that. Yeah, we're subscale today given the base we're starting from, but given the embedded base of business, 26,000 corporate customers, 11 million small to medium-sized customers in the commerce portfolio, there's a path to becoming a scale player in Germany over the not-too-

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distant future by partnering with Commerz, which is why we were so excited about that opportunity. But there's other markets where we arguably are subscale, and I don't really see a path towards being a scale player.

And the reality is the cost of being physical in these markets continues to scale over time. There's more regulatory requirements that are being put in on our business every day. There's more compliance obligation. There's more cost to being physical in these markets. And if you're subscale without a path to being a scale player, then I think you have to ask yourself, why am I here?

So we are looking at our portfolio today. I don't think there's a ton of markets that probably fall into that category, but clearly there are a few markets that I look at and say, look, we've been here for a while. The business is fine. I don't necessarily see a path to being a more meaningful scale player. And we should ask ourselves, are we the right owner of it or is there some better option for that business as we move forward? And that's part of what we're trying to crystallize as we get into our Investor Conference in the fall, which is a pretty clear view of where we want to continue to focus and play. And if there's markets that don't fit that criteria, then we'll look to do something different.

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Safe to say, double-digit growth is the norm, aside from the UK and Canada, perhaps some of the more mature markets for international?

Cameron M. Bready

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

That's certainly the target. Absolutely. Yeah. We want to be in secular growth markets and a lot of the markets have good strong fundamentals that support that level of growth for our business. But obviously, there's markets that we're in internationally, to your point, that don't have those growth characteristics, but they do have attractive margin profiles. They do generate a lot of cash. And hopefully, we're being good stewards of putting that cash to work to help drive growth in other parts of the business.

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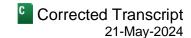
Okay. Let's quickly do Issuer. You're going through a modernization program. You talked a lot about that. You've had a lot of wins as well, a big backlog, which you've described on calls. What would it take to rebase the growth rate higher above this mid-single-digit level? Do you have the backlog in place today to do it or do you need to replenish and add more wins through this modernization program?

Cameron M. Bready

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

Well, look, we have a good backlog today, to your point, and we've been very successful on the renewal front. We've been very successful on the new wins front. We've got 60 million-plus cards, or accounts, I should say, excuse me, in the pipeline from a conversion perspective. So we've got good visibility from, I'd say, growth perspective over the near term. I think to unlock sort of more growth potential in the business, we need to get modernization done. A big part of the thesis around modernization was two-fold. One is, over time, our clients, and we're having these conversations every day, are on their own cloud journey. And the idea of them continuing to use a technology environment that's largely sort of on-prem that wasn't modernized in terms of language and code and accessibility wasn't as easy as to consume as our new cloud-native platform will be.

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Look, those would be hard conversations, so we recognize we needed to modernize our own technology to kind of keep pace with where we see our clients going over time. And obviously, building those out in cloud-native environments, I think, is critical to the future success of those relationships. But what it also does for us is it opens up new TAMs. We've largely been focused in that business on larger FI, more Western markets. It's been harder for us to be able to tap into, I'd say, smaller FIs in the markets that we serve, new geographic markets where the cost of going in and standing up, a new code environment, a new on-prem environment to run our technology, has been a little burdensome relative to the revenue opportunities that we saw. So the ability to unlock some international markets and the ability to kind of tap into some of the new fintech use cases to have capabilities that are more easily consumable, and consumable in the way that more fintech players want to be able to consume them. Some of that was really not available to us in our current construct. So the modernization, I think it protects, obviously, the base of the business for the long term, but it also opens up new growth potential and an ability to tap into new TAMs, which we would estimate to about 3 times larger than the current TAM we've been playing in.

So clearly, we're not making these investments to continue to kind to grow at the same pace. The objective is to accelerate revenue growth in that business over time. But we've got to, obviously, get the work done to bring about the sort of modernized cloud-native environment. But we think, clearly, the solutions we're bringing to market there are resonating with our current clients and prospective ones as well.

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And feature-wise, you can stack up well against some of the modern issuer processors?

Cameron M. Bready

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

Look, we are, in my opinion, and we've heard this feedback from existing clients and prospects who continue to assess all the options in the market, we remain the most feature-rich, most capable platform out there. I think that is consistent feedback that we hear across the board. So it is, clearly, I think, the market leader from a feature functionality and capability perspective. And as we bring that into cloud-native environments, I think it's going to be that much more powerful as a capability matter.

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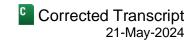
Good. Just to close that, I know we're almost out of time, just the synergies then with this modernization of issuers, do you think it will drive up the synergies into cross-selling with Merchant as well? Does it create more opportunities there?

Cameron M. Bready

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

Yeah. Look, I would tell you, I continue to believe that there is value in being on both sides of the ecosystem. I will readily admit we haven't done the best job demonstrating that since the merger with TSYS. Obviously, we had a global pandemic, hopefully once in a century pandemic that got in the way of that. And we've had some wins and some successes, but there's more we can do, more we should do around leveraging the position we have on both sides of the transaction. A lot of that is encapsulated in the richness of the data that we have in our ecosystem more broadly and finding new ways to tap into that, and AI is an opportunity there. But I think there is value on being both sides. I think modernization will help unlock some of that value. And I think us focusing strategically on ways to capture more of that value is important as well.

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Okay, terrific. We should probably stop there. Thank you, both, for the time. Appreciate it, Cameron, Josh.

Cameron M. Bready

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

Thank you for having us. Thanks for attending.

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