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Global Payments, Inc. (GPN)

Q1 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, and welcome to Global Payments' First Quarter 2024 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] And as a reminder, today's conference will be recorded.

At this time, I would like to turn the conference over to your host, Senior Vice President, Investor Relations, Winnie Smith. Please go ahead.

Winnie Smith

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

Good morning, and welcome to Global Payments' first quarter 2024 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.

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.

These statements are subject to risks, uncertainties and other factors, including the impact of 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 also 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 material available on the Investor Relations section of our website.

Joining me on the call are Cameron Bready, President and CEO; and Josh Whipple, Senior Executive Vice President and CFO.

Now, I'll turn the call over to Cameron.

Cameron M. Bready

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

Thanks, Winnie, and good morning, everyone. We're pleased with our first quarter results, which were ahead of our expectations, as we saw strong execution across our businesses in resilient consumer trends, despite the uncertain macroeconomic environment. Specifically, we achieved 7% adjusted net revenue growth and delivered adjusted earnings per share growth of 8% or mid-teens adjusted earnings per share growth, excluding the impact of the divestiture of Netspend's consumer assets. We also expanded margins 40 basis points.

Our Merchant Solutions business again delivered solid organic growth driven by our differentiated capabilities across our partnered ISV, vertical markets, and point of sale businesses, as market demand for embedded payment solutions continues to accelerate.

Starting with our partner ISV channel. We continue to see strong booking trends in business development results, including doubling the number of new strategic integrated partners we signed this quarter compared to the prior year. We have added nearly two dozen new progressive payment facilitation or ProFac partners since we launched this model mid last year and now have several thousand merchants boarded to our hybrid integrated solution.

We are also seeing strong demand for commerce enablement and value added solutions as we are cross-selling into our partners' merchant base, including human capital management and payroll, loyalty and marketing, and analytics and customer engagement solutions, amongst others. Our ability to meet the specific needs of our partners with unrivaled distribution, tailored operating models, a comprehensive suite of products and capabilities, and best-in-class service and support differentiates us in the marketplace and gives us confidence in our ability to sustain growth and expand margins in this business going forward.

Our unique value proposition for partners has also allowed us to maintain relatively stable revenue shares over time, while retention rates remain strong. And in the current cost of capital environment, competitors who have historically led with price in this channel are increasingly focused on striking a balance between growth and profitability, which is to our benefit.

Turning to point-of-sale software solutions. We again achieved 20-plus percent growth in the first quarter, adding over 3,000 new locations across our POS platforms. And our focus on delivering additional commerce

enablement solutions to our point-of-sale customers continues to gain momentum. As one example, we saw a nearly 50% increase in the number of new Heartland POS customers leveraging our customer engagement and loyalty solutions this quarter compared to the prior year period.

And while in early days, we're encouraged by the initial feedback on the launch of our next generation Heartland restaurant and retail point-of-sale software, which has been overwhelmingly positive. As a reminder, these next-gen solutions deliver an improved user interface and more intuitive experiences across our iOS and Android-based offerings. They are also designed to be mobile-first, allowing for a best-in-class omnichannel experience.

And we couple our complete commerce enablement solutions with distinctive distribution and full local service and support that is unrivaled in the market. We expect these new offerings will begin to contribute to our performance later this year and more meaningfully in 2025.

Additionally, GP POS, our general-purpose cloud-based point-of-sale software, is also contributing to the growth we are seeing. We have now launched this solution in a number of international markets, including Canada, the UK, Spain, and the Czech Republic. We are encouraged by the success we're having in bundling POS and other value-added solutions for our merchant customers in these geographies. We also remain on track to bring GP POS to additional markets outside of the US, including Germany, Ireland, Mexico, Poland, Austria, and Romania over the next 18 months.

Moving to our vertical market software business, today we own enterprise software solutions across seven vertical markets, which collectively generate more than \$1 billion of adjusted net revenue, growing roughly 10-plus percent annually. These include education, both K through 12 and higher ed, communities and events, property management, healthcare, quick service restaurants and food service management, and sports and entertainment venues.

In these verticals, owning the entirety of the technology stack is advantageous as it better allows us to develop highly integrated, vertically fluent software, payment, and other commerce solutions necessary to meet the needs of the market. We focus on these vertical markets, first and foremost, because of the size of the underlying TAMs.

For our owned software business, we specifically target large addressable spend markets that represent a meaningful component of overall economic activity, globally. Second, and core to our thesis of owning software, we target vertical markets with a strong nexus between software and payments, providing us the ability to further enhance software solutions by embedding payments to drive incremental growth and differentiation. Today, all of our software assets are delivering significant transaction volumes that did not exist prior to our acquisition.

Third, we like highly fragmented and ideally underpenetrated markets from a software perspective, where we can acquire a player with leading technology and a significant runway to gain share.

Lastly, we generally prefer vertical markets software where there is international applicability, allowing us the opportunity to export our solutions to markets outside of the US over time. Our ability to deliver more integrated payments offerings in faster growth geographies, where embedded payments are in much earlier stages of development and we have local sales and support, further differentiates Global Payments relative to competition.

Critical to the success of our owned software portfolio is maintaining our focus on building and delivering great software, so that we can compete on the basis of product functionality and innovation. Global Payment supports this priority with extensive experience in onshore and offshore development and we provide efficient sources of capital to invest in growth.

Further, we are able to leverage our global scale to deliver technology and administrative services to our software businesses, allowing them to focus their efforts on differentiation in their business, while enhancing their overall scale. And by combining the innovation of our software portfolio with the global reach, efficiency, and extensibility of our payments infrastructure, we're able to deliver a unique proposition for our customers.

We saw consistent strong execution in our vertical markets businesses in the first quarter, including delivering double-digit bookings growth across the portfolio. Zego, our property management-focused software business and newest addition, continued to see strong demand for its solutions in the quarter from new customers, while also successfully cross-selling additional products and solutions to several large existing partners, including Endeavor MHC Residential Communities, [ph] My Homepage Property Management Platform (00:09:44), and Apartment Management Consultants. In the communities and events vertical, Active signed nearly 300 customers this quarter. This includes the City of Waterloo, Bogus Basin Ski Resort in Idaho, Tough Mudder Australia, and Milestone Events Group.

Turning to our QSR business, Xenial went live with CosMcs in three additional locations in Texas, following our initial launch with the McDonald's new concept in Bolingbrook, Illinois, in December. We look forward to continuing to future-proof the CosMc's pilot locations with cloud-based technology ecosystem as they open this year.

We also continue to have success cross-selling Xenial technology into the stadium and event venue environment, and we are pleased to have extended our relationship with the Braves by completing the rollout of our technology in 24 retail locations at Truist Park here in Atlanta.

Additionally, our higher education business, TouchNet, achieved several notable new international partnerships in the first quarter, including The King's University in Canada, and Middlesex University and Cardiff Metropolitan University in the UK. And in April, TouchNet reached an agreement with Sussex University in Brighton, which marks the fifth new university partnership in the UK achieved in the last six months.

The UK serves as a great example of our ability to bring our software solutions to geographies outside of the United States. We have had a strong payment proposition in the UK for decades, which we are now successfully leveraging to sell our software solutions as demand for embedded payments and technology is growing in higher education in the region.

We also continue to see good momentum in our international markets with stronger secular growth trends in the quarter. Specifically, we achieved double-digit growth in Spain and Central Europe, as well as in Poland and Greece. And our LATAM business continues to be a bright spot as we benefit from the strong secular payment trends in Mexico and Chile.

Specifically, we signed a number of large new customers in Mexico during the quarter, including leading insurance company Qualitas, home goods retailer Recubre, and video game retailer, Game Planet, as we leverage our omnichannel capabilities and partnership with Citibanamex. And in Asia Pacific, we were pleased to have expanded our partnership with Marriott International to offer seamless omnichannel solutions to additional locations and geographies.

In January, we announced a new partnership with Commerzbank in Germany. We are pleased to have recently received EU regulatory approval and are launching the new joint venture, Commerz Globalpay, this month. We are already laying the groundwork to deliver a comprehensive suite of innovative omnichannel payments and

software offerings, including our GP POS software solutions and our GP TOM technology at scale, providing merchants the capabilities they need to run and grow their businesses more efficiently in the large economy in Europe.

Shifting to Issuer Solutions, we are delighted to have executed two new contracts during the quarter. This includes a new agreement with a large existing FI customer in Europe that significantly expands our debit processing relationship. We also reached a contract agreement with a leading global travel technology company, who selected us 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 operating in our AWS cloud environment in Europe.

Additionally, we successfully executed eight customer renewals during the quarter. This includes extending our longstanding relationship with Virgin Money in support of its credit card portfolios for a multi-year period.

We also successfully renewed our multi-decade relationship with Citizens that spans both its consumer and commercial portfolios and includes a wide range of value-added services, including fraud, loyalty, and digital engagement, amongst other solutions. Further, we executed a multi-year renewal with Scotiabank, one of our premier clients globally.

In the first quarter, our issuer team also completed four conversions, and we currently have over 60 million accounts on file in the implementation pipeline in addition to five active LOIs. Further, we made additional progress on our issuer modernization this quarter, and now expect to have four North American clients piloting multiple modernized cloud services in support of both consumer and commercial portfolios over the next several months. We remain on track to execute dozens of unique cloud issuer platform pilots across additional services, products, and geographies in 2024 and expect to complete the development of our client-facing applications as we prepare for commercial launch next year.

Moving to B2B. We continue to drive strong growth as we leverage our capabilities across three focus areas within the overarching B2B market. Software-driven workflow automation, money in and money out funds flows, and employer solutions. Our MineralTree business achieved a 30% increase in new bookings during the first quarter, which includes a nearly 60% improvement in new virtual card bookings as adoption continues to accelerate. Additionally, our B2B bookings and merchants increased over 100% this quarter compared to the prior year, as we are beginning to benefit from the integration of EVO's PayFabric platform and more of this spend shifts towards digital channels.

Our employer solutions are seeing favorable trends in the restaurant vertical, including signing a new EWA relationship with Delight Restaurant Group, which operates over 200 Wendy's and Taco Bell restaurants with an 8,000 employees. We also achieved a TIP pay card partnership with Sunshine Restaurant Partners, the largest IHOP franchisee, with over 140 locations in the Southeast. We are delighted with the progress we are making to accelerate B2B growth as we continue to unify our offerings and refine our strategy in this space.

With that, I'll turn the call over to Josh.

Joshua J. Whipple

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

Thanks, Cameron. We are pleased with the financial performance we achieved in the first quarter, delivering adjusted net revenue of \$2.18 billion, an increase of 7% from the same period in the prior year. Adjusted operating margin for the quarter increased 40 basis points to 43.5%. Excluding the impact of our acquisition of EVO Payments and dispositions, adjusted operating margin increased 80 basis points, highlighting ongoing

consistent execution across our businesses. The net result was adjusted earnings per share of \$2.59, an increase of 8% compared to the same period in 2023; or mid-teens growth, excluding the impact of dispositions.

Taking a closer look at performance by segment. Merchant Solutions achieved adjusted net revenue of \$1.68 billion for the first quarter, reflecting growth of 16% or approximately 8%, excluding the impact of EVO and dispositions. Our performance was ahead of our expectations driven by our US business, which delivered high single-digit growth in the quarter, normalized for the contribution of EVO as we continue to benefit from our software-led strategy.

In addition to the 20% plus growth, Cameron highlighted in our POS software business, we also saw strength in our vertical markets portfolio with Zego, TouchNet and AdvancedMD being the notable bright spots. We are also seeing strong bookings in our partner ISV business as we continue our long history of differentiation in the marketplace.

Outside of the US, we achieved double-digit growth in Spain and Central Europe, as well as in Poland and Greece. Our LATAM business also performed well in the quarter as we benefit from the strong secular payment trends in Mexico and Chile. This performance was partially offset by ongoing weakness in the macroeconomic environment in the United Kingdom and parts of Asia Pacific.

We delivered an adjusted operating margin of 47% in the Merchant segment, a decline of 30 basis points due to the acquisition of EVO. This was consistent with our expectations, and we are pleased with the continued sequential improvement we are delivering in on our margin performance as we continue to execute against our synergy targets from the EVO transaction.

Regarding the EVO integration, we've made substantial progress and remain enthusiastic about the synergy opportunities available. Specifically, after realizing 25% of our targeted cost synergies last year, we expect to achieve an additional 50% in 2024. This puts us well on our way to realizing the \$135 million in annual run rate expense synergies we expect to achieve within two years.

As always, we remain focused on sizing expense synergy expectations with an eye towards ensuring that we maintain momentum in the combined business. And we remain more excited today than when we announced the transaction about the opportunities we have to cross-sell our solutions and capabilities into EVO's existing customer base.

In fact, while revenue synergies generally take longer to materialize, we are already having early success in bringing our products to EVO's markets in Europe, notably, e-commerce, GP TOM and commerce enablement, as well as certain micro services, including tokenization and fraud solutions. And we also look forward to bringing these products and solutions to LatAm as well. We are continuing to invest in these opportunities across EVO's markets in 2024 and expect them to scale more fully in 2025.

Our Issuer Solutions business produced adjusted net revenue of \$516 million, reflecting growth of 5%. The core issuer business also grew mid-single digits this quarter, driven by ongoing strength in volume-based revenue. This was partially offset by slower growth in managed and output services, as we continue to focus our issuer business on more technology enablement.

We added nearly 20 million in traditional accounts on file sequentially or 49 million year-over-year, as we continue to benefit from ongoing execution of our conversion pipeline, in addition to healthy consumer and commercial account growth with our large existing FI customers.

During the quarter, we completed four conversions and achieved eight renewals. Issuer transactions grew over 6% compared to the first quarter of 2023, led by commercial card transactions, which increased to low double digits, highlighting ongoing strength in cross-border corporate travel.

Focusing on our Issuer B2B portfolio, MineralTree achieved record bookings this quarter in its targeted mid-market segment, while paycard continues to see improving trends as the business laps more difficult employment comparisons. Finally, Issuer Solutions delivered an adjusted operating margin of 46.8%, an increase of 290 basis points compared to the prior year period, fueled by volume-based revenue growth and our focus on driving efficiencies in the business.

From a cash flow standpoint, we produced strong adjusted free cash flow for the quarter of approximately \$509 million. This represents a roughly 80% conversion rate of adjusted net income to adjusted free cash flow, consistent with the first quarter of 2023. We continue to target converting roughly 100% of adjusted earnings for the full year, excluding the roughly 5-point impact of the timing change related to the recognition of research and development tax credits.

We expect our adjusted free cash flow conversion for the year to follow a similar trajectory as 2023, as we benefit from the seasonality and the higher conversion rate as the year progresses. We invested \$145 million in capital expenditures during the quarter and continue to expect capital spending to be around \$670 million or roughly 7% of revenue in 2024, consistent with our long-term targets. Further, we are pleased to have repurchased 6 million shares of roughly \$800 million in the first quarter.

In February, we opportunistically took advantage of market dynamics and issued \$2 billion in convertible notes with the majority of the proceeds used to repay our commercial paper facility. This was essentially leverage-neutral and lowered our overall cost of capital. Specifically, we replaced a portion of our variable rate debt at an interest rate of over 6%, with a fixed rate convertible with a coupon of 150 basis points. We also entered into a call spread transaction increasing the effective strike price to \$230 per share, providing significant dilution protection.

Our leverage position was 3.5 times at the end of the first quarter. We remain on track to return to a leverage level consistent with our long-term targets in the low 3s by year-end. Our balance sheet remains healthy, and we have approximately \$3.4 billion of available liquidity. Our total indebtedness is approximately 98% fixed, with a weighted average cost of debt of 3.37%.

Turning to the outlook. We remain confident in how our business is positioned this year. We continue to expect reported adjusted net revenue to range from \$9.17 billion to \$9.30 billion, reflecting growth of 6% to 7% over 2023. It's worth noting, relative to our prior outlook, the dollar has strengthened against the foreign currencies to which we have exposure. Although currencies remain quite volatile, we currently anticipate a roughly \$20 million foreign currency headwind in the second quarter versus our prior expectation of roughly neutral. We will continue to monitor any potential impact on the back half of the year.

We still expect annual adjusted operating margin to expand up to 50 basis points for 2024, driven by the benefits to our business mix from our ongoing shift towards technology enablement, partially offset by the lower margin profile of EVO prior to full synergy realization. To provide color at the segment level, we continue to expect our merchant business to report adjusted net revenue growth of nine-plus percent for the full year. This outlook includes growth in the 7% to 8% range, excluding the impact of the acquisition of EVO and the disposition of our Gaming Solutions business.

We also still expect up to 30 basis points of adjusted operating margin expansion for the merchant business in 2024, with a slower expansion in the first half relative to the second half as EVO synergy realization ramps as the year progresses, which is consistent with our prior outlook.

Moving to Issuer Solutions. We continue to anticipate adjusted net revenue growth in the 5% to 6% range for the full year compared to 2023. We also still anticipate adjusted operating margin for the issuer business to expand by up to 50 basis points as we drive efficiencies in the business, which will be offset somewhat by the faster growth in our lower-margin B2B businesses.

Moving to a couple of non-operating items. We expect net interest expense to be about \$500 million this year and for our adjusted effective tax rate to be approximately 19%, which is consistent with our prior outlook. Putting it all together, we continue to expect adjusted earnings per share for the full year to be in the range of \$11.54 to \$11.70, reflecting growth of 11% to 12% over 2023. This translates to adjusted earnings per share growth of 14-plus percent for 2024, excluding dispositions, consistent with our prior guidance.

As we commented at the outset of the year, our outlook continues to reflect a relatively stable macroeconomic environment, albeit somewhat tempered given the continued uncertainty. Cameron?

Cameron M. Bready

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

Thanks, Josh. I am proud of the results our team delivered in the first quarter. While we are closely monitoring what continues to be an uncertain macroeconomic environment, we were pleased to continue to see stable trends in April. Importantly, we have also now lapped all three of the transformational transactions we completed in 2023. And we are continuing to make progress on sharpening our strategic focus and simplifying our business to support sustainable long-term growth and success.

As we move forward, we remain committed to the key priorities I highlighted since I stepped into the CEO role last year. This includes continuing to advance our software-centric strategy, making it as easy as possible for our customers to do business with us, maintaining our focus on operational excellence and ensuring we have the right culture to achieve our vision. Earlier this year, we began a holistic review of our operating model, organizational structure and internal processes to ensure they are optimized for the company that we are today.

While we are early in the process, we are encouraged by the opportunities we have already identified to better align our go-to-market activities against our strategy and drive greater efficiencies and effectiveness in our business. This includes the potential to increase commercial productivity, accelerate product development delivery times, enhance our partnerships with our customers and simplify the organization, while streamlining business activities. Ultimately, we expect executing on these initiatives will provide us with additional capital to invest for growth.

We anticipate completing our review and developing specific execution plans over the next few months. Further, as we realign our go-to-market activities and operating model, we will also harmonize our KPIs and metrics against this structure, allowing us to provide a clear articulation of performance and execution against our strategy going forward. We have successfully grown this company for over the last decade, and the work we are doing to create the right operating environment will position us for the next decade of growth.

We look forward to providing you with an update on our strategy and progress against these key initiatives at our investor conference this fall. Winnie?

Winnie Smith

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

Thanks, Cameron. [Operator Instructions] Thank you. Operator, we will now go to questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Bryan Keane with Deutsche Bank. Please proceed with your question.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Q

Hi, guys. Good morning, and congratulations on the solid execution here. I guess I just wanted to ask on thinking about simplifying the organization, Cameron. Is there a lot of assets potentially that you could divest? Are they small? Large? Just thinking about that. And then what would you do with some of the proceeds? I know stock buyback would be really accretive here versus M&A. Thanks.

Cameron M. Bready

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

A

Yeah, Bryan, it's a fair question. I think from my standpoint, I'm really looking across the business and making sure that in all the markets, whether they're a vertical market or geographic market that we're operating in today, we have the right scale; or to the extent we don't have scale today the way that we would like, that we have a path to be a scale player over a period of time.

So as I think about the portfolio and sort of opportunities perhaps to simplify and sharpen our focus around the key elements of the strategy we expect to pursue going forward, which are really around the software-centric orientation of the business, coupled with obviously our exposure to some of the faster growth secular markets around the world, I think we want to make sure that we're able to dedicate our time, our assets, our resources, obviously, our investments against those strategies.

All that being said, I think we're talking about probably more things on the margin versus bigger elements of our business as we sit here today. I think we're always open-minded as it relates to potential opportunities to create more value for our shareholders. And certainly, if there are assets that we own that we think are more valuable to someone else and we're certainly open-minded to that. But as I think about sharpening the focus around the strategy, it's really around the areas where perhaps, I think, we're distracted in markets that we're not a scale player today and don't have a good path to be a scale player.

And it's really a desire to reorient and refocus around the core elements of the strategy that I think are going to be more impactful in driving the business where we want to drive it over a longer period of time. I think as it relates to the use of proceeds, I think your point is fair. Obviously, I won't sort of comment about hypotheticals as we sit here today. But naturally, we're value-oriented as we think about proceeds, and we'll continue to look to deploy any proceeds that might come from those activities in a manner that's going to drive the most value for our shareholders long term.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Q

Got it. Got it. And then as a follow-up, Josh, just maybe the breakout of EVO as contribution to revenue and organic, just thinking about the volume numbers. I think 16% was the total reported number, but I don't know if there's a pure organic number there. Thanks.

Joshua J. Whipple

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

A

Yes. Bryan, what I would say is we're about a year into – little over a year into the integration. So we're really operating the business as one. But I think if you think about the EVO business, it's growing right in line with what we're expecting for merchant to grow for the full year in the 8% to 9% range, and that kind of gets us to the core merchant growth in that 8% range. So that's kind of how we're thinking about it, and that's kind of the contribution as it relates to EVO on the overall business.

Cameron M. Bready

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

A

Yes. And Bryan, I would just add on the volume comment, the overall volume growth was in line with the revenue growth. And if you strip out EVO, it's going to be the same on the sort of core business. So in that 7%, 8% range relative to the 8-ish percent growth that we highlighted ex-EVO.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Q

Thank you.

Operator: Thank you. Our next question comes from the line of Darrin Peller with Wolfe Research. Please proceed with your question.

Darrin Peller

Analyst, Wolfe Research LLC

Q

Hi. Thanks, guys. Cameron, maybe we could just start with you giving us a little bit more color on the underlying – the growthiest parts of the merchant business. And what you're seeing to give you confidence in that 7%, 8% being sustainable when we think about 30% increase in merchant partners or the POS growth 20%. Maybe just help us understand what you're seeing in terms of giving you conviction that, that holds up throughout the year. Obviously, these increases in partners is a good sign.

And then Josh, maybe just to put my two questions together, to add on to that, would be an understanding of the margin dynamics of each of those sub-pieces and how it impacts your abilities on the up to 50 bps for the full year for the company or 30 for the segment. Thanks, guys.

Cameron M. Bready

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

A

Yes. Thanks for the question, Darrin. Look, I think we called out several metrics in our prepared comments today that gives us confidence around the growth we're seeing, particularly in the software-oriented aspects of the business. And as we've highlighted, a couple of times already today, that is the focus strategically for us going forward and we continue to deploy more assets, more resources, investment against those strategies.

In the ISV space, we continue to see good partner growth as we highlighted on our prepared remarks earlier today. The business development activities continue to generate a lot of new opportunities from a partnership

perspective. We're continuing to see good flow-through as it relates to leads from partners and our ability to convert those leads into new merchant customers for Global Payments.

So I think as we look at the outlook for the integrated channel, I think we remain very pleased with how our proposition is resonating in the market and our ability to sign new customers from a partnership perspective and, obviously, turn that into good lead flow and good conversion into new merchants. So all those trends remain very attractive, I would say, as it relates to how we're positioned in the market.

The other thing I would say, and I commented on this in my prepared remarks, I think the competitive landscape is more constructive than it has been in some time. Obviously, there's been a lot of activity – it's no surprise to anyone on the call – in the ISV space and the partner model over the last several years. And we have seen some aggressive marketing of rev shares that have been attractive to some partners, and we've been able to continue to grow through that.

I think in the environment we're seeing today, it's a little more balanced and a little more rational, I think, in terms of what sort of payment providers are offering in terms of rev shares to clients and partners. And I think that creates a good backdrop for us to continue to grow and scale that business over time.

POS is something we've talked about quite a bit, obviously, over the last several quarters. It's an area of emphasis for us. It's an area where we're also investing fairly heavily in the business, particularly around our restaurant and retail POS environments in our Heartland channel, as well as taking our GP POS, which is really our entry point-of-sale software capability to markets outside of the US, as well as deploying it through our wholesale channel here in the US market.

So we added about 3,000 plus kind of new, we call, rooftops or locations – you can think about it in that context – in the first quarter. We're obviously very pleased with the momentum that we're seeing in that channel, and that's really before the full kind of extensive commercial launch of Gen 2 of our Heartland Restaurant and Heartland Retail environment. So, I think that backdrop, again, continues to see good momentum in our business and gives us a lot of confidence around our ability to continue to grow and scale that aspect of the business as we move forward, admittedly from a smaller base, obviously relative to our ISV channel.

And then, lastly, the vertical market businesses continue to see healthy booking trends. We called those out in the quarter, again, growing in the double-digit pace, with good trends across a number of the different vertical markets as we continue to see good demand for our software solutions as well as our ability to monetize payment flows in connection with those software relationships.

So I would say, overall, Darrin, the trends we're seeing across those three core elements of the strategy underpins a lot of the growth expectation that we have for the business as we work through the balance of 2024 and, frankly, as we look forward to the future. And part of our objective is continue to find more ways to invest in those areas and make sure that we're amplifying the investments we're making in that part of the business, again, to drive the best outcomes for us on a longer-term basis. And I'll let Josh kind of get into some of the margin dynamics around each of those.

Joshua J. Whipple

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

A

So Darrin, what I would say is, as it relates to just our general merchant margins, these were consistent with our expectations in the first quarter. And we continue to go ahead and see that sequential improvement while

executing on synergies, continuing to run the business and investing in EVO's technology and platforms in the new markets that we weren't previously in.

And our overall merchant margins were 47% in Q1, down 30 basis points. But Darrin, if you go back to 2023 and you look at our margins beginning in Q2, we were down 170 basis points in Q2, continued to improve, down 90 basis points in Q3, and then 60 basis points in Q4. So again, we're continuing to see that positive trend around merchant performance, and we expect that to go ahead and continue sequentially through the balance of the year.

The only other comment I would say is that, as we started to see a more shift towards technology enablement, Cameron just went through the piece parts as it relates to the overall merchant business. These businesses are faster growth businesses and they come in at a higher margin. So it gives us a lot of confidence in our guide of up to 30 basis points of margin expansion for the full year.

Cameron M. Brady

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

A

And Darrin, I would just add two points, maybe, to wrap up that conversation. One is, obviously, we see a demand, overall, for embedded payments growing, not just here in the US, but globally. So clearly, as we think about how we're positioning our business and how we want to orient our go-to-market strategies and how we want to emphasize investment in the business, it's really going to be geared towards continuing to drive, to be able to capitalize on that longer-term trend in the marketplace; is point number one.

And then, point number two, as it relates to margins, specifically, we really think about managing merchant margins kind of on an overall basis. There's areas of the business that we're going to invest more from time to time. There's other areas of the business where we're "harvesting" margins from time to time, but we really think about trying to manage the overall margin for the merchant business kind of holistically across the channel, and we make decisions around investments and where we may want to pull back in certain cases as we look to kind of manage that overall outcome.

And to Josh's good point, the trajectory of margins, certainly post-EVO, is obviously moving in the right direction sequentially, very consistent with what our expectations would be and we feel good about how we're poised to deliver on the commitments we've made and the outlook we've provided for the full year.

Operator: Thank you. Our next question comes from the line of Tien-Tsin Huang with JPMorgan. Please proceed with your question.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Q

Hey, good morning. Good clean results here. I thought maybe, Cameron, if you don't mind me asking, the settlement on the credit side, and of course, there's the interchange change, I know there's no direct impact for you, but your thoughts on surcharging and what that might mean. And in general, could we see sort of this helping the pricing environment, in general, for you and the group?

Cameron M. Brady

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

A

Yes, Tien-Tsin, I would say – and I don't mind you asking at all. I mean, obviously, our perspective remains what it has been for many, many years, which – anything that really lowers the cost of acceptance in the industry, by and

large, is good for us and good for the industry, more broadly. So as it relates to the settlement that kind of came out more recently, I think long term, that's generally good news for the industry overall.

I think as it relates to surcharging or cash discounting, I think you're going to see a lot more cash discounting than you are, really, surcharging in the marketplace. But I still think on the margin, it's not going to be a terribly impactful trend. I mean, there are certainly areas of the country where it is more common than others, but I wouldn't say, sitting here today, that we think that's going to be sort of an overwhelming trend that we're going to see broad-based kind of across the US market over time.

I do think, as I said, you'll see a little more cash discounting activity and maybe less "surcharging activity." They're basically the same thing. Just one has a probably better optic to the consumer than the other. And therefore, I think will drive incrementally slightly more adoption overall. And it does potentially create a little bit more opportunity for innovation at the point of sale as well, which potentially on the margins is a slight positive. But I don't think either of those will be sort of transformational as we move forward.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Q

Great. Thanks for that. And then on the issuing side really quickly, any call-outs on the renewals with respect to pricing? I know you're seeing implementations happening on time. I know there's been a little bit of a slowdown in IT spending on the bank side. I know you stood up one in AWS, but anything you're seeing there? And I may as well ask, any new learnings on the Capital One-Discover thing that you could share that might be impactful for you? Thank you.

Cameron M. Bready

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

A

Yes, all good questions there. I would say everything on the issuer side is tracking sort of exactly according to our plans. Our implementation pipeline for 2024 is well on track. We had a successful first quarter around implementations and have a full year of busy activity as we have a number of implementations that we expect to execute over the course of the year. The pipeline also looks really good as well. We called out five LOIs that are in our pipeline today. We have another seven sort of late-stage opportunities, many of which we expect to convert into LOIs in the not-too-distant future.

And the last thing I would say is our cloud-based modernized platform as we bring that closer to reality, is really resonating with potential clients. We're seeing a lot of interest in new clients and what we're doing from a technology perspective and the capabilities and the differentiation we're going to be able to continue to drive as we move our sort of market-leading feature functionality into cloud native environments, and the demand for that is fairly robust, and we're excited about what we're hearing from potential clients around that.

We're also excited by what we're hearing from existing clients about some of the additional enablement capabilities we're delivering through that platform, some additional configuration solutions that we're going to be able to provide existing clients, as well as an ease of conversion from their current on-premise environment to a cloud native environment over time that's really resonating with them as well. So I feel good about where we are with the insurer business overall.

Obviously, we have a lot of execution work to do as we complete our Issuer sort of modernization activities and begin to roll those out commercially. But I think the future is bright for that business. And we arguably have more tailwinds than we do headwinds in that space in the near to medium term.

On renewals themselves, we continue to work through those in the ordinary course of business. And I would say, over time, obviously, we think the differentiation that we can provide will allow for a more constructive renewal environment for the business. But as we sit here today, everything that we're seeing remains fairly stable on that front.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Q

Terrific. Thank you for the...

Cameron M. Bready

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

A

And then to your last question on Capital One.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Q

Yeah, Capital One-Discover.

Cameron M. Bready

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

A

Yeah, Capital One-Discover. Yeah, not a lot more I can say, obviously, as we sit here today. The only comment I would make is largely consistent with what we said previously, which is we have a long track record with Capital One, almost two decades now.

We just renewed our agreement with them on a multiyear basis. And historically, when Capital One has engaged in M&A, that's generally been a good thing for us. So obviously, time will tell how the whole Discover transaction works out for them. They've got a road in front of them in terms of working that through the regulatory approval process. But sitting here today, I think our history with them is quite positive as it relates to M&A activity they've engaged in.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Q

Yeah, for sure. Thank you so much.

Operator: Thank you. Our next question comes from the line of Dan Perlin with RBC Capital Markets. Please proceed with your question.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

Q

Thanks. Good morning. I wanted to just maybe get you to elaborate a little bit on the commentary around the upside surprise that you guys saw in the quarter, in particular around what was happening in the US growing high single-digits. It sounded like that was one of the areas that kind of caught you off guard on the positive side. And I'm just wondering what were some of the more specific key drivers there because it feels like we've been highlighting more international stuff than what's going on in the US for a while.

Cameron M. Bready

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

A

Yeah, Dan, it's Cameron. I would say I don't know that I would call it out as a surprise so much as it's more macro driven in the sense that the macro is probably on balance a little more constructive than we would have anticipated kind of coming into the year. Certainly, we remain very focused on the consumer. The consumer has remained fairly resilient through the course of the first quarter. And as I called out in my prepared remarks, April trends were pretty stable relative to what we saw in the first quarter as well.

So I think from our perspective, it's really about the macro. I think our execution around our business and the strategies we're pursuing continues to work well. And we delivered, again, in line with the expectations that we had for those businesses. It was probably a little better in the quarter than what we anticipated going into the year was the macro. And that's something, obviously, as I said before, we continue to monitor very closely. I think the consumer continues to face some headwinds, but there's also some tailwinds around labor trends and what we're seeing around wage inflation, et cetera, that has allowed the consumer to continue to have confidence to spend. And obviously, we're seeing that flow through our business.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

Q

That's great. Just a quick follow-up on, I guess, really balancing cost synergies and then the investments that are necessary. So there seems to be a lot of questions around how much investment you guys have to make in kind of the current period, in 2024 in particular, to achieve some of the revenue growth targets that you've set out, and this is true for kind of EVO, but also just overall in merchant. And then how much of that ultimately will be required to flow through into kind of 2025 growth rates. So it's really that balance between what you got to put to work today, and then maybe what are the buckets, the big buckets. You kind of alluded to it a little bit on the call, but anything around some specifics would be helpful. Thank you.

Cameron M. Bready

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

A

Yes. I mean, I don't want to get too far ahead of myself as it relates to 2025 and beyond. But I would start by saying we're always sort of balancing kind of our desire to invest in the business and wanting to see, obviously, the benefits of the top line growth flow through to margin and margin expansion in the business. But we recognize the merchant business' operating margins kind of in the high 40% level, which is a fairly attractive level of margin – overall margin quantum for the business overall. So I think the philosophy around that is going to continue to remain the same.

I think we have sufficient investment capacity to continue to drive growth in the business in the range that we've been discussing, while at the same time allowing some of that benefit to flow through and allowing margins continue to creep up over time, as we've also talked about.

And as I said in my prepared remarks at the end, we are looking at ways to organize our business in a different fashion, to simplify the business further internally, to think about our operating model and structure that I think is going to free up more investment capacity that will allow us to both, again, continue to invest in growth initiatives in the business, while at the same time allowing margins to continue to drift higher over time. So I think we're well poised kind of for the balance of 2024 and heading into 2025. And a lot of the initiatives we're pursuing internally are really designed to continue to allow us to support that balance as we move forward.

Daniel R. Perlin

Analyst, RBC Capital Markets LLC

Q

That's great. Thank you.

Cameron M. Bready

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

A

Thanks, Dan.

Operator: Thank you. Our next question comes from the line of Dave Koning with Baird. Please proceed with your question.

David John Koning

Analyst, Robert W. Baird & Co., Inc.

Q

Yes. Hey, guys. Nice. Great job this quarter. And I guess my first question, within merchant, you kind of talked about organic volumes growing high single digits, organic revenue high single digits, so pretty similar. Maybe can you discuss kind of the puts and takes kind of between there, like mix, pricing, new products? And would you expect revenues to grow above volumes just as you proliferate kind of software and new products over time?

Cameron M. Bready

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

A

Yes, Dan (sic) [Dave] (00:50:29), it's a good question. I would say it's really hard to get into all the drivers within the merchant business, just given the number of geographies we're in, the number of different lines of business we're in, et cetera. But as I step back and look at it kind of at a macro level, we do want to see volume obviously trending in the same direction as revenue. We do think over time, as we continue to push more software, more commerce enablement solutions, more value-added services, put whatever label you want to on it. Obviously, we do expect to see some ability to grow revenue at a pace that to some degree outstrips volume growth.

But recognize, when we're selling vertical market software, we're selling point-of-sale software, yes, there's software revenue that is generated from those interactions, but we're also obviously trying to monetize payment flows as well when we do that, which drives incremental volume into the business. So those two should remain correlated over time. And it's always our philosophy to have those remain correlated over time.

But certainly, as we continue to pivot the business towards more software, more commerce enablement, we do expect to see some opportunity for revenue growth to decouple to some degree, but I wouldn't say wildly from the underlying trends we see in volume.

But there's a lot of drivers behind that. Some markets obviously have better volume growth and maybe slightly less revenue growth given the mix of businesses and some markets have slightly better revenue growth and slightly worse volume growth, given the underlying mix of businesses and what we're seeing from a market dynamic and pricing perspective. So there's a lot that goes into it overall, but the overarching philosophy, I think, is what I described.

David John Koning

Analyst, Robert W. Baird & Co., Inc.

Q

Yes. Got you. And just a quick follow-up. Merchant margins, I know tons of investor questions around that, and its gotten better each quarter since EVO, the year-over-year decline has gotten better. Is Q2 going to be up year-over-year now that EVO will be anniversaried?

Joshua J. Whipple

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

A

No. What I would say is, again, I would follow kind of the same trajectory that you saw us coming out of the year. We saw 30 basis points of improvement coming out of Q4. So you expect them to be approximately flat in Q2. That's how I would shape it.

David John Koning

Analyst, Robert W. Baird & Co., Inc.

Q

Got it.

Cameron M. Bready

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

A

And then, of course, to get to the overall guide for the year, they would be up in Q3 and up in Q4, kind of getting to that overall up 30 basis points for the full year period.

David John Koning

Analyst, Robert W. Baird & Co., Inc.

Q

Okay. Great.

Cameron M. Bready

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

A

And I think my commentary on that, and I appreciate you calling it out. Certainly, we've been very deliberate in terms of how we've been executing synergies in the merchant business around the EVO transaction. As Josh highlighted earlier, we started down 170, then we went to down 90, down 60, now down 30. So you can very clearly see the trajectory of margin improvement as we continue to execute against synergies from the transaction. And look, it's not hard to think about what the balance of the year looks like given the track record we have over the last several quarters of margin improvement as we execute against synergies.

David John Koning

Analyst, Robert W. Baird & Co., Inc.

Q

Thanks, guys.

Operator: Thank you. Our next question comes from the line of Trevor Williams with Jefferies. Please proceed with your question.

Trevor Williams

Analyst, Jefferies LLC

Q

Great. Thanks a lot. Yes, I wanted to follow up on merchant margins as well. And just the impact from EVO. Clearly, there's been an impact just EVO coming on at a lower margin profile. And Josh, you referenced some of the reinvestment in EVO's technology outside of the US. Can you just give us a sense for where you're at in terms of that process of reinvestment? Anything you could quantify in terms of what impact that has had on margins? And then as we work through the year and the synergy realization ramps, should we see a higher flow-through from the synergy realization? Thanks.

Joshua J. Whipple

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

A

Yes. So what I would say is it's a bit of a balance as we think about the reinvestment into the business and the technology platform as it relates to those pieces of technology that are in markets that we're currently not in.

So really Trevor, it's a bit of a balance there. And what I would say is you can expect to go ahead and see, just given the overall margin profile and how that's trending, you can expect to see a higher flow through in the back half of the year and which we just talked about. We said Q2, that'd be approximately flat, but then you're going to go ahead and see margins become favorable in Q3 and Q4 to get to the up 30 basis points on a year-over-year basis. So you'll start to see better flow-through as we realize more synergies from the EVO transaction in the balance of 2024.

Cameron M. Bready

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

A

And Trevor, it's Cameron. The only thing I would add to that is, obviously, there are certain markets that EVO operated in that we did not when we acquired them last year. And we have a very, I think, deliberate approach in terms of how we think about availability, reliability and stability of the technology environments that we operate in these markets. And quite clearly, there was investment needed in EVO's platforms to bring them up to the level of, again, availability, reliability and stability that we expect for our technology.

Those investments we've been making, and to Josh's very good point, we've been balancing that against synergy realization and all that sort of reflected in our plans and the guide that we provided for 2024. So I think all those investments are doing exactly what we expect. We're seeing better performance from a technology perspective. We're seeing sort of the reliability metrics and standards kind of move towards our targets. And those investments are doing, again, exactly what we described. And I think we've done a nice job absorbing them, while also executing on synergies and getting the margin back to where we started pre-EVO, and we'll look to expand further from there in the back half of the year.

Joshua J. Whipple

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

A

Yeah. And the only other comment I would make is if you think about the business, generally, it's over \$9 billion in revenue, margins mid-40s. So expanding margins 50 basis points on a year-over-year, I think, is very respectable. And I would also comment that, just given our overall merchant margins of 47% approximately and expanding margins 30 basis points, again, is healthy margin growth, I think, in a business of this size and with this profile and the geographies that we currently do business in.

Trevor Williams

Analyst, Jefferies LLC

Q

Great. Thanks. And then, on merchant revenue, Cameron, it sounds like trends in April have been relatively consistent with Q1. I mean, should we interpret kind of the Q1 growth rate as 8% organic, maybe there's about a point or so of benefit from leap year, so kind of the go-forward core growth rate looking at kind of 7% as kind of the normalized Q1 and that's what April has been consistent with?

Cameron M. Bready

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

A

Yeah, I think that's a fair interpretation. I mean, the way I would position it is we think, if you exclude the impact of EVO, the non-anniversary portion of EVO, we're going to grow merchant in that 7%, 8% for the year. And I think we remain on track to do that. Obviously, there was a slight benefit in Q1 from leap year. That's not overly impactful, in the grand scheme of things, but we're still squarely in that kind of 7%, 8% range for the balance of the year, as we sit here today.

Operator: Thank you. Our final question this morning will come from the line of Will Nance with Goldman Sachs. Please proceed with your question.

Will Nance

Analyst, Goldman Sachs & Co. LLC

Q

Hey, guys. I appreciate you taking the question. I think a lot of mine have been asked already, but Cameron, maybe I wanted to ask about the 30% increase in US merchant partners that you had in the slides today. Maybe you can just expand a little bit on that number and provide a little more context. I think there's been, obviously, a lot of focus around the integrated business and the rate of ISV additions in that business. So just how has that trended? How is that number different than sort of like the ISV additions that you've referenced in prior quarters? Is there any contribution from EVO? Just any clarity on that number would be helpful.

Cameron M. Bready

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

A

Yeah, happy to. So look, we have a variety of different partners in our business and I think it's important to kind of start with that overarching context.

When we talk about new partners in the business, these are new relationships that we have in the business that generate incremental volume, incremental lead flow and incremental opportunity for our merchant business going forward. So obviously, our partnered strategy is an important part of our strategy, as we think about how to grow the business, coupled with, obviously, the direct distribution assets that we have and the feet on the street distribution resources that we utilize to grow the business as well.

I would say not all partners are created equal. As we think about the integrated space, we saw a nice growth in what we would call more strategic partners. Obviously, those are truly deep integrated partners where we're able to really form those very strong relationships. We're able to integrate our payments technology deeply into their software environments. And we're able to go to market collectively, obviously, to sell new merchant payment customers for Global Payments; the traditional sort of ISV integrated partner model that we've operated over a long period of time.

We saw good growth in that channel as well as, obviously – I called out in my prepared remarks, I think we now have sort of two dozen-ish partners utilizing our new ProFac model, which is nice growth and expansion of that particular element of our integrated business over the last six to nine months since we've launched that into the marketplace.

But we're also seeing good growth in partners across our payroll channel. We're seeing good growth of partners across all aspects of the US merchant business, which kind of contributes to that overall 30%-ish growth kind of in new partner adds. And that translates into something in the neighborhood of, call it, like 170-ish kind of new partners for the merchant business in the US market in the first quarter.

Will Nance

Analyst, Goldman Sachs & Co. LLC

Q

Got it. Super helpful. And then, I think you also mentioned that you're starting to see some progress on the rollout of the revenue synergies in the EVO footprint. And I guess, just maybe dovetailing on the question that was just asked around some of the investments in the EVO platform around kind of like resilience and system stability, what are the investments that are kind of required more on the revenue front and kind of where are you at on

that? And I guess, what are the kind of the biggest areas that you're most excited about? I know you've talked about POS in the past.

Cameron M. Bready

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

A

Yeah. I think the areas of opportunity continue to be largely consistent with the things we've highlighted, historically. One is bringing our capabilities, our solutions to the EVO markets that we were not operating in, historically.

And we see tremendous opportunity around GP POS, GP TOM as well as our customer engagement suite, analytics and customer engagement platform, and some of the other value-added solutions we can bring to bear on those markets. And we're already seeing good uptake in demand around that.

The investments required to deliver that are obviously equipping the platforms that we operate in those markets, which in many cases, came from EVO, equipping them to be able to handle the new product and capability and integrating those new products into that environment.

So if I sell a new customer in, say, Poland on GP POS, that obviously – that is fully integrated into the technology stack that we're utilizing in Poland. We can obviously monetize the payment streams, accordingly. We can bill our customers for those solutions; all the blocking and tackling that you need to have in place to be able to deliver new product and capability. And then, of course, training sales professionals to be able to sell it and obviously creating the right sort of language – native language capabilities around the platform to actually have it nativized for the Polish market, for one example.

So those are the types of investments that we need to make to bring new product and new capability to the market. And that is, obviously, some of what we're talking about when we say we're investing in the business to be able to bring about more revenue synergies from the EVO transaction.

The second area we've called out before is being able to leverage our global capabilities to support some of EVO's larger multinational customers that they may support in a discrete market in additional markets beyond what they're doing today. And certainly, we feel good about the momentum that we're seeing on that front. We've already expanded relationships with a number of existing EVO partners, particularly kind of coming out of Mexico, where they have a probably stronger concentration of larger multinational companies who are customers through their relationship with Citibanamex. We've been able to expand that into markets outside of Mexico, which has been positive.

And then lastly, in the B2B space, we continue to look to integrate PayFabric, which was EVO's B2B platform into our merchant capabilities. And I think we called out on our call, we've seen 100% increase in bookings for B2B acceptance by virtue of our ability to deliver EVO PayFabric capabilities now more broadly into our US merchant base for B2B acceptance. So from that perspective, I think we see good tailwinds around the EVO revenue synergy opportunities. And those are things we continue to invest against. Because I think long term, and I called this out on our last call, we're probably more enthusiastic about the revenue synergy potential from the EVO transaction than we were at the time we announced the deal going back to August of 2022.

Will Nance

Analyst, Goldman Sachs & Co. LLC

Q

That's great. Appreciate you taking question and thanks for all the helpful details.

Cameron M. Bready

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

A

Thank you.

Cameron M. Bready

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

And that concludes our call for this morning. I want to take a moment to thank everyone for attending, and I also want to thank you for your interest and support of Global Payments. I hope everyone has a great day.

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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