

Reconciliation of Non-GAAP Measures

WesternUnion

Western Union presents a number of non-GAAP financial measures because management believes that these metrics provide meaningful supplemental information in addition to the GAAP metrics and provide comparability and consistency to prior periods. Constant currency results assume foreign revenues are translated from foreign currencies to the U.S. dollar, net of the effect of foreign currency hedges, at rates consistent with those in the prior year. We have also included non-GAAP measures below that remove certain impacts of Business Solutions, in order to provide a more meaningful comparison of results from continuing operations.

A non-GAAP financial measure should not be considered in isolation or as a substitute for the most comparable GAAP financial measure. A non-GAAP financial measure reflects an additional way of viewing aspects of our operations that, when viewed with our GAAP results and the reconciliation to the corresponding GAAP financial measure, provide a more complete understanding of our business. Users of the financial statements are encouraged to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. A reconciliation of non-GAAP financial measures to the most directly comparable GAAP financial measures is included below.

Amounts included below are in millions, unless indicated otherwise.

Reconciliation of Non-GAAP Measures

WesternUnion

2022 Consolidated Outlook Metrics

	Notes	Range	
Revenues (GAAP) - YoY % Change		(13)%	(11)%
Foreign currency translation impact	(a)	3%	3%
Impact from the sale of Business Solutions	(b)	4%	4%
Revenues, constant currency, excluding Business Solutions (non-GAAP) - YoY % Change		(6)%	(4)%
	Notes	Range	
Operating margin (GAAP)		20.0%	21.0%
Impact from acquisition and divestiture costs	(c)	0.0%	0.0%
Impact from the sale of Business Solutions, including exit costs	(b), (d)	(0.5)%	(0.5)%
Impact from Russia/Belarus exit costs	(d)	0.5%	0.5%
Operating margin, adjusted, excluding acquisition and divestiture costs, the sale of Business Solutions, including exit costs, and Russia/Belarus exit costs (non-GAAP)		20.0%	21.0%
	Notes	Range	
Earnings per share (GAAP) (\$- dollars)		\$ 2.18	\$ 2.28
Impact from acquisition and divestiture costs, net of related taxes	(c)	0.01	0.01
Gain on the sale of Business Solutions, net of related taxes	(b)	(0.45)	(0.45)
Impact from Business Solutions exit costs, net of related taxes	(d)	0.02	0.02
Impact from Russia/Belarus exit costs, net of related taxes	(d)	0.02	0.02
Reversal of uncertain tax positions	(e)	(0.03)	(0.03)
Earnings per share, adjusted, excluding the acquisition and divestiture costs, gain on the sale of Business Solutions, and exit costs from Business Solutions and Russia/Belarus, net of related taxes, and reversal of uncertain tax positions (non-GAAP) (\$- dollars)		\$ 1.75	\$ 1.85

Reconciliation of Non-GAAP Measures

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2023 Consolidated Outlook Metrics

Revenues (GAAP) - YoY % Change

Foreign currency translation impact

Impact from the sale of Business Solutions

Revenues, constant currency, excluding Business Solutions (non-GAAP) - YoY % Change

Notes	Range	
	(10)%	(8)%
(a)	2%	2%
(b)	4%	4%
	(4)%	(2)%

Operating margin (GAAP)

Impact from acquisition and divestiture costs

Impact from the sale of Business Solutions

Operating margin, adjusted, excluding acquisition and divestiture costs and the sale of Business Solutions (non-GAAP)

Notes	Range	
	19.0%	21.0%
(c)	—	—
(b)	—	—
	19.0%	21.0%

Earnings per share (GAAP) (\$- dollars)

Impact from acquisition and divestiture costs

Earnings per share, adjusted, excluding the acquisition and divestiture costs (non-GAAP) (\$- dollars)

Notes	Range	
	\$ 1.55	\$ 1.65
(c)	—	—
	\$ 1.55	\$ 1.65
	\$ 1.55	\$ 1.65

Reconciliation of Non-GAAP Measures

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Adjusted Free Cash Flow

	Notes	FY2021	FY2020	FY2019	FY2018	FY2017
Operating cash flow (GAAP)		\$ 1,045	\$ 878	\$ 915	\$ 821	\$ 742
Transition tax payments	(f)	64	64	64	64	—
NYDFS payment/joint settlement	(g)	—	—	—	60	594
IRS tax settlement	(h)	—	—	—	121	—
Speedpay gain and related taxes	(i)	—	—	93	—	—
WU Way payments	(j)	22	83	38	28	77
Less: capital expenditures		(215)	(157)	(128)	(339)	(177)
Adjusted free cash flow (non-GAAP)		\$ 916	\$ 868	\$ 982	\$ 755	\$ 1,236

	Notes	FY2021	FY2020	FY2019	FY2018	FY2018
Net income (GAAP)		\$ 806	\$ 744	\$ 1,058	\$ 852	\$ (557)
Pension settlement	(k)	86	—	—	—	—
Make-whole premium	(l)	12	—	—	—	—
Gain on investment sale	(m)	(37)	—	—	—	—
WUBS tax impact	(n)	18	—	—	—	—
WU Way payments	(j)	—	31	90	—	63
M&A	(c)	13	2	12	12	1
Speedpay gain and related taxes	(i)	—	—	(415)	—	—
Joint settlement agreement	(g)	—	—	—	—	5
Goodwill impairment (WUBS)	(o)	—	—	—	—	447
NYDFS payment	(g)	—	—	—	—	60
Transition tax	(f)	—	—	—	23	828
Adjusted net income (non-GAAP)		\$ 898	\$ 777	\$ 745	\$ 887	\$ 847
Adjusted free cash flow (non-GAAP)		\$ 916	\$ 868	\$ 982	\$ 755	\$ 1,236
Adjusted free cash flow conversion (non-GAAP)		102%	112%	132%	85%	146%

Reconciliation of Non-GAAP Measures

Non-GAAP related notes:

- (a) Represents the impact from the fluctuation in exchange rates between all foreign currency denominated amounts and the United States dollar. Constant currency results exclude any benefit or loss caused by foreign exchange fluctuations between foreign currencies and the United States dollar, net of foreign currency hedges, which would not have occurred if there had been a constant exchange rate. The Company believes that this measure provides management and investors with information about revenue results and trends that eliminates currency volatility while increasing the comparability of the Company's underlying results and trends.
- (b) During 2021, the Company entered into an agreement to sell its Business Solutions business to Goldfinch Partners LLC and The Baupost Group LLC (collectively, the "Buyer") for cash consideration of \$910.0 million, subject to regulatory and working capital adjustments. The sale will be completed in three closings, the first of which occurred on March 1, 2022 with the entirety of the cash consideration collected at that time and allocated to the closings on a relative fair value basis. The first closing excluded the operations in the European Union and the United Kingdom and resulted in a gain of \$151.4 million. The second closing is currently expected to occur on December 1, 2022, and includes the United Kingdom operations. The third closing, which includes the European Union operations, is currently expected in the first quarter of 2023, pending regulatory approvals. Revenues have been adjusted to exclude the carved out financial information for the Business Solutions business to compare the year-over-year changes and trends in the Company's continuing businesses, excluding the effects of this divestiture. While the sale of the Company's Business Solutions business does not qualify for or represent discontinued operations, the Company has also adjusted operating income, beginning in the first quarter of 2022 and concurrent with the sale, to exclude the carved out direct profit of the Business Solutions business. During the period between the first and third closings, the Company will continue to record revenues and operating income for the European Union and United Kingdom operations, but it will pay the Buyer a measure of the profits from these operations, adjusted for other charges, as contractually agreed, and this expense is recognized in Other income/(expense), net. Therefore, the Company believes that providing this information enhances investors' understanding of the profitability of the Company's remaining businesses. The Company has also excluded the gain on the sale, net of related taxes from its first quarter 2022 results and the 2022 adjusted outlook, as management believes that excluding the impact from the gain on sale of the Business Solutions business will provide investors with a clearer and more meaningful comparison of results in 2022 and future periods. These financial measures are non-GAAP measures and should not be considered a substitute for the GAAP measures.
- (c) Represents the impact from expenses incurred in connection with the Company's acquisition and divestiture activity, including for the review and closing of these transactions. The Company believes that, by excluding the effects of these charges that can impact operating trends, management and investors are provided with a measure that increases the comparability of the Company's underlying operating results.
- (d) Represents the exit costs incurred in connection with the divestiture of the Business Solutions business and the suspension of operations in Russia and Belarus, primarily related to severance and non-cash impairments of property and equipment, an operating lease right-of-use asset, and other intangible assets. While certain of the expenses are identifiable to the Company's segments, the expenses are not included in the measurement of segment operating income provided to the Chief Operating Decision Maker for purposes of performance assessment and resource allocation. These expenses are therefore excluded from the Company's segment operating income results. These expenses have been excluded from operating income, the effective tax rate, and diluted earnings per share, net of related taxes. Additionally, the outlook metrics have been adjusted to exclude these costs, net of related taxes where applicable. The Company believes that, by excluding the effects of these charges that can impact operating trends, management and investors are provided with a measure that increases the comparability of the Company's underlying operating results.
- (e) Represents non-cash reversals of significant uncertain tax positions. The Company believes excluding these reversals provides a more meaningful comparison of results to the historical periods presented.

Non-GAAP related notes (cont.):

- (f) The United States tax reform legislation enacted in 2017 imposed a tax on certain of the Company's previously undistributed foreign earnings. This tax charge, combined with the Company's other 2017 United States taxable income and tax attributes, resulted in a 2017 United States federal tax liability of approximately \$800 million. For the year ended December 31, 2017, the Company's provision for income taxes included an estimated \$828 million related to the enactment of the Tax Act into United States law, primarily due to a tax on certain previously undistributed earnings of foreign subsidiaries, partially offset by the remeasurement of deferred tax assets and liabilities and other tax balances to reflect the lower federal income tax rate, among other effects. During the year ended December 31, 2018, the Company completed the accounting for the Tax Act's impacts that were provisionally estimated as of December 31, 2017 and recorded an additional \$22.5 million of income tax expense. The Company has elected to pay this liability in periodic installments through 2025. Under the terms of the law, the Company is required to pay the remaining installment payments as summarized in the Capital Resources and Liquidity discussion located in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10 K for the year ended December 31, 2021.
- (g) NYDFS represents the impact from an accrual for a consent order with the New York State Department of Financial Services ("NYDFS") related to matters identified as part of the Joint Settlement Agreements, as described in the Company's Form 8-K filed with the Securities and Exchange Commission on January 4, 2018. Amounts related to the NYDFS Consent Order were recognized in the second and fourth quarters of 2017, and the expenses had no related income tax benefit. Joint Settlement represents the impact from the settlement agreements related to (1) a Deferred Prosecution Agreement with the United States Department of Justice, and the United States Attorney's Offices for the Eastern and Middle Districts of Pennsylvania, the Central District of California, and the Southern District of Florida, (2) a Stipulated Order for Permanent Injunction and Final Judgment with the United States Federal Trade Commission ("FTC"), and (3) a Consent to the Assessment of Civil Money Penalty with the Financial Crimes Enforcement Network of the United States Department of Treasury (referred to above, collectively, as the "Joint Settlement Agreements"), to resolve the respective investigations of those agencies, as described in the Company's Form 8-K filed with the Securities and Exchange Commission on January 20, 2017, and related matters. The company believes that, by excluding the effects of significant charges and payments associated with the settlement of litigation that can impact operating trends, management and investors are provided with a measure that increases the comparability of the Company's underlying operating results.
- (h) During the year ended December 31, 2018, the Company made approximately \$120 million of payments related to an agreement with the IRS resolving substantially all of the issues related to the Company's restructuring of their international operations in 2003.
- (i) On May 9, 2019, the completed the sale of the Company's United States electronic bill payments business known as "Speedpay" to ACI Worldwide Corp. and ACW Worldwide, Inc. ("ACI") for approximately \$750 million in cash. The gain on the sale and the income taxes on the gain, including the elimination of previously forecasted annual base-erosion anti-abuse taxes, has been removed from adjusted net income. These related tax payments were made on the pre-tax gain and were reflected in operating activities, whereas the pre-tax proceeds from this divestiture were reflected as cash provided by investing activities.
- (j) Represents the expenses incurred and payments made to transform the Company's operating model, focusing on technology transformation, network productivity, customer and agent process optimization, and organizational redesign to better drive efficiencies and growth initiatives. The Company believes that, by excluding the effects of significant charges and payments associated with the transformation of the Company's operating model that can impact operating trends, management and investors are provided with a measure that increases the comparability of the Company's other underlying operating results.

Non-GAAP related notes (cont.):

- (k) Represents the settlement charges for the Company's defined benefit pension plan incurred in the fourth quarter of 2021. On July 22, 2021, the Company's Board of Directors approved a plan to terminate and settle this frozen defined benefit plan, and during the fourth quarter of 2021, the Company settled its obligations under the plan and transferred the corresponding amount of plan assets to the insurer. The Company believes excluding the impact of this non-cash charge will provide investors with a more meaningful comparison of results with the historical periods presented.
- (l) On April 1, 2021, the Company repaid \$500 million of aggregate principal amount of 3.6% unsecured notes due in 2022 and incurred approximately \$14.8 million of costs, excluding accrued interest, in connection with the repayment. The costs associated with the payment and related tax benefit have been removed from adjusted results. The Company believes excluding the impact of this charge will provide investors with a more meaningful comparison of results with the historical periods presented.
- (m) On April 12, 2021, the Company sold a substantial majority of the noncontrolling interest it held in a private company for cash proceeds of \$50.9 million. As a result, the Company recorded a pre-tax gain in the second quarter of 2021. The gain on the sale and the income taxes on the gain have been removed from adjusted results. The Company believes excluding the impact of this gain will provide investors with a more meaningful comparison of results with the historical periods presented.
- (n) Represents the tax impact from changes to certain of the Company's permanent reinvestment assertions related to its decision to classify its Business Solutions business as held for sale in the third quarter of 2021. The Company believes excluding the impact of this charge will provide investors with a more meaningful comparison of results with the historical periods presented.
- (o) Represents a non-cash goodwill impairment charge related to the Company's Business Solutions reporting unit. The Company believes that, by excluding the effects of significant charges associated with non-cash impairment charges that can impact operating trends, management and investors are provided with a measure that increases the comparability of the Company's underlying operating results.