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Global Payments, Inc. (GPN)

SunTrust Robinson Humphrey Financial Technology, Business & Government Services Conference

CORPORATE PARTICIPANTS

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

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Andrew Jeffrey
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MANAGEMENT DISCUSSION SECTION

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.

Thanks. I appreciate everybody coming. It feels like a large group meeting here, which is okay, because we'd certainly leave a little bit of time for Q&A. But – I'm Andrew Jeffrey; I follow Financial Technology & Payments for SunTrust, and it is a pleasure to have Cameron Bready, the CFO of Global Payments with us this afternoon.

And I – there are topics that are recurring with regard to Global that I'd like to touch on, but one of the things, sort of my preamble that we like about this company and this investment idea a lot is, Global has a lot of irons in the fire. We look at the world in aggregate and there's 80% of worldwide payments are still in cash, and deciding to have a company that has a great North American franchise that operates in the UK and Europe, has a growth franchise in Asia Pacific, and is still entrepreneurial, managed in a very entrepreneurial way, and is a high-growth company with real focus on shareholders. I think really distinguishes Global in the space, so that's certainly part of the reason we recommend the stock.

QUESTION AND ANSWER SECTION

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Maybe Cameron, we can start with the U.S. and maybe do kind of a global tour, if you will...

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

A

Sure.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.

Q

...and start with the Heartland deal. If you could update us on how you're feeling about integration, positives, maybe any surprises and kind of what the roadmap is to continue the high single-digit organic growth you've had in that business.

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

A

Yeah, sure, I'd be happy to. So first of all, let me say, thank you very much for having us. We're delighted to be here today and appreciate the invitation to join the conference, and your opening comments as well.

So I think I would say we're delighted with how things are going with Heartland. It's a very large acquisition for us, the largest we've ever done, probably by 10x. So it's certainly a significant undertaking, but we really could not be more pleased with how the business is performing both as it relates to top-line organic revenue growth as well as how the integration itself is going and our ability to realize significant levels of cost savings by putting these two platforms together.

So I'll talk a little bit about momentum in the business, and then I'll talk a little bit about the integration specifically. So from a revenue point of view, their business continues to perform by our estimates, kind of high single-digit top-line organic growth across all their channels in the market. We've combined our direct distribution with their direct distribution, kind of go-to-market now collectively in the U.S on a horizontal basis. And we've combined their vertical based businesses with our open-edge business into a vertical markets and integrated sort of platform, under common leadership, as well.

But the business fundamentals in both our, I think direct business in the U.S market and Heartland's direct business in the U.S market remain very good. And we're quite pleased with the overall rates of organic revenue growth we've seen in the business over the last several quarters and feel like we have very good momentum kind of going into calendar 2017, as we work to pivot to a calendar year, fiscal year.

From an expense point of view, we've made a lot of progress on integration and driving, obviously, cost out of the business. There's really three primary areas from an integration perspective we're focused on. The first being general corporate overhead costs and support functions as well as traditional public company expenses. A lot of that work is behind us. Those are some of the, for lack of better term, lower hanging fruit opportunities, from an integration point of view, and we've made a lot of headway there already.

The second big area of opportunity is in the area of operations. We had an operating center in the U.S market in Owings Mills, which is in Maryland. Heartland has a large service center in Jeffersonville, Indiana which is essentially Louisville, Kentucky. We've really demised our Owings Mills facility at this point. We've migrated most of that work to either our offshore service center in the Philippines or to the Heartland Service Center in Jeffersonville.

The Heartland Service Center will serve as our go-forward service center in the U.S. market. We've really consolidated our operations there. And then lastly, the primary area of focus from an integration point of view is technology. We had an operating environment – a technology environment; they had their own. And we've really spent the last several months looking at our applications and platforms, their applications and platforms, and making decisions about the right target architecture model from a technology point of view for the combined business to operate under, going forward.

A lot of that core infrastructure, it candidly is Global Payments legacy, but there are certainly aspects of Heartland's technology that we find attractive and we think the pro forma company can benefit from. So now we're in the process of beginning the actual migration work to move from the current state technology environments that we operate under and Heartland operate under, to the pro forma target architecture model for the combined business. That's more of a long-tail item, so as we think about how do synergies ramp from where we are today into calendar 2017 and calendar 2018, it's really going to be driven by the benefits of migrating and consolidating technology environments and the cost savings that will come from being able to demise technology that will we'll no longer use for the pro forma business.

So on our first quarter call, we said we originally expected to realize $50 million of cost synergies in fiscal 2017. We've raised that estimate to $60 million, largely because we've made progress ahead of schedule, particularly in the area of operating integration – operating environment integration. We still feel very confident in our ability to meet the overall target synergy expectation of $125 million. And naturally management is working hard to be able to exceed that number and we'll continue to update on progress as we move forward.

Andrew Jeffrey Q
Analyst, SunTrust Robinson Humphrey, Inc.

And expenses are – they require execution and focus and certainly all the areas you enumerated suggest that you've got both of those things in spades. What about pricing and yields? Heartland historically I think was viewed as – for the low cost, sort of low price provider in the market. It seems like there might be some opportunity to gain pricing synergies.

Cameron M. Bready A
Chief Financial Officer & Executive Vice President, Global Payments, Inc.

Yeah. It's a fair question and I think conventional wisdom as Heartland is lower price in the market and certainly there is potentially opportunities over time to improve the yield on the portfolio. But we really don't think about it through the lens of just pricing for pricing's sake. We really think about it philosophically through the lens of, are we being paid appropriately for the value and the service that we're delivering to our customers. And our model at Global Payments has always been: we deliver a very high level of service, reliability, availability and high-touch service to merchants. And we believe we are paid fairly and appropriately for that high level of service.

I think Heartland, to some degree historically has provided a very high level of service as well, very high-touch service to merchants, customers at a very low cost and that model long-term really is not sustainable. So I think we really view the opportunity in Heartland through the lens of making sure over time, as we continue to deliver this high level of service, high-touch service to emerging customers, that we're getting paid fairly and appropriately for the model that we're delivering.

Global Payments has never strived to be the low cost provider and no service. Typically your distribution models or your market models are low cost, low service or higher cost, high service and we tend to be more towards the right hand side of that spectrum, and I think Heartland has been caught somewhat in the middle. They're providing the high service, but they're doing it at a low cost and I think we'll work to improve upon that over time.

But we certainly didn't want to merge with Heartland because we thought there was a pricing opportunity in the business. We saw a lot of value in putting these businesses together strategically. The distribution lines up very, very nicely. There is certainly an opportunity to improve scale for the pro forma business, and the economics of the business were always promised on that, not some pricing opportunity that may exist in their portfolio.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay. So, considering the potential competitive benefits of putting together their direct sales force and their vertically integrated technology in Heartland Commerce, recognizing them as pretty nascent and OpenEdge, which is a fast growth part of Global's business. Can you talk a little bit about the competitive positioning of your – I'm thinking specifically of your ISV business in the U.S. and kind of how you see that versus the other players in the market, and also maybe touch on some of the newer verticals you're trying to work into, as far as diversifying OpenEdge in the U.S.

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

A

Yeah. It's a great question and part of what we liked about the Heartland transaction is the verticals, where they have made vertical-specific bets. Higher education, lower education, restaurant and hospitality in particular are really not verticals that Global Payments had been active in historically. So, the vertical market businesses with Heartland complemented very nicely, our vertical market business in the U.S. If you look at the verticals where OpenEdge has principally been focused historically, it's dental, it's veterinarian, it's health and fitness, it's storage, it's verticals like that, not the verticals that Heartland has been focused on. So we have a lot of nice vertical complements by putting these businesses together, and as I mentioned before, we're now managing OpenEdge in the different vertical businesses that Heartland brings in under common leadership in a vertical markets integrated business. And I think over the course of time, we're going to continue to pursue both models, and we like having the diversity of distribution that we have today.

In OpenEdge, we have a partnership model and we think that partnership model is going to be very well suited for a variety of verticals over the course of time. And we expect obviously to continue to grow and expand OpenEdge into new verticals over time through the same partnership model that's been so successful thus far, and obviously that's an important element of future growth potential for OpenEdge.

But we also think over time, we'll look to continue to find verticals where we wouldn't be competing with our OpenEdge partners, but verticals that have attractive payment fundamentals where we think by owning the ISV or being the ISV ourselves, as we are in campus and school and commerce, that we can drive faster rates of payment growth and generate greater levels of payment throughput in that vertical by owning the software and going to market with the integrated package where we're also providing the software.

So we think over time, as the U.S. market becomes more verticalized, which is I think a trend you're going to see more and more of. We continue – we will continue to invest in verticals both through the partnership model and through owning the software ourselves in verticals that have attractive fundamentals from a payments point of view. I think it's fair to say we don't want to invest in software simply for the sake of investing in software, is the way I like to characterize it. We want to invest in software where we think by owning the software we can drive higher rates of payments growth in our business, and that's really, again, how we'll think about vertical markets going forward.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay. And from a competitive perspective, when I think about a competitive dynamic that might be changing, I think about first data, perhaps getting more focused and more productive in the SMB market. I think about Square as a potential competitor, especially in ISV, or ISV-like solutions, and I think about the channel partner competitive dynamic that might be playing out. Could you just touch on that broadly as far as pricing and competing technology, and how you think that the market looks today?

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

A

Yeah. I'll start by saying the market's always been competitive. And the competitive dynamic has always been, I think, a robust, for lack of better term, in the business that we run. I don't think we've seen any sort of meaningful change in the competitive landscape as of late. And I don't think our expectation is that the level of competition or the mode of competition is going to change dramatically as we look forward in time.

I think it is fair to say that people have recognized the value of the integrated solution. I think we're way ahead of the game, as it relates to integrated payments today. Our combined integrated and vertical market business, I think is the largest in the U.S. and certainly the largest globally, when you role in integrated assets we have outside of the U.S., primarily Ezidebit in Australia.

And I think we feel very well poised to continue to grow and expand through our integrated and vertical markets business over the course of time. And competition's going to continue to be furious in the market, but I think we feel again very well positioned to continue to grow that business nicely, and it's going to be – as I think about it, the tip of spear for growth for our U.S. business for many years to come.

As it relates again to what we may see from a specific competitor, I think a lot of people want to become more integrated, but I feel like where we have all the assets, capability and sort of [ph] weed (13:47), that we need to continue to be successful in that space.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay. Helpful. With regard to one more I guess in the U.S. and the entire, the rest of the world, with regard to EMV, there's been a lot of talk about disruption and anybody who's tried to use a chip card has been frustrated at one point or another in the last year. Has that had any implications at all for Global's U.S. business?

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

A

I would say really no. I don't think it's been a tailwind for us certainly, because we're not on the issuing side. And I think there is often confusion in the market as to whether EMV has been a tailwind for businesses and clearly on the issuing side, it has been. But I'd say for us, I think it's pretty evident now that the rate of adoption in the small to medium-size channel, in particular has been very slow. So it's clearly has not been a tailwind for us.

And quite frankly, I'm still working to earn a return on the investment that we had to make in our technology environments to be capable and ready for EMV adoption in the U.S. and over time, that will come. But it certainly hasn't been a tailwind for us and nor has it been really a headwind. We haven't had backlogs of merchants looking to certify EMV onto our platforms. We've been able to certify merchants as rapidly as they're ready to make that conversion. I think the reality is, as I said before, the adoption rates in the small to medium-size channel have just been slow.

And largely because – and I think in our verticals in particular, they tend to be more consumer non-discretionary. There's not a lot of fraud risk in those channels today, there's not a lot of charge-back risk in those channels today. So there's not a really compelling incentive for a small to medium-size merchants to convert. And that's why I think the rate of adoption has been relatively slow.

So, for us it's really been neither a headwind or tailwind. We did have to make investments in our platforms to prepare ourselves for EMV in the U.S. and we absorb those, and ultimately I expect to earn a return on that, as we do any investment in our business, but I think that's going to come out over a longer period of time.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.
Q

So it doesn't sound like you see an explicit pricing opportunity around EMV, whether that's P2P encryption or anything like that?

Cameron M. Bready
Chief Financial Officer & Executive Vice President, Global Payments, Inc.
A

Well, we certainly want to get paid for a product and service that we're delivering to our merchant customers, and we have a suite of security solutions today that we offer and obviously are paid for when we deliver that to our merchant customers. So over time, that's where I think the return will come from. What we haven't done yet, and I think some of our peers have, is really explicitly price for EMV non-compliance, for those merchants who have chosen not to convert to EMV for whatever reason. And I think really our focus heretofore has been on insuring that our customers have everything they need to be able to convert and that we work through that conversion cycle with them effectively.

It's fair to say, at some point you could make the argument that merchants have had plenty of time to convert, and by not converting they are choosing to accept more risk, and in the business we run, risk has a cost. So there may be a point in time where we sort of move from the carrot approach to the stick approach, but we haven't done that as of yet, and we want to see obviously how the rate of adoption continues to evolve.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.
Q

Okay. But maybe in aggregate, there will be some yield tailwinds, it sounds like I hear you saying in the U.S. over time, but don't think about as anything as being a callout as far as...

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

A

I think it'd be hard to notice them, quite frankly.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay. Maybe we can move onto the rest of the world. And starting in the UK and maybe in Western Europe generally, certainly the question that comes up a lot is Brexit and whether or not, other than the obvious impacts on the Great British pound, whether there have been any direct business impacts for Global. And then are there any other things that should influence the rate of growth, be it regulation or pricing, network changes, for example, in the UK or the Spanish business for that matter, that are worth talking about?

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

A

Sure. I'll start by saying, we're very pleased with our overall performance in Europe and we're very happy with the collection of assets and the business that we're running in Europe, and long term, I think remain very bullish Europe. We are cautious on Brexit and I think we should be, not only relative to what it means to the UK economy longer term, but also what it may mean to the continent.

But to your first question, I would say, thus far, we've really seen no impact on Brexit in our business and quite frankly Q1 in our UK domestic business was a very good quarter. Our UK business grew low double-digits in the first quarter. Some of that is obviously pricing benefit from the interchange reductions that came into effect in December of 2015. Some of that, I equate to or I attribute to a little bit the phenomenon we saw in Canada when the Canadian dollar weakened pretty significantly. You had less people leaving the country, so they were staying home and spending more. You had more people coming to the country because the currency was weak and therefore cheaper to travel to the UK.

So the fundamentals of the business in Q1 were actually very attractive: strong transaction volume growth, double-digit organic revenue growth, when coupled with the pricing benefits from the interchange reductions. So the backdrop for our UK business, I think has been pretty good. As I said before, and I'll remind folks that nothing's really happened from a Brexit standpoint as of yet, other than they voted to exit.

So as and when that starts to actually translate into action, I think it's something that we're going to continue to monitor closely. We have contingency plans in place to the extent that we see any impact on sort of the UK domestic economy itself, as a result of the Brexit actions. The Spanish market continues to be very strong. We've now anniversaried of the annualization of the pricing benefits in Spain. We're seeing revenue growth tracking back up with the level of transaction and volume growth that we've seen in that business historically and feel very good about how we're positioned to continue to grow in Spain going forward, where we also have a terrific partner in CaixaBank, so we feel very good about that market as well.

I'd say also, I'll comment quickly on our new joint venture with Erste Bank, which gives us exposure to good secular trend markets in the Czech Republic, in Romania and Slovakia. We've been in the Czech Republic for a long time, but really as an indirect wholesale provider of services. The joint venture with Erste obviously now gives us a direct distribution platform in the Czech Republic market, which is a very good market for us and one we're excited about long term. So it's nice to have exposure to those high secular growth markets with a great partner and one where we think we can continue to grow and expand that business nicely over the course of time.

And lastly, I'll talk a little bit about our e-com omni-channel solutions business in Europe, which is really a pan-European platform to serve and bundle both e-com and brick-and-mortar merchant acquiring services to provide true omni-channel capabilities to merchants on a pan-European basis. That business continues to grow very nicely as well, really led Realex on the gateway side and obviously our merchant acquiring capabilities that we have in the domestic markets in the European footprint.

The overall backdrop, I think, in Europe remains fairly constructive. Regulation that has been inactive has tended to drive obviously the cost of acceptance down. Any time cost of acceptance is coming down in a market, it's generally good for our business. And over the course of time, I think Visa's acquisition of Visa Europe will be a constructive event for the European marketplace as well. So I think we're fairly bullish on the outlook for Europe, with keeping a little bit of a cautious eye on Brexit.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Okay. You anticipated a couple of my questions with regard to omni-channel in Eastern Europe. One of the things I think I've also heard you talk about is porting the ISV-type technology to Europe, whereas that's historically or to-date been mostly a U.S.-based phenomenon. But are there – what are the opportunities and constraints to sort of replicating the OpenEdge success on the continent?

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

A

Yeah. It's a great question and we have, I'll start by saying, I think we're uniquely positioned obviously in this space to bring the integrated solutions to different markets around the globe. And we've already done that in Canada, and we've also done that to some degree in the UK as well. In UK, we've really started to work with a lot of our U.S. ISV partners, who sell internationally, particularly in the UK market, to deliver that same level of integrated solution that we're able to deliver here in the U.S. Over time, we look to continue to invest in that platform and really replicate that integrated ecosystem that we have in the U.S. market in the UK as well.

I think the pace of that investment and the scaling of that platform is going to be somewhat dependent upon what we see with Brexit. If the UK market remains solid and continues to plug along the way it is, then I think we'd look to invest in that to really scale the integrated business in the UK more quickly. If we see some softness, we may delay that until it gets a little more footing, so to speak, on the heels of Brexit.

So I think we have a very unique opportunity and what we ultimately want to do is obviously partner with domestic UK software providers to provide that true kind of integrated ecosystem for not only U.S. software vendors selling into that market, but also domestic UK software providers, who are servicing that market as well.

We – one of the challenges, I think to recognize is we have 2,000 software partners with OpenEdge today. Clearly, there's probably not 2,000 software developers in the UK. So the market from a software perspective, I think is still evolving in the UK and it's obviously a smaller market relative to the U.S.

So, the opportunity space is not as large as the U.S. market, but I do think we feel that our ability to bring the integrated platform to that market is a real strategic advantage, and one that's going to help continue to sustain rates of revenue growth in our UK business that we find very attractive over a longer period of time by introducing this model.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.

Q

Makes sense. Can you touch a little bit on APAC? And then I'd like to ask your view on to overall margins too, but APAC is, I guess, there are some puts and takes in the region with regard to China demand and which might be a little bit of a headwind; has been versus Australia, which has grown real fast. It's a relatively small market. Maybe you could just talk about progress in some of those different geographies and then maybe additional growth initiatives longer-term and what's obviously a big target market potential.

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

A

So, we're really pleased with how our Asia business has performed over the last year. They've had a bit of a tough macro backdrop in fiscal 2016, as you noted, when we did certainly see weakness. Everyone saw weakness, really, in the greater China markets, which for us represent China, Hong Kong, Macau, and Taiwan. And obviously that was a headwind to growth last year. And we – I think, managed the business effectively through that period. And we took, I think fairly aggressive action to take cost out of that business. So, we still produced obviously strong earnings growth out of that market, despite the top line organic revenue headwinds we were facing in the greater China markets.

I think in Q1, what you saw was a business that organically grew low double-digits, because the China markets really stabilized to a large degree and the growth that we are achieving in markets outside of China or the Greater China markets was able to come to the forefront.

So in markets like Malaysia, Singapore, the Philippines, and to your point, Australia, where we've seen very strong growth trends. Obviously, that was able to overcome a still somewhat soft Greater China macro environment and deliver double-digit organic growth for our business. And what I'd really think that shows more than anything else is how our strategy to diversify away from the exposure to the Greater China markets we had historically by investing in the Philippines more, by investing in Australia, has really better positioned our Australian – excuse me, our Asia Pacific market for the long-term.

I think as we look forward, assuming the macro environment in China remains relatively stable, I think that business remains very poised to continue to produce strong organic growth rates. And we'll look to continue to invest in those markets where it makes sense, invest in markets where we can improve upon the scale that we have in individual markets or obviously look to invest in markets in Asia, that we're not present today, that have good GDP fundamentals, good payment fundamentals, like Japan and South Korea, that we'd certainly long-term like to have a presence over time.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.

Q

That still – it sounds like some white space for you in APAC?

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

A

I think that's right. We have a good team there. We have a great market presence and the business has performed really well and should be a growth driver for the overall company, notwithstanding the fact that it represents high-single-digit level of revenue for the combined company. We still expect Asia to be a nice growth driver for the business and it's still a market that over time, we're happy to put more capital to work, if the opportunities obviously fit strategically and provide return prospects that are competitive for our capital.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.
Q

Okay. And then in the last few minutes, I wanted to touch a little bit on EBIT margin. One of the things that Global I think has done really consistently well in the last few years is drive improving profitability and I think investors would be very happy if they could expect 50 plus basis points of annual margin improvement. Can you talk a little bit – we touched on Heartland.

Cameron M. Bready
Chief Financial Officer & Executive Vice President, Global Payments, Inc.
A

Sure.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.
Q

Can you just talk a little bit about consolidated opportunities to improve margin? And if this is something, the kind of magnitude of margin expansion we've seen is sustainable for the next several years?

Cameron M. Bready
Chief Financial Officer & Executive Vice President, Global Payments, Inc.
A

Yeah, it's a great question. So I'll maybe start with the business we think we're running. I think globally, we expect to be able to grow top line revenues organically in the high single digit. We expect to be able to expand margins by up to 75 basis points annually over a cycle, which we think of as a three-year to five-year window. That should drive operating income growth in the high single digits or low double digits, which when you combine that with our capital allocation strategy, should drive earnings per share growth in the mid-teens plus kind of over a cycle. That's the business we think we're running. I think over the course of the last several years, we've certainly performed against that and feel very good about how the business is positioned to deliver on that going forward.

As it relates to margins in particular, I think we feel very confident in our ability to continue to expand margins and I would also reinforce that management is acutely aware of the importance of expanding margins and are critically focused on margin expansion in the business across all our lines of business.

When I think about margins around the world, I think we're well poised to continue to expand margins in North America. We have a business of scale, certainly significantly more so now, after the Heartland transaction. And feel very good about how the business is positioned to continue to grow margins as our direct distribution businesses are growing quickly, certainly more so than our legacy wholesale business, which has traditionally had lower margins, and more importantly, our technology enabled businesses that inherently have higher margins are growing at the fastest rate of growth of all of our businesses. That creates a nice tailwind to margin as well.

In addition, as we sell new products, more innovation, more technology solutions, more software, those tend to have higher margins than traditional merchant acquiring margins, which create a nice tailwind for margins as well. And then lastly, it's a scale business, as I mentioned before, as we've worked to consolidate platforms with Heartland, we get to our target architecture model, the incremental margins on every incremental transaction or dollar volume of payment processed in our platforms, the incremental margins are very high.

So as we think about the total company, to get 75 basis points or up to 75 basis points of margin expansion annually, with North America representing about 74% of our business, if we're not expanding margin in North America, we're not going to expand them for the total company. As we think about Europe, margins in Europe are mid to high 40s. They're not going to 60. My objective for Europe is to be able to sustain that level of margin going forward in that mid to high 40% range. I think that's a very good objective. I don't want margins in Europe to become a headwind for the total company, but they should hopefully be sustainable at that level going forward.

And then in Asia, I think Asia is well poised for margin expansion as well. I think to continue to grow Asia in that double digit range, we're obviously going to have to invest more in region to do that. We did take a lot of cost out last year, largely to try to address what was a softer macro environment, but if growth is going to continue at the pace we saw in Q1, we'll have to invest a little bit to continue to drive rates of organic growth at that level, but should obviously be able to continue to expand margins from there also. So very focused on margin expansion for the total company. A lot of that's going to come from North America, and up to 75 basis points annually, we think is a very good target for the business.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.

Okay. I think we'll leave it with that. I think if investors can buy Global Payments putting up high single digit, low double digit organic revenue growth to mid-teen earnings in more or less a market multiple or a small premium to the market, that sounds a like a pretty good risk-reward to me, so...

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

It does to us as well.

Andrew Jeffrey
Analyst, SunTrust Robinson Humphrey, Inc.

Appreciate your time, Cameron. Thanks a lot.

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

Thanks very much for having us. Pleasure to be here.