

03-Aug-2020

Global Payments, Inc. (GPN)

Q2 2020 Earnings Call

CORPORATE PARTICIPANTS

Winnie Smith

Senior Vice President of Investor Relations, Global Payments, Inc.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Paul Michael Todd

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

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

OTHER PARTICIPANTS

John Davis

Analyst, Raymond James & Associates, Inc.

Ashwin Vassant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

David Mark Togut

Analyst, Evercore Group LLC

Darrin Peller

Analyst, Wolfe Research LLC

George Mihalos

Analyst, Cowen & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to Global Payments Second Quarter 2020 Earnings Conference call. At this time all participants are in a listen-only mode. Later we will open the lines for questions and answers. [Operator Instructions] At this time I would like to turn the conference over to your host, Senior Vice President, Investor Relations, Winnie Smith. Please go ahead.

Winnie Smith

Senior Vice President of Investor Relations, Global Payments, Inc.

Good morning and welcome to Global Payments second quarter 2020 conference call. 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 expected operating and financial results. These statements are subject to risks, uncertainties and other factors including the impact of COVID-19 and economic conditions on our future operations that could cause actual results to differ materially from our 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. Some of the comments made refer to non-GAAP financial measures such as adjusted net revenue, adjusted operating margins and adjusted earnings per share, which we believe are more reflective of our ongoing performance.

For a full reconciliation of these and other non-GAAP financial measures 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 trended financial highlights, both of which are available in the Investor Relations area of our website at www.globalpaymentsinc.com.

The press release and investor presentation on our collaboration with Amazon Web Services announced today are also available on our website. Joining me on the call are Jeff Sloan, CEO, Cameron Bready, President and COO, and Paul Todd, Senior Executive Vice President and CFO. Now, I'll turn the call over to Jeff.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thank, Winnie. We are pleased with the solid performance we delivered in the second quarter of 2020 despite the pandemic driven by consistent execution and the outstanding dedication of our team members. We are grateful to all of our nearly 24,000 people worldwide for their exceptional service to our customers during this challenging time.

I think the best way to describe the second quarter is that it would have been difficult to imagine in early April that our businesses would perform well as they did through June. As the markets we serve around the world have reopened, we are encouraged by the improving trends we have realized. Our customer base overall remains healthy and our businesses generated sequential improvement in May over April and in June over May, and several of our businesses delivered absolute growth year-over-year in June with a number achieving record new sales performance.

Our business is as strong today as it has ever been and our mix enabled us to perform better than many of our peers as we had expected. We benefited by entering the crisis in extraordinary condition and the timing and quantum of our actions taken early on enabled us to hold operating margins roughly flat to last year this quarter. We also generated strong free cash flow in each month including April highlighting the durability and resiliency of our business model.

We continue to make substantial progress on our technology-enabled software-driven strategy this quarter further validating our pure play payments model and widening our competitive moat. We are delighted today to announce a new multiyear go-to-market collaboration with Amazon Web Services or AWS to provide an industry-leading cloud-based issuer processing platform for customers regardless of size, location, or processing preference. With AWS as our preferred cloud provider for issuer services, we will deliver innovative payment solutions at scale globally in a secured cloud-based environment enabling best-in-class experiences for our issuer clients and their cardholders.

Together, we will leapfrog traditional analog means of distribution and redefine how issuer products and services are sold and consumed in the digital age. Together, we are bringing technologies that generally have been available only to nimble start-ups to traditional institutions at scale, leveling the playing field for innovation with immense benefits to consumers globally.

Our unparalleled legacy of reliability, performance and experience, combined with AWS's cloud leadership will future proof our businesses to meet the increasing demand of a connected, frictionless digital world. Our transformative alliance will also substantially expand our pool of revenue opportunities. First, our collaboration broadens our geographic reach as AWS's worldwide footprint reaches nearly every corner of the globe. No longer will we be limited geographies where we have a TSYS physical data center location for issuer services. Delivering

our capabilities via Software-as-a-Service or SaaS means that we can build, test, and scale in more markets more quickly than before.

Second, we will meaningfully expand our prospective customer base to include financial institutions of all sizes, new market entrants and retailers. Historically, TSYS's issuer business was bifurcated into a large bank business in North America and Western Europe, primarily served through TS2 and an on-premise license business served through Prime everywhere else. Truth be told, our distribution resources were not proactively targeting small to mid-sized banks in the United States, new financial technology entrants, and embedded payment service providers, and we have needed a fully end-to-end cloud native solution set to be successful in many of those markets.

Now, we have a unique opportunity with one of the largest technology companies to disrupt those markets on a differentiated basis. Beyond cloud availability zones that span the world, AWS is a global feet on the street sales presence from Amsterdam to Zurich. AWS will work uniquely and closely with our sales team from lead generation and project scoping all the way through the commercialization and implementation of issuer solutions.

In sum, we believe that our target addressable market for issuer solutions will more than triple providing ample additional opportunities to grow and build on our track record of capturing market share.

Third, we will unbundle our services through the use of open APIs and deconstructive micro services will allow us to sell elements of our issuer SaaS solutions via a new business model on an à la carte basis. In addition to dramatically expanding our target addressable market for institutions of all sizes, we will eliminate the need for time consuming physical conversions and enable customers to quickly and efficiently implement the functionality and services they need in one want while minimizing risk.

Our collaboration will touch and support every element of the card lifecycle from origination, provisioning, risk management and servicing to billing and ongoing delivery. We will provide end-to-end digital solutions to delight our clients and their cardholders delivering platforms that run entire issuing businesses at scale.

Fourth, the new platform's cloud-based architecture allows us to capitalize on modern open banking initiatives giving clients the ability to customize the services they need with greater speed-to-market and product flexibility. Resources can be scaled up and down in the cloud so customers can use just what they need. This means making enhancements will be even more efficient and clients can get to market sooner. We can build, test, deploy and scale specific capabilities quickly to continuously innovate and deliver tailored frictionless and fully digital experiences pretty much anywhere in the world, and cloud computing means near real-time redundancy with databases that are replicated across multiple availability zones without interruption. Importantly, this infrastructure is software-driven encrypted and auditable.

Institutions globally are not going to move backwards to legacy mainframe-based systems. The digitization of financial services will accelerate catalyzed by the pandemic. Issuers will increasingly move toward newer cloud data technologies over time that leverage the talent based prevalent in today's market, increasing resilience and compliance in light of the regulatory requirements in the marketplace now and in the future. And for customers' cardholders, a cloud-based issuing environment will provide the user experience consumers now demand. That means reliable, connected services across any channel available when, where, and how consumers choose. It means increased cardholder engagement support for emerging payment options and cloud enabled resiliency to meet always on expectations.

Fifth and finally, we have a lengthy track record of forging industry-leading partnerships and cross-selling across all aspects of our business. Together with Amazon, we will look to capitalize on opportunities for collaboration across all of our businesses that we expect to generate substantial revenue over time. We expect areas for exploration to include our unified commerce platform and transaction optimization across our merchant businesses and digital consumer experiences with NetSpend. We also continue to make progress against our strategic objectives by agreeing in July to expand and extend our relationship with our partners at CaixaBank, one of the largest banks in Europe and Spain's leading financial group.

We have committed to meaningfully increase our ownership in our joint venture Comercia Global Payments from 51% to 80%. CaixaBank has also agreed to extend our partnership until at least 2040, 10 years beyond the existing maturity date.

Our ability to invest further in our worldwide businesses during the pandemic highlights the underlying financial strength of our company and provides another proof point of the ongoing success of our differentiated strategies. We are proud of the company that we keep, and we have no better partner than CaixaBank. We often say that our longstanding partners who see us operate day in and day out know us best. Their confidence in us further reinforces our competitive position as the partner of choice for the most sophisticated and complex financial institutions globally.

In addition to meaningfully advancing our strategies in the second quarter of 2020, we are also very pleased with the quality of our sales execution. We are excited to announce that we have signed a new, multiyear issuer agreement with TD Bank in the United States and in Canada, one of TSYS's largest FI partners. TD is the sixth largest bank in North America serving over 26 million customers and also ranks as one of the world's leading online financial services firms with more than 14 million active digital customers. This important renewal highlights the distinctive durability of our customer relationships globally and the trust that many of the largest institutions place in us.

We continue to see strong new sales trends in a number of our merchant businesses during the second quarter despite the impact of the pandemic. We have seen record sales of our e-commerce and omni-channel solutions across our businesses globally, as customers moved quickly to implement online ordering and virtual payment solutions in response to changing consumer preferences. For example, in our Heartland business, new accounts for online payments increased 58% year-over-year in the second quarter, with record sales performance for our e-commerce team in this channel. Heartland also delivered its best overall new sales month in the last two years in June.

In our Global Payments Integrated business, new sales for the quarter were consistent with our original budget expectations despite COVID-19, while a new partner production is trending 30% above plan on a year-to-date basis, reflecting the strength of our differentiated capabilities in this channel. We also continue to see strong bookings performance in a number of our vertical market software businesses. In the healthcare vertical market, for example, AdvancedMD's ability to deliver cloud-based technology solutions including virtual telemedicine capabilities to physician practices throughout the United States drove record bookings in the second quarter and record revenue for the month of June.

We believe we've been able to capture further share as customers have increasingly looked towards safety in size and track record and consumers continue to shift purchasing habits and prefer safer commerce. As a reminder, our e-commerce and omni-channel businesses today already account for 20% of our total merchant revenue, consistent with the target we set in March 2018 for year-end 2020, so well ahead of schedule. And our issuer and

business and consumer segments also had meaningful exposure to e-commerce trends highlighting the diversity and breadth of our business mix post our TSYS partnership.

We've invested significantly in our unified commerce platform which allows us to provide one payment solution worldwide through a single API, enabling higher acceptance rates and lower fees. And we provide our leading omni-channel capabilities with the same ease of integration for our core SMB merchants as well as for the most sophisticated [ph] MNC (00:15:08) customers globally. We are unique in our ability to offer local sales and operations support physically in 38 countries and services cross-border into 60. That scale and reach, particularly in many of the harder served markets we operate in today is a significant barrier to entry.

This quarter, we were pleased to have signed an e-commerce partnership with Louis Vuitton for acceptance services across 14 countries in Europe where we deliver a uniform solution and seamless experience virtually. We also are pleased to have recently signed agreements with Dolce & Gabbana, Molton Brown and ParkNow. Further we went live with our Citi partnership in the second quarter. We are now pursuing customers jointly with Citi in the United States and the United Kingdom and will be adding Canada this quarter.

It's worth providing some context around the size of our e-commerce related businesses in our other segments. We estimate that roughly 40% of our issuer transactions and that nearly 30% of our NetSpend transactions come from Card Not Present or e-comm channels. In combination with our acquiring businesses, we generate roughly a quarter of our total revenue from online efforts.

We were also seeing increased demands for safe commerce solutions across our businesses. We believe Global Payments is the leading deployer of NFC technology worldwide, and we are rapidly enabling contactless acceptance for merchants as the pandemic alters consumer behavior. Other solutions we have been implementing include social commerce, pay by link, mobile payments, telesolutions, virtual terminals and digital wallets. For example, in the enterprise quick service restaurant vertical market, our Xenial business launched its socially safe restaurant experience platform, which includes embedded features like [ph] guest list (00:17:03) and touchless payments. We are currently in discussions with several large QSR and fast-casual chains about use cases for this technology.

In our gaming business, launched two transformative solutions in the second quarter, with its VIP mobility and VIP financial center for touchless payments and no contact funding at casinos. Finally, our issuer business is also a leader in the evolution of contactless solutions, and we are excited to have recently partnered with Mastercard and digital wallet provider extend to create new ways for cardholders to use virtual cards for everyday spend in a rapidly changing digital payments landscape globally.

While execution is always at a premium, that is especially true during a crisis. The TSYS merger significantly enhanced our business mix and scale and has been a source of strength. We continue to make great progress on integration this quarter and we still anticipate delivering at least \$125 million in annual run rate revenue synergies and at least \$350 million in annual run rate expense synergies within three years of closing. And of course, we announced last quarter that we undertook actions to generate an additional \$400 million of annualized cost savings in response to COVID-19, and those remain on track as well.

During the second quarter, we successfully brought Vital POS to Canada as we said we would, and early sales trends for Vital in the Heartland channel are encouraging. The migration of partner banks from TSYS to the Heartland brand is underway, and we are building a new sales force to specifically support these historically underserved bank relationships around the US, extending our expansive distribution capabilities.

Further, our Global Payments Integrated sales teams have been consolidated and are now operating under unified best practices, processes, and measurement and the majority of our recent new partner wins combine our leading OpenEdge ecosystem and the TSYS Genius platform.

We are also in discussions with multiple Global Payments bank partners outside of the US regarding TSYS's issuer processing solutions. We expect the AWS collaboration to catalyze those opportunities and to provide more worldwide.

Additionally, we have current in-depth discussions with multiple customers across several geographies regarding our ability to marry issuer processing with our acquiring capabilities globally to optimize transaction flows.

On the expense side, we are tracking ahead of our merger plan targets this year and see additional opportunities coming from the pandemic. As just one example, we now plan to close additional operating facilities globally and rationalize remaining physical space requirements following the success of work-from-home arrangements for nearly 95% of our team members.

Before I turn the call over to Paul, I would like to comment on two strongly held values at our company, people who make a difference and diverse perspectives. I want to share what those mean to us. These principles mean that we will stand against racism, intolerance and injustice in all their forms. We respect, honor and celebrate the diversity of our team members and the differences among us. Standing together as one company, we will continue to work to drive positive change for the communities in which we live and work and stamp out injustice. We are grateful and fortunate to be in a position to contribute our talents to do just that.

Paul?

Paul Michael Todd

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

Thanks, Jeff. I want to reiterate how pleased we are with the solid financial performance we achieved this quarter which was enabled by strong execution and the best-in-class service our team members delivered for our customers in a challenging environment.

For the second quarter, total company adjusted net revenue was \$1.52 billion, reflecting growth of 71% over 2019. On a combined basis, our adjusted net revenue declined 14% from the prior year with an approximate 1 point headwind from adverse foreign currency exchange rates.

We believe this top line result highlights the diversity and resiliency of our business mix, and while our revenue was not immune from the global pandemic, our adjusted operating margin substantially exceeded our expectation, declining a modest 40 basis points to 37% as a result of the swift and significant action we took to address the COVID-19 impact, our continued strong execution and the realization of expense synergies related to the merger which continued to track ahead of plan.

The net result was adjusted earnings per share of \$1.31 for the quarter, a decline of 13% which also includes more than a point of impact from adverse foreign currency exchange rate movements.

From top to bottom, this performance was better than anticipated at the time of our last quarter call and we are encouraged by the recovery across our businesses. Starting with merchant solutions, adjusted net revenue decreased 21% on a combined basis to \$906 million for the second quarter, which includes a 50 basis point headwind from currency. Adjusted operating margin declined 430 basis points to 41% as our cost actions partially

insulated us from the full marginal impacts of the pandemic. Despite the impact of COVID-19 on payment volumes more broadly, our technology-enabled portfolio remained a bright spot for the quarter. In particular, we saw strength in our e-commerce and omni-channel solutions globally, delivering growth of 16% during the quarter, excluding T&E, as we moved quickly to assist customers in the shift to online fulfillment.

Our unique omni-channel value proposition, including UCP, continues to resonate with customers and drive new wins. And we believe we are well-positioned to gain share as growth in this channel accelerates due to the pandemic. Further, Global Payments Integrated also proved relatively resilient, thanks to the unmatched breadth of its more than 4,000 ISV partnerships across over 70 vertical markets, many of which are consumer, non-discretionary oriented.

The decline in adjusted net revenue for GPI was meaningfully better than the overall merchant business for the quarter. And importantly, this business has recently returned to growth. As for our own software portfolio, booking trends remain favorable with record achievements in several of our businesses during the period. Customer retention also remained strong and our leading SaaS solutions continued to support the operations of a diverse set of customers and organizations across their respective vertical markets.

Turning to our relationship-led businesses. In addition to the strong e-commerce result in the Heartland channel that Jeff mentioned, the business delivered record new sales for its restaurant POS solution this quarter and saw the number of new users of its online ordering platform triple sequentially. Additionally, Heartland's payroll sales also set an all-time record this quarter. In Europe, we saw solid improvement as we moved through to the quarter as our largest market started to reopen. We are also benefiting from continued expansion of social commerce in the UK, Spain and Central Europe. Finally, in APAC, while there have been some fits and starts due to moving in and out of restrictions, overall volumes have also continued to improve with each month.

Moving to issuer solutions, we delivered \$414 million in adjusted net revenue for the second quarter, representing a 4% decline on a constant currency basis from the prior year period, as bundled pricing and services volumes are helping to mitigate the impact of transaction level declines. Normalizing for the effect of the single product turndown by one client in the second quarter last year, and our commercial card portfolio, which is being impacted by limited travel spending, issuer revenue would have been roughly flat for the quarter and positive for the month of June.

We also ended June at an all-time high number of traditional accounts on file. Our issuer business has a strong track record of innovation to the benefit of our customers, and we are excited about the opportunity we have to bring our leading technologies, products and services to new markets and new customers on a cloud-SaaS basis in collaboration with AWS in the future. Adjusted segment operating margin for issuer expanded a very strong 640 basis points to 42.8% as our efforts to drive efficiencies in this business more than offset pressure from lower transaction volumes.

Finally, our business and consumer solutions segment delivered adjusted net revenue of \$217 million, representing growth of 11% from the prior year, its highest quarterly revenue growth in nearly three years. NetSpend benefited from strong trends in gross dollar volume, which increased 19% for the quarter, driven in part by our support of the disbursement of over \$1.4 billion in stimulus funds under the CARES Act.

NetSpend is also facilitating the distribution of unemployment and other government support to both existing and new customers during this challenging time. Additionally, we continued to be pleased by the performance of our DDA products with account growth of over 30% from the prior year despite a difficult economic backdrop.

Adjusted operating margin for this segment improved 770 basis points to 32.3% and this marked our best quarter for both absolute adjusted operating income and adjusted operating margin in 10 years highlighting the great progress we have made in this business during the last year. In addition to the solid financial outcome we produced across our businesses for the full quarter, it is notable that our performance improved in each month during the period. We were also pleased with our adjusted free cash flow generation of \$382 billion for the quarter, consistent with the first quarter, and we exited Q2 with approximately \$640 million in available cash in excess of our operating needs.

We reinvested approximately \$104 million of CapEx back into the business during the quarter, also consistent with our first quarter levels, and in line with our revised guidance for capital spending to be in the \$400 million to \$500 million range for the year. We continued to prioritize new product and technology investments to enhance our leading portfolio of pure play payment solutions and extend our competitive advantages.

In early May, we successfully issued \$1 billion in senior unsecured notes maturing in 2030 at an interest rate of 2.9%. The transaction was credit neutral with the full proceeds used to pay down our outstanding revolver and serves as an opportunistic refinancing of our \$750 million of notes outstanding that are due in April 2021 at a rate of 3.8%. As a result, our next significant maturity is not until 2023.

And we ended the quarter with a leverage position of roughly 2.5 times on a net debt basis or roughly 2.8 times on a gross basis. In sum, we could not be better positioned with our investment grade balance sheet, strong cash flows and solid liquidity which provide us significant financial flexibility to continue to pursue strategic priorities, opportunistically as markets stabilize. Our pipeline remains strong and we are actively assessing opportunities for us to enhance our scale and capabilities across our payments technology and software businesses.

To that end, our financial strength enabled our agreement with CaixaBank to increase our ownership in our joint venture to 80% and extend our partnership through 2040. As we look ahead while we are not providing guidance at this time given trends remain dynamic and difficult to predict, I think it's worth providing some additional color on how our businesses are performing currently. Starting with our merchant businesses, our performance continues to track very similarly to what you're seeing coming out of the networks in terms of credit trends, and in addition to the accelerating demand for our differentiated omni-channel solutions, we are now seeing domestic volume growth return to several of our international markets.

In issuing, we have a similar dynamic as our volumes are in line with the networks. In fact, excluding our commercial card portfolio, this business has returned to growth. Finally, business and consumer solutions is currently performing well and we are encouraged by the continuing growth in active accounts.

As I've described at our last call in May, several of our businesses are relatively more resilient in this environment and our results prove that to be the case. Indeed, our diverse business mix and outstanding execution have allowed us to outperform many of our peers. We are grateful for our market leadership in global scale and payments which drove these results and positions us to be the beneficiary of the proliferation of technology in software in our industry well into the future.

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

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Paul. The results of the second quarter highlight the wisdom of our pure play payment strategy and the strength of our business model at scale. Today's announcement of our new collaboration with AWS and the

expansion and extension of our joint venture with CaixaBank further deepen our competitive moat for years to come. We are operating as well as we could possibly be in the current environment. When this crisis ends, as all crises inevitably do, we will emerge stronger than ever with sustained share gains. We look forward to delivering the future of payments.

Winnie?

Winnie Smith

Senior Vice President of Investor Relations, Global Payments, Inc.

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

Operator, we will now go to questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question will come from the line of John Davis with Raymond James.

John Davis

Analyst, Raymond James & Associates, Inc.

Q

Hey. Good morning, guys. First thing I wanted to touch on was improvement in July. Maybe just help frame the magnitude in which businesses you've seen the greatest improvement. And then second, AWS, and if you expect the partnership to accelerate product introduction and if it includes more focus on debit considering it expands market to include smaller banks. Thanks, guys.

Paul Michael Todd

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

A

Yeah, John, so this is Paul. I'll take the first question, and maybe the second one Jeff and Cameron may want to comment on. But yeah, so far in July, we saw very similar trends to what we saw in June from a business line standpoint. So if we look at the merchant segment, our integrated was kind of the highlight there as far as returning to growth. If we move to kind of issuing, we talked about in June if you kind of took out the comparison year-over-year from commercial card, we actually had essentially growth in June and we're expecting that same thing to play through in July.

We're also in business in consumer. The same kind of trend from kind of a positive picture in business and consumer, so the trends that essentially happened in June which were an improvement from May are playing their way through July, and we're expecting some of that to continue throughout the quarter. Obviously, the recovery will impact that.

But, Cameron, I don't know if you have anything else to add on the merchant side?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah, John, the only thing I would add is our trends continue to look very much similar to what you're seeing in the networks, particularly as it relates to their credit trends, and July showed an improvement over June. That

pace of improvement has slowed, but again, you're seeing that coming out of the networks as well as essentially everything is really open at this point.

I would say one encouraging highlight from July certainly from my standpoint is even though you saw a few outbreaks and would have been a retrenchment in some markets into new restrictions being put back in place, I think trends continued to be stable throughout the month and obviously even slightly improving over what we saw in June as well. So I think that's encouraging as markets continue to open.

These are very US-centric, I would say. If you look at the rest of the world, Europe continues to reopen and we're seeing the benefits of that as we work through July. Asia is a little bit of a story of mixed signals coming out of different markets so as some markets remain closed or maybe are reclosing while others are starting to reopen. But the overall trend I'd say in Asia remains fairly positive as it relates to volume recoveries as well.

So I think we're encouraged by what we've seen. Obviously, there remains a fair amount of uncertainty for the balance of the year, but the trends continue to be reasonably encouraging and very much in line with what you're seeing coming out of the networks as well.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

And, John, it's Jeff. I'll touch on your second point around AWS. So first, as it relates to distribution, you asked about smaller banks. So as we said in the prepared remarks, really the unique collaboration between us and AWS is designed to encompass every type of prospective customers. That's true not just by geography, as I mentioned, but also true by size of institution.

So as I mentioned in what I said up front, historically, that was not the focus of TSYS's issuer business in the United States, and now jointly with AWS, it will be.

One of the slides we put together talks about today the end-to-end customer lifecycle and how we stand in the entirety of that, and that starts with lead generation all the way through sales qualification, sales engineering, all the way through the billing, we'll be doing that jointly with AWS. So I would say there's really no type of institution, new entrant, neo bank, small bank that we're not going to approach from a distribution point of view, and that is very different given where TSYS was historically.

As it relates to debit, which you also asked about, this also spans every type of product that we have that we're capable of having both today and in the future. So debit would also be an area that we're focused on coming out of it. We do have a significant debit business with TSYS primarily outside of the United States as part of the transformation of bringing that business inside of the United States. There's really no element of our ecosystem in issuer that's not transformed by this collaboration with AWS.

John Davis

Analyst, Raymond James & Associates, Inc.

Q

All right. Thanks, guys.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, John.

Operator: Your next question comes from the line of Ashwin Shirvaikar with Citi.

Ashwin Vassant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Q

Thanks. Good morning. Hi, Jeff. Hi, Cameron, Paul. Good to hear from you. Congratulations on this performance in a tough environment.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thank you.

Ashwin Vassant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Q

My first question is a planning question that is sort of going back to your comment on the up and down recovery in volumes. How are you balancing that with when do you pull back on those in-year cost controls that you announced right away, and as well as your decisions as they relate to any longer-term investment? Can you talk a little bit about the balance of when some of those costs come back and so on?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, Ashwin. It's Jeff. I'll say – well, I would say, in answer to your question, we reaffirmed today really all of our expense targets, including the COVID-19 specific cost control. So as Paul mentioned in his prepared remarks, there's a fair amount of uncertainty for the remainder of the year, given the pandemic and the macroeconomic outlook globally. And I think until we get some more certainty about where the world is heading, the duration of the pandemic and the depth of it, it's very harder for us to do [ph] on what we did (00:39:27) this morning, which is reaffirm where we're headed.

We do have the capability and the flexibility to pivot very quickly if that's something that we want to do. But given our statement this morning, we're really not in a place to do that today rather, I think the prudent thing to do is to continue to operate, realizing it's going to be up and down, as you say, kind of environment with gains one week and the like that may or may not persist. So for the time being, I think we're in a really good place. And, obviously, that's something as we do with our business [ph] as we (00:39:57) reassess continually.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

And, Ashwin, it's Cameron. The only thing I'd add on the product side, since you raised that, is we continue to invest in products throughout the pandemic. And I think, obviously, we're working very hard to make sure the business is well positioned for the recovery and what the world looks like post-recovery. As we announced in the call, we rolled out Vital to Canada this quarter. We launched the Heartland retail solution this quarter as well. We are launching an omni-channel version of Vital that integrates our online ordering capabilities into the legacy Vital platform. That'll be rolled out in Q3.

We've made, obviously, significant enhancements in our UCP platform that is the foundation for some of the success we highlighted on the call today as well. And we continue to invest in our social commerce solutions, particularly in Europe, as we seen significant uptake in those in Spain and the UK, in particular. So from a product standpoint, I think we've really used this opportunity during the pandemic to double down on our product initiatives

and really make great strides in continuing to differentiate ourselves from a product and solution capability in the market.

Ashwin Vasant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Q

Got it. And then one of the key investor questions to come from the last month and a half, two months, has been the small business [ph] held (00:41:14), as well as the impact on that from let's call it reopening versus stimulus and what's the relative impact of it. Can you talk a little bit about that in the context of your portfolio? And how much does the next stage of getting stimulus passed matter?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, Ashwin. It's Jeff, and I'll ask Cameron to jump in, too. So the first thing I'd say, and we said this in our prepared remarks, is that our performance, given our mix in all of our businesses, but especially given our mix, was better than we saw from the networks last week hands down. I mean that's just a fact. And I would say that indicates that there's been no differential SMB underperformance, just given the mix of businesses we have relative to the payment networks. We thought that was going to be the case. It's nice to see a confirmed with our actual performance through the period. And as we said at the beginning of our commentary, our businesses really remained and our customers remain very healthy.

Cameron, you want to dive more into some of the details?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Sure. I'd be happy to. To Jeff's point, Ashwin, I think the overall health of the customer base we have today is really quite good, notwithstanding the environment that we operate in today. And from a performance standpoint, the merchant business performed pretty consistently with what you saw over the networks, putting aside the overall company performance, which Jeff highlighted, was clearly better as a revenue and net income and EPS matter. So I think as we look at the portfolio today, because we are SMB focused, that has not disproportionately impacted us on the negative sense relative to what you've seen coming out of the networks.

And frankly, we were also very successful in supporting our customers throughout this difficult period with various concessions that we made, offerings of new products for free for a period of time. We facilitated the distribution of nearly \$0.5 billion of PPP loans to customers through our lending partner to over 5,000 of our small to medium size business customers. So I think we feel good about the efforts we've made to support them through what's been a difficult time as well as their viability for the future as the recovery continues to take shape here in the US in particular.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

And as for further stimulus, Ashwin, to get to your question, who knows what ultimately happen from a governmental point of view here in the United States. But I would just point out that a lot of our businesses were overseas. Not everybody, not every market had PPP or anything like it. So there's plenty of examples, and I think Cameron and Paul alluded to this in our commentary where we're net growing year-over-year in markets that didn't have anything like PPP or consumer disbursement.

So while 70% of our business, of course, is right here in the United States, in the merchant side, a healthy 30% of it or \$1.5 billion is not. And that commentary really nobody else had something exactly comparable to the PPP. So time will tell and relief has taken various forms. But in those markets as we said, in domestic Spain, in Continental Europe, we've returned to net growth year-over-year without of kinds of things.

Ashwin Vassant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Got it. Thank you.

Q

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Ashwin.

A

Operator: Your next question comes from the line of Tien-Tsin Huang with JPMorgan.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Hey. Thanks so much. I know a lot of hard work goes into these results, so well done. I wanted to ask on the AWS side, just the question of is this offensive or a defensive move from Global Payments? Is this more about winning new modern card issuing contracts or about migrating existing and maybe if you could share the cost to stand up the technology. I'm just guessing here, are you going to run an instance of TS2 inside AWS in parallel with your existing solution for some time? Just trying to better understand it, if you don't mind. Thanks.

Q

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Yeah, Tien-Tsin, it's Jeff. I'll start and then Paul's going to provide some of the financial commentary. But listen, I think it's offensive. I think at the end of the day, the way we look at the world is this is based on overwhelming feedback from our partners and customers today in financial services that what they would like to see from us over the next number of years. So we're listening to what our customers want us to do.

A

We're looking at where the [ph] sea of (00:45:19) technology needs to be a number of years down the road. So it is going to take us a few years to put this technology into effect but it's not going to be a big bang. It will be gradual improvements throughout, so we'll have the ability to release various API and micro services modules over the next period of time.

So we view this based on customer feedback we've gotten and our view where the world is going as the right next step. But in all fairness, TSYS was doing this for quite some time prior to merger with Global Payments in September of 2019. So this is another step along the journey that TSYS has been on for a considerable amount of time. That's kind of point number one on the technology side.

Point number two, I would not overlook the impact of the distribution side. So as I said in our prepared remarks, today and historically, TSYS is very much confined to environments where TSYS can build a physical data center to host the information that needs to be hosted, with card issuers, particularly the larger card issuers. That's no longer going to be constrained in the context of AWS, given their physical but also of course their virtual size.

The second thing is historically, you'd really needed a cloud native end-to-end environment to pitch kind of neo banks and new entrants into the financial services space. This will get us there. And thirdly, as I mentioned before

from a collaboration point of view, it's really unique to AWS and to us being – supporting the entire lifecycle of pitching and selling all the way through to billing. So dramatically expand the sales resources that we would always have at the fingertips of TSYS and Global Payments. So from that point of view, I think pretty clearly, offensive. Paul, do you want to comment on the financials?

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Sure. And, Tien-Tsin, on your question around the cost, no this will be managed in our overall cost base of the issuer solutions segment. As Jeff mentioned obviously, we've been doing some of this for several years now and so we do not see an uptick in cost, or really from a CapEx standpoint, this will be managed in our overall CapEx budget at the kind of normalized level. So no tweak there on the cost side. In fact, over time obviously, we'll get some efficiencies, but you'll see us soften our physical footprint, cost on data centers and some other things. So it's blended into the cost base.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Q

Got you. I'm glad to hear you're going all in on cloud, it's very important. Just a quick follow-up, just on the relationship side, it sounds like good bookings, especially in restaurant. Just overall, given what you said about pipeline, your ability to deliver against it virtually, any issues there? Or it sounds like it's going as planned and [ph] that bumps (00:47:56) up on to the holidays pretty soon, so I was just curious if that's still an issue or not.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Tien-Tsin, can you ask that question again, the second question. We kind of lost what you said [ph] on the frontline (00:48:08)

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah, you were breaking up a little bit.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Q

Yeah, I'm sorry. I'll try to ask it a little clearer. Just the ability to implement new projects, especially on the merchant side virtually, because I know we're getting to the holidays, and hopefully getting some sign-ups coming up here, so just curious if there's still any holdback there in your ability to deliver the work virtually.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Yeah, it's a really good question, Tien-Tsin, it's something that we've worked on very hard, as you can imagine, throughout the course of the pandemic, with the vast majority of our resources around the globe and our team members working from home or in a remote environment. I would say thus far, we're delighted with our ability to deliver new product, new capability, and execute in what has been a challenging environment.

Obviously, people are used to working side-by-side with each other. The collaboration and effectiveness that comes from that, it's hard to replicate that in a remote environment. But our teams have performed admirably. And the thing that I'm struck by every time I get on a call with one of our product teams, with the business, is the level

of collaboration and how quickly the TSYS and Global Payments teams have come together and how effective we've been in introducing new product and new capability in a very short period of time.

As I said, we've met every milestone that we had. Frankly, put in place prior to the pandemic around new product roll-outs for 2020 and we remain on track to hit our remaining milestones for the balance of the year. So I feel good about how we're executing in this environment. It's not without a lot of effort, as you can imagine, and I appreciate you highlighting that. But thus far, I would say the teams have performed extraordinarily well. And we're very excited about the new product and innovation we've been able to bring to the market and we'll continue to do through the balance of this year and heading into 2021 as well.

Tien-Tsin Huang

Analyst, JPMorgan Securities LLC

Q

Great. Thanks so much for the time. Appreciate it.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, Tien-Tsin.

Operator: Your next question comes from the line of David Togut with Evercore ISI.

David Mark Togut

Analyst, Evercore Group LLC

Q

Thank you. Good morning, Jeff, Cameron and Paul. Would be curious for your perspectives on the roll-out of QR codes by a number of the pure play online payment companies and how does this interact with GPN where you have the relationship at the physical point-of-sale? Is there just a sharing of economics? Or is there an incremental sort of economic fee where QR code is being used?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, David, it's Jeff. So what I would say is we brought as much experience as anybody at QR code acceptance. We enable more – as we said in our remarks, we enable more NFC acceptance. And we enable in more markets than really anybody else. We've extensive partnerships with Alipay, WeChat Pay. Those have, obviously, moved outside Asia into North America and into Europe. So I would say relative to QR codes, we welcome more of those in more of our markets because of our record of doing that across Asia, North America and Europe.

The second thing I would say is if you go back to the issuer side of the equation with AWS, this is going to enable us, as will many things, this will enable us to move even more quickly on new means of adoption for payments. So I think by making it our entire environment from a transformative point of view, cloud native and cloud enabled, that's only going to facilitate the faster roll-out, as you've seen with us already in terms of contactless, in terms of our extended announcement this morning with Mastercard for virtual cards. That'll only make us I think more helpful in terms of rolling out products like QR more directly.

The last thing I'd say in response to your question on economics is when you think about QR codes, there's a variety of ways to load those. So depending on who you're talking about, if it's PayPal, it's generally via card, although it's obviously also debit and ACH, although the card is the majority, I believe, of all PayPal loads occur today. If you look in Asia, what you'd see is ACH via bank loads through Ali. But at the end of the day, the merchant wants to accept whatever payment scheme the cardholder and the consumer is presenting.

So generally not to the exclusion, meaning when you have QR codes in place. It doesn't mean the merchant at the end of the day is going to say, don't give [ph] these some (00:52:14) other card or I care about how you loaded cards in the first place. So from that point of view, our economic opportunity really doesn't differ among the different types. And I would tell you at the end of the day, really, the only enemy here is cash. So the more cash and check that we get out of the point-of-sale, the more we move towards safer commerce, which includes QR codes, the better for Global Payments at the end of the day. So innovation, pace of change, multi-nationalization of payment types, this is nothing but good news for our business.

David Mark Togut

Analyst, Evercore Group LLC

Q

Thank you. Appreciate that, Jeff. Just a quick follow-up. Just the go-to-market approach in Europe, both with the issuer solutions side and merchant plus layering in AWS now, how do you size the market opportunity in Europe? Historically, the big banks have been more in-house across a range of merchant and issuer solutions. Do you see that opportunity opening up now from a new business standpoint?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Well, David, I'm glad you asked that, and of course, I'm delighted to have you on today with the announcement of expanding and extending our partnership with Caixa, because I know that you're rightly focused on the opportunities in Europe.

So listen, I'd say a few things in response to what you asked. First, on the issuer side, we have fantastic opportunities globally including in Europe with TSYS on the issuer side and Global Payments on the merchant side, so we've made tremendous headway there in the nine months since we announced the closing of our merger, and I'm as optimistic today as I ever have been on completing a number of issuer deals with TSYS with global relationships worldwide, but including in particular in light of your comment in Europe.

And that of course was before AWS, so the way we talk about TSYS and Global Payments is that on a combined basis, we have 1,300 FI customers around the world. I would tell you financial services is a very big piece of AWS's footprint today, and obviously, it's a very large business. We've certainly thought about our ability to bring AWS into the fold as it relates to our conversations with our current customers, and I believe that they're doing the same with us on the issuer side. So that's only going to expand that pool of opportunities from the 1,300 that we have today at legacy Global Payments and TSYS.

And then on the merchant side, I think you should look at the Caixa announcement as a harbinger of other things that may come. We've seen this with Erste in Continental Europe with us a number of years ago. We've obviously seen the Caixa in 2010 with the expansion today.

I think the reasons that drive financial institutions today to do that relate to the ECB's point of view on what impact COVID-19 and the pandemic may have on the macroeconomic environment and the balance sheet health and capitalizations of those companies. So David, it's never a bad time to do something with us, but I would say this reminds me a lot of what we saw in 2009, 2010 and 2011 which is we'll go through a macroeconomic dislocation and that provides a fantastic opportunity for us to do more of what we've been able to do.

So I think stay tuned and more to come, and I'm pretty optimistic about the health of our business in Europe.

David Mark Togut

Analyst, Evercore Group LLC

Thanks, Jeff. Greatly appreciated.

Q

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, David.

A

Operator: Your next question comes from the line of Darrin Peller with Wolfe Research.

Darrin Peller

Analyst, Wolfe Research LLC

All right. Thanks, guys. You clearly outperformed us on the merchant segment quite a bit, and just curious if you can sub-segment the pieces, whether it's e-comm or integrated or other parts of your direct business, what was surprising to you the most in the quarter, and how it held up in this environment?

Q

Maybe if you can talk about structural market share, where you're seeing yourselves really pull ahead of the pack because of your technology in this environment. And then I just had one quick follow up. Thanks, guys.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

Yeah, hey, Darrin. It's Cameron. I'll start off, and ask Jeff and Paul to jump in if they have any additional comments. So look, I would say across the board in merchant, we've been pretty pleased with how the business has performed throughout the pandemic. Obviously, and we called this out specifically in the script and Jeff commented on it earlier, our integrated business performed extraordinarily well, I would say throughout the pandemic. A lot of that is due to the strength of our partnerships in that channel, our focus on consumer non-discretionary channels by and large. But the overall performance in that business clearly led the pack as it relates to overall merchant business in the second quarter, and obviously, that has continued in July and we expect to see that continue through the balance of the year as well.

A

I think our vertical market business was obviously a by and large good story as well. Obviously, Software-as-a-Service subscription-based revenue streams withstood the pandemic very well. We saw great performance in a number of those channels. Obviously, a couple of those businesses were more negatively impacted with schools being closed for much of the second quarter as well as our gaming business being exposed to closures of physical brick-and-mortar casinos. Obviously, those businesses were more negatively impacted, but on balance, I would say our vertical market business performed well as a result of the focus on more recurring revenue streams, subscription-based revenues in those channels.

And I would say lastly, our relationship business here in the US performed quite well also. Notwithstanding it's more focused on consumer discretionary verticals as well as being more SMB focused across the different businesses, it withstood I think the pandemic very well. A lot of that was due to our ability to continue to sell effectively in this environment to offer new product and capability to our customers and I think that's really the point that I would highlight as it relates to the second part of your question. I think from a product and innovation standpoint, we're really at the intersection of what our customers were demanding and obviously the impacts of the pandemic.

Our ability to roll-out online ordering capabilities, safe commerce capabilities...

Darrin Peller

Analyst, Wolfe Research LLC

Right.

Q

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

...and our different vertical market businesses, our ability to deliver those quickly, ubiquitously with ease and to be able to integrate them with existing card present capabilities as I think we're uniquely positioned to be able to do, I think that allowed us to really win in this environment, continue to gain share and positions us well I think for a very bright future as we really have the products and solutions and the capabilities and we have a distribution modes to be able to deliver them very quickly to customers in a difficult environment and I think that's one of the hallmarks of the second quarter that I would highlight.

A

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Yeah, I think, Darrin, it's Jeff. I would just say this is a continuation of the theme that we've had for years here which is a further movement toward technology enablement and differentiated distribution of what we've been doing.

A

So if you look at as Paul and Cameron said, the businesses that have performed best, our integrated business, our e-comm and omni business, elements of our Heartland business that are specific to omni-channel delivery, our exposure of emerging markets, those are the same themes that we've had for a really long period of time. The ability to get 95% of our workforce working from home in relatively short order...

Darrin Peller

Analyst, Wolfe Research LLC

Yeah.

Q

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

...those speak to I think and obviously the culmination of today's announcement of AWS really on the issuing side across the full lifecycle of what we're selling globally in the issuing business, we wouldn't be in a position we're in today if we hadn't started the journey many, many years ago toward technology enablement.

A

So I think as difficult as an environment as it is on the macro because of the terrible effect of that pandemic, nonetheless I think this is the culmination of years of investment in differentiated distribution in technologies and I think they're seeing it all hit. At the same time...

Darrin Peller

Analyst, Wolfe Research LLC

Okay.

Q

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

...I would say normalized for the macro this might be the best quarter we've ever produced in a macro neutral environment and I think that's a culmination of many quarters investment.

Darrin Peller

Analyst, Wolfe Research LLC

Q

Okay. All right. That's really helpful, guys. It's good to have those offerings now especially, Jeff, just real quick follow-up is on M&A. Are we still in an uncertain such an environment that you'd want to hold off? Or would you say you'd be more willing and active now? And what areas would it be now? Would it be still software focused or a little bit more on the operating leverage and scale side and acquiring or others? Thanks, guys.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

So, Darrin, we just had the deal this morning [indiscernible] (01:00:11) obviously, we're pretty active and not kind of waiting. It would just so happen that we had a good longstanding partner of ours but nonetheless a deal this morning. So I would say our pipeline is – I think Paul said in his remarks, our pipeline is very full. Our balance sheet is at 2.5 times in terms of leverage, so I think we're ready now. Obviously, every day brings more information about what's going on in the marketplace, so we're certainly open for business. We're certainly looking. Ultimately, it depends on the facts at the time.

Certainly, [ph] year-to-date (01:00:43) we felt very good about where we were with our partners over at CaixaBank and good enough to make a significant increased investment back into that business, so I would say we're open for business and we continue to look. In terms of what we're looking at, it's really across the board. We're looking at software deals, we're looking at competitive takeout deals, we're looking at deals on new geography. I don't think there's really any limit on what we can do in terms of what we're looking at.

Darrin Peller

Analyst, Wolfe Research LLC

Q

Great. Nice job, guy. Thanks.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, Darrin.

Cameron M. Bready

President & Chief Operating Officer, Global Payments, Inc.

A

Thanks, Darrin.

Operator: Our final question will come from the line of George Mihalos with Cowen.

George Mihalos

Analyst, Cowen & Co. LLC

Q

Great. Thanks for squeezing me in, guys, and congrats on a very robust quarter. Paul, just a question on the issuer side, but maybe a two-part question there. One, the margins were up something like 600 basis points year-over-year. I'm curious if there was anything one-time there or if it just has to do with discretionary cost cuts, and related to the outlook for issuer, I think you said it's sort of tracking network metrics where I think their process transactions are now low-single-digit positive. Is that the right way to be thinking about how the business is

performing in July or do we need to take that number and discount it for what you're seeing in the commercial card business?

Paul Michael Todd

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

A

Yeah, George. Yeah, two things there. One on the margin side, yeah, you're right. We were very pleased with the 640 basis points. You saw in the first quarter we were at 450 basis points, so it is better but there's nothing one-time there that we'd call out. We're going to be tracking really strong on the margin front given all of the cost things if we're doing on that business so nothing kind of one-time or anything unusual to call out there other than just the robust cost management that we've put into that business.

And then on the volume side for issuer, yeah, we from an authorization and transaction volume standpoint, look just like the credit – [ph] Visa (01:02:37) credit numbers that you see out there. So nothing differential I would point out. It's just you're seeing kind of from an overall standpoint the fact that only a portion of our revenue mix is transaction volume related. So we're kind of growing through that pull down. So those numbers that you're seeing out of the networks on the volume side, given our market share, look very similar to what we're seeing, both from a June and a July standpoint.

George Mihalos

Analyst, Cowen & Co. LLC

Q

Okay. That's great. Good to hear. And then, Jeff, congrats on the AWS partnership, maybe just two quick questions there. I guess firstly, some of your digital peers, the [ph] Stripes of the world, and obviously, Ali and the like (01:03:22) they have issuing platforms going after sort of digital marketplaces and servicing them. Is that an area that maybe Global will now look at? And then as it relates to servicing FIs, my sense would be that you're not interested in coupling a core processing solution with what you're doing on the issuing side. Is that fair to assume?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, so your first question, George, what I would say is new entrants, neo banks, retailers, the [ph] ubers (01:03:52) of the world, the answer is they're all in scope. So I think what we've been able to do here in this collaboration with AWS is more than triple our target addressable market for opportunity. So I really don't think that there is any area of the marketplace, either by segment or geographically, that is any longer added scope with AWS. That's kind of your first point. And that's done on a differentiated basis with us.

On your second point, no, I don't believe it changes our view on core processing, in fact, quite the opposite. So I think our perspective historically is that you're probably undersized in terms of distribution assets and legacy TSYS issuer going after the size of the landscape that we wanted to go after. But I think what we've been able to show is notwithstanding that, that post the merger, our announcement with Truis in May, our announcement of the TD renewal today, and to be honest, our announcement of the collaboration with AWS means, that we're going to leapfrog what I would call analog distribution, which is what I believe core processing is, and go directly into technology-enabled distribution with probably one of the largest, or the second largest technology partner in the world, namely AWS.

So what I think we've been able to do here with AWS is circumvent the traditional method, perhaps, of referral into the issuing side by collaborating and leading with technology, which is the exact same strategy we've had for a number of years, of course, in our merchant business. So rather than reopening, whether core processing is

important to that sale cycle, which I think we showed it's not post the merger, I think we're going essentially from directly to cellular without stopping at land line of core processing.

George Mihalos

Analyst, Cowen & Co. LLC

Q

Great. Congrats, guys. Really nice results.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, thanks a lot, George.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

On behalf of Global Payments, thank you for your interest in our company. And thank you for joining us this morning.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2020 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.