

TSYS
Financial Highlights
(unaudited)
(in thousands, except per share data)

	Three Months Ended			Six Months Ended		
	June 30,			June 30,		
	2019	2018	Percent Change	2019	2018	Percent Change
Total revenues	\$ 1,035,485	1,007,580	2.8 %	\$ 2,070,016	1,994,750	3.8 %
Cost of services	630,821	617,818	2.1	1,263,032	1,231,183	2.6
Selling, general and administrative expenses	185,577	181,064	2.5	364,627	366,598	(0.5)
Total expenses	<u>816,398</u>	<u>798,882</u>	2.2	<u>1,627,659</u>	<u>1,597,781</u>	1.9
Operating income	219,087	208,698	5.0	442,357	396,969	11.4
Nonoperating expenses	<u>(37,416)</u>	<u>(41,170)</u>	9.1	<u>(80,407)</u>	<u>(78,812)</u>	(2.0)
Income before income taxes and equity in income of equity investments	181,671	167,528	8.4	361,950	318,157	13.8
Income tax expense	31,128	37,415	(16.8)	61,027	55,549	9.9
Income before equity in income of equity investments	<u>150,543</u>	<u>130,113</u>	15.7	<u>300,923</u>	<u>262,608</u>	14.6
Equity in income of equity investments, net of tax	<u>12,217</u>	<u>12,322</u>	(0.9)	<u>23,444</u>	<u>22,929</u>	2.2
Net income	162,760	142,435	14.3	324,367	285,537	13.6
Net income attributable to noncontrolling interests	-	-	na	-	(1,261)	100.0
Net income attributable to TSYS common shareholders	<u>\$ 162,760</u>	<u>142,435</u>	14.3 %	<u>\$ 324,367</u>	<u>284,276</u>	14.1 %
Earnings per share (EPS):						
Basic EPS	<u>\$ 0.92</u>	<u>0.78</u>	17.7 %	<u>\$ 1.83</u>	<u>1.56</u>	16.9 %
Diluted EPS	<u>\$ 0.91</u>	<u>0.78</u>	17.5 %	<u>\$ 1.81</u>	<u>1.55</u>	16.8 %
Weighted average shares outstanding: (includes participating securities)						
Basic	<u>176,962</u>	<u>182,355</u>		<u>177,697</u>	<u>181,991</u>	
Diluted	<u>178,514</u>	<u>183,575</u>		<u>179,198</u>	<u>183,456</u>	
Dividends declared per share	<u>\$ 0.13</u>	<u>0.13</u>		<u>\$ 0.26</u>	<u>0.26</u>	
<u>Non-GAAP measures:*</u>						
Net revenue	<u>\$ 979,920</u>	<u>956,548</u>	2.4 %	<u>\$ 1,960,189</u>	<u>1,892,045</u>	3.6 %
Adjusted EBITDA	<u>\$ 368,939</u>	<u>345,021</u>	6.9 %	<u>\$ 726,226</u>	<u>675,943</u>	7.4 %
Adjusted earnings	<u>\$ 226,686</u>	<u>203,796</u>	11.2 %	<u>\$ 442,132</u>	<u>411,383</u>	7.5 %
Adjusted diluted EPS	<u>\$ 1.27</u>	<u>1.11</u>	14.4 %	<u>\$ 2.47</u>	<u>2.24</u>	10.0 %

* See reconciliation of non-GAAP measures.

na = not applicable

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TSYS
Segment Breakdown
(unaudited)
(in thousands)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019	2018	Change		2019	2018	Change	
			\$	%			\$	%
Adjusted segment EBITDA:								
Issuer Solutions (a)	\$ 209,845	195,275	14,570	7.5 %	\$ 414,779	391,040	23,739	6.1 %
Merchant Solutions (b)	138,366	133,418	4,948	3.7	267,201	252,358	14,843	5.9
Consumer Solutions (c)	53,595	54,545	(950)	(1.7)	117,288	108,212	9,076	8.4
Corporate admin and other	(32,867)	(38,217)	5,350	14.0	(73,042)	(75,667)	2,625	3.5
Total (d)	368,939	345,021	23,918	6.9	726,226	675,943	50,283	7.4
Less:								
Share-based compensation	11,500	14,229	(2,729)	(19.2)	22,214	20,524	1,690	8.2
M&A and integration expenses	17,150	2,581	14,569	nm	20,860	16,949	3,911	23.1
Depreciation and amortization	104,773	104,290	483	0.5	208,483	208,679	(196)	(0.1)
Client incentive/contract cost amortization	8,250	6,712	1,538	22.9	16,288	13,584	2,704	19.9
Contract cost asset amortization	8,179	8,511	(332)	(3.9)	16,024	19,238	(3,214)	(16.7)
Operating income	219,087	208,698	10,389	5.0	442,357	396,969	45,388	11.4
Nonoperating expenses	(37,416)	(41,170)	3,754	9.1	(80,407)	(78,812)	(1,595)	(2.0)
Income before income taxes and equity in income of equity investments	\$ 181,671	167,528	14,143	8.4 %	\$ 361,950	318,157	43,793	13.8 %
Net revenue by segment:								
Issuer Solutions (e)	\$ 432,445	421,015	11,430	2.7 %	\$ 865,919	844,589	21,330	2.5 %
Merchant Solutions (f)	364,210	346,389	17,821	5.1	707,166	663,792	43,374	6.5
Consumer Solutions (g)	196,143	200,293	(4,150)	(2.1)	415,321	410,781	4,540	1.1
Segment net revenue	992,798	967,697	25,101	2.6	1,988,406	1,919,162	69,244	3.6
Less: Intersegment revenues	12,878	11,149	1,729	15.5	28,217	27,117	1,100	4.1
Net revenue (h)	979,920	956,548	23,372	2.4	1,960,189	1,892,045	68,144	3.6
Add: reimbursable items	55,565	51,032	4,533	8.9	109,827	102,705	7,122	6.9
Total revenues	\$ 1,035,485	1,007,580	27,905	2.8 %	\$ 2,070,016	1,994,750	75,266	3.8 %
Adjusted segment EBITDA margin on segment net revenue:								
Issuer Solutions (a)/(e)	48.5%	46.4%			47.9%	46.3%		
Merchant Solutions (b)/(f)	38.0%	38.5%			37.8%	38.0%		
Consumer Solutions (c)/(g)	27.3%	27.2%			28.2%	26.3%		
Adjusted EBITDA margin on net revenue (d)/(h)	37.6%	36.1%			37.0%	35.7%		

nm = not meaningful

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TSYS
Segment Breakdown
(unaudited)
(in thousands)

	Three Months Ended June 30,				Six Months Ended June 30,			
	2019	2018	Change		2019	2018	Change	
			\$	%			\$	%
Depreciation and amortization by segment:								
Issuer Solutions	\$ 36,129	29,640	6,489	21.9 %	\$ 71,296	57,971	13,325	23.0 %
Merchant Solutions	8,257	7,523	734	9.8	15,940	15,348	592	3.9
Consumer Solutions	5,202	4,313	889	20.6	9,618	8,573	1,045	12.2
Depreciation and amortization	49,588	41,476	8,112	19.6	96,854	81,892	14,962	18.3
Acquisition intangible amortization	53,706	61,865	(8,159)	(13.2)	108,663	124,888	(16,225)	(13.0)
Corporate admin and other	1,479	949	530	55.8	2,966	1,899	1,067	56.2
Total depreciation and amortization	\$ 104,773	104,290	483	0.5 %	\$ 208,483	208,679	(196)	(0.1) %

Segment statistical data:Issuer Solutions

Total transactions (in millions)	6,645.4	6,050.0	595.4	9.8 %	12,594.2	11,598.0	996.2	8.6 %
Total Accounts on File (AOF) (in millions)					769.0	829.3	(60.3)	(7.3) %
Total Traditional AOF (in millions)					638.9	588.9	50.0	8.5 %

Merchant Solutions

Point-of-sale transactions (in millions)	1,700.3	1,498.5	201.8	13.5 %	3,224.7	2,838.0	386.7	13.6 %
Dollar sales volume (in millions)	\$ 43,890.0	40,362.1	3,527.9	8.7 %	\$ 84,131.6	77,628.8	6,502.8	8.4 %
Segment net revenue per transaction	\$ 0.214	0.231	(0.017)	(7.3) %	\$ 0.219	0.234	(0.015)	(6.2) %

Consumer Solutions

Gross dollar volume (in millions)	\$ 8,659.8	8,336.2	323.6	3.9 %	\$ 18,713.3	18,030.5	682.8	3.8 %
Direct deposit 90-day active cards (in thousands)					2,453.3	2,518.7	(65.4)	(2.6) %
90-day active cards (in thousands)					4,973.6	5,078.5	(104.9)	(2.1) %
% of 90-day active cards with direct deposit					49.3%	49.6%		

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TSYS
Condensed Balance Sheet
(unaudited)
(in thousands)

	June 30, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 458,220	471,156
Accounts receivable, net	513,712	450,322
Contract assets	43,847	30,950
Other current assets	224,048	188,355
Total current assets	<u>1,239,827</u>	<u>1,140,783</u>
Goodwill	4,114,851	4,114,838
Software and other intangible assets, net	1,224,111	1,331,238
Property and equipment, net	373,868	383,074
Operating lease right-of-use assets, net	198,539	-
Contract assets - long-term	56,925	47,839
Contract cost assets - long-term	148,938	145,598
Other long term assets	349,747	305,339
Total assets	<u>\$ 7,706,806</u>	<u>7,468,709</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 57,911	97,956
Current portion of long-term borrowings, finance leases and license agreements	35,523	29,125
Current portion of operating lease liabilities	43,346	-
Contract liabilities	51,553	47,227
Other current liabilities	312,994	341,293
Total current liabilities	<u>501,327</u>	<u>515,601</u>
Long-term borrowings, finance leases and license agreements, excluding current portion	4,042,738	3,889,541
Long-term operating lease liabilities, excluding current portion	167,102	-
Deferred income tax liabilities	401,486	380,278
Contract liabilities - long-term	25,281	21,489
Other long-term liabilities	74,278	75,894
Total liabilities	<u>5,212,212</u>	<u>4,882,803</u>
Equity	<u>2,494,594</u>	<u>2,585,906</u>
Total liabilities and equity	<u>\$ 7,706,806</u>	<u>7,468,709</u>

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TSYS
Selected Cash Flow Highlights
(unaudited)
(in thousands)

	Six Months Ended June 30,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 324,367	285,537
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of equity investments, net of tax	(23,444)	(22,929)
Dividends received from equity investments	-	892
Depreciation and amortization	208,483	208,679
Amortization of debt issuance costs	2,652	2,362
Amortization of operating lease right-of-use assets	25,555	-
Share-based compensation	22,214	20,524
Deferred income tax expense	21,258	18,657
Other noncash adjustments	27,293	43,187
Changes in operating assets and liabilities	(212,948)	(86,316)
Net cash provided by operating activities	395,430	470,593
Purchases of property and equipment	(30,844)	(48,608)
Additions to licensed computer software from vendors	(61,209)	(19,216)
Additions to internally developed computer software	(24,817)	(19,934)
Cash used in acquisitions, net of cash acquired	-	(1,051,629)
Other investing activities	(2,700)	(4,119)
Net cash used in investing activities	(119,570)	(1,143,506)
Principal payments on long-term borrowings, finance lease obligations and license agreements	(299,499)	(2,626,534)
Proceeds from long-term borrowings	450,000	3,477,000
Debt issuance costs	-	(15,979)
Purchase of noncontrolling interests	-	(126,000)
Dividends paid on common stock	(46,534)	(47,189)
Proceeds from exercise of stock options	6,911	29,289
Repurchase of common stock	(400,023)	(82)
Other financing activities	-	(3,779)
Net cash (used in) provided by financing activities	(289,145)	686,726
Cash, cash equivalents and restricted cash:		
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(332)	(4,143)
Net (decrease) increase in cash, cash equivalents and restricted cash	(13,617)	9,670
Cash, cash equivalents and restricted cash at beginning of period	474,279	451,370
Cash, cash equivalents and restricted cash at end of period	\$ 460,662	461,040
Supplemental		
Capital expenditures	\$ 116,870	87,758
Free cash flow (non-GAAP)*	\$ 278,560	382,835

* See reconciliation of non-GAAP measures.

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TSYS
Supplemental Information
(unaudited)

Other**Accounts on File (AOF):**

<i>(in millions)</i>	Total Accounts on File		
	At June 2019	At June 2018	Percent Change
Consumer	532.2	493.8	7.8 %
Commercial	61.6	56.8	8.4
Other	45.1	38.3	18.0
Traditional AOF	638.9	588.9	8.5
Prepaid*/Stored Value	8.4	37.0	(77.2)
Commercial Card Single Use	121.7	106.0	14.8
Government Services	-	97.4	(100.0)
Total AOF	<u>769.0</u>	<u>829.3</u>	(7.3) %

* Prepaid does not include Consumer Solutions accounts.

Growth in AOF:

<i>(in millions)</i>	June 2018 to June 2019	June 2017 to June 2018
Beginning balance	829.3	773.6
Change in accounts on file due to:		
Internal growth of existing clients	56.7	53.7
New clients	23.8	37.3
Purges/Sales	(22.3)	(34.4)
Deconversions	(118.5)	(0.9)
Ending balance	<u>769.0</u>	<u>829.3</u>

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Reconciliation of GAAP to Non-GAAP Financial Measures

Non-GAAP Measures

The schedules below provide a reconciliation of revenues and operating results on a constant currency basis to reported revenues and operating income. This non-GAAP measure presents second quarter 2019 financial results using the previous year's foreign currency exchange rates. On a constant currency basis, TSYS' total revenues for the second quarter of 2019 were higher 3.4% as compared to a reported GAAP increase of 2.8%. On a constant currency basis, TSYS' total revenues for the first six months of 2019 were higher 4.5% as compared to a reported GAAP increase of 3.8%.

The schedules below also provide a reconciliation of total revenues to net revenue.

The schedules below also provide a reconciliation of net income attributable to TSYS common shareholders to adjusted earnings, and diluted EPS to adjusted diluted EPS.

Although the Company excludes the amortization of purchased intangibles from these non-GAAP measures, management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation.

The schedules below also provide a reconciliation of net income to adjusted EBITDA.

The schedules below also provide a reconciliation of cash flows from operating activities and capital expenditures to free cash flow.

The schedules below also provide a reconciliation of 2019 guidance of total revenues to net revenue and diluted EPS to adjusted diluted EPS.

The tax rate used in the calculation of adjusted diluted EPS for the quarter is equal to an estimate of our annual effective tax rate on GAAP income. This effective rate is estimated annually and may be adjusted during the year to take into account events or trends that materially impact the effective tax rate including, but not limited to, significant changes resulting from tax legislation, material changes in the mix of revenues and expenses by entity and other significant events.

TSYS believes that non-GAAP financial measures are important to enable investors to understand and evaluate its ongoing operating results. Accordingly, TSYS includes non-GAAP financial measures when reporting its financial results to shareholders and potential investors in order to provide them with an additional tool to evaluate TSYS' ongoing business operations. TSYS believes that the non-GAAP financial measures are representative of comparative financial performance that reflects the economic substance of TSYS' current and ongoing business operations.

Although non-GAAP financial measures are often used to measure TSYS' operating results and assess its financial performance, they are not necessarily comparable to similarly titled measures of other companies due to potential inconsistencies in the method of calculation.

TSYS believes that its provision of non-GAAP financial measures provides investors with important key financial performance indicators that are utilized by management to assess TSYS' operating results, evaluate the business and make operational decisions on a prospective, going-forward basis. Hence, management provides disclosure of non-GAAP financial measures to give shareholders and potential investors an opportunity to see TSYS as viewed by management, to assess TSYS with some of the same tools that management utilizes internally and to be able to compare such information with prior periods. TSYS believes that inclusion of non-GAAP financial measures provides investors with additional information to help them better understand its financial statements just as management utilizes these non-GAAP financial measures to better understand the business, manage budgets and allocate resources.

Reconciliation of GAAP to Non-GAAP

	Constant Currency Comparison (unaudited) (in thousands)					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Percent Change	2019	2018	Percent Change
Consolidated						
Total revenues (GAAP)	\$ 1,035,485	1,007,580	2.8 %	\$ 2,070,016	1,994,750	3.8 %
Foreign currency impact ⁽¹⁾	6,839	-		15,107	-	
Constant currency ⁽²⁾ (non-GAAP)	<u>\$ 1,042,324</u>	<u>1,007,580</u>	3.4 %	<u>\$ 2,085,123</u>	<u>1,994,750</u>	4.5 %
Net revenue (non-GAAP)	\$ 979,920	956,548	2.4 %	\$ 1,960,189	1,892,045	3.6 %
Foreign currency impact ⁽¹⁾	6,354	-		14,060	-	
Constant currency ⁽²⁾ (non-GAAP)	<u>\$ 986,274</u>	<u>956,548</u>	3.1 %	<u>\$ 1,974,249</u>	<u>1,892,045</u>	4.3 %
Operating income (GAAP)	\$ 219,087	208,698	5.0 %	\$ 442,357	396,969	11.4 %
Foreign currency impact ⁽¹⁾	1,989	-		3,886	-	
Constant currency ⁽²⁾ (non-GAAP)	<u>\$ 221,076</u>	<u>208,698</u>	5.9 %	<u>\$ 446,243</u>	<u>396,969</u>	12.4 %
Issuer Solutions						
Segment net revenue (GAAP)	\$ 432,445	421,015	2.7 %	\$ 865,919	844,589	2.5 %
Foreign currency impact ⁽¹⁾	6,415	-		14,261	-	
Constant currency ⁽²⁾ (non-GAAP)	<u>\$ 438,860</u>	<u>421,015</u>	4.2 %	<u>\$ 880,180</u>	<u>844,589</u>	4.2 %

(1) Reflects the impact of calculated changes in foreign currency rates from the comparable period.

(2) Reflects current period results on a non-GAAP basis as if foreign currency rates did not change from the comparable prior year period.

	Net Revenue (unaudited) (in thousands)					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Percent Change	2019	2018	Percent Change
Total revenues	\$ 1,035,485	1,007,580	2.8 %	\$ 2,070,016	1,994,750	3.8 %
Less: reimbursable items	55,565	51,032	8.9	109,827	102,705	6.9
Net revenue	<u>\$ 979,920</u>	<u>956,548</u>	2.4 %	<u>\$ 1,960,189</u>	<u>1,892,045</u>	3.6 %

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Reconciliation of GAAP to Non-GAAP

Adjusted Diluted Earnings per Share
(unaudited)
(in thousands, except per share data)

	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Percent Change	2019	2018	Percent Change
Net income attributable to						
TSYS common shareholders (GAAP)	\$ 162,760	142,435	14.3 %	\$ 324,367	284,276	14.1 %
Adjust for amounts attributable to TSYS common shareholders:						
Add: Acquisition intangible amortization*	53,707	61,830	(13.1)	\$ 108,663	124,818	(12.9)
Add: Share-based compensation	11,500	14,228	(19.2)	22,214	20,522	8.2
Add: M&A and integration expenses**	17,150	2,581	nm	20,860	16,949	23.1
Less: Tax impact of adjustments***	(18,431)	(17,278)	(6.7)	(33,972)	(35,182)	3.4
Adjusted earnings (non-GAAP)	<u>\$ 226,686</u>	<u>203,796</u>	11.2 %	<u>\$ 442,132</u>	<u>411,383</u>	7.5 %
Diluted EPS - Net income attributable to						
TSYS common shareholders						
As reported (GAAP)	<u>\$ 0.91</u>	<u>0.78</u>	17.5 %	<u>\$ 1.81</u>	<u>1.55</u>	16.8 %
Adjusted diluted EPS (non-GAAP)	<u>\$ 1.27</u>	<u>1.11</u>	14.4 %	<u>\$ 2.47</u>	<u>2.24</u>	10.0 %
Weighted average diluted shares outstanding	<u>178,514</u>	<u>183,575</u>		<u>179,198</u>	<u>183,456</u>	

* The Company's amortization of acquisition intangible assets is disclosed in its 2018 Form 10-K filing in the applicable footnotes to the consolidated financial statements (Note 7 Other Intangible Assets, Net and the amortization expense associated with acquisition technology intangibles in Note 8 Intangible Assets – Computer Software, Net).

** Costs associated with the merger & acquisitions and integrations are included in selling, general and administrative expenses and nonoperating expenses.

*** Certain of these merger and acquisition costs are nondeductible for income tax purposes.

nm = not meaningful

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Reconciliation of GAAP to Non-GAAP

	Adjusted EBITDA (unaudited) (in thousands)					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2019	2018	Percent Change	2019	2018	Percent Change
Net income (GAAP) (a)	\$ 162,760	142,435	14.3 %	\$ 324,367	285,537	13.6 %
Adjust for:						
Less: Equity in income of equity investments	(12,217)	(12,322)	0.9	(23,444)	(22,929)	(2.2)
Add: Income tax expense	31,128	37,415	(16.8)	61,027	55,549	9.9
Add: Interest expense, net	43,014	41,119	4.6	85,783	77,772	10.3
Add: Depreciation and amortization	104,773	104,290	0.5	208,483	208,679	(0.1)
Add: Client incentive/contract asset amortization	8,250	6,712	22.9	16,288	13,584	19.9
Add: Contract cost asset amortization	8,179	8,511	(3.9)	16,024	19,238	(16.7)
Less/Add: (Gain)/ Loss on foreign currency translations	(850)	(535)	(58.9)	287	(107)	nm
Less/Add: Other nonoperating (income)/expenses	(4,748)	586	nm	(5,663)	1,147	nm
Add: Share-based compensation	11,500	14,229	(19.2)	22,214	20,524	8.2
Add: M&A and integration expenses*	17,150	2,581	nm	20,860	16,949	23.1
Adjusted EBITDA (non-GAAP) (b)	\$ 368,939	345,021	6.9 %	\$ 726,226	675,943	7.4 %
Total revenues (c)	\$ 1,035,485	1,007,580	2.8 %	\$ 2,070,016	1,994,750	
Net income margin on total revenues (GAAP) (a)/(c)	15.7%	14.1%		15.7%	14.3%	
Net revenue (d)	\$ 979,920	956,548	2.4 %	\$ 1,960,189	1,892,045	
Adjusted EBITDA margin on net revenue (non-GAAP) (b)/(d)	37.6%	36.1%		37.0%	35.7%	

* Costs associated with the mergers & acquisitions and integrations are included in selling, general and administrative expenses.

nm = not meaningful

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Reconciliation of GAAP to Non-GAAP

		Free Cash Flow (unaudited) (in thousands)	
		Six Months Ended June 30,	
Free cash flow:		2019	2018
Net cash provided by operating activities (GAAP)	\$	395,430	470,593
Capital expenditures		(116,870)	(87,758)
Free cash flow (non-GAAP)	\$	<u>278,560</u>	<u>382,835</u>

		Guidance Summary (unaudited) (in millions, except per share data)	
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Revenue:	2019		% Change		
Total revenues (GAAP)	\$	4,190	to	\$ 4,290	4% to 6%
Less: reimbursable items		200	to	200	
Net revenue (non-GAAP)	\$	<u>3,990</u>	to	<u>\$ 4,090</u>	5% to 7%

Earnings per share (EPS):

Diluted EPS (GAAP)	\$	3.48	to	\$ 3.63	11% to 16%
Acquisition intangible amortization, share-based compensation, litigation, claims, judgments or settlements and M&A and integration expenses, less the tax impact of adjustments		<u>1.27</u>	to	<u>1.27</u>	
Adjusted diluted EPS attributable to TSYS common shareholders* (non-GAAP)	\$	4.75	to	\$ 4.90	6% to 10%