

# 2018 FIRST QUARTER

April 24, 2018



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# FORWARD-LOOKING STATEMENTS

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This slide presentation and comments made by management contain forward-looking statements including, among others, statements regarding the expected future operating results of TSYS. These statements are based on management's current expectations and assumptions and are subject to risks, uncertainties and changes in circumstances. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "anticipate," "intend," "plan," "potential," "estimate" or similar expressions. Actual results may differ materially from those set forth in the forward-looking statements due to a variety of factors. More information about these risks, uncertainties and factors may be found in TSYS' filings with the Securities and Exchange Commission, including its 2017 Annual Report on Form 10-K. TSYS disclaims any obligation to update any forward-looking statements as a result of new information, future developments or otherwise except as required by law.

# USE OF NON-GAAP FINANCIAL MEASURES

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This slide presentation and comments made by management contain certain non-GAAP financial measures determined by methods other than in accordance with generally accepted accounting principles. Such non-GAAP financial measures include the following: net revenue, operating margin on net revenue, revenues measured on a constant currency basis, free cash flow, adjusted EBITDA and adjusted diluted earnings per share. The most comparable GAAP measures to these measures include the following: revenues, operating margin, revenues, cash flows from operating activities, net income and diluted earnings per share, respectively. Management uses these non-GAAP financial measures to assess the performance of TSYS' core business. TSYS believes that these non-GAAP financial measures provide meaningful additional information about TSYS to assist investors in evaluating TSYS' operating results. These non-GAAP financial measures should not be considered as a substitute for operating results determined in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. The computations of the non-GAAP financial measures used in this slide presentation and comments made by management are set forth in the Appendix to this slide presentation.



# M. Troy Woods

Chairman, President and Chief Executive Officer





# Paul Todd

Chief Financial Officer



# CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

(in thousands, except per share data)

|   | QTD<br>2018 | QTD<br>2017 | Percent<br>Change |
|---|-------------|-------------|-------------------|
| <b>Total Revenues</b>                     | \$987,170   | \$1,184,725 | (16.7%)           |
| <b>Net Revenue<sup>(1)</sup></b>          | 935,497     | 832,982     | 12.3              |
| <b>Adjusted EBITDA<sup>(1)</sup></b>      | 330,922     | 287,237     | 15.2              |
| <b>Adjusted Diluted EPS<sup>(1)</sup></b> | \$1.13      | \$0.82      | 37.6              |

(1) Non-GAAP financial measure; See Appendix

# CONSOLIDATED HIGHLIGHTS

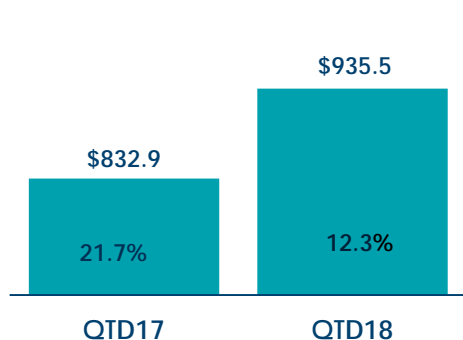
- Record net revenue and adjusted segment operating income
- Solid organic net revenue growth
- Margin expansion

1st Quarter  
Net Revenue by Segment<sup>(1)(2)</sup>

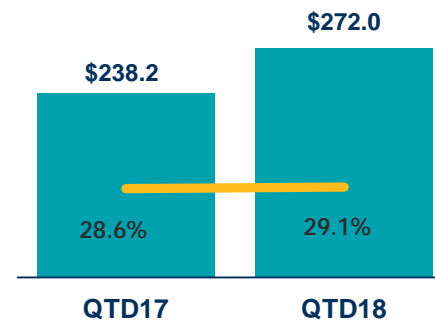


Consolidated Net Revenue<sup>(1)</sup>  
YOY Growth %

(\$ in millions)



Adjusted Segment Operating Income<sup>(1)</sup>  
Operating Margin<sup>(3)</sup>



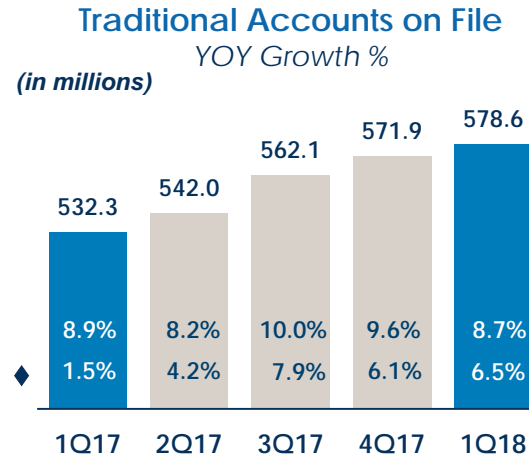
(1) Non-GAAP financial measure; See Appendix

(2) External revenue

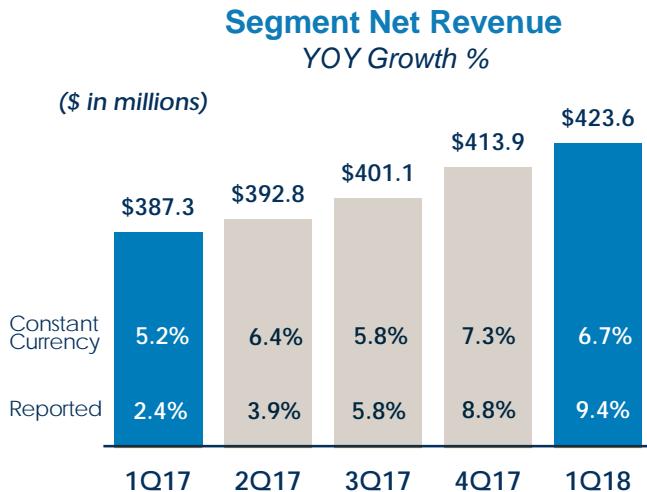
(3) Net revenue

# ISSUER SOLUTIONS SEGMENT HIGHLIGHTS

- Record net revenue – 5 straight quarters
- Record traditional accounts on file
- Continued focus on product and technology investments



(◆) Growth Including Prepaid, Government Services and Single Use Accounts



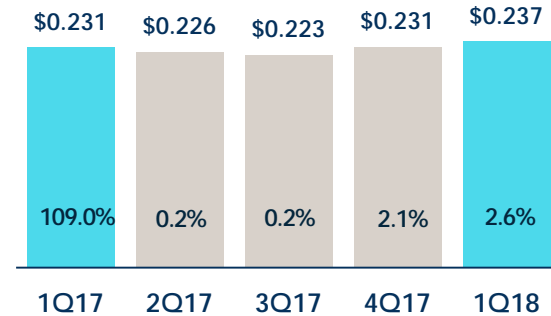
(1) Segment Net Revenue



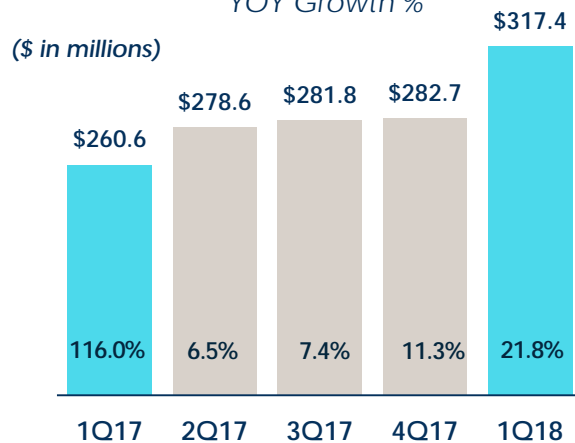
# MERCHANT SOLUTIONS SEGMENT HIGHLIGHTS

- Completed acquisition of Cayan
- Record net revenue
- Strong organic net revenue growth

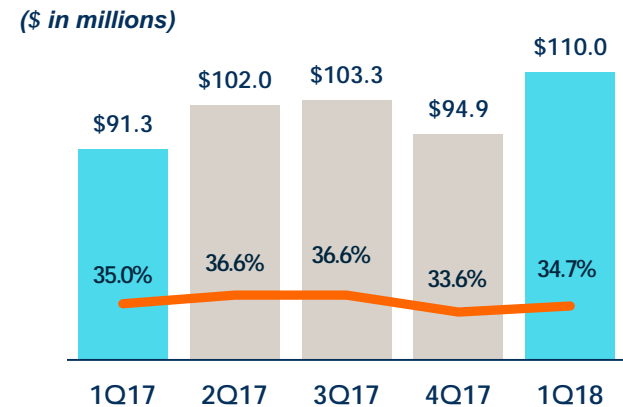
Segment Net Revenue per Transaction  
YOY Growth %



Segment Net Revenue  
YOY Growth %



Adjusted Segment Operating Income  
Operating Margin<sup>(1)</sup>



(1) Segment Net Revenue

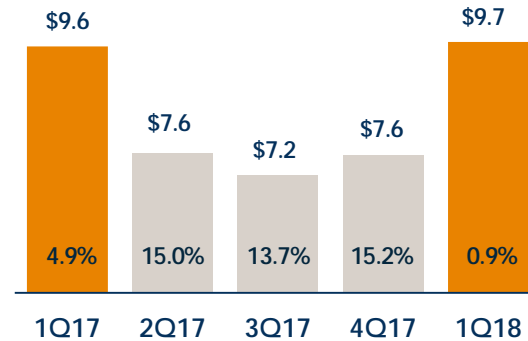
# NETSPEND SEGMENT HIGHLIGHTS

- Record net revenue
- Record debit active cards at 5.2 million
- Signed Major League Baseball and renewed PayPal distribution agreement

## Gross Dollar Volume

YOY Growth %

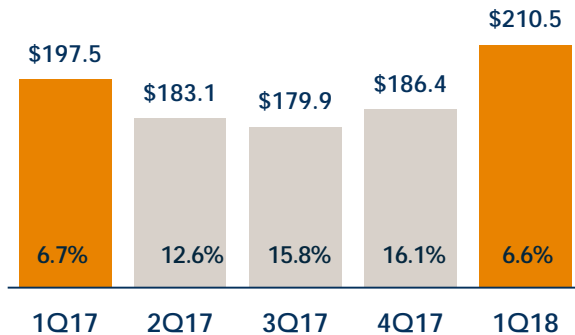
(\$ in billions)



## Segment Net Revenue

YOY Growth %

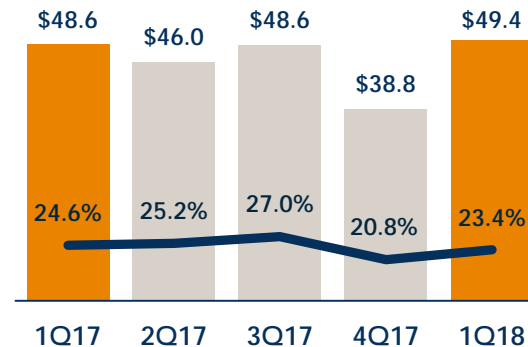
(\$ in millions)



## Adjusted Segment Operating Income

Operating Margin<sup>(1)</sup>

(\$ in millions)



(1) Segment Net Revenue

# SEGMENT OPERATING MARGIN AND ADJUSTED OPERATING MARGIN

Three Months Ended March 31, 2018

|   | Adjusted Segment Operating Income | Segment Net Revenue | Adjusted Segment Operating Margin |
|---|-----------------------------------|---------------------|-----------------------------------|
| <i>(in thousands)</i>                                       |                                   |                     |                                   |
| Issuer Solutions  | \$150,991                         | \$423,574           | 35.6%                             |
| Merchant Solutions  | 110,014                           | 317,403             | 34.7%                             |
| Netspend  | 49,353                            | 210,489             | 23.4%                             |
| Intersegment  | --                                | (15,969)            |                                   |
| Corporate administration excluding share-based compensation | (38,401)                          | --                  |                                   |
| <b>Total</b>  | <b>\$271,957</b>                  | <b>\$935,497</b>    | <b>29.1%</b>                      |

# 2018 REVISED GUIDANCE\*

(in millions, except per share data)

## Revenue:

Total revenues (GAAP)

Net revenue<sup>(2)</sup> (non-GAAP)

## Earnings per share:

Diluted EPS (GAAP)

Adjusted diluted EPS attributable to TSYS  
common shareholders<sup>(2)</sup> (non-GAAP)

Weighted average diluted shares  
outstanding

|  | Range <sup>(1)</sup> |    |         | Range<br>Percent Change |    |       |
|--|----------------------|----|---------|-------------------------|----|-------|
| Total revenues (GAAP)  | \$3,900              | to | \$4,000 | (21%)                   | to | (19%) |
| Net revenue <sup>(2)</sup> (non-GAAP)  | \$3,700              | to | \$3,800 | 9%                      | to | 12%   |
| Diluted EPS (GAAP)   | \$3.00               | to | \$3.10  | (5%)                    | to | (2%)  |
| Adjusted diluted EPS attributable to TSYS<br>common shareholders <sup>(2)</sup> (non-GAAP) | \$4.25               | to | \$4.35  | 26%                     | to | 29%   |
| Weighted average diluted shares<br>outstanding   | 184                  |    |         |                         |    |       |

(1) The estimated impact of adopting ASC 606 in TSYS' 2018 Outlook is as follows: Total revenues (\$1,640) to (\$1,615), Net revenue (\$69) to (\$62), Diluted EPS and Adjusted diluted EPS (\$0.04) to (\$0.03). The most significant impact of adopting ASC 606 in 2018 is primarily the result of gross versus net presentation of interchange and payment network fees. In 2018, these fees collected on behalf of the payment networks and card issuers will be presented "net" of the amounts paid to them, as opposed to the "gross" presentation for certain of these fees in 2017.

(2) Non-GAAP financial measure; See Appendix  
\*See guidance assumptions in Appendix



Q&A



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# APPENDIX



# APPENDIX: Accounts on File Portfolio Summary

| <i>(in millions)</i>       | March 2018   | March 2017   | % Change   | March 2018   | December 2017 | % Change   |
|----------------------------|--------------|--------------|------------|--------------|---------------|------------|
| Consumer                   | 486.5        | 450.0        | 8.1        | 486.5        | 481.3         | 1.1        |
| Commercial                 | 55.2         | 50.0         | 10.6       | 55.2         | 54.2          | 1.9        |
| Other                      | 36.9         | 32.3         | 14.0       | 36.9         | 36.4          | 1.2        |
| Traditional AOF            | 578.6        | 532.3        | 8.7        | 578.6        | 571.9         | 1.2        |
| Prepaid*/Stored Value      | 38.7         | 54.1         | (28.3)     | 38.7         | 38.6          | 0.5        |
| Government Services        | 96.5         | 90.3         | 6.9        | 96.5         | 95.0          | 1.6        |
| Commercial Card Single Use | 97.5         | 85.3         | 14.2       | 97.5         | 92.0          | 5.9        |
| Total AOF                  | <u>811.3</u> | <u>762.0</u> | <u>6.5</u> | <u>811.3</u> | <u>797.5</u>  | <u>1.7</u> |

\* Prepaid does not include Netspend accounts



# APPENDIX: Non-GAAP Items – Net Revenue, Adjusted EBITDA and Adjusted Diluted EPS

- Net revenue is defined as total revenues less reimbursable items (such as postage), as well as, merchant acquiring interchange and assessment fees charged by the card associations or payment networks that are recorded by TSYS as expense.
- Adjusted EBITDA is net income excluding equity in income of equity investments, interest expense (net of interest income), Income taxes, depreciation, amortization, client incentive/contract asset amortization, contract cost asset amortization, gains or losses on foreign currency translations, other nonoperating income or expenses, share-based compensation expenses, litigation, claims, judgments or settlements and TransFirst and Cayan merger & acquisition expenses.
- Adjusted diluted EPS is adjusted earnings divided by weighted average diluted shares outstanding used for diluted EPS calculations. Adjusted earnings is net income excluding the after-tax impact of share-based compensation expenses, amortization of acquisition intangibles, litigation, claims, judgments or settlements and TransFirst and Cayan merger & acquisition expenses.
- The Company believes that these non-GAAP financial measures it presents are useful to investors in evaluating the Company's operating performance for the following reasons:
  - adjusted EBITDA and adjusted diluted EPS are widely used by investors to measure a company's operating performance without regard to items, such as interest expense, income tax expense, depreciation and amortization, client incentive/contract asset amortization, contract cost asset amortization, merger and acquisition expenses and employee share-based compensation expense that can vary substantially from company to company depending upon their respective financing structures and accounting policies, the book values of their assets, their capital structures and the methods by which their assets were acquired; and
  - securities analysts use adjusted EBITDA and adjusted diluted EPS as supplemental measures to evaluate the overall operating performance of companies.
- By comparing the Company's adjusted EBITDA and adjusted diluted EPS in different historical periods, investors can evaluate the Company's operating results without the additional variations caused by employee share-based compensation expense, which may not be comparable from period to period due to changes in the fair market value of the Company's common stock (which is influenced by external factors like the volatility of public markets and the financial performance of the Company's peers) and is not a key measure of the Company's operations.
- The Company's management uses the non-GAAP financial measures:
  - as measures of operating performance, because they exclude the impact of significant items not directly resulting from the Company's core operations;
  - for planning purposes, including the preparation of the Company's annual operating budget;
  - to allocate resources to enhance the financial performance of the Company's business;
  - to evaluate the effectiveness of the Company's business strategies; and
  - in communications with the Company's board of directors concerning the Company's financial performance.

# APPENDIX: Non-GAAP Reconciliation – Net Revenue

(in thousands)

|  | Three Months Ended |                  |
|--|--------------------|------------------|
|  | <u>3/31/18</u>     | <u>3/31/17</u>   |
| Total revenues   | \$987,170          | \$1,184,725      |
| Less: reimbursable items,<br>interchange and payment<br>network fees | 51,673             | 351,833          |
| Net revenue  | <u>\$935,497</u>   | <u>\$832,892</u> |

# APPENDIX: Non-GAAP Reconciliation – Constant Currency Net Revenue

(in thousands)

|  | Three Months Ended |                  | Percentage Change |
|--|--------------------|------------------|-------------------|
|  | <u>3/31/18</u>     | <u>3/31/17</u>   |                   |
| <b>Consolidated:</b>                   |                    |                  |                   |
| Constant currency <sup>(1)</sup>       | \$925,030          | \$832,892        | 11.1%             |
| Foreign currency impact <sup>(2)</sup> | 10,467             | --               |                   |
| Net revenue                            | <u>\$935,497</u>   | <u>\$832,892</u> | 12.3%             |
| <b>Issuer solutions:</b>               |                    |                  |                   |
| Constant currency <sup>(1)</sup>       | \$413,070          | \$387,255        | 6.7%              |
| Foreign currency impact <sup>(2)</sup> | 10,504             | --               |                   |
| Segment net revenue                    | <u>\$423,574</u>   | <u>\$387,255</u> | 9.4%              |

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

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

# APPENDIX: Non-GAAP Reconciliation – Constant Currency Total Revenues

(in thousands)

|  | Three Months Ended      |                           | Percentage Change |
|--|-------------------------|---------------------------|-------------------|
|  | <u>3/31/18</u>          | <u>3/31/17</u>            |                   |
| <b>Consolidated:</b>                   |                         |                           |                   |
| Constant currency <sup>(1)</sup>       | \$975,982               | \$1,184,725               | (17.6%)           |
| Foreign currency impact <sup>(2)</sup> | 11,188                  | --                        |                   |
| <b>Total revenues</b>                  | <b><u>\$987,170</u></b> | <b><u>\$1,184,725</u></b> | <b>(16.7%)</b>    |
| <b>Issuer solutions:</b>               |                         |                           |                   |
| Constant currency <sup>(1)</sup>       | \$463,570               | \$437,117                 | 6.1%              |
| Foreign currency impact <sup>(2)</sup> | 11,225                  | --                        |                   |
| <b>Total revenues</b>                  | <b><u>\$474,795</u></b> | <b><u>\$437,117</u></b>   | <b>8.6%</b>       |

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

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

# APPENDIX: Non-GAAP Reconciliation – Adjusted EBITDA

(in thousands)

|   | Three Months Ended |             |
|---|--------------------|-------------|
|   | 3/31/18            | 3/31/17     |
| Net income (GAAP) (a)   | \$143,102          | \$107,107   |
| Adjust for:   |                    |             |
| Less: Equity in income of equity investments                      | (10,608)           | (12,909)    |
| Less: Income tax (benefit)/expense                                | 18,135             | 43,082      |
| Add: Interest expense, net  | 36,652             | 29,773      |
| Add: Depreciation and amortization <sup>(1)</sup>                 | 104,389            | 104,178     |
| Add: Client incentive/ contract asset amortization <sup>(1)</sup> | 6,874              | --          |
| Add: Contract cost asset amortization <sup>(1)</sup>              | 10,726             | --          |
| Less: Loss on foreign currency translations                       | 427                | 311         |
| Less: Other nonoperating (income)/ expenses                       | 562                | (181)       |
| Add: Share-based compensation                                     | 6,295              | 9,047       |
| Add: TransFirst and Cayan M&A expenses <sup>(2)</sup>             | 14,368             | 4,868       |
| Add: Litigation, claims, judgments or settlements                 | --                 | 1,961       |
| Adjusted EBITDA (non-GAAP) (b)                                    | \$330,922          | \$287,237   |
| Total revenues (c)  | \$987,170          | \$1,184,725 |
| Net income margin on total revenues (GAAP) (a)/(c)                | 14.5%              | 9.0%        |
| Net revenue (d)   | \$935,497          | \$832,982   |
| Adjusted EBITDA margin on net revenue (non-GAAP) (b)/(d)          | 35.4%              | 34.5%       |

(1) Client incentive/contract asset amortization and contract cost asset amortization are no longer included in depreciation and amortization due to the adoption of ASC 606 on January 1, 2018.

(2) Costs associated with the TransFirst and Cayan acquisitions and integrations are included in selling, general and administrative expenses.

# APPENDIX: Non-GAAP Reconciliation – Adjusted Diluted EPS

(in thousands, except per share data)

|   | Three Months Ended |           |
|---|--------------------|-----------|
|   | 3/31/18            | 3/31/17   |
| Net income attributable to TSYS common shareholders: (GAAP) (a)                                       | \$141,841          | \$105,868 |
| Adjust for:   |                    |           |
| Add: Acquisition intangible amortization  | 62,988             | 55,002    |
| Add: Share-based compensation   | 6,294              | 9,041     |
| Add: TransFirst and Cayan M&A expenses <sup>(1)</sup>   | 14,368             | 4,825     |
| Add: Litigation, claims, judgments and settlements  | --                 | 1,961     |
| Less: Tax impact of adjustments <sup>(2)</sup>  | (17,905)           | (24,432)  |
| Adjusted earnings (non-GAAP) (b)  | \$207,586          | \$152,265 |
| Weighted average diluted shares outstanding (c)   | 183,298            | 184,938   |
| Diluted EPS – Net income attributable to TSYS common shareholders (GAAP) (a) / (c)                    | \$0.77             | \$0.57    |
| Adjusted diluted EPS- Adjusted Earnings attributable to TSYS common shareholders (non-GAAP) (b) / (c) | \$1.13             | \$0.82    |

(1) Costs associated with the TransFirst and Cayan acquisitions and integrations are included in selling, general and administrative expenses and nonoperating expenses.

(2) Certain of these merger and acquisition costs are nondeductible for income tax purposes. Income tax impact includes a discrete item as a result of the acquisitions.

# 2018 REVISED GUIDANCE\*

(in millions, except per share data)

|   | Range <sup>(1)</sup> |    | Range<br>Percent Change |                |
|---|----------------------|----|-------------------------|----------------|
| Total revenues (GAAP)   | \$3,900              | to | \$4,000                 | (21%) to (19%) |
| Less: reimbursable items, interchange and payment network fees  | 200                  | to | 200                     |                |
| Net revenue (non-GAAP)  | \$3,700              | to | \$3,800                 | 9% to 12%      |
| Diluted EPS (GAAP)  | \$3.00               | to | \$3.10                  | (5%) to (2%)   |
| Acquisition intangible amortization, share-based compensation, litigation, claims, judgments or settlements and the TransFirst and Cayan M&A expenses, less the tax impact of adjustments | \$1.25               | to | \$1.25                  |                |
| Adjusted diluted EPS attributable to TSYS common shareholders (non-GAAP)  | \$4.25               | to | \$4.35                  | 26% to 29%     |
| Weighted average diluted shares outstanding   | 184                  |    |                         |                |

(1) The estimated impact of the adoption of ASC 606 in TSYS' 2018 Outlook is as follows: Total revenues (\$1,640) to (\$1,615), Net revenue (\$69) to (\$62), Diluted EPS and Adjusted diluted EPS (\$0.04) to (\$0.03). The most significant impact of adopting ASC 606 in 2018 is primarily the result of gross versus net presentation of interchange and payment network fees. In 2018, these fees collected on behalf of the payment networks and card issuers will be presented "net" of the amounts paid to them, as opposed to the "gross" presentation for certain of these fees in 2017.

(\* See guidance assumptions

# APPENDIX: 2018 Revised Guidance Assumptions

## The guidance assumes:

- There will be no significant movements in the London Interbank Offered Rate;
- There will be no additional significant movement in foreign currency exchange rates related to TSYS' business;
- TSYS will not incur significant expenses associated with the conversion of new large clients, additional acquisitions, or any significant impairment of goodwill or other intangibles;
- There will be no deconversions of large clients during the year other than as previously disclosed;
- There are no significant changes to our expectations regarding the impact of the Tax Cuts and Jobs Act, the implementation of ASC 606 or the acquisition of Cayan; and
- The economy will not worsen.
- Additionally, the impact of future share repurchases is not included.