

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

	Three Months Ended March 31,		
	2018	2017	Percent Change
Total revenues	\$ 987,170	1,184,725	(16.7) %
Cost of services	613,365	861,856	(28.8)
Selling, general and administrative expenses	185,534	155,686	19.2
Total expenses	<u>798,899</u>	<u>1,017,542</u>	(21.5)
Operating income	188,271	167,183	12.6
Nonoperating expenses	<u>(37,642)</u>	<u>(29,903)</u>	(25.9)
Income before income taxes and equity in income of equity investments	150,629	137,280	9.7
Income tax expense	18,135	43,082	(57.9)
Income before equity in income of equity investments	<u>132,494</u>	<u>94,198</u>	40.7
Equity in income of equity investments, net of tax	10,608	12,909	(17.8)
Net income	<u>143,102</u>	<u>107,107</u>	33.6
Net income attributable to noncontrolling interests	<u>(1,261)</u>	<u>(1,239)</u>	(1.8)
Net income attributable to TSYS common shareholders	<u>\$ 141,841</u>	<u>105,868</u>	34.0 %
Earnings per share (EPS):			
Basic EPS	<u>\$ 0.78</u>	<u>0.58</u>	35.7 %
Diluted EPS	<u>\$ 0.77</u>	<u>0.57</u>	35.2 %
Weighted average shares outstanding: (includes participating securities)			
Basic	<u>181,612</u>	<u>183,880</u>	
Diluted	<u>183,298</u>	<u>184,938</u>	
Dividends declared per share	<u>\$ 0.13</u>	<u>0.10</u>	30.0 %
<u>Non-GAAP measures:*</u>			
Net revenue	<u>\$ 935,497</u>	<u>832,892</u>	12.3 %
Adjusted EBITDA	<u>\$ 330,922</u>	<u>287,237</u>	15.2 %
Adjusted earnings	<u>\$ 207,586</u>	<u>152,265</u>	36.3 %
Adjusted diluted EPS	<u>\$ 1.13</u>	<u>0.82</u>	37.6 %

* See reconciliation of non-GAAP measures.

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TSYS Segment Breakdown (unaudited) (in thousands)					
Three Months Ended March 31,					
		2018	2017	Change	
				\$	%
Adjusted operating income by segment:					
Issuer Solutions (a)	\$	150,991	133,873	17,118	12.8 %
Merchant Solutions (b)		110,014	91,279	18,735	20.5
Netspend (c)		49,353	48,648	705	1.4
Corporate admin and other		(38,401)	(35,574)	(2,827)	(7.9)
Adjusted segment operating income (d)		271,957	238,226	33,731	14.2
Less:					
Share-based compensation		6,295	9,047	(2,752)	(30.4)
TransFirst and Cayan M&A and integration expenses		14,368	4,868	9,500	nm
Litigation, claims, judgments or settlements		-	1,961	(1,961)	(100.0)
Acquisition intangible amortization		63,023	55,167	7,856	14.2
Operating income		188,271	167,183	21,088	12.6
Nonoperating expenses		(37,642)	(29,903)	(7,739)	(25.9)
Income before income taxes and equity in income of equity investments	\$	150,629	137,280	13,349	9.7 %
Net revenue by segment:					
Issuer Solutions (e)	\$	423,574	387,255	36,319	9.4 %
Merchant Solutions (f)		317,403	260,561	56,842	21.8
Netspend (g)		210,489	197,465	13,024	6.6
Segment net revenue		951,466	845,281	106,185	12.6
Less: Intersegment revenues		15,969	12,389	3,580	28.9
Net revenue (h)		935,497	832,892	102,605	12.3
Add: reimbursable items, interchange and payment network fees		51,673	351,833	(300,160)	(85.3)
Total revenues	\$	987,170	1,184,725	(197,555)	(16.7) %
Adjusted segment operating margin on segment net revenue:					
Issuer Solutions (a)/(e)		35.6%	34.6%		
Merchant Solutions (b)/(f)		34.7%	35.0%		
Netspend (c)/(g)		23.4%	24.6%		
Adjusted segment operating margin on net revenue (d)/(h)		29.1%	28.6%		

nm = not meaningful

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TSYS Segment Breakdown (unaudited) (in thousands)				
Three Months Ended March 31,				
	2018	2017	Change	
			\$	%
Depreciation and amortization by segment:				
Issuer Solutions	\$ 28,331	36,853	(8,522)	(23.1) %
Merchant Solutions	7,825	7,022	803	11.4
Netspend	4,259	4,092	167	4.1
Depreciation and amortization	40,415	47,967	(7,552)	(15.7)
Acquisition intangible amortization	63,023	55,167	7,856	14.2
Corporate admin and other	951	1,044	(93)	(8.9)
Total depreciation and amortization*	\$ 104,389	104,178	211	0.2 %

*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

Segment statistical data:

Issuer Solutions

Total transactions (in millions)	5,547.9	4,876.6	671.3	13.8 %
Total Accounts on file (AOF) (in millions)	811.3	762.0	49.3	6.5 %
Total Traditional AOF (in millions)	578.6	532.3	46.3	8.7 %

Merchant Solutions

Point-of-sale transactions (in millions)	1,339.6	1,127.7	211.9	18.8 %
Dollar sales volume (in millions)	\$ 37,266.7	29,120.4	8,146.3	28.0 %
Segment net revenue per transaction	\$ 0.237	0.231	0.006	2.6 %

Netspend

Gross dollar volume (in millions)	\$ 9,690.0	9,607.2	82.8	0.9 %
Direct deposit 90-day active cards (in thousands)	2,669.9	2,854.0	(184.1)	(6.4) %
90-day active cards (in thousands)	5,225.5	5,147.4	78.1	1.5 %
% of 90-day active cards with direct deposit	51.1%	55.4%		

TSYS
Condensed Balance Sheet
(unaudited)
(in thousands)

	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 493,207	450,357
Accounts receivable, net	420,124	412,322
Contract assets	40,264	-
Other current assets	224,684	216,565
Total current assets	<u>1,178,279</u>	<u>1,079,244</u>
Goodwill	4,073,511	3,264,071
Software and other intangible assets, net	1,421,144	1,110,861
Property and equipment, net	360,111	325,218
Contract assets - long-term	40,419	-
Contract cost assets - long-term	295,859	285,235
Other long term assets	162,394	267,060
Total assets	<u>\$ 7,531,717</u>	<u>6,331,689</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 66,077	62,310
Current portion of long-term borrowings, capital leases and license agreements	815,564	565,812
Contract liabilities	56,880	52,913
Other current liabilities	279,349	308,057
Total current liabilities	<u>1,217,870</u>	<u>989,092</u>
Long-term borrowings, capital leases and license agreements, excluding current portion	3,326,536	2,628,002
Deferred income tax liabilities	370,869	238,317
Contract liabilities - long-term	21,925	48,526
Other long-term liabilities	73,943	71,070
Total liabilities	<u>5,011,143</u>	<u>3,975,007</u>
Redeemable noncontrolling interest	<u>126,000</u>	<u>115,689</u>
Equity	<u>2,394,574</u>	<u>2,240,993</u>
Total liabilities and equity	<u>\$ 7,531,717</u>	<u>6,331,689</u>

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

	Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities:		
Net income	\$ 143,102	107,107
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of equity investments, net of tax	(10,608)	(12,909)
Depreciation and amortization	104,389	104,178
Amortization of debt issuance costs	1,035	1,079
Share-based compensation	6,295	9,047
Deferred income tax expense	15,180	891
Other noncash adjustments	19,775	16,916
Changes in operating assets and liabilities	(67,275)	62,572
Net cash provided by operating activities	<u>211,893</u>	<u>288,881</u>
Purchases of property and equipment	(22,069)	(12,240)
Additions to licensed computer software from vendors	(13,827)	(5,162)
Additions to internally developed computer software	(10,340)	(7,355)
Additions to contract acquisition costs	-	(7,668)
Cash used in acquisitions, net of cash acquired	(1,036,853)	-
Other investing activities	(1,550)	(379)
Net cash used in investing activities	<u>(1,084,639)</u>	<u>(32,804)</u>
Principal payments on long-term borrowings, capital lease obligations and license agreements	(129,010)	(104,654)
Proceeds from long-term borrowings	1,040,000	-
Purchase of noncontrolling interests	-	(70,000)
Dividends paid on common stock	(23,496)	(18,333)
Proceeds from exercise of stock options	26,461	4,207
Repurchase of common stock	(24)	(17)
Other financing activities	(1)	(752)
Net cash provided by (used in) financing activities	<u>913,930</u>	<u>(189,549)</u>
Cash, cash equivalents and restricted cash:		
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1,684	1,578
Net increase in cash, cash equivalents and restricted cash	42,868	68,106
Cash, cash equivalents and restricted cash at beginning of period	451,370	425,810
Cash, cash equivalents and restricted cash at end of period	<u>\$ 494,238</u>	<u>493,916</u>
Supplemental		
Capital expenditures	\$ 46,236	32,425
Free cash flow (non-GAAP)*	<u>\$ 165,657</u>	<u>256,456</u>

* See reconciliation of non-GAAP measures.

Certain prior year amounts have changed due to the adoption of ASU 2016-18 "Statement of Cash Flows (Topic 230) : Restricted Cash," which requires that a statement of cash flows explain the change in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

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TSYS
Supplemental Information
(unaudited)

Other

AOF:

	Total Accounts on File		
	At March 2018	At March 2017	% Change
<i>(in millions)</i>			
Consumer	486.5	450.0	8.1
Commercial	55.2	50.0	10.6
Other	36.9	32.3	14.0
Traditional AOF	578.6	532.3	8.7
Prepaid*/Stored Value	38.7	54.1	(28.3)
Government Services	96.5	90.3	6.9
Commercial Card Single Use	97.5	85.3	14.2
Total AOF	811.3	762.0	6.5

* Prepaid does not include Netspend accounts.

Growth in Accounts on File (in millions) :

	March 2017 to March 2018	March 2016 to March 2017
Beginning balance	762.0	750.5
Change in accounts on file due to:		
Internal growth of existing clients	53.5	51.8
New clients	31.8	23.3
Purges/Sales	(34.9)	(16.6)
Deconversions	(1.1)	(47.0)
Ending balance	811.3	762.0

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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 first quarter 2018 financial results using the previous year's foreign currency exchange rates. On a constant currency basis, TSYS' total year-to-date revenues for the first quarter of 2018 were lower 17.6% as compared to a reported GAAP decrease of 16.7%.

The schedules below also provide a reconciliation of diluted EPS to adjusted diluted EPS.

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 2018 revised 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 and year 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 March 31,		
	2018	2017	Percent Change
<u>Consolidated</u>			
Constant currency (1)	\$ 975,982	1,184,725	(17.6) %
Foreign currency impact (2)	11,188	-	
Total revenues	<u>\$ 987,170</u>	<u>1,184,725</u>	(16.7) %
Constant currency (1)	\$ 925,030	832,892	11.1 %
Foreign currency impact (2)	10,467	-	
Net revenue	<u>\$ 935,497</u>	<u>832,892</u>	12.3 %
Constant currency (1)	\$ 184,885	167,183	10.6 %
Foreign currency impact (2)	3,386	-	
Operating income	<u>\$ 188,271</u>	<u>167,183</u>	12.6 %
<u>Issuer Solutions</u>			
Constant currency (1)	\$ 463,570	437,117	6.1 %
Foreign currency impact (2)	11,225	-	
Total revenues	<u>\$ 474,795</u>	<u>437,117</u>	8.6 %
Constant currency (1)	\$ 413,070	387,255	6.7 %
Foreign currency impact (2)	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.

Net Revenue (unaudited) (in thousands)			
	Three Months Ended March 31,		
	2018	2017	Percent Change
Total revenues	\$ 987,170	1,184,725	(16.7) %
Less: reimbursable items, interchange and payment network fees	51,673	351,833	(85.3)
Net revenue	<u>\$ 935,497</u>	<u>832,892</u>	12.3 %

Reconciliation of GAAP to Non-GAAP

Adjusted Diluted Earnings per Share (unaudited) <i>(in thousands, except per share data)</i>			
	Three Months Ended March 31,		
	2018	2017	Percent Change
Net income attributable to			
TSYS common shareholders (GAAP)	\$ 141,841	105,868	34.0 %
Adjust for amounts attributable to TSYS common shareholders:			
Add: Acquisition intangible amortization	\$ 62,988	55,002	14.5
Add: Share-based compensation	6,294	9,041	(30.4)
Add: TransFirst and Cayan M&A expenses*	14,368	4,825	nm
Add: Litigation, claims, judgments or settlements**	-	1,961	(100.0)
Less: Tax impact of adjustments***	(17,905)	(24,432)	26.7
Adjusted earnings (non-GAAP)	<u>\$ 207,586</u>	<u>152,265</u>	36.3 %
Diluted EPS - Net income attributable to			
TSYS common shareholders			
As reported (GAAP)	<u>\$ 0.77</u>	<u>0.57</u>	35.2 %
Adjusted diluted EPS (non-GAAP)	<u>\$ 1.13</u>	<u>0.82</u>	37.6 %
Weighted average diluted shares outstanding	<u>183,298</u>	<u>184,938</u>	

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

** Litigation settlement or settlement discussions and related legal expenses.

*** Certain of these merger and acquisition costs are nondeductible for income tax purposes. Income tax impact includes discrete items as a result of the acquisitions.

nm = not meaningful

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Reconciliation of GAAP to Non-GAAP

	Adjusted EBITDA (unaudited) (in thousands)		
	Three Months Ended March 31,		
	2018	2017	Percent Change
Net income (GAAP) (a)	\$ 143,102	107,107	33.6 %
Adjust for:			
Less: Equity in income of equity investments	(10,608)	(12,909)	17.8
Less: Income tax expense	18,135	43,082	(57.9)
Add: Interest expense, net	36,652	29,773	23.1
Add: Depreciation and amortization*	104,389	104,178	0.2
Add: Client incentive/contract asset amortization*	6,874	-	na
Add: Contract cost asset amortization*	10,726	-	na
Less: Loss on foreign currency translations	427	311	37.3
Less: Other nonoperating (income)/expenses	562	(181)	nm
Add: Share-based compensation	6,295	9,047	(30.4)
Add: TransFirst and Cayan M&A expenses**	14,368	4,868	nm
Add: Litigation, claims, judgments or settlements	-	1,961	(100.0)
Adjusted EBITDA (non-GAAP) (b)	<u>\$ 330,922</u>	<u>287,237</u>	15.2 %
Total revenues (c)	<u>\$ 987,170</u>	<u>1,184,725</u>	
Net income margin on total revenues (GAAP) (a)/(c)	<u>14.5%</u>	<u>9.0%</u>	
Net revenue (d)	<u>\$ 935,497</u>	<u>832,892</u>	
Adjusted EBITDA margin on net revenue (non-GAAP) (b)/(d)	<u>35.4%</u>	<u>34.5%</u>	

* 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.

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

nm = not meaningful

na = not applicable

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Reconciliation of GAAP to Non-GAAP

Free cash flow:	Free Cash Flow (unaudited) (in thousands)	
	Three Months Ended March 31,	
	2018	2017
Net cash provided by operating activities (GAAP)	\$ 211,893	288,881
Capital expenditures	(46,236)	(32,425)
Free cash flow (non-GAAP)	<u>\$ 165,657</u>	<u>256,456</u>

Revised Guidance Summary
(unaudited)
(in millions, except per share data)

Revenue:	2018 ⁽¹⁾		% Change	
Total revenues (GAAP)	\$ 3,900	to \$ 4,000	(21.0%)	to (19.0%)
Less: reimbursable items, interchange and payment network fees	200	to 200		
Net revenue (non-GAAP)	<u>\$ 3,700</u>	to <u>\$ 3,800</u>	9.0%	to 12.0%

Earnings per share (EPS):

Diluted EPS (GAAP)	\$ 3.00	to \$ 3.10	(5.0%)	to (2.0%)
Acquisition intangible amortization, share-based compensation, litigation, claims, judgments or settlements and for 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	26.0%	to 29.0%

* Weighted average diluted shares outstanding 184

(1) The estimated impact of the adoption of ASC 606 on TSYS' 2018 Outlook is as follows: Total revenues (\$1,640) to (\$1,615), Net revenue (\$69) to (\$62), Diluted EPS and Adjusted diluted EPS of (\$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.

TSYS
Impact of New Revenue Guidance on Financial Statement Line items
(unaudited)
(in thousands, except per share data)

	Three Months Ended March 31, 2018		
	As Reported	Balances Without Adoption of Topic 606	Effect of Change Higher/(Lower)
Total revenues	\$ 987,170	1,363,046	(375,876)
Total operating expenses	798,899	1,173,741	(374,842)
Operating income	\$ 188,271	189,305	(1,034)
Income taxes	\$ 18,135	18,371	(236)
Net income	\$ 143,102	143,900	(798)
Net income attributable to TSYS common shareholders	\$ 141,841	142,639	(798)
Earnings per share (EPS):			
Basic EPS*	\$ 0.78	0.79	(0.00)
Diluted EPS*	\$ 0.77	0.78	(0.00)

* EPS amounts may not total due to rounding.

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