

# 2017 FOURTH QUARTER

January 23, 2018



**TSYS**® PAYMENT PROVIDER SOLUTIONS | BUSINESS SOLUTIONS | CONSUMER SOLUTIONS

# 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 2016 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 2017	QTD 2016	Percent Change		YTD 2017	YTD 2016	Percent Change
\$1,273,289	\$1,132,224	12.5%	Total Revenues	\$4,927,965	\$4,170,077	18.2%
870,613	785,709	10.8	Net Revenue <sup>(1)</sup>	3,400,332	3,041,876	11.8
293,277	266,547	10.0	Adjusted EBITDA <sup>(1)</sup>	1,197,673	1,040,551	15.1
\$0.82	\$0.70	16.5	Adjusted Diluted EPS <sup>(1)</sup>	\$3.37	\$2.80	20.2

(1) Non-GAAP financial measure; See Appendix

# CONSOLIDATED HIGHLIGHTS

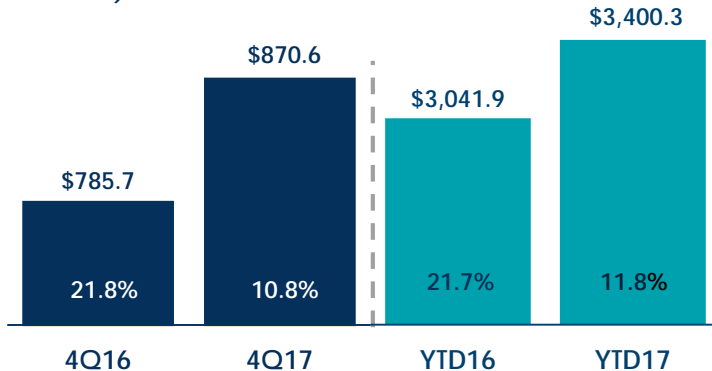
- Purchased 3.45 million shares for \$255.0 million
- Positively impacted by the Tax Cuts and Jobs Act
- Accelerated solid organic revenue growth

4th Quarter  
Net Revenue by Segment<sup>(1)(2)</sup>



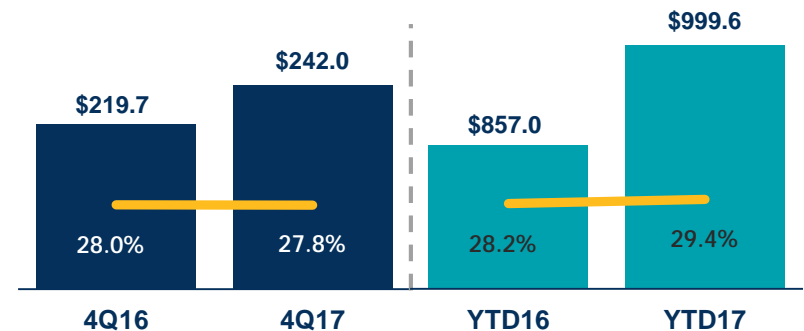
Consolidated Net Revenue<sup>(1)</sup>  
YOY Growth %

(\$ in millions)



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

(\$ in millions)



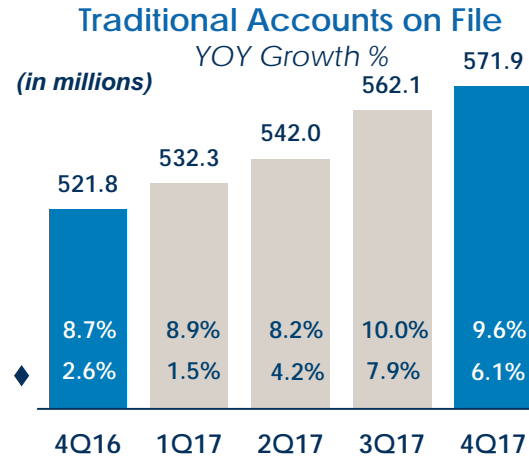
(1) Non-GAAP financial measure; See Appendix

(2) External revenue

(3) Net revenue

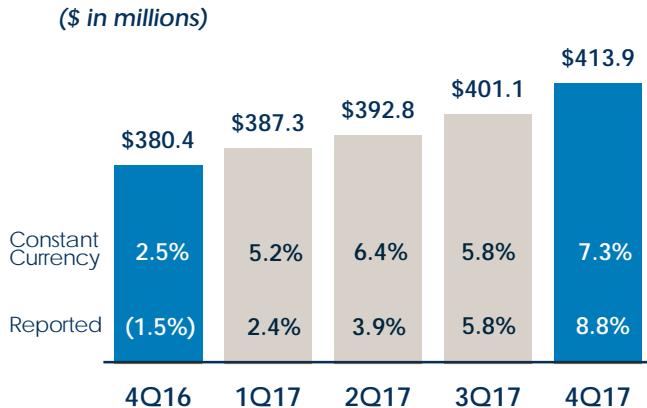
# ISSUER SOLUTIONS SEGMENT HIGHLIGHTS

- Record net revenue; 4 straight quarters
- Record traditional accounts; 9 straight quarters of growth
- Record transaction volumes; 3 straight quarters
- Signed long-term contract extension with Capital One

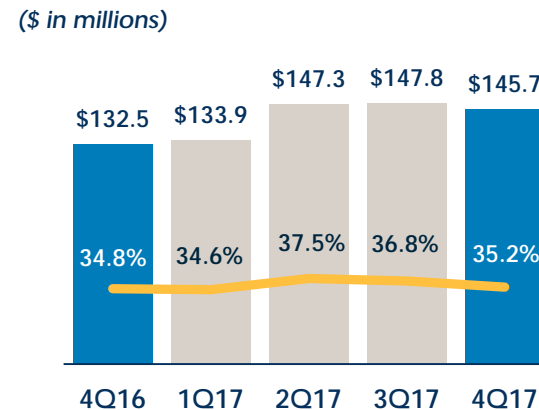


(◆) Growth Including Prepaid, Government Services and Single Use Accounts

**Segment Net Revenue**  
 YOY Growth %



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



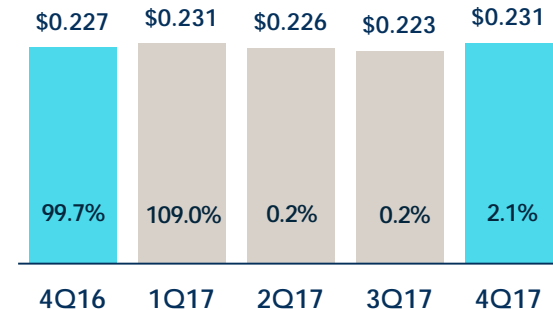
(1) Segment Net Revenue



# MERCHANT SOLUTIONS SEGMENT HIGHLIGHTS

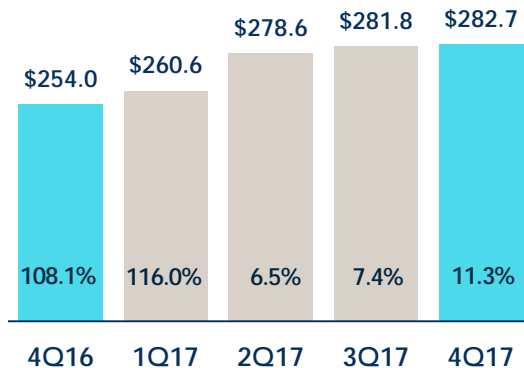
- Announced acquisition of Cayan
- Record net revenue
- Sequentially improving revenue growth focused on fast growing SMB

Segment Net Revenue per Transaction  
YOY Growth %



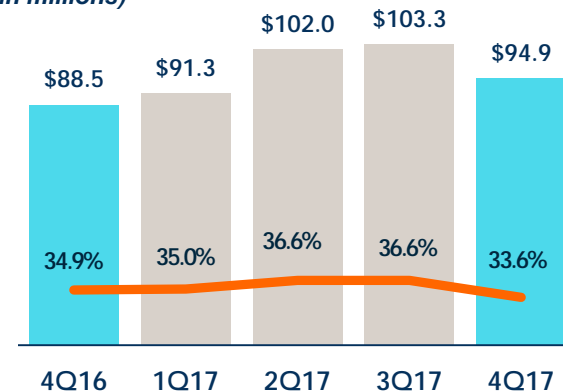
Segment Net Revenue  
YOY Growth %

(\$ in millions)



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

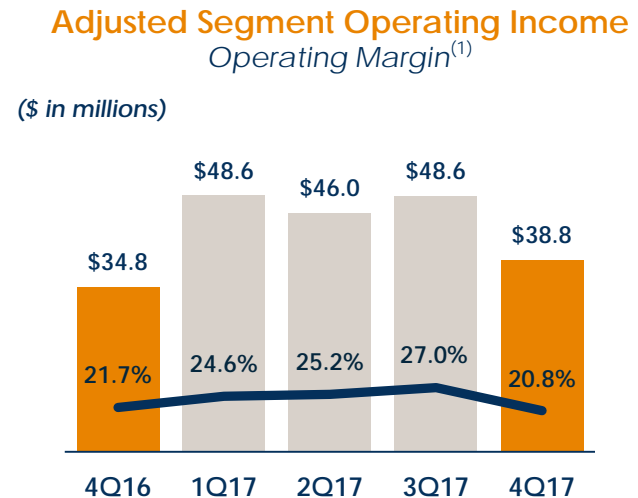
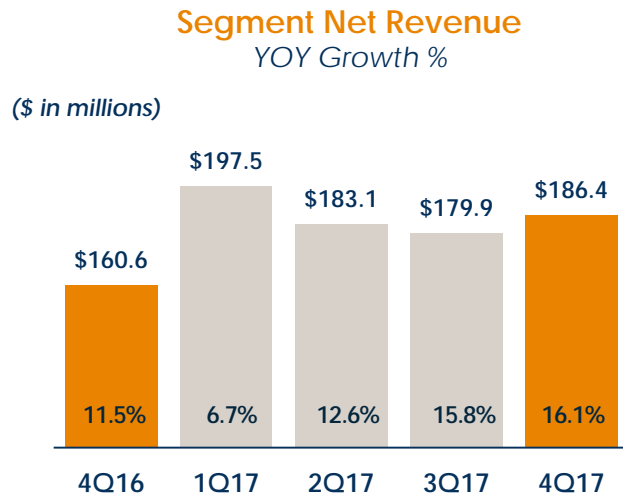
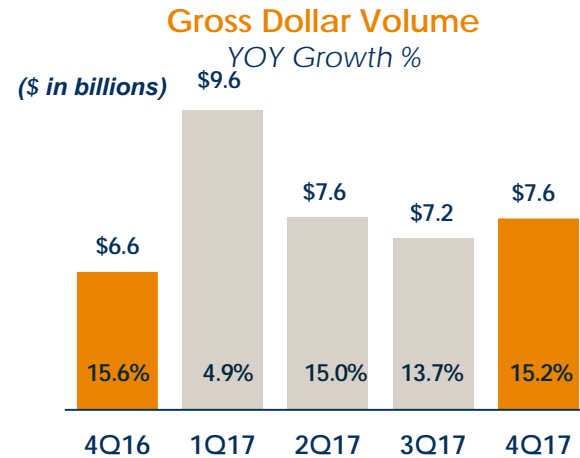
(\$ in millions)



(1) Segment Net Revenue

# NETSPEND SEGMENT HIGHLIGHTS

- Extended several key distribution agreements
- Over \$32 billion of Gross Dollar Volume in 2017
- Continued strong net revenue growth



(1) Segment Net Revenue

# SEGMENT OPERATING MARGIN AND ADJUSTED OPERATING MARGIN

Three Months Ended December 31, 2017

	Adjusted Segment Operating Income	Segment Net Revenue	Adjusted Segment Operating Margin
<i>(in thousands)</i>			
Issuer Solutions	\$145,671	\$413,869	35.2%
Merchant Solutions	94,915	282,714	33.6%
Netspend	38,831	186,422	20.8%
Intersegment	--	(12,392)	
Corporate administration excluding share-based compensation	(37,395)	--	
<b>Total</b>	<b>\$242,022</b>	<b>\$870,613</b>	<b>27.8%</b>

# SEGMENT OPERATING MARGIN AND ADJUSTED OPERATING MARGIN

Twelve Months Ended December 31, 2017

	Adjusted Segment Operating Income	Segment Net Revenue	Adjusted Segment Operating Margin
<i>(in thousands)</i>			
Issuer Solutions	\$574,580	\$1,594,959	36.0%
Merchant Solutions	391,466	1,103,682	35.5%
Netspend	182,082	746,870	24.4%
Intersegment	--	(45,179)	
Corporate administration excluding share-based compensation	(148,564)	--	
<b>Total</b>	<b>\$999,564</b>	<b>\$3,400,332</b>	<b>29.4%</b>

# 2018 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 Percent Change		
Total revenues (GAAP)	\$3,850	to	\$3,950	(22%)	to	(20%)
Net revenue <sup>(2)</sup> (non-GAAP)	\$3,650	to	\$3,750	7%	to	10%
Diluted EPS (GAAP)	\$2.85	to	\$2.95	(10%)	to	(7%)
Adjusted diluted EPS attributable to TSYS common shareholders <sup>(2)</sup> (non-GAAP)	\$4.10	to	\$4.20	22%	to	25%
Weighted average diluted shares outstanding	184					

(1) The estimated impact of adopting ASC 606 in TSYS' 2018 Outlook is as follows: Total revenues (\$1,600) to (\$1,575), Net revenue (\$62) to (\$69), 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>	December 2017	December 2016	% Change	December 2017	September 2017	% Change
Consumer	481.3	442.9	8.7	481.3	474.7	1.4
Commercial	54.2	47.9	13.2	54.2	52.8	2.7
Other	36.4	31.0	17.4	36.4	34.6	5.3
Traditional AOF	571.9	521.8	9.6	571.9	562.1	1.7
Prepaid*/Stored Value	38.6	57.8	(33.3)	38.6	50.6	(23.8)
Government Services	95.0	88.7	7.2	95.0	92.1	3.2
Commercial Card Single Use	92.0	83.2	10.7	92.0	92.5	(0.5)
Total AOF	<u>797.5</u>	<u>751.5</u>	<u>6.1</u>	<u>797.5</u>	<u>797.3</u>	<u>0.0</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, 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, 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 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			Twelve Months Ended	
<u>12/31/17</u>	<u>12/31/16</u>		<u>12/31/17</u>	<u>12/31/16</u>
\$1,273,289	\$1,132,224	Total revenues	\$4,927,965	\$4,170,077
402,676	346,515	Less: reimbursable items, interchange and payment network fees	1,527,633	1,128,201
<u>\$870,613</u>	<u>\$785,709</u>	Net revenue	<u>\$3,400,332</u>	<u>\$3,041,876</u>

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

(in thousands)	Three Months Ended		Percentage Change	Twelve Months Ended		Percentage Change
	<u>12/31/17</u>	<u>12/31/16</u>		<u>12/31/17</u>	<u>12/31/16</u>	
<b>Consolidated:</b>						
Constant currency <sup>(1)</sup>	\$865,131	\$785,709	10.1%	\$3,414,749	\$3,041,876	12.3%
Foreign currency impact <sup>(2)</sup>	5,482	--		(14,417)	--	
Net revenue	<u>\$870,613</u>	<u>\$785,709</u>	10.8%	<u>\$3,400,332</u>	<u>\$3,041,876</u>	11.8%
<b>Issuer solutions:</b>						
Constant currency <sup>(1)</sup>	\$408,353	\$380,446	7.3%	\$1,609,285	\$1,515,462	6.2%
Foreign currency impact <sup>(2)</sup>	5,516	--		(14,326)	--	
Segment net revenue	<u>\$413,869</u>	<u>\$380,446</u>	8.8%	<u>\$1,594,959</u>	<u>\$1,515,462</u>	5.2%

(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

<i>(in thousands)</i>	Three Months Ended		Percentage Change	Twelve Months Ended		Percentage Change
	<u>12/31/17</u>	<u>12/31/16</u>		<u>12/31/17</u>	<u>12/31/16</u>	
<b>Consolidated:</b>						
Constant currency <sup>(1)</sup>	\$1,267,420	\$1,132,224	11.9%	\$4,943,433	\$4,170,077	18.5%
Foreign currency impact <sup>(2)</sup>	5,869	--		(15,468)	--	
<b>Total revenues</b>	<b><u>\$1,273,289</u></b>	<b><u>\$1,132,224</u></b>	<b>12.5%</b>	<b><u>\$4,927,965</u></b>	<b><u>\$4,170,077</u></b>	<b>18.2%</b>
<b>Issuer solutions:</b>						
Constant currency <sup>(1)</sup>	\$461,735	\$430,555	7.2%	\$1,816,232	\$1,719,211	5.6%
Foreign currency impact <sup>(2)</sup>	5,903	--		(15,378)	--	
<b>Total revenues</b>	<b><u>\$467,638</u></b>	<b><u>\$430,555</u></b>	<b>8.6%</b>	<b><u>\$1,800,854</u></b>	<b><u>\$1,719,211</u></b>	<b>4.7%</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		Twelve Months Ended	
	12/31/17	12/31/16	12/31/17	12/31/16
Net income (GAAP) (a)	\$243,871	\$74,375	\$592,216	\$325,972
Adjust for:				
Less: Equity in income of equity investments	(9,613)	(7,162)	(40,532)	(26,115)
Less: Income tax (benefit)/expense	(88,039)	33,209	65,878	161,175
Add: Interest expense, net	28,217	29,823	116,028	113,523
Add: Depreciation and amortization	102,085	102,077	405,906	373,546
Less: (Gain)/loss on Foreign currency translations	(343)	(84)	907	(1,748)
Less: Other nonoperating (income)/ expenses	(172)	386	(453)	575
Add: Share-based compensation	13,946	9,937	42,409	43,728
Add: TransFirst and Cayan M&A expenses <sup>(1)</sup>	3,282	2,267	13,367	28,176
Add: Litigation, claims, judgments or settlements	43	21,719	1,947	21,719
<b>Adjusted EBITDA (non-GAAP) (b)</b>	<b>\$293,277</b>	<b>\$266,547</b>	<b>\$1,197,673</b>	<b>\$1,040,551</b>
Total revenues (c)	\$1,273,289	\$1,132,224	\$4,927,965	\$4,170,077
Net income margin on total revenues (GAAP) (a)/(c)	19.2%	6.6%	12.0%	7.8%
Net revenue (d)	\$870,613	\$785,709	\$3,400,332	\$3,041,876
<b>Adjusted EBITDA margin on net revenue (non-GAAP) (b)/(d)</b>	<b>33.7%</b>	<b>33.9%</b>	<b>35.2%</b>	<b>34.2%</b>

(1) Costs associated with the TransFirst and Cayan acquisition and integration that are both included in selling, general and administrative expenses.

# APPENDIX: Non-GAAP Reconciliation – Adjusted Diluted EPS

(in thousands, except per share data)

	Three Months Ended		Twelve Months Ended	
	12/31/17	12/31/16	12/31/17	12/31/16
Net income attributable to TSYS common shareholders: (GAAP) (a)	\$242,208	\$73,950	\$586,185	\$319,638
Adjust for:				
Add: Acquisition intangible amortization	50,683	54,967	207,172	188,887
Add: Share-based compensation	13,944	9,925	42,399	43,691
Add: TransFirst and Cayan M&A expenses <sup>(1)</sup>	3,281	2,268	13,306	37,957
Add: Litigation, claims, judgments and settlements	43	19,913	1,947	19,913
Less: Tax impact of adjustments <sup>(2)</sup>	(23,252)	(31,403)	(90,955)	(93,667)
Less: Impact of Tax Cuts and Jobs Act <sup>(3)</sup>	(135,871)	--	(135,871)	--
Adjusted earnings (non-GAAP) (b)	\$151,036	\$129,620	\$624,183	\$516,419
Weighted average diluted shares outstanding (c)	184,639	184,533	185,430	184,448
Diluted EPS – Net income attributable to TSYS common shareholders (GAAP) (a) / (c)	\$1.31	\$0.40	\$3.16	\$1.73
Adjusted diluted EPS- Net income attributable to TSYS common shareholders (non-GAAP) (b) / (c)	\$0.82	\$0.70	\$3.37	\$2.80

(1) Costs associated with the TransFirst and Cayan acquisition and integration that are both 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.

(3) On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act (the "Tax Act"). Based on its preliminary analysis of the Tax Act, including the reduction in the federal corporate income tax rate, TSYS estimates that it will receive an additional, non-recurring income tax benefit of approximately \$135.9 million due to the reduction of certain deferred tax liabilities and the repatriation of foreign earnings as a result of the Tax Act.

# 2018 GUIDANCE\*

(in millions, except per share data)

	Range <sup>(1)</sup>			Range Percent Change		
Total revenues (GAAP)	\$3,850	To	\$3,950	(22%)	to	(20%)
Less: reimbursable items, interchange and payment network fees	200	To	200			
Net revenue (non-GAAP)	\$3,650	to	\$3,750	7%	to	10%
Diluted EPS (GAAP)	\$2.85	To	\$2.95	(10%)	to	(7%)
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)	\$4.10	to	\$4.20	22%	to	25%
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 (\$1,600) to (\$1,575), Net revenue (\$62) to (\$69), 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 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.