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

	Three Months Ended March 31,		Percent Change
	2019	2018	
Total revenues	\$ 1,034,531	987,170	4.8 %
Cost of services	632,212	613,365	3.1
Selling, general and administrative expenses	179,049	185,534	(3.5)
Total expenses	811,261	798,899	1.5
Operating income	223,270	188,271	18.6
Nonoperating expenses	(42,991)	(37,642)	(14.2)
Income before income taxes and equity in income of equity investments	180,279	150,629	19.7
Income tax expense	29,899	18,135	64.9
Income before equity in income of equity investments	150,380	132,494	13.5
Equity in income of equity investments, net of tax	11,227	10,608	5.8
Net income	161,607	143,102	12.9
Net income attributable to noncontrolling interests	-	(1,261)	100.0
Net income attributable to TSYS common shareholders	\$ 161,607	141,841	13.9 %
Earnings per share (EPS):			
Basic EPS	\$ 0.91	0.78	16.0 %
Diluted EPS	\$ 0.90	0.77	16.1 %
Weighted average shares outstanding: (includes participating securities)			
Basic	178,435	181,612	
Diluted	179,886	183,298	
Dividends declared per share	\$ 0.13	0.13	
<u>Non-GAAP measures:</u> *			
Net revenue	\$ 980,270	935,497	4.8 %
Adjusted EBITDA	\$ 357,287	330,922	8.0 %
Adjusted earnings	\$ 215,446	207,586	3.8 %
Adjusted diluted EPS	\$ 1.20	1.13	5.8 %

* See reconciliation of non-GAAP measures.

TSYS Segment Breakdown (unaudited) (in thousands)				
	Three Months Ended March 31,			
	2019	2018	Change	
			\$	%
Adjusted segment EBITDA:				
Issuer Solutions (a)	\$ 204,934	195,764	9,170	4.7 %
Merchant Solutions (b)	128,836	118,940	9,896	8.3
Consumer Solutions (c)	63,693	53,667	10,026	18.7
Corporate admin and other	(40,176)	(37,449)	(2,727)	(7.3)
Total (d)	<u>357,287</u>	<u>330,922</u>	<u>26,365</u>	<u>8.0</u>
Less:				
Share-based compensation	10,714	6,295	4,419	70.2
Cayan and TransFirst M&A and integration expenses	3,710	14,368	(10,658)	(74.2)
Depreciation and amortization	103,710	104,389	(679)	(0.7)
Client incentive/contract cost amortization	8,038	6,874	1,164	16.9
Contract cost asset amortization	7,845	10,726	(2,881)	(26.9)
Operating income	<u>223,270</u>	<u>188,270</u>	<u>35,000</u>	<u>18.6</u>
Nonoperating expenses	<u>(42,991)</u>	<u>(37,641)</u>	<u>(5,350)</u>	<u>(14.2)</u>
Income before income taxes and equity in income of equity investments	<u>\$ 180,279</u>	<u>150,629</u>	<u>29,650</u>	<u>19.7 %</u>
Net revenue by segment:				
Issuer Solutions (e)	\$ 433,473	423,574	9,899	2.3 %
Merchant Solutions (f)	342,956	317,403	25,553	8.1
Consumer Solutions (g)	219,178	210,489	8,689	4.1
Segment net revenue	<u>995,607</u>	<u>951,466</u>	<u>44,141</u>	<u>4.6</u>
Less: Intersegment revenues	<u>15,337</u>	<u>15,969</u>	<u>(632)</u>	<u>(4.0)</u>
Net revenue (h)	<u>980,270</u>	<u>935,497</u>	<u>44,773</u>	<u>4.8</u>
Add: reimbursable items	<u>54,261</u>	<u>51,673</u>	<u>2,588</u>	<u>5.0</u>
Total revenues	<u>\$ 1,034,531</u>	<u>987,170</u>	<u>47,361</u>	<u>4.8 %</u>
Adjusted segment EBITDA margin on segment net revenue:				
Issuer Solutions (a)/(e)	<u>47.3%</u>	<u>46.2%</u>		
Merchant Solutions (b)/(f)	<u>37.6%</u>	<u>37.5%</u>		
Consumer Solutions (c)/(g)	<u>29.1%</u>	<u>25.5%</u>		
Adjusted EBITDA margin on net revenue (d)/(h)	<u>36.4%</u>	<u>35.4%</u>		

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TSYS Segment Breakdown (unaudited) (in thousands)				
Three Months Ended March 31,				
	2019	2018	Change	
			\$	%
Depreciation and amortization by segment:				
Issuer Solutions	\$ 35,167	28,331	6,836	24.1 %
Merchant Solutions	7,682	7,825	(143)	(1.8)
Consumer Solutions	4,416	4,259	157	3.7
Depreciation and amortization	47,265	40,415	6,850	16.9
Acquisition intangible amortization	54,957	63,023	(8,066)	(12.8)
Corporate admin and other	1,488	951	537	56.5
Total depreciation and amortization	\$ 103,710	104,389	(679)	(0.7) %

Segment statistical data:Issuer Solutions

Total transactions (in millions)	5,948.9	5,547.9	401.0	7.2 %
Total Accounts on File (AOF) (in millions)	756.0	811.3	(55.3)	(6.8) %
Total Traditional AOF (in millions)	628.2	578.6	49.6	8.6 %

Merchant Solutions

Point-of-sale transactions (in millions)	1,524.3	1,339.6	184.7	13.8 %
Dollar sales volume (in millions)	\$ 40,241.6	37,266.7	2,974.9	8.0 %
Segment net revenue per transaction	\$ 0.225	0.237	(0.012)	(5.1) %

Consumer Solutions

Gross dollar volume (in millions)	\$ 10,053.5	9,690.0	363.5	3.8 %
Direct deposit 90-day active cards (in thousands)	2,681.5	2,669.9	11.6	0.4 %
90-day active cards (in thousands)	5,226.9	5,225.5	1.4	0.0 %
% of 90-day active cards with direct deposit	51.3%	51.1%		

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TSYS
Condensed Balance Sheet
(unaudited)
(in thousands)

	March 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 494,646	471,156
Accounts receivable, net	490,045	450,322
Contract assets	44,473	30,950
Other current assets	200,229	188,355
Total current assets	<u>1,229,393</u>	<u>1,140,783</u>
Goodwill	4,115,380	4,114,838
Software and other intangible assets, net	1,288,454	1,331,238
Property and equipment, net	385,400	383,074
Operating lease right-of-use assets, net	206,239	-
Contract assets - long-term	53,865	47,839
Contract cost assets - long-term	147,342	145,598
Other long term assets	348,059	305,339
Total assets	<u>\$ 7,774,132</u>	<u>7,468,709</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 73,061	97,956
Current portion of long-term borrowings, finance leases and license agreements	38,710	29,125
Current portion of operating lease liabilities	49,469	-
Contract liabilities	54,581	47,227
Other current liabilities	349,556	341,293
Total current liabilities	<u>565,377</u>	<u>515,601</u>
Long-term borrowings, finance leases and license agreements, excluding current portion	4,180,733	3,889,541
Long-term operating lease liabilities, excluding current portion	168,505	-
Deferred income tax liabilities	409,706	380,278
Contract liabilities - long-term	23,805	21,489
Other long-term liabilities	73,246	75,894
Total liabilities	<u>5,421,372</u>	<u>4,882,803</u>
Equity	<u>2,352,760</u>	<u>2,585,906</u>
Total liabilities and equity	<u>\$ 7,774,132</u>	<u>7,468,709</u>

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

	Three Months Ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 161,607	143,102
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of equity investments, net of tax	(11,227)	(10,608)
Depreciation and amortization	103,710	104,389
Amortization of debt issuance costs	1,322	1,035
Amortization of operating lease right-of-use assets	12,654	-
Share-based compensation	10,714	6,295
Deferred income tax expense	27,745	15,180
Other noncash adjustments	17,158	19,775
Changes in operating assets and liabilities	(96,094)	(67,275)
Net cash provided by operating activities	227,589	211,893
Purchases of property and equipment	(19,396)	(22,069)
Additions to licensed computer software from vendors	(48,628)	(13,827)
Additions to internally developed computer software	(12,405)	(10,340)
Cash used in acquisitions, net of cash acquired	-	(1,036,853)
Other investing activities	(2,350)	(1,550)
Net cash used in investing activities	(82,779)	(1,084,639)
Principal payments on long-term borrowings, finance lease obligations and license agreements	(157,324)	(129,010)
Proceeds from long-term borrowings	450,000	1,040,000
Dividends paid on common stock	(23,456)	(23,496)
Proceeds from exercise of stock options	6,466	26,461
Repurchase of common stock	(400,013)	(24)
Other financing activities	-	(1)
Net cash (used in) provided by financing activities	(124,327)	913,930
Cash, cash equivalents and restricted cash:		
Effect of exchange rate changes on cash, cash equivalents and restricted cash	2,049	1,684
Net increase in cash, cash equivalents and restricted cash	22,532	42,868
Cash, cash equivalents and restricted cash at beginning of period	474,279	451,370
Cash, cash equivalents and restricted cash at end of period	\$ 496,811	\$ 494,238
Supplemental		
Capital expenditures	\$ 80,429	46,236
Free cash flow (non-GAAP)*	\$ 147,160	165,657

* 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 March 2019	At March 2018	Percent Change
Consumer	523.0	486.5	7.5 %
Commercial	60.2	55.2	8.9
Other	45.0	36.9	22.2
Traditional AOF	628.2	578.6	8.6
Prepaid*/Stored Value	11.5	38.7	(70.3)
Commercial Card Single Use	116.3	97.5	19.3
Government Services	-	96.5	(100.0)
Total AOF	<u>756.0</u>	<u>811.3</u>	(6.8) %

* Prepaid does not include Consumer Solutions accounts.

Growth in AOF:

<i>(in millions)</i>	March 2018 to March 2019	March 2017 to March 2018
Beginning balance	811.3	762.0
Change in accounts on file due to:		
Internal growth of existing clients	57.2	53.5
New clients	29.2	31.8
Purges/Sales	(24.0)	(34.9)
Deconversions	(117.7)	(1.1)
Ending balance	<u>756.0</u>	<u>811.3</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 first quarter 2019 financial results using the previous year's foreign currency exchange rates. On a constant currency basis, TSYS' total revenues for the first quarter of 2019 were higher 5.6% as compared to a reported GAAP increase of 4.8%.

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

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 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 March 31,		
	2019	2018	Percent Change
<u>Consolidated</u>			
Total revenues (GAAP)	\$ 1,034,531	987,170	4.8 %
Foreign currency impact ⁽¹⁾	8,270	-	
Constant currency ⁽²⁾ (non-GAAP)	<u>\$ 1,042,801</u>	<u>987,170</u>	5.6 %
Net revenue (non-GAAP)	\$ 980,270	935,497	4.8 %
Foreign currency impact ⁽¹⁾	7,706	-	
Constant currency ⁽²⁾ (non-GAAP)	<u>\$ 987,976</u>	<u>935,497</u>	5.6 %
Operating income (GAAP)	\$ 223,270	188,271	18.6 %
Foreign currency impact ⁽¹⁾	1,897	-	
Constant currency ⁽²⁾ (non-GAAP)	<u>\$ 225,167</u>	<u>188,271</u>	19.6 %
<u>Issuer Solutions</u>			
Segment net revenue (GAAP)	\$ 433,473	423,574	2.3 %
Foreign currency impact ⁽¹⁾	7,847	-	
Constant currency ⁽²⁾ (non-GAAP)	<u>\$ 441,320</u>	<u>423,574</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 March 31,		
	2019	2018	Percent Change
Total revenues	\$ 1,034,531	987,170	4.8 %
Less: reimbursable items	54,261	51,673	5.0
Net revenue	<u>\$ 980,270</u>	<u>935,497</u>	4.8 %

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,		
	2019	2018	Percent Change
Net income attributable to			
TSYS common shareholders (GAAP)	\$ 161,607	141,841	13.9 %
Adjust for amounts attributable to TSYS common shareholders:			
Add: Acquisition intangible amortization	54,957	62,988	(12.8)
Add: Share-based compensation	10,714	6,294	70.2
Add: Cayan and TransFirst M&A and integration expenses*	3,710	14,368	(74.2)
Less: Tax impact of adjustments**	(15,542)	(17,905)	13.2
Adjusted earnings (non-GAAP)	<u>\$ 215,446</u>	<u>207,586</u>	3.8 %
Diluted EPS - Net income attributable to			
TSYS common shareholders			
As reported (GAAP)	<u>\$ 0.90</u>	<u>0.77</u>	16.1 %
Adjusted diluted EPS (non-GAAP)	<u>\$ 1.20</u>	<u>1.13</u>	5.8 %
Weighted average diluted shares outstanding	<u>179,886</u>	<u>183,298</u>	

* Costs associated with the Cayan and TransFirst 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.

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Reconciliation of GAAP to Non-GAAP

	Adjusted EBITDA (unaudited) (in thousands)		
	Three Months Ended March 31,		
	2019	2018	Percent Change
Net income (GAAP) (a)	\$ 161,607	143,102	12.9 %
Adjust for:			
Less: Equity in income of equity investments	(11,227)	(10,608)	(5.8)
Add: Income tax expense	29,899	18,135	64.9
Add: Interest expense, net	42,769	36,652	16.7
Add: Depreciation and amortization	103,710	104,389	(0.7)
Add: Client incentive/contract asset amortization	8,038	6,874	16.9
Add: Contract cost asset amortization	7,845	10,726	(26.9)
Add: Loss on foreign currency translations	1,138	427	nm
Less/Add: Other nonoperating (income)/expenses	(916)	562	nm
Add: Share-based compensation	10,714	6,295	70.2
Add: Cayan and TransFirst M&A and integration expenses*	3,710	14,368	(74.2)
Adjusted EBITDA (non-GAAP) (b)	<u>\$ 357,287</u>	<u>330,922</u>	8.0 %
Total revenues (c)	<u>\$ 1,034,531</u>	<u>987,170</u>	4.8 %
Net income margin on total revenues (GAAP) (a)/(c)	<u>15.6%</u>	<u>14.5%</u>	
Net revenue (d)	<u>\$ 980,270</u>	<u>935,497</u>	4.8 %
Adjusted EBITDA margin on net revenue (non-GAAP) (b)/(d)	<u>36.4%</u>	<u>35.4%</u>	

* Costs associated with the Cayan and TransFirst 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:	Free Cash Flow (unaudited) (in thousands)	
	Three Months Ended March 31,	
	2019	2018
Net cash provided by operating activities (GAAP)	\$ 227,589	211,893
Capital expenditures	(80,429)	(46,236)
Free cash flow (non-GAAP)	<u>\$ 147,160</u>	<u>165,657</u>

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

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 Cayan and TransFirst 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%